



WASHINGTON
HEALTH CARE FACILITIES

AUTHORITY

Financing the Health Care Future

**Washington Health Care Facilities Authority
Special Board Meeting
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Thursday, August 10, 2017 Meeting Minutes**

Board Members

Governor
Jay Inslee
Chair

Governor's Designee
David Schumacher

Lieutenant Governor
Cyrus Habib

Insurance Commissioner
Mike Kreidler

Insurance Commissioner's
Designee
Toni Hood

Secretary
Department of Health
John Wiesman

Public Member
Steven R. Jacobs

Executive Director
Donna A. Murr

A special meeting was held at the office of the Washington Health Care Facilities Authority. Meeting notices were mailed to all members of the Authority, to all persons who requested such meeting notice, and to those members of the media presently on the mailing list for receiving meeting notices of the Washington Health Care Facilities Authority.

Members Present:

Jim Crawford, Governor's Designee, Member, by conference speakerphone
Lieutenant Governor Cyrus Habib, Member, by conference speakerphone
AnnaLisa Gellermann, Insurance Commissioner's Designee/Chair, by conference speakerphone

Authority Staff Present:

Donna Murr, Executive Director
Shannon Govia, Assistant Executive Director
Danni Miller, Executive Assistant/Office Manager

Others Present:

Matt Swafford, Authority Financial Advisor, Melio & Company, by conference speakerphone
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
Tor Jernudd, Authority Assistant Attorney General, Office of the Attorney General
Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S., by conference speakerphone
Brandon Pond, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S., by conference speakerphone
Mayling Leong, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone
Libby Hollingshead, Deputy Chief of Staff, Office of Lieutenant Governor Cyrus Habib, by conference speakerphone
Craig Goodrich, Virginia Mason Medical Center, by conference speakerphone
Sarah Tallon, Virginia Mason Medical Center, by conference speakerphone
Steve Sohn, Wells Fargo, by conference speakerphone

Ms. Gellermann called the meeting to order at 10:11 a.m. after noting a quorum was present consisting of herself, Lt. Governor Habib, and Mr. Jim Crawford.

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Review, discussion and possible action regarding the Minutes of July 20, 2017.

After discussion and upon motion by Lt. Governor Habib and seconded by Mr. Crawford, the minutes of the July 20, 2017 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2017-08 approving the application for financial assistance and authorizing the issuance and sale of bonds for Virginia Mason Medical Center.

Ms. Murr summarized Resolution No. 2017-03, which, if adopted, would approve the application for financial assistance submitted by Virginia Mason Medical Center (“Virginia Mason”) in the amount of not-to-exceed \$350,000,000.

Virginia Mason, located in Seattle, Washington, is an integrated healthcare organization that includes a multi-specialty medical group practice of approximately 422 full-time physicians, 336-bed acute care teaching hospital, 35 bed skilled nursing facility and various primary and specialty care facilities. Proceeds of the loan will be used to refund on a current basis all of the outstanding Series 1997B, 2007A, 2007B and 2007C Bonds and pay the costs of issuance. This financing will be a fixed rate public sale underwritten by Wells Fargo Securities, serving as senior managing underwriter. Bank of America Merrill Lynch and Piper Jaffray will serve as co-managers. The primary security is a Master Note Obligation and funds held by the bond trustee. A Certificate of Need is not required per the Department of Health. Feasibility is on the investment grade rating of Virginia Mason, currently BBB by S&P and Baa2 by Moody’s. A TEFRA hearing was held on June 21, 2017. No individuals testified for or against the project. The interest rate and loan terms will be determined at pricing. The bond trustee will be U.S. Bank National Association.

Virginia Mason estimates a savings of between \$50 and \$65 million in interest expenses over the life of the loan by financing with tax-exempt bonds. They indicate the lowered cost of borrowing will lower their operating expenses, thereby reducing dependence on cash flow derived from revenue sources.

Ms. Murr introduced Ms. Leong of Orrick, Herrington & Sutcliffe LLP, serving as bond counsel for this transaction. Ms. Leong summarized the documents presented for approval and indicated that they are all in good order. Based on the determinations that are required by Authority WACs, the due diligence investigation conducted by Orrick, Herrington & Sutcliffe LLP as well as information in the application, Ms. Murr urged the adoption of Resolution No. 2017-08 for the benefit of Virginia Mason.

Ms. Murr proceeded to introduce Mr. Goodrich and Ms. Tallon with Virginia Mason. Mr. Goodrich thanked the Authority for the assistance provided to secure this financing. Mr. Goodrich stated that the financing will be of great benefit to Virginia Mason and provide the ability to pass the savings on to their patients.

There being no further discussion, upon motion Lt. Governor Habib, seconded by Mr. Crawford, Resolution No. 2017-08 was unanimously adopted by roll call vote.

Review, discussion and possible action affirming the renewal of the Authority's D&O Liability Insurance Coverage.

A motion is necessary to affirm the renewal coverage provided by National Union Fire Insurance Co. and Market American Insurance Company for the Authority's public officials and employment practices liability insurance for a one-year term. The total premium is \$64,844, which is \$1,075 less than what the Authority paid last year. Ms. Gellermann previously reviewed the renewal information and supports the recommendation to affirm the renewal as presented.

In response to Lieutenant Governor Habib's inquiry regarding the Authority's liability insurance purchasing practices and whether the State is able to provide the same coverage through its self-insurance policy. Ms. Murr indicated she would do some research on this and provide her finding to Board. There being no further discussion, without public comment and upon motion by Lt. Governor Habib, seconded by Mr. Crawford, the Board affirmed the renewal of the Authority's D&O Liability Insurance Coverage.

Executive Director's Report.

Ms. Murr reviewed the Executive Director's Report presented in the board materials including the status of Authority financings, financial statements, status report and debt service report.

Adjournment:

There being no further business, the meeting was adjourned at 10:33 am.

John Wiesman, Secretary