WHEFA

AUTHORITY MEETING

July 25, 2023

Jay Inslee,
Governor
Chair

David Schumacher,
Director, Office of
Financial Management,
Governor's Designee

Dr. Gene Sharratt
Public Member
Secretary

Denny Heck,
Lieutenant Governor

Michael Meotti,
Executive Director,
Student Achievement
Council

Allan Belton,
President,
Pacific Lutheran University
Treasurer

Jasmine Minato,
Public Member

Shilpa Tiwari,
Public Member

Steve Walker,
Executive Director

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

Meeting Agenda

YOU ARE HEREBY NOTIFIED that the Washington Higher Education Facilities Authority will hold a Special Meeting at 1:00 p.m. prevailing Pacific Time on Tuesday, July 25, 2023, in the Board Room at the Authority's offices located at 1000 2nd Ave., Suite 2800, Seattle, WA 98104 to consider the items in the agenda below.

Pursuant to RCW 42.30.030(2), which encourages public agencies to provide for public access to meetings, this meeting can also be viewed via Zoom or joined telephonically.

To join virtually, please go to www.zoom.us and enter:
Meeting ID: 875 1046 9161
Password: 021390

Participants using a computer without a microphone who wish to participate verbally, please dial: 1-(888) 788-0099 U.S. toll-free

Please note that the line will be muted to the public except during the public comment portions of the meeting.

I. CALL TO ORDER: *Chair*

II. APPROVAL OF THE JULY 20, 2022 SPECIAL MEETING MINUTES:

Chair - 1

III. CONSIDER AND ACT ON THE FOLLOWING ITEMS:

A. Election of Secretary and Treasurer for one-year term

– *Carol Johnson* - 2

B. Financing Resolution: University of Puget Sound (Series 2023)

– *Carol Johnson*

1. Introduction and Financial Update - - - - - - - - - - - - 3

2. Review and Act on Resolution #23-01 for University of Puget Sound authorizing issuance by the Authority of revenue and refunding revenue bonds in an amount not expected to exceed $35,000,000. **4**

C. Consider and act on Staff recommendations regarding selection of Legal Counsel for the Authority – *Carol Johnson* **5**

D. Finance Report – *Fenice Taylor*

1. Review and consider approval of Financial Audit Report
    a. Presentation of Independent Auditor's Report – Eide Bailly **6**
2. Review and consider adopting the Annual Budget for the period July 1, 2023 – June 30, 2024 **7**
3. Consider and Act on approval of the current Financial Statement **8**
4. Invoice for Services **9**

IV. INFORMATION ITEMS

A. Market Update – *Thomas Toepfer, Managing Director, PFM Financial Advisors LLC* **10**

B. Bond Issue Status Report – *Carol Johnson* **11**

C. Executive Director's Report – *Steve Walker*

D. Authority Meeting Schedule – *Steve Walker*

1. November 2, 2023

V. PUBLIC COMMENT: *Chair*

VI. MISCELLANEOUS BUSINESS AND CORRESPONDENCE **12**

VII. EXECUTIVE SESSION

VIII. ADJOURN

PUBLIC ENGAGEMENT AT AUTHORITY MEETINGS

All Board meetings of the Washington Higher Education Facilities are open to the public. Our intention is to welcome all members of the public and to provide a clear and reasonable process through which they can share their thoughts with us.

Different ways to Join the Authority Meetings:

1. Meeting link: https://us02web.zoom.us/j/87510469161?pwd=Q0hNeTdNR2hHVHgrV3VaeWZEUG1kUT09
2. At www.zoom.us, go to "Join a Meeting," and enter:

    Meeting ID: 875 1046 9161
    Passcode: 021390
3. To participate by phone, dial: 1-(888)-788-0099 or 1-(877)-853-5247
4. Members of the public can attend the 1 p.m. Special Meeting in-person in the 28th Floor Board Room, located at 1000 Second Avenue, Seattle, WA 98104-3601.

During Meetings: During board meetings, attendees can see and hear all presentations and business taking place. Microphones will be turned off except to receive comment during public hearings and the public comment period.

Public Hearings: Public hearings are generally held separately from Authority board meetings, but there may be exceptions. Please limit comments to those directly related to the public hearing topic.

Public Comment:

- **Purpose of Public Comment -** During this period, the Board members listen to public concerns and comments but do not generally engage in dialogue. Staff will follow up with commenters who request assistance or answers to questions, providing that contact information is shared. Anyone who wishes to speak during the public comment period can take this opportunity.
- **When to Comment -** The public comment period takes place after the executive director's report. Typically, the public comment period is reached after about an hour but may be sooner or later.
- **Raising Your Hand in Zoom or Through Phone Participation -** To give us a sense of the number of people wishing to speak and help us call on you in an orderly fashion, the meeting Chair will ask you to use the Zoom "raise hand" feature to indicate you would like to speak. People participating on the telephone can press *9 to virtually "raise a hand." Whether or not you are able to virtually raise a hand, the Chair will provide time and opportunity for all to share their comments before closing the public comment period.
- **Timing of Comments -** We ask that speakers keep their comments brief (2 to 3 minutes). The Chair may ask you to begin bringing your statement to a close after that time, especially if others are waiting to speak. Our intention is not to impose a specific time limit unless it seems necessary to ensure that a sufficient number of speakers have an equal opportunity to express their thoughts.

TAB 1

Draft

Washington Higher Education Facilities Authority

MINUTES

July 20, 2022

Dr. Gene Sharratt, Board Secretary, called the special meeting of the Authority to order at 1:04 p.m.

Board members present via Zoom were Lt. Governor Denny Heck, Mr. Mike Meotti, and Ms. Shilpa Tiwari.

Authority staff present were Mr. Steve Walker, Executive Director; Ms. Carol Johnson, Assistant Director; Ms. Fenice Taylor (via Zoom), Senior Finance Director; Mr. Lucas Loranger, Senior Controller; and Ms. Rona Monillas, Program Coordinator.

Also present via Zoom were Ms. Faith Pettis and Ms. Deanna Gregory of Pacifica Law Group, the Authority's bond counsel; Mr. Dan Gottlieb of Hillis Clark Martin & Peterson, the Authority's backup bond counsel; Mr. Scott Forbes, Assistant Attorney General from the Washington State Attorney General's Office; Mr. Thomas Toepfer of PFM Financial Advisors; Ms. Christine Ok of U.S. Bank Trust Company, National Association; Ms. Kim Kvaal, Executive Vice President and Chief Financial Officer, and Justin Juliani, Associate VP for Finance, University of Puget Sound; Mr. Brad Gysin of Stifel Nicolaus Financial Group; and Ms. Kris Gonzales, Vice President for Advancement of Independent Colleges of Washington (ICW).

Introductions and Acknowledgements

Mr. Walker introduced and welcomed new board member, Ms. Shilpa Tiwari.

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Mr. Walker introduced and welcomed the new Senior Finance Director, Ms. Fenice Taylor. He thanked Mr. Loranger for taking on the role while the Authority was searching for a new senior finance director.

Approval of the Minutes

Dr. Sharratt asked for a motion to approve the minutes of the meeting held on March 4, 2022. Lt. Governor Heck made the motion, and it was seconded by Mr. Meotti. The minutes were approved unanimously, 4-0.

Action Item: Approval of Resolution #22-02 for University of Puget Sound

Dr. Sharratt introduced Ms. Johnson to present the staff recommendation for approval of Resolution No. 22-02.

Ms. Johnson stated that the board is being asked to consider the proposed issuance of tax-exempt refunding revenue bonds for the University of Puget Sound in an amount not to exceed $35.6 million.

Ms. Johnson gave a summary of the transaction and said that a separate public hearing was not required for this transaction. The transaction is set to close on July 22, 2022.

Ms. Kvaal provided additional information about the University and the benefit they will get from this transaction. She expressed appreciation to the Authority, and everyone involved in the transaction.

Dr. Sharratt asked for a motion to approve Resolution No. 22-02. Lt. Governor Heck made the motion, and it was seconded by Mr. Meotti. The resolution was approved unanimously, 4-0.

Action Item: Approval of the Annual Budget

Dr. Sharratt introduced Mr. Loranger to present the proposed annual budget for the fiscal year beginning July 1, 2022, thru June 30, 2023.

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Mr. Loranger stated that staff has budgeted for two financings totaling $65 million for fiscal year 2023. He added that the work for these two issuances was substantially completed in the previous fiscal year, therefore the related application and issuance fees have been waived.

Mr. Loranger stated that the Authority intends to budget 2.34 FTE. He reminded the board that the Authority does not have direct employees and only contracts for staffing through the Washington State Housing Finance Commission. Mr. Loranger added that the Authority is no longer contracting for a deputy director position. Mr. Walker described how staff arrived at that decision and also announced Ms. Johnson's new title of Assistant Director. Ms. Johnson further announced Ms. Monillas' new title of Program Coordinator.

Mr. Loranger stated that staff is recommending that the Authority reinstate the annual six basis point fee on bonds outstanding to its college and university clients. Without a fee reinstatement, the Authority would anticipate having a much lower reserve balance in the next fiscal year.

Dr. Sharratt asked for a motion to accept the budget for fiscal year 2022-2023. Lt. Governor Heck made the motion, and it was seconded by Mr. Meotti. The motion was approved unanimously, 4-0.

Action Item: Approval of the Financial Statement

Dr. Sharratt asked Mr. Loranger to present the financial statement for consideration.

Mr. Loranger stated that the unaudited financial statement for the period ending May 31, 2022, shows assets of $963,474 and $123,413 in liabilities, leaving $840,061 in net assets.

Mr. Loranger said that fee income for the current year is up about 34%, and expenses are down 5%. Mr. Loranger said that total expenses to date are $324,960, leaving a revenue deficit of $216,214.

Lt. Governor Heck moved approval of the financial statements, and it was seconded by Mr. Meotti. The motion was approved unanimously, 4-0.

Invoice for Services

Mr. Loranger stated that the invoice from the Housing Finance Commission for January 1 through March 31, 2022, totaling $74,227.24, has been reviewed and approved for payment by the Treasurer, Mr. Belton.

Washington Student Achievement Council Update

Dr. Sharratt introduced Mr. Meotti to provide an update on the Washington Student Achievement Council (WSAC).

Mr. Meotti talked about the various factors that influence how families and potential students view the value of education.

Lt. Governor Heck inquired if there are institutions in Washington state where declining enrollment trends are severe enough to cause financial concern. Mr. Meotti said the WSAC does not look closely at private institutions in Washington. He gave an example of a public institution that, while not in an emergency situation, had a severe enrollment problem. He said that they used a tool to better comprehend the situation and resolve it.

Lt. Governor Heck inquired if there are institutions that are outperforming others and was curious to know the reason why. Mr. Meotti said that the strongest performing public institution in the state is the University of Washington in Seattle. Whitman College also has a strong competitive admission for private institutions. He mentioned some enrollment issues that affect higher education admissions.

Market Update

Dr. Sharratt introduced Mr. Toepfer to present the market update.

Mr. Toepfer presented a market update which included inflation, employment and housing market rates, taxable and tax-exempt rates movement, an overview of interest rate history and trends, interest rate forecast, and a discussion of municipal market supply and demand.

Bond Issue Status Report

Dr. Sharratt asked Ms. Johnson to present the Bond Issue Status Report.

Ms. Johnson said that at the beginning of this past fiscal year, the Authority anticipated closing two bond issues totaling approximately $30 million by June 30, 2022. She highlighted that as of June 30, the Authority financed three bond issues totaling $86.1 million, exceeding the original goal by $56 million.

Ms. Johnson stated that the next potential bond transactions are as follows: a refunding for Cornish College of the Arts, and a forward delivery refunding for Gonzaga University in early 2023. She added that a new financing for Pacific Northwest University of Health Sciences is still on the table, but it is unlikely to happen this fiscal year.

Executive Director's Report

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

Mr. Walker said that the next NAHEFFA Fall conference will be held September 13-16 in Bozeman, Montana. He advised board members interested in attending to contact staff.

Mr. Walker gave a summary of relevant articles in the board meeting packet. He added the next board meeting is on November 3, 2022. He noted that if there is no business to conduct, the meeting will be cancelled.

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Adjournment

Dr. Sharratt adjourned the meeting at 2:10 p.m.

Dr. Gene Sharratt, Secretary

Date

Draft

TAB 2

MEMORANDUM

DATE: July 18, 2023

TO: Authority Members

FROM: Carol Johnson

CC: Steve Walker, Rona Monillas, Fenice Taylor, Lucas Loranger

RE: **Election of Secretary and Treasurer**

Background:

The Secretary acts as chair of the Board when the Governor is not present. In addition to acting as chair, the Secretary may also be required to sign documents from time to time for the Authority. The position is open to any member of the Board, and there is no statutory limit on the number of times a member can hold the position.

The statute reads:

> *The Governor shall serve as chairperson of the Authority. The Authority shall elect annually one of its members as secretary. If the governor shall be absent from a meeting of the Authority, the secretary shall preside. RCW 28B.07.030 (3)*

In addition, the Authority has chosen in the past to elect a Treasurer. The Treasurer is elected to ensure that there is specific Board attention to the financial affairs of the Authority. This position is usually elected at the same meeting in which the Secretary is elected.

The elected officer positions are currently held by Gene Sharratt as Secretary and Allan Belton as Treasurer.

Action:

The Board is required by statute to elect a secretary from among its members and may choose to elect a treasurer. Both positions serve for a one-year term.

Staff recommends that both positions be filled. For these positions, a simple majority vote is required by the members in attendance.

TAB 3

SUMMARY PROJECT DESCRIPTION

UNIVERSITY OF PUGET SOUND
1500 North Warner Street
Tacoma, WA 98416

Tax-Exempt Revenue and Refunding Revenue Bonds (The University of Puget Sound), Series 2023

Chief Executive Officer: Isiaah Crawford, President

Chief Financial Officer/Liaison to WHEFA: Dr. Kimberly L. Kvaal, Executive Vice President and Chief Financial Officer

PURPOSE:

To refund the outstanding balance of the Series 2001 and Series 2021A Bonds, as well as finance a small amount of new money for campus projects.

Official Intent Declaration #	23-W01
Application	Received on June 14, 2023 Reviewed and accepted by staff on June 30, 2023
Public Hearing	July 11, 2023
Resolution	Resolution #23-01 - Currently before the Board for consideration

FINANCING SUMMARY

Type:	Public Sale
Estimated Bond Amount	Not to exceed $35,000,000
Bond Structure	Fixed
Underwriter	Stifel Nicolaus & Company, Incorporated
Trustee	U.S. Bank Trust Company, National Association
Closing Date	September 6, 2023

The University of Puget Sound is a private educational institution organized and existing under the laws of the State of Washington as a nonprofit corporation and 501(c)(3) organization. All applicable supporting documentation has been submitted. The application submittals satisfy all WHEFA requirements.

