
A Guide To Capital Funding Options For Public Hospital Districts, Rural Hospital And/Or Critical Access Hospitals In Washington State



**Association of
Washington Public
Hospital Districts**

Keeping Quality Care Local

A publication funded by the Association of Washington Public Hospital Districts and developed by consulting firms The Lakes Group and Moss Adams LLP.

INTRODUCTION

The majority of Public Hospital Districts in the State of Washington are, or will shortly, be in the need of capital financing to replace aging physical plants, operating systems and clinical equipment to meet the increasing safety and environment of care standards required by state, federal and accrediting agencies. In addition, there is a mandate for information systems (IS) that provide privacy (HIPAA) financial, clinical and operational interfaces required by state and federal agencies as well as third party payers and liability insurers. All of these requirements are and will have a major impact on hospitals and health systems due to the cost.

The need for capital outside of existing institutional financial reserves to address these mandatory upgrades is additionally impacted by the continuing decrease in third party reimbursement for clinical services and reduced returns on investment income.

For these reasons, the Association of Washington Public Hospital Districts leadership decided to seek assistance in developing this guide to assist AWPHD members to find and access capital funds to replace or upgrade aging physical plants, operating systems, clinical equipment and/or information systems.

DISCLAIMER

Information in this resource directory has been gathered from numerous resources and is intended to be a guide for hospitals to identify potential sources of capital financing. These resources are listed for reference only and are not intended as endorsement by the Association of Washington Public Hospital Districts or the consulting firms of The Lakes Group or Moss Adams LLP.

While this directory is as comprehensive, regarding funding mechanisms, as the researchers could make it, it is not exhaustive, either to funding mechanisms or funding resources. The directory includes detailed financing information for only one or two sources for each particular type of funding mechanism, rather than attempting to include information for every source. If other funding mechanisms or funding sources are identified by AWPHD members/staff, or if other financial sources feel they have been overlooked, this information should be forwarded to the Executive Director, AWPHD to be considered as potential addenda to this publication. There is a blank resource template in Appendix 2 of this resource guide that can be used to provide the information recommended for addenda to this AWPHD publication.

It should also be noted that capital funding from state and federal government resources is a very fluid resource. As this publication went to print, there were some legislative actions at the federal level that focused on assisting rural facilities to maintain financial viability and improve physical plants and information systems. AWPHD and WSHA resources will monitor these actions and provide timely feedback to the membership if this legislative support becomes a reality.

This guide is intended to provide accurate information, but it should not be used as a replacement for or override individual institutions' financial advisors or auditing firms.

ACKNOWLEDGEMENTS

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SECTION I

Solicitation of Information for the Directory

A. Organizations Contacted as Sources for Potential Capital Funding Assess

The following organizations were contacted to provide information for one or more types of capital funding options. Not all organizations responded to the request for information. The organizations that did respond are represented in Section II of this directory.

AMDC Corporation
Bank of America, Public Sector Banking
Bank of America Securities LLC
Ben B. Cheney Foundation
CapitalSource
DASCO Companies, LLC
Economic Development Administration, U.S. Department of Commerce
Fleet Capital Leasing Healthcare Finance
GE Capital Healthcare Financial Services
Johnson Controls, Inc.
McKinstry Company Energy Services
M.J. Murdock Charitable Trust
The Norcliffe Foundation
Office for the Advancement of Telehealth
Office of Community and Rural Health, Washington Department of Health
Office of Insured Health Care Facilities – HUD 242 Program
Office of Special Programs, Health Resources and Services Administration
PACCAR Foundation
PaineWebber, Inc.
The Seattle Foundation
Seattle-Northwest Securities Corporation
Sun Capital HealthCare, Inc.
Union Pacific Foundation
United States Department of Agriculture
United States Department of Agriculture, Rural Utilities Telemedicine
Loans/Grants
U.S. Department of Housing and Urban Development – HUD 232 Program
U.S. Department of Housing and Urban Development – HUD 242 Program
U.S. Bancorp Piper Jaffray
Washington Health Care Facilities Authority
Washington Health Foundation
Washington State Department of General Administration
Washington State Treasurer's Office

Section II

Specific Capital Funding Resources

Each completed template from a potential capital funding resource indicates whether the funding option is applicable to public hospital districts, critical access hospitals and/or rural not-for-profit hospitals (defined as hospitals with 100 or fewer beds). Some, or even many, of the template headings are not applicable to a specific funding option or resource.

Contact information has been provided for each funding resource to enable the user of the directory to direct inquiries or requests for applications to the funding resource. More than one resource has been included for some of the funding options.

NOTE: If public hospital district is checked and critical access hospitals and/or rural hospitals are also checked, then the critical access or rural hospital must be a public hospital district to qualify for that funding resource.

A. *Commonly Used Capital Funding Options*

- Unlimited Tax General Obligation Bonds (Limited to Public Hospital Districts) – 2 Resources
- Limited Tax General Obligation Bonds (Limited to Public Hospital Districts) – 2 Resources
- Tax-Exempt Revenue Bonds – 2 Resources
- HUD 242 Loan Insurance Program (Hospitals)
- HUD 232 Loan Insurance Program (Nursing Homes, Hospices, etc.)*
- Tax-Exempt Equipment Loan
- Tax-Exempt Equipment Operating Lease
- Tax-Exempt Equipment Capital Lease – 2 Resources
- Tax-Exempt Equipment Capital or Operating Lease
- Taxable Equipment Capital Lease
- Taxable Third-Party Equipment Capital Lease

* No template at this time

A. Commonly Used Capital Funding Options

Funding Type: Unlimited Tax General Obligation Bonds

Available to (“x” as applicable)	<input checked="" type="checkbox"/> Public Hospital Districts Not-For-Profit Hospitals <input checked="" type="checkbox"/> Critical Access Hospitals <input checked="" type="checkbox"/> Less than 100 Beds (rural)
Amount of Funding Available	Voter approval limits the funding. In addition, the statutory limit on the amount of outstanding general obligation debt is 2.5% of assessed value.
Limitations on Use of Funds	Tax exempt bond proceeds must be used to construct/improve healthcare facilities or acquire equipment for a “public” purpose, as determined by IRS regulations.
Interest Rate	Fixed interest rates for each maturity are “set” on the day of pricing, at market levels on that date. UTGO interest rates are lower than either LTGO or revenue bond rates for the same issuer.
Range of Loan Maturity Dates	Bonds can be sold with final maturities of 1-30 years, depending on the average life of the project being funded, and the hospital’s debt structuring needs.
Typical Cost of Funding	‘Costs of issuance’ generally range from 2-3% of the paramount of the bonds.
Time From Application to Funding	The process of issuing bonds, including drafting legal and disclosure documents typically takes 6-12 weeks. This work often begins prior to the election if there is a reasonable indication that voters will approve the issue.
Typical Covenants	There are generally no specific covenants related to revenues or the operation of the hospital because UTGO bonds are secured by and paid from an ‘excess levy’.
Collateral Requirements	UTGO bonds are secured by the full faith and credit of the District. There is no explicit pledge of revenues or property.
Credit Enhancement Requirements	There is no requirement that the bonds obtain credit enhancement. UTGO bonds can be sold using the District’s rating, or no rating.

Reserve Account Requirements	There is no requirement for a debt service reserve fund for tax-backed issues.
Trust Account Requirements	There is no trustee requirement, although the country treasurer typically holds the bond fund, deposits taxes and forwards debt service payments, as required.
Annual Reporting Requirements	A ‘continuing disclosure’ requirement for issues of \$1,000,000 or more requires submission of financial/ other data plus notification of certain “material events” to national repositories.
Prepayment Limitations	Typically the bonds are not callable for the first 10 years, but can be “advance refunded” by depositing sufficient funds in an escrow account until the call date.
Public Vote Requirement	UTGO bonds need 60% voter approval, with election validation requirements.
Application Process	There is no formal application process, but the bonds are subject to credit review by the underwriter, rating agency (if any) and insurance company (if any).
Unusual Funding Characteristics	UTGO bonds are unusual in that they require a public vote.
Deadline for Using Funds	IRS rules require an expectation that proceeds will be spent within three years.
For Lease Arrangements Date title transfers Capital or Operating Lease	N/A
Grant Parameters Purpose and activities Low to high grant range	N/A

Organization Providing Information

Name of Organization	U.S. Bancorp Piper Jaffray	
Contact Person	Tom Whitson	Anne Watanabe
Contact's Position	Managing Director	Assistant Vice President
E-mail Address	twhitson@pjc.com	awatanabe@pjc.com
Phone Number	(206) 287-8826	(206) 287-8821
Fax Number	(206) 287-8895	(206) 287-8895
Organization Website	www.pjc.com	

General Comments/Observations



Funding Type: Unlimited Tax General Obligation Bonds

Available to (“x” as applicable)	X Public Hospital Districts Not-For Profit Hospitals X Critical Access Hospitals X Less than 100 Beds (rural)
Amount of funding Available	There are certain statutory limitations. Consult with legal counsel
Limitations on Use of Funds	Must be used to construct, improve or purchase health care facilities
Interest Rate	http://www.bloomberg.com/markets/munibondyield.html
Range of Loan Maturity Dates	Fixed term, often 20 to 30 years
Typical Cost of funding	Approximately 2.25% of the bonds sold
Time from Application to Funding	Approximately 90 days after voter approval
Typical Covenants	Generally limited as bonds are supported by property tax revenues
Collateral Requirements	Collateralized by the full faith and credit of the District
Credit Enhancement Requirements	None
Reserve Account Requirements	None
Trust Account Requirements	Property tax revenues to repay bonds held by County Treasurer
Annual Reporting Requirements	National Data Bank reporting requirements)
Prepayment Limitations	Determined in consultation with Bond Underwriter (Typically 10 year call)
Public Vote Requirement	Generally requires a 60% voter approval with election validation requirements
Application Process	Bond Counsel (Election & Bond Resolution)
Unusual Funding Characteristics	Limited to Public Hospital Districts
Deadline for Using Funds	Three years (longer periods allowed with restrictions)

For Lease Arrangements

Date title transfers	N/A
Capital or Operating Lease	N/A

Grant Parameters

Purpose and activities	N/A
Low to high grant range	N/A

Organization Providing Information

Name of Organization:	Bank of America Securities LLC
Contact Person:	Jim Blumenthal
Contact's Position:	Vice President
E-mail Address:	james.w.blumenthal@bankofamerica.com
Phone Number:	(206) 358-8920
Fax Number:	(206) 358-8818
Organization Website:	www.bankofamerica.com

General Comments/Observations

There are certain technical limitations on the amount of general obligation bonds that may be issued. The Hospital should consult with legal counsel familiar with the issuance of general obligation bonds when it begins to contemplate general obligation bond financing.

Funding Type: Limited Tax General Obligation Bonds

Available to (“x” as applicable)	X Public Hospital Districts Not-For-Profit Hospitals X Critical Access Hospitals X Less than 100 Beds (rural)
Amount of Funding Available	Total LTGO debt limited to 0.75% of District assessed value.
Limitations on Use of Funds	Must be used to equip or improve health care facilities.
Interest Rate	www.bloomberg.com/markets/munibondyield.html
Range of Loan Maturity Dates	Fixed term often 20 to 30 yrs, not to exceed 40 yrs
Typical Cost of Funding	Approximately 2.25% of the bonds sold
Time From Application to Funding	Approximately 90 days after board approval
Typical Covenants	Generally limited as bonds are supported by tax revenues.
Collateral Requirements	Collateralized by the regular taxing authority of the district.
Credit Enhancement Requirements	None
Reserve Account Requirements	None
Trust Account Requirements	Tax revenues to repay bonds held by County Treasurer.
Annual Reporting Requirements	National Data Bank reporting requirements
Prepayment Limitations	Determined in consultation with Bond Underwriter
Public Vote Requirement	None
Application Process	None
Unusual Funding Characteristics	Limited to Public Hospital Districts
Deadline for Using Funds	Three years
For Lease Arrangements	
Date title transfers	N/A
Capital or Operating Lease	N/A

Grant Parameters

Purpose and activities	N/A
Low to high grant range	N/A

Organization Providing Information

Name of Organization	Seattle-Northwest Securities Corporation
Contact Person	Lindsay Sovde
Contact's Position	Associate Vice President
E-mail Address	lsovde@snwsc.com
Phone Number	(206) 628-2875
Fax Number	(206) 343-2103
Organization Website	www.seattlenorthwest.com

General Comments/Observations

There are certain technical limitations on the amount of general obligation bonds that may be issued. The hospital should consult with legal counsel familiar with the issuance of general obligation bonds when it begins to contemplate general obligation bond financing.

Funding Type: Limited Tax General Obligation Bonds

Available to (“x” as applicable)	X Public Hospital Districts Not-For-Profit Hospitals X Critical Access Hospitals X Less than 100 Beds (rural)
Amount of Funding Available	Annual debt service should be projected as less than amount of district’s ‘regular’ levy. The regular levy rate itself is subject to numerous statutory limitations, including “junior taxing district” limits. In addition, the maximum amount of outstanding LTGO debt is 0.75% of assessed value and total UTGO/LTGO is 2.50% of assessed value.
Limitations on Use of Funds	Tax exempt bond proceeds must be used to construct/improve healthcare facilities or acquire equipment for a “public” purpose, as determined by IRS regulations.
Interest Rate	Fixed interest rates for each maturity are “set” on the day of pricing, at market levels on that date. LTGO rates are higher than UTGOs but lower than revenue bond rates.
Range of Loan Maturity Dates	Bonds can be sold with final maturities of 1-30 years, depending on the average life of the project being funded, and the hospital’s debt structuring needs.
Typical Cost of Funding	‘Costs of issuance’ generally range from 2-3% of the par amount of the bonds.
Time From Application to Funding	The process of issuing bonds, including drafting legal and disclosure documents typically takes 6-12 weeks.
Typical Covenants	There are generally no specific covenants related to revenues or the operation of the hospital.
Collateral Requirements	LTGO bonds are secured by the full faith and credit of the district, with essentially a first lien on the district’s regular levy and a junior lien (after any revenue bonds) on district revenues.
Credit Enhancement Requirements	There is no requirement that the bonds obtain credit enhancement. LTGO bonds can be sold using the district’s rating, or no rating.

