



W A S H I N G T O N

HEALTH CARE FACILITIES

A U T H O R I T Y

Financing the Health Care Future

**Washington Health Care Facilities Authority
Special Board Meeting
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Thursday, October 12, 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:

David Schumacher, Governor's Designee, Member/Chair
Lieutenant Governor Cyrus Habib, by conference speakerphone
Toni Hood, Insurance Commissioner's Designee
Steve Jacobs, Public Member

Authority Staff Present:

Donna Murr, Executive Director
Shannon Govia, Assistant Executive Director
Ashlee Frye, Chief Financial and Compliance Officer

Others Present:

Matt Swafford, Authority Financial Advisor, Melio & Company, by conference speakerphone
Rusty Fallis, Authority Assistant Attorney General
Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
John Myers, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP
Bryan Victor, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone
Mayling Leong, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone
Libby Hollingshead, Deputy Chief of Staff, Office of Lt. Governor Cyrus Habib, by conference speakerphone
Robert Turner, Senior Vice President, Kaufman Hall, by conference speakerphone
Scott Shanker, Butler Snow LLP, by conference speakerphone
Michael Bradshaw, Butler Snow LLP, by conference speakerphone
Jack Dudick, Raymond James, by conference speakerphone

Anna Loomis, Senior Vice President and Chief Financial Officer, MultiCare Health System

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Judy Swain, Treasurer, MultiCare Health System
Cary Rowan, Chief Financial Officer, Regional Health
Mark Raker, Principal, Peterson Sullivan LLP

Mr. Schumacher called the meeting to order at 11:17 a.m. after noting a quorum was present consisting of himself, Ms. Toni Hood, Lieutenant Governor Habib and Mr. Steve Jacobs.

Review, discussion and possible action regarding the Minutes of September 15, 2017.

After discussion and upon motion by Mr. Jacobs and seconded by Ms. Hood, the minutes of the September 15, 2017 Authority meeting were unanimously accepted.

Review, discussion and possible action regarding the adoption of Resolution No. 2017-10 approving the application for financial assistance and authorizing the issuance and sale of bonds for MultiCare Health System (MultiCare).

Ms. Murr summarized Resolution No. 2017-10, which, if adopted would approve the application for financial assistance submitted by MultiCare Health System and authorize the issuance and sale of two series of publically offered bonds (one taxable and one tax-exempt) and three series of privately placed bonds in the principal amount of not-to-exceed \$745,000,000 for the benefit of MultiCare.

MultiCare is an integrated healthcare delivery system providing inpatient, outpatient and other healthcare services primarily to the residents of Pierce and south King counties and, with respect to pediatric care, much of the southwest Washington region. Proceeds of the loan will be used to reimburse MultiCare for the acquisition of the Rockwood Health System located in Spokane, WA. Refund all or a portion of the WHCFA Revenue Bonds, Series 2007 ABCD (MultiCare Health System) & convert, refund or renew all or a portion of the WHCFA Revenue Bonds, Series 2012B (MultiCare Health System); and finance the costs of issuance and potential bond premium.

A portion of this financing will be a public sale underwritten by J.P. Morgan Securities LC and Wells Fargo Securities serving as co-senior managers and another portion of this financing will be Direct Placement with the lenders being Wells Fargo Municipal Capital Strategies, LLC and JP Morgan Chase Bank, National Association. In addition, this financing will be both tax-exempt and a portion of the loan will also be taxable financing. The primary security is Master Note Obligations. A Certificate of Need is not required per the Department of Health and MultiCare Health System. Feasibility for Series 2017A/B will be based on the investment grade rating of MultiCare which is currently rated: Moody's AA3; S&P AA-; and Fitch AA-. The Series 2017C/D/E feasibility will be determined by the lenders. A TEFRA Hearing was held on October 5, 2017 at which no individuals testified for or against the project. The interest rate for Series 2017A/B will be a fixed rate determined at pricing and for Series 2017C/D/E the interest rate will be variable rates determined at pricing. There are variable loan terms for each of the Series of bonds with no credit enhancement. The bond trustee will be U.S. Bank National Association.

It is anticipated by MultiCare that it will save approximately \$20.9 million in aggregate debt service by issuing the tax-exempt eligible components of the 2017 financing with tax-exempt debt, compared to issuing the 2017 financing as taxable debt. The lowered cost of borrowing from a tax-exempt

financing will lower the operating expenses for MultiCare, thereby reducing its dependency on cash flow derived from revenue sources. Additionally, this will reduce the cost of providing care and lessen the need for rate increases. A tax-exempt financing through the Authority is the most cost effective method when compared to other financing options and will create financing cost savings. The cost savings benefits will be passed to the communities' services by MultiCare through lowered rates and charges.

