



W A S H I N G T O N

HEALTH CARE FACILITIES

A U T H O R I T Y

Washington Health Care Facilities Authority

Financing the Health Care Future

Special Meeting by Teleconference

Thursday, May 14, 2020 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
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
Libby Hollingshead, Deputy Chief of Staff, Office of Lt. Governor Cyrus Habib
Matt Swafford, Authority Financial Advisor, Melio & Company
Raul Ardelean, Authority Financial Advisor, Melio & Company
Joe Vessey, Chief Executive Officer, Community Health Center of Snohomish County
John Self, Wells Fargo Bank, N.A.
Alex Sansoni, Wells Fargo Bank, N.A.
Sulan Mlynarek, SEIU

Mr. Schumacher called the meeting to order at 1:01 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 April 9, 2020 Authority Board Meeting.

Upon motion by Mr. Jacobs and seconded by Ms. Hood, the minutes of the April 9, 2020 Authority meeting were accepted by a vote of 3-0.

Review, discussion and possible action regarding authorization to enter into a Voluntary Closing Agreement relating to the Series 2012 Bond issued for the benefit of Northwest Kidney Centers.

Lieutenant Governor Habib joined the meeting at 1:05 pm.

Ms. Murr summarized the background and proposed action relating to the authorization for the Authority to enter into a closing agreement with respect to the Series 2012 Bond. The Authority issued a bond on December 21, 2012 in the principal amount of \$10,400,000 (the "Series 2012 Bond") and loaned the proceeds to Northwest Kidney Centers ("NWKC"). The proceeds of the Series 2012 Bond were used to refund the Authority's 2007A Bond, which refunded the Authority's Series 2000 Bond. A portion of the proceeds of the Series 2000 Bond were used to purchase NWKC's Mt. Rainier Pavilion, a kidney dialysis center located in Renton, WA.

On September 6, 2013, NWKC sold the Mt. Rainier Pavilion to a third party that was not a 501(c)(3) organization or governmental entity. Because this asset was sold to a non-qualified entity, the bond issue that financed or refinanced it no longer qualified as tax-exempt under Section 147 of the Internal Revenue Code. NWKC made a timely attempt to remediate the problem as permitted by federal tax law, determined that the amount of non-qualified bond proceeds required to be redeemed to meet the requirements was \$243,954.42, and redeemed a portion of the Series 2012 Bond in that amount on September 13, 2013.

In August of 2019, NWKC discovered that the amount redeemed on September 13, 2013 was incorrect. The correct amount should have been \$269,977.08, a shortfall of \$26,022.66, and NWKC redeemed an additional portion of the Series 2012 Bond in that amount on August 29, 2019. However, the original insufficient remedial action had already caused a violation of section 145(a)(1) of the Internal Revenue Code.

The Internal Revenue Service's Voluntary Closing Agreement Program ("VCAP") is available to remedy these types of minor violations and applauds entities that utilize the program. NWKC and the Internal Revenue Service (the "IRS") agreed to a settlement amount of \$2,500, which is to be paid by NWKC, and finalized the VCAP Closing Agreement (the "Agreement"). The VCAP program requires that the Authority, as the issuer of the Series 2012 Bond, make the request to seek this type of remedy.

Hillis Clark Martin & Peterson P.S., the Authority's bond counsel for these transactions, has reviewed all of the documents relating to this proposal, finds them to be in good order, and recommends proceeding accordingly.

Ms. Murr introduced Mr. Gottlieb from Hillis Clark Martin & Peterson P.S., who summarized the rationale for the proposed action and encouraged approval.

In response to Mr. Jacobs' request for confirmation that the Authority is not responsible for ensuring that borrower calculations are correct following the sale of a property to a non-qualified entity, Mr. Gottlieb agreed. However, if the IRS were to discover that the calculation is done incorrectly, the IRS would bring an enforcement action against the Authority, as the issuer of the bond in question, and it would be up to the Authority to join the borrower to the action.

In response to Mr. Jacobs inquiry regarding whether a motion needs to be passed to authorize a specific person to enter into the Agreement on behalf of the Authority, Mr. Gottlieb stated that authorizing the Executive Director would be sufficient.

