Washington Higher Education Facilities Authority

Authority Meeting

June 17, 2019

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

Meeting Agenda

YOU ARE HEREBY NOTIFIED that the **W**ashington **H**igher **E**ducation **F**acilities **A**uthority will hold a **Special Meeting** at 1:00 p.m. Pacific Time on Monday, June 17, 2019, in the Board Room at the Authority's offices located at 1000 Second Ave., Suite 2800, Seattle, WA 98104 to consider the following:

I. CALL TO ORDER: *Chair*

II. APPROVAL OF THE JULY 9, 2018 SPECIAL MEETING MINUTES: *Chair* 1

III. CONSIDER AND ACT ON THE FOLLOWING ITEMS:

A. Election of Secretary and Treasurer for one-year term – *Mr. Kim Herman* 2

B. Review and consider approval of WHEFA Policy revisions – *Ms. Carol Johnson* 3

C. Review and consider adopting the Annual Budget for the period July 1, 2019 – June 30, 2020 – *Mr. Bob Cook* 4

D. Review and consider approval of the Financial Statement – *Mr. Bob Cook* 5

IV. INFORMATION ITEMS

A. Invoice for Services – *Mr. Bob Cook* 6

B. Market Update – *Ms. Elizabeth Bergman, Baker Tilly Municipal Advisors, LLC.* 7

C. Bond Issue Status Report – *Mr. Paul Edwards* 8

D. Executive Director's Report – *Mr. Kim Herman*

E. Authority Meeting Schedule – *Mr. Kim Herman*

1. November 7, 2019

V. PUBLIC COMMENT: *Chair*

VI. MISCELLANEOUS BUSINESS AND CORRESPONDENCE 9

VII. EXECUTIVE SESSION (*if necessary*)

VIII. ADJOURN

Board Members may participate in the Special Meeting by dialing in on the designated call-in number.

TAB 1

Washington Higher Education Facilities Authority

MINUTES

July 9, 2018

Mr. Jerome Cohen, Board Secretary, called the special meeting of the Authority to order at 10:00 a.m.

Board members Mr. Cohen and Dr. Gene Sharratt were present in the Board Room, located at 1000 Second Avenue, 28th Floor in Seattle, WA 98104. Board members Mr. David Schumacher, Lieutenant Governor Cyrus Habib, Mr. Michael Meotti, Dr. Roy Heynderickx and Ms. Claire Grace 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; and Ms. Rona Monillas, Program Assistant.

Also present were: Ms. Faith Pettis of Pacifica Law Group, the Authority's bond counsel; Mr. Dan Gottlieb of Hillis Clark Martin & Peterson; Mr. Thomas Toepfer of Public Financial Management (PFM) Inc., the Authority's financial advisor; and Ms. Debbie Kuykendall of U.S. Bank Corporate Trust.

Ms. Christine Ok of U.S. Bank Corporate Trust and Mr. Michael Nelson II, Assistant Attorney General from the Washington Attorney General's Office were present by phone.

Approval of the Minutes

Mr. Cohen asked for a motion to approve the minutes for the meeting held on February 15, 2018. Dr. Sharratt made the motion, and it was seconded by Ms. Grace. The minutes were approved unanimously, 7-0.

Election of Secretary and Treasurer

Mr. Cohen introduced Mr. Herman to present the election of Board Secretary and Treasurer. Mr. Herman 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.

Both Mr. Cohen and Ms. Grace agreed to continue their roles as Secretary and Treasurer if the Board chooses to nominate and re-elect them.

Lt. Gov. Habib made the motion to re-elect Mr. Cohen as Secretary and Ms. Grace as Treasurer. The motion was approved unanimously, 5-0, with two abstentions.

Consider and Act on Staff Recommendations Regarding Selection of Legal Counsel for the Authority

Mr. Cohen introduced Mr. Herman to present staff recommendations regarding selection of legal counsel for the Authority. Mr. Herman stated that every two years, the Authority selects a law firm to serve as bond counsel, special tax counsel, and tax counsel through a Request for Proposals (RFP) process. The Authority's current contracts with Pacifica Law Group for legal services and Foster Pepper for alternate legal services expired on June 30, 2018.

