

## Oregon Facilities Authority

### Minutes of Meeting of October 14, 2016

A duly called meeting of the Oregon Facilities Authority ("OFA" or the "Authority") was held on October 14, 2016, commencing at approximately 1 p.m. at Coos Bay History Museum, 1210 N. Front Street, Coos Bay, Oregon.

All Authority Members participating in the meeting appeared by telephone: Chair Sean Hubert, Vice-Chair Martha McLennan, and Authority Members Beth DeHamel, Javier Fernandez and J. Kevin McAuliffe.

Participating in the meeting to assist the Authority were (all appearing by phone unless otherwise noted): Gwendolyn Griffith, Executive Director of the Authority (in-person); Jessica Morgan, Associate Executive Director of the Authority; Pat Clancy of Western Financial Group, Financial Adviser; Carol McCoog of Hawkins, Delafield & Wood LLP, SNAP and Special Bond Counsel; Michael Schrader and Doug Goe of Orrick, Herrington and Sutcliffe, LLP, Lead Bond Counsel; Laura Lockwood-McCall, Lee Anaya and James Sinks of the Office of the State Treasurer ("OST"); and Cynthia Byrnes of the Oregon Department of Justice ("DOJ").

Chair Sean Hubert called the meeting to order and presented the notice of meeting.

#### **Approval of Minutes**

Approval of the minutes of the meeting of September 14, 2016, was deferred.

#### **Consideration of Final Approval for the application for an OFA SNAP Bond for Serenity Lane Health Services in an amount not to exceed \$13,168,000.**

Mr. Dustin Stapleton, Vice President of Finance and Administration, appeared via telephone on behalf of the Applicant. Ms. Jamie Louie-Smith, Vice President, Commercial Banking Officer, Pacific Continental Bank (the "Bank"), appeared via telephone to assist in the presentation of the application.

Mr. Stapleton reviewed the project: to refinance a construction loan made for the purposes of constructing a new campus facility in Coburg, Oregon. The Applicant has been operating since 1973 as a drug and alcohol treatment center. The new facility offers a special in-care facility and residential treatment program on the campus. There have been no changes to the project since preliminary approval was requested. All aspects of the project have proceeded as expected and the only item remaining to be completed on the facility is the landscaping. The Applicant's Board has approved/confirmed approval and is comfortable moving forward with the project.

Ms. Smith updated the Board on the financing plan. The only change since preliminary approval is the change in requested bond proceeds from \$13,260,000 to \$13,168,000. The Bank and Applicant hope to close the financing by October 31st.

Bond Counsel's report is included in the materials. Ms. McCoog observed that the transaction had moved forward smoothly, and that tax due diligence has been completed on the two entities, one of which (the Applicant) owns the facility and the other, Serenity Lane, operates the program. Bond

Counsel is comfortable with the opinion provided by counsel to the two entities as well as the planned uses of the facility. The documents are in substantially final form. Ms. McCoog recommended the transaction for final approval.

The Executive Director's report is included in the materials. Ms. Griffith confirmed that this was a smooth transaction with an experienced team. She recommended the transaction for final approval.

**There being no further discussion, Ms. McLennan moved that the Board adopt Resolution 2016-21, granting final approval to Serenity Lane Health Services for an OFA SNAP Bond in an amount not to exceed \$13,168,000 and requesting that the State Treasurer consider issuing the bond. Ms. DeHamel seconded the motion and Resolution 2016-21 was unanimously approved.**

**Consideration of Final Approval for the Application of an OFA Traditional Bond for Samaritan Health Services in an amount not to exceed \$90,000,000.**

Mr. Daniel Smith, Vice President of Finance, Ms. Nancy Fry, Controller, Mr. Tyler Jacobsen, Vice President and General Counsel, and Dr. Leslie Ogden, CEO of North Lincoln Hospital, appeared via telephone on behalf of the Applicant. Mr. Steven Proeschel, Managing Director, and Mr. Keith Kleven, Vice President, Healthcare Finance, of Piper Jaffray & Co., the underwriter, attended the meeting via telephone to assist in the presentation of the application. Mr. Duncan Brown, Senior Managing Consultant, of PFM Financial Advisors LLC (advisor to the Applicant), attended the meeting to assist in the presentation of the application.

Mr. Smith updated the Board with the background of the Applicant and the proposed uses of the proceeds of the bond. Dr. Ogden gave the Board an update on the current status of the project for the replacement facility. The Applicant team confirmed that there had been no changes in the project or to the financing structure from those described at preliminary approval. The Applicant confirmed that it is ready to proceed to Closing.

