

MICHIGAN FINANCE AUTHORITY
BOARD MEETING MINUTES
June 4, 2019

A meeting of the Michigan Finance Authority ("MFA" or the "Authority") was held on June 4, 2019, at 8:30 a.m. in the Richard H. Austin Building, 1st Floor, State Treasurers' Board Room, 430 West Allegan Street, Lansing, Michigan.

MEMBERS PRESENT: Anne Wohlfert, Chair, proxy for State Treasurer
Anna Heaton
Travis Jones
Murray D. Wikol

MEMBERS ABSENT: Bill Beekman
Luke Forrest
Tim Hoffman

CALL TO ORDER/ROLL CALL

Anne Wohlfert, Chair, called the meeting of the Michigan Finance Authority to order at 8:30 a.m. with Anne Wohlfert, Anna Heaton, Travis Jones, and Murray D. Wikol in attendance. Ms. Wohlfert noted that a quorum was present.

PUBLIC COMMENT

Anne Wohlfert asked if there were any members of the audience who would like to speak. There were none.

APPROVAL OF MINUTES

Anne Wohlfert asked if there were any corrections, comments, or additions to the minutes as presented dated April 23, 2019. A motion was made by Travis Jones and supported by Anna Heaton to approve the minutes. A voice vote was taken and the motion passed unanimously.

RESOLUTION 2019-07

RESOLUTION TO AUTHORIZE THE ISSUANCE OF MICHIGAN FINANCE AUTHORITY HOSPITAL REVENUE BONDS (MCAREN HEALTH CARE) SERIES 2019A

Patrick Price, Bureau of State and Authority Finance, discussed McLaren Health Care Corporation headquartered in Grand Blanc. Mr. Price described McLaren Healthcare as follows: The McLaren system includes fourteen hospitals, ambulatory surgery centers, imaging centers, and a range of other health care services covering more than 550,000 residents in Michigan and Indiana. In addition, McLaren operates Michigan's largest network of cancer centers anchored by the Barbara Ann Karmanos Cancer Institute. McLaren has a 490-member employed primary and specialty care physician network, 26,000 employees, and more than 85,500 network providers. Its operations are housed in more than 350 facilities serving both Michigan and Indiana. Mr. Price discussed the use of proceeds as follows: The proceeds of the series 2019A bonds will be used at three separate locations. The McLaren Macomb Project will be funded from \$52 million in bond proceeds, a \$10 million equity contribution, and \$9 million from philanthropic donations. The proceeds will be used to construct a new five story patient tower which will include a basement and mechanical penthouse and will be connected to the surgery center at the current building. The basement will be used for a new Graduate Medical Education Center. The first floor will provide space for the currently overcrowded emergency department. The new emergency department will increase the number of patient stations from 44 to 66. The remainder of the building will be unfinished shelled space. The second project, at McLaren Northern in Petoskey, will be funded from \$128 million in bond proceeds and \$30 million from philanthropic donations. McLaren Northern will also be constructing a new patient tower which will be attached to the current building. The new tower will house ten operating rooms and one shelled operating room. The remainder of the building will provide 104 private beds for various uses. The final project is the construction of a replacement hospital in Lansing, located at Forest Road and Collins Road on the campus of Michigan State University. The Lansing Project totaling \$413 million will be funded from bond proceeds. The hospital will ultimately include 16 to 18 operating rooms, five catheterization labs, an emergency department, radiology, and cardiovascular services. This project also includes the construction of a free-standing cancer facility on site. Lastly Mr. Price noted that in addition to the project costs, the financing will pay the costs of issuance as well as fund capitalized interest and the bonds will be sold via a negotiated public offering in the amount of not to exceed \$725 million with an estimated interest rate of 3.8% and a term of not to exceed 40 years.

Matt Elsey, McLaren Health Care, expressed appreciation to the MFA board for their long-standing support and further discussed the health system and the projects. Mr. Elsey noted McLaren Health is seeking approval to issue bonds in the amount of \$725 million for three projects, to finance capitalized interest on two of the projects, and pay the costs of issuing the bonds. Mr. Elsey further noted the structure of the bonds consists of a single series of fixed rate bonds with an anticipated closing date the week of June 24.

Travis Jones confirmed the bonds will be issued with a fixed interest rate and noted the market appears to be favorable for McLaren. Matt Elsey confirmed the bonds will be issued with a fixed interest rate and the transaction was fast-tracked due to the favorable market conditions.

Murray D. Wikol inquired regarding construction of the new patient tower at the Northern Michigan facility and how it fits with the existing tower and campus. Matt Elsey indicated the new separate structure would be contiguous to the existing campus and will house fully private patient rooms. Additionally, the project will include updates to and coordination of the operating rooms. Mr. Elsey further indicated it is expected that the project would improve the patient experience while offering better coordinated care with the operating room suites and intensive care units to provide a much more efficient operation.

Murray D. Wikol inquired whether there are other ancillary development or projects contemplated with the Lansing project. Matt Elsey indicated approval is being requested today for financing for the tax-exempt portion of the core hospital and freestanding cancer center facility. Mr. Elsey noted that a medical services building (MSB) will be attached to the hospital. Mr. Elsey noted the MSB would be a separate financing because it is expected that there will be some independent physicians occupying the MSB and there is capacity for future development as the partnership with Michigan State University continues to evolve.

Kester So, Dickinson Wright PLLC, presented the resolution, described highlights within the resolution noting the lapse date of September 30, 2019, and indicated that it is in the appropriate form for consideration.

William Pettit, Esq., Attorney General's Office, expressed appreciation to Lisa Hagan and Kester So and indicated that the resolution presented was in substantially final form and ready for the board's consideration.

Anne Wohlfert asked if there were any questions, comments, or additions to the resolution. Hearing none, she then requested a motion. Murray D. Wikol made a motion to approve the resolution supported by Travis Jones. A roll call vote was taken and the following members voted affirmatively: Anne Wohlfert, Anna Heaton, Travis Jones, and Murray D. Wikol.

Next Meeting

The next meeting date is to be determined.

ADJOURNMENT

Murray D. Wikol made a motion for adjournment supported by Anna Heaton. The meeting was adjourned at 8:45 a.m.

APPROVED at the MFA Board Meeting on August 15, 2019