DISTRIBUTION OF PROCEEDS

- Proceeds in an amount not expected to exceed $8,000,000 will be used to refund the 2001 Bonds.
- Proceeds in an amount not expected to exceed $23,000,000 will be used to refund the 2021A Bonds.
- Proceeds in an amount not expected to exceed $4,000,000 will be used to finance miscellaneous capital improvements including utility infrastructure upgrades and development and design of a fiber optic infrastructure.
- Proceeds may also be used to finance other costs, fees, reserves, capitalized interest and permitted issuance expenses associated with the Project.

Additionally, using its own cash and investments, the University will terminate the two interest rate swaps associated with the Series 2001 and Series 2021A bonds. The University will self-fund the swap termination payment. The cost is currently estimated at $2,673,000.

PROPOSED SECURITY

Bonds will be secured on parity with all senior debt obligations of the University, including, but not limited to, a security interest in the pledged revenues of the University.

RATING

The University has public long-term credit ratings of “A1/Negative” and short-term ratings of “VMIG 1” from Moody’s Investor Service, as well as a long-term rating of “A+/Stable” and short-term rating of “A-1/Stable” from S&P Global Ratings. The University will have S&P confirm their rating prior to closing.

INTEREST RATE SAVINGS

Stifel estimates the net present value savings to the University over the life of the bonds at $4.65 Million.

In addition, the University will achieve its long-range debt structure goals by refinancing the underlying variable rate debt with fixed rate bonds and terminating the interest rate swaps. The University will achieve little to no increases in its annual debt service; the proposed refinancing would eliminate the need for the University to carry two credit ratings; and the proposed refinancing would simplify and reduce the overall risk profile of the University's debt portfolio.

Upon completion of the proposed Series 2023 financing, the University will not maintain interest rate swaps as a component of its debt portfolio and would maintain a wholly fixed rate debt portfolio.

STIFEL

June 21, 2023

Ms. Carol Johnson, Assistant Director
Washington Higher Education Facilities Authority
1000 Second Avenue, Suite 2700
Seattle, WA 98104

Dear Ms. Johnson,

On behalf of the Washington Higher Education Facilities Authority (the "Authority") and the institutions who borrow through the Authority, Stifel has calculated the interest savings that results from issuing $28,825,000 of tax-exempt bonds through the Authority, compared to the interest cost of comparable taxable rates. The purpose is to quantify the benefit of issuing tax-exempt debt through the Authority (vs. a taxable issuance) and determine the benefit to the University of Puget Sound (the "University").

We have relied on the following assumptions in our analysis:

- The purpose of the Series 2023 Bonds will be to refund the University's 2001 and 2021A bonds in the public market. Both refundings will be current refundings, since they are both variable rate demand bonds.
- Additionally, using its own cash/investments, the University will terminate the two interest rate swaps associated with the Series 2001 and Series 2021A bonds, provided by Société Générale ("SG") and The Bank of New York Mellon ("BNYM"), respectively.
- The University also has planned campus capital projects that will be funded through additional borrowing of approximately $2-3M.
- The proposed refinancing of the University's debt will provide the University the opportunity to achieve several long-range debt structure goals, by terminating the interest rate swaps and refinancing the underlying variable rate debt with fixed rate bonds issued in the public market, outlined as follows: given current market conditions Puget Sound can achieve the structure outlined above with little to no increases in its annual debt service; the proposed refinancing would eliminate the need for the University to carry two credit ratings; and the proposed refinancing would simplify and reduce the overall risk profile of the University's debt portfolio. Upon completion of the proposed Series 2023 financing, the University will not maintain interest rate swaps as a component of its debt portfolio and would maintain a wholly fixed rate debt portfolio.
- The amortization for the Series 2001 and 2021A refundings will be solved on a uniform basis to the existing amortization schedule of the 2001 and 2021A bonds. This will result in uniform debt service for the University on both refundings. Amortization for the Series 2001 refunding has a maturity October 1, 2031, with interest payments being made on April 1 and October 1 of each year. Amortization for the Series 2021A refunding has a maturity on October 1, 2036, with interest payments being made on April 1 and October 1 of each year.
- Currently, the University plans on amortizing the new money debt to match the final maturity of the longer-dated existing bonds, which would be an October 1, 2036 final maturity to match the Series 2021A debt. However, they are also exploring several different repayment structures in order to give the University more budget flexibility over the next three years.

In order to evaluate the *savings benefit to the University when issuing tax-exempt bonds as opposed to a taxable issuance*, Stifel analyzed the results when assuming taxable debt was used for the refunding. With relevant data gathered and analyzed, Stifel input separate interest rate scales and ran separate bond cash flows and sources and uses of funds for each scenario, i.e. tax-exempt versus taxable financings (i.e. 3.71% AIC vs. 6.05% AIC). Stifel compared the cash flows of the two scenarios on (i) a total (gross) cost basis and (ii) a present value basis using a discount factor that represents the average of the all-in-costs of the two scenarios.

In addition to the assumptions described above, this analysis assumes the bonds are held until final maturity at the interest rates described above. Early redemption, or any other material changes to the bonds, could result in a material deviation from the figures shown below. Stifel has calculated the tax-exempt benefit on an estimated basis assuming market conditions from June 2, 2023:

Series 2023 Refunding Nominal Cash Flow Savings	Series 2023 Ref. PV Cash Flow Savings
$6,021,352	$4,645,776

**Present value is being calculated using a discount factor of 3.71%*

As you review, please let us know if you have any questions or comments. If you'd like, please feel free to contact us at 720-766-8213.

Sincerely,

Brad Gysin
Vice President, Stifel

1401 Lawrence St. Suite 900 | Denver, CO 80202

TAB 4

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

RESOLUTION NO. 23-01

A RESOLUTION of the Washington Higher Education Facilities Authority authorizing the issuance of nonrecourse revenue and refunding revenue bonds in an aggregate principal amount of not to exceed $35,000,000 to refund certain outstanding bonds and to finance the construction of and improvements to facilities on the campus of The University of Puget Sound; delegating to the Executive Director of the Authority the authority to approve the sale of the bonds to Stifel Nicolaus & Company, Incorporated; approving the form of indenture of trust, loan agreement and bond purchase contract; and authorizing the officers and Executive Director of the Authority to amend and execute such documents and other related documents.

APPROVED ON JULY 25, 2023

PREPARED BY:

PACIFICA LAW GROUP LLP
1191 Second Avenue, Suite 2000
Seattle, Washington 98101

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* This table of contents is not a part of the resolution; it is included for convenience of the reader only.

RESOLUTION NO. 23-01

A RESOLUTION of the Washington Higher Education Facilities Authority authorizing the issuance of nonrecourse revenue and refunding revenue bonds in an aggregate principal amount of not to exceed $35,000,000 to refund certain outstanding bonds and to finance the construction of and improvements to facilities on the campus of The University of Puget Sound; delegating to the Executive Director of the Authority the authority to approve the sale of said bonds to Stifel Nicolaus & Company, Incorporated; approving the form of indenture of trust, loan agreement and bond purchase contract; and authorizing the officers and Executive Director of the Authority to amend and execute such documents and other related documents.

WHEREAS, the Washington Higher Education Facilities Authority, a public body corporate and politic of the State of Washington (the "Authority"), has been duly constituted pursuant to the authority and procedures of chapter 28B.07 of the Revised Code of Washington (the "Act"); and

WHEREAS, pursuant to the Act the Authority is authorized to issue its nonrecourse revenue bonds for the purpose of financing or refinancing all or a part of the "project costs" of "higher education institutions" as such terms are defined in the Act; and

WHEREAS, the Internal Revenue Code of 1986, as amended (the "Code"), grants an exemption from gross income for federal income tax purposes of interest paid on bonds where the proceeds thereof are used to finance facilities owned and operated by corporations described under Section 501(c)(3) of the Code; and

WHEREAS, The University of Puget Sound (the "University") is a private, nonprofit higher education institution meeting the requirements of the Act and a corporation described under Section 501(c)(3) of the Code; and

WHEREAS, the Authority has previously issued its Variable Rate Demand Revenue Bonds (The University of Puget Sound Project), Series 2001 (the "2001 Bonds") and its Refunding Revenue Bond (The University of Puget Sound Project), Series 2021A (the "2021A Bond" and together, the "Refunded Bonds") for the benefit of the University and loaned the proceeds of the 2001 Bonds and the 2021A Bond to the University for the purpose of financing certain capital projects of the University and refinancing certain then-outstanding bonds of the Authority issued for the benefit of the University; and

WHEREAS, the University has submitted an application to the Authority to provide a portion of the funds necessary (1) to finance the construction of and improvements to the University's facilities; (2) to refund the Refunded Bonds; and (3) to pay certain expenses incurred in connection with the issuance of the Bonds (together, the "Project"); and

WHEREAS, it is desirable for the Authority to provide the University with financing for the Project through (1) the issuance of its Washington Higher Education Facilities Authority Revenue and Refunding Revenue Bonds (The University of Puget Sound Project), Series 2023 (the "Bonds") in an aggregate principal amount of not to exceed $35,000,000 and (2) loaning the proceeds of the Bonds to the University pursuant to a Loan Agreement (as hereinafter defined) for purposes of financing the Project; and

WHEREAS, the Authority expects to receive an offer to purchase the Bonds from Stifel Nicolaus & Company, Incorporated, pursuant to a bond purchase contract (the "Bond Purchase Contract"); and

WHEREAS, the Authority held a public hearing with respect to the Bonds and has or will have received an approval from the Governor of Washington, in accordance with the Code, for the obligations financed and refinanced by the Bonds pursuant to Section 147(f) of the Code;

NOW, THEREFORE, BE IT RESOLVED by the Washington Higher Education Facilities Authority as follows:

Section 1. Definitions. Unless otherwise defined in this resolution, capitalized terms used herein shall have the meanings set forth in the following documents filed with the Executive Director of the Authority: the Indenture of Trust (the "Indenture") between the Authority and U.S. Bank Trust Company, National Association (the "Trustee"), and the Loan Agreement, among the Authority, the Trustee and the University (the "Loan Agreement").

Section 2. Findings. The University has submitted an application to the Authority which has been reviewed and analyzed by the Authority and the Authority staff. The Authority has determined, upon the recommendation of the Authority staff, that the financing of the Project will benefit the higher education system; that the University can reasonably be expected to successfully complete the Project; that the Project and the issuance of the Bonds are economically feasible and can be undertaken on terms economically satisfactory to the Authority; that the Project will carry out the purposes and policies of the Act; and that the University has reasonably satisfied the requirements of the Act and the regulations of the Authority promulgated thereunder.

Section 3. Authorization of Bonds; Refunding. The Authority hereby authorizes the issuance and sale of its nonrecourse revenue bonds to be designated "Washington Higher Education Facilities Authority Revenue and Refunding Revenue Bonds (The University of Puget Sound Project), Series 2023" or other series designation determined to be necessary by the Executive Director of the Authority, in the aggregate principal amount of not to exceed $35,000,000, pursuant to and in accordance with the provisions of the Act, the Code, the Indenture and this resolution.

The Authority further authorizes the refunding of the Refunded Bonds with proceeds of the Bonds and with other funds available to the University as provided in the Indenture and Loan Agreement.

Section 4. Approval of Documents. The Authority hereby accepts, approves and agrees to the execution and delivery and to all the terms and conditions of the Indenture and the Loan Agreement, pertaining to it in substantially the forms on file with the Authority, including the forms of exhibits thereto, and with such additions, deletions and modifications as hereafter are deemed by the Executive Director or the Secretary of the Authority to be in the best interests of the Authority and approved by the University. The Indenture will authorize, *inter alia*, the sale, execution, issuance and delivery of the Bonds and will be in substantially the form on file with the Authority. The Authority also accepts, approves and agrees to the execution and delivery of all other certificates, documents and other papers which, in the judgment of the Executive Director or the Secretary of the Authority, are necessary to the sale, execution, issuance and delivery of the Bonds, the loan of the proceeds from the issuance and sale of the Bonds to the University, the financing of the Project and the exemption of interest on the Bonds from federal taxation pursuant to the Code.

Section 5. Authorization to Execute and Deliver Documents and Bonds. The Chair, the Executive Director and the Secretary of the Authority, or any one of such persons, hereby are authorized and directed to cause the Indenture and the Loan Agreement to be appropriately dated and to execute, for and on behalf of the Authority, and deliver to the parties entitled to executed copies of the same, together with any exhibits thereto required to be executed and delivered by the Authority, with such additions, deletions and modifications as are hereafter deemed by the Executive Director and the Secretary of the Authority to be necessary to conform such documents to each other and/or to be in the best interest of the Authority and the University. The Chair and the Secretary or Executive Director of the Authority hereby are authorized and directed to execute, for and on behalf of the Authority, the Bonds, in substantially the form set forth in the Indenture. Such officers are hereby authorized to execute on behalf of the Authority any additional certificates, documents or other papers which are necessary to the sale, execution, issuance and delivery of the Bonds and the refunding of the Refunded Bonds.

Section 6. Approval of Underwriter; Sale of the Bonds. The Authority hereby approves the selection of Stifel Nicolaus & Company, Incorporated, as the underwriter (the "Underwriter") for the Bonds.

The Authority hereby authorizes and approves the sale of the Bonds to the Underwriter as described in and in accordance with the terms and conditions set forth in the Bond Purchase Contract. The Authority hereby delegates to the Executive Director the authority to execute the Bond Purchase Contract on behalf of the Authority in substantially the form filed with the Authority, subject to the following limitations: (a) the aggregate principal amount of the Bonds shall not exceed $35,000,000; (b) the true interest cost (in the aggregate) on the Bonds does not exceed 5.00%; (c) the Bond Purchase Contract shall be executed prior to October 31, 2023; and (d) the final terms of the Bond Purchase Contract shall otherwise be in furtherance of the Act.

Section 7. Preliminary Official Statement and Final Official Statement. Pursuant to Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), the Authority hereby delegates to the Executive Director the authority to deem the Preliminary Official Statement as final as of its date except for the omission of information dependent upon the sale of the issue and the completion of the agreement with the Underwriter, such as offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, and other terms of the Bonds dependent on the foregoing matters. The Executive Director is hereby authorized to provide for the distribution of a Preliminary Official Statement.