Mr. Proeschel updated the Board with the process of the Applicant getting to market. If the Board grants final approval, Piper Jaffray hopes to post the preliminary official statement on Monday, October 17, with an expectation of closing by the end of October.

Bond Counsel's report is included in the materials. Mr. Goe noted that the financing team worked diligently to prepare the transaction for final approval on an accelerated schedule. Bond Counsel reported that the documentation is in substantially final form, and Mr. Goe recommended the transaction for final approval.

The Financial Advisor's report is included in the materials. Mr. Clancy confirmed the receipt of a BBB+ rating from Standard and Poor, and reported that the transaction is consistent with that described to the Board when it gave preliminary approval. Mr. Clancy recommended the transaction for final approval.

The Executive Director's report is included in the materials. Ms. Griffith reminded Board of the preliminary approval meeting being held as a Special Board Meeting due to the accelerated schedule proposed by the Applicant. The financing team worked diligently to attain the timeline and recommended the transaction for final approval.

**After discussion, Ms. McLennan moved that the Authority adopt Resolution 2016-22, granting final approval to Samaritan Health Services for an OFA Traditional Bond in an amount not to exceed \$90,000,000 and requesting that the State Treasurer consider issuing the bond. Ms. deHamel seconded the motion and Resolution 2016-22 was unanimously approved.**

**Consideration of Final Approval for the Application of an OFA Traditional Bond for Personalized Learning, Inc., dba Redmond Proficiency Academy, an amount not to exceed \$8,500,000.**

Mr. Jonathan Bullock, Executive Director, appeared via telephone on behalf of the Applicant. Mr. Nick Hagen, Vice President of Piper Jaffray & Co., the underwriter, appeared via telephone to assist in the presentation of the application.

Mr. Bullock updated the Board on the proposed use of the loan proceeds. The project was initially expected to include the expansion into additional floors. The project was reduced in cost by \$1.2 million, by modifying it to include only the renovation of the existing location, with the additional 33,000 sq. ft. to be used for future growth over the next 5-10 years. The Applicant confirmed compliance with the additional bond tests in the bond documents from last year's bond issuance, and that an independent CPA made these computations, along with the additional computations requested by OST. All transaction issues have been resolved. The Applicant is ready to close.

Mr. Hagen provided an update on the financing plan. The preliminary offering memorandum is final and, if the Board grants final approval, the underwriter hopes to post it in the week of October 17 and close by the end of the month. The offering denomination is \$100k minimum, and the market is qualified institutional investors, as this is an unrated offering.

Bond Counsel's report is included in the materials. Mr. Schrader explained the issuance of the bonds as additional bonds on parity with the bonds that closed in December of last year. Bond Counsel is currently in process of finalizing the allocation of proceeds between the taxable and non-taxable portions. Additional stress tests were run given the projections in the current State budget. Bond documents and the preliminary offering memorandum are in substantially final form. Mr. Schrader noted that, with respect to continuing disclosure, this offering memorandum contains substantial disclosures, which exceed those currently required by SEC rules. He recommended the transaction for final approval.

The Financial Advisor's report is included in the materials. Mr. Clancy described the additional debt test and the projections and tests run by the Applicant team. Mr. Clancy noted the limited nature of the offering to qualified institutional buyers. Mr. Clancy recommended the transaction for final approval.

The Executive Director's report is included in the materials. Ms. Griffith expressed her appreciation for the thoughtful approach of the Applicant team in responding to Board and OST requests. She recommended the transaction for final approval.

The Board and Treasury thanked the Borrower for providing additional stress tests as requested in the preliminary approval meeting.

**There being no further discussion, Ms. McLennan moved that the Authority adopt Resolution 2016-23, granting final approval to Personalized Learning, Inc., dba Redmond Proficiency**

**Academy, for an OFA Traditional Bond in an amount not to exceed \$8,500,000 and requesting that the State Treasurer consider issuing the bond. Ms. DeHamel seconded the motion and Resolution 2016-23 was unanimously approved.**

**Consideration of Conditional Final Approval for the Application for an OFA SNAP Bond for Cascades Academy of Central Oregon in an amount not to exceed \$5,000,000.**

Ms. Julie Amberg, Chief Executive Officer, and Ms. Gretchen Sanislo, Chief Financial Officer, appeared via telephone on behalf of the Applicant. Ms. Joanie Miller, Assistant Vice President, Portfolio Administration and Mr. Phil Bridge, Senior Vice President, Commercial Banking Manager, of Pacific Continental Bank attended the meeting via telephone to assist in the presentation.

