

Washington Higher Education Facilities Authority

MINUTES

November 10, 2021

Mr. Jerome Cohen, Board Secretary, called the special meeting of the Authority to order at 1:02 p.m. via Zoom and conference call.

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

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; 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. Larry Probus, Vice President of Finance and Administration, Whitworth University; Mr. Peter Harvey, Chief Financial Officer at Whitman College; and Ms. Amy Sutherland and Ms. Kellie McKenna of Moss Adams, LLP.

Introduction of the New Board Member

Mr. Cohen introduced and welcomed the new board member, Ms. Jasmine Minato. Ms. Minato expressed her pleasure at being appointed to the board.

Mr. Cohen thanked Ms. Claire Grace, a former WHEFA board member, for her eight-plus years of service on the WHEFA board. Ms. Grace thanked the Authority for its outstanding service to the community.

Mr. Cohen announced the upcoming retirements of Mr. Paul Edwards, the Authority's Deputy Director, and Mr. Bob Cook, the Authority's Senior Finance Director. Mr. Cohen expressed his gratitude to Mr. Edwards and Mr. Cook for their invaluable contributions to the Authority.

Approval of the Minutes

Mr. Cohen asked for a motion to approve the minutes of the meeting held on June 14, 2021. Mr. Belton made the motion, and it was seconded by Dr. Sharratt. The minutes were approved unanimously, 5-0.

**Action Item:
Approval of
Resolution #21-02
for Whitworth
University**

Mr. Cohen introduced Ms. Monillas to present staff recommendation for approval of Resolution No. 21-02.

Ms. Monillas stated that the board is being asked to consider the proposed issuance of tax-exempt revenue and refunding revenue bonds for Whitworth University in an amount not to exceed \$23 million.

Ms. Monillas gave a summary of the transaction and said that a public hearing for this transaction was held on October 7, 2021. She stated that the Authority received approval from the Governor to issue the bonds. The transaction is set to close on January 4, 2022.

Mr. Larry Probus provided additional project information. He stated that the University will take advantage of the low interest rate environment and use some of the savings from the refunding to reimburse themselves for approximately \$5 million in costs associated with the new Innovation Lab.

Mr. Cohen asked for a motion to approve Resolution No. 21-02. Lt. Governor Heck made the motion, and it was seconded by Mr. Belton. The resolution was approved unanimously, 5-0.

**Action Item:
Approval of
Resolution #21-03
for Whitman
College**

Mr. Cohen introduced Ms. Johnson to present the staff recommendation for approval of Resolution No. 21-03.

Ms. Johnson stated that the board is being asked to consider a proposed issuance of taxable and tax-exempt refunding revenue bonds for Whitman College in an amount not to exceed \$65 million.

Ms. Johnson stated that the packet revisions were provided on the day of the meeting as a result of a last-minute structure change. She then gave a summary of the transaction and said that a public hearing for this transaction was held on October 12, 2021. She stated that the Authority received approval from the Governor to issue the bonds. The transaction is set to close on November 30, 2021.

Mr. Harvey provided additional information about the project. He stated that the College is not taking on additional debt. They will be financing the cost of the termination of interest rate swaps and simplifying their bond structure. He enumerated the benefits that the College will gain from this project. Mr. Harvey expressed appreciation to the Authority, and everyone involved in the transaction.

Mr. Cohen asked for a motion to approve Resolution No. 21-03. Lt. Governor Heck made the motion, and it was seconded by Dr. Sharratt. The resolution was approved unanimously, 5-0.

**Action Item:
Acceptance of
the Final Audit
Report**

Mr. Cook introduced Ms. Amy Sutherland and Ms. Kellie McKenna to present a summary of the Audit Report to the Authority board.

Ms. Sutherland presented the overall results of the audit. She highlighted that they are providing an unmodified opinion, stating that the financial statements

were presented fairly and in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Ms. McKenna stated that they reviewed the application of accounting policies and have taken note of any changes in governance. She concluded that no significant accounting policies had changed for the fiscal year ending June 30, 2021. She added that the Authority has selected and applied significant accounting policies appropriately and consistently with those of the prior year.

Ms. McKenna noted that the Authority has investments currently held as cash equivalents within the State Local Government Investment Pool.

Ms. McKenna said that the Authority implemented GASB 91 last year, which removed all conduit debt from the statement of net position. She stated that Note 5 continues to disclose all outstanding debt balances.