Mr. Herman proceeded with the outline of the RFP process and recognized all applicants for their time and thoughtful submittals. He stated that based upon the review of the written proposals and the interview process, staff recommends that the Authority contract with Pacifica Law Group as primary legal counsel and Hillis Clark Martin & Peterson as backup and alternate legal counsel in the event of conflict of interest or for other legal services as circumstances dictate. He added that both firms were informed about the staff recommendations.

Lt. Gov. Habib asked the reason behind notifying the applicants on the staff recommendations prior to the approval from the Board. Mr. Herman said that the staff normally inform the firms prior to the board meeting as a form of courtesy to give the applicants the option whether they want to attend the meeting or not.

Mr. Cohen asked for a motion to accept staff recommendations for legal counsel. Dr. Sharratt made the motion and it was seconded by Ms. Grace. The motion was approved unanimously, 7-0.

Action Item: Approval of Annual Budget

Mr. Cohen introduced Mr. Cook to present the proposed annual budget for the fiscal year beginning July 1, 2018 thru June 30, 2019. Mr. Cook stated that the staff has budgeted for two financings totaling $30 million during the year. He added that the application and issuance fees related to those financings will be $37,500. Expenses are budgeted to be over $500,000.

Mr. Cook stated that the staff is recommending that the Authority continue to waive the annual six basis point fee on bonds outstanding to its college and university clients. He anticipates that this will produce a deficit because of the small amount of revenue that the Authority expects to receive. He added that the Authority anticipates reinstating the fee in the next fiscal year, beginning July 1, 2019.

Dr. Sharratt asked how the Authority determines its needs in terms of strategic planning. Ms. Johnson responded that the Authority stays in contact with all its member schools and meets with them at least once a year. She added that the information that the staff gets through campus visits as well as the information on the school's websites helps with future planning. Dr. Sharratt thanked Ms. Johnson and added that this helps the Authority with budgeting.

Mr. Cohen inquired about the schedule of school visits. Ms. Johnson said that school visits occur throughout the year and are based on the availability of the school and Authority staff. She mentioned that eastern Washington visits are usually mid-October.

Mr. Cohen asked for a motion to accept the budget for fiscal year 2018. Ms. Grace made the motion and it was seconded by Dr. Heyndericks. The motion was approved unanimously, 7-0.

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 for the period ending May 31, 2018, shows assets of just over $1.4 million and approximately $102,000 of liabilities, leaving just over $1.3 million in net asset position. Mr. Cook noted that revenue to date is approximately $123,000. He added that expenses to date are approximately $275,000 with a reduction in the net position of about $152,000.

Mr. Cohen thanked Mr. Cook for the financial report. After hearing no questions or comments from board members, he asked for a motion to accept the financial statement. Dr. Sharratt made the motion, and it was seconded by Ms. Grace. The motion was approved unanimously, 7-0.

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

Invoice for Services

Mr. Cook stated that the invoice from the Housing Finance Commission for January 1 through March 31, 2018, totaling $56,632.98, has been reviewed and approved for payment by the Treasurer, Ms. Grace.

Market Update

Mr. Cohen introduced Mr. Thomas Toepfer of PFM Financial Advisors to present the market update.

Mr. Toepfer started his report noting the following: a healthy domestic economy, a very low unemployment rate, a relatively good GDP growth, and increasing asset value and home prices. He mentioned that the geopolitical risks such as relationships with other countries and issues on tariffs and trade wars are keeping rates relatively low, even though the healthy domestic economy generally results in higher rates.

Mr. Toepfer stated that the short-term tax-exempt rates continue to rise faster than long-term rates. He added that despite the increase in rates, long term tax-exempt rates are still low from a historical perspective. He added that over the past 20 years, tax-exempt rates have steadily declined and have generally mirrored the trends of taxable rates.

Mr. Toepfer reported that municipal bond issuance was down by 19% in June and is down by 20% year-to-date through the end of June. He explained the effect of the Tax Cuts and Jobs Act of 2017 on supply and demand in the market and added that the trend is good for borrowers due to lack of competition.

