

Washington Higher Education Facilities Authority

MINUTES

January 30, 2020

Mr. Jerome Cohen, Board Secretary, called the special meeting of the Authority to order at 1:00 p.m.

Board Secretary, Mr. Cohen, was present in the Board Room, located at 1000 Second Avenue, 28th Floor in Seattle, WA 98104. Board members Mr. Michael Meotti, Ms. Claire Grace, Dr. Roy Heynderickx, and Dr. Gene Sharratt were all present by telephone.

Authority staff present were Mr. Steve Walker, Executive Director; Mr. Paul Edwards, Deputy Director; Mr. Bob Cook, Senior Finance Director; Ms. Carol Johnson, Affiliates Manager; and Ms. Rona Monillas, Program Assistant.

Also present were Ms. Faith Pettis and Mr. Will Singer of Pacifica Law Group, the Authority's bond counsel; Mr. Dan Gottlieb of Hillis Clark Martin & Peterson, the Authority's backup bond counsel; Mr. Michael Nelson II, Assistant Attorney General from the Washington State Attorney General's Office; and Ms. Christine Ok of U.S. Bank Corporate Trust.

Other meeting participants present were Mr. Thomas Toepfer and Mr. Steven Amano of Public Financial Management (PFM); Mr. Craig Kispert, Vice President for Business and Finance and Ms. Cherry Gilbert, Director of Budget and Finance, of Seattle Pacific University.

**Introduction of the
New Executive
Director**

Mr. Cohen introduced the new Executive Director, Steve Walker. Mr. Cohen shared a press release announcing Mr. Walker's new role as the Executive Director for the Washington State Housing Finance Commission and the Authority, an affiliate agency to the Commission.

**Approval of the
Minutes**

Mr. Cohen asked for a motion to approve the minutes of the meeting held on November 12, 2019. Ms. Grace made the motion, and it was seconded by Dr. Sharratt. The minutes were approved unanimously, 5-0.

**Action Item:
Approval of
Resolution
#20-01
for Seattle
Pacific
University**

Mr. Cohen introduced Ms. Johnson, the Authority's Manager, to present the staff recommendation for approval of Resolution No. 20-01.

Ms. Johnson stated that the board is considering a proposed issuance of tax-exempt revenue and refunding revenue bonds and taxable revenue bonds for Seattle Pacific University in an amount not to exceed \$91,000,000. She added that the bonds will be issued in two series – one tax-exempt and the other taxable.

Ms. Johnson gave a brief summary of the transaction. She added that a public hearing for this transaction was held on January 7, 2020.

Ms. Johnson said that the bonds are scheduled to close on March 2, 2020 and are rated "A-" by Standard & Poor's (S&P). She further added that PFM's preliminary estimate of the interest savings is \$1.7 million on a present value basis.

Mr. Kispert thanked the Authority for the opportunity to move the transaction forward. He said that in the last 20 years, the University has had very strong cash flows and has been able to buy several properties near its campus using existing cash flows. The University will probably recognize significant annual debt service savings and will be able to replenish close to \$25 million in cash.

He said that they are very excited to have this transaction happen in the next couple of weeks.

Mr. Toepfer, the University's financial advisor, said that they are excited about this transaction because the University was able to reduce their risk profile. He mentioned that the strong operating performance and wealth levels of the University helped in attaining their "A-" rating from S & P. He added that this is a fixed rate transaction.

Dr. Sharratt commended the work of the University. Ms. Grace congratulated the University on their very good operating history and added that she is pleased that the Authority is able to help the University.

Mr. Cohen asked for a motion to approve Resolution No. 20-01. Dr. Heynderickx made the motion, and it was seconded by Dr. Sharratt. The resolution was approved unanimously, 5-0.

**Action Item:
Approval of
Interagency
Agreement with the
Washington
Student
Achievement
Council (WSAC)**

Mr. Cohen introduced Ms. Johnson to present staff recommendations to approve the Interagency Agreement with the Washington State Student Achievement Council (WSAC).

Ms. Johnson presented a memo summarizing staff recommendations to authorize the Authority to enter into an Interagency Agreement with WSAC. She said that shared contracted services is a common practice among state agencies. She highlighted that the purpose of this agreement is to provide WSAC with financial advisory services and support for the new Washington Student Loan Refinancing Program created by the 2019 Workforce Education Investment Act. She added that under the Agreement, WSAC would be utilizing the services of Baker Tilly Municipal Advisors, LLC, one of the Authority's contracted financial advisors.

Mr. Meotti added that this kind of arrangement is what state agencies do when they are looking for professional services in areas in which they are not a regular consumer. He added that WSAC does not normally use a financial advisor.