Reserve Account Requirements	There is no requirement for a debt service reserve fund for tax-backed issues.
Trust Account Requirements	There is no trustee requirement, although the country treasurer typically holds the bond fund, deposits taxes and forwards debt service payments, as required.
Annual Reporting Requirements	A ‘continuing disclosure’ requirement for issues of \$1,000,000 or more requires submission of financial/ other data plus notification of certain “material events” to national repositories.
Prepayment Limitations	Typically the bonds are not callable for the first 10 years, but can be “advance refunded” by depositing sufficient funds in an escrow account until the call date.
Public Vote Requirement	None
Application Process	There is no formal application process, but the bonds are subject to credit review by the underwriter, rating agency (if any) and insurance company (if any).
Unusual Funding Characteristics	None
Deadline for Using Funds	IRS rules require an expectation that proceeds will be spent within three years.
For Lease Arrangements	
Date title transfers	N/A
Capital or Operating Lease	N/A
Grant Parameters	
Purpose and activities	N/A
Low to high grant range	N/A

Organization Providing Information

Name of Organization	U.S. Bancorp Piper Jaffray	
Contact Person	Tom Whitson	Anne Watanabe
Contact's Position	Managing Director	Assistant Vice President
E-mail Address	twhitson@pjc.com	awatanabe@pjc.com
Phone Number	(206) 287-8826	(206) 287-8821
Fax Number	(206) 287-8895	(206) 287-8895
Organization Website	www.pjc.com	

General Comments/Observations

Funding Type: Tax-Exempt Revenue Bonds

Available to (“x” as applicable)	X Public Hospital Districts X Not-For-Profit Hospitals X Critical Access Hospitals X Less than 100 Beds (rural)
Amount of Funding Available	The credit factors, which determine a hospital’s “debt capacity”, include debt service coverage, debt-to-capitalization and days-cash-on hand. A healthcare banker should be able to review a district’s financial statements and advise on a maximum amount of revenue bonds that could be issued.
Limitations on Use of Funds	Tax exempt bond proceeds must be used to construct/improve healthcare facilities or acquire equipment for a “public” purpose, as determined by IRS regulations.
Interest Rate	Fixed interest rates for each maturity are “set” on the day of pricing, at market levels on that date. Variable rate bonds, with weekly re-sets may also be issued.
Range of Loan Maturity Dates	Bonds can be sold with final maturities of 1-30 years, depending on the average life of the project being funded, and the hospital’s debt structuring needs.
Typical Cost of Funding	‘Costs of issuance’ generally range from 2-3% of the par amount of the bonds.
Time From Application to Funding	The process of issuing bonds, including drafting legal and disclosure documents typically takes 8-16 weeks.
Typical Covenants	Covenants may include a rate covenant (e.g. 1.25x), a liquidity covenant (e.g. 60 days cash on hand), an additional bonds test for issuing future parity bonds, quarterly financial reporting, maintenance of insurance, etc.
Collateral Requirements	Nonprofit hospitals are often required to provide a mortgage on real property, while districts are legally precluded from doing so.
Credit Enhancement Requirements	There is no requirement that the bonds obtain credit enhancement, but there is almost always a financial benefit to purchasing bond insurance for fixed rate bonds.

Reserve Account Requirements	The market expects a debt service reserve funded at maximum annual debt service.	
Trust Account Requirements	For districts there is no requirement for a trustee. A nonprofit must have a trustee.	
Annual Reporting Requirements	A ‘continuing disclosure’ requirement for issues of \$1,000,000 or more requires submission of financial/ other data plus notification of certain “material events” to national repositories.	
Prepayment Limitations	Typically the bonds are not callable for the first 10 years, but can be “advance refunded” by depositing sufficient funds in an escrow account until the call date.	
Public Vote Requirement	None	
Application Process	For districts there is no formal application, but the bonds are subject to credit review by the underwriter, rating agency (if any) and insurance company (if any).	
Unusual Funding Characteristics	None	
Deadline for Using Funds	IRS rules require an expectation that proceeds will be spent within three years.	
For Lease Arrangements		
Date title transfers	N/A	
Capital or Operating Lease	N/A	
Grant Parameters		
Purpose and activities	N/A	
Low to high grant range	N/A	
Organization Providing Information		
Name of Organization	U.S. Bancorp Piper Jaffray	
Contact Person	Tom Whitson	Anne Watanabe
Contact’s Position	Managing Director	Assistant Vice President
E-mail Address	twhitson@pjc.com	awatanabe@pjc.com
Phone Number	(206) 287-8826	(206) 287-8821
Fax Number	(206) 287-8895	(206) 287-8895
Organization Website	www.pjc.com	

GENERAL COMMENTS/OBSERVATIONS

Funding Type: Tax-Exempt Revenue Bonds

Available to (“x” as applicable)	X Public Hospital Districts X Not-For-Profit Hospitals X Critical Access Hospitals X Less than 100 Beds (rural)
Amount of Funding Available	The credit factors, which determine a hospital’s “debt capacity”, include debt service coverage, debt-to-capitalization and days-cash-on hand. A healthcare banker should be able to review a district’s financial statements and advise on a maximum amount of revenue bonds that could be issued.
Limitations on Use of Funds	Tax exempt bond proceeds must be used to construct/improve healthcare facilities or acquire equipment for a “public” purpose, as determined by IRS regulations.
Interest Rate	Fixed interest rates for each maturity are “set” on the day of pricing, at market levels on that date. Variable rate bonds, with weekly re-sets may also be issued.
Range of Loan Maturity Dates	Bonds can be sold with final maturities of 1-30 years, depending on the average life of the project being funded, and the hospital’s debt structuring needs.
Typical Cost of Funding	‘Costs of issuance’ generally range from 2-3% of the par amount of the bonds.
Time From Application to Funding	The process of issuing bonds, including drafting legal and disclosure documents typically takes 8-16 weeks.
Typical Covenants	Covenants may include a rate covenant (e.g. 1.25x), a liquidity covenant (e.g. 60 days cash on hand), an additional bonds test for issuing future parity bonds, quarterly financial reporting, maintenance of insurance, etc.
Collateral Requirements	Nonprofit hospitals are often required to provide a mortgage on real property, while districts are legally precluded from doing so.
Credit Enhancement Requirements	There is no requirement that the bonds obtain credit enhancement, but there is almost always a financial benefit to purchasing bond insurance for fixed rate bonds.

Reserve Account Requirements	The market expects a debt service reserve funded at maximum annual debt service.
Amount of Funding Available	The credit factors, which determine a hospital's "debt capacity", include debt service coverage, debt-to-capitalization and days-cash-on hand. A healthcare banker should be able to review a district's financial statements and advise on a maximum amount of revenue bonds that could be issued.
Limitations on Use of Funds	Tax exempt bond proceeds must be used to construct/improve healthcare facilities or acquire equipment for a "public" purpose, as determined by IRS regulations.
Interest Rate	Fixed interest rates for each maturity are "set" on the day of pricing, at market levels on that date. Variable rate bonds, with weekly re-sets may also be issued.
Range of Loan Maturity Dates	Bonds can be sold with final maturities of 1-30 years, depending on the average life of the project being funded, and the hospital's debt structuring needs.
Typical Cost of Funding	'Costs of issuance' generally range from 2-3% of the par amount of the bonds.
Time From Application to Funding	The process of issuing bonds, including drafting legal and disclosure documents typically takes 8-16 weeks.
Typical Covenants	Covenants may include a rate covenant (e.g. 1.25x), aliquidity covenant (e.g. 60 days cash on hand), an additional bonds test for issuing future parity bonds, quarterly financial reporting, maintenance of insurance, etc.
Collateral Requirements	Nonprofit hospitals are often required to provide a mortgage on real property, while districts are legally precluded from doing so.
Credit Enhancement Requirements	There is no requirement that the bonds obtain credit enhancement, but there is almost always a financial benefit to purchasing bond insurance for fixed rate bonds.

Reserve Account Requirements	The market expects a debt service reserve funded at maximum annual debt service.
Trust Account Requirements	For districts there is no requirement for a trustee. A nonprofit must have a trustee.
Annual Reporting Requirements	A ‘continuing disclosure’ requirement for issues of \$1,000,000 or more requires submission of financial/ other data plus notification of certain “material events” to national repositories.
Prepayment Limitations	Typically the bonds are not callable for the first 10 years, but can be “advance refunded” by depositing sufficient funds in an escrow account until the call date.
Public Vote Requirement	None
Application Process	For districts there is no formal application, but the bonds are subject to credit review by the underwriter, rating agency (if any) and insurance company (if any).
Unusual Funding Characteristics	None
Deadline for Using Funds	IRS rules require an expectation that proceeds will be spent within three years.
For Lease Arrangements	
Date title transfers	N/A
Capital or Operating Lease	N/A
Grant Parameters	
Purpose and activities	N/A
Low to high grant range	N/A
Organization Providing Information	
Name of Organization	U.S. Bancorp Piper Jaffray
Contact Person	Tom Whitson Anne Watanabe
Contact’s Position	Managing Director Assistant Vice President
E-mail Address	twhitson@pjc.com awatanabe@pjc.com
Phone Number	(206) 287-8826 (206) 287-8821
Fax Number	(206) 287-8895 (206) 287-8895
Organization Website	www.pjc.com

GENERAL COMMENTS/OBSERVATIONS

Funding Type: Tax-Exempt Revenue Bonds

Available to (“x” as applicable)	X Public Hospital Districts X Not-For-Profit Hospitals X Critical Access Hospitals X Less than 100 Beds (rural)
Program	The Washington Health Care Facilities Authority offers a variety of tax-exempt bond issues to meet healthcare organizations capital financing needs. The Authority offers traditional fixed interest rate financing as well as variable rate financing.
Amount of Funding Available	Limited only by borrower’s debt capacity.
Limitations on Use of Funds	Funds to be used for capital facilities and equipment of healthcare providers.
Interest Rate	Varies according to credit quality and term and type of bonds being issued i.e. fixed or variable. See Washington Health Care Facilities Authority web page at www.whcfa.wa.gov for current interest rates.
Range of Loan Maturity Dates	Up to 30 years
Typical Cost of Funding	Less than 2% of amount financed
Time From Application to Funding	Approximately 90 days from time all parties are ready to proceed.
Typical Covenants	Authority bond issues are generally insured or backed by a letter of credit in order to obtain the lowest interest rates in the market. The credit enhancer negotiates terms with the borrower. Recent terms include mortgage against borrower’s facilities, and some type of liquidity pledge. In order to measure ongoing operational success, Authority maintains a profit/cushion test.
Collateral Requirements	Credit enhancers often seek a security interest in borrower’s gross receivables and a mortgage against borrower’s facilities.

Credit Enhancement Requirements	Obtaining credit enhancement has been and continues to be a very cost-effective method to reduce the overall debt service costs to the borrower. Bond issues rated less than “A” need some type of credit enhancement to reach the “A” level in order to be sold to the public. Even borrowers with “AA” ratings find the costs of credit enhancement are far outweighed by the lower debt service costs. Bond issues rated less than “A” or not rated are typically sold directly to institutional investors.
Reserve Account Requirements	Negotiated with credit enhancer.
Trust Account Requirements	Unexpended bond proceeds, bond debt service fund, and any required reserve account held by bond trustee. Bond trustee administers the bond issue post issuance.
Annual Reporting Requirements	Quarterly to credit enhancer. At least annual, more often quarterly to bondholders. Annual to Authority.
Prepayment Limitations	Typically no prepayment for 10 years for fixed rate bond issues. No limitations on variable rate bond issues. Prepayment terms are generally set by market at time of bond issue.
Public Vote Requirement	None for not-for-profit hospitals or for issuance of revenue bonds or limited tax general obligation bonds by public hospital districts.
Application Process	Application to Washington Health Care Facilities Authority.
Unusual Funding Characteristics	
Deadline for Using Funds	Established by applicable federal tax law. Generally three years from date of issuance.
For Lease Arrangements	
Date title transfers	N/A
Capital or Operating Lease	N/A

Grant Parameters

Purpose and activities	N/A
Low to high grant range	N/A

Organization Providing Information

Name of Organization	Washington Health Care Facilities Authority
Contact Person	John Van Gorkom
Contact's Position	Executive Director
E-mail Address	johnvg@whcfa.wa.gov
Phone Number	360.753.6185
Fax Number	360.586.9168
Organization Website	www.whcfa.wa.gov

General Comments/Observations

The Authority has a wide range of experience in a variety of financing methods.

