



PUBLIC HOSPITAL DISTRICT NO. 4, KING COUNTY

Board of Commissioners

MINUTES

SPECIAL MEETING

April 17, 2015, 3:00 p.m.

Snoqualmie City Hall, Council Chambers, Snoqualmie, WA

IN ATTENDANCE:

Joan Young, President
David Speikers, Secretary
Dariel Norris, Vice President
Ryan Roberts, Commissioner
Gene Pollard, Commissioner

ALSO PRESENT:

Rodger McCollum, CAO/Superintendent
Valerie Huffman, Recorder

GUESTS:

Ross Manson, Eide Bailly
Thomas Whitson, Piper Jaffray
Keith Kleven, Piper Jaffray
Brad Berg, Foster Pepper

CALL TO ORDER: The meeting was called to order at 3:00 pm. by Pres. Young.

APPROVAL OF AGENDA

A motion was made and seconded to approve the agenda as written. M/Roberts, S/Speikers

EXECUTIVE SESSION: Pres. Young announced that the board would hold an executive session prior to the start of the meeting to discuss a real estate matter pursuant to RCW 42.30.110 (c). It was estimated the session would last approximately 15 min.

The Board reconvened at 3:25 p.m. and proceeded with the meeting pursuant to the agenda.

NEW BUSINESS

1. Introduction of Financial Feasibility Study, Revenue Bonds documents. The following presentations were made to the commissioners:

- Financial Feasibility Study – Ross Manson, Eide Bailly

Mr. Manson provided a PowerPoint presentation highlighting the key aspects of the Financial Feasibility Study. There was considerable discussion with questions being asked and answered throughout the presentation. There were also points of clarification requested by the Board.

- Bond pricing, issuance process and funding – Tom Whitson, Keith Kleven, Piper Jaffray

Mr. Whitson and Mr. Kleven also provided a PowerPoint presentation discussing the revenue bond pricing and the processes for the issuance and funding. The presentation included:

- Piper's history with the District on other LTGO Bond issuances
- Savings to the District by comparing purchasing the hospital v. a capital lease
- Review of the existing bond debt
- Financing Overview
- Security features for 2015 Revenue Bonds and 2015 LTGO Bonds
- Financing Schedule showing the closing of the bond issuance to be the week of June 2014.

- Revenue Bonds documents, covenants, legal issues/requirements – Brad Berg, Foster Pepper, District Bond Counsel

Mr. Berg explained that there are two different financings: refunding of LTGO bonds and the issuance of revenue bonds. Two draft resolutions were presented to the board. He further explained that the resolution for the revenue bonds is what is referred to as a delegation resolution. This means that the Board approves the general terms of the financing, setting a maximum amount of debt that can be incurred, maximum interest rates, etc. If the Board proceeds with a delegation resolution, authority would be delegated to management to proceed with the financing subject to the terms that are specified in the resolution and all parameters specified. The covenants would have to be included in the resolution but if there were changes in those covenants, they would have to be approved by the board.

An alternative approach, and more traditional approach, is to market the bonds, solicit interest, get the final terms, and then only after the final terms are known, the resolution would be finalized and then presented to the board for approval.

The overall approach is to continue to work out the covenants and get a sense of where things are with the investors, and see whether things can be locked down by May 7th. If that doesn't seem possible, then the more traditional approach may be used. The board would be updated on May 7th and then work out dates for a special meeting around June 1.

The general concern about the more traditional approach is when the bonds are marketed, as Tom Whitson mentioned, it won't be known until the final day who is willing to actually buy and on what terms. Once that information is received, things have to happen very quickly, usually within a day or two. This would mean from the Board's perspective, a special meeting would have to be held on very short notice. This is the trade off with using the more traditional approach.

Mr. Berg reiterated that it is his recommendation to see what develops over the next week or so and report back before the May 7th meeting in terms of which approach is recommended.

Regarding the resolutions, the form of the LTGO bond resolution is very similar to what the Board has done previously with respect to the 2009 and 2011 bonds in terms of the basic structure. The key element of a LTGO bond is that it is payable from the regular property taxes. Other monies can be used to pay as well but what is pledged to the bondholders is that ultimately the district would levy the taxes, as permitted to do without additional voter approval, and if necessary, use that money to pay the debt service on the bonds until the bonds are paid off.

