



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

Friday, April 6, 2018 Amended 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
David Schumacher, Governor's Designee, Member/Chair
Steve Jacobs, Public Member

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
Mark Melio, 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.
Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
Bryan Victor, Authority Bond Counsel, Orrick Herrington & Sutcliffe LLP, by conference speakerphone
Paul Kaschmitter, Chief Financial Officer, Community Health of Central Washington
Stan Brown, Key Government Finance
Patricia Edmond-Quinn, Interim Chief Executive Officer, Therapeutic Health Services
John Berkedal, Consultant, Therapeutic Health Services
Carrie McCabe, Chief Financial Officer, Northwest Kidney Centers
Annette Klinefelter, Chief Executive Officer, Daybreak Youth Services
Richard Thorpe, Daybreak Youth Services
Janice Butler, Chief Financial Officer, Daybreak Youth Services, by conference speakerphone
Matt Anderson, Senior Vice President, Beneficial State Bank, by conference speakerphone

Mr. Schumacher called the meeting to order at 10:05 a.m. after noting a quorum was present consisting of himself, Mr. John Wiesman, Mr. Steve Jacobs and Ms. Toni Hood.

Review, discussion and possible action regarding the Minutes of January 11, 2018.

After discussion and upon motion by Mr. Jacobs and seconded by Ms. Hood, the minutes of the January 11, 2018 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2018-02 approving the application for financial assistance and authorizing the sale of a bond for Community Health of Central Washington (CHCW).

Mr. Govia summarized Resolution No. 2018-02, which if adopted would approve the application for financial assistance submitted by Community Health of Central Washington and authorize the issuance and sale of a bond in the principal amount of \$2,500,000. Proceeds of the loan will be used to (1) finance the expansion and renovation of a facility located in Ellensburg, WA; (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 – private placement and the lender is Key Government Finance. The primary bondholder security is a deed of trust. Feasibility has been determined by the lender. A TEFRA hearing was held on February 16, 2018, at which no individuals testified for or against the project. There are no Certificate of Need issues per the Department of Health. The interest rate is fixed at 4.52%. The loan will have a 10 year initial term with a 20 year maturity. The depository bank is ZB, National Association, dba Zions Bank. It is anticipated by CHCW that it will save approximately \$279,065.60 in interest costs over traditional taxable interest rate financing over the term of the loan.

Mr. Govia 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 Mr. Govia urged the adoption of Resolution No. 2018-02 for the benefit of Community Health of Central Washington.

Mr. Govia introduced Mr. Kaschmitter. Mr. Kaschmitter then provided a brief summary of how the project started and the impact of the tax-exempt savings.

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. 2018-02 was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the acceptance of an application for financial assistance submitted by Therapeutic Health Services (THS).

Mr. Govia summarized the application for financial assistance submitted by Therapeutic Health Services. Therapeutic Health Services is a substance abuse and mental health provider with ten branches serving 8,500 adults and 1,700 youth in King and Snohomish Counties. All branches provide a range of services on an outpatient basis.

THS is applying for a loan in the amount of \$6,440,000. Proceeds of the loan will be used to finance the acquisition costs of THS's primary facility located at 1116 Summit Avenue in Seattle, WA. The financing will be structured as a Quick Loan – private placement and the lender is Sound Community Bank. The primary security for the loan will be a deed of trust. Feasibility will be determined by the lender. There are no Certificate of Need issues per the Department of Health. A TEFRA hearing will be schedule. The interest rate is estimated at 3.48% with an initial loan term of 5 years with a 25 year maturity. The depository bank is U.S. Bank National Association. It is anticipated by THS that it will save approximately \$1,079,214 in interest costs over traditional taxable interest rate financing over the life 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 Ms. Edmond-Quinn from THS. Ms. Edmond-Quinn then provided a brief summary of the structure of THS as well as the services provided by THS.

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 Therapeutic Health Services was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the acceptance of an application for financial assistance submitted by Northwest Kidney Centers (NWKC).

Ms. Murr summarized the application for financial assistance submitted by Northwest Kidney Centers. Northwest Kidney Centers is a Washington not-for-profit corporation providing outpatient dialysis services at 15 facilities located within King County, and one facility located in Clallam County, supporting a total of 302 licensed stations and a home dialysis program for eligible patients.

NWKC is applying for a loan in the amount of \$44,000,000. Proceeds of the loan will be used (1) to reimburse NWKC for land acquisition at its City of SeaTac/Burien campus and City of Seattle/Rainier Beach Clinic and (2) to finance the construction costs for 2 new facilities: (a) Burien campus – two building campus with a 22 station dialysis center, administration building and a logistic center and (b) Rainier Beach campus with a 12 station dialysis center. The financing is currently structured as a Quick Loan – private placement but due to the size of the loan the structure of the loan may change. The lender is U.S. Bank National Association. Primary security and feasibility will be determined by the lender. Certificate of Need #1630 for the Rainier Beach facility was issued to NWKC by the Department of Health on February 14, 2018. Stations from NWKC's West Seattle

location will be transferred to the Burien campus upon completion of the facility. Certificate of Need has concluded the proposed relocation qualifies for a relation exemption under WAC 246-310-830. A TEFRA hearing will be scheduled. The expected interest rate, loan term and depository bank are to be determined. NWKC estimated that it will save approximately \$5,248,657 over the life of the loan based on current estimated taxable interest rates versus tax-exempt interest rates. This avoided interest expense will favorably impact the future pricing for NWKC patient services, to the benefit of NWKC patients and the 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 further due diligence. Ms. Murr urged the Authority's acceptance of this application.

Ms. Murr introduced Ms. McCabe from NWKC. Ms. McCabe then provided a brief summary of the structure of NWKC as well as the services provided by NWKC.

In response to Mr. Jacobs' inquiry regarding the ability to move licensed beds to the new Burien campus, Ms. McCabe state that the Certificate of Need interpretation of the rules have changed. This change has created the ability to use 7 licensed home stations and the new location because the current facility does not have room to house these stations.

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 Northwest Kidney Centers was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the acceptance of an application for financial assistance submitted by Daybreak Youth Services (DYS).

Mr. Govia summarized the application for financial assistance submitted by Daybreak Youth Services. DYS is a substance abuse and mental health provider. DYS has two primary facilities. The Brush Prairie facility is a 58 bed residential co-occurring mental health, alcohol and drug treatment facility for adolescence. The facility has 22 female beds, 24 male beds, and 12 psychiatric evaluation and treatment beds with a staff of 80. The Spokane facility is a 36 bed residential treatment facility with 20 female residential beds, 16 female psychiatric evaluation and treatment beds, and 40 staff.

DYS is applying for a loan in the amount of \$6,000,000. Proceeds of the loan will be used to refinance taxable loans used for the acquisition and renovation of the Brush Prairie facility and to pay costs of issuance. This financing will be structured as a Quick Loan – private placement and the lender is Beneficial State Bank. 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 the Department of Health. The interest rate is estimated at 3.45% with an initial loan term of 10 years with a 25 year amortization. It is anticipated by DYS that it will save approximately \$155,873.60 in interest costs over traditional taxable interest rate financing over the initial term of the loan. All savings will be reinvested into Daybreak Youth Services programs and facilities ensuring ongoing provision of life-saving treatment for highly vulnerable youth.

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 Ms. Klinefelter from DYS. Ms. Klinefelter then provided a brief summary of the structure of DYS as well as services provided by DYS.

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 Daybreak Youth Services was unanimously accepted by roll call vote.

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 10:42 a.m.

John Wiesman, Secretary