Mr. Cohen asked if the service of a financial advisor will enable WSAC to do their work on the Student Loan Financing Program. Mr. Meotti said that this will enable them to conduct the Request for Proposals (RFP) and Request for Information (RFI).

Ms. Grace asked if the Authority will help design and implement the program. Mr. Meotti said that WSAC is simply asking the Authority to give them access to Baker Tilly's advice as they conduct the RFP and RFI.

Ms. Johnson stated that Mike Meotti will be recusing himself from the vote on this motion since he is the Executive Director of WSAC.

Mr. Cohen asked for a motion to approve the Interagency Agreement with the WSAC and to delegate to the WHEFA Executive Director the authority to negotiate the final terms and execute the Agreement. Ms. Grace moved the motion, and it was seconded by Dr. Sharratt. The Interagency Agreement was approved unanimously with one recusal.

**Action Item:
Review and
Act on
Resolution
#20-02**

Mr. Cohen postponed action on Resolution No. 20-02 authorizing investment of WHEFA monies in the Local Government Investment Pool (LGIP) until the next regularly scheduled board meeting. Board members needed more time to review the Resolution and the LGIP Prospectus.

**Action Item:
Acceptance of
the Financial
Statement**

Mr. Cohen then introduced Mr. Cook to present the financial statement for consideration.

Mr. Cook stated that the unaudited financial statements for the period ending December 31, 2019, show assets of just over \$1.49 million and approximately \$341,000 of liabilities, leaving just over \$1.1 million in net assets. He added that unrestricted revenue was approximately \$383,000. Half of the revenue was from reinstating the 6 basis point fee on outstanding bond balances. Mr. Cook said that expenses to date are approximately \$209,000, leaving a net position of about \$173,000.

Ms. Grace moved acceptance of the financial statements, and it was seconded by Dr. Heynderickx. The motion was approved unanimously, 5-0.

**Invoice for
Services**

Mr. Cohen then asked Mr. Cook to present the invoice for services.

Mr. Cook stated that the invoice from the Housing Finance Commission for October 1, 2019 through December 31, 2019 has been reviewed and approved for payment by the Treasurer, Ms. Grace.

Market Update

Mr. Cohen introduced Mr. Toepfer to present the market update.

Mr. Toepfer reported that the market has been steady noting unemployment at 3.5% and slow growth of the Gross Domestic Product (GDP).

Mr. Toepfer stated that the Federal Reserve announced that there will be no rate change. He added that consumer spending changed from moderate to strong and that the economy has been driven by the U.S. consumers for the longest time recorded.

Mr. Toepfer stated interest rates have been down about 1% compared to last year and emphasized that this is a great market for borrowers to be in. He showed a graph indicating that new issuance was up 22% in 2019 compared to 2018. He said that municipal bond funds have seen inflows throughout 2019, providing strong demand for tax-exempt debt.

**Bond Issue
Status Report**

Mr. Cohen asked Mr. Edwards to present the bond issue status report.

Mr. Edwards stated that the next potential bond issue is approximately \$16 million for Walla Walla University. The transaction is expected to be approved by the University's board on January 31, 2020. He added that the Authority is expecting to receive an application soon thereafter.

Mr. Edwards presented other potential bond issues from Seattle University, Heritage University, and Pacific Northwest University of Health Sciences totaling about \$93 million.

Mr. Edwards highlighted that this fiscal year the Authority has successfully closed three bond issues totaling \$118,765,000 with estimated present value (PV) savings of \$3,274,236. He added that after SPU's closing on March 2, 2020, estimated total bonds issued in the current fiscal year will be \$209,765,000 with total estimated PV savings of \$5,341,176.

**Executive
Director's
Report**

Mr. Cohen then asked Mr. Walker to present the Executive Director's report.

Mr. Walker presented the Authority's annual report and thanked the staff for their efforts in creating it.

Mr. Walker announced that Dr. Heynderickx's second term on the WHEFA board will end on March 26. He recognized Dr. Heynderickx for his eight years of service as a board member to the Authority. Mr. Walker added that

WHEFA legislation states that one public member shall be the president of a higher education institution. He said that the Authority has been working with Dr. Terri Standish-Kuon, President and CEO of the Independent Colleges of Washington (ICW), to find a board replacement for Dr. Heynderickx.

Mr. Walker stated that the legislative session is in full swing and that the Authority is closely monitoring anything that could impact WHEFA or any of its programs.

Mr. Walker said that the next NAHEFFA Spring conference will be April 28-29 in Charleston, South Carolina. He asked board members who want to attend to inquire with Ms. Monillas

Mr. Walker gave a summary of relevant articles available in the board meeting packet. He added that the next board meetings are scheduled for May 7, 2020 and August 6, 2020.

Adjournment

Mr. Cohen adjourned the meeting at 1:49 p.m.

Mr. Jerome Cohen, Secretary

Date