

Washington Higher Education Facilities Authority

MINUTES

March 4, 2022

Mr. Jerome Cohen, Board Secretary, called the special meeting of the Authority to order at 1:04 p.m. via Zoom and conference call.

Board members present on the line were Lt. Governor Denny Heck, Mr. Mike Meotti, Mr. Allan Belton, Dr. Gene Sharratt, and Ms. Jasmine Minato.

Authority staff on the line were Mr. Steve Walker, Executive Director; Ms. Carol Johnson, Affiliates Manager; Mr. Lucas Loranger, Senior Controller; and Ms. Rona Monillas, Program Assistant.

Also present on the line were Ms. Faith Pettis of Pacifica Law Group, the Authority's bond counsel; Mr. Thomas Toepfer of PFM Financial Advisors; Mr. Joe Smith, Chief Financial Officer, Gonzaga University; Mr. Scott Forbes, Assistant Attorney General from the Washington State Attorney General's Office; and Ms. Terri Standish-Kuon, President and CEO of Independent Colleges of Washington (ICW).

Introductions and Acknowledgements

Mr. Cohen introduced and welcomed the assistant attorney general, Mr. Scott Forbes.

Mr. Walker announced that Mr. Cohen's second term on the board will end on March 26. Mr. Walker expressed gratitude to Mr. Cohen for his contributions to the board and the state of Washington.

Mr. Walker said that Mr. Cohen agreed to serve on the board until the governor appoints a new board member.

Approval of the Minutes

Mr. Cohen asked for a motion to approve the minutes of the meeting held on November 10, 2021. Lt. Governor Heck made the motion, and it was seconded by Mr. Belton. The minutes were approved unanimously, 6-0.

Election of Secretary and Treasurer

Mr. Cohen introduced Mr. Walker to discuss the election of Board Secretary and Treasurer.

Mr. Walker stated that each year the Board elects a Secretary and a Treasurer. He noted that the past year Mr. Cohen served as Secretary and Dr. Sharratt served as Treasurer.

Mr. Walker said that Mr. Cohen is unable to run as Secretary since his board term ends at the end of the month. Dr. Sharratt and Mr. Belton have volunteered to run for Secretary and Treasurer, respectively, if the board nominates and elects them.

Mr. Cohen made the motion to elect Dr. Sharratt as Secretary and Mr. Belton as Treasurer. The motion was seconded by Lt. Governor Heck. The motion was approved unanimously, 6-0.

**Action Item:
Approval of
Resolution #22-01
for Gonzaga
University**

Mr. Cohen introduced Ms. Johnson to present the staff recommendation for approval of Resolution No. 22-01.

Ms. Johnson stated that the board is being asked to consider the proposed issuance of tax-exempt revenue and refunding revenue bonds for Gonzaga University in an amount not to exceed \$47 million.

Ms. Johnson gave a summary of the transaction and said that a public hearing for this transaction was held on February 16, 2022. The transaction is set to close on March 29, 2022.

Mr. Smith expressed his gratitude to the Authority for its assistance with the project. He explained that the University is taking advantage of the low interest rates in the market with this transaction. Mr. Smith stated that the new money portion of the transaction would be utilized to fund student housing, particularly for freshmen and sophomores who are required to reside on campus.

Mr. Cohen inquired when the new money would be used. Mr. Smith said that the first deliverable from the consultants working on the master plan will be in April, and that the timeframe will become clearer in the coming month. Mr. Cohen asked whether the University would invest the money while waiting for it to be used. Mr. Smith explained that tax-exempt rules limit the University's ability to invest the new funds. He added that the money would be held in the project fund by a trustee.

Mr. Cohen asked for a motion to approve Resolution No. 22-01. Lt. Governor Heck made the motion, and it was seconded by Dr. Sharratt. The resolution was approved unanimously, 6-0.

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

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

Mr. Loranger stated that the unaudited financial statement for the period ending December 31, 2021, shows assets of just over \$1 million and \$89,628 in liabilities, leaving \$945,010 in net assets. He added that the Statement of Activities reflects current year to date revenue of \$80,641. Mr. Loranger said that total expenses to date is \$191,906, leaving a revenue deficit of \$111,000.

