



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, December 19, 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, by conference speakerphone
John Wiesman, Secretary of Health, Member/Chair, by conference speakerphone
Cyrus Habib, Lieutenant Governor, by conference speakerphone
Steve Jacobs, Public Member, by conference speakerphone

Authority Staff Present:

Donna Murr, Executive Director, by conference speakerphone
Shannon Govia, Assistant Executive Director
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 P.S., by conference speakerphone
Brandon Pond, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S., by conference speakerphone
Libby Hollingshead, Deputy Chief of Staff, Office of Lt. Governor Cyrus Habib, by conference speakerphone
Toni Lodge, Chief Executive Officer, N.A.T.I.V.E. Project, by conference speakerphone
Cindy Jeannotte, Chief Financial Officer, N.A.T.I.V.E. Project, by conference speakerphone
Sonya Shaw, Executive Director Treasury, Providence St. Joseph Health, by conference speakerphone
Tom McDonagh, Senior Vice President Treasury Providence St. Joseph Health, by conference speakerphone

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

Mr. Wiesman called the meeting to order at 4:30 p.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 December 4, 2017.

After discussion and upon motion by Ms. Hood and seconded by Lieutenant Governor Habib, the revised minutes of the December 4, 2017 Authority meeting were accepted by a majority roll call vote. Mr. Jacobs did not attend the December 4, 2017 board meeting and as a result did not vote on the approval of the minutes. The motion was approved by a vote of 3 ayes, 0 nays and 1 abstention.

Review, discussion and possible action regarding the adoption of Resolution No. 2017-14 approving and authorizing the execution of amendments to and reissuance of the Series 2006 Bond for the N.A.T.I.V.E. Project (NATIVE).

Mr. Govia summarized Resolution No. 2017-14, which if adopted would approve the execution of amendments to and reissuance of the Series 2006 Bond for NATIVE. The Authority previously issued its Series 2006 Bond for the benefit of NATIVE in an amount not to exceed \$1,717,500. The Series 2006 Bond was purchased by Washington Trust Bank (Washington Trust). The proceeds of the Series 2006 Bond were used to finance or reimburse NATIVE for the cost of constructing, renovating, remodeling, and equipping of health care facilities located in Spokane, Washington and to pay costs of issuance.

NATIVE and Washington Trust are requesting the Authority to amend the Series 2006 Bond to extend its maturity from December 20, 2017 to October 20, 2024 and fix the interest rate at 3.15% through maturity, and also to update and conform the loan documents to address the desired changes. Mr. Gottlieb of Hillis Clark Martin & Peterson P.S., serving as the Authority's bond counsel for this transaction, has advised the Authority that such amendments will result in a "reissuance" of the Series 2006 Bond for federal tax purposes. Accordingly, a new TEFRA hearing was held on December 15, 2017 at which no individuals testified for or against the proposed reissuance.

Mr. Govia introduced Mr. Gottlieb, who summarized the documents presented for approval and indicated that they are all in good order. Mr. Govia urged the adoption of Resolution No. 2017-14 for the benefit of The N.A.T.I.V.E. Project.

Mr. Govia then introduced Ms. Lodge and Ms. Jeannotte from NATIVE. Ms. Lodge provided an overview of the N.A.T.I.V.E. Project, the services provided and patients served.

In response to inquiries from Lieutenant Governor Habib and Mr. Wiesman about the timing of the requested amendments, Ms. Lodge explained that she had been ill and apologized for the late request.

In response to Mr. Jacobs' inquiry regarding interest savings on the financing, Mr. Govia stated that typically that information is not provided for a bond reissuance but, can be provided if necessary. Mr. Gottlieb stated that if this bond were issued today at a taxable rate the interest rate would be 4.81% and a non-taxable rate would be 4.15 % which would be approximately a 1.7% difference.

In response to Lieutenant Governor Habib's inquiry about a partnership with the new Washington State University Medical Program, Ms. Lodge stated that they would like to partner with them but they are currently working with the University of Washington Medical School. Ms. Lodge comments that they welcome the opportunity to partner with all medical schools in Washington State.

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. 2017-14 was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the acceptance of an application for financial assistance submitted by Providence St. Joseph Health (PSJH).

Ms. Murr summarized the application for financial assistance submitted by Providence St. Joseph Health. PSJH is the parent corporation and Obligated Group Agent of a combined group of affiliated health care corporations that owns or leases and operated acute care hospitals and long-term facilities that provide a broad range of inpatient, residential and outpatient health care services in the states of Alaska, California, Montana, Oregon, Texas, and Washington. PSJH provides industry leading services, including an integrated care delivery system for inpatient and outpatient services, employed physicians, health plans and housing programs. PSJH is driving advances in cutting edge clinical research and investing in digital technologies to transform health care.

PSJH is applying for a loan in the amount of \$175,070,000. Proceeds of the loan will be used to refund the WHCFA Series 2006C, D and E Bonds and to pay the costs of issuance. This financing will be structured as a Public Sale underwritten by Citigroup and Bank of America Merrill Lynch. The primary security will be a Master Note Obligation of the Obligated Group and funds held by the Bond Trustee. Feasibility will be based on the investment grade rating of PSJH which is currently Aa3 by Moody's, AA by S&P and AA by Fitch. A Certificate of Need is not required as this is a refunding. Fixed interest rates will be determined at pricing. The Bond Trustee will be U.S. Bank National Association. Based on current estimates of taxable vs. tax-exempt interest rates, the estimated interest cost reduction is approximately \$27 million over the life of the loan and \$18 million on a present value basis. The lower interest expense they expect to incur through refinancing on a tax-exempt basis will help it to minimize the rates it must charge to provide services to patients and other users on a sustainable basis.

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. Ms. Murr urged the Authority's acceptance of this application.

Ms. Murr introduced Ms. Shaw and Mr. McDonagh from PSJH. Ms. Shaw provided a brief overview of PSJH and the services provided.

At the request of Lieutenant Governor Habib, Mr. McDonagh described the organizational relationship between PSJH and the Swedish Medical Center. Although not related to the current financing application, the Lieutenant Governor requested an update on the most recent Swedish

Medical Center project, as well as a briefing on all Authority financed projects for the benefit of Swedish Medical Center.

In response to Mr. Jacobs' inquiry regarding the Obligated Group and what part of the PSJH assets are part of that group, Ms. Shaw stated that all hospitals noted in the application are part of the Obligated Group and as such are liable for all debt.

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 Providence St. Joseph Health was unanimously accepted by roll call vote.

Adjournment:

There being no further business, the meeting was adjourned at 5:05 p.m.

John Wiesman, Secretary