



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, July 20, 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:

- David Schumacher, Governor's Designee, Member/Chair
- Toni Hood, Insurance Commissioner's Designee, Member
- John Wiesman, Secretary Department of Health, Member, by conference speakerphone
- 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
- 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 P.S.
- Brandon Pond, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
- Mayling Leong, Authority Bond Counsel, Orrick Herrington & Sutcliffe LLP, by conference speakerphone
- Libby Hollingshead, Deputy Chief of Staff, Office of Lt. Governor Cyrus Habib, by conference speakerphone
- Joe Vessey, Chief Financial Officer, Community Health Care of Snohomish County, by conference speakerphone
- Robert Farrell, Chief Executive Officer, Community Health Care of Snohomish County, by conference speakerphone
- Scott Attridge, Chief Financial Officer, Tri-State Memorial Hospital, by conference speakerphone
- John Self, Wells Fargo Bank N.A., by conference speakerphone
- Marc Stasiowski, Wells Fargo Bank N.A., by conference speakerphone
- Alex Sansoni, Wells Fargo Bank N.A., by conference speakerphone

Cary Rowan, Chief Financial Officer, Regional Health, by conference speakerphone
Craig King, GE Government Finance, Inc., by conference speakerphone
Sam Clineff, GE Government Finance, Inc., by conference speakerphone
Robyn Helmlinger, Squire Patton Boggs (US) LLP, by conference speakerphone
Stacey Lewis, Pacifica Law Group, by conference speakerphone
Deanna Gregory, Pacifica Law Group, by conference speakerphone

Mr. Schumacher called the meeting to order at 12:01 p.m. after noting a quorum was present consisting of himself, Ms. Toni Hood, Mr. Steve Jacobs and Mr. John Wiesman.

Review, discussion and possible action regarding the Amended Minutes from the April 6, 2018 Authority Board Meeting.

Ms. Sigman, Certificate of Need Manager, Department of Health, reviewed the draft minutes from the April 6, 2018 Authority board meeting, and requested that the portion of the minutes relating to the Certificate of Need requirements applicable to the Northwest Kidney Centers (“NWKC”) application for financial assistance be clarified to reflect the following:

- The NWKC Burien project qualified for a Replacement Authorization (#091 issued in March 2018) after it was determined the project met the criteria under WAC 246-310-830(4) as a total facility replacement.
- The project related to CN1630 was issued to NWKC for the construction of the NWKC Rainier Beach facility. The project required CN review because it was taking stations from multiple facilities to create a new facility. (WAC 246-310-289(2) and WAC 246-310-020(1)(a)).
- In 2015, the program adopted emergency rules re-defining home training stations to home training services. The definition change was made after learning the Center for Medicare and Medicaid Services (CMS) no longer certified individual home training stations and instead certified home training as a service. This allowed dialysis facilities to use these CN approved and CMS certified stations for in-center dialysis patients.

After discussion and upon motion by Mr. Jacobs and seconded by Ms. Hood, the amended minutes of the April 6, 2018 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the Minutes from the May 24, 2018 Authority Board Meeting.

After discussion and upon motion by Mr. Jacobs and seconded by Ms. Hood, the minutes of the May 24, 2018 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the Minutes from the June 14, 2018 Authority Board Meeting.

After discussion and upon motion by Mr. Jacobs and seconded by Ms. Hood, the minutes of the June 14, 2018 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2018-07 approving and authorizing the execution of amendments to and reissuance of the Series 2013 Revenue Bond for Community Health Care of Snohomish County.

Mr. Govia summarized Resolution No. 2018-07, which, if adopted, would approve the execution of amendments to and reissuance of the Series 2016 Bond for Community Health Care of Snohomish County. The Authority previously issued its Series 2013 Bond for the benefit of Community Health Care of Snohomish County in the amount of \$6,000,000. The proceeds of the Series 2013 Bond were used to finance the construction of a health care facility located in Edmonds, Washington, purchase equipment, and to pay the costs of issuance. The current maturity of the Series 2013 Bond is September 20, 2028 and the current interest rate is 3.475%. Due to the recent decrease in the Maximum Federal Corporate Tax Rate, effective January 1, 2018, the interest rate increased to 4.22346%. The current outstanding principal amount is \$4,726,247.

Community Health Care of Snohomish County and Wells Fargo Bank N.A. have agreed to amend the documents necessary to reduce the interest rate to a new fixed rate of 3.46%. These changes require amendments to the Series 2013 Bond and the related loan documents that will result in the reissuance of the Series 2013 Bond for federal tax purposes.

Mr. Govia introduced Ms. Leong of Orrick Herrington & Sutcliffe LLP serving as the Authority's bond counsel for this transaction. Ms. Leong summarized the documents presented for approval and indicated that they are all in good order. Mr. Govia urged the adoption of Resolution No. 2018-07 for the benefit of Community Health Care of Snohomish County.

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. 2018-07, was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2018-08 approving and authorizing the execution of amendments to and reissuance of the Series 2014 Revenue Bond for Tri-State Memorial Hospital.