By contrast, the revenue bonds are payable solely from the revenue that is generated from the operations of the facility. At the District's sole discretion, taxes can be used, but the bondholders have no legal right to force you to use the tax money.

Mr. Kleven interjected that from the underwriter's perspective, with a non-rated, municipal bond transaction like this, it would be expected to get requests from investors that are different than proposed.

Brief discussion ensued with questions being asked and answered, including mention of including a provision related to any future potential affiliation.

Please note there were remarks made throughout the presentations by an unrecognized speaker, Howard Thomas, from his seat in the audience.

Copies of all PowerPoint slides are available upon written request to the District Administration Office.

NEW BUSINESS:

1. **Resolution No. 473-0415 – Approving Amendment to Agreement with Benaroya Capital Company for Development of District's Replacement hospital facility.** By way of clarification, this amendment was requested by Piper Jaffray in order to market the revenue bonds.

PUBLIC COMMENT:

Jim Simon, Snoqualmie

- Lives close to I-90 and on a recent Friday drove to the new facility. It took him at least 35 min. Going forward with the transition, he feels this is something that

should be looked at on a much larger level. Mileage is approximately 2.5 miles from his house. Mr. Simon stated this has significant potential to limit North Bend population getting to the new hospital.

In response, comment was provided that the state legislature has taken up this issue and there is \$211 million dollars included in the house transportation budget that is now being reconciled with the Senate and if approved, and it is believed it will be, this money will be available for improvements to the intersection of I-90 and Hwy 18 near the new hospital.

- Mr. Simon wanted to share a comment on numbers for acute care admissions that are shown in the forecast. He has heartburn with the numbers going from 68 patients in 2014 to a projection of 124 in 2015, along with acute care patient days projected to go from 195 to 365. He stated there had been better acute care utilization in previous years. Mr. Simon just wanted to share this comment.

Charles Peterson, Snoqualmie

- In reference to the two different ways in which the resolutions could be prepared as explained by Mr. Berg, i.e. 1) management could make the decision or 2) the board could come back together to make the decision. Mr. Peterson encouraged the Board to do the voting and decision-making moving forward.

Extensive discussion took place with clarification that 24 hour notice would be needed to hold a special meeting if the resolutions were prepared as non-delegated authority. Piper Jaffray expressed concern about non-delegated authority in terms of the timing of a special meeting and being able to get a quorum together in the midst of conditional orders for bonds. The period of time in which the bonds are actually sold is on one day and could be a period of time as short as a 90 minute time frame. If it is known what potential investors would want ahead of time, then those could be brought to the board for approval. However, if requests come up on the day of pricing, it would be difficult to have any kind of flexibility to approve any requests without a delegating resolution that covers some of those things. If authority is delegated, it gives Piper Jaffray as much time as needed to complete the final orders, and allows them to be prepared and also gives them a comfort level to purchase the securities from the District to sell.

Please note there were remarks made in regards to the above public comment by an unrecognized speaker, Howard Thomas, from his seat in the audience.

- Mr. Peterson concluded his public comment stating that he would like to have presented to the board the numbers on how many times this is done with management making the decision and not the elected board.

NEW BUSINESS – Action Items

- 1. Resolution No. 473-0415 – Approving Amendment to Agreement with Benaroya Capital Company for Development of District's Replacement hospital facility.**

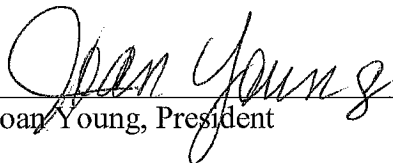
A motion was made and seconded to adopt Resolution No. 473-0415 approving an amendment to the agreement with Benaroya Capital Company. M/Norris, S/Speikers

There was no further discussion and the motion unanimously carried.

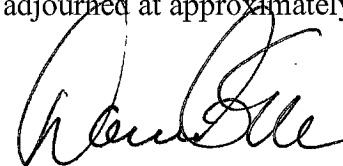
NEXT SCHEDULED MEETING: Thursday, May 7, 2015, 6:30 pm, Snoqualmie City Hall, Council Chambers, 38624 SE River Street, Snoqualmie.

Please note that the audio recording of this meeting of the Board of Commissioners for PHD #4 can be accessed on the District's website, Governance Page or at: <http://www.snoqualmiehospital.org/audio>.

There being no further business, the meeting was adjourned at approximately 5:10 pm.
M/Pollard, S/Roberts



Joan Young, President



David Speikers, Secretary