



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, January 11, 2018 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:

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

Authority Staff Present:

Donna Murr, Executive Director
Shannon Govia, Assistant Executive Director
Ashlee Frye, Chief Financial and Compliance Officer
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
Brandon Pond, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
Libby Hollingshead, Deputy Chief of Staff, Office of Lt. Governor Cyrus Habib, 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
Ali Santore, Vice President Government & Public Affairs, Providence St. Joseph Health, by conference speakerphone
Kristen Federici, Director Government Relations Washington/Montana, Providence St. Joseph Health, by conference speakerphone

Alitha Leon Jenkins, Senior Corporate Counsel, Providence St. Joseph Health, by conference speakerphone

Mr. Jacobs called the meeting to order at 11:03 a.m. after noting a quorum was present consisting of himself, Lieutenant Governor Habib and Mr. Wiesman. Ms. Hood joined the meeting at 11:09 a.m.

Review, discussion and possible action regarding the Minutes of December 19, 2017.

After discussion and upon motion by Mr. Wiesman and seconded by Lieutenant Governor Habib, the minutes of the December 19, 2017 Authority meeting were accepted by a majority roll call vote. Ms. Hood was not in attendance at the time of the roll call vote on the minutes.

Review, discussion and possible action regarding the adoption of Resolution 2018-01 approving the application for financial assistance and authorizing the sale of bonds for Providence St. Joseph Health (PSJH).

Ms. Murr summarized Resolution No. 2018-01, which if adopted would approve the application for financial assistance submitted by Providence St. Joseph Health and authorize the issuance and sale of bonds in the principal amount of \$175,070,000. Proceeds of the loan will be used to refund the WHCFA Series 2006 Bonds and to pay the costs of issuance.

PSJH is the parent corporation and Obligated Group Agent of a combined group of affiliated health care corporations that owns or leases acute care hospitals and long-term care facilities that provide a broad range of inpatient, residential 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.

This financing will be structured as a public sale underwritten by Citigroup and Bank of America Merrill Lynch. The primary bondholder security will be a master note obligation and funds held by the bond trustee. Feasibility is based on the investment grade rating of PSJH, which is currently Aa3 by Moody's, AA- by S&P and AA by Fitch. A TEFRA hearing and Certificate of Need are not required as this transaction is a current refunding. Fixed interest rates will be determined at pricing. Final maturity is expected to be 10/31/33. The bond trustee will be U.S. Bank National Association. The estimated Net Present Value savings for the refunded bonds is \$25 Million. The Series 2006CDE Bonds will be called in full on 4/2/18. 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 PSJH minimize the rates it must charge to provide services to patients and other users on a sustainable basis.

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

the information in the application Ms. Murr urged the adoption of Resolution No. 2018-01 for the benefit of Providence St. Joseph Health.

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

Lieutenant Governor Habib indicated that he does not have any problems with the current application and the resolution authorizing the refunding plan. Further, he indicated his intention to have discussions with representatives of PSJH going forward. He further expressed concern about the patient safety issues at Swedish, and his view of the need for PSJH to demonstrate accountability over those issues. He indicated that acquisitions and consolidation can occur at the expense of satisfactory patient safety oversight, and that he would like to see PSJH demonstrate its partnership in benefitting the community by providing patient safety oversight for the facilities under its organizational umbrella. He further asked whether PSJH exercises direct patient safety oversight with respect to the facilities related to the pending financing.

There being no further discussion, no member of the public requesting the opportunity to comment and upon motion by Mr. Wiesman, seconded by Ms. Hood, Resolution No. 2018-01 was unanimously adopted by roll call vote.

Proposed Authority Meeting Dates for 2018.

Ms. Murr presented the proposed schedule of Authority Board meeting dates for 2018. The Authority will continue to schedule its board meetings on the 2nd Thursday of each month, however the meeting start time will change to 1:00 p.m.

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 11:31 a.m.

John Wiesman, Secretary