Mr. Toepfer presented a consensus forecast from different financial institutions and concluded that most market participants expect interest rates to rise throughout 2018.

Dr. Sharratt asked Mr. Toepfer if the market is good enough to make our clients consider refinancing. Mr. Toepfer responded that market rates are favorable for borrowers, but noted that tax reform restricted their ability to advance refund bonds.

Bond Issue Status Report

Mr. Cohen asked Mr. Edwards to present the bond issue status report. Mr. Edwards referenced the report dated June 27, 2018, showing a summary of the bonds for the fiscal year ended in June 30, 2018. He stated that the Authority ended fiscal year 2017 with one potential bond issue for Pacific Northwest University ("PNWU") which will be carried over to fiscal year 2018.

Mr. Edwards reported that for the past fiscal year, the Authority closed bond issues for PNWU and Seattle University. He stated that the goal for the 2017 fiscal year was to complete $30 million in tax-exempt bond issuances. With bond issues for Seattle University and PNWU totaling approximately $84.5 million, the Authority is nearly 2.8 times over goal. In addition, the transactions generated about $5.9 million dollars in present value savings for the universities.

Mr. Edwards proceeded with the second bond status report dated July 1, 2018 for the fiscal year 2018. He stated that the Authority began the fiscal year with a potential bond issue from PNWU which is not expected to close until the summer of 2019. He added that the fiscal year 2018 goal is to complete two bond issues totaling approximately $30 million by June 30, 2019.

Mr. Cohen asked whether the PNWU bond issue scheduled to close in the summer of 2019 would be part of the next fiscal period. Mr. Edwards said that it will be part of the 2018 fiscal year if we close by June 30, 2019 and added that it is just an assumption since the Authority hasn't received an application yet. Ms. Johnson added further that PNWU has been talking about this potential financing for the past 2-3 years. They prefer to use as little debt as possible, so they are continuing to fundraise.

Executive Director's Report

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

Mr. Herman congratulated Authority board member and Chair, Mr. Cohen, for being appointed by the Governor for his second four-year term. He commended Mr. Cohen's excellent job for the Authority.

Mr. Herman mentioned that Mr. Edwards and Ms. Johnson made a trip to Wenatchee in mid-May to meet with Dr. Sharratt for the official WHEFA board orientation.

Mr. Herman announced that Ms. Violet Boyer, Executive Director of the Independent Colleges of Washington (ICW), retired on June 30. He mentioned that most of the Authority's member colleges and universities are also members of ICW. He then gave an update to Authority board members regarding the changes in leadership in its member schools.

Mr. Herman gave a quick recap of the NAHEFFA spring conference held in Boston last May. He added that the next NAHEFFA Fall conference will be September 11-14 in Denver, Colorado. He asked board members who want to attend to inquire with Ms. Monillas.

Mr. Herman gave a summary of relevant articles available in the board meeting packet. He added that the next meeting for 2018 is on November 1. He noted that if there is no business to conduct, the meeting will be cancelled.

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

______________________________ ______________

Mr. Jerome Cohen, Secretary Date

TAB 2

Washington
Higher Education Facilities Authority
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046
Tel: (206) 287-4403
Fax: (206) 587-5113

M E M O R A N D U M

DATE: June 10, 2019

TO: Authority Members

FROM: Carol Johnson

CC: Kim Herman, Paul Edwards, Bob Cook, Debra Stephenson

RE: **Election of Secretary and Treasurer**

Background:

The Secretary acts as chair of the Board when the Governor is not present. In addition to acting as chair, the Secretary may also be required to sign documents from time to time for the Authority. The position is open to any member of the Board, and there is no statutory limit on the number of times a member can hold the position.

The statute reads:

> *The Governor shall serve as chairperson of the Authority. The Authority shall elect annually one of its members as secretary. If the governor shall be absent from a meeting of the Authority, the secretary shall preside. RCW 28B.07.030 (3)*

In addition, the Authority has chosen in the past to elect a Treasurer. The Treasurer is elected to assure that there is specific Board attention to the financial affairs of the Authority. This position is usually elected at the same meeting in which the Secretary is elected.

