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HEALTH CARE FACILITIES

A U T H O R I T Y

*Financing the Health Care Future*

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Toni Hood

Secretary  
Department of Health  
John Wiesman

Public Member  
Steven R. Jacobs

Executive Director  
Donna A. Murr

**Washington Health Care Facilities Authority  
Special Board Meeting  
410 11th Avenue S.E., Suite 201  
Olympia, WA 98504  
Monday, December 4, 2017 Meeting Minutes**

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:**

Toni Hood, Insurance Commissioner's Designee, Member/Chair  
John Wiesman, Secretary of Health, Member, by conference speakerphone  
Cyrus Habib, Lieutenant Governor, 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

**Others Present:**

Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone  
Mark Melio, 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  
Libby Hollingshead, Deputy Chief of Staff, Office of Lt. Governor Cyrus Habib, by conference speakerphone  
Andrew Tokar, Chief Financial Officer, Overlake Hospital Medical Center, by conference speakerphone  
Eric Teshima, Controller, Overlake Hospital Medical Center, by conference speakerphone  
Randy Stamper, Stamper Rubins, by conference speakerphone  
Robert Turner, Kaufman Hall, by conference speakerphone  
Kerrin Gibbons, Bank of America, by conference speakerphone  
Debbie Hamilton, Bank of America, by conference speakerphone

Ms. Hood called the meeting to order at 11:01 a.m. after noting a quorum was present consisting of herself, Mr. John Wiesman and Lieutenant Governor Habib.

**Review, discussion and possible action regarding the Minutes of November 21, 2017.**

After discussion and upon motion by Mr. Wiesman and seconded by Ms. Hood, the minutes of the November 21, 2017 Authority meeting were unanimously accepted by roll call vote.

**Review, discussion and possible action regarding the adoption of Resolution No. 2017-13 approving the application for financial assistance and authorizing the issuance and sale of bonds for Overlake Hospital Medical Center.**

Ms. Murr summarized Resolution No. 2017-13, which if adopted would approve the application for financial assistance submitted by Overlake Hospital Medical Center and authorize the issuance and sale of bonds in the principal amount of not-to-exceed \$275,000,000.

Proceeds of the loan will be used (a) to finance the construction and some equipment of the new east Tower, two new cardiovascular operating rooms, and renovation of the Cancer Center; (b) to advance refund the Authority's Revenue Bonds, Series 2010 (Overlake Hospital Medical Center); and (c) to finance the costs of issuance, capitalized interest during construction and potential bond premiums. The construction and equipment portion is estimated at \$165,000,000, the refunding portion \$101,000,000 and the costs of issuance \$9,000,000.

The Series 2017A/B financing will be a public sale underwritten by Wells Fargo Securities, and co-managed by Citigroup. The Series 2017C financing will be a direct placement and the lender will be Banc of America Public Capital Corp. The primary security will be Master Note Obligations and Bond Trustee held funds. A Certificate of Need is not required per the Department of Health. Feasibility for the Series 2017A/B Bonds will be based on the investment grade rating of Overlake Hospital Medical Center and the Series 2017C Bonds will be determined by the lender. A TEFRA hearing was held on November 28, 2017 at which no individuals testified for or against the project. The interest rates for the Series 2017A/B Bonds will be fixed and determined at pricing. The interest rate for the Series 2017C Bonds will be a variable rate based on 70% of the one-month LIBOR rate plus a spread of 53 basis points. Loan terms for the Series 2017 A/B Bonds is July 1, 2041 and the Series 2017 C bonds will be July 1, 2044 with a five-year initial mandatory tender date. The bond rating for the Series 2017A/B Bonds will be based on the credit rating of Overlake Hospital Medical Center, currently rated A2 by Moody's and A by S&P. The Series 2017C Bonds are not rated. The bond trustee will be U.S. Bank National Association.

Overlake Hospital Medical Center estimates a savings of \$10.4 million in interest costs by using tax-exempt bonds. The hospital determines rate increases annually as part of its budget process. The savings from issuing tax-exempt bonds reduces the interest expense and therefore results in lower rate increases being passed along to patients.

Ms. Murr introduced Mr. Gottlieb of Hillis Clark Martin & Peterson, serving as the Authority's bond counsel for this transaction. Mr. Gottlieb 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 Hillis Clark Martin & Peterson, as well as the

information in the application, Ms. Murr urged the adoption of Resolution No. 2017-13 for the benefit of Overlake Hospital Medical Center.

In response to Lieutenant Governor Habib's inquiry regarding original costs of construction and projects and what the Series 2017B Bonds will be refinancing, Mr. Gottlieb stated that the Series 2017B Bonds will refinance the 2005C Bonds, the proceeds of which were originally used to finance a major expansion project completed in 2005. Mr. Tokar also responded by describing the projects completed with the 2005 bond proceeds.

Mr. Tokar also stated that with the new construction portion of this financing is part of a five-year project to enhance the Overlake Hospital Medical Center's campus and transitioning toward having all private beds on the campus.

In response to Mr. Wiesman's inquiry regarding whether the number of beds will remain the same and what is going to happen to the old tower, Mr. Tokar stated that the number of beds will remain the same and the old tower will be demolished upon completion of the new tower.

In response to Mr. Wiesman's inquiry regarding capacity levels each day. Mr. Tokar responded by stating that on average capacity is approximately 180 to 210 in-patient beds, but does change based on the season.

There being no further discussion, upon motion by Lieutenant Governor Habib seconded by Mr. Wiesman the application for financial assistance submitted by Overlake Hospital Medical Center was unanimously accepted by roll call vote.

**Adjournment:**

There being no further business, the meeting was adjourned at 11:26 am.

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John Wiesman, Secretary