

Washington Higher Education Facilities Authority

MINUTES

June 14, 2021

Mr. Jerome Cohen, Board Secretary, called the special meeting of the Authority to order at 1:03 p.m. via Zoom and conference call.

Board members present on the line were Lt. Governor Denny Heck, Mr. Michael Meotti, Mr. Allan Belton, Ms. Claire Grace, and Dr. Gene Sharratt.

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

Also present on the line 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. Michael Nelson II, 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 Corporate Trust; and representing the University of Puget Sound (UPS), Ms. Sherry Mondou, Executive Vice President and Chief Financial Officer, and Mr. Nick Waugh of Stifel, Nicolaus & Co., placement agent to UPS.

Introduction of the New Board Member

Mr. Cohen introduced and welcomed newly elected Lt. Governor Denny Heck.

Mr. Cohen announced that Ms. Grace's final term as a board member expired in May, but that she agreed to continue to serve until the Governor appoints someone to her position. Mr. Cohen expressed gratitude to Ms. Grace for her eight plus years of service on the WHEFA board.

Approval of the Minutes

Mr. Cohen asked for a motion to approve the minutes of the meeting held on November 24, 2020. Mr. Belton made the motion, and it was seconded by Ms. Grace. 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 Ms. Grace served as Treasurer.

Mr. Cohen agreed to continue in his role as Secretary if the Board chose to nominate and re-elect him. Ms. Grace is unable to run for Treasurer again because her final term as a Board member ended in May. Dr. Sharratt volunteered to take on the role of Treasurer if he were nominated and elected.

Lt. Governor Heck made the motion to re-elect Mr. Cohen as Secretary and to elect Dr. Sharratt as Treasurer. The motion was seconded by Ms. Grace. The motion was approved unanimously, 5-0, with one abstention for each position.

**Action Item:
Approval of Resolution #21-01 for the University of Puget Sound**

Mr. Cohen introduced Ms. Johnson to present the staff recommendation for approval of Resolution No. 21-01.

Ms. Johnson stated that the board is being asked to consider a proposed issuance of tax-exempt revenue bonds for the University of Puget Sound in an amount not to exceed \$61,000,000.

Ms. Johnson gave a summary of the transaction. She corrected minor information in the financing application summary: the correct amounts for the bonds issued by the Authority in October 2012 should be \$34,805,000 (Series 2012A) and \$29,195,000 (Series 2012B) and the 2012B bonds were used to refund 2006B bonds that were held by Wells Fargo, not Bank of America.

Ms. Johnson said that a public hearing for this transaction was held on May 19, 2021. She stated that the Authority received approval from the Governor to issue the bonds. She also stated that the transaction is set to close on June 24, 2021.

Ms. Mondou provided additional information about the project. She expressed appreciation to the Authority, and everyone involved in the transaction. Mr. Waugh thanked everyone for their hard work in this project.

Dr. Sharratt inquired about the potential savings for the University from this transaction. Ms. Mondou stated that the net present value savings in excess of \$4.6 million over ten years is slightly more than half a million dollars per year.

Ms. Grace expressed her delight that the Authority is able to assist the University with these significant savings.

Lt. Governor Heck asked if the enrollment declines presented in the application summary are consistent with enrollment projections from other institutions. Ms. Mondou said that as a residential liberal arts college, there was a decline in their enrollment, but not unexpected given their mission. She added that the University expects that enrollment will grow modestly over time as it returns to larger class sizes. Ms. Mondou discussed some issues concerning demographics across the country. Mr. Belton added that there

appears to be a difference in the impact on regional institutions versus nationally known institutions.

Mr. Cohen asked for a motion to approve Resolution No. 21-01. Mr. Belton made the motion, and it was seconded by Dr. Sharratt. The resolution was approved unanimously, 6-0.

**Action Item:
Approval of
the Annual
Budget**

Mr. Cohen introduced Mr. Cook to present the proposed annual budget for the fiscal year beginning July 1, 2021 thru June 30, 2022.

Mr. Cook stated that the Authority is expecting two financings next fiscal year totaling \$30 million of proceeds.

Mr. Cook stated that the Authority intends to continue waiving the ongoing fee of 6 basis points on bonds outstanding to its client colleges and universities for another fiscal year. He stated that this will result in an estimated net position for the Authority on June 30, 2022 of approximately \$700,000, which is less than the target of \$1 million. He also stated that waiving the annual fee for the coming fiscal year will assist members in dealing with the effects of the COVID-19 pandemic.

Mr. Cook presented the Authority's budget summary and workplan for the fiscal year ending June 30, 2022.

Mr. Belton and Ms. Grace applauded the Authority's decision to waive the annual fee for the coming fiscal year.

Ms. Grace proposed adding the following to the performance measure: (1) Review policies to determine if further streamlining or modernization is prudent and make a report to the Authority about the decision; and (2)

Describe and evaluate efforts to enhance diversity and inclusion in agency operations and policies.

Mr. Cohen asked for a motion to accept the budget for fiscal year 2021-2022. Ms. Grace made the motion, and it was seconded by Mr. Belton. The motion was approved unanimously, 6-0.

