



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, May 16, 2019 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
John Wiesman, Secretary of Health, Member, by conference speakerphone
Steve Jacobs, Public Member

Authority Staff Present:

Donna Murr, Executive Director
Ashlee Frye, Assistant Executive Director and Chief Financial Officer
Shannon Govia, Assistant Executive Director and Program Manager
Danni Miller, Executive Assistant

Others Present:

Rusty Fallis, Authority Assistant Attorney General
Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
Matt Swafford, Authority Financial Advisor, Melio & Company, by conference speakerphone
Mark Melio, Authority Financial Advisor, Melio & Company, by conference speakerphone
Libby Hollingshead, Deputy Chief of Staff, Office of Lt. Governor Cyrus Habib, by conference speakerphone

Mr. Schumacher called the meeting to order at 1:03 p.m. after noting a quorum was present consisting of himself, Mr. Jacobs and Mr. Wiesman.

Review, discussion and possible action regarding the Minutes from the April 11, 2019 Authority Board Meeting.

After discussion and upon motion by Mr. Jacobs and seconded by Mr. Wiesman, the minutes of the April 11, 2019 Authority meeting were unanimously accepted.

Review, discussion and possible action regarding the Authority Budget for FY 20-21.

Ms. Frye presented the proposed budget for FY20-21. The estimated June 30, 2019 total fund balance to be \$3.45 million. The current fund balance reserves are divided into three categories:

- Insurance/Legal Contingency Reserve is set at .03% of the outstanding principal of loans as of June 30 of each year and is to cover the deductible on the D&O insurance policy and the general liability insurance policy, plus the cost of litigating any suit brought against the Authority prior to payment by the D&O provider;
- Special Assistance Reserve is composed of the interest earnings on Authority investments. These funds are used to assist non-hospital customers pay for the costs of bond issuances. The Authority will pay half of bond counsel charges up to \$15,000 on non-hospital bond issuances of \$10 million and less;
- Operational Reserve equal to 1 times agency expenditures and is intended to cover Authority costs in the event that business falls off for a period of time.

Based upon projected revenues and expenditures, there will be an estimated \$3.36 million total fund balance (equity) as of June 30, 2020. However, the amounts in each reserve fund will change as the Insurance/Legal Reserve will reduce to about \$1.682 million, Special Assistance Reserve will remain at \$150,000, and the Operational Reserve will increase to \$1.41 million.

Revenues are projected at \$1,331,805 and \$1,337,488 for FY20-21 respectively. Expenses are projected at \$1,415,068 and \$1,431,811 for FY20-FY21 respectively, leaving a deficit balance each fiscal year of (\$83,263) and (\$94,323) for FY20- FY21 respectively. The projected fund balance (equity) is expected to be \$3.27 million at June 30, 2021. It is important to keep the overall fund balance (equity) at between \$3.0 million and \$3.5 million.

Annual fees have been adjusted over the years to try to achieve a better balance of revenues and expenditures and maintain agency fund balances (equity) at approximately \$3.5 million. The current fees are set at 2.5 basis points with a maximum per borrower cap of \$300,000 for loans over \$1 billion and \$200,000 for loans under \$1 billion. The recommendation is to adjust the rate and the cap to keep the fund balance at a reasonable level based on the projected transactions and expenses for the next two years as follows:

- For FY20 and FY21 charge borrowers 2.25 basis points with a maximum per borrower cap of \$300,000 for borrowers with outstanding loans over \$1 billion and \$200,000 for borrowers with outstanding loans under \$1 billion. This is a reduction of the current charge of 2.50 basis points.

- Review fund balance as of June 30, 2020 to determine whether adjustments to fee schedule are warranted.

Lieutenant Governor Habib joined the meeting at 1:11 PM to cast his vote with regard to the Authority Budget for FY 20-21.

There being no further discussion, no member of the public requesting the opportunity to comment, and upon motion by Mr. Jacobs, seconded by Mr. Wiesman, the Authority Budget for FY 20-21 was unanimously approved by roll call vote.

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

Ms. Murr explained that in March of 2018, the Authority solicited firms to provide a proposal for services in the capacity of Authority Bond Counsel and Special Counsel. In July of 2018 Bond Counsel contracts were awarded to Hillis Clark Martin and Peterson P.S. and Squire Patton Boggs (US) LLP. In February of 2019, Squire notified the Authority that Robyn Helmlinger, the team leader, was moving to another firm and asked whether we would prefer to transfer the relationship to Robyn's new firm or re-assign the account relationship to another attorney at Squire. We chose neither option and, upon mutual agreement, cancelled our contract with Squire.

In keeping with the Authority's desire to contract with two firms, a new solicitation was conducted as required by the competitive solicitation provisions contained in RCW 39.26.

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.

The review committee recommended that Orrick Herrington & Sutcliffe LLP be engaged to serve as Authority bond counsel for an initial two-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 Mr. Wiesman, the recommendation to engage Orrick Herrington & Sutcliffe 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 1:21 p.m.

John Wiesman, Secretary