The Authority agrees to cooperate with the Underwriter to deliver or cause to be delivered, within seven business days from the date of the sale of the Bonds and in sufficient time to accompany any confirmation that requests payment from any customer of the Underwriter, copies of the final Official Statement in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board. The Executive Director is hereby authorized to review and approve on behalf of the Authority the final Official Statement with such additions and changes as may be deemed necessary or advisable to such individual.

Section 8. Execution of Resolution in Counterparts. This resolution may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original; and such counterparts together shall constitute one and the same instrument.

Section 9. Executive Director. The Chair or another designee is hereby authorized to act on behalf of the Executive Director for all purposes of this resolution if it is necessary or desirable to accomplish the purposes hereof.

Section 10. Effective Date. This resolution shall become effective immediately upon its passage and execution by a majority of the members of the Authority at a duly constituted meeting.

ADOPTED at an open public meeting duly noticed and called this 25th day of July, 2023.

WASHINGTON HIGHER EDUCATION
FACILITIES AUTHORITY

David Schumacher, Designee for Jay Inslee, Governor, Member and Chair	The Honorable Denny Heck, Lieutenant Governor and Member
Michael Meotti, Executive Director of the Washington Student Achievement Council and Member	Jasmine Minato, Public Member
Allan Belton, Public Member	Dr. Gene Sharratt, Public Member
Shilpa Tiwari, Public Member	

TAB 5

WHEFA

MEMORANDUM

DATE: July 18, 2023

TO: WHEFA Board Members

FROM: Carol Johnson

CC: Steve Walker, Fenice Taylor, Lucas Loranger, Rona Monillas

RE: Summary of Request for Proposals (RFP) Process for Legal Services

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At least once every two calendar years, the Washington Higher Education Facilities Authority (WHEFA) is required to select finance team members through a competitive process.

Our current contracts with Pacifica Law Group for legal services (bond counsel, general counsel and tax counsel) and Hillis Clark Martin & Peterson for alternate legal services have expired.

We recently completed the RFP process for selection of legal services for an initial term of two years with options to extend for up to five years. Our recommendation and a request to move to contracting will be presented to you at the July 25, 2023 board meeting.

This memo outlines the RFP process that we followed in accordance with state law.

May 30, 2023:

- The RFP/solicitation was posted on the State General Administration Database System (Washington's Electronic Business Solution – WEBS) where it was sent to a total of 117 registered subscribers/vendors.
- The RFP/solicitation was posted on our website
- The RFP/solicitation was emailed to 21 firms on our bond/legal counsel roster

May 31 – June 1, 2023:

- The RFP/solicitation was published in the Daily Journal of Commerce for two days

June 23, 2023:

- We received five responses as follows:
    1. Hillis Clark Martin & Peterson P.S.
    2. Kline Alvarado Veio, P.C.
    3. Kutak Rock LLP
    4. Orrick, Herrington & Sutcliffe LLP
    5. Pacifica Law Group LLP

June 30, 2023:

- An evaluation team consisting of Steve Walker, Carol Johnson, Rona Monillas, Fenice Taylor and Lucas Loranger reviewed the submitted proposals. The evaluation team's recommendations are based upon assessment of each firm's experience, reputation, and fees.
- The evaluation team determined that interviews were not necessary.

July 25, 2023: Recommendation to the Authority Board.

TAB 6

Financial Statements
June 30, 2022 and 2021

Washington Higher Education Facilities Authority

Independent Auditor's Report

To the Board of Directors
Washington Higher Education Facilities Authority
Seattle, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business type activities of the Washington Higher Education Facilities Authority (the Authority), a discretely presented component unit of the State of Washington, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Authority for the year ended June 30, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on November 9, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Eide Bailly LLP

Boise, Idaho
December 19, 2022

As management of the Washington Higher Education Facilities Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2022 and 2021 (FY 2022 and FY 2021, respectively). This overview and analysis is required by accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board.

Financial Highlights

At June 30, 2022, and for the year then ended:

- Cash and investments totaled $871.8 thousand; a decrease of $251.9 thousand as annual fees were waived for FY 2022.
- Fees receivable increased by $47.3 thousand due to an issuance fee that had not been collected by fiscal year end.
- Total revenues increased 5.2% in FY 2022 primarily due to an increase in issuance fees on refunding bonds issued during the year.
- Total expenses for FY 2022 decreased 6.9% as reduced staff time allocated to the agency resulted in a reduction in total allocated expenses.

Overview of the Financial Statements

The financial statements consist of three parts: Management's Discussion and Analysis, the financial statements, and the notes to the financial statements. The financial statements are presented in a manner similar to that of a private business, using the economic resources measurement focus and the accrual basis of accounting. The financial statements report information for all Authority programs and operations. The statements of net position include all of the Authority's assets and liabilities. All revenues and expenses of the Authority are reflected in the statements of revenue, expense, and changes in net position.

Economic Outlook

The COVID-19 pandemic continues to cause greater uncertainty around enrollment and the need for facilities for our university and college clients. Interest rates remained at historically low levels in the first half of FY 2022; however, there have been rapid and significant interest rate increases during the second half of the year. In such a fast-rising rate environment, we expect refunding opportunities to be greatly diminished compared with the prior year. There will likely be an uptick of new money financings when enrollment improves and the need for facilities increases. Private placement of tax-exempt debt directly with lending institutions and bonds issued supported by the borrower's credit rating continue to be favored by borrowers.

Financial Analysis of the Authority

Statements of Net Position

The following table summarizes the changes in assets, liabilities, and net position between the years ended June 30, 2022 and 2021 (in thousands):

	2022	2021	Change	
Assets				
Cash and cash equivalents	$ 871.8	$ 1,123.7	$ (251.9)	-22.4%
Accounts receivable	47.3	-	47.3	100.0%
Prepaid fees and other assets	15.4	14.4	1.0	6.7%
Total assets	934.6	1,138.1	$ (203.5)	-17.9%
Liabilities				
Payables	70.2	81.8	$ (11.6)	-14.2%
Total liabilities	70.2	81.8	$ (11.6)	-14.2%
Net Position				
Unrestricted	$ 864.3	$ 1,056.3	$ (191.9)	-18.2%

Statements of Revenues, Expenses, and Changes in Net Position

The following table summarizes the changes in revenues and expenses between the years ended June 30, 2022 and 2021 (in thousands):

	2022	2021	Change	
Revenues				
Program fees	$ 154.3	$ 147.1	$ 7.2	4.9%
Operating fund interest income	2.6	2.0	0.6	30.8%
Total revenues	156.8	149.1	7.8	5.2%
Expenses				
Salaries and related expense	259.8	277.3	(17.5)	-6.3%
Communication and office expenses	51.2	55.7	(4.5)	-8.0%
Professional expense	37.8	41.5	(3.7)	-9.0%
Total expenses	348.8	374.5	(25.7)	-6.9%
Change in Net Position	$ (191.9)	$ (225.4)	$ 33.5	-14.8%

During the year ended June 30, 2022, the Authority's revenue largely resulted from program fees from initial issuer fees totaling $154.3 thousand as ongoing annual issuer fees were waived. Expenses of $348.8 thousand are comprised of personnel, communication, office expense, and other professional fees.

Debt Administration

The Authority issues bonds on behalf of private higher education facilities. However, the bonds issued meet the definition of conduit debt obligations for which the Authority has not extended any additional commitments for debt service payments beyond the collateral and payments received from the underlying mortgages. As of June 30, 2022, such bonds have an aggregate outstanding principal amount payable of $734.2 million. Because these bonds are considered conduit bond they are not recognized as a liability by the Authority.

The Authority has no general obligation bonds and does not currently have an issuer credit rating. The Authority's authorized debt limit is $1 billion.

Additional information on the Authority's debt obligations can be found in Note 5 of this report.

Comparison of Fiscal Year 2021 with 2020

Statements of Net Position

The following table summarizes the changes in combined net position between June 30, 2021 and 2020 (in thousands):

	2021	2020	Change	
Assets				
Cash and cash equivalents	$ 1,123.7	$ 1,340.7	$ (217.0)	-16.2%
Prepaid fees and other assets	14.4	21.5	(7.1)	-32.9%
Total assets	1,138.1	1,362.2	(224.1)	-16.5%
Liabilities				
Payables	81.8	80.5	1.3	1.7%
Net Position				
Unrestricted	$ 1,056.3	$ 1,281.7	$ (225.4)	-17.6%

Statements of Revenues, Expenses and Changes in Net Position

The following table summarizes the combined changes in net position activity between the years ended June 30, 2021 and 2020 (in millions):

	2021	2020	Change	
Revenues				
Program fees	$ 147.1	$ 659.8	$ (512.7)	-77.7%
Operating fund interest income	2.0	19.6	(17.6)	-89.8%
Total revenues	149.1	679.4	(530.3)	-78.1%
Expenses				
Salaries and related expense	277.3	266.3	11.0	4.1%
Communication andoffice expenses	55.7	60.1	(4.4)	-7.3%
Professional expense	41.5	53.6	(12.1)	-22.6%
Total expenses	374.4	380.0	(5.6)	-1.5%
Change in Net Position	$ (225.4)	$ 299.4	$ (524.8)	-175.3%

During the year ended June 30, 2021, the Authority's revenue largely resulted from program fees from initial issuance fees totaling $147.1 thousand as ongoing annual fees were waived. Expenses of $374.4 thousand are comprised of personnel, communication, office expense, and other professional fees.

Additional Information

Questions and inquiries may be directed to the Senior Director of Finance or the Senior Controller at Washington Higher Education Facilities Authority, 1000 2nd Avenue, Suite 2700, Seattle, Washington 98104 (206-464-7139).

	2022	2021
Assets		
Cash and cash equivalents	$ 871,818	$ 1,123,675
Accounts receivable	47,338	-
Prepaid fees and other assets	15,404	14,430
Total assets	$ 934,560	$ 1,138,105
Liabilities and Net Position		
Accounts payable	$ 70,228	$ 81,830
Net Position		
Unrestricted	864,332	1,056,275
Total liabilities and net position	$ 934,560	$ 1,138,105

	2022	2021
Revenues		
Fee income	$ 154,261	$ 147,063
Interest earned on investments	2,560	2,057
Total revenues	156,821	149,120
Expenses		
Salaries and related expense	259,770	277,264
Communication and office expense	51,244	55,695
Professional fees	37,750	41,563
Total expenses	348,764	374,522
Change in Net Position	(191,943)	(225,402)
Net Position, Beginning of Year	1,056,275	1,281,677
Net Position, End of Year	$ 864,332	$ 1,056,275

	2022	2021
Operating Activities		
Cash received from fee income	$ 106,922	$ 147,063
Cash payments for salaries and benefits	(270,769)	(273,802)
Vendor payments	(90,570)	(92,299)
Net Cash used for Operating Activities	(254,417)	(219,038)
Investing Activities		
Interest received on investments	2,560	2,057
Net Cash from Investing Activities	2,560	2,057
Net Decrease in Cash and Cash Equivalents	(251,857)	(216,981)
Cash and Cash Equivalents, Beginning of Year	1,123,675	1,340,656
Cash and Cash Equivalents, End of Year	$ 871,818	$ 1,123,675
Reconciliation of Change in Net Position to Net Cash used for Operating Activities		
Change in Net Position	$ (191,943)	$ (225,402)
Adjustments to reconcile excess of expenses over revenues to net cash used by operating activities		
Cash from changes in operating assets and liabilities		
Interest and other receivables	(50,872)	5,065
Interest and other payables	(11,602)	1,299
Net Cash used for Operating Activities	$ (254,417)	$ (219,038)

Note 1 - Principal Business Activity

The Washington Higher Education Facilities Authority (the Authority) was created in 1983 in accordance with the Chapter 28B.07 of the Revised Code of Washington (RCW). The Authority was formally activated in 1984. Four public board members are appointed by the governor to terms of four years, subject to confirmation by the State Senate. Three board members serve ex officio, the Governor (who may designate an employee of the governor's office to serve in the governor's absence), Lieutenant Governor, and the Chair of the Student Achievement Council.

The Authority's purpose is to reduce the financing costs of higher education facilities through the issuance of tax-exempt, nonrecourse revenue bonds, and to loan the proceeds to qualified, not-for-profit higher education institutions in Washington State. The institutions may use the bond proceeds for refinancing taxable or tax-exempt debt, remodeling, construction, purchase of equipment, or other approved purposes. The Authority's debt limit is $1 billion.

The bonds, which constitute a special obligation of the Authority, are payable solely from the bond fund established pursuant to the indenture. Payments made by the not-for-profit higher education institutions to satisfy the loan agreement are the primary source of payment on the bonds, in addition to any other money held by the bond trustee pursuant to the indenture. The obligation of the not-for-profit colleges and universities to repay the loan is absolute and unconditional.

The bonds do not constitute a general, moral, or special obligation of the State of Washington, a pledge of the faith and credit of the State, or a general obligation of the Authority. The owners of the bonds have no right to require the State of Washington or the Authority, nor has the State of Washington or the Authority any obligation or legal authorization, to levy any taxes or appropriate or expend any of its funds for the payment of principal thereof, premium, if any, or interest thereon. For financial reporting purposes, the bonds meet the definition of conduit bonds and are, therefore, not included as a liability to the Authority.

Effective July 22, 2007, the Authority was granted the power to originate and purchase student loans, to participate in federal programs that provide guarantees for the repayment of educational loans and to issue revenue bonds payable from and secured by educational loans. Revenue bonds so secured are to be excluded from the debt limit of $1 billion. As of the date of this report, no such revenue bonds have been issued.

The Authority is a legally separate entity from and incurs no expense or liability to the State of Washington. Although the governor and lieutenant governor sit on the board and the governor appoints the public members of the board, the State of Washington is not considered to be financially accountable due to the restricted ability of the Washington State legislature to impose its will on the Authority and a lack of any financial dependency of the Authority on any State appropriations. The Authority does not impose a financial burden on, nor is there a benefit to the State; however, the Authority is presented as a discrete component unit of the State of Washington in their Annual Comprehensive Financial Report.

The Authority summarizes its financial activities in the General Operating Fund. The General Operating Fund was established by the Authority to account for the fiscal activities related to the administration of its ongoing program responsibilities. Revenues of the General Operating Fund are derived primarily from fees earned on bond issues and interest income on operating investments. All funds received by the Authority are generated by its activities. Expenditures are not appropriations from the State of Washington.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has applied all applicable GASB pronouncements. The most significant of the Authority's accounting policies are described below.