**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 April 30, 2021, shows assets of just over \$1.1 million and approximately \$99,000 of liabilities, leaving just over \$1.0 million in net assets. He added that the Statement of Activities reflects current year to date revenue was approximately \$74,000. Mr. Cook said that expenses to date are approximately \$314,000, leaving a net reserve of about \$1 million.

Mr. Cook stated that the invoice from the Housing Finance Commission covering October 2020 through March 2021, totaling over \$151,000, has been approved by Board Treasurer, Ms. Grace.

Ms. Grace moved the acceptance of the financial statements, and it was seconded by Dr. Sharratt. The motion was approved unanimously, 6-0.

**Market
Update**

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

Mr. Toepfer reported that GDP growth in the first quarter was higher than expected due to increased consumer spending that resulted from additional stimulus funds. He said that the unemployment rate is currently above 6.1%, compared to pre-pandemic levels.

Mr. Toepfer presented an overview of interest rates. He said that rates have increased since the very lowest levels.

Mr. Toepfer compared the difference between taxable rates and tax-exempt rates. He said that there is a lot of demands for tax-exempt bonds. He added that rates may have fallen as a result of increased demand.

Mr. Toepfer reported that new issuance volume was up by 9% year-over-year in April, while year-to-date new issuance volume was 14% higher than 2020 issuance through April.

Mr. Toepfer showed consensus forecasts from numerous financial institutions. He stated that the rate will continue to rise, but at a very slow pace.

Mr. Toepfer gave a brief overview of the higher education credit and sector outlook. He also enumerated some of the modifications to Moody's proposed methodology.

Ms. Grace inquired whether more bonds were issued this year than the previous year. Mr. Toepfer stated that many highly rated institutions issued a large number of bonds, and investors are confident that these institutions will be able to withstand the pandemic situation. He said that the market is now starting to see a return on slightly low-rated institutions. He added that we anticipate a large amount of issuance, though it is debatable whether they need to borrow even if interest rates are low.

**Washington
Student
Achievement
Council Update**

Mr. Cohen introduced Mr. Meotti to provide an update on the Washington Student Achievement Council.

Mr. Meotti stated that enrollment across the state is a tough priority issue for the Council and many state leaders. He referenced some details that relate to

the currently projected enrollment cliff. He also stated that college enrollment has been fluctuating for several years.

Lt. Governor Heck inquired about the number of public colleges that have declared a state of financial exigency and how many more are expected to do so. Mr. Meotti said that only Central Washington University declared financial exigency early in the COVID-19 pandemic last spring and that no more are expected. He added that the board made the decision for a variety of reasons. Federal funding is a significant factor in averting far more severe damage.

Mr. Belton praised WSAC for its efforts to assist students, particularly students of color and first-generation students.

**Bond Issue
Status Report**

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

Mr. Edwards stated that the next potential bond transactions are as follows: \$20 million for Pacific Northwest University of Health Sciences' Regional Center for Inter-professional Education; \$20 million for Whitworth University's new residence hall; and \$37 million for University of Puget Sound to refund the 2021B taxable bonds with tax-exempt bonds, totaling \$77 million of potential bond issues.

Mr. Edwards stated that after the closing of the UPS bond on June 24, 2021, the Authority will have met its goal for the current fiscal year with bond issues totaling approximately \$120 million and PV savings of \$6.9 million.

**Executive
Director's
Report**

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

Mr. Walker said that board recruitment is in the process. He stated that a recruitment announcement was distributed widely to actively recruit

applicants from BIPOC and underrepresented communities. He added that Gubernatorial appointments take time.

Mr. Cohen asked about the recruitment process. Mr. Walker described how the Authority selects applicants to be recommended to the Governor, who makes the final decision. He added that while the Governor can choose from the list, he sometimes appoints members who are not on it.

Mr. Walker announced the leadership changes to the Authority's member schools.

Mr. Walker spoke about the Authority's efforts in the areas of diversity, equity, and inclusion.

Mr. Walker stated that a record number of higher education bills passed the legislature this past session. He listed some of the bills that were passed and stated that there was no legislation that directly affected the Authority.

Mr. Walker stated that the Fall 2021 NAHEFFA conference will be held in Milwaukee, Wisconsin on September 8-10, 2021. He said that the conference will be held both in person and online. He asked board members who want to attend to inquire with Ms. Monillas.

Mr. Walker shared a press release titled “The Characteristics of Positive Outlier Schools: Illuminating the Strengths of American Indian/Alaska Native, Black, Latino/a, and Students Experiencing Poverty” from the Center for Educational Effectiveness (CEE). He said that Dr. Sharratt, an Authority board member who currently serves as a Senior Research Advisor for the CEE, was one of the primary individuals who worked on the grant, conducted the research and analysis, and wrote the report. Dr. Sharratt stated that this was an 18-month long study supported by the Bill and Melinda Gates

Foundation. He explained how the study came about and how it was carried out. He added that these outlier schools have a strong sense of leadership and are truly exceptional at what they do.

Mr. Cohen commended Dr. Sharratt's report and hoped that it could be used by other schools to foster positive achievement.

Mr. Walker gave a summary of relevant articles in the board meeting packet. He added that the next board meetings are scheduled for August 5, 2021 and November 4, 2021.

Adjournment

Mr. Cohen adjourned the meeting at 2:34 p.m.

Mr. Jerome Cohen, Secretary

Date