Ms. McKenna listed additional communications related to the audit process. She emphasized that auditors had no difficulties or disagreements with Authority staff during the audit.

Lt. Governor Heck inquired about statements in the Economic Outlook portion of the Audit Report. Mr. Cook stated that the statements were provided by Authority staff. Mr. Cook stated that fewer new money financings are a trend that has occurred in the last two years. He added that while there aren't many new money projects being done, there have been refundings that have resulted in more advantageous rates for our borrowers.

Given market uncertainties, the Lt. Governor inquired about the Authority's future projects. Mr. Cook stated that it is up to the schools to decide when they want to do a financing. He also mentioned that many of the Authority's

member institutions work with financial advisors. Mr. Belton shared his insights about the issue from the school's perspective.

Mr. Cook commended Moss Adams and Authority staff, Mr. Loranger, for a smooth audit process. He then reminded the board to read Notes 1 and 2, which discuss the Authority and its major accounting policies.

Mr. Cohen asked for a motion to accept the final Audit Report. Lt. Governor Heck made the motion, and it was seconded by Dr. Sharratt. The final audit was accepted unanimously, 5-0.

**Action Item:
Approval 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 September 30, 2021 shows assets of just over \$1 million and approximately \$70,000 of liabilities, leaving just over \$1 million in net assets.

Mr. Cook stated that the invoice from the Housing Finance Commission covering April 2021 through September 2021, totaling over \$148,000, has been approved by Board Treasurer, Dr. Sharratt.

Lt. Governor Heck moved approval of the financial statements, and it was seconded by Mr. Belton. The motion was accepted unanimously, 5-0.

**Market
Update**

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

Mr. Toepfer reported that the Federal Reserve decided to reduce monthly bond purchases by \$15 billion dollars. He discussed current inflation as well as potential rate hikes in the future.

Mr. Toepfer stated that the unemployment rate has lowered to 4.6%.

Mr. Toepfer presented a graph that outlined how the tax-exempt market prices bonds. He stated that short-term interest rates are starting to increase.

Mr. Toepfer showed a comparison between tax-exempt and taxable interest rates over the last year. He noted that interest rates have been volatile in the previous year. He then presented a historical overview of interest rates.

Mr. Toepfer said that municipal market supply is still lower than a year ago. He added that less competition in the market is a good thing.

Lt. Governor Heck inquired about the future of municipal bond issuance following the passage of the Infrastructure Investment and Jobs Act. Mr. Toepfer stated that, while there are many unanswered questions about the infrastructure bill, he believes that having an additional funding source is a good thing. They do not yet have a true assessment of what this will bring to the market.

Mr. Toepfer showed a consensus forecast from numerous financial institutions as reported by Bloomberg.

Ms. Minato inquired about the market conditions that led to the supply shift from May to July 2020. Mr. Toepfer outlined some of the reasons for the shift in market supply.

**Introduction of
the New
WHEFA
Website**

Mr. Cohen introduced Ms. Monillas to present an overview of the new WHEFA website.

Ms. Monillas presented the new website and discussed some of its highlights. She stated that the Authority had received numerous compliments on the new website.

**Bond Issue
Status Report**

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

Mr. Edwards expressed his appreciation for being a member of the Authority staff and serving the board.

Mr. Edwards stated that with the approval of the financing resolutions for Whitworth University and Whitman College, these transactions will now proceed to closing.

Mr. Edwards stated that the next potential bond transactions are as follows: \$20 million in new money for Pacific Northwest University of Health Sciences' Student Learning Collaborative building; and a \$37 million refunding for University of Puget Sound.

Mr. Edwards stated that the Whitman College bond, which is scheduled to close on November 30, 2021, will be the first closed bond issue of the current fiscal year, followed by the Whitman University bond, which is scheduled to close on January 4, 2022.

**Executive
Director's
Report**

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

Mr. Walker summarized the Authority's member colleges and universities' leadership turnover.

Mr. Walker reported that with the assistance of the Authority, the final savings letter prepared by Stifel for the University of Puget Sound transaction that closed in June showed the University saved over \$2.8 million.

Mr. Walker gave a summary of relevant articles in the board meeting packet. He added the next board meetings are scheduled for February 3 and May 5, 2022. He noted that if there is no business to conduct, the meeting will be cancelled.

Adjournment

Mr. Cohen adjourned the meeting at 2:18 p.m.

Mr. Jerome Cohen, Secretary

Date