

# **Washington Higher Education Facilities Authority**

## **MINUTES**

**February 15, 2018**

Mr. Jerome Cohen, Board Secretary, called the special meeting of the Authority to order at 10:01 a.m.

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

Authority staff present were: Mr. Kim Herman, Executive Director; Mr. Paul Edwards, Deputy Director; Mr. Bob Cook, Senior Finance Director; Ms. Carol Johnson, Affiliates Manager; Ms. Debra Stephenson, Senior Controller; and Mr. Mike Gary, Program Assistant.

Also present were: Ms. Faith Pettis of Pacifica Law Group, the Authority's bond counsel; Ms. Ann Hittle, CFO, of Pacific Northwest University of Health Sciences (PNWU); Mr. Thomas Toepfer of Public Financial Management (PFM), the University's financial advisor; and Ms. Debbie Kuykendall and Ms. Christine Ok, both of U.S. Bank Corporate Trust.

Dr. Sheryl Bailey from Springsted, Inc., one of the Authority's financial advisors, and Mr. Michael Nelson, Assistant Attorney General from the Washington Attorney General's Office were present by phone.

**Introduction of  
new Affiliates  
Program  
Assistant**

Mr. Herman introduced Ms. Rona Monillas, WHEFA's newly hired Program Assistant, to the board. He directed the board to her resume in the board packet. Her first day will be Friday, February 16. She will be replacing Mr. Cody Field, the previous Program Assistant.

**Approval of the  
Minutes**

Mr. Cohen asked for a motion to approve the minutes of the December 15, 2017 Authority Special Board Meeting as distributed. Dr. Sharratt made the motion, and it was seconded by Ms. Grace.

Ms. Grace asked Mr. Herman if there was an updated report regarding federal tax reform legislation since the previous Authority board meeting in mid-December. Mr. Herman replied that he would be giving an update on this subject in his Executive Director's report later in the meeting.

Lt. Governor Habib abstained from this vote as he was not present at the previous board meeting.

The minutes were approved as distributed, 4-0, with one abstention.

**Action Item:  
Approval of  
Resolution  
#18-01  
for Pacific  
Northwest  
University of  
Health  
Sciences  
(PNWU)**

Mr. Cohen introduced Ms. Johnson, the Authority's Manager, to present staff recommendations for approval of Resolution No. 18-01.

Ms. Johnson requested that the board consider a proposed issuance by the Authority of tax-exempt refunding and revenue bonds for Pacific Northwest University of Health Sciences (PNWU) in an aggregate principal amount not to exceed \$46,000,000.

Ms. Johnson stated that bond proceeds were to be used by PNWU to finance and refinance the costs of acquiring, constructing, improving, expanding, and equipping facilities on the University's campus located in Yakima.

This transaction is a private placement issued in three series, with purchase offers from U.S. Bank and HomeStreet Bank. She stated further that Series A and B bonds are refunding revenue bonds to refinance existing debt and refund bonds issued by the Authority in 2013. The Series C bonds are revenue bonds that will finance the construction of a two-story, 35,000 square foot academic building.

She mentioned that a successful public hearing for the transaction was held on Tuesday, January 30, 2018. Mr. Edwards and Mr. Gary were present in person. Ms. Hittle, CFO from PNWU, and Authority board

members Mr. Meotti and Dr. Sharratt participated via conference call. No members of the public were present. No public testimony was received.

Ms. Johnson concluded that the bonds are scheduled to close on March 1, 2018. She then introduced Ms. Hittle from PNWU, and Mr. Thomas Toepfer, Senior Managing Consultant from PFM, to speak further about the project.

Ms. Hittle stated that PNWU is the state's newest private medical school, established in 2008 with very strong community support. The University is located on the east side of the Cascades in Yakima. She mentioned that PNWU's main goal is to recruit and train students from rural areas as Osteopathic Physicians (D.O.) and ultimately return them back to their rural areas. She mentioned further that since 2008, 42 of their students are practicing D.O.'s in Washington State, mostly in family practice, with 60% serving in rural/underserved areas. She concluded that PNWU stands out because of their students and faculty, who all believe in its mission.