Measurement Focus and Basis of Accounting

The Authority uses a flow of economic resources measurement focus with all assets and all liabilities included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Unclassified Statement of Net Position

The Authority's business cycle is greater than one year. As such, all assets and liabilities as shown on the statements of net position are unclassified.

Cash and Cash Equivalents

Cash deposits are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

For purposes of the statement of cash flows, the Authority considers all highly liquid, interest-bearing instruments purchased with an original maturity of three months or less that are readily convertible to cash to be cash and cash equivalents.

Conduit Bonds

Conduit bonds are defined as debt instruments where:

1. The Authority, as the issuer, is joined by an unrelated third-party obligor, and a debt holder or trustee
2. The debt obligation is neither a parity bond of the Authority, nor is it cross-collateralized with other debt of the Authority. Debt proceeds are intended and received by the third-party obligor or its agent, and
3. The Authority is not primarily obligated for the debt service payments.

Bonds issued that meet the definition of a conduit bond are reportable in note disclosure rather than within the financial statements.

Prior to bond issuance the Authority determines if the bond meets this definition with periodic subsequent review to ensure the bonds still meet the definition of conduit debt. As of June 30, 2022 and 2021, all bonds outstanding met the definition of conduit bond and are excluded from the financial statements but are summarized in Note 5.

Prepaid Fees

Prepaid fees represent annual property and liability insurance premiums.

Revenue Recognition

The primary source of revenue are issuance fees, charged at bond origination as well as annual fees charged on the loan amounts outstanding. Fees are recognized on an accrual basis.

Income taxes – The Authority is exempt from federal income taxes under Internal Revenue Code (IRC) Section 115(a) and, accordingly, no provision for income taxes was made for the years ended June 30, 2022 and 2021.

Use of estimates – The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from those estimates.

Unrestricted net position – The unrestricted net position balances at June 30, 2022 and 2021, were $864,332 and $1,056,275, respectively.

Note 3 - Investments

Investment Policy

The Authority can invest in nongovernmental investments, including certificates of deposit, banker's acceptances, and repurchase agreements.

In addition, the following governmental investments are eligible:

1. Treasury bills, notes, and other obligations issued by the United States Department of the Treasury and backed by the full faith and credit of the US government.

2. Federal Home Loan Bank notes and bonds.

3. Federal Land Bank bonds.

4. Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.

5. The obligations of certain government-sponsored corporations whose obligations are eligible as collateral for advances to member banks, as determined by the Board of Governors of the Federal Reserve System.

6. Shares of mutual funds with portfolios consisting of only US government bonds or US government guaranteed bonds issued by federal agencies with average maturities less than four years.

7. Investments in state investment pool – the Authority is a voluntary participant in the Local Agency Investment Pool operated by the State Treasurer pursuant to RCW 43.250. Investments in the pool are reported at amortized cost.

The Authority measures investments at fair value on a reoccurring basis and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. However, as of the years ended June 30, 2022 and 2021, the Authority held no investments as all excess funds were held as cash and cash equivalents.

Note 4 - Contracted Self Services

The Washington State Housing Finance Commission (the Commission) provides staff and other administrative services to the Authority. The Authority has no directly hired staff and as such has no pension obligations. Total charges for each fiscal year and amounts due as of the end of each fiscal year are summarized here:

	2022	2021
Contracted Services		
Total charges of the Commission for the fiscal year	$ 288,274	$ 304,420
Amount due to the Commission at June 30	69,396	79,396

Note 5 - Bonds Payable

The Authority's bonds are limited obligations payable solely from, and secured by, a pledge of the mortgage loans (including any insurance payments made with respect thereto), restricted investments, and undisbursed bond proceeds and the earnings thereon held under the indenture or financing agreement authorizing the bonds. The Authority has made no other commitment to support debt service payments. Uncured default of the debt requires mandatory bond redemption, paid by reassignment of the underlying pledge of the mortgage loan to the bond holder as full payment of the outstanding conduit debt obligation and eliminating the tax-exempt benefits to the remaining parties. As of June 30, 2022 and 2021, the conduit bonds issued by the Authority have an aggregate outstanding principal amount payable of $734.2 million and $735.4 million, respectively, none of which is recognized as a liability by the Authority.

Note 6 - Contingencies

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; natural disasters; and acts of terrorism for which the Authority carries commercial insurance. As of June 30, 2022, there were no known asserted or unasserted claims or judgments against the Authority.

Members of the board of directors and persons acting on the Authority's behalf, while acting within the scope of their duties or employment, shall not be subject to any personal liability resulting from carrying out the powers and duties conferred on them, and shall have the indemnification rights under the provisions of the Authority's Public Officials and Employees Liability insurance policy.

TAB 7

Memorandum

To: Authority Board Members

From: Fenice Taylor, Lucas Loranger, Shirleen Noonan

CC: Steve Walker, Carol Johnson

Date: July 10, 2023

Re: Proposed annual budget and workplan for the fiscal year July 1, 2023 – June 30, 2024

Background:

The budget proposal for fiscal year 2024 (July 1, 2023 through June 30, 2024) is attached. It outlines the business objectives and income and expense budget for the year.

For FY24, the Authority anticipates two financings totaling $49 million with $53,750 revenue coming from the related application and issuance fees. In addition, with the rising interest rate, the Authority expects to receive approximately $43,154 of interest income.

For 7 of the past 10 years, the Authority has been in the fortunate position of being able to waive our ongoing fee of 6 basis points (0.06%) on bonds outstanding. For FY 24, however, management is recommending not to waive the ongoing fee. Without the fee, the estimated net position for WHEFA at June 30, 2024 would be approximately $574,000, well below our $1 million target. We sympathize with our client colleges and universities, particularly in these challenging economic times; however, we believe that maintaining the on-going fee is the best plan of action for the Authority for this fiscal year as well as its long-term sustainability.

FY 24 expenses for the Authority are budgeted to be approximately 6% higher than FY 23. This is primarily due to an increase in employee-related expenses, including the state approved salary increase and incentives.

Recommended Action:

Consider approval of the proposed budget and work plan for the fiscal year July 1, 2023 through June 30, 2024.

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

Program Summary

Fiscal Year 2023– 2024

Problem/Need:

The cost of financing capital facilities and equipment for higher education institutions can be reduced by providing access to tax-exempt financing, thereby increasing educational opportunities, and reducing costs.

The ability to obtain lower interest rates through the sale of tax-exempt bonds has saved our borrowers millions of dollars. The savings ultimately benefit the students of Washington State and support the missions of the institutions.

Goal:

To enhance educational opportunities for citizens in this state by maintaining and increasing the availability of quality facilities for independent colleges and universities in Washington.

Providing below-market financing for capital projects allows educational institutions to maintain and increase the quality of facilities and equipment and indirectly to pass on the interest savings to students.

Business Objectives:

1. Complete two bond issues for the Authority totaling approximately $49 million by June 30, 2024.
2. Review policies and procedures with a focus on reducing barriers to participation in the program by minority and/or BIPOC owned and operated firms that provide services in the tax-exempt market. Staff recommendations for policy changes will be brought before the WHEFA board by June 30, 2024.
3. Review policies to determine whether further streamlining or modernizing is necessary or prudent. Staff recommendations will be brought before the WHEFA board by June 30, 2024.
4. Participate in at least one National Association of Higher Education Facilities Finance Authorities (NAHEFFA) meeting to share program and business information by June 30, 2024.
5. Produce and distribute a 2023 Annual Report by December 31, 2023.
6. Complete a minimum of 6 member school visits including establishing working relationships with a minimum of 3 new CFOs prior to June 30, 2024.

7. Complete conversion of all hard copy documents into electronic files for long-term storage by June 30, 2024.

Performance Measures:

1. Complete two bond issues for the Authority totaling approximately $49 million by June 30, 2024.
2. Complete a minimum of 6 member school visits including establishing working relationships with a minimum of 3 new CFO's prior to June 30, 2024.
3. WHEFA will score 4 or above on a client satisfaction survey based upon a 1 to 5 scale for the current fiscal year. Survey results will be compiled and distributed by August 1, 2024.
4. Describe and evaluate at least 2 efforts designed to enhance diversity and inclusion and mitigate the impact of historic and systemic racism in agency operations and processes by June 30, 2024.

Assumptions:

Assumes one new money financing totaling approximately $20 million for Whitman College and another refunding financing totaling approximately $29 million for University of Puget Sound (UPS) by the end of fiscal year 2024.

The expectation that this financing will go forward is based on the fact that a means of finance will be available for the university.

WHEFA

Budget Summary for the fiscal year ending: June 30, 2024

FINANCIAL AND PROGRAM INFORMATION

	FYE 24 Proposed Budget	FYE 23 Projected Actual	FYE 23 Budget as Adopted
Personnel Resources [FTE's]			
Permanent	2.34	2.05	2.43
Temporary	-	-	
Total FTE's	**2.34**	**2.05**	**2.43**
Program Budget			
Fee Income	496,405	449,932	435,780
Interest Income	43,154	39,011	6,719
Total Revenue	539,559	488,943	442,499
Employee Expenses	382,190	274,586	353,212
Travel Expenses	18,100	17,524	16,500
Professional Fees	44,610	32,001	47,900
Office Expenses	62,245	43,310	61,669
Total Expenses	507,145	367,422	479,281
Total Income/(Loss)	32,415	121,521	(36,782)

PERFORMANCE MEASUREMENTS

PERFORMANCE MEASUREMENTS	FYE 24 Proposed Budget	FYE 23 Project Actual	FYE 23 Budget as Adopted
Number of bonds to issue	2	3	2
Amount of bonds to issue	$ 49,000,000	$ 86,080,000	$ 30,000,000
College & University site visits	>6	2	>6
Satisfaction survey	>4	>4	>4

WHEFA - Budget Report for the fiscal year ending: June 30, 2024

	Proposed Budget	Current Year, Projected Actual	Current Year Budget	Prior Year Actual
Revenues				
Interest Earned	43,154	39,011	6,719	2,560
Program Fees	442,655	440,898	435,780	-
One Time Program Fees	53,750	9,035	-	154,261
Total Revenues	539,559	488,943	442,499	156,821
Expenses				
Salaries & Wages	274,411	213,686	248,808	197,622
Annual Leave	22,514	(10,408)	20,451	1,926
Payroll Taxes	22,191	16,998	19,827	15,652
Health Insurance	32,152	27,676	31,730	23,011
Retirement	25,673	21,950	25,380	20,102
Commute Trip Reduction	1,287	1,202	1,455	1,063
Employee Training	90	108	80	-
Recognition - Employee	468	60	281	394
Conference Registration	3,404	3,313	5,200	2,724
In State Travel Expenses	6,100	1,705	4,500	32
Out of State Travel Expenses	12,000	15,819	12,000	3,060
Accounting Fees	32,000	28,800	30,800	32,000
Legal Fees	9,500	3,201	10,000	5,750
Financial Advisor Fees	2,000	-	2,000	-
Professional Fees - Other	1,110	-	5,100	-
Printing (Letterhead, etc)	3,300	1,367	3,300	396
Supplies- Office	1,206	681	771	411
Postage	50	1	50	11
Delivery	400	134	400	250
Equipment - Non Capitalized	351	46	351	183
Equipment/Furniture Rentals	584	459	612	472
State Services	-	-	-	25
Office Expense - Other	1,467	730	1,469	1,228
Rent- Office Building	13,640	10,280	14,298	12,598
Maint. - Equipment & Building	2,946	267	2,561	561
Telephone	2,967	2,125	3,228	2,480
Information Services	4,786	3,257	4,306	1,569
Software Maintenance & Support	6,293	6,135	6,725	7,898
Distributed Materials	1,500	-	1,500	-
Insurance	15,265	13,106	14,693	13,107
Dues	4,095	4,078	4,100	3,095
Subscriptions and Publications	695	643	605	923
Meeting Expense	2,700	-	2,700	-
Total Expenses	507,145	367,422	479,281	348,544
Revenue over (under) Expense	32,415	121,521	(36,782)	(191,723)

TAB 8

July 10, 2023

Members
Washington Higher Education Facility Authority
Seattle, Washington

We have compiled the UNAUDITED Statement of Net Position of the Washington State Higher Education Facilities Authority (the "Authority") General Operating Fund as of May 31, 2023 and the related statement of Activities and Changes in Net Position for the month ended in accordance with generally accepted accounting principles.

This compilation is limited to presenting, in the form of financial statements, information that is accurate to the best of our knowledge and belief. These statements have not been audited or reviewed by an independent third party.

We have elected to omit substantially all of the disclosures required by generally accepted accounting principles including the statement of cash flow. If the omitted disclosures were included in the financial statements, they might influence the users' conclusions about the Authority's financial position, results of operations and changes in financial position. Accordingly, these financial statements are not designed for those who are not informed about these matters.

Prepared by: Shirleen Noonan
Shirleen Noonan
General Operations Manager

Approved by: Lucas Loranger
Lucas Loranger
Senior Controller

Governor Jay Inslee, *Chair*
Steve Walker, *Executive Director*

1000 2nd Avenue, Suite 2700, Seattle, WA 98104 | tel. (206) 464-7139 | (800) 767-4663 | fax (206) 587-5113

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
GENERAL OPERATING FUND

May 31, 2023

CONTENTS

(See Accountant's Compilation Report)

Washington Higher Education Facilities Authority
Statement of Net Position
Fund: General Operating Fund
Division: All
May 31, 2023

(See Accountant's Compilation Report)

	Current Year	Prior Year	Variance Amount		Variance %
ASSETS					
Cash and Cash Equivalents:					
Demand Deposits	$ 160,336	$ 1,024	$ 159,312	(1)	15558%
Money Market Accounts	1,042,962	959,813	83,149		9%
Prepaid Expenses & Other Receivable	1,500	2,636	(1,139)		-43%
Total Assets	$ 1,204,798	$ 963,476	$ 241,322		25%
LIABILITIES					
Accounts Payable and Other Liabilities	$ 195,767	$ 123,413	$ 72,354	(2)	59%
Unearned Fee Income	36,601	-	36,601	(3)	NA
Total Liabilities	232,368	123,413	108,955		88%
NET POSITION					
Unrestricted	972,430	840,063	132,367		16%
Total Net Position	972,430	840,063	132,367		16%
Total Liabilities and Net Position	$ 1,204,798	$ 963,476	$ 241,322		25%

(1) Current balance reflects the transfer of cash for operational payables, including interagency payments.
(2) The increase in payables is primarily due to the timing of the payment of interagency invoices.
(3) The unearned fee income balance consists of annual Authority fee billings reinstated in the current fiscal year. The annual fees are amortized monthly to recognize fee revenue during the fiscal year.

