



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

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Department of Health

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Executive Director

Donna A. Murr

**Washington Health Care Facilities Authority
Special Meeting by Teleconference
Thursday, June 9, 2022 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

Lieutenant Governor Denny Heck, Member

Charles Malone, Insurance Commissioner's Designee, Member

Steve Jacobs, Public Member

Authority Staff Present:

Donna Murr, Executive Director

Shannon Govia, Assistant Executive Director and Program Manager

Ashlee Frye, Assistant Executive Director and Chief Financial Officer

Danni Miller, Executive Assistant and Office Manager

Others Present:

Stacia Hollar, Authority Assistant Attorney General

Christi Jacobsen, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.

Brandon Pond, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.

Bryan Victor, Authority Bond Counsel, Orrick Herrington & Sutcliffe LLP

Robyn Helmlinger, Authority Bond Counsel, Orrick Herrington & Sutcliffe LLP

Mark Melio, Authority Financial Advisor, Melio & Company

Raul Ardelean, Authority Financial Advisor, Melio & Company

Dallas Roberts, Office of Lieutenant Governor Denny Heck

Bonnie Ross, Unity Care Northwest

Karen Funston, Buri Funston Mumford & Furlong, PLLC, counsel to Unity Care Northwest

David Browdy, Fred Hutchinson Cancer Center

Herb Bone, Fred Hutchinson Cancer Center

Gretchen Hanna, Fred Hutchinson Cancer Center

Judy Swain, MultiCare Health Systems

Jason Mitchell, MultiCare Health Systems

Sharlene Morgan, MultiCare Health Systems
James Lee, MultiCare Health Systems
Terri Wareham, Kaufman Hall
Robert Turner, Kaufman Hall
Saba Noorali, Kaufman Hall
Kevin Bedlington, Umpqua Bank
Steve Milles, Umpqua Bank
Joyce Sinakhone, SEIU

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

Review, discussion and possible action regarding the Minutes from the April 14, 2022 Authority Board Meeting.

Upon motion by Mr. Jacobs and seconded by Lieutenant Governor Heck, the minutes of the April 14, 2022 Authority meeting were accepted by a roll call vote of 4-0.

Review, discussion and possible action regarding the adoption of Resolution No. 2022-05 approving the application for financial assistance and authorizing the issuance and sale of a bond for the benefit of Unity Care Northwest (UCNW).

Mr. Govia summarized Resolution No. 2022-05 which, if adopted, would approve the application for financial assistance submitted by UCNW and authorize the issuance and sale of a bond in the principal amount of \$7,920,000. Proceeds of the loan will be used to fund the acquisition of the building UCNW currently leases in Bellingham, WA, and to pay issuance costs. The space in Bellingham is used for administration, adult dental, behavioral health, and case management services.

The financing will be structured as a Quick Loan – private placement and the lender will be Umpqua Bank. The primary security is a Deed of Trust. There are no Certificate of Need issues per the Department of Health. Feasibility is determined by the lender. A TEFRA hearing was held on June 1, 2022 at which no individuals testified for or against the project. The interest rate is fixed at 3.44%. The loan has a 10-year term with 25-year amortization. The depository agent is U.S. Bank Global Corporate Trust. UCNW estimates that it will save approximately \$181,558 in interest costs over traditional taxable interest rate financing.

Mr. Govia introduced Ms. Jacobsen from Hillis Clark Martin & Peterson P.S., serving as Authority's bond counsel for this transaction. Ms. Jacobsen summarized the documents presented for approval and indicated that they are all in good order. Based on the determinations that are required by the Authority's WACs, the due diligence investigation conducted by bond counsel as well as the information in the application, Mr. Govia urged adoption of Resolution No. 2022-05 for the benefit of Unity Care Northwest.

There being no further discussion, upon motion by Mr. Jacobs, seconded by Lieutenant Governor Heck, Resolution No. 2022-05 was adopted by a 4-0 roll call vote.

Review, discussion and possible action regarding the amended application for financial assistance submitted by Fred Hutchinson Cancer Center (FHCC).

