



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

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

**Washington Health Care Facilities Authority
Special Meeting by Teleconference
Thursday, June 25, 2020 Meeting Minutes**

A special meeting of the Washington Health Care Facilities Authority was held by teleconference. 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
Cyrus Habib, Lieutenant Governor, Member
Toni Hood, Insurance Commissioner's Designee, Member
Steve Jacobs, Public Member

Authority Staff Present:

Donna Murr, Executive Director, by conference speakerphone
Shannon Govia, Assistant Executive Director and Program Manager
Ashlee Frye, Assistant Executive Director and Chief Financial Officer

Others Present:

Rusty Fallis, Authority Assistant Attorney General
Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
Robyn Helmlinger, Authority Bond Counsel, Orrick Herrington & Sutcliffe LLP
Bryan Victor, Authority Bond Counsel, Orrick Herrington & Sutcliffe LLP
Raul Ardelean, Authority Financial Advisor, Melio & Company
Matt Swafford, Authority Financial Advisor, Melio & Company
Libby Hollingshead, Deputy Chief of Staff, Office of Lieutenant Governor Cyrus Habib

Mr. Schumacher called the meeting to order at 1:02 p.m. after noting a quorum was present consisting of himself, Ms. Hood, and Mr. Jacobs.

Review, discussion and possible action regarding the Minutes from the May 14, 2020 Authority Board Meeting.

Upon motion by Mr. Jacobs, seconded by Ms. Hood, the minutes of the May 14, 2020 Authority meeting were accepted by a vote of 3-0.

Review, discussion and possible action regarding the Minutes from the June 12, 2020 Authority Board Meeting.

Upon motion by Mr. Jacobs, seconded by Ms. Hood, the minutes of the June 12, 2020 Authority meeting were accepted by a vote of 3-0.

Review, discussion and possible action regarding Authority FY20 Fund Balances and Proposed Annual Charges for FY21.

Lieutenant Governor Habib joined the meeting at 1:06 pm.

Ms. Frye summarized the analysis and findings of staff relating to the ways in which the Authority may provide additional financial relief to its borrowers due to the COVID-19 crisis.

The Authority's FY20-21 budget was adopted last year with the understanding that Authority staff would review the FY20 fund balance to determine whether or not there should be an adjustment to annual charges for FY21. The annual charge structure adopted at that time for FY20 & FY21 was 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 loans under \$1 billion. Based on its review, Authority staff recommended the reduction of annual charges for FY21 from 2.25 to 1.5 basis points with a maximum per borrower cap of \$300,000 for borrowers with outstanding loans over \$1 billion and \$200,000 for loans under \$1 billion.

In response to inquiries from Ms. Hood and Lieutenant Governor Habib's inquiry whether the Authority's annual charges have ever been lower, Ms. Frye responded that they have. The Authority bases its annual charges on its available fund balance, which it tries to keep between \$3-\$3.5 million. That has resulted in a lower annual charge during some periods in the past.

In response to Lieutenant Governor Habib's inquiry regarding where the operating funds of the Authority come from, Ms. Murr stated that the operating funds come from the annual charges and not general funds provided by the State. Mr. Schumacher concurred that the Authority receives no State general funds.

In response to Lieutenant Governor Habib's inquiry regarding if Mr. Schumacher agrees to the decision to the reduction of charges. Mr. Schumacher added that he agrees with the recommendation, Mr. Schumacher stated that the annual charges can be adjusted as needed and should be as low as possible while operating the agency in the fashion it needs to operate. Mr. Jacobs concurred with Mr. Schumacher. Ms. Murr added that the Authority is also reducing operating expenses.

There being no further discussion, upon motion by Lieutenant Governor Habib, seconded by Ms. Hood, the proposal for the Authority to assist borrowers with financial relief during the COVID-19 crisis by reducing annual charges to 1.5 basis points for FY21 was accepted by a vote of 4-0.

Review, discussion and possible action regarding the recommendation of Authority outside Auditor.

Ms. Frye summarized the recommendation of a new Authority outside auditor and briefly explained the selection process. The Authority retains an outside auditor to audit the Authority's financial records each year. Typically, the Authority issues a request for proposal (RFP) for firms to provide these audit services every three years. However, the Authority was notified last November that the then-current contractor, Peterson Sullivan, had merged with BDO (Blinder Dijker Otte), a large global audit firm. Their contract terminated at that time.

The Authority sent RFPs through the Department of Enterprise Services' WEBS Bid Posting and Notification System and received five proposals. The five proposals were reviewed by the audit committee consisting of Steve Jacobs and Ashlee Frye. The committee evaluated each proposal independently and met via teleconference on June 18, 2020 to discuss the merits of each. Based on its review, the committee has recommended the retention of Hellam Varon as the Authority outside auditor for FY20.

Mr. Jacobs described the criteria that was used for the evaluation: experience in auditing governmental entities, experience in the proposed audit team, audit fees and other factors, such as location and meeting requirements. Mr. Jacobs noted that this would be a one year contract with the option to extend up to 3 years.

In response to Governor Habib's inquiry regarding state audits, Ms. Murr stated the Authority is audited by the State Auditor's Office every 5-10 years and they rely on our annual financial audit completed by an outside independent audit firm when they choose to audit our agency.

There being no further discussion, upon motion by Mr. Jacobs, seconded by Ms. Hood, the recommendation to engage Hellam Varon as the Authority's outside auditor was adopted by a vote of 4-0.

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 1:28 p.m.

John Wiesman, Secretary