Totals may not add due to rounding.

Washington Higher Education Facilities Authority
Statement of Activities and Changes in Net Position
Fund: General Operating Fund
Division: All

For The Year To Date Ending: May 31, 2023

(See Accountant's Compilation Report)

	Current Period	Current Year to Date	Prior Year to Date	Variance Amount		Variance %
Revenues:						
Fee Income	$ 36,601	$ 410,106	$ 106,923	$ 303,183	(1)	284%
Interest Earned	5,090	37,474	1,823	35,651	(2)	1956%
Total Unadjusted Revenues	41,691	447,580	108,747	338,833		312%
Expenses:						
Salaries, Wages, and Employee Benefits	23,810	249,004	239,611	9,393		4%
Travel & Conferences	1,756	19,054	5,784	13,270	(3)	229%
Professional Fees	-	31,457	37,750	(6,293)	(4)	-17%
Office Expense	4,013	39,967	41,815	(1,848)		-4%
Total Expenses	29,579	339,482	324,959	14,523		4%
(Deficit) Excess of Revenues over Expenses	12,112	108,098	(216,212)	324,310		-150%
Net Position						
Total net position, beginning of period	960,318	864,332	1,056,275	(191,943)		-18%
Current Increase (Decrease) to Net Position	12,112	108,098	(216,212)	324,310		-150%
Total net position, end of year	$ 972,430	$ 972,430	$ 840,063	$ 132,367		16%

(1) The fee income in the current year is comprised of revenue from amortized authority fees assessed on outstanding bonds. The prior year's fee revenue was generated primarily from issuance of two bonds.

(2) The increase in interest income is primarily due to a higher market yield in the current period of 5.15% compared to the same period in the prior year of 0.70%.

(3) The increase in travel and conferences expense is primarily due to higher out of state travel expense compared to the prior year.

(4) The decrease in professional fees is primarily due to a decrease in accounting and legal fees.

Totals may not add due to rounding.

Washington Higher Education Facilities Authority

Detailed Statement of Activities

Fund: General Operating Fund

Division: All

For The Year To Date Ending: May 31, 2023

(See Accountant's Compilation Report)

	Variance-YTD vs. PY Actuals		Prior YTD	**YTD**	YTD	Variance-YTD Budget to Actual	
	%	Amount	Actual	**Actual**	Budget	Amount	%
Revenues:							
Program Fees	NA	$ 402,606	$ -	**$ 402,606**	$ 399,465	$ 3,141	0.8%
Issuance & Application Fees	-93%	(99,423)	106,923	**7,500**	-	7,500	NA
Interest Revenue	1956%	35,651	1,823	**37,474**	6,159	31,315	508.4%
Total Unadjusted Revenues	311.6%	338,834	108,747	**447,580**	405,624	41,956	10.3%
Expenses:							
Salaries & Wages - Staff & Temp. Svcs	1%	2,352	184,550	**186,902**	246,820	(59,918)	-24%
Employee Benefits - Staff	12.8%	7,041	55,061	**62,102**	72,191	(10,089)	-14.0%
Conference, Education & Training	1.0%	26	2,724	**2,750**	4,767	(2,017)	-42.3%
Travel out of state - Staff	329.2%	10,072	3,060	**13,132**	11,000	2,132	19.4%
Travel in state - Staff	NA	3,172	-	**3,172**	4,125	(953)	-23.1%
Accounting Fees	-10.0%	(3,200)	32,000	**28,800**	30,633	(1,833)	-6.0%
Legal Fees	-53.8%	(3,093)	5,750	**2,657**	9,167	(6,510)	-71.0%
Financial Advisor Fees	NA	-	-	**-**	1,833	(1,833)	-100.0%
Office Rent/Conf. Room Rentals	-20.9%	(2,424)	11,588	**9,164**	13,106	(3,942)	-30.1%
Furniture & Equipment Rental	0.0%	-	417	**417**	561	(144)	-25.7%
Advertising	-51.8%	(114)	220	**106**	1,375	(1,269)	-92.3%
Publications/ Subscriptions/ Dues	20.2%	754	3,726	**4,480**	4,313	167	3.9%
Deliveries	-55.6%	(139)	250	**111**	367	(256)	-69.8%
Insurance	-0.4%	(47)	12,015	**11,968**	13,468	(1,500)	-11.1%
Meeting Expense	NA	-	-	**-**	2,475	(2,475)	-100.0%
Equipment & Building Maintenance	-56.0%	(299)	534	**235**	2,347	(2,112)	-90.0%
Software Maint. Support & Other Info Svcs	4.8%	410	8,588	**8,998**	10,112	(1,114)	-11.0%
Non-capitalized Equipment/Supplies	-78.7%	(144)	183	**39**	322	(283)	-87.9%
Postage	-90.9%	(10)	11	**1**	46	(45)	-97.8%
Printing	186.4%	738	396	**1,134**	3,025	(1,891)	-62.5%
Supplies	55.3%	215	389	**604**	707	(103)	-14.6%
Telephone	-11.1%	(254)	2,281	**2,027**	2,959	(932)	-31.5%
Other Office Expenses	-42.7%	(510)	1,193	**683**	1,346	(663)	-49.3%
Total Expenses	4.5%	14,521	324,961	**339,482**	441,740	(102,258)	-23.1%
(Deficit) Excess of Revenues over Expenses	-150.0%	$ 324,312	$ (216,214)	**$ 108,098**	$ (36,116)	$ 144,214	-399.3%

Totals may not add due to rounding.

TAB 9

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Statement of Account

Washington Higher Education Facility Authority
Proration of costs between WHEFA and WSHFC
For the period January 1, 2023 - March 31, 2023

Month		Salaries & Benefits		Office Expenses (1)		Overhead (2)		Total
January	$	23,892.42	$	1,718.74	$	63.38	$	25,674.54
February		18,860.53		1,802.02		64.04		20,726.59
March		24,216.19		1,777.99		71.62		26,065.80
Total Per Category	$	66,969.14	$	5,298.75	$	199.04	$	72,466.93
Previous Balance at December 31, 2022								68,450.68
Payments & Credit Memos (through March 31, 2023)								-
Total Due to WSHFC:							$	140,917.61

Please make checks payable to:
Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046

(1) Office Expenses are expenses paid by WSHFC on behalf of WHEFA and allocation of certain HFC expenses based on WHEFA salary hours as a percentage of total HFC salary hours.
(2) Overhead is the allocation of HFC's depreciation expense based on WHEFA salary hours as a percentage of total HFC salary hours.

Approval for Payment

DocuSigned by:
L. Allan Belton
B497EAABD2BC495

Authority Board Member

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Statement of Account

Washington Higher Education Facility Authority
Proration of costs between WHEFA and WSHFC
For the period October 1, 2022 - December 31, 2022

Month	Salaries & Benefits	Office Expenses (1)	Overhead (2)	Total
October	**$ 21,464.64**	**$ 2,297.77**	**$ 36.42**	**$ 23,798.83**
November	**21,603.16**	**2,107.14**	**35.19**	**23,745.49**
December	**18,134.35**	**2,734.71**	**37.30**	**20,906.36**
Total Per Category	**$ 61,202.15**	**$ 7,139.62**	**$ 108.91**	**$ 68,450.68**

Previous Balance at September 30, 2022	**81,473.39**
Payments & Credit Memos (through December 31, 2022)	**(81,473.39)**
Total Due to WSHFC:	**$ 68,450.68**

Please make checks payable to:

Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046

(1) Office Expenses are expenses paid by WSHFC on behalf of WHEFA and allocation of certain HFC expenses based on WHEFA salary hours as a percentage of total HFC salary hours.
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Approval for Payment

DocuSigned by:
L. Allan Belton
B497EAABD2BC495

Authority Board Member

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Statement of Account

Washington Higher Education Facility Authority
Proration of costs between WHEFA and WSHFC
For the period July 1, 2022 - September 30, 2022

Month		Salaries & Benefits		Office Expenses (1)		Overhead (2)		Total
July	$	23,534.08	$	3,330.13	$	37.70	$	26,901.91
August		20,304.54		1,959.09		30.50		22,294.13
September		27,039.46		5,196.16		41.73		32,277.35
Total Per Category	$	70,878.08	$	10,485.38	$	109.93	$	81,473.39

Previous Balance at June 30, 2022		69,128.16
Payments & Credit Memos (through September 30, 2022)		(69,128.16)
Total Due to WSHFC:	$	81,473.39

Please make checks payable to:
Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046

(1) Office Expenses are expenses paid by WSHFC on behalf of WHEFA and allocation of certain HFC expenses based on WHEFA salary hours as a percentage of total HFC salary hours.
(2) Overhead is the allocation of HFC's depreciation expense based on WHEFA salary hours as a percentage of total HFC salary hours.

Approval for Payment

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Authority Board Member

Statement of Account

Washington Higher Education Facility Authority
Proration of costs between WHEFA and WSHFC
For the period April 1, 2022 - June 30, 2022

Month	Salaries & Benefits	Office Expenses (1)	Overhead (2)	Total
Aprll	**$ 20,269.89**	**$ 2,697.21**	**$ 33.63**	**$ 23,000.73**
May	**20,770.95**	**2,934.08**	**36.43**	**23,741.46**
June	**19,951.14**	**2,398.06**	**36.77**	**22,385.97**
Total Per Category	**$ 60,991.98**	**$ 8,029.35**	**$ 106.83**	**$ 69,128.16**
Previous Balance at March 31, 2022				**74,227.24**
Payments & Credit Memos (through June 30, 2022)				**(74,227.24)**
Total Due to WSHFC:				**$ 69,128.16**

Please make checks payable to:
Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046

(1) Office Expenses are expenses paid by WSHFC on behalf of WHEFA and allocation of certain HFC expenses based on WHEFA salary hours as a percentage of total HFC salary hours.
(2) Overhead is the allocation of HFC's depreciation expense based on WHEFA salary hours as a percentage of total HFC salary hours.

Approval for Payment

DocuSigned by:
L Allan Belton
B497EAABD2BC495...

Authority Board Member

TAB 10

Washington Higher Education Facilities Authority

Market Update

July 25, 2023

PFM Financial Advisors LLC

107 Spring Street Seattle, WA 98104

Thomas Toepfer
(206) 858.5360
toepfert@pfm.com

Market Recap

- **Inflation remains high but is improving,** May CPI rose 4.0% YoY (vs 4.1% expected and 4.9% prior), its lowest level since March 2021. Similarly, May PPI rose 1.1% YoY (vs 1.5% expected and 2.3% prior), its lowest level since December 2020. Bloomberg surveyed economists project June CPI 3.1% YoY (vs 4.0% prior) and June PPI 0.2% YoY (vs -0.3% prior).

- **Hawkish June FOMC Minutes,** the Fed kept rates unchanged at their June meeting but the meeting minutes show that members were divided over the decision to pause or to hike. Fed Chair Powell recently said: "Although policy is restrictive, it may not be restrictive enough and it has not been restrictive for long enough." July remarks by several Fed members suggest another two rate hikes in 2023. The next Fed meeting is July 25-26.

- **Housing sector seems to be stabilizing** with existing home sales, building permits, housing starts, and the NAHB Housing Market Index topping expectations. Housing starts increased 21.7% month over month in May, for an annualized rate of 1.63 million significantly above forecasted 1.4 million.

- **Labor market - continued growth, but a moderation from prior months.** Nonfarm payrolls rose 209k in June compared to expected 230k, the first time below expectations in 14 months. The unemployment rate fell to 3.6% (from 3.7%) and average hourly earnings rose 4.4% YoY (vs 4.2% expected and 4.4% prior).

Source: Bloomberg, PFM Research

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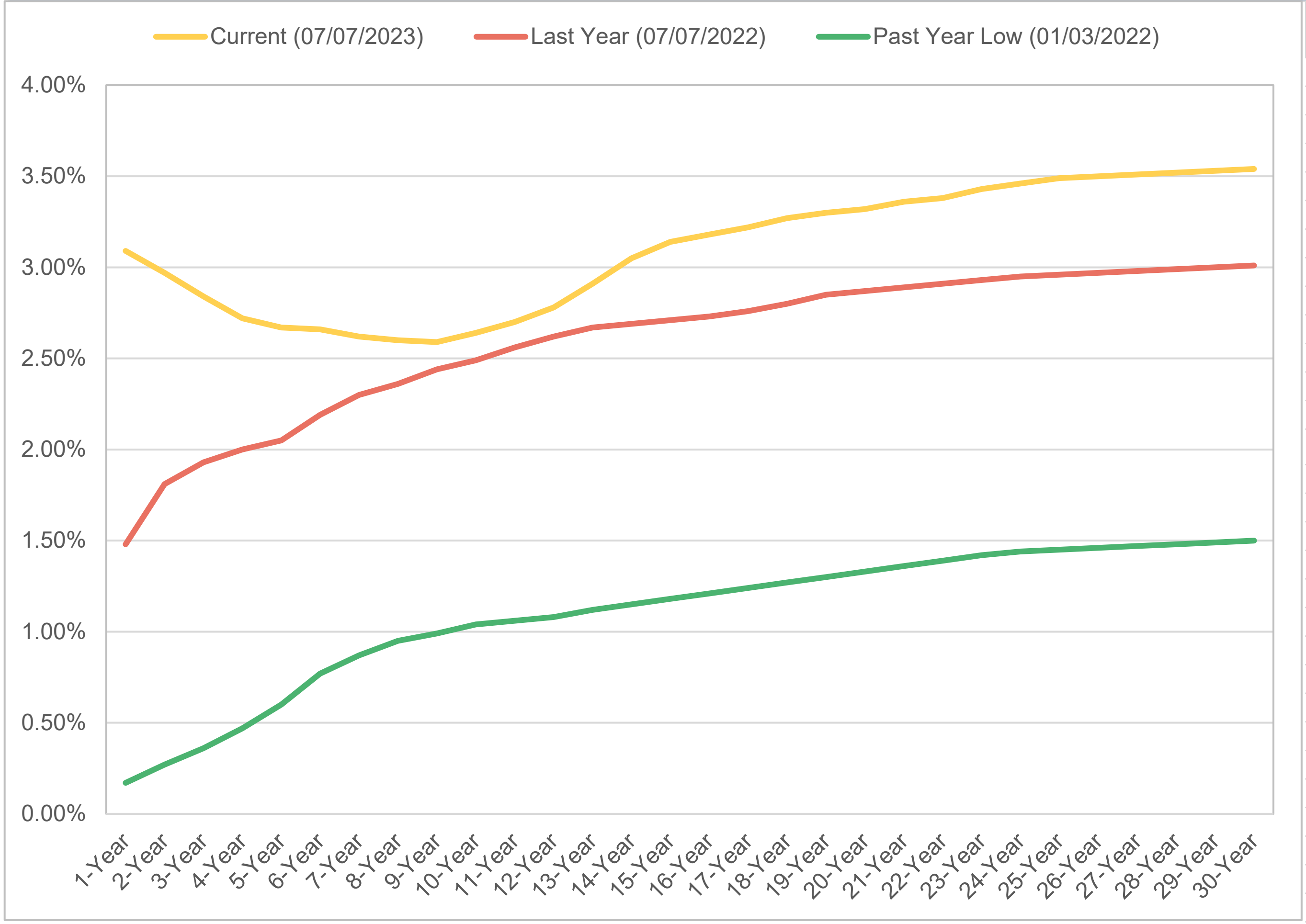
Recent AAA MMD Yield Curve Movement