Mr. Cohen asked whether the Authority would waive the annual fees for this coming fiscal year. Ms. Johnson stated that the Authority waived annual fees through June 2022 and that the ability to waive ongoing fees is dependent on Authority reserves. Staff will evaluate whether fees will be waived again in the coming fiscal year during this next budget cycle.

It was noted that the invoice from the Housing Finance Commission covering October 2021 through December 2021, totaling over \$75,000, has been approved by Board Treasurer, Dr. Sharratt.

Lt. Governor Heck moved approval of the financial statements, and it was seconded by Mr. Meotti. The motion was approved unanimously, 6-0.

**Market
Update**

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

Mr. Toepfer presented a market update, including the impact of global events on interest rates, an overview of interest rate history, trends and forecast, and a discussion of recent university century bond issuances.

Dr. Sharratt inquired about the structure of the MIT issuance. Mr. Toepfer explained that the issuance is taxable because MIT wants to be able to use the revenues in a variety of ways, including investments in research and academic programs.

Dr. Sharratt inquired about the influence of the government deficit on bond interest rates. Mr. Toepfer stated that as the deficit grows, so will the debt load, and as interest rates rise, so will the negative impacts to the government budget. He added that the deficit is a concern in the long-term but not strongly discussed at this point.

Dr. Sharratt inquired about the corresponding debt associated with housing demand. Mr. Toepfer stated that many states are making efforts to invest in affordable housing and that larger cities have bigger issuances. He added that there is more debt in the municipal bond housing market.

Mr. Belton inquired as to whether the large issuances from MSU and the University of Michigan were attributable to the bonds being century bonds. Mr. Toepfer acknowledged that they are century bonds and discussed some strategies that the universities will use to payoff these bonds.

Mr. Cohen asked Ms. Johnson to present the Bond Issue Status Report.

Ms. Johnson said that at the beginning of this fiscal year, the Authority anticipated closing two bond issues totaling approximately \$30 million by June 30, 2022. She highlighted that with the closing of Gonzaga University on March 29, the Authority will have financed three bond issues totaling \$123.6 million, exceeding the original goal by \$93.6 million.

Ms. Johnson stated that the next potential bond transactions are as follows: an \$18 million refunding for Bastyr University and a refunding for the University of Puget Sound in the fall of 2022. 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.

Lt. Governor Heck asked about the impact of a succession of rate hikes on refunding and future issuances. Mr. Toepfer said that it is difficult to say how much more rates will go up. He added that while rates will continue to increase and opportunities for refundings will be reduced, it will still be reasonable to proceed with financings that produce budgetary savings.

**Bond Issue
Status Report**

**Executive
Director's
Report**

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

Mr. Walker provided an update on the search for a Senior Finance Director. He complimented Mr. Loranger for taking over the responsibilities while the recruitment process was still underway.

Mr. Walker announced that the Annual Report for 2021 has been released. He commended Ms. Monillas for an excellent annual report design and layout.

Mr. Walker said that Whitworth University has named Dr. Scott McQuilkin as its 19th president, and Whitman College has named Dr. Sarah Bolton as its 15th president.

Mr. Walker gave an update on the current state legislative session. He said that the session started on January 10 and will conclude on March 10. He gave a brief summary of the bills related to higher education in Washington state. Ms. Standish-Kuon gave brief detail on one of the bills.

Mr. Walker shared the final tax-exempt savings reported for the Whitworth University and Whitman College transactions.

Mr. Walker gave a summary of relevant articles in the board meeting packet. Mr. Belton gave additional details on PLU's innovative approach to tuition by committing to fixed tuition that covers a student's entire course of study.

Mr. Walker said that the next NAHEFFA Spring conference will be held April 24-26 in Charleston, SC. He added that staff has not decided whether they will attend. He advised board members interested in attending to contact staff.

He added the next board meetings are scheduled for May 5 and August 4, 2022. He noted that if there is no business to conduct, the meeting will be cancelled.

Adjournment

Mr. Cohen adjourned the meeting at 2:12 p.m.

Dr. Gene Sharratt, Secretary

Date