The elected officer positions are currently held by Mr. Jerome Cohen as Secretary and Ms. Claire Grace as Treasurer.

Action:

The Board is required by statute to elect a Secretary from among its members and may choose to elect a Treasurer. Both positions serve for a one-year term.

Staff recommends that both positions be filled. For these positions, a simple majority vote is required by the members in attendance.

TAB 3

Washington
Higher Education Facilities Authority
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046
Tel: (206) 287-4403
Fax: (206) 587-5113

Date: June 10, 2019

To: Authority Members

From: Carol Johnson

Re: Proposed WHEFA Policy Changes

CC: Kim Herman, Paul Edwards, Rona Monillas, Bob Cook, Debra Stephenson

Staff has worked closely with our legal counsel to develop the recommended policy revisions being presented to you. This year there are three changes that are not considered substantive. The proposed policy changes are intended to incorporate changes to the new TEFRA* regulations governing public hearings and to clarify existing policies around unrated bonds.

As always, Authority policy changes are drawn up with the consideration that policy modifications should not alter our own policy objectives, should not compromise the service we provide, and should not add any extra burden to our current and future clients.

The following attached documents outline the changes we are recommending to you:

- Proposed WHEFA Policy Change Summary
- Black line copy of proposed policy changes - Excerpted from the WHEFA Facility Financing Policy Guide
- Clean copy of proposed policy changes – Excerpted from the WHEFA Facility Financing Policy Guide

RECOMMENDATION:

At this time we are respectfully requesting that the Board consider approval of staff recommendations for changes to the Authority Policy Guide to be effective July 1, 2019.

* 1982 Tax Equity and Fiscal Responsibility Act (TEFRA)

PROPOSED WHEFA POLICY CHANGE SUMMARY

June 10, 2019

This document summarizes the policy changes. Page numbers refer to the draft black line policy document which follows.

1. Section VI G, pg. 10. Public Hearing and Governor Approval. <u>Incorporates changes to new TEFRA regulations governing public hearings.</u>

   Objective: This section has been updated to recognize changes to TEFRA regulations that were published December 31, 2018. Changes apply to all projects beginning April 1, 2019. Moving forward the public hearing notice will more generally identify a project and its location and will clearly state the principal amount of the bonds. *Department of the Treasury / IRS Regulatory change.*

2. Section VIII D, pg. 12. Public Sale. <u>Clarifies that a rating withdrawal will not be permitted during the life of the bonds.</u>

   Objective: In the past this was implied, but not clearly stated. Due to recent inquiries regarding a voluntary rating withdrawal, we decided it was necessary to be very clear and remove all question. *No change in policy or procedure. Administrative clarification only.*

3. Section VIII E, pg. 13. Requirements for Privately Placed/Unrated Bonds. <u>Clarifies what constitutes an unrated bond and removes a reference to the Authority having a rating.</u>

   Objective: <u>The only unrated bonds that the Authority issues are privately placed bonds. The Authority does not have a rating.</u> *No change in policy or procedure. Administrative clarification only.*

The underwriter or borrower's representative will schedule a scoping meeting in consultation with the Authority, bond counsel, and the Authority's financial advisor (if any).

G. Public Hearing and Governor Approval

The Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") requires that a public hearing be held after reasonable notice to gather testimony regarding the use of tax-exempt bond financing. The testimony is then submitted to the applicable elected representative of the jurisdiction in which the facility is located for their consideration and approval. In the Authority's case, that is the Governor of the State.

TEFRA requires the Authority to hold a public hearing for each of its new money bond issuances. As determined by the Authority's bond counsel, a public hearing may be required when an issue is current refunded and the bond structure is significantly altered or the maturity of the bonds is extended.

The public hearing notice will 1) identify the borrower 2) identify the project ~~property~~ location; 3) generally describe the ~~proposed~~ project type; 4) and list the proposed ~~proposed not-to-exceed~~ principal amount of ~~financing~~the bonds. The hearing notice will be published on the Authority's website at www.whefa.org in accordance with proposed Internal Revenue Service (IRS) regulations and Code requirements. The Authority sends a summary of the public hearing to the Governor for review and approval.