AAA MMD Yield Curve Movement



Maturity	Δ Since 07/07/2022	Δ Since 01/03/2022
1-Year	1.61%	2.92%
2-Year	1.16%	2.70%
3-Year	0.91%	2.48%
4-Year	0.72%	2.25%
5-Year	0.62%	2.07%
6-Year	0.47%	1.89%
7-Year	0.32%	1.75%
8-Year	0.24%	1.65%
9-Year	0.15%	1.60%
10-Year	0.15%	1.60%
11-Year	0.14%	1.64%
12-Year	0.16%	1.70%
13-Year	0.24%	1.79%
14-Year	0.36%	1.90%
15-Year	0.43%	1.96%
16-Year	0.45%	1.97%
17-Year	0.46%	1.98%
18-Year	0.47%	2.00%
19-Year	0.45%	2.00%
20-Year	0.45%	1.99%
21-Year	0.47%	2.00%
22-Year	0.47%	1.99%
23-Year	0.50%	2.01%
24-Year	0.51%	2.02%
25-Year	0.53%	2.04%
26-Year	0.53%	2.04%
27-Year	0.53%	2.04%
28-Year	0.53%	2.04%
29-Year	0.53%	2.04%
30-Year	0.53%	2.04%

Source: Thomson Reuters

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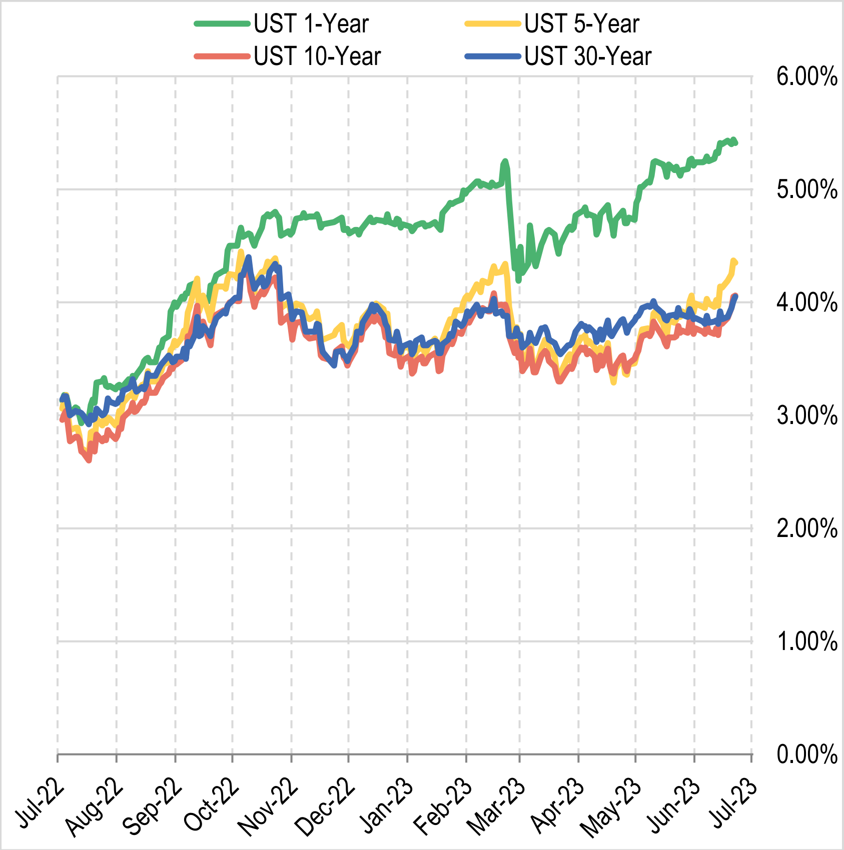
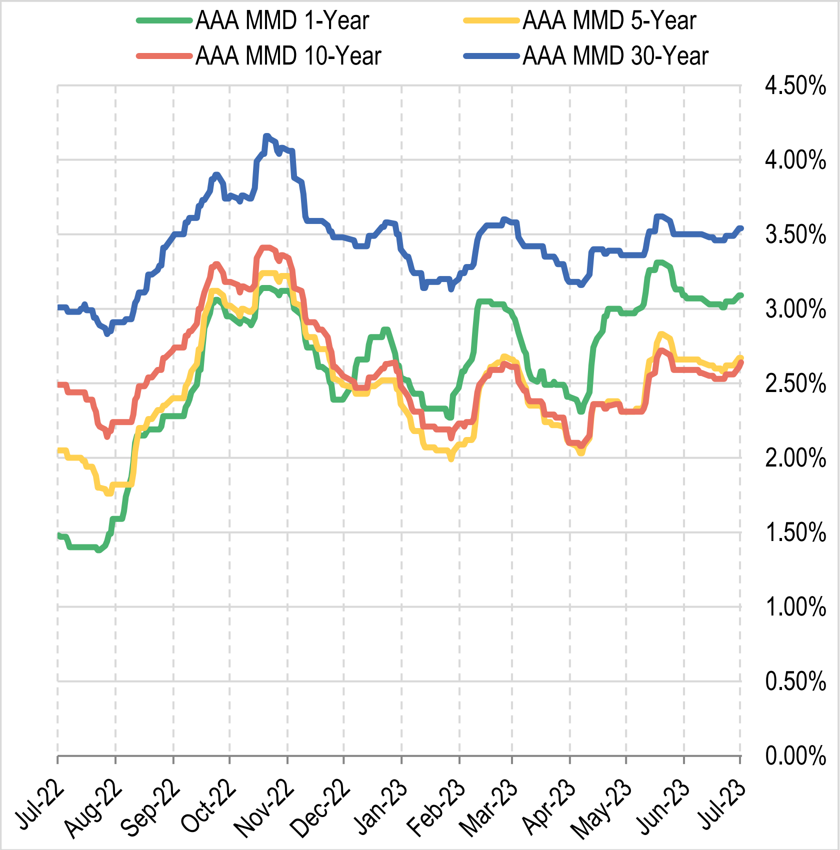
U.S. Treasury & AAA MMD Rate Movement

U.S. Treasury Rate Movement (1-Year History)



AAA MMD Rate Movement (1-Year History)



Source: Thomson Reuters

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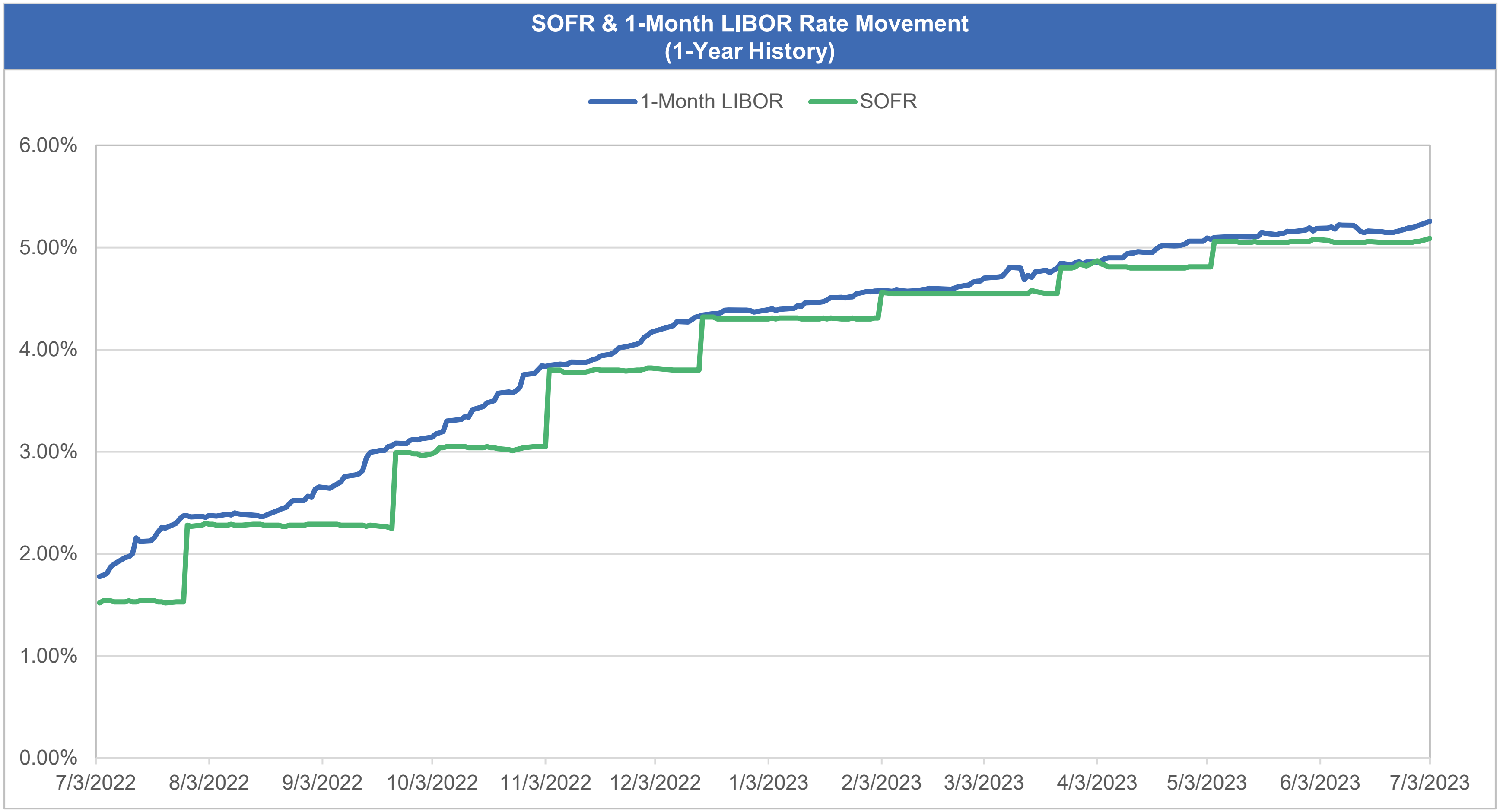
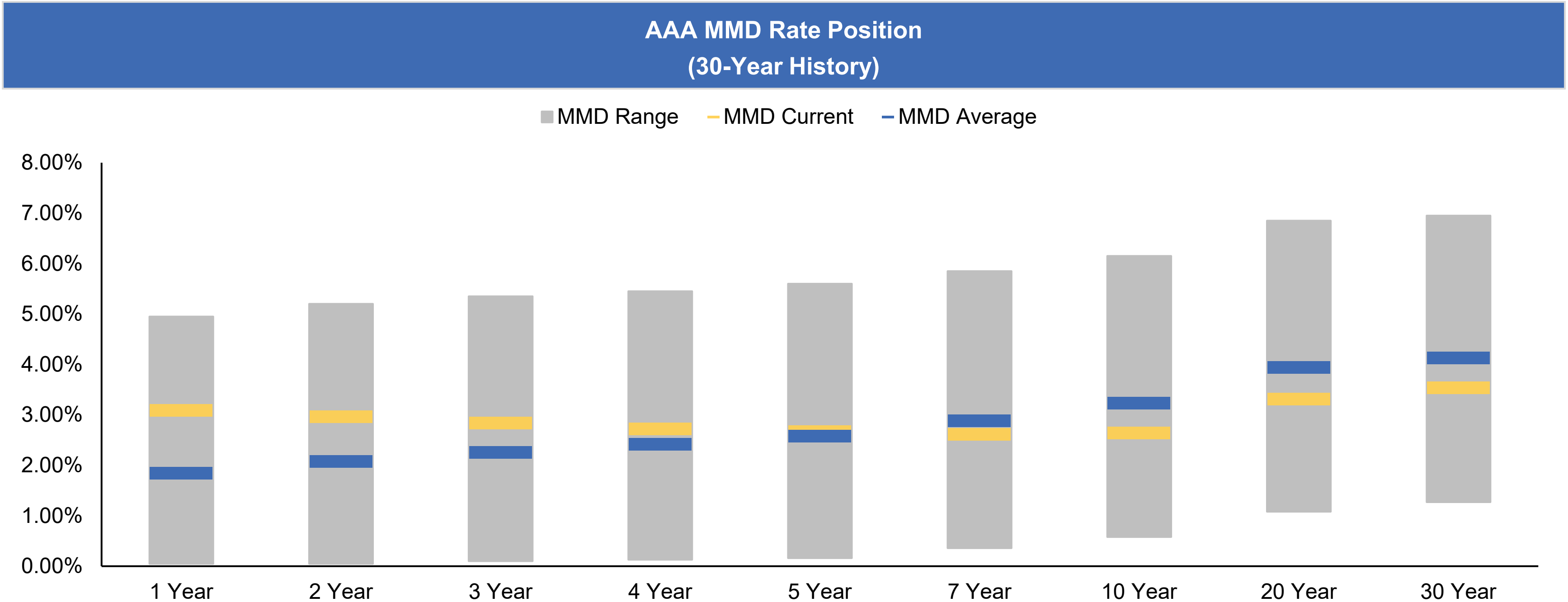
SOFR & 1-Month LIBOR Rate Movement

- SOFR currently stands at 5.09%. LIBOR currently stands at 5.26%.