Funding Type: HUD 242 Loan Insurance Program

Available to (“x” as applicable)	X Public Hospital Districts X Not-For-Profit Hospitals X Critical Access Hospitals X Less than 100 Beds (rural)
Amount of Funding Available	NO LIMIT
Limitations on Use of Funds	Hospital construction financing, refinancing, modernization, remodeling, equipment, expansion
Interest Rate	AA bond rates
Range of Loan Maturity Dates	25 years
Typical Cost of Funding	One-time fees total 0.8% of the loan amount. Fixed annual premium is 0.5% of remaining balance.
Time From Application to Funding	60 to 120 days
Typical Covenants	Transfer of assets, annual audits, etc.
Collateral Requirements	First mortgage on entire facility
Credit Enhancement Requirements	
Reserve Account Requirements	Two years debt service within 10 years.
Trust Account Requirements	Reserve account
Annual Reporting Requirements	Annual certified audits
Prepayment Limitations	Determined in consultation with bond underwriter.
Public Vote Requirement	None
Application Process	Yes
Unusual Funding Characteristics	None
Deadline for Using Funds	Determined by lender
For Lease Arrangements	
Date title transfers	N/A
Capital or Operating Lease	N/A
Grant Parameters	
Purpose and activities	N/A
Low to high grant range	N/A

Organization Providing Information

Name of Organization	U.S. Department of Housing and Urban Development
Contact Person	John F. Whitehead
Contact's Position	Operations Manager
E-mail Address	John_F._Whitehead@HUD.gov
Phone Number	(202) 708-0599
Fax Number	(202) 401-8860
Organization Website	www.hud.gov/funds/healthcarefacility.cfm

General Comments/Observations

The Federal Housing Administration helps hospitals access affordable financing for capital projects. Since the program began in 1968, FHA has insured over 300 hospital mortgages for a total in excess of \$9 billion. Clients range from relatively small hospitals to some of the nation's most prestigious teaching hospitals. FHA insurance enables clients to enhance their creditworthiness because their debt is backed by the full faith and credit of the United States Government. In fact, FHA-Insured hospitals usually obtain the lowest interest rate available to their segment of the market.

Funding Type: Tax-Exempt Equipment Loan

Available to (“x” as applicable)	X Public Hospital Districts X Not-For-Profit Hospitals X Critical Access Hospitals X Less than 100 Beds (rural)
Program	GE Capital/ASAP is a tax-exempt loan program offered jointly by Washington Health Care Facilities Authority and General Electric Capital Corporation (GECC).
Amount of Funding Available	Up to \$7 million. (Exact amount to be determined by GECC.)
Limitations on Use of Funds	Funds can be used to purchase various equipment including medical and diagnostic equipment, computers, telecommunications equipment, energy upgrades, and minor installation and renovation costs. The program is not limited to GE equipment as other vendors’ equipment can also be financed with this program.
Interest Rate	Tax-exempt. Rate determined by GECC based upon life of equipment and financial strength of borrower.
Range of Loan Maturity Dates	Loan is amortized over the useful life of the equipment.
Typical Cost of Funding	Less than 2% of amount financed.
Time From Application to Funding	Typically 60 days from application to funding.
Typical Covenants	Pay the lease payments.
Collateral Requirements	Security interest in equipment financed.
Credit Enhancement Requirements	None
Reserve Account Requirements	None
Trust Account Requirements	Depository Bank holds proceeds until spent.
Annual Reporting Requirements	Annual to GECC and Authority.
Prepayment Limitations	Negotiated with GECC.
Public Vote Requirement	None for not-for-profit hospitals or for issuance of revenue bonds or limited tax general obligation bonds by public hospital districts.

Application Process	Application to Washington Health Care Facilities Authority and GECC.
Unusual Funding Characteristics	Available to a variety of health care providers. Program will fund other vendors' equipment.
Deadline for Using Funds	Established by applicable federal tax law and GECC. Typically within one year.
For Lease Arrangements	
Date title transfers	At loan payoff
Capital or Operating Lease	N/A
Grant Parameters	
Purpose and activities	N/A
Low to high grant range	N/A
Organization Providing Information	
Name of Organization	Washington Health Care Facilities Authority
Contact Person	John Van Gorkom
Contact's Position	Executive Director
E-mail Address	johnvg@whcfa.wa.gov
Phone Number	(360) 753-6185
Fax Number	(360) 586-9168
Organization Website	www.whcfa.wa.gov
General Comments/Observations	

Funding Type: Tax-Exempt Equipment Operating Lease

Available to (“x” as applicable)	X Public Hospital Districts	X Not-For-Profit Hospitals
	X Critical Access Hospitals	X Less than 100 Beds (rural)
Amount of Funding Available	\$50,000-\$100,000,000	
Limitations on Use of Funds	Equipment and related leasehold improvements.	
Interest Rate	Based on borrower’s financial strength.	
Range of Loan Maturity Dates	Two years up to ten years	
Typical Cost of Funding	Tax exempt leases (only third party fees); taxable leases (\$0)	
Time From Application to Funding	Two to four weeks turnaround	
Typical Covenants	N/A	
Collateral Requirements	UCC-1 Filing	
Credit Enhancement Requirements	None	
Reserve Account Requirements	None	
Trust Account Requirements	None	
Annual Reporting Requirements	Quarterly interim financial statements and annual audits	
Prepayment Limitations	Negotiable	
Public Vote Requirement	N/A	
Application Process	Signed proposal and commitment fee (one month rental).	
Unusual Funding Characteristics	N/A	
Deadline for Using Funds	None	
For Lease Arrangements		
Date title transfers	N/A	
Capital or Operating Lease	Operating - All types (dollar out, fair market value, etc.)	

Grant Parameters

Purpose and activities	N/A
Low to high grant range	N/A

Organization Providing Information

Name of Organization	Fleet Capital Leasing Healthcare Finance
Contact Person	Bob Thoma
Contact's Position	Vice President
E-mail Address	bthoma@fleet-fbcc.com
Phone Number	(973) 541-2332
Fax Number	(973) 541-2699
Organization Website	www.fleethealthcare.com/default.asp

General Comments/Observations

Funding Type: Tax-Exempt Equipment Capital Lease

Available to (“x” as applicable)	X Public Hospital Districts X Not-For-Profit Hospitals X Critical Access Hospitals X Less than 100 Beds (rural)
Program	EZ Lease NRV is a tax-exempt equipment lease financing program. The lease is competitively bid to a number of leasing companies to achieve the lowest interest rate. There is no residual value (NRV) payment due upon lease termination.
Amount of Funding Available	Up to \$20 million
Limitations on Use of Funds	Funds can be used to purchase various equipment including medical and diagnostic equipment, computers, telecommunications equipment, energy upgrades, and minor installation and renovation costs.
Interest Rate	Tax-exempt. EZ Leases are competitively bid out to a variety of leasing companies to achieve the lowest interest rate at that bid time. Rates are generally in line with typical tax-exempt interest rates for various maturities. See Authority web page at www.whcfa.wa.gov for most recent interest rates.
Range of Loan Maturity Dates	Lease is amortized over the life of the equipment
Typical Cost of Funding	Fixed cost not to exceed \$25,000 regardless of loan size.
Time From Application to Funding	Typically 60 days from application to funding.
Typical Covenants	Pay the lease payments.
Collateral Requirements	Security interest in equipment financed.
Credit Enhancement Requirements	None
Reserve Account Requirements	None
Trust Account Requirements	Depository Bank holds proceeds until spent.
Annual Reporting Requirements	Annual report to leasing company and Authority.
Prepayment Limitations	Set by leasing company in bid, if any.

Public Vote Requirement	None for not-for-profit hospitals or for issuance of revenue bonds or limited tax general obligation bonds by public hospital districts.
Application Process	Application to Washington Health Care Facilities Authority.
Unusual Funding Characteristics	EZ Lease NRV financing leases work like loans. NRV means no residual value is due at end of loan term. Borrower owns equipment at end of loan term. Each EZ Lease is competitively submitted to several commercial lease providers. Borrower selects the interest rate bid it deems desirable (usually the lowest interest rate).
Deadline for Using Funds	Established by applicable federal tax law and leasing company. Typically within one year.
For Lease Arrangements	
Date title transfers	At termination of lease
Capital or Operating Lease	Capital
Grant Parameters	
Purpose and activities	N/A
Low to high grant range	N/A
Organization Providing Information	
Name of Organization	Washington Health Care Facilities Authority
Contact Person	John Van Gorkom
Contact's Position	Executive Director
E-mail Address	johnvg@whcfa.wa.gov
Phone Number	(360) 753-6185
Fax Number	(360) 586-9168
Organization Website	www.whcfa.wa.gov

General Comments/Observations

The EZ Lease NRV program allows borrowers to competitively “shop” for the lowest interest rate equipment financing.

Funding Type: Tax-Exempt Equipment Capital Lease

Available to (“x” as applicable)	X Public Hospital Districts	X Not-For-Profit Hospitals
	X Critical Access Hospitals	X Less than 100 Beds (rural)
Amount of Funding Available	\$50,000-\$100,000,000	
Limitations on Use of Funds	Equipment and related leasehold improvements.	
Interest Rate	Based on borrower’s financial strength.	
Range of Loan Maturity Dates	Two years up to ten years	
Typical Cost of Funding	Tax exempt leases (only third party fees); taxable leases (\$0)	
Time From Application to Funding	Two to four weeks turnaround	
Typical Covenants	None	
Collateral Requirements	UCC-1 filing	
Credit Enhancement Requirements	None	
Reserve Account Requirements	None	
Trust Account Requirements	None	
Annual Reporting Requirements	Quarterly interim financial statements and annual audits.	
Prepayment Limitations	Negotiable	
Public Vote Requirement	N/A	
Application Process	Signed proposal and commitment fee (one month rental).	
Unusual Funding Characteristics	N/A	
Deadline for Using Funds	None	
For Lease Arrangements		
Date title transfers	N/A	
Capital or Operating Lease	Capital - All types (dollar out, fair market value, etc.)	

Grant Parameters

Purpose and activities	N/A
Low to high grant range	N/A

Organization Providing Information

Name of Organization	Fleet Capital Leasing Healthcare Finance
Contact Person	Bob Thoma
Contact's Position	Vice President
E-mail Address	bthoma@fleet-fbcc.com
Phone Number	(973) 541-2332
Fax Number	(973) 541-2699
Organization Website	www.fleethealthcare.com/default.asp

General Comments/Observations

Funding Type: Tax-Exempt Equipment Capital or Operating Lease

Available to (“x” as applicable)	X Public Hospital Districts X Not-For-Profit Hospitals X Critical Access Hospitals X Less than 100 Beds (rural)
Amount of Funding Available	Unlimited based upon project and credit quality.
Limitations on Use of Funds	Tax-exempt purposes (tax Law)
Interest Rate	Tied to the U.S. Treasury Market or U.S. Swap Market.
Range of Loan Maturity Dates	Based upon useful life of assets being financed (tax law).
Typical Cost of Funding	Tied to the U.S. Treasury Market or U.S. Swap Market
Time From Application to Funding	30-45 days depending upon Authority approval requirements and documentation negotiations.
Typical Covenants	Typically no financial covenants
Collateral Requirements	First perfect lien on underlying assets being financed.
Credit Enhancement Requirements	Typically none
Reserve Account Requirements	Typically none
Trust Account Requirements	Typically none
Annual Reporting Requirements	Typically only financial statements
Prepayment Limitations	Typically 1% per year remaining on the outstanding balance for equipment financings having a term of 6 years or less.
Public Vote Requirement	Only if required by issuing authority
Application Process	Signed proposal and credit approval
Unusual Funding Characteristics	Escrow account
Deadline for Using Funds	Close of escrow account (18-36 months)
For Lease Arrangements	
Date title transfers	At closing
Capital or Operating Lease	Both available

Grant Parameters

Purpose and activities	N/A
Low to high grant range	N/A

Organization Providing Information

Name of Organization	GE Capital Healthcare Financial services
Contact Person	Bruce Barnum
Contact's Position	Vice President and Senior Account Manager
E-mail Address	bruce.barnum@gehfs.com
Phone Number	(503) 603-1511
Fax Number	(503) 603-1512
Organization Website	www.fleethealthcare.com

General Comments/Observations

GECHFS is the nation's largest provider of tax-exempt equipment financing dedicated to the healthcare industry.

