



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
Tuesday November 21, 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
John Wiesman, Secretary of Health, Member, by conference speakerphone
Steve Jacobs, Public Member, by conference speakerphone

Authority Staff Present:

Donna Murr, Executive Director
Shannon Govia, Assistant Executive Director, by conference speakerphone
Ashlee Frye, Chief Financial and Compliance Officer, by conference speakerphone
Danni Miller, Executive Assistant

Others Present:

Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
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, by conference speakerphone
Bryan Victor, Authority Bond Counsel, Orrick Herrington & Sutcliffe, by conference speakerphone
Libby Hollingshead, Deputy Chief of Staff, Office of Lt. Governor Cyrus Habib, by conference speakerphone
Scott Shanker, Counsel to Regional Health, Butler Snow LLP, by conference speakerphone
Janine Sarti, General Counsel, Regional Health, by conference speakerphone
Jack Dudick, Managing Director, Raymond James, by conference speakerphone
Cary Rowan, Chief Financial Officer, Regional Health, by conference speakerphone
Peter Toop, Chief Financial Officer, Yakima Valley Farm Workers Clinic, by conference speakerphone
Paul Kaschmitter, Chief Financial Officer, Community Health of Central Washington, by conference speakerphone
Debbie Hamilton, Bank of America, by conference speakerphone

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Mr. Schumacher called the meeting to order at 10:20 a.m. after noting a quorum was present consisting of himself, Mr. John Wiesman and Mr. Steve Jacobs.

Review, discussion and possible action regarding the Minutes of October 12, 2017.

After discussion and upon motion by Mr. Jacobs and seconded by Mr. Wiesman, the minutes of the October 12, 2017 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2017-11 approving the application for financial assistance and authorizing the issuance and sale of bonds for Regional Health; SHC Holdco, LLC; SHC Medical Center – Yakima; and SHC Medical Center – Toppenish (Regional Health).

Mr. Govia summarized Resolution No. 2017-11, which if adopted would approve the application for financial assistance submitted by Regional Health and authorize the issuance and sale of bonds in the principal amount of not-to-exceed \$35,400,000. 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.

Proceeds of the loan will be used to refinance taxable loans used for the acquisition of SHC Medical Center – Yakima and SHC Medical Center – Toppenish. This financing will be structured as a direct placement and the lender is Lapis Advisors, LP. The primary bondholder security is a deed of trust. Feasibility has been determined by the lenders. A TEFRA hearing was held on November 20, 2017 at which no individuals testified for or against the project. Certificates of Need # 1612 and 1613 have been received and were provided as part of the application. The interest rate is fixed at 10%. The loan will have a ten-year term with optional redemption allowed in the first three years. The depository bank is UMB Bank, N.A. 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.

Mr. Govia introduced Mr. Victor of Orrick Herrington & Sutcliffe LLP, serving as the Authority's bond counsel for this transaction. Mr. Victor 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, Mr. Govia urged the adoption of Resolution No. 2017-11 for the benefit of Regional Health.

In response to Mr. Jacobs's inquiry regarding the ability to close this transaction by the end of November, Mr. Victor responded that the parties are prepared to close on November 30, 2017.

There being no further discussion, no member of the public requesting the opportunity to comment and upon motion by Mr. Jacobs, seconded by Mr. Wiesman, Resolution No. 2017-11 was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution 2017-12 approving and authorizing the execution of amendments to and reissuance of the Series 2007 Revenue Bond for Yakima Valley Farm Workers Clinic (YVFWC).

The Authority previously issued its Series 2007 Revenue Bond for the benefit of YVFWC in the amount of \$6,100,000. The proceeds of this issuance was used to finance the construction of a new medical office building located in Prosser, Washington, The maturity of the Bond is April 1, 2018. The Bond interest rate is 70% of LIBOR plus 1.25% and is reset monthly. Bank of America, N.A. serves as both the purchaser of the bond as well as the depository agent.

YVFWC and Bank of America, N.A. are requesting to (1) extend the maturity from April 1, 2018 to April 1, 2033; (2) change the interest rate from variable to fixed; (3) add a guarantor (Agena); (4) replace Bank of America, N.A. with U.S. Bank National Association as the depository agent; and (5) update and conform the loan documents to address the desired changes.

Mr. Govia introduced Mr. Victor of Orrick Herrington & Sutcliffe LLP, serving as the Authority's bond counsel for this transaction. Mr. Victor 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, Mr. Govia urged the adoption of Resolution No. 2017-12 for the benefit of Yakima Valley Farm Workers Clinic.

There being no further discussion, no member of the public requesting the opportunity to comment and upon motion by Mr. Wiesman, seconded by Mr. Jacobs, Resolution No. 2017-12 was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the acceptance of an application for financial assistance submitted by Community Health of Central Washington (CHCW).

Mr. Govia summarized the application for financial assistance submitted by CHCW. CHCW is a Community/Migrant/Teaching Health Center that provides medical, dental, behavioral health, pharmacy, and enabling services for underserved and underinsured patients served in six clinics in Kittitas and Yakima Counties. CHCW also provides primary care service as well as dental services in ten long-term care facilities in Yakima County and in two facilities in Kittitas County.

CHCW is applying for a loan in the amount of \$4,300,000. Proceeds of the loan will be used to (1) finance the expansion and renovation of a facility located in Ellensburg, Washington; (2) purchase equipment; (3) provide reimbursement for prior capital expenditures; and (4) pay costs of issuance. This financing will be structured as a Quick Loan and the lender is Key Government Finance, Inc. The primary security will be a deed of trust. Feasibility will be determined by the lender. A TEFRA

hearing will be scheduled. There are no Certificate of Need issues per CHCW. The interest rate is estimated at 3.46% with an initial loan term of 10 years with a 20-year maturity. It is anticipated that CHCW will save approximately \$272,318 in interest costs over traditional taxable interest rate financing over the term of the loan.

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 further due diligence. Mr. Govia urged the Authority's acceptance of this application.

Mr. Govia introduced Mr. Kaschmitter from CHCW. Mr. Kaschmitter then provided a brief summary of the structure of CHCW as well as services provided by CHCW.

In response to Mr. Jacobs inquiry regarding a potential state capital grant and the reduction of the loan amount if this grant is approved, Mr. Kaschmitter stated that the grant is for \$1.8 million and if it is approved the \$4.3 million application request will be reduced by the amount of the grant. Mr. Kaschmitter is hopeful that this will be resolved before coming back to the Authority for resolution adoption.

In response to Mr. Wiesman's inquiry regarding the ability to increase the number of patients that can be served and the status of hiring medical providers to serve the additional patients, Mr. Kaschmitter stated that CHCW is currently in the process of recruiting two additional providers and are hopeful that they will be able to double the number of patients being served with the new expansion.

There being no further discussion, no member of the public requesting the opportunity to comment and upon motion by Mr. Jacobs, seconded by Mr. Wiesman, the application for financial assistance submitted by Community Health of Central Washington was unanimously accepted by roll call vote.

Executive Director's Report.

Due to time constraints, the presentation of the Executive Director's report was postponed until a future Authority Board Meeting.

Adjournment:

There being no further business, the meeting was adjourned at 10:45 am.

John Wiesman, Secretary