She stated that as of February 12, 2018, PNWU received their full accreditation from the Northwest Commission on Colleges & Universities, 2.5 years earlier than expected. This will enable PNWU to offer additional health sciences programs to their current and prospective

students. In addition, Ms. Hittle, on behalf of PNWU, offered an invitation to anyone to come and visit their Yakima campus.

Dr. Sharratt asked about the diversity of the student population at PNWU. Ms. Hittle replied that the University has a major program that works with the nearby Yakama Indian Nation called Roots to Wings. The University has mentoring programs with those students to increase that pipeline. She also stated that the local community migrant health clinics serve a large Hispanic population. It is the University's goal to bring and attract as many Hispanic students as possible so that they can serve in the community clinics and mirror the communities that they serve.

Lt. Governor Habib congratulated PNWU on its recent accreditation and stated that he looked forward to visiting PNWU's campus sometime in the future. He asked how the financial terms from 2013 compare to the 2018 bonds.

Mr. Toepfer, of PFM, responded that for the 2013 bond issue, the bond markets were generally favorable. At the time PNWU was a new institution and was relatively new to the market. Mr. Toepfer added that rates were 3.71% for the 2013 issue. The interest rate for the 2018 bond issue will be 3.49%, a lower fixed rate for a longer period of time, amortized over 20 years. He concluded that issuing tax-exempt bonds

versus taxable bonds will generate gross savings of \$5.2 million and net present value savings of \$3.7 million for the University.

Lt. Governor Habib asked about the logic of using the draw down funding model and using cash initially. Mr. Toepfer replied the loan to value ratio would not be sufficient for the lender to fully fund the bond until construction of the academic building was completed.

Mr. Cohen asked Ms. Hittle when the first graduating class graduated and how many students were in that class. She replied that the first graduating class of 140 students was in 2013. She clarified that graduating classes complete 5 years of residency. Ms. Hittle then distributed materials about PNWU and their students to board members and staff.

Mr. Cohen asked for a motion to approve Resolution #18-01. Dr. Sharratt made the motion, and it was seconded by Lt. Governor Habib. The resolution was approved unanimously, 5-0.

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

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

Mr. Cook stated that the financial statement dated February 1, 2018 for the period ending December 31, 2017, showing assets of just over \$1.5

million and approximately \$52,000 of liabilities, leaving just over \$1.4 million in net asset position. Mr. Cook noted that revenue to date is approximately \$68,000 earned from issuance fees. Mr. Cook mentioned that as approved by the Authority's board, the Authority continued to waive its ongoing annual fees on bond issues during the current fiscal year to reduce the amount of reserves to an acceptable level. He added that expenses to date are approximately \$152,000 with a reduction in the net position of about \$84,000. He then asked if any board member had any questions or comments.

Mr. Cohen thanked Mr. Cook for the financial report. After hearing no further questions or comments from board members, he asked for a motion to accept the financial statement. Ms. Grace made the motion, and it was seconded by Dr. Sharratt. The motion was approved unanimously, 5-0.

**Invoice for  
Services**

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

Mr. Cook stated that the invoice from the Housing Finance Commission for October 1 through December 31, 2017, totaling \$48,233.35, has been reviewed and approved for payment by the Treasurer, Ms. Grace.

**Market Update**

Mr. Cohen introduced Dr. Sheryl Bailey, from Springsted, Inc., joining via teleconference, to present the market update.

Dr. Bailey mentioned that GDP growth slowed in the fourth quarter of 2017. She stated that there was a continued increase in overall employment and a steady decline in overall unemployment. She added that employment growth varies across states, but Washington had the highest percentage change in the non-farm employment rate. Also, she mentioned that rebounding home sales are still at levels below the pre-2008 recession levels.

Dr. Bailey commented that consumer retail sales went up in the late part of 2017, with inflation trending up. She referred to the latest Consumer Price Index (CPI) announcement. She added the Federal Reserve had just increased the federal funds rate by 0.25% in December 2017.

She commented that for the stock market, in the long term, there is still a bull market trend, with considerable volatility anticipated due to expected interest rate increases compounded by inflation fears.

