

Washington Higher Education Facilities Authority

MINUTES

August 18, 2020

Mr. Jerome Cohen, Board Secretary, called the special meeting of the Authority to order at 2:05 p.m. via teleconference.

Board members present on the line were Mr. Michael Meotti, Dr. Roy Heynderickx, Ms. Claire Grace, and Mr. Gene Sharratt. Mr. Allan Belton, President of Pacific Lutheran University, soon to be officially appointed to the board, was also present.

Authority staff on the line were Mr. Paul Edwards, Deputy Director; Mr. Bob Cook, Senior Finance Director; Ms. Debra Stephenson, Senior Controller; Ms. Carol Johnson, Affiliates Manager; and Ms. Rona Monillas, Program Assistant.

Also present on the line were 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. Michael Nelson II, Assistant Attorney General from the Washington State Attorney General's Office; Mr. Thomas Toepfer of PFM Financial Advisors; and Ms. Christine Ok of U.S. Bank Corporate Trust.

Other meeting attendees were Mr. Bob Woodard and Mr. Matt Vickery of the Washington State Housing Finance Commission; Ms. Laura Kuffler Macdonald, Senior Director at S&P Global Ratings; Ms. Terri Standish-Kuon, President and CEO of Independent Colleges of Washington; Ms. Mary

Chikwinya, Director of Higher Education to Lt. Governor Cyrus Habib; and Mr. Brian Jones of Bank of America.

Approval of the Minutes

Mr. Cohen asked for a motion to approve the minutes of the meeting held on May 8, 2020. Ms. Grace made the motion, and it was seconded by Mr. Meotti. The minutes were approved unanimously with one abstention.

Consider and Act on Staff Recommendation Regarding Selection of Financial Advisors

Mr. Cohen introduced Mr. Edwards to present staff recommendations regarding the selection of the Authority's roster of financial advisors.

Mr. Edwards stated that current contracts with Baker Tilly Municipal Advisors, LLC and PFM Financial Advisors LLC expire on August 31, 2020. He proceeded with the outline of the RFP process and added that participants have been informed of staff recommendations to the board.

Mr. Edwards concluded that staff recommends continuing to contract for financial advisory services with Baker Tilly Municipal Advisors, LLC and PFM Financial Advisors LLC for an initial term of two years with options to extend for up to a total of five years.

Mr. Cohen asked for a motion to accept staff recommendations regarding selection of the Authority's roster of financial advisors. Mr. Meotti made the motion and it was seconded by Dr. Sharratt. The motion was approved unanimously, 5-0.

Action Item: Acceptance of the Financial Statement

Mr. Cohen asked Mr. Cook to present the financial statement for consideration.

Mr. Cook stated that the unaudited financial statement for the period ending June 30, 2020, shows assets of just over \$1.36 million and approximately \$80,000 of liabilities, leaving just over \$1.28 million in net assets. He added

that current year to date unrestricted revenue was approximately \$680,000. Mr. Cook said that expenses to date are approximately \$380,000, leaving a net income of about \$300,000.

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

**Invoice for
Services**

Mr. Cohen then asked Mr. Cook to present the invoice for services. Mr. Cook stated that the invoice from the Commission for April 1, 2020 through June 30, 2020 has been reviewed and approved for payment by the Treasurer, Ms. Grace.

**Washington
Student
Achievement
Council
Update**

Mr. Cohen introduced Mr. Meotti to present the Washington Student Achievement Council (WSAC) update.

Mr. Meotti talked about the state's decline in the enrollment at colleges in the spring of 2020. Mr. Meotti stated that higher education and many other institutions are hoping to reopen in the fall in a constrained capacity. He added that many higher education institutions in the state and around the country have gravitated to a much lower capacity – teaching every course online except for hands-on clinical laboratory and experiential settings. Mr. Meotti explained that campuses across the state have different cultures and settings and that it is not going to look the same for everyone, particularly for smaller colleges.

Ms. Grace asked about the set-up of in-person learning for various laboratories. Mr. Meotti said that there are no strict rules for the in-person learning. He said that the clinical programs are more likely to be healthcare programs which have to operate according to health and safety guidelines and requirements such as wearing of masks, physical distancing, and deep cleaning of work areas.

Dr. Sharratt inquired about impact of the decline in enrollment on the Authority's member colleges and universities and their bond ratings. Mr. Cook said that schools that have their own bond ratings will potentially be affected, and that the Authority is concerned but has no control over these ratings. Dr. Sharratt said that he appreciates that the Authority waived the fees to help its member institutions.