Funding Type: Taxable Equipment Capital Lease

Available to (“x” as applicable)	X Public Hospital Districts X Not-For-Profit Hospitals X Critical Access Hospitals X Less than 100 Beds (rural)
Amount of Funding Available	\$5,000+ for GE Medical Systems equipment \$200,000+ for all other
Limitations on Use of Funds	Discretionary
Interest Rate	Based on type of asset financed and customer credit rating.
Range of Loan Maturity Dates	N/A
Typical Cost of Funding	N/A
Time From Application to Funding	Varies, but can be as short as 48 hours
Typical Covenants	N/A
Collateral Requirements	N/A
Credit Enhancement Requirements	Based on customer credit rating
Reserve Account Requirements	N/A
Trust Account Requirements	N/A
Annual Reporting Requirements	Updated financial statements on an annual basis.
Prepayment Limitations	Penalties for early termination on all lease products.
Public Vote Requirement	N/A
Application Process	Signed finance proposal will suffice
Unusual Funding Characteristics	N/A
Deadline for Using Funds	N/A
For Lease Arrangements	
Date title transfers	At end of lease with fair market value payment
Capital or Operating Lease	Capital lease under generally accepted accounting principles

Grant Parameters

Purpose and activities	N/A
Low to high grant range	N/A

Organization Providing Information

Name of Organization	GE Capital Healthcare Financial Services
Contact Person	Leslie Fine
Contact's Position	Financial Services Account Manager
E-mail Address	leslie.fine@gehfs.com
Phone Number	(503) 603-1513
Fax Number	(503) 603-1514
Organization Website	www.gemedicalsystems.com/services/financial/index.html

General Comments/Observations

Funding Type: Taxable Third-Party Equipment Capital Lease

Available to (“x” as applicable)	X Public Hospital Districts	X Not-For-Profit Hospitals
	X Critical Access Hospitals	Less than 100 Beds (rural)
Amount of Funding Available	Totally dependant upon the credit worthiness of the hospital as defined by the bank or leasing company.	
Limitations on Use of Funds	Each project is defined individually	
Interest Rate	Rates are competitively quoted subject to a spread over like-term treasuries.	
Range of Loan Maturity Dates	3 to 15 years depending upon credit	
Typical Cost of Funding	No up front fees	
Time from Application to Funding	Approximately 60 days	
Typical Covenants	None	
Collateral Requirements	Security interest in the installed equipment is kept by the bank.	
Credit Enhancement Requirements	None	
Reserve Account Requirements	None	
Trust Account Requirements	None	
Annual Reporting Requirements		
Prepayment Limitations	Early termination values will be defined in the agreement.	
Public Vote Requirement	None	
Application Process	90 day (max.) approval process	
Unusual Funding Characteristics	None	
Deadline for Using Funds	N/A	
For Lease Arrangements		
Date title transfers:	Upon acceptance by the customer	
Capital or Operating Lease:	Capital	

Grant Parameters

Purpose and activities	N/A
Low to high grant range	N/A

Organization Providing Information

Name of Organization	Johnson Controls, Inc.
Contact Person	Tom Proffitt
Contact's Position	Manager, Financial Services
E-mail Address	tom.proffitt@jci.com
Phone Number	(414) 524-4360
Fax Number	(414) 524-5030
Organization Website	www.jci.com

General Comments/Observations

This is a third party lease arrangement wherein the contractual documents are defined between the customer and the leasing company. The same terms and conditions can exist wherein JCI is Lessor but JCI reserves the right to transfer the lease payment stream to a bank or leasing company immediately upon execution of the contract.

B. Less Common Capital Funding Options

- Critical Access Hospital Grants
- Rural Health Viability Grants
- Private Placement “Quick Loan” Program
- Local Option Capital Asset Lending (LOCAL) Program
- Revenue and/or Tax Anticipation Loans, Term Loans, Working Capital Loans, Credit and/or Liquidity Enhancement Facilities
- USDA Rural Development Community Facilities Direct Loan
- USDA Rural Development Community Facilities Loan Guarantees
- USDA Rural Development Community Facilities Grant
- Energy Saving Performance Contracts – 2 Resources
- Off-Balance Sheet Synthetic Lease for Medical Office Buildings and Ambulatory Care Facilities
- Off-Balance Sheet Synthetic Lease for Medical Facilities
- Off-Balance Sheet Synthetic Lease for Equipment
- Rural Telemedicine Loans/Grants*
- Accounts Receivable Line of Credit
- Bridge/Secured Term Loans

* No template at this time

B. Less Common Capital Funding Options

Funding Type: Critical Access Hospital Grants

Available to (“x” as applicable)	Public Hospital Districts X Critical Access Hospitals or rural hospital interested in CAH program	Not-For-Profit Hospitals Less than 100 Beds (rural)
Amount of funding Available	Up to \$10,000 per hospital; dependent upon current priorities, grant availability; after March 2003 dependent upon reauthorization of Flex program.	
Limitations on Use of Funds	Community health assessment; planning	
Interest Rate		
Range of Loan Maturity Dates		
Typical Cost of Funding		
Time From Application to Funding	Four to six weeks	
Typical Covenants		
Collateral Requirements		
Credit Enhancement Requirements		
Reserve Account Requirements		
Trust Account Requirements		
Annual Reporting Requirements	Grant deliverable, such as short report of activities	
Prepayment Limitations		
Public Vote Requirement		
Application Process	E-mail to Beverly Court	
Unusual Funding Characteristics		
Deadline for Using Funds	August 31 of each year	
For Lease Arrangements		
Date title transfers	N/A	
Capital or Operating Lease	N/A	

Grant Parameters

Purpose and activities	Community health assessment; planning
Low to high grant range	\$0 - \$10,000

Organization Providing Information

Name of Organization	Office of Community and Rural Health, Washington State Department of Health
Contact Person	Beverly Court
Contact's Position	Manager, Critical Access Hospital Program
E-mail Address	beverly.court@doh.wa.gov
Phone Number	(360) 705-6794
Fax Number	(360) 664-9273
Organization Website	www.doh.wa.gov/hsqa/ocrh/rural.htm

General Comments/Observations

Funding Type: Rural Health Viability Grant

Available to (“x” as applicable)	Public Hospital Districts X Critical Access Hospitals	Not-For-Profit Hospitals X Less than 100 Beds (rural)
Amount of Funding Available	\$1,000,000 annually	
Limitations on Use of Funds	Must be needed for viability of health service	
Interest Rate	N/A	
Range of Loan Maturity Dates	N/A	
Typical Cost of Funding	N/A	
Time From Application to Funding	March 1 deadline. Grants announced by June 15.	
Typical Covenants	Grant contract required	
Collateral Requirements	N/A	
Credit Enhancement Requirements	N/A	
Reserve Account Requirements	High reserves are counter-indication	
Trust Account Requirements	N/A	
Annual Reporting Requirements	Yes	
Prepayment Limitations	N/A	
Public Vote Requirement	N/A	
Application Process	Yes – see website: www.whf.org	
Unusual Funding Characteristics	Primary criteria is financial need	
Deadline for Using Funds	One year	
For Lease Arrangements	N/A	
Date title transfers		
Capital or Operating Lease		
Grant Parameters		
Purpose and activities	See website	
Low to high grant range	Grants range from \$15,000-\$100,000	

Organization Providing Information

Name of Organization	Washington Health Foundation
Contact Person	Lorna Stone
Contact's Position	Director, Rural Health
E-mail Address	Lornas@whf.org
Phone Number	206-216-2893
Fax Number	206-283-6122
Organization Website	www.whf.org/pro_rural_viabilitygrant.html

General Comments/Observations

Funding Type: Private Placement “Quick Loan” Loan Program

Available to (“x” as applicable)	Public Hospital Districts X Critical Access Hospitals	Not-For-Profit Hospitals Less than 100 Beds (rural)
Amount of Funding Available	Typically up to \$5 million	
Limitations on Use of Funds	Funds must be used for capital facilities and equipment of health care providers.	
Interest Rate	Tax-exempt. Rate set by bank purchasing the bond based upon typical bank lending criteria. See Authority web page at www.whcfa.wa.gov for most recent rates.	
Range of Loan Maturity Dates	Loan amortization tied to useful life of the financed assets. Loans financed for periods of longer than 5 years may have periodic interest rate resets.	
Typical Cost of Funding	Less than 2% of the amount financed.	
Time From Application to Funding	Within 45 – 60 days of bank commitment letter.	
Typical Covenants	Bank determines covenants as in a normal commercial loan and may include profitability and operating tests.	
Collateral Requirements	Lien and security interest in the assets financed.	
Credit Enhancement Requirements	None	
Reserve Account Requirements	None	
Trust Account Requirements	Depository bank holds proceeds until spent.	
Annual Reporting Requirements	Generally quarterly and annual reports to bank and annual to Authority.	
Prepayment Limitations	Negotiated with Bank.	
Public Vote Requirement	None for not-for-profit hospitals or for issuance of revenue bonds or limited tax general obligation bonds by public hospital districts.	
Application Process	Application to Washington Health Care Facilities Authority	
Unusual Funding Characteristics	Fast turnaround time once bank commits.	

Deadline for Using Funds Established by applicable federal tax law and bank.
Typically within one year.

For Lease Arrangements

 Date title transfers N/A
 Capital or Operating Lease N/A

Grant Parameters

 Purpose and activities N/A
 Low to high grant range N/A

Organization Providing Information

 Name of Organization Washington Health Care Facilities Authority
 Contact Person John Van Gorkom
 Contact's Position Executive Director
 E-mail Address johnvg@whcfa.wa.gov
 Phone Number (360) 753-6185
 Fax Number (360) 586-9168
 Organization Website www.whcfa.wa.gov

General Comments/Observations

Provides cost effective tax-exempt interest rate funding program for loan amounts of less than \$5 million. Banks make their decisions to make these loans using typical commercial lending credit evaluation and practices.

Funding Type: Local Option Capital Asset Lending (local) Program

Available to (“x” as applicable)	X	Public Hospital Districts Critical Access Hospitals	Not-For-Profit Hospitals Less than 100 Beds (rural)
Amount of Funding Available		Not limited but is subject to hospital districts debt limit and capacity to make the debt service payments.	
Limitations on Use of Funds		Equipment or real estate financing	
Interest Rate		Requests are pooled with other local and state agencies and sold in competitive market. Most recent rates available at www.wa.gov/tre/local.htm .	
Range of Loan Maturity Dates		Fixed term depending on useful life up to 12 years.	
Typical Cost of Funding		Calculated into the interest rate.	
Time From Application to Funding		Periodic Financings. Current financing schedule available at www.wa.gov/tre/local.htm . Hospital board needs to pass resolution to authorize use of program.	
Collateral Requirements		Collateralized by the full faith and credit of the district and ground lease for real estate and unperfected lean on equipment.	
Credit Enhancement Requirements		None	
Reserve Account Requirements		None	
Trust Account Requirements		None	
Annual Reporting Requirements		None	
Prepayment Limitations		Program provides long term financing. Prepayments (defeasance) based on economic viability.	
Public Vote Requirement		None. Subject to districts debt limitations	
Application Process		Forms available online at www.wa.gov/tre/local.htm or call Washington State Treasurer (360) 902-9022.	
Unusual Funding Characteristics		Agency leases are pooled and offered to investors in the form of Certificates of Participation.	

Deadline for Using Funds

Agency should try and time financing within 1-6 months of time you will need the money or agency may pay vendor and seek reimbursement. (Reimbursement Resolution required)

For Lease Arrangements

Date title transfers

Title remains in agency's name.

Grant Parameters

Purpose and activities

NA

Low to high grant range

NA

Organization Providing Information

Name of Organization

Washington State Treasurer

Contact Person

Sue Melvin

Kristi Wolgomot

Contact's Position

Lease Purchase Specialist

E-mail Address

melvins@tre.wa.gov

Kristi@tre.wa.gov

Phone Number

(360) 902-9022

(360) 902-9020

Fax Number

(360) 902-9045

(360) 902-9045

Organization Website

www.wa.gov/tre/local.htm

General Comments/Observations

Funding Type: Various Bank Funding Options

(Revenue and/or Tax Anticipation Loans, Term Loans, Equipment Loans and Leases, Financial Derivatives, Working Capital Loans, Credit and/or Liquidity Enhancement Facilities)

Available to (“x” as applicable) X Public Hospital Districts X Not-For-Profit Hospitals
X Critical Access Hospitals X Less than 100 Beds (rural)

Amount of funding Available See General Comments below for response to all.

Limitations on Use of Funds

Interest Rate Negotiated on a deal by deal basis

Range of Loan Maturity Dates Up to 15 years. Maturity will vary depending on type and purpose of loan.

Typical Cost of Funding Negotiated on a deal by deal basis

Time From Application to Funding

Typical Covenants Negotiated on a deal by deal basis

Collateral Requirements Negotiated on a deal by deal basis

Credit Enhancement Requirements

Reserve Account Requirements

Trust Account Requirements

Annual Reporting Requirements

Prepayment Limitations

Public Vote Requirement

Application Process

Unusual Funding Characteristics

Deadline for Using Funds

For Lease Arrangements

Date title transfers

Capital or Operating Lease

Grant Parameters

Purpose and activities N/A

Low to high grant range N/A

Organization Providing Information

Name of Organization	Bank of America
Contact Person 1:	Kerrin Gibbons
Contact's Position	SVP, Public Sector Banking
E-mail Address:	kerrin.gibbons@bankofamerica.com
Phone Number:	(206) 358-8175
Fax Number:	(206) 358-8818
Organization Website	www.bankofamerica.com
Contact Person 2:	Nancy Nuerenberg
Contact's Position	SVP, Public Sector Banking
E-mail Address	nancy.d.nuerenberg@bankofamerica.com
Phone Number	(206) 358-6279
Fax Number	(206) 358-8818

General Comments/Observations

Washington public hospital districts are served through the Public Sector Banking Division located in Seattle. Bank of America can offer hospitals a variety of financing options including but not limited to: mortgage loans, credit and/or liquidity enhancement facilities, working capital loans, term loans, revenue and/or tax anticipation notes, equipment loan and leases, financial derivatives

Loan terms, including interest rates and maturity, are negotiated on a deal by deal basis. Factors influencing terms include the type of obligation such as revenue vs. general obligation, underlying financial strength of the borrower, tenor of credit (longer terms typically have higher interest rates), and general market conditions.

Editorial Note: Mortgage loans, which require underlying assets of the hospital to be pledged, are not available to public hospital districts.