She concluded that municipal bond volumes are now lower since last year's (2017) peak and that global growth has been strengthened with long-term challenges to remain.

**Bond Issue  
Status Report**

Mr. Cohen asked Mr. Edwards to present the bond issue status report. Mr. Edwards referenced the report dated February 6, 2018, showing the bonds that recently closed for Seattle University on December 27, 2017. He added that the report also shows one bond issue currently in progress for PNWU, noting that the board just approved the financing resolution for that bond issue.

Mr. Edwards then mentioned that PNWU anticipates another potential new money transaction for approximately \$20 million, estimated to close sometime in the summer of 2019. This bond issue is expected to finance a new 80,000 square foot Regional Center for Inter-professional Education. He added that no application has yet been submitted.

He noted that the Authority's 2017-2018 fiscal year goal was to complete \$30 million in tax-exempt bond issuances. With bond issues for Seattle University and PNWU totaling approximately \$88 million, the Authority is nearly 3 times over goal. In addition, the transactions generated a total of about \$6 million dollars in present value savings.

**Executive  
Director's  
Report**

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

Mr. Herman announced and congratulated Authority board member and Chair, Mr. Cohen, in his new role as Of-Counsel for the law firm of Holmquist & Gardiner PLLC. He added that Mr. Cohen will continue to practice in West Seattle.

Mr. Herman added that Mr. Cohen's current term on the Authority's board will expire on March 26, 2018. With Mr. Herman's support, Mr. Cohen will submit a request to the Governor's Office for reappointment.

Mr. Herman then gave an update to Authority board members regarding the recently enacted federal tax reform legislation – the Tax Cuts & Jobs Act of 2017.

Mr. Herman stated that municipal finance participants were thrown by the initial version of the Tax Act released in November. This version proposed to eliminate the tax-exemption for all private activity bonds, advance refunding bonds and certain stadium financings. What followed was an intense six weeks of hand-wringing, lobbying and rushing to close transactions at risk of losing their tax-exempt status if issued after December 31.

Mr. Herman gave a summary of the Tax Act. He commented further that most market participants expect to see a short term decrease in the

issuance of tax-exempt bonds resulting from the rush to market that occurred in December 2017 and the elimination of advance refunding bonds.

Mr. Herman mentioned further that the Tax Act did not provide transition rules for outstanding bonds that would have been eligible for tax-exempt advance refunding. As a result, market participants are exploring alternatives. While the long-term effects of the Tax Act on the public finance market are not known at this time, it is possible that the lower corporate tax rate will reduce the appetite of banks and insurance companies for tax-exempt debt, and the number of bond issues directly placed with banks may decrease.

Mr. Herman mentioned that the next NAHEFFA Spring Conference will be May 6-8, 2018 in Boston. He asked board members who want to attend to inquire with Ms. Johnson. He added that Mr. Edwards, Ms. Johnson, and Ms. Monillas will be attending. He added further that the Fall NAHEFFA Conference will be on September 11-14, 2018 in Denver, Colorado.

Mr. Herman announced that Ms. Violet Boyer, Executive Director of the Independent Colleges of Washington (ICW), is retiring.

Mr. Cohen and Dr. Sharratt both commended Mr. Herman and his staff for the good and thorough work they do. They both stated that it is a pleasure to serve on the Authority board.

Mr. Herman referenced a December 19, 2017 final analysis of tax-exempt benefit savings letter from Mr. John Wendling, Senior Vice President, Blue Rose Capital Advisors regarding the recently closed 2017 Seattle University bond issue. He stated that final net present value savings of \$2,276,478 was reported.

Mr. Herman then summarized two articles from *The Bond Buyer* and the *Chronicle of Higher Education* that were e-mailed to the board members earlier and included as handouts in brown folders.

Mr. Herman announced that May 3, 2018 is currently the date for the next regularly scheduled quarterly board meeting. He emphasized that if there was no business to conduct, this scheduled meeting would be cancelled.

He added that the remaining quarterly meetings for 2018, are scheduled for August 2 and November 1.

**Adjournment**

Mr. Cohen adjourned the meeting at 10:50 a.m.

---

Mr. Jerome Cohen, Secretary

---

Date