There being no further discussion, upon motion by Mr. Jacobs, seconded by Ms. Hood, and approved by a vote of 4-0, the Executive Director was authorized, on behalf of the Authority, to enter into a Voluntary Closing Agreement with the IRS and NWKC for the Series 2012 Bond.

Review, discussion and possible action regarding the application for financial assistance submitted by Community Health Center of Snohomish County.

Mr. Govia summarized the application for financial assistance submitted by Community Health Center of Snohomish County (“CHCSC”). CHCSC provides medical, dental and pharmaceutical services to primarily low income families and individuals with limited or no health insurance. CHCSC operates seven medical clinics, five dental clinics and five pharmacies located in Arlington, Edmonds, Everett and Lynnwood. CHCSC is applying for a loan in the amount of not-to-exceed \$8,500,000. Proceeds of the loan will be used to finance the construction and expansion of a clinic in Edmonds, Washington, reimburse CHCSC for prior capital expenditures, refinance their WHCFA Series 2013 Bond, and to pay costs of issuance. The financing will be structured as a Quick Loan – private placement and the lender is Wells Fargo Bank, N.A. The primary security for the loan will be a Deed of Trust on properties owned by CHCSC. Feasibility will be determined by the lender. There are no Certificate of Need issues per the Department of Health. A TEFRA hearing will be scheduled. The interest rate is estimated to be 2.35% with an initial loan term of 10 years. The depository bank is Wells Fargo Bank, N.A. It is anticipated that CHCSC will save approximately \$213,216 over the life of the loan based on current estimated taxable interest rates versus tax-exempt interest rates.

Based on its review of the application, Orrick, Herrington & Sutcliffe, LLP., Authority 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 Mr. Vessey who provided a brief summary of the services provided by CHCSC and the current need for the financing.

Mr. Jacobs commented that he was very impressed with CHCSC as an organization and the significant increase in the number of individuals served over the last five years.

There being no further discussion, upon motion by Mr. Jacobs, seconded by Ms. Hood, the application for financial assistance submitted by CHCSC was accepted by a vote of 4-0.

David Schumacher left the meeting at 1:20 pm.

Review, discussion and possible action regarding authorization to assist borrowers with financial relief during the COVID-19 crisis.

Ms. Murr summarized the analysis and findings of staff relating to the ways in which the Authority may provide financial relief to its borrowers. The three viable ways in which the Authority may provide financial relief to its borrowers are (1) reducing annual charges for fiscal year 2021; (2) deferring annual charges for fiscal year 2021; and (3) revising board adopted Policy #96-4 Fees: Non-Hospital Health Care Providers. A recommendation regarding Item 1 and Item 3 will be proposed at the June 2020 Authority board meeting. Staff is seeking authorization to defer annual charges for May through November 2020.

In response to Governor Habib's inquiry regarding whether case-by-case consideration for financial relief was discussed, Ms. Murr stated that it was discussed, but the group had concerns regarding potentially being perceived as treating borrowers unequally.

In response to Governor Habib's inquiry regarding whether the Authority is receiving overwhelming demand for financial relief, Ms. Murr stated that we have received inquiries but she would not consider them overwhelming in volume. Mr. Jacobs responded that many hospitals are losing money. Ms. Hood stated that if the Authority were to review and assess the need of borrowers on an individual basis, it would need consistent criteria to be applied fairly.

In response to Governor Habib's inquiry as to why the Authority doesn't provide this type of relief in non-crisis times, if the monetary impact is low to the Authority, Mr. Jacobs responded that it depends on the cash flow of the Authority and when investment funds come due. The Authority is currently in a good cash position and that alignment with the current crisis allows for this type of relief to be offered.

There being no further discussion, upon motion by Mr. Jacobs, seconded by Governor Habib, the Authority was authorized to assist borrowers with financial relief during the COVID-19 crisis by deferring annual charges for May, 2020 through November, 2020 and was accepted by a vote of 3-0.

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 1:37 pm.

John Wiesman, Secretary