Funding Type: USDA Rural Development Community Facilities Direct Loan

Available to (“x” as applicable)	X Public Hospital Districts	X Not-For-Profit Hospitals
	X Critical Access Hospitals	X Less than 100 Beds (rural)
Amount of Funding Available	Determined by borrowers debt service capacity.	
Limitations on Use of Funds	Purchase, construct, enlarge, or renovate health care facilities. Purchase of equipment.	
Interest Rate	Varies, follows federal funds rate	
Range of Loan Maturity Dates	Up to 40 years, or the usable life of the facility or any state statute that applies	
Typical Cost of Funding	No fees or charges are applied beyond loan interest.	
Time From Application to Funding	90 to 180 days	
Typical Covenants	None	
Collateral Requirements	Usually GO bond or assignment of assured income or revenue, or note and deed of trust.	
Credit Enhancement Requirements	None	
Reserve Account Requirements	10%	
Trust Account Requirements	None	
Annual Reporting Requirements	Annual report required	
Prepayment Limitations	None	
Public Vote Requirement	Can be secured with a non-voted bond.	
Application Process	Pre-application then full application required.	
Unusual Funding Characteristics	Not available to for-profit ventures	
Deadline for Using Funds	No deadline	
For Lease Arrangements		
Date title transfers	N/A	
Capital or Operating Lease	N/A	

Grant Parameters

Purpose and activities	N/A
Low to high grant range	N/A

Organization Providing Information

Name of Organization	USDA Rural Development
Contact Person	West WA-Paul Johnson East WA-Michael Langston
Contact's Position	Rural Development Specialist
E-mail Address	Paul.Johnson@wa.usda.gov Michael.Langston@wa.usda.gov
Phone Number	Paul Johnson: (360) 704-7761 Michael Langston: (509) 664-0235
Fax Number	Paul Johnson: (360) 704-7775 Michael Langston: (509) 664-0202
Organization Website	www.rurdev.usda.gov/rhs/

General Comments/Observations

Eligibility limited to municipalities of 20,000 population or less or unincorporated areas. Applicant must demonstrate inability to finance project with funds from commercial sources at reasonable rates and terms. Applications will be accepted any day of the year.

Funding Type: USDA Rural Development Community Facilities Loan Guarantees

Available to (“x” as applicable)	X Public Hospital Districts	X Not-For-Profit Hospitals
	X Critical Access Hospitals	X Less than 100 Beds (rural)
Amount of funding Available	Unlimited	
Limitations on Use of Funds	Purchase, Construction, expansion, or renovation of healthcare facilities. Purchase of equipment.	
Interest Rate	Determined by lender	
Range of Loan Maturity Dates	Determined by lender	
Typical Cost of Funding	Determined by lender. 1% guarantee fee charged	
Time From Application to Funding	As lender processes application	
Typical Covenants	As required by commercial lender	
Collateral Requirements	As required by lender	
Credit Enhancement Requirements	As required by lender	
Reserve Account Requirements	10% or as required by lender	
Trust Account Requirements	As require by lender	
Annual Reporting Requirements	Lenders requirement or annual report	
Prepayment Limitations	No limitation, no penalty	
Public Vote Requirement	N/A	
Application Process	Lenders application and process	
Unusual Funding Characteristics	A commercial loan with a government guarantee, not available to for-profit ventures.	
Deadline for Using Funds	N/A	
For Lease Arrangements		
Date title transfers	N/A	
Capital or Operating Lease	N/A	
Grant Parameters		
Purpose and activities	N/A	
Low to high grant range	N/A	

Organization Providing Information

Name of Organization	USDA Rural Development
Contact Person	Western WA: Paul Johnson Eastern WA: Michael Langston
Contact's Position	Rural Development Specialist
E-mail Address	Paul.Johnson@wausda.gov Michael.Langston@wa.usda.gov
Phone Number	(360) 704-7761 (Paul Johnson) (509) 664-0235 (Michael Langston)
Fax Number	(360) 707-7775 (Paul Johnson) (509) 664-0202 (Michael Langston)
Organization Website	www.rurdev.usda.gov/rhs/

General Comments/Observations

Eligibility limited to municipalities with population of 20,000 or less, or unincorporated areas. For borrowers who do not qualify for the direct loan program, the Community Facilities Guarantee program offers lenders up to a 90% guarantee for a commercial loan.

Funding Type: USDA Rural Development Community Facilities Grant

Available to (“x” as applicable)	X Public Hospital Districts	X Not-For-Profit Hospitals
	X Critical Access Hospitals	X Less than 100 Beds (rural)
Amount of Funding Available	Very limited, small grants only for equipment	
Limitations on Use of Funds	Generally for equipment	
Interest Rate	N/A Grant	
Range of Loan Maturity Dates	N/A Grant	
Typical Cost of Funding	N/A Grant	
Time From Application to Funding	90 to 180 days	
Typical Covenants	Grantee must be the owner	
Collateral Requirements	N/A Grant	
Credit Enhancement Requirements	N/A Grant	
Reserve Account Requirements	N/A Grant	
Trust Account Requirements	N/A Grant	
Annual Reporting Requirements	Annual Report required	
Prepayment Limitations	N/A Grant	
Public Vote Requirement	N/A Grant	
Application Process	Pre-application, then complete application required	
Unusual Funding Characteristics	Not available to for profit venture.	
Deadline for Using Funds	N/A	
For Lease Arrangements	N/A	
Date title transfers		
Capital or Operating Lease		
Grant Parameters		
Purpose and activities	Generally for equipment	
Low to high grant range	15% to 75% of project cost, usually less than \$20,000	

Organization Providing Information

Name of Organization	USDA Rural Development
Contact Person	Western WA: Paul Johnson Eastern WA: Michael Langston
Contact's Position	Rural Development Specialist
E-mail Address	Paul.Johnson@wausda.gov Michael.Langston@wa.usda.gov
Phone Number	(360) 704-7761 (Paul Johnson) (509) 664-0235 (Michael Langston)
Fax Number	(360) 707-7775 (Paul Johnson) (509) 664-0202 (Michael Langston)
Organization Website	www.rurdev.usda.gov/rhs/

General Comments/Observations

Community Facilities Grant Program is usually funded at between \$100,000 and \$160,000 per year for all eligible entities and activities in the state. Very competitive, grants are usually awarded in the range of \$6,000 to \$12,000. Eligibility limited to municipalities with population of 20,000 or less, or unincorporated areas.

Funding Type: Energy Saving Performance Contracts

Available to (“x” as applicable)	X Public Hospital Districts	Not-For-Profit Hospitals
	X Critical Access Hospitals	X Less than 100 Beds (rural)
Amount of Funding Available	See Washington Health Care Facilities Authority (WHCFA) at www.whcfa.wa.gov	
Limitations on Use of Funds	For energy related improvements in facilities.	
Interest Rate	See WHCFA at www.whcfa.wa.gov/interestrates.asp	
Range of Loan Maturity Dates	See WHCFA at www.whcfa.wa.gov	
Typical Cost of Funding	See WHCFA at www.whcfa.wa.gov/interestrates.asp	
Time From Application to Funding	35 to 60 days	
Typical Covenants	Project payback within loan period	
Collateral Requirements	Supplied by the Energy Services Company (ESCO)	
Credit Enhancement Requirements	None	
Reserve Account Requirements	Typically none	
Trust Account Requirements	Typically none	
Annual Reporting Requirements	None	
Prepayment Limitations	None	
Public Vote Requirement	None	
Application Process	See www.whcfa.wa.gov/loanapplications.asp	
Unusual Funding Characteristics	Limited to Public Hospital Districts: reference RCW 39.35A	
Deadline for Using Funds	Normally one year to 18 months	
For Lease Arrangements		
Date title transfers	Per finance company requirements	
Capital or Operating Lease	Per finance company requirements	
Grant Parameters		
Purpose and activities	N/A	
Low to high grant range	N/A	

Organization Providing Information

Name of Organization	State of Washington, Department of General Administration, Division of Engineering and Architectural Services/Energy Section
Contact Person	Karen Purtee
Contact's Position	Management Analyst
E-mail Address	Kpurtee@ga.wa.gov
Phone Number	(360) 902-7194
Fax Number	(360) 586-9186
Organization Website	www.ga.wa.gov/Eas/epc/ESPC.htm

General Comments/Observations

The Energy Performance Contracting Program allows the hospital to obtain energy efficiency equipment without capital expenditure, paying for the equipment from operational funds, utility bill savings. Department of General Administration Energy Performance Contracting Program provides municipalities with all services to meet public works requirements.

Funding Type: Energy Saving Performance Contracting

Available to (“x” as applicable)	X Public Hospital Districts Not-For-Profit Hospitals X Critical Access Hospitals X Less than 100 Beds (rural)
Amount of Funding Available	Amount of funding available is typically based on the total project costs.
Limitations on Use of Funds	Funds are typically limited to energy conservation measures with energy savings covering the loan obligation. If the client is using the State of Washington General Administration Office’s Energy Savings Performance Contracting program (www.ga.wa.gov/Eas/epc/ESPC.htm), energy savings would include electricity, gas, water, sewer utilities and waste. <i>For non public district hospitals other utilities may be considered.</i>
Interest Rate	For public district hospitals, loans are usually through the State of Washington Treasurer’s LOCAL Loan Program (www.wa.gov/tre/local.htm), as well as the Washington Health Care Facilities Authority (www.whcfa.wa.gov/).
Range of Loan Maturity Dates	Loans can range from 1 – 30 years
Typical Cost of Funding	Refer to the websites listed above or their resource pages in this directory.
Time From Application to Funding	30-90 days, based on when the loan/lease is applied for. Refer to the websites listed above or their resource pages in this directory.
Typical Covenants	Refer to the websites listed above or their resource pages in this directory.
Collateral Requirements	Refer to the websites listed above or their resource pages in this directory.
Credit Enhancement Requirements	Certain credit rating requirements will apply for State of Washington Treasurer’s LOCAL Loan Program participation. Refer to the websites listed above or their resource pages in this directory.

Reserve Account Requirements	Refer to the websites listed above or their resource pages in this directory.
Trust Account Requirements	Refer to the websites listed above or their resource pages in this directory.
Annual Reporting Requirements	Refer to the websites listed above or their resource pages in this directory.
Prepayment Limitations	Refer to the websites listed above or their resource pages in this directory.
Public Vote Requirement	Refer to the websites listed above or their resource pages in this directory.
Application Process	Refer to the websites listed above or their resource pages in this directory.
Unusual Funding Characteristics	Capital equipment and building upgrades only, with loans going up to the life of the equipment. For LOCAL Loan Program, life of equipment is typically 15 years. With the WHCFA, lender requirements may be specific to the program.
Deadline for Using Funds	Refer to the websites listed above or their resource pages in this directory.
For Lease Arrangements	
Date title transfers	N/A
Capital or Operating Lease	N/A
Grant Parameters	
Purpose and activities	N/A
Low to high grant range	N/A

Organization Providing Information

Name of Organization	McKinstry Co.	
Contact Person	Ash Awad, P.E.	Cam Hamilton
Contact's Position	Dir, Energy Svcs/	Acct Mgr., Energy Svcs.
E-mail Address	asha@mckinstry.com	cameron@mckinstry.com
Phone Number	(206) 832-8227	(206) 832-8146
Fax Number	(206) 832-8627	(206) 832-8375
Organization Website	www.mckinstry.com	

General Comments/Observations

An Energy Savings Performance Contract (ESPC) is an agreement in which an Energy Services Company (ESCO) assumes the cost for identification, evaluation, design and installation of capital projects that will reduce energy costs and is paid based on the energy savings. Agreements with ESCO's range in time from 1 year to as high as 30 years. The ESCO provides an array of services:

- Conducts a facility energy study
- Identifies cost-effective projects and designs all aspects of the chosen projects
- Hires subcontractors and manages the project installation
- Finances the project

If an owner chooses, the ESCO:

- Guarantees savings (if utility savings less than the lease cost, the ESCO pays client the difference between the energy savings attained and the guaranteed energy savings)
- Guaranteed project costs (the ESCO provides guaranteed maximum price with zero change orders)
- Secures all utility rebates for the energy conservation measures that will be implemented
- Guarantees the equipment performance and secures financing for the projects

Funding Type: Off-Balance Sheet Synthetic Lease for Medical Office Buildings and Ambulatory Care Facilities

Available to (“x” as applicable)	X Public Hospital Districts Critical Access Hospitals	X Not-For-Profit Hospitals X Less than 100 Beds (rural)
Amount of Funding Available	Up to \$250M per year	
Limitations on Use of Funds	Development of new and acquisition of existing free-standing on-campus medical office buildings and ambulatory care centers	
Interest Rate	11.5% capitalization rate (New Development) 9.5% capitalization rate (Existing Buildings)	
Range of Loan Maturity Dates	20-30 years	
Typical Cost of Funding	See Interest Rate above	
Time From Application to Funding	90-120 days	
Typical Covenants	None	
Collateral Requirements	None	
Credit Enhancement Requirements	None	
Reserve Account Requirements	None	
Trust Account Requirements	None	
Annual Reporting Requirements	None	
Prepayment Limitations	N/A	
Public Vote Requirement	N/A	
Application Process	N/A	
Unusual Funding Characteristics	None	
Deadline for Using Funds	None	
For Lease Arrangements		
Date title transfers	Upon Closing of sale	
Capital or Operating Lease	Operating Lease Treatment	

Grant Parameters

Purpose and activities	N/A
Low to high grant range	N/A

Organization Providing Information

Name of Organization	AMDC Corp
Contact Person	Mike O'Keefe
Contact's Position	Vice President, Development
E-mail Address	mokeefe@amdchealth.com
Phone Number	(312) 756-9300 Ext. 224
Fax Number	(312) 756-9301
Organization Website	www.amdchealth.com/page_financing.asp

General Comments/Observations

Excellent program for hospitals looking to (1) raise cash for core business ventures by monetizing non-core medical office assets and (2) develop medical office properties without using their own funds or debt capacity.