Ms. Amberg provided background of the organization. The Applicant is a pre-kindergarten thru 12th grade independent school in Central Oregon that has been operating for over 14 years. The current financing is designed to allow the Applicant to (i) refinance its existing SNAP bond (approximately \$3,779,000); (ii) refinance another outstanding loan from the Bank, which was used for capital purposes (approximately \$523,000); and (iii) finance the construction of an addition to the Applicant's current facility (approximately \$500,000). Ms. Amberg presented the Board with details on the school's enrollment and waiting lists. The Applicant has begun fundraising and has raised \$4,500,000. Construction of the project has begun.

Ms. Miller commented on the Applicant's recent experience in 2012 on obtaining a SNAP Bond and the Applicant's positive relationship with the Bank. The SNAP bond terms include a 25-year loan that will fully amortize after an initial 18-month interest-only draw period. The loan will have a fixed rate for the first 10-year term, with standard mutual call options and interest rate repricings on the 11th and 21st anniversaries. Ms. Miller anticipates no issues with this experienced financing team.

Bond Counsel's report is included in the materials. Ms. McCoog summarized the proposed financing structure and noted in particular that this should be an easy transaction because of the Applicant's recent SNAP Bond financing. Bond Counsel will only need to perform updated due diligence and expects no unusual issues. Bond Counsel intends to conduct the usual diligence, including confirming that proceeds of the non-SNAP loan were used for qualifying purposes. Ms. McCoog recommended the transaction for conditional final approval.

The Financial Advisor's report is included in the materials. Mr. Clancy updated the Board on his telephone meeting with the Applicant. The financing terms are consistent with the prior SNAP Bond terms. The Applicant seemed to understand the complexities and constraints provided by this transaction.

The Associate Executive Director's report is included in the materials. She reminded the Board of how conditional final approval works, and she recommended the transaction for conditional final approval.

**There being no further discussion, Ms. McLennan moved that the Authority adopt Resolution 2016-24, granting conditional final approval to Cascades Academy of Central Oregon for an OFA SNAP Bond in an amount not to exceed \$5,000,000 and requesting that the State Treasurer consider issuing the bond when the conditions have been resolved. Ms. DeHamel seconded the motion and Resolution 2016-24 was unanimously approved.**

## Executive Director Report

Ms. Griffith requested an update for the Board from Bond Counsels on current bond activity. Ms. McCoog summarized current SNAP Bond projects, and reported on several recent successful closings. Mr. Schrader provided an update on Traditional Bonds recently closed and on pending activity.

Ms. Byrnes commented on the Bond Bill process and the plan. The draft amendment includes an increase in bonding authority for the current biennium, which is requested at \$1.3 billion. The Bond Bill usually passes at end of legislative session which will provide biennial authority for the next biennium. Mr. Anaya and Ms. Lockwood-McCall will move this forward and will request assistance from the Board as needed for testifying or otherwise.

Mr. Morgan and Mr. Sinks provided the Board with a status update on the development of the new OFA website. Things are moving forward nicely with the hiring of Mr. Wadhams to do the development work. Ms. Morgan intends that the Board will have materials to review at the December meeting.

Ms. Griffith discussed the possibility for next year's off-site meeting to be held in Coos Bay. The Board agreed that OFA should return to Coos Bay, perhaps earlier in the season.

The annual planning session was suggested to be held in early 2017, with a meeting and lunch at a borrower location.

## Other Updates

Ms. Griffith reported to the Board that Ms. Cutsogeorge will be withdrawing from the Board but will remain until a successor is appointed. The expected process is that the new Treasurer will fill the Board seat. Quorum issues were discussed and The Board requested that this be added to the agenda for the planning session.

Mr. Clancy updated the Board on the current status of the acquisition of Western Financial Group by PFM. Western will be operating as a wholly owned subsidiary for the next couple of years. It is intended that their systems will be integrated, so going forward materials will reference PFM. PFM may assist Mr. Clancy with OFA Board work although will need to work through certain conflicts that arise with PFM's representation of borrowers obtaining financing from OFA.

Mr. Hubert asked for any public comment. There was none.

There being no further business to come before the meeting, the meeting was adjourned at approximately 2:45 p.m.



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Sean Hubert, Chair



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Gwendolyn Griffith, Executive Director