Dr. Sharratt inquired about how many of the Authority's member institutions will reopen this fall. Ms. Standish-Kuon said that Seattle University, Whitman College, and University of Puget Sound will operate largely remotely. The remaining campuses are offering a very detailed set of remote hybrid or blended courses as well as some number of in-person face to face courses with reduced density.

**Rating Agency
Update**

Mr. Cohen introduced Ms. Macdonald from Standard & Poor's to update the board about the higher education sector.

Ms. Macdonald stated that in April, Standard and Poor's changed its outlook on all sectors to negative. She said that this change reflected S&P's expectations of a sharp decline in the economy, uncertainties with the spread of COVID-19 and timing of the economy's recovery. She added that S&P was one of the few groups that put a negative outlook on the higher education sector prior to COVID-19. This was mainly due to the competitive nature of this sector.

Ms. Macdonald showed a graph of U.S. higher education rating distributions. She said that the ratings range from AAA to BB. They rate 286 private institutions and 148 public institutions. She added that the higher education sector is a highly rated sector.

Ms. Macdonald said that international enrollment has been declining in some regions in the U.S. with increasing competition with Canada, the United Kingdom, and Australia. She added that recent immigration policy directives added pressure to international enrollment.

Ms. Macdonald reported that while state operating appropriations have increased, state funding is still lower than it was prior to 2008. She added that higher education budget projections for fiscal year 2020 have decreased between 5% - 18% and are projected to be 5% - 30% lower for fiscal year 2021. Ms. Macdonald stated that higher education public institutions are expecting material cuts and increased operating expenses.

Market Update

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

Mr. Toepfer gave an overview of the market in March and said that economic behavior changed dramatically. He added that gross domestic product dropped about 30% in July.

Mr. Toepfer stated the interest rates are relatively low at this time and that the Federal Reserve is keeping the policy of near zero interest rates to support the economy.

Mr. Toepfer gave details on the recently released HEALS Act, a GOP sponsored Senate economic stimulus proposal. He added that it includes a relief package for institutions of higher education to offset lost revenue.

Mr. Toepfer presented a graph showing the change in AAA rated tax-exempt debt. He added that the volatility for tax-exempt rates was more severe compared to taxable rates. He further added that high grade issuers with strong credits can borrow at very advantageous rates.

Mr. Toepfer stated that issuance volume for January and February this year is higher than the previous years because interest rates were attractive. At that point concerns about COVID-19 had not materialized yet. He added that market supply in June and July was large as high-grade universities took advantage of low interest rates.

**Bond Issue
Status Report**

Mr. Cohen asked Mr. Edwards to present the Bond Issue Status Report.

Mr. Edwards highlighted that the Authority completed four bond issues for 2020 fiscal year totaling \$196,180,000 with total estimated Present Value (PV) savings of \$4.9 million.

Mr. Edwards stated that a potential bond issue for Pacific Northwest University of Health Sciences is still on the radar.

Mr. Edwards said that the Authority completed one bond issue for the current fiscal year totaling \$60 million with PV savings of \$2.3 million.

**Executive
Director's
Report**

Mr. Cohen then asked Mr. Edwards to present the Executive Director's report on behalf of Mr. Steve Walker.

Mr. Edwards presented a press release about Pacific Lutheran University's new Plus Year program. Mr. Belton explained how the University came up with the idea of offering free tuition for one additional year after graduation. He shared that this program will also allow their graduate students to earn continuing education credits once they complete their graduate degree. He said the program will not forgo planned revenue in any significant way and added that their registration went up significantly, exceeding their enrollment goal for this year.

Mr. Edwards said that the session in the State Legislature will officially start in January.

Mr. Edwards reported that the Authority received very good results on its 2020 customer satisfaction survey and shared some of the positive comments.

Mr. Edwards announced that registration for the NAHEFFA Fall 2020 Virtual Conference is now open. He said that the conference is scheduled October 28-29, 2020 and that registration is free for Authority nonprofit clients.

Mr. Edwards gave a summary of relevant articles in the board meeting packet. He added that the next board meeting is scheduled for November 5, 2020.

Adjournment

Mr. Cohen adjourned the meeting at 3:26 p.m.

Mr. Jerome Cohen, Secretary

Date