Funding Type: Off-Balance Sheet Synthetic Lease for Medical Facilities

Available to (“x” as applicable)	X Public Hospital District	X Not-For-Profit Hospitals
	X Critical Access Hospitals	X Less than 100 Beds (rural)
Amount of Funding Available	\$500,000,000	
Limitations on Use of Funds	Must be used to construct, improve or purchase health care facilities.	
Interest Rate	Dependent on each project.	
Range of Loan Maturity Dates	1-10 years	
Typical Cost of Funding	No cost to hospital	
Time From Application to Funding	Typically 90 days after contract	
Typical Covenants	None	
Collateral Requirements	Collateralized only by health care facility	
Credit Enhancement Requirements	None	
Reserve Account Requirements	None	
Trust Account Requirements	None	
Annual Reporting Requirements	Provide financial statements	
Prepayment Limitations	Dependent upon term	
Public Vote Requirement	None	
Application Process	None	
Unusual Funding Characteristics	None	
Deadline for Using Funds	None	
For Lease Arrangements		
Date title transfers	At closing of purchase of facility	
Capital or Operating Lease	Operating lease	
Grant Parameters		
Purpose and activities	N/A	
Low to high grant range	N/A	

Organization Providing Information

Name of Organization	DASCO Companies, LLC
Contact Person	Malcolm Sina
Contact's Position	President & CEO
E-mail Address	msina@dascomed.com
Phone Number	(800) 452-8121
Fax Number	(561) 622-2622
Organization Website	www.dascomed.com

General Comments/Observations

DASCO provides off-balance-sheet financing for the development and acquisition of its health care facilities. No credit enhancement or equity is required from our health care clients.

Funding Type: Off Balance Sheet Synthetic Lease For Equipment

Available to (“x” as applicable)	X Public Hospital District Not-For-Profit Hospitals X Critical Access Hospitals X Less than 100 Beds (rural)
Program	GE Capital/LEASAP is a unique tax-exempt interest rate off balance sheet equipment financing program jointly offered by the Washington Health Care Facilities Authority and General Electric Capital Corporation (GECC).
Amount of Funding Available	Up to \$7 million. (Exact amount to be determined by GECC)
Limitations on Use of Funds	Funds can be used to purchase various equipment including medical and diagnostic equipment, computers, telecommunications equipment, energy upgrades, and minor installation and renovation costs. The program is not limited to GE equipment as other vendors’ equipment can also be financed with this program.
Interest Rate	Tax-exempt. Rate determined by GECC based upon life of equipment and financial strength of borrower.
Range of Loan Maturity Dates	Lease term is tied to the useful life of the equipment.
Typical Cost of Funding	Less than 2% of the amount financed.
Time From Application to Funding	Typically 60 days from application to funding.
Typical Covenants	Pay the lease payments.
Collateral Requirements	Security interest in equipment financed.
Credit Enhancement Requirements	None
Reserve Account Requirements	None
Trust Account Requirements	Depository bank holds proceeds until spent.
Annual Reporting Requirements	Annual to GE and Authority
Prepayment Limitations	Negotiated with GECC

Public Vote Requirement	None for not-for-profit hospitals or for issuance of revenue bonds or limited tax general obligation bonds by public hospital districts.
Application Process	Application to Washington Health Care Facilities Authority and GECC.
Unusual Funding Characteristics	Available to a variety of health care providers. Program will fund other vendors' equipment. Unique program offering off-balance sheet financing.
Deadline for Using Funds	Established by applicable federal tax law and GECC. Typically within one year.
For Lease Arrangements	
Date title transfers	N/A
Capital or Operating Lease	Treated as operating lease per GAAP
Grant Parameters	
Purpose and activities	N/A
Low to high grant range	N/A
Organization Providing Information	
Name of Organization	Washington Health Care Facilities Authority
Contact Person	John Van Gorkom
Contact's Position	Executive Director
E-mail Address	johnvg@whcfa.wa.gov
Phone Number	(360) 753-6185
Fax Number	(360) 586-9168
Organization Website	www.whcfa.wa.gov

General Comments/Observations

A unique program for off balance sheet equipment financing.

Funding Type: Accounts Receivable Lines of Credit

Available to (“x” as applicable)	X	Public Hospital District	X	Not-For-Profit Hospitals
	X	Critical Access Hospitals	X	Less than 100 Beds (rural)
Amount of Funding Available		\$1,000,000 to \$40,000,000		
Limitations on Use of Funds				
Interest Rate		Varies		
Range of Loan Maturity Dates		Usually 2 to 3 years		
Typical Cost of Funding		Varies		
Time From Application to Funding		Approximately 5 to 6 weeks		
Typical Covenants		Fixed charge coverage, net worth, minimum EBITDA		
Collateral Requirements		First lien on assets		
Credit Enhancement Requirements		N/A		
Reserve Account Requirements		N/A		
Trust Account Requirements		None		
Annual Reporting Requirements		N/A		
Prepayment Limitations		None		
Public Vote Requirement		None		
Application Process				
Unusual Funding Characteristics		None		
Deadline for Using Funds		N/A		
For Lease Arrangements				
Date title transfers		N/A		
Capital or Operating Lease		N/A		
Grant Parameters				
Purpose and activities		N/A		
Low to high grant range		N/A		

Organization Providing Information

Name of Organization	CapitalSource
Contact Person	Alan Tom
Contact's Position	Investment Associate
E-mail Address	atom@capitalsource.com
Phone Number	(301) 841-2743
Fax Number	(301) 841-2340
Organization Website	www.capitalsource.com

General Comments/Observations

Funding Type: Secured Term Loans / Bridge Loans

Available to (“x” as applicable)	X Public Hospital District	X Not-For Profit Hospitals
	X Critical Access Hospitals	X Less than 100 Beds (rural)
Amount of funding Available	\$1,000,000 to \$40,000,000	
Limitations on Use of Funds		
Interest Rate	Varies	
Range of Loan Maturity Dates	Usually 2 to 3 years	
Typical Cost of Funding	Varies	
Time From Application to Funding	Approximately 5 to 6 weeks	
Typical Covenants	Fixed charge coverage, net worth, minimum EBITDA	
Collateral Requirements	First lien on assets	
Credit Enhancement Requirements		
Reserve Account Requirements	N/A	
Trust Account Requirements	None	
Annual Reporting Requirements	N/A	
Prepayment Limitations	None	
Public Vote Requirement	None	
Application Process		
Unusual Funding Characteristics	None	
Deadline for Using Funds		
For Lease Arrangements		
Date title transfers	N/A	
Capital or Operating Lease	N/A	
Grant Parameters		
Purpose and activities	N/A	
Low to high grant range	N/A	

Organization Providing Information

Name of Organization	CapitalSource
Contact Person	Alan Tom
Contact's Position	Investment Associate
E-mail Address	atom@capitalsource.com
Phone Number	(301) 841-2743
Fax Number	(301) 841-2340
Organization Website	www.capitalsource.com

General Comments/Observations

C. Charitable Trust and Foundation Capital Resources

Charitable trusts and foundations typically provide funds to specific types of organizations, for specific purposes or within specific geographic areas. Several large charitable trust and foundation databases were searched for those organizations that provide funds for hospital construction/renovation projects, information systems or equipment purchases. Solicitations of information and blank templates were sent to the following list of organizations:

- Ben B. Cheney Foundation
- M.J. Murdock Charitable Trust
- The Norcliffe Foundation
- PACCAR Foundations
- The Seattle Foundation
- Union Pacific Foundation

A completed information template was received from only one of these organizations. It may be that most trusts and foundations do not wish to receive large numbers of applications to be processed, analyzed and prioritized for a limited pool of funds. Templates have been created for all of the listed charitable trusts or foundations based on the public information contained in computerized foundation databases. One excellent resource for searching for foundations or grants is The Foundation Center, with a web site at <http://fdncenter.org/funders>.

C. Charitable Trusts and Foundations



D. Capital Issues From the Federal Perspective

Historically

In the mid-fifties and early sixties, the federal government was heavily involved in assisting communities build hospitals in rural areas. This involvement was through the Hill-Burton Loan program. Simply put, if a community qualified for the Hill-Burton program, the community would fund 50% of the construction costs and the federal government would match the community funding for the project. Repayment of the Hill-Burton Loan program was an agreement with the new community that the hospital would have to pay back the federal dollars each year as a charity obligation to the community residents. Consequently, more than a thousand (1,000) hospitals were built across the county with these Hill-Burton Loan program funds.

In the State of Washington, many of the district hospitals were built through the Hill-Burton program. It has now been 40+ years since the inception of the Hill-Burton program. Many of the smaller district hospitals in Washington State, other than minor face-lifts, have had limited, if any, structural changes.

When the Balanced Budget Act of 1997 (BBA) was passed, it became clear to the healthcare industry and the federal government that the implementation of BBA would have serious financial implications to hospitals. The BBA rules contained the "Medicare Rural Hospital Flexibility Program" section known to us today as the "Critical Access Hospital" (CAH) program that would create a "safe harbor" for rural hospitals from the BBA if the qualifying hospital opted to participate in this program. There were 1,424 hospitals designed as "eligible" for the program around the country. As of March 2002, only 571 hospitals have been designated critical access hospitals. In the State of Washington, as of March 2002, 45 hospitals were designated as CAH "eligible" and 14 have been designated critical access hospitals.

Current Actions Involving Critical Access Hospital Infrastructures

As the Critical Access Hospital program began to develop, problems arising around the rural hospital infrastructure and the need for updating outdated delivery systems of rural hospitals began to surface.

There have been many discussions at the federal level regarding the seriousness of the deteriorating infrastructures of hospitals. At this point in time it is believed that over 800 rural facilities may need to be replaced over the next five (5) to seven (7) years at an estimated cost of \$10 to \$14 million per facility. Many options for bringing the necessary

capital to these communities were discussed. One possible option was the creation of a program similar to the old Hill-Burton program. Congress appears not to be willing to open the financial floodgates of the past. The Federal Office of Rural Health Policy has contracted with the University of Minnesota Research Center to research the actual financial magnitude of the infrastructure problems. Surveys have been sent to all the CAH “eligible” hospitals around the country for input into the type of infrastructure issues that actually exist. The results of this project should be available in draft form in late 2002.

FHA (HUD) 242/232 Mortgage Insurance Programs

Because of the immediate capital needs for the Critical Access Hospitals, the Federal Housing Authority dusted off the FHA 242/232 programs making it easier for Critical Access Hospitals to apply and qualify for these loans. The HUD 242 program provides loans for hospital construction; the HUD 232 program for nursing home construction. If a facility needs funds to replace a hospital and a nursing home, participation in both programs is required. HUD funds can be used for the following:

- Construction
- Modernization
- Remodeling
- Capital Equipment
- Expansion
- Acquisition
- Refinancing

The intent of the HUD programs was to make the borrowing of funds more accessible to hospitals and nursing homes and to make the steps for getting the loans easier and less cumbersome. The major obstacles in the loan process have been the inability of most hospitals and nursing homes to meet the profit margin and debt service ratio requirements for borrowing. Some hospitals are concerned that even as a Critical Access Hospital under a more favorable payment system, they will not have the capacity to repay the debt service on the loan. For further information for hospitals, see the HUD 242 resource template included in Section II A.

Discussion Point

Medicare and Medicaid reimburse Critical Access Hospitals on a cost-based payment system. Regardless of how the hospital obtains financing, Medicare and Medicaid will also reimburse the hospital for a percentage of depreciation and interest expense. Hospitals with a large portion of Medicare and Medicaid utilization may cover debt service through the federal portion of the depreciation and interest expense.

Example Calculation

Assume a hospital borrows \$10,000,000 to build a new facility, with a first-year debt service payment of \$450,000 (Principal = \$25,000 and Interest = \$425,000) and depreciation of \$333,333 (based on a 30 year depreciable life).

If the hospital were 50% Medicare and Medicaid:

50% of Interest Expense	\$ 212,500
50% of Depreciation	\$ 166,600
Available to cover debt service	\$ 379,100

The amount of interest expense and depreciation will change each year as the debt is amortized and the assets become fully depreciated.

This cost option is not available for Prospective Payment System (PPS) hospitals because they are paid with a fixed payment for the services they provide.

For more information, go to the HUD Internet web sites:

<http://www.hud.gov/offices/hsg/hsghospi.cfm>

<http://www.hrsa.gov/osp/dfi/dfi/main.htm>

Proposed Federal Legislation

Prior to September 11, 2001, bills were introduced in the Senate (S.1030) and the House of Representatives (H.R.2157). Both are “give back” bills for rural hospitals to offset impacts of the Balanced Budget Act of 1997. These bills have a good chance to be eventually combined and pass both the Senate and the House.

In the current Legislative Session, Senate Bill 1030 (“Rural Health Care Improvement Act of 2002”) was reintroduced. It is recommended that all administrators monitor this bill, determine how it may help their facility and be proactive with their State Representatives to support the bill.

To find Senate Bill 1030, or any Federal bill, go to the Thomas Web site at <http://thomas.loc.gov>. (Notice that the Thomas web site does not use the 'www' designation.) Once at the Thomas site, type S.1030 in the 'Bill Number' block and hit enter to begin the search. (All Senate bills begin with a designation of S. and House bills begin with H.R.). The index of the bill will come up if the search is successful. From the menus, you can see or print part or the entire bill. From the original index you can click on a section if you only want to see that section.