Mr. Govia summarized the amended application for financial assistance submitted by FHCC. The Authority accepted an application submitted by FHCC on April 14, 2022 in an amount not-to-exceed \$322,000,000. The issuance was to be structured as a public sale with Barclays, JP Morgan and Cain Brothers serving as underwriters. Due to more favorable market conditions, FHCC has requested the Authority take the necessary steps to amend its application by changing the structure from a public sale to direct placements. Banc of America Public Capital Corp or one of its affiliates and DNT Asset Trust or one of its affiliates will serve as purchasers for the direct placements. The primary security will be Master Note Obligations. There are no Certificate of Need issues per the Department of Health. Feasibility is determined by the purchasers. A TEFRA hearing was held on June 2, 2022 at which no individuals testified for or against the project. Interest rates will be both fixed and variable. One series will have a 12-year term and two series will have up to a 10-year loan term. U.S. Bank Global Corporate Trust will serve as bond trustee.

Over the life of the bonds, savings generated from using tax-exempt debt over taxable on a net present value basis, is estimated at \$15.7 million in aggregate, or an average of \$522,702 annually. Substantially all of the savings realized by FHCC from the availability of financing through tax-exempt bonds will be used in a manner that will minimize financing costs within the entity's permanent capital structure and thereby the costs to the public of vital cancer treatments. The savings will also contribute to the organization's research mission of eradicating cancer.

Based on its review of the application, Orrick Herrington & Sutcliffe, LLP., Authority Bond Counsel, has determined that FHCC and the proposed projects 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 amended application.

There being no further discussion, upon motion by Mr. Jacobs, seconded by Lieutenant Governor Heck, the amended application for financial assistance submitted by Fred Hutchinson Cancer Center was accepted by a 4-0 roll call vote.

Review, discussion and possible action regarding the application for financial assistance submitted by MultiCare Health Systems (MHS).

Mr. Govia summarized the application for financial assistance submitted by MultiCare Health Systems. MHS is an integrated healthcare delivery system providing inpatient, outpatient and other healthcare services primarily to the residents of Pierce, King, Spokane and Thurston counties, and with respect to pediatric care, much of the southwest Washington region.

MHS is applying for a loan in the principal amount of not-to-exceed \$161,000,000. The proceeds of the loan will be used to refund all or a portion of the WHCFA Series 2009A/B bonds, 2012A bonds and pay for costs of issuance.

The financing will be structured as direct placement(s) with the lender(s) to be determined. The primary security is to be determined. There are no Certificate of Need issues per MHS and confirmed by the Department of Health. Feasibility is to be determined by the lender(s). A TEFRA hearing is to be scheduled. The interest rate, loan term and depository bank are to be determined. MHS anticipates that it will save approximately \$11,900,000 in interest costs over traditional taxable interest rate financing over the term of the loan. The lowered cost of borrowing from a tax-exempt financing will lower the operating expenses for MHS, thereby reducing its dependency on cash flow derived from revenue sources. Additionally, this will reduce the cost of providing care and lessen the need for rate increases.

Based on its review of the application, Orrick Herrington & Sutcliffe LLP, Authority Bond Counsel, has determined that MHS and the proposed 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. Swain, Vice President and Treasurer of MHS, and Mr. Mitchell, Vice President of Financial Operations of MHS, who, together, summarized the services provided by MHS.

There being no further discussion, upon motion by Mr. Jacobs, seconded by Lieutenant Governor Heck, the application for financial assistance submitted by MHS was accepted by a 4-0 roll call vote.

Review, discussion and possible action regarding Authority FY22 Fund Balances and Annual Charges for FY23.

When the Authority budget was adopted last year, it was agreed upon that a review of the FY22 fund balance should be completed to determine whether or not annual charges should be adjusted for FY23. The current fee structure is 2.0 basis points. Upon completion of the analysis it has been determined it is feasible to continue with the same fee structure for FY23.

Our reserves will continue to be maintained as follows:

- Insurance/Legal Contingency Reserve is set at .03% of the outstanding principal of loans as of March 31st 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 borrowers by paying half of bond counsel fees on certain small non-hospital bond issuances;
- 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.

Ms. Frye and Mr. Jacobs also noted that required Fund balance (total equity) is expected to stay between \$3 and \$3.5 million for FY23. It is currently slightly below \$3 million and is expected to be approximately \$3.1 million at the end of FY23.

This budget update is for informational purposes only and does not require a motion.

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 1:42 p.m.

Steve Jacobs, Secretary