Ms. Murr introduced Mr. Myers of Orrick, Herrington & Sutcliffe LLP, serving as the Authority's bond counsel for this transaction. Mr. Myers 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 the information in the application Ms. Murr urged the adoption of Resolution No. 2017-10 for the benefit of MultiCare Health System.

In response to Mr. Jacobs inquiry regarding the taxable portion of this transaction and if there is a possibility to refinance the taxable bonds in the future to save money. Mr. Myers stated that there is not an option to refinance the taxable bond for savings purposes.

Ms. Murr proceeded to introduce Ms. Loomis, Senior Vice President and Chief Financial Officer and Ms. Swain, Treasurer for MultiCare Health System. Ms. Loomis thanked the Authority for their support in this transaction. MultiCare has been a part of the Northwest for over 100 years and they are excited to be moving into the Spokane area. MultiCare is always looking for opportunities to lower the cost of financing and lower the cost of medical care for the community. Ms. Swain stated that while it is a very complicated transaction it will be of tremendous benefit to MultiCare and the communities they serve.

There being no further discussion, no member of the public requesting the opportunity to comment, and upon motion by Mr. Jacobs, seconded by Ms. Hood, Resolution No. 2017-10 was unanimously adopted.

Review, discussion and possible action regarding the acceptance of an application for financial assistance submitted by Regional Health; SHC Holdco, LLC; SHC Medical Center – Yakima; and SHC Medical Center – Toppenish.

Mr. Govia summarized the application for financial assistance submitted by Regional Health. Regional Health is a non-profit corporation that is the parent company of two wholly owned subsidiaries: Sunnyside Community Hospital Association and SHC Holdco, LLC.

Sunnyside Community Hospital Association operates a hospital facility located in Sunnyside, Washington and fourteen rural health clinics in Sunnyside, Grandview and Prosser, Washington

SHC Holdco, LLC owns SHC Medical Center – Yakima, SHC Medical Center – Toppenish and Yakima Home Care Holdings, LLC. SHC Medical Center – Yakima is a 214 bed facility located in Central Washington. SHC Medical Center – Toppenish is a fully accredited 63-bed facility located in Toppenish, Washington.

Regional Health is applying for a loan in the amount of \$36,200,000. Proceeds of the loan will be used to refinance a taxable loan used for the acquisition of SHC Medical Center – Yakima, SHC Medical Center – Toppenish, and to pay for costs of issuance. This financing will be structured as a direct placement and the lender is Lapis Advisors, LP. The primary security for the loan and feasibility will be determined. A TEFRA hearing will be scheduled. Certificate of Need # 1612 and 1613 have been received and were provided as part of the application. The interest rate will be fixed at 10%. The loan will have a ten year initial term with optional redemption for the first three years. It is anticipated by Regional Health that they will save approximately \$5.6 Million in interest costs over traditional taxable interest rate financing over the 3 year optional redemption period. The savings from the tax-exempt financing will be reinvested in services, staff and community.

Based on its review of the application, bond counsel has determined that the borrower and the project are eligible for financing under the Authority's statute, but such determination is subject to bond counsel's due diligence review. Mr. Govia urged the Authority's acceptance of this application.

Mr. Govia introduced Mr. Rowan from Regional Health. Mr. Rowan then provided a brief summary of the structure of Regional Health as well as services provided by Regional Health.

In response to Mr. Jacobs inquiry regarding the financial structure and future audits. Mr. Jacobs asked if an audit of the parent company, Regional Health, will also include separate audits of all the separate entities that are included as part of the parent company. Mr. Rowan responded by stating that each individual entity will have a separate audit as well as an audit of Regional Health.

There being no further discussion, no member of the public requesting the opportunity to comment and upon motion by Mr. Jacobs, seconded by Ms. Hood, the application for financial assistance submitted by Regional Health was unanimously accepted.

Review, discussion and possible action regarding the June 30, 2017 Audit of the Washington Health Care Facilities Authority

Ms. Frye introduced Mr. Mark Raker who discussed the audit process and reported that the Audit and accompanying Management Letter indicated that Peterson Sullivan LLP did not identify any deficiencies in internal control that would be considered material weaknesses.

Mr. Raker provided and discussed a presentation about the audit process that included the communication they are requirement to make, the audit reporting requirements as well as some operating statistics about the Authority. Mr. Raker confirmed that the findings were favorable and there were no material weaknesses or deficiencies found.

Ms. Murr commended Ms. Frye on her work in keeping the Authority's books and records in good order and for the excellent job preparing for the audit. Ms. Frye was presented with a Certificate of Excellence and Amazon gift card for a job well done.

There being no further discussion, without public comment and upon motion by Mr. Jacobs, seconded by Ms. Hood, the June 30, 2017 Audit of the Washington Health Care Facilities Authority was unanimously accepted.

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 12:05 pm.

John Wiesman, Secretary