S.1030 addresses various healthcare issues and Title II—Rural Grant and Loan Programs for Infrastructure, Technology, and Telehealth is the capital funding portion of the bill. Capital issues in the bill are as follows:

Sec. 201. Capital Infrastructure Revolving Loan Program
Authority to Make and Guarantee Loans
Amount of the Loan: \$5,000,000
Funding Limitations
Capital Assessment and Planning Grants: \$50,000

Sec. 202. High Technology Acquisition Grant and Loan Program
Grant Limitations: \$ 100,000
(Not to exceed 70% of the Equipment Costs)
Loans to 90% of Cost

The entire bill should be reviewed to understand eligible entities and the benefits of the bill for rural hospitals.

Federal Grant Programs

From time to time the Federal Office of Rural Health Policy will develop various grant programs to assist hospitals with facility upgrades. In the past, these upgrades have been restricted to very large facilities for specific program upgrades. It is possible that a grant program could be set up for Critical Access Hospitals in the future.

NOTE: The various grant programs available through the Federal Office of Rural Health Policy can be obtained from the Washington State Office of Rural Health Policy at their web site at <http://doh.wa.gov/hsga/ocrh/default.htm>

Proposed State Legislation

None

Other Important Web Sites

There are several Web Sites that help one stay abreast nationally regarding rural health issues. Currently, there are many research and payment proposals being recommended to the Centers for Medicare and Medicaid Services (CMS).

1. Rural Policy Research Institute (RUPRI)

The Rural Policy Research Institute is in one of the Healthcare Research Centers located at the Nebraska Medical Center in Omaha, Nebraska. RUPRI produces a wealth of information regarding rural health issues. There are many research papers that can be downloaded from their web site.

RUPRI is also responsible for the Rural Health Flexibility Program (RHFP) Tracking Project. For Critical Access Hospitals, there is a section of the RUPRI web site dedicated to the CAH program, including various topics and papers. To access the Tracking Project click on "RHFP Tracking Project" at <http://www.rupri.org>.

2. Medicare Payment Advisory Commission (MedPAC)

The Medicare Payment Advisory Commission is an independent federal body that advises the U.S. Congress on issues affecting the Medicare program. MedPAC Reports to Congress are very informative and have made recommendations that the Critical Access Hospital program be a "cost plus" program. (Go to <http://www.medpac.gov>)

3. National Advisory Committee (NAC)

The National Advisory Committee (NAC) on Rural Health advises the Secretary of the Department of Health and Human Services on the provision and financing of health care services in rural areas. (Go to the website at <http://www.ruralhealth.hrsa.gov/nac.htm>)

4. Federal Office of Rural Health Policy

The Federal Office of Rural Health Policy is charged by Congress with the informing and advising the Department of Health and Human Services on matters affecting rural hospitals, and health care, coordinating activities within the department that relate to rural health care and maintaining a national information clearinghouse. (Go to <http://www.ruralhealth.hrsa.gov/index.htm>)

5. Technical Assistance Service Center (TASC)

The Technical Assistance Service Center (TASC) is the Center for the Medicare Rural Health Flexibility Program and the Critical Access Hospital (CAH) Program. This site is dedicated to Critical Access Hospital issues and is funded by the Federal Office of Rural Health Policy. (Go to <http://www.ruralresource.org/index.asp>)

SECTION III

Pain & Agony (Reality Check) in Accessing Capital Financing

A. General Recommendations to Consider Prior to Seeking Formal Financing

1. Complete a feasibility study: identify needs through operational and financial projections (market and business plan analysis) and then formalize the project.
2. Identify the impacts on operations (financial, staffing and mission) during and after construction/systems upgrade or purchase/lease.
3. Gain the support of “stakeholders” - community, hospital and medical staff.
4. Identify payback and reporting requirements and their impact on the organization for funds acquired through common, less common, grant or government resources.

(Specific requirements for accessing capital from each listed resource are found in the completed funding resource templates found in Section II.)

B. “Lessons Learned” or Project Construction and Funding Hints

NOTE: Some “Hints” are Applicable to any Project

- I. Organize the project and the related funding process. Typical points to consider are listed below. Not every point is required for every project, it depends on the nature of the project and the requirements of the funding organization and the underwriter.
 - A. After determining the project is needed and fits with strategic priorities but before spending time developing the project in any substantial level of detail, determine how much money is available to fund the project.
 1. Develop a hospital policy for the minimum number of days of cash on hand. In no event should a project cause the days cash on hand to fall below this minimum. Cash in excess of the minimum days is available for the project.
 2. Assess the hospital’s capacity for new debt.
 3. Make a realistic estimate of the amount of grant funds and charitable contributions the hospital may obtain for the project.
 4. The available cash, debt capacity, grant funds and contributions will determine the maximum project budget.

-
- B. Based on the amount of financial resources available, determine all major projects necessary to maintain hospital operations over a long-term planning horizon, say the next 10 years. Prioritize this project listing so the most important projects are funded first.
 - C. Identify any capital needs outside the project. For example, the hospital will need to purchase non-project equipment and furnishings. Remember to allow cash resources or debt capacity for those needs. The hospital may also have other debt that will remain after a financing takes place. This will reduce project debt capacity.
 - D. Prepare a very preliminary estimate of the project costs. Don't forget the Washington State sales tax and financing "soft costs" associated with the project (typically 20% of total construction costs and contingencies), including financing costs. At this stage of project development, include a project construction contingency of approximately 15% in the construction costs.
 - E. Select a team of advisors to assist the hospital. This team would usually include an architect/master planning consultant, hospital legal counsel, an underwriter, an accountant, a financial advisor, hospital staff who will be involved in the project and possibly a contractor.
 - F. Engage an architect to prepare conceptual drawings for the project. Have the architect estimate the project costs based on block departmental areas and costs per square foot.
 - G. Prepare an initial five-year (minimum) financial forecast of hospital operations with the new project in place to assess if the cash flow from future operations (including the project) will support the project.
 - H. Determine if any outstanding bonds or other debt needs to be refunded to give the lender clear title to hospital assets for collateral purposes. In some circumstances, there will be a non-cash loss recorded in the hospital's financial statements. Assess if there will be a loss incurred on the defeasance of existing debt. Talk to the Board about this loss to avoid a surprise later.
 - I. Determine funding sources for new debt associated with the project.
 - J. For public hospital districts, determine the best time to ask voters to approve general obligation bonds. Often, the underwriter has information to help make this decision.
 - K. Have the architect develop schematic drawings and have the architect and/or a cost estimating firm develop a new project construction cost. Develop a "final" total project budget, including soft costs. Use a 10% construction contingency.
 - L. Ask the underwriter to prepare a calendar of financing events.
 - M. Select the funding source and begin the application process, if required.
 - N. Consider if the hospital wants to have "competing" funding sources.
 - O. Develop and finalize the working drawings.

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- P. Obtain any variances and permits necessary for demolition, vacation of streets, construction, etc.
 - Q. Select a contractor using a negotiated bid or bidding the project costs to determine the actual project cost. Involve hospital legal counsel in this process.
 - R. Hospital counsel should prepare a contract for construction. This contract should not be signed until all project funding is in place.
 - S. Determine if a financial feasibility study is required and if so, engage an accountant to conduct the feasibility study.
 - T. Alert the hospital's independent accountant that the financing is taking place, and that stub period financial information, the historical accountant's report and consent may be required for the preliminary and final official statements.
 - U. Prepare legal documents for the financing. There will be multiple document reviews by all parties associated with the transaction.
 - V. Conduct the legal due diligence process.
 - W. Prepare the preliminary official statement.
 - X. Obtain bond insurance, credit enhancement, etc., as necessary.
 - Y. Obtain any required bond ratings.
 - Z. Price the bonds.
 - AA. Agree to the bond purchase contract.
 - BB. Close the transaction.
 - CC. Monitor and control the construction process as project owner.
- II. During the legal due diligence process, the attorneys will need a large amount of hospital information. Ask the lawyers to give you a common list of information they want to review, and schedule a document review session by all legal counsel during the same day at the hospital, rather than on multiple dates for individual attorneys. If one attorney identifies a matter of concern, all attorneys should agree on a proposed course of action to resolve that issue on the day due diligence is being conducted at the hospital.
- III. Select experienced advisors who have been involved in similar projects and financings before. There is a close-knit "fraternity" of advisors who work well together. While these advisors may appear to be more expensive, they have working relationships that help facilitate the transaction in an orderly and a timely way. Delaying a project for several months may increase the cost of construction and increase financing costs, not to mention your frustration. The least-costly advisor may be the most expensive advisor in the end.

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- IV. Experienced advisors know many of the pitfalls of financings, and do not want to be associated with a bad financing. Neither do you. Talk candidly with your advisors about your financing concerns. They are working for the hospital and will try to find appropriate ways to accomplish your desires.
 - V. On occasion, property not used in hospital operations does not need to serve as collateral for a loan. For example, rental houses around the hospital being held for possible future development might be excluded from the financing collateral, as they are not necessary for hospital operations. Excluding this real estate would permit the hospital to sell these properties more easily in the future should they not be needed.
 - VI. Tax-exempt bonds may not be used to fund significant improvements to space used by taxable entities under federal tax laws. This should be taken into account when constructing a project that utilizes tax-exempt funding and contains space used by physicians, proprietary labs, etc.
 - VII. If you don't understand something about the financing, ask to have it explained by one of the hospital's advisors. You will be operating under these financing documents for many years. You need to understand what you're agreeing to before you sign the bond documents.
 - VIII. Don't agree to any computation under the financing documents if you don't know how to make the computation. Do test calculations using both historical financial information and forecast information to ensure the hospital has enough capacity under the calculations.
 - IX. Prepare a summary of all the covenants the hospital has agreed to under the loan documents. Periodically (at least quarterly) monitor actual performance against these covenants. You may need to adjust hospital operations mid-year to meet bond covenants.
 - X. If you incur new debt after the financing transaction, or sell property, make sure you are doing so under the terms of these financing documents. Remember, capital leases impact your debt service coverage ratio.
 - XI. If you think you have a bond covenant violation, talk with your legal counsel or accountant. Deal with these issues proactively. No organization associated with the hospital wants a financing failure. They will work with you to solve a problem.

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- XII. The end of the funding process is the sale of the bonds. Immediately after the bonds are sold, sign contracts for construction. Don't sign a construction contract until you are sure the hospital has the money in place to pay for the construction.
- XIII. Should cost overruns occur, there might be an opportunity for issuing additional bonds. Seek information from bond counsel or your financial advisor to understand this possibility. Additional bonds are not an additional source of funding. They are an emergency funding source.
- XIV. Ensure the project planning includes conservative contingency costs during early feasibility analysis (initially 15%). This contingency can be reduced when final project plans are available. A rule of thumb is that when the construction drawings are completed and bid, the hospital has a 5% contingency on new construction and 7% to 10% contingency on remodeled areas to pay for unanticipated variations from working drawings.
- XV. Evaluate whether a project manager is needed, or if hospital staff can handle the job. Good project management is a must. Hospital staffs already have full-time jobs, so consider the impact of project management on that individual and the department.
- XVI. Don't forget soft costs such as sales tax, bond issuance fees and, with revenue bonds, reserve accounts. These can be 20% of the project costs.
- XVII. Don't forget the hospital may need equipment and technical support after the project is completed.
- XVIII. During remodels, ensure that equipment being acquired fits through doors and into designed spaces.
- XIX. The building design and "financial footprint" should match.

Section IV

Addenda

Appendix 1

Glossary

The following is a summary of terms used in funding arrangements and/or found in the “A Guide to Capital Funding Options” that may need clarification or be beneficial to the understanding of funding arrangements. This glossary is designed to be a practical guide to bond terminology.

Advance Refunding – A transaction in which Refunding Debt is issued to pay the Refunded Debt at a specified future date(s), with the proceeds placed in trust or otherwise restricted to pay the Refunded Debt. The trust buys State and Local Government Securities obligations (SLGSs) to permit the defeased debt to be treated as an “in-substance” defeasance under generally accepted accounting principles. Non-profit hospitals report a non-cash loss in an Advance Refunding. Public hospital districts capitalize this loss and amortize it against future earnings under generally accepted accounting principles applicable to governmental organizations.

Amortization Schedule – A schedule showing the debt principal and interest payments.

Annual Debt Service Coverage – The number of times debt payments can be made from hospital operations. Debt service coverage is usually expressed in terms of the ratio computed as follows: $(\text{Excess of Revenues over Expenses} + \text{Depreciation} + \text{Amortization} + \text{Interest Expense}) / (\text{Annual Debt Principal} + \text{Interest Expense})$.

Arbitrage – The relationship of the interest rates on a debt issue to the interest rates achieved on the temporary investment of bond proceeds. Positive arbitrage occurs when the investment income received is greater than the interest expense on the bonds. The Internal Revenue Service has restrictions on positive arbitrage. See Rebate.

Authority – See Washington Health Care Facilities Authority.

Authority Counsel – Legal counsel to the Authority. Authority counsel serves as Bond Counsel in Authority transactions, and will draft most documents and review the official statement.

Authority Financial Advisor – Financial advisor to the Authority. The financial advisor reviews all documents associated with a tax-exempt revenue bond issue, including the Official Statement, and advises the Authority with respect to bond terms and pricing.

Basis Points – A measure used in assessing interest rates. One Basis Point is one-hundredth of one percent. Accordingly, 25 basis points is $\frac{1}{4}$ of 1% interest.