Mr. Govia summarized Resolution No. 2018-08, which, if adopted, would approve the execution of amendments to and reissuance of the Series 2014 Bond for Tri-State Memorial Hospital. The Authority previously issued its Series 2014 Bond for the benefit of Tri-State Memorial Hospital in the amount of \$13,200,000. The proceeds of the Series 2014 Bond were used to refinance the outstanding principal balance of their Series 2005 Bond issue, fund and reimburse Tri-State for the construction and renovation of a medical office building expansion, and to pay the costs of issuance. The current maturity of the Series 2014 Bond is July 1, 2044 and the original interest rate is 3.40%. Due to the recent decrease in the Maximum Federal Corporate Tax Rate, effective January 1, 2018, the interest rate increased to 4.1323%. The current outstanding principal amount is \$11,458,794.82.

Tri-State Memorial Hospital and Wells Fargo Bank N.A. have agreed to amend the documents necessary to reduce the interest rate to a new fixed rate of 3.85%. These changes require amendments to the Series 2014 Bond and the related loan documents that will result in the reissuance of the Series 2014 Bond for federal tax purposes.

Mr. Govia introduced Mr. Gottlieb of Hillis Clark Martin & Peterson P.S. 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. Mr. Govia urged the adoption of Resolution No. 2018-08 for the benefit of Tri-State Memorial Hospital.

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. 2018-08, was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the application for financial assistance submitted by Regional Health d/b/a Astria Health (Astria Health).

Ms. Murr summarized the application for financial assistance submitted by Regional Health d/b/a Astria Health ("Astria"). Astria is headquartered in the heart of Yakima Valley, and is the parent nonprofit organization of Astria Sunnyside Hospital, Astria Regional Medical Center and Astria Toppenish Hospital. Operations consist of three hospitals and multiple clinics providing full service primary and specialty care on both an inpatient and outpatient basis.

Astria is applying for a loan in the amount of \$5,000,000. Proceeds of the loan will be used to refinance a \$5,000,000 taxable loan with GE HFS, LLC that funded on June 29, 2018 and was used to buyout and take ownership of the equipment on 19 existing leases inherited in the acquisition of Yakima Regional and Toppenish Hospitals. Proceeds were also used to purchase a new CT scanner and a new Cardiovascular Ultrasound. In addition, a portion of the Loan proceeds was placed in escrow for the purchase of a PACS Interface, additional ultrasounds and equipment. The financing is currently structured as a Quick Loan – private placement. The lender is GE Government Finance, Inc. Primary security is the equipment to be financed and feasibility will be determined by the lender. A Certificate of Need is not required per Astria and the Department of Health. A TEFRA hearing will be scheduled. The estimated interest rate is fixed at 3.49% and the loan term is 48 months. The depository bank is yet to be determined. It is anticipated by Regional Health that they will save approximately \$142,743 in interest costs over taxable rate financing over the term of the loan. Savings will be used to invest in additional equipment that will clinically benefit 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 Mr. Cary Rowan from Astria. Mr. Rowan then provided a summary of structure of Astria as well as the services provided by Astria.

In response to Mr. Jacobs' request to clarify the value/cost of new equipment, Mr. King from GE Government Finance stated that the value of the new equipment is approximately \$2,000,000.

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 Astria Health was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the selection of Authority Arbitrage Rebate Consultant.

Ms. Frye summarized the process undertaken to request proposals from firms to serve as the Authority's Arbitrage Rebate Consultant. The Authority retains an arbitrage rebate consultant to perform arbitrage rebate calculations for bond issues that do not involve a trustee who typically would be responsible for ensuring compliance. Every three years the Authority conducts a Request for Proposal (RFP) for these services. The Authority received four responses to the current RFP. The proposals were reviewed by a committee consisting of Mr. Jacobs, Mr. Govia and Ms. Frye. The committee evaluated each proposal independently and met to discuss the merits of each proposal. The review committee recommended that the Authority retain Bond Logistics Group LLC (BLX) as its arbitrage rebate consultant.

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 recommendation to retain BLX as the Authority's arbitrage rebate consultant was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the selection of Authority Bond Counsel and Special Counsel.

Ms. Murr summarized the process undertaken to request proposals from firms to serve as the Authority's bond counsel and special counsel. These services are extremely specialized and firms are required to have the expertise and experience to serve in this role. In addition to posting the Request for Proposal (RFP) on the state WEBS system, seven firms were solicited that indicated their desire to receive an RFP and firms who serve in this capacity nationally. Seven proposals were received and independently reviewed and evaluated by a committee comprised of Mr. Jacobs, Mr. Melio and Ms. Murr. The proposals were evaluated using score sheets that were developed by the evaluation committee outlining the specific requirements and criteria required for the role of bond counsel as outlined in the RFP. Some of the criteria included in the score sheet and the RFP were (a) bond counsel experience in municipal finance, (b) bond counsel experience in health care finance, (c) experience in the individuals assigned to the proposed team, (d) understanding of Authority financings, (e) firm's approach to the Authority's scope of services and (f) compensation. The committee then met in person to discuss the merits of each proposal and determined that it would be advantageous to interview one firm, Squire Patton Boggs (US) LLP. The committee also reached out to the references provided by Squire Patton Boggs (US) LLP.

The review committee recommended that Hillis Clark Martin & Peterson P.S. and Squire Patton Boggs (US) LLP each be engaged as Authority bond counsel for a three-year period.

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 recommendation to engage Hillis Clark Martin & Peterson P.S. and Squire Patton Boggs (US) LLP as the Authority's bond counsel 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 12:46 p.m.

John Wiesman, Secretary