Source: Thomson Reuters

Historical AAA MMD Position



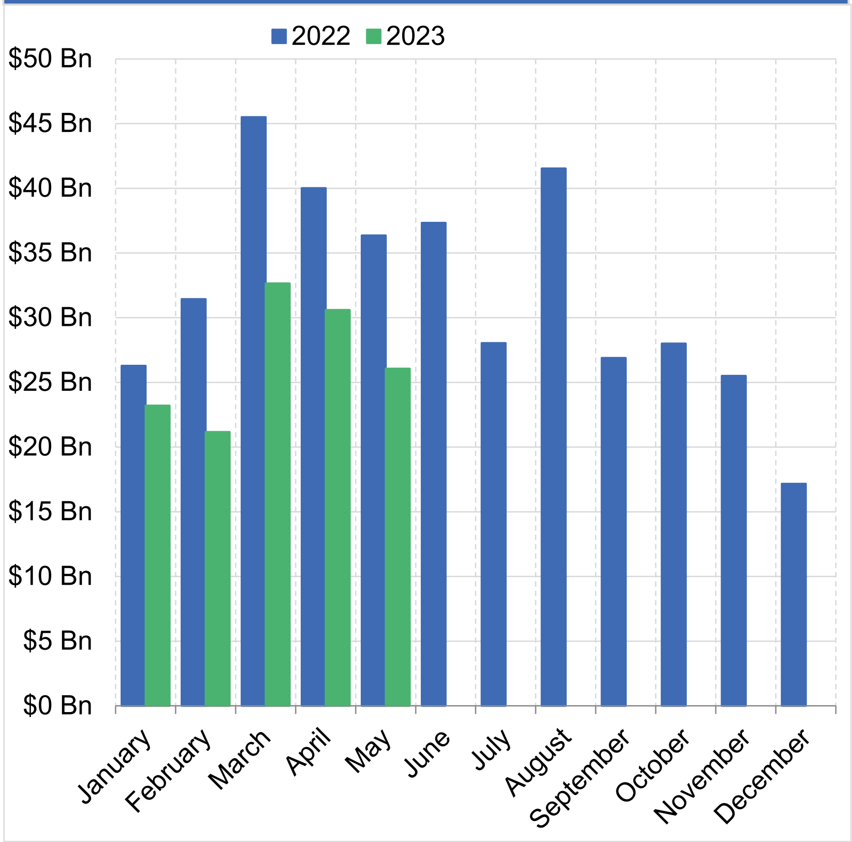
Statistic	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	15 Year	20 Year	25 Year	30 Year
7/7/2023	3.09%	2.97%	2.84%	2.72%	2.67%	2.62%	2.64%	3.14%	3.32%	3.49%	3.54%
Average	1.84%	2.08%	2.25%	2.42%	2.58%	2.88%	3.24%	3.68%	3.94%	4.08%	4.13%
Spread to Avg.	1.25%	0.89%	0.59%	0.30%	0.09%	(0.26%)	(0.60%)	(0.54%)	(0.62%)	(0.59%)	(0.59%)
Minimum	0.05%	0.05%	0.10%	0.13%	0.16%	0.36%	0.58%	0.88%	1.08%	1.22%	1.27%
Spread to Min.	3.04%	2.92%	2.74%	2.59%	2.51%	2.26%	2.06%	2.26%	2.24%	2.27%	2.27%
Maximum	4.95%	5.20%	5.35%	5.45%	5.60%	5.85%	6.15%	6.65%	6.85%	6.90%	6.95%
Spread to Max.	(1.86%)	(2.23%)	(2.51%)	(2.73%)	(2.93%)	(3.23%)	(3.51%)	(3.51%)	(3.53%)	(3.41%)	(3.41%)
Percent of Market Days Lower	70.82%	64.85%	61.48%	56.82%	52.80%	47.02%	38.08%	37.23%	34.99%	34.56%	34.55%

Source: Thomson Reuters

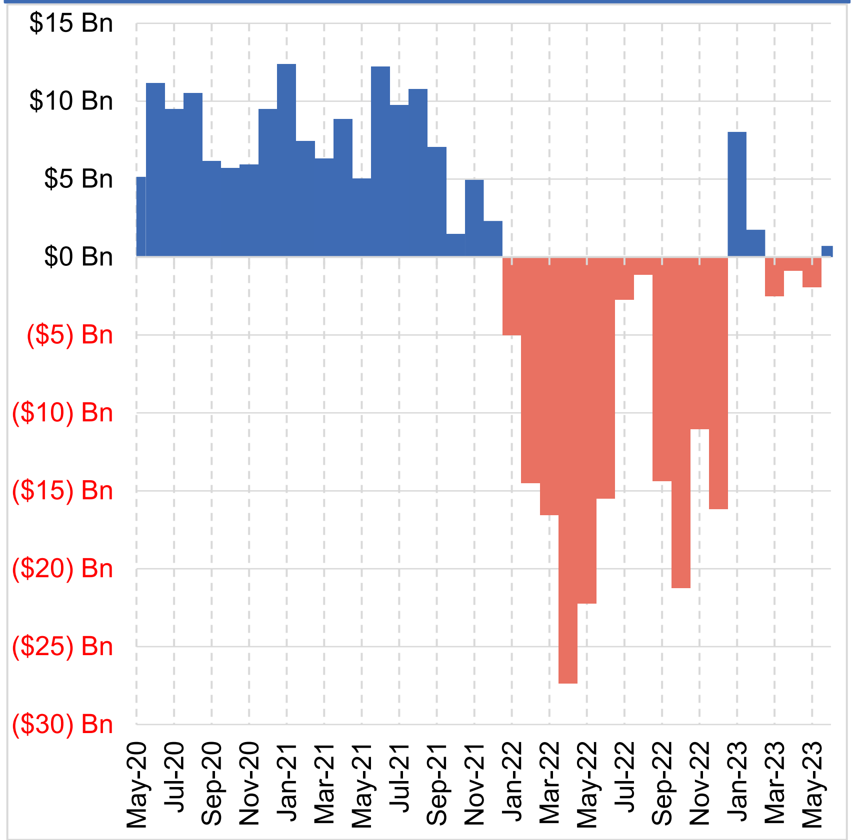
Municipal Market Supply & Demand

- New issuance volume was down by 28% year-over-year in May, year-to-date new issuance volume was 26% lower than 2022 issuance through May.

Overall Municipal Market Volume (Supply)



Municipal Fund Flows (Demand)

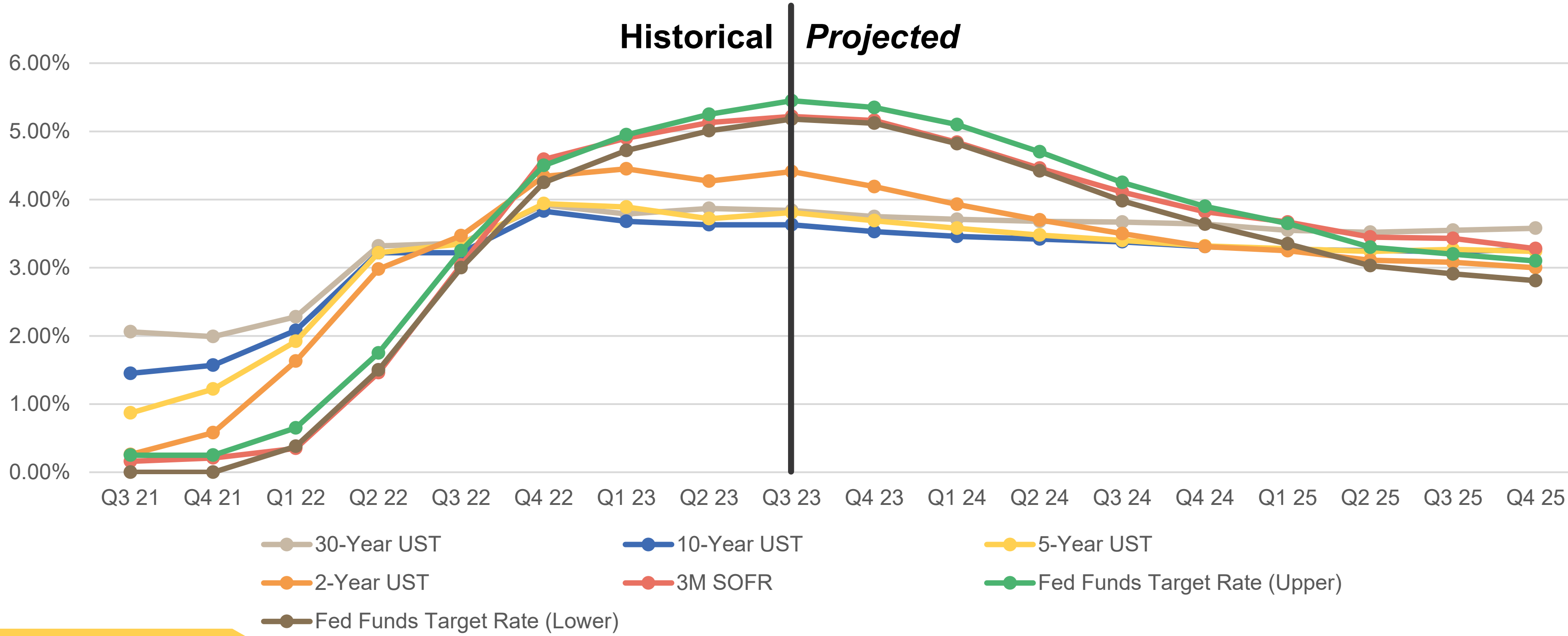


Source: Bond Buyer, Investment Company Institute

Historical and Forecasted Interest Rates

- The charts below show consensus forecasts from numerous financial institutions as reported by Bloomberg.

Bloomberg Bond Yield Forecast										
Average Forecasts	**Current**	**Q3 23**	**Q4 23**	**Q1 24**	**Q2 24**	**Q3 24**	**Q4 24**	**Q1 25**	**Q2 25**	**Q3 25**
30-Year UST	4.06%	3.84%	3.75%	3.71%	3.68%	3.67%	3.64%	3.55%	3.52%	3.55%
10-Year UST	4.04%	3.63%	3.53%	3.46%	3.42%	3.38%	3.31%	3.27%	3.25%	3.24%
5-Year UST	4.30%	3.81%	3.69%	3.58%	3.48%	3.40%	3.32%	3.28%	3.24%	3.27%
2-Year UST	4.91%	4.41%	4.19%	3.93%	3.70%	3.50%	3.31%	3.25%	3.11%	3.08%
3M SOFR	5.30%	5.22%	5.16%	4.84%	4.46%	4.11%	3.82%	3.67%	3.45%	3.43%
Fed Funds Target Rate (Upper)	5.25%	5.45%	5.35%	5.10%	4.70%	4.25%	3.90%	3.65%	3.30%	3.20%
Fed Funds Target Rate (Lower)	5.00%	5.18%	5.12%	4.82%	4.42%	3.98%	3.64%	3.35%	3.03%	2.91%



Source: Bloomberg, as of 7/10/2023

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TAB 11

Washington Higher Education Facilities Authority
Bond Issue Status Report
As of June 30, 2023

	App Rec'd	OID Signed	App Review Complete	Scoping Meeting	Public Hearing	Tax Due Diligence Complete	Doc Review Meetings	Gov's Cert Signed	Borrower Board Approval	Authority Board Approval	Pricing	Pre-Close & Close	Savings	Comments
Pending and Potential Bond Issues - Fiscal Year 2022/23														
UPS *$35,000,000* *Refunding 2001 & 2021 A Bonds & new money for campus improvements*	6/14/23	6/21/23	*6/30/23*	*6/13/23*	7/11/23	July 2023	6/28/23 7/6/23 7/19/23	July 2023 TBD	7/11/23	7/25/23	8/14/23 or TBD	9/5/23 9/6/23	Preliminary Present Value Savings $4,645,776	UPS FA Piper Sandler Public Sale
Whitman *$20,000,000* *New money for upper class student housing/$70 million project*	Aug/Sept 2023	TBD	*TBD*	*TBD*	TBD	TBD	TBD	TBD	TBD	TBD	TBD	Dec 2023	Preliminary Present Value Savings TBD	Public Sale
Closed Bond Issues - Fiscal Year 2022/2023														
UPS ***$35,600,0000*** *Refunding of 2021 B taxable to tax-exempt*	N/A	6/3/22	N/A	6/2/22	N/A	Complete	Complete	N/A	Complete	7/20/22	Complete	7/22/22	Final Present Value Savings $2,300,555	No Financial Advisor Private Placement Columbia Bank

Washington Higher Education Facilities Authority
Bond Issue Status Report
As of June 30, 2023

	App Rec'd	OID Signed	App Review Complete	Scoping Meeting	Public Hearing	Tax Due Diligence Complete	Doc Review Meetings	Gov's Cert Signed	Borrower Board Approval	Authority Board Approval	Pricing	Pre-Close & Close	Savings	Comments
Gonzaga ***$32,030,000*** *GU 2023 – Forward Delivery* *Refunding of 2013A Bonds*	1/28/22	2/7/22	2/18/22	11-15-22	N/A	Complete	11/15/22	N/A	1/19/22	N/A	3-7-22	1/6/23 1/11/23	Present Value Savings Included in total savings for GU 2022 New Money Issue of $2,560,000 (Accounted for in 2022)	Gonzaga FA North Slope Private Placement Morgan Stanley

FY 2022-23 Goal: Complete two bond issues totaling approximately $65 million by June 30, 2023.

Total bonds issued to date: Two bond issues totaling $ 67,630,000 with total PV savings of $2,300,555.

TAB 12

HIGHER ED DIVE

DIVE BRIEF

Inflation will continue to batter colleges through fiscal 2024, Moody's predicts

Published July 12, 2023
Laura Spitalniak | Associate Editor

ipopba via Getty Images

Dive Brief:

- Colleges will continue to be hit by high inflation through at least fiscal year 2024, according to a new analysis from Moody's Investors Service.
- Analysts predict that increasing costs of labor, food, utilities and construction will spur difficult decisions and force higher education leaders to reprioritize how they allocate resources.
- Employee compensation will be the most difficult expense to manage in the coming years, as collective bargaining efforts seek to close the gap between wages and an increasing cost of living, analysts said. Employees are turning to work stoppages to secure increases above inflation and advocate for better terms for part-time and nontenured faculty, as well as graduate student workers, the analysis said.

Dive Insight:

Colleges' operating costs increased 5.2% in the 2022 fiscal year, according to Commonfund's Higher Education Price Index, or HEPI, an inflation index created specifically for colleges. But that increase lagged behind the consumer price index, which saw a jump of 9.1% over that same period.

It is rare for the two metrics to diverge so significantly, Moody's said.

The difference can be explained partly by faculty salaries, which rose the least among eight cost categories that HEPI evaluated.

Other reports found that employee wages didn't keep up with rising costs. Full-time faculty wages decreased 5% in the 2021-22 academic year after adjusting for inflation, according to the American Association of University Professors.

This wage stagnation, combined with reductions in benefits during the COVID-19 pandemic, have paved the way for the wave of labor strikes currently affecting higher education, according to the analysis.