Bondholder – The purchaser of bonds.

Bond Counsel – The lawyer who often drafts the documents associated with a bond transaction and gives an opinion on the tax-exempt status of the bonds under Internal Revenue Service regulations.

Bond Documents – A series of up to 50 official documents memorializing a bond transaction. Key documents include the Bond Resolution, Loan Agreement and the Indenture.

Bond Insurance – A form of credit enhancement obtained from a surety company that insures payment of all future bond principal and interest payments for an initial premium at the time the bonds are issued.

Bond Resolution – A resolution of the Board of Commissioners of a public hospital district or the Board of Trustees of a non-profit hospital authorizing the issuance of bonds.

“Bring down” Letter – The bring-down letter is prepared when the bond pricing (typically, the interest rate) on the bonds is higher than that included in the Financial Feasibility Study. The Feasibility Consultant prepares a bring-down letter stating their conclusions with respect to financial feasibility as reflected in the Feasibility Study will not be different as a result of the actual bond pricing.

Call Date – The date(s) bonds may be called for redemption at the option of the borrower. The initial call date is often 7 to 10 years after the bonds are originally issued.

Capital Lease – A lease arrangement that is recorded as a fixed asset and a debt obligation in a balance sheet of the hospital under generally accepted accounting principles, as opposed to an Operating Lease.

Conduit – This is a colloquial term for the Washington Health Care Facilities Authority, or other similar governmental issues that issue tax exempt bonds and loan the proceeds to private parties.

Continuing Disclosure – See NRMSIR.

Credit Enhancement – A vehicle to improve the hospital’s underlying credit risk to the bondholder, such as Bond Insurance or an irrevocable letter of credit from a bank.

Critical Access Hospital – A hospital formally designated as such by federal and state authorities.

Debt to Capitalization - The relationship of debt to equity. Debt to capitalization is usually expressed in terms of the ratio computed as follows: $(\text{Long-term Debt}) / (\text{Fund Balance} [\text{Net Assets in not-for-profit organizations}] + \text{Long-term Debt})$.

Defeasance – Satisfaction of Refunded Debt for accounting purposes without the debt being legally retired.

Demand Study – The demand study is part of the Financial Feasibility Study. It assesses the demand for hospital services based on factors such as service area demographics, historical marketplace penetration, the local economy, medical staff age and use of the hospital, competing hospital facilities and the impact of any proposed service changes as a result of a construction project.

Due Diligence – The process parties associated with the bond transaction undertake to ensure the hospital’s representations in connection with the bond documents are complete and accurate.

Excess Levy – A special levy for a given year or years in excess of the regular property tax. Voter approval is required for excess levies.

Hospital Financial Advisor – The financial advisor to a hospital. If the hospital elects to retain a financial advisor, the Hospital Financial Advisor assists the hospital with bond terms and structure. In Washington, not every non-profit hospital elects to use a Hospital Financial Advisor as the Authority Financial Advisor partially fulfills this responsibility. Public Hospital Districts may wish to consider a Hospital Financial Advisor when issuing Unlimited and Limited Tax General Obligation bonds.

Feasibility Consultant – The Feasibility Consultant is employed by the hospital to issue a Financial Feasibility Study report. The Feasibility Consultant reports to the hospital, the Authority (or other tax-exempt conduit requiring the feasibility study) and the Underwriter.

Financial Feasibility Study – The Financial Feasibility Study is prepared to assess the hospital's ability to meet its future debt service and other financial obligations for two years following completion of a construction project. The hospital Board may request either management or an external feasibility consultant to prepare an initial feasibility study. The Authority (or other tax-exempt conduit requiring the Financial Feasibility Study) and the Underwriter require the Financial Feasibility Study to be prepared by a party independent of the hospital.

General Obligation Bond – Public hospital districts may issue voter or non-voter approved bonds to acquire or construct a hospital or “other health care facility” as defined in the Revised Code of Washington. General Obligation Bonds are commonly referred to as G.O. Bonds.

Hospital Counsel – Legal counsel for the hospital. Hospital Counsel is familiar with the hospital and represents its interests. Hospital Counsel supports the efforts of the hospital during the negotiation of bond document terms and conditions, reviews all bond documents for the hospital, assists the hospital in gathering information for the Due Diligence review of legal counsel and reviews the Official Statement and all other bond documents on behalf of the hospital.

Indenture – The Trust Indenture between the Authority and the Trustee.

Institutional Distribution – Purchasers of large dollar amounts of hospital bonds, such as banks, pension funds and insurance companies. Typically, institutional investors purchase a larger percentage of the bonds than are sold at retail.

In-substance Defeasance – A form of Advance Refunding in which the debtor places into an irrevocable trust an amount of assets computed to be sufficient to satisfy all future principal and interest payments of a specific debt obligation until the debt is callable at the first Call Date. In such cases, the debt is not considered legally extinguished because the hospital is not released from being the primary obligor. However, the debt is removed from the balance sheet and replaced with the Refunding Debt issue, and the Refunded Debt is disclosed in the footnotes to the financial statements.

Issuance Costs – Costs reasonably incurred incident to preparing, offering, selling, issuing and delivering the bonds, including the fees and expenses of Bond Counsel, general and special counsel and Financial Advisor to the Authority, accountants, financial consultants and legal counsel to the hospital, the costs of feasibility reports, audits, rating agency fees,

title insurance premium, recording and filing fees, the initial annual fee payable to the Authority and the fees and expenses (including reasonable counsel fees and expenses) payable to the Trustee incident to the Trustee's acceptance of the trust created by the Indenture.

Issuer – The organization issuing the bonds. Typically, the Authority issues tax-exempt revenue bonds and loans the proceeds to the hospital in non-profit hospital bond financings. A public hospital district may issue its own bonds.

Investment Banker – See Underwriter.

Limited Tax General Obligation Bond – Public Hospital Districts may issue bonds payable solely from its regular tax levy. The bond proceeds may be used for any legal purpose of the District. Limited General Obligation Bonds are commonly referred to as L.T.G.O. Bonds.

Liquidity Facility – See Credit Enhancement.

Loan Agreement – The agreement between the Authority and a hospital under which bonds are issued.

Material Events – Rules issued by the Securities and Exchange Commission prohibit, with certain exceptions, a broker or dealer from purchasing or selling tax-exempt securities unless the issuer of the securities enters into a written agreement for the benefit of the ultimate purchasers of such securities to provide notices of "material events" to the NRMSIRs. Under the applicable rules, "material events" are limited to the following eleven events:

1. delinquencies in debt service payments;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the securities;
7. modifications to rights of security holders;
8. bond calls;
9. defeasances;
10. release, substitution or sale of property securing repayment of the securities; and
11. rating changes.

Maximum Annual Debt Service Coverage – The number of times debt payments can be made from hospital operations. Maximum annual debt service coverage is usually expressed in terms of the ratio computed as follows: (Excess of Revenues over Expenses + Depreciation + Amortization + Interest Expense) / (Maximum Annual Debt Service).

NRMSIR – The nationally recognized municipal securities information repository designated by the SEC for purposes of Rule 15c2-12. The hospital is obligated to report selected information to NRMSIR annually to facilitate bondholder review of hospital information and secondary bond market trading.

Negative Pledge – A loan covenant where a hospital agrees not to mortgage its facilities in the future while debt being borrowed remains outstanding.

Non-Negotiable Bond Conditions – This is a colloquial term often used to describe standard document terms that will not change in any transaction due to lender policy considerations. For example, the granting of a mortgage is often a Non-Negotiable Bond Condition.

Obligated Group – A group of borrower corporations that works together to borrow money and provide collateral jointly. The Obligated Group is jointly liable for its outstanding debt. Hospital systems tend to use Obligated Groups.

Official Statement – The Official Statement is used to market the bond issue. The Preliminary Official Statement (POS) discloses pertinent operating and financial information about the hospital, the bond transaction and bondholder risks to prospective bond purchasers, without pricing information. It is occasionally referred to as the “red herring” due to the red ink on the front cover stating the information is preliminary and subject to change. The final Official Statement (OS) is updated to reflect final bond maturity and pricing information.

Operating Lease – A lease arrangement that is treated as an annual operating expense under generally accepted accounting principles, as opposed to a Capital Lease.

Original Issue Discount – A discount from the par value of the bond to the original bond purchaser, used as a sales incentive strategy to obtain a lower bond interest rate.

Par amount – The face amount of a bond.

Parity Debt – Separate debt issues that share the same collateral.

Private Placement – The sale of securities to a single or small group of purchasers. The Underwriter identifies the purchasers, which are often insurance companies or pension funds.

Refunded Debt – Debt for which payment at a specified future date has been provided by the issuance of refunding debt.

Refunding Debt – Debt issued to provide funds to pay for refunded debt at a specified future date.

Rating Agency – Organizations such as Moody's, Standard and Poor's and Fitch review the bond documents, meet with hospital representatives to assess the hospital's creditworthiness and assign a bond rating to the hospital and its bonds.

Rebate – Under the Internal Revenue Code, positive Arbitrage must be rebated to the federal government.

Reimbursement Agreement – The Reimbursement Agreement between the borrower and a company providing a letter of credit (see Credit Enhancement). It describes the terms and conditions of the letter of credit arrangement.

Reserve Account – An account funded by the hospital and held by the Trustee in a tax-exempt revenue bond transaction. The Reserve Account usually contains one year's principal and interest payment, which theoretically enables the hospital to correct operating problems without missing a bond payment.

Retail Distribution – Bonds sold to individual investors by local brokers.

Rural Hospital – For this report, hospitals under 100 beds are considered rural.

Serial Bonds – Serial bonds are part of the bond principal repayment structure during approximately the first 10 years the issue is outstanding. Serial bonds have stated annual maturities and interest rates.

Springing Mortgage – An agreement to place a mortgage on the hospital in the event certain negative circumstances occur, such as not meeting a financial ratio loan covenant.

Stub Period Data – Interim financial information included in the Official Statement.

Synthetic Lease – A form of off-balance-sheet financing used to acquire assets with a shorter economic life. The use of synthetic leases has slowed in recent years.

Tax-Exempt Bond – A bond exempt from income tax in the return of the Bondholder. The Bond Lawyer will produce an “opinion of counsel” which states the bonds are tax-exempt under the Internal Revenue Code.

Term Bonds – Term bonds are part of the bond principal repayment structure, after the Serial Bonds have matured. Term Bonds also have stated maturities and interest rates which are usually in 10-year increments following the Serial Bonds.

Term Sheet – A lender’s preliminary summary of bond conditions presenting the major terms and conditions under which the bonds will be issued.

Trustee – An organization hired by the hospital to fulfill the duties assigned to it in the bond documents after the bonds are issued, such as paying agent, registrar, authenticating trustee, transfer agent and secondary market disclosure agent. The Trustee monitors hospital performance of required notices, maintaining bond trust accounts for the payment of principal and interest, etc. The Trustee is often a bank trust department.

Trustee Counsel – Legal counsel for the Trustee.

Underwriter – The bond underwriter is engaged by the hospital to sell the bonds to the public and institutional investors. The Underwriter is the “quarterback” for the transaction, coordinating the efforts of all parties associated with the transaction. The Underwriter prepares a calendar of transaction timing and responsibilities, prepares the preliminary and final Official Statements, proposes the terms and sales price for the bonds and purchases the bonds for resale to the general public.

Underwriter’s Counsel – Legal counsel for the Underwriter. Underwriter’s Counsel is often responsible for the preparation of the Official Statements.

Underwriter’s Discount – The fee paid to the underwriter to sell the bonds. The Underwriter’s Discount includes the commission for selling the bonds, the transaction management fee and Underwriter expenses.

Variable Rate Debt – A debt instrument that allows hospitals to borrow at short-term rates with a long-term stated maturity without some of the risks traditionally associated with commercial paper. Hospitals usually are required to have a Liquidity Facility in conjunction with Variable Rate Debt.

Washington Health Care Facilities Authority – The Washington Health Care Facilities Authority was created by the Washington State Legislature to assist non-profit health care providers (exempt from income tax under section 501(c)(3) of the Internal revenue Code) access tax-exempt financing. The Authority members are high-ranking State officials and a public member. They offer both bond and lease funding. The Authority is not able to fund projects that include activities operated by organizations subject to federal income tax. Many other States besides Washington have similar authorities. Some states permit local authorities to be formed for this purpose.

Appendix 2

Blank Addendum Template

The blank template on the following page was used to collect information from potential funding resources. This blank template can be used by other organizations to submit capital funding information to the AWPFD to be considered for inclusion as addenda to this directory.

BLANK FUNDING RESOURCE TEMPLATE

Funding Type:

Available to (“x” as applicable)	Public Hospital District Critical Access Hospital	Not-For Profit Hospitals Less than 100 Beds (rural)
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Amount of Funding Available

Limitations on Use of Funds

Interest Rate

Range of Loan Maturity Dates

Typical Cost of funding

Time from Application to Funding

Typical Covenants

Collateral Requirements

Credit Enhancement Requirements

Reserve Account Requirements

Trust Account Requirements

Annual Reporting Requirements

Prepayment Limitations

Public Vote Requirement

Application Process

Unusual Funding Characteristics

Deadline for Using Funds

For Lease Arrangements

Date title transfers
Capital or Operating Lease

Grant Parameters

Purpose and activities
Low to high grant range

Organization Providing Information

Name of Organization

Contact Person

Contact's Position

E-mail Address

Phone Number

Fax Number

Organization Website

General Comments/Observations