Roughly two-thirds of most college budgets goes to labor costs, according to Moody's. Service employees, though paid much less than teaching staff, received higher wage increases in fiscal 2022, gaining 8.6%.

The growth of colleges' operating revenue was already straggling behind inflation prior to COVID. As pandemic-related federal relief aid dries up, institutions must reprioritize how they spend money.

Construction projects, for example, are taking the back seat at many colleges as leaders avoid breaking ground due to the increasing costs of material and labor, the analysis said. The cost of borrowing money is also going up, and some colleges are financing student housing projects using 40-year loans, instead of the standard 30-year option.

Colleges also face rising food and energy costs. Food prices rose 6.7% year-over year in May, per the U.S. Bureau of Labor Statistics. And while energy prices declined 11.7%, they remain vulnerable to price volatility in the future, Moody's said.

However, many institutions are hesitant to pass rising costs along to students amid a broader societal conversation about higher education's affordability. And public colleges are often at the whims of their state's legislature when setting tuition prices.

In fiscal 2022, student charges covered an average of 40% to 67% of colleges' total operating revenue, the analysis said.

THE BOND BUYER

HIGHER EDUCATION BONDS

SCOTUS admissions ruling means more enrollment pain for higher ed

By Caitlin Devitt Keeley Webster July 11, 2023, 1:49 p.m. EDT | 7 Min Read

The recent controversial Supreme Court ruling banning affirmative action may force colleges and universities to boost enrollment with costly outreach programs amid the prospect of chilled interest from nonwhite students who represent the only growing segment of future student demand.

Ratings analysts said the June 29 SCOTUS ruling itself would not impact ratings — in part because it will affect highly selective, wealthier schools — but over the longer term may prove costly and complicated to schools that want to maintain or create diverse student bodies.

The ruling comes as many colleges and universities already face pressure from enrollment that has failed to rebound to pre-pandemic levels and other headwinds like higher costs and the depletion of federal stimulus support. The higher-ed credit landscape is increasingly bifurcated between stronger and weaker schools, and the SCOTUS ruling may make it tougher for weaker schools to bulk up enrollment, ratings agencies said.

University of California President Michael Drake expressed disappointment in the high court's ruling, but also acknowledged that the consideration of race was banned in California 27 years ago by Proposition 209. *Elena Zhukova/University of California*

On June 29, the Supreme Court ruled 6-3 that race-based admissions policies at Harvard University and the University of North Carolina at Chapel Hill violate the Equal Protection Clause of the 14th Amendment as part of two lawsuits brought by Students for Fair Admissions.

The ruling applies to any school that accepts federal funding, though since only the most selective schools tend to use race-based admissions policies — and nine states have already banned the practice — the ruling is expected to apply in practice to roughly 100 schools.

In a June 30 comment, Moody's Investors Service said the decision "will mainly affect wealthier institutions, which have been the heaviest users of affirmative action to diversity their classes." The affected institutions typically have strong financial resources to absorb the additional expenses, Moody's said.

The ruling is expected to apply to race-based scholarships and financial aid as well as admissions.

As a workaround, colleges and universities will likely turn to other options to increase diversity, such as targeted recruitment programs, which can prove costly, and new financial aid and scholarship programs.

A week after the opinion, for example, the University of North Carolina at Chapel Hill announced it would offer a new financial aid program that includes free tuition to in-state students whose families make less than $80,000 a year. The university also said it would hire additional outreach officers for its admissions team.

Fresh scrutiny on other admission policies began immediately after the ruling.

On June 30, Lawyers for Civil Rights filed a civil rights complaint to the federal Department of Education against Harvard for its so-called legacy admissions policy favoring applicants with family ties. President Biden criticized legacy practices as expanding "privilege instead of opportunity," and Congressional Democrats have said they want to see an end to legacy admissions. Massachusetts lawmakers are considering charging a fee to schools that use legacy preferences, including Harvard.

On the other side of the political spectrum, Missouri Attorney General Andrew Bailey sent a letter the day of the SCOTUS ruling to all the state's colleges ordering them to implement the ban immediately, including for race-based scholarships and financial aid.

The focus on admission policies comes as enrollment in generally has failed to rebound to pre-pandemic levels, notes S&P Global Ratings, which has a mixed outlook on the sector in part because of enrollment trends.

Fitch Ratings notes that the size of high school graduating classes in the near future is expected to shrink in absolute numbers while becoming more diverse, meaning that nonwhite students will be increasingly important source of higher-ed enrollment.

"Most important for us is the [ruling's] impact on student demand," said Fitch Ratings analyst Emily Wadhwani. "What we see in the data going forward is when you look at the high school graduate pipeline, the only meaningful growth we're going to see in any student demographic is nonwhite students," Wadhwani said, including Hispanic, Black, students of two or more races and Asian and Asian Pacific students. "The extent to which this ruling discourages college interest from those groups, it has implications across the sector."

In a commentary, Fitch cited federal data showing that college enrollment rates were lowest among Black, Hispanic and Native American racial/ethnic groups and that over the last decade, the only group with meaningful growth in undergraduate enrollment was Hispanics.

Bans on affirmative action policies have tended to hurt student diversity, argued the University of California and the University of Michigan in a pair of Supreme Court amicus briefs filed in support of affirmative action.

California and Michigan are two of nine states that have affirmative action bans in place, as well as Arizona, Florida, Idaho, Nebraska, New Hampshire, Oklahoma, and Washington. California is the largest state to prohibit the practice, after the 1996 passage of Proposition 209. Michigan passed a state constitutional ban on the practice in 2006.

The University of California said in its amicus brief that, post-1996, it has spent more than $500 million implementing outreach programs that "run the gamut from outreach programs directed at low-income students and students from families with little college experience, to programs designed to increase UC's geographic reach, to holistic admissions policies."

The 13 outreach programs are "extremely costly," the university said, and "funding for these programs has declined over time."

The UC undergraduates by race and ethnicity for fall 2022 were 32.2% Asian, 22.5% Hispanic/Latino, 22.2% White, 4.5% African American, 0.5% American Indian, 0.3% Pacific Islander, 2.8% domestic unknown and 15% international.

The percentages pre-Proposition 209 were 37% Asian, 15% Hispanic/Latino, 36% White, 4% African American, 1% American Indian, 0% Pacific Islander, 5% Domestic Unknown and 1% international.

University of California President Michael Drake expressed disappointment in the high court's ruling, calling the use of race in college admissions an "important tool" for other higher-ed institutions despite California's own long-term ban on the practice.

"Student diversity remains a top priority for the University of California — one that we will continue to pursue with every tool available to us," Drake said in a statement.

"The consideration of race was not the conclusive solution to inequities in college admissions, but it was an important pathway to address systemic deficiencies," he said. Without it, "we must work much harder to identify and address the root causes of societal inequities that hinder diverse students in pursuing and achieving a higher education."

Echoing the University of California's experience, Moody's Investors Service said in a June 30 comment that outreach programs may prove "costly and complicated" for colleges and universities.

"The effective end of affirmative action is likely to increase institutions' expenses as they dedicate resources to modify existing admissions processes, which could include hiring new staff, implementing new technology, revising outreach strategies and restructuring financial aid packages," Moody's wrote. "However, the credit impact will be modest since the most affected schools typically have strong financial resources to absorb the additional expenses. They are also more likely to have in place the admissions and legal staff to handle changes in policy."

In the wake of its ban, called Proposition 2, the University of Michigan "was forced to radically alter its admissions process in order to even approach the diversity levels achieved prior to Proposal 2," the school said in its amicus brief.

"That change was so disruptive that the response not only took time — over 15 years and counting — but vast resources and efforts extending far beyond university campuses, as U-M developed extensive new race-neutral initiatives that reached into school districts around the state. Many schools lack the resources that U-M has been able to put into this effort, and would not be able to undertake such a broad array of initiatives to respond to such a disruptive change in the controlling law."

Like Moody's and Fitch, S&P Global Ratings said it does not expect any immediate ratings impact but warned of likely future lawsuits and said it will be "critical" for colleges and universities to "navigate the new legal landscape carefully. If they do not, this could open schools up to more lawsuits, which are costly and take time," said S&P analyst Jessica Wood.

"Beyond a likely increase in lawsuits, we will probably see colleges increase targeted recruitment and expand financial aid programs, while a broader move to test optional is expected across the industry," Wood said. "Some of these strategies could be costly and schools could face a financial impact as they implement various programs and scholarships to promote diversity."

Worries about soft enrollment trends comes as the U.S. higher education sector faces a slew of other challenges. While maintaining a stable outlook on the sector, Fitch dubbed it "deteriorating" heading into 2023 as inflation, labor and wage challenges pressure operating margins. S&P has a "mixed" outlook on the sector, and Moody's warns that high inflation will continue to strain university budgets through at least fiscal 2024.

THE CHRONICLE OF HIGHER EDUCATION

DEBT RELIEF DENIED

U.S. Supreme Court Strikes Down Student-Loan Cancellation for Millions of Borrowers

By Sarah Brown, Helen Huiskes, and Zachary Schermele | JUNE 30, 2023

OLIVIER DOULIERY, AFP, GETTY IMAGES

The scene outside the U.S. Supreme Court on Friday as the justices overruled President Biden's plan to forgive billions of dollars in federal student-loan debt.

The U.S. Supreme Court on Friday struck down President Biden's sweeping plan to cancel some debt for millions of people who took out loans for a college education. Hours later, Biden said he would try again — with a new approach.

Writing for the court's six-member majority, Chief Justice John G. Roberts Jr. said that the cancellation plan effectively amounted to an "exhaustive rewriting" of a law designed to give the U.S. secretary of education certain powers during a national emergency. The Biden administration had argued that the law, the 2003 Heroes Act, gives the secretary the ability to alleviate borrowers' debt burdens during an emergency like the pandemic.

The Heroes Act, Roberts wrote, “does not allow the secretary to rewrite that statute to the extent of canceling $430 billion of student-loan principal.”

The justices’ ruling came in *Biden v. Nebraska*, No. 22–506, one of two cases that challenged Biden’s loan-forgiveness plan, in which his administration set out to wipe away up to $20,000 in student debt for many borrowers. The lawsuit was brought by a group of state attorneys general who argued that student-debt cancellation would harm their tax revenues.

In a dissent, Justice Elena Kagan, joined by the two other liberal justices, wrote that, “in every respect,” the majority had exceeded the court’s “proper, limited role in our nation’s governance.” The issues presented by the case, she wrote, were properly the concern of the government’s other branches. And so, she concluded, “in a case not a case, the majority overrides the combined judgment of the legislative and executive branches.

In the other case, *Department of Education v. Brown*, No. 22–535, the justices ruled unanimously that the plaintiffs lacked standing to sue. The lawsuit was brought by two borrowers. One argued that the plan was unfair; she didn’t qualify for forgiveness because she had taken out private loans. The other borrower said he unfairly would not qualify for the maximum amount of forgiveness.

The cancellation plan would have forgiven up to $10,000 in student debt for individual borrowers making up to $125,000 a year and households making up to $250,000 a year; Pell Grant recipients would have been eligible for up to $20,000 in forgiveness.

Many observers had anticipated that the court would void the debt-forgiveness plan. Conservative justices expressed skepticism during oral arguments this year that the Education Department was allowed to cancel student debt without approval from Congress. Some justices also seemed to support the idea that the plan was unfair because it didn’t benefit all borrowers.

A federal appeals court paused the debt-cancellation plan with an injunction last year. Before the injunction was issued, some 26 million people had applied for debt relief, and 16 million of them had been approved by the Education Department.

Later on Friday, Biden announced another attempt at student-loan cancellation. The Education Department will begin trying to enact debt relief under the Higher Education Act, using a process known as negotiated rulemaking. The department will also offer borrowers a 12-month “‘on ramp’ to repayment,” which officials said would ease the transition to restarting student-loan payments after a long pandemic-era pause. Until the fall of 2024, missed payments won’t cause borrowers to default or hurt their credit, according to the department.

The Reaction

One borrower who would have benefited from the original cancellation plan was Gabby F., a recent law-school graduate who rallied outside the court on Friday. Gabby, who asked to be identified only by her first name to keep details of her finances private, said she had taken out roughly $200,000 in student loans.

Beyond the court's decision, she's disappointed generally in how the student-debt system works. She feels as if she's being penalized for going into public-interest law instead of making a bigger salary at a law firm.

"We shouldn't be punishing people for decisions they make as teenagers," she said. "Teenagers aren't even allowed to vote or drink or buy a lottery ticket, but they're expected to pay back loans for a contract they made when they were 17."

Activists who pushed for debt forgiveness also expressed disappointment outside the court but said they'd keep the pressure on Biden to cancel student loans. "Justice is cancellation," said Melissa Byrne, an organizer with We, The 45 Million. "Justice is free college because education is a right."

Some advocacy groups were pleased with the court's decision to strike down the plan, including the New Civil Liberties Alliance. Student-debt relief might be a good policy or it might not, said Clegg Ivey, the group's director of engagement. But that determination should be left to Congress.

"In this case, what we had was an abrogation of power away from legislative power to the executive branch," Ivey said. "And this is a larger trend that we're seeing."

The ruling wasn't a total black eye for advocates of loan reform. After Biden announced his forgiveness plan last August, the appetite in Washington shrank for conversations about more-measured changes to deal with America's student-debt problem, said Justin Draeger, president and chief executive of the National Association of Student Financial Aid Administrators.

"Student-loan forgiveness has taken up all the oxygen in Washington, D.C.," he told *The Chronicle*. "All of this has just underscored the need for student-loan reform, and we're anxious to have that conversation."

In addition to its new actions on debt relief, the White House is preparing to roll out a new income-driven repayment plan for borrowers, called "Saving on a Valuable Education," or "SAVE." Jon Fansmith, senior vice president for government relations at the American Council on Education, called it "the kind of step that's needed." And though it's a generous policy, he said it's more of a Band-Aid than a structural fix.

“The problem is that it’s one of several repayment plans,” he said. “We’re trying to solve the problem by making more and more generous plans rather than getting to the root of the problem.”

As they rejoiced on Friday, opponents of debt forgiveness vowed to keep fighting any such efforts. “This is just the beginning of the fight, not the end,” said E.J. Antoni, an economist at the Heritage Foundation, a conservative think tank, on a call with reporters. “The Biden administration has additional cards up their sleeves.”

Update (June 30, 2023, 1:58 p.m.): This article has been updated with additional material and quotes.

Update (June 30, 2023, 7:34 p.m.): This article has been updated with word of President Biden's new plans to provide student-debt relief.