If an application is amended or resubmitted, a new public hearing may be required. A new hearing must be held if the bond issue for a project does not close within 12 months after the date of the Governor's approval.

NOTE: The Authority does not consider issues such as the environmental impact or zoning of the project. Such issues are appropriately raised with the applicable land use jurisdiction at the local level.

H. Financing Resolution

The Authority considers and acts on a bond financing resolution to approve the documents and the sale of the bonds when the appropriate documentation is in substantially final form. Generally, neither the borrower nor the lender needs to be present for this meeting.

The financing resolution will set a maximum bond issue amount and maximum interest rate at which the bonds can be sold and/or the level of savings expected in a refunding, and will delegate signing authority to the Authority's Executive Director or designee.

VIII. Financing Requirements

A. Security

All Authority-issued bonds, whether publicly sold or privately placed, require as security a first lien against any unexpended proceeds of the bonds and amounts held by the trustee in special funds created by the Authority for payment of the bonds.

B. Trustee, Fiscal Agent, or Paying Agent Requirement

A trustee, fiscal agent or paying agent is required for all transactions. The role necessary will be determined by the nature of the transaction.

C. Monthly Reporting

Once a transaction has been completed, the Authority requires, on a monthly basis and within five days of month end, a report detailing the principal amount of the bonds outstanding, including the principal and interest payments. The assigned Trustee, Fiscal Agent, or Paying Agent will prepare this report.

D. Public Sale

In order to ensure financial stability and to track the performance of its bonds, the Authority requires each publicly sold bond issue to have a long-term investment grade debt rating from one or more of the following firms: Standard & Poor's, Moody's Investors Service, Fitch Ratings or a comparable nationally recognized rating agency satisfactory to the Authority. A long-term investment grade debt rating is defined as BBB- or higher by Standard & Poor's and Fitch Ratings and Baa3 or higher by Moody's Investors Service. A rating withdrawal by the borrower will not be permitted during the life of the bonds.

The required rating may be based upon the financial strength of the educational institution or achieved with the use of credit enhancement.

As determined to be appropriate by the Authority, bond issues rated on the strength of the institution without credit enhancement may require as security one or any combination of (a) through (e) below or other security, including pledges or negative pledges:

a) A first lien against any unexpended proceeds of the bonds;
b) A first lien against moneys in the special fund or funds created by the authority for their payment;
c) A first or subordinate lien against the revenue and receipts of the participant or participants which revenue is derived in whole or in part from the project financed by the authority;

d) A first or subordinate security interest against any real or personal property, tangible or intangible, of the participant or participants, including, but not limited to, the project financed by the authority; or
e) Any other real or personal property, tangible or intangible.

The Authority, in consultation with the Finance Team, will determine the security required for those bonds rated on the strength of the institution without credit enhancement.

If the borrower itself does not have an investment grade rating, the bond issue can be supported with a credit enhancement. Typically, that could be either a bank letter of credit or bond insurance.

E. Requirements for Privately Placed/Unrated Bonds

As an instrumentality of the State of Washington, the Authority issues "unrated bonds" only when privately placed ~~in limited circumstances~~ in order to protect investors and to maintain its ~~rating and~~ reputation.

Since the Authority issues a range of bonds to a variety of investors in a changing marketplace, it is impossible to establish a single unchanging set of procedures to assure compliance with these essential principles. Rather, the Authority delegates to the Executive Director of the Authority the discretion, to be exercised by reference to this Facility Financing Policy Guide as adopted by the Authority, to assure that these essential principles with respect to unrated bonds are met on each transaction.

Projects proposed to be financed with unrated bonds will be evaluated for potential risk to the investors and to the reputation of the State.

The Authority will adhere to the following additional policies when issuing unrated bonds which are privately placed.

1. Bond Ownership

An unrated bond can have only one owner at a time. An unrated bond cannot be sold to another owner unless either:

- A bond rating is obtained, which is acceptable to the Authority and would be sufficient to permit a public offering; or
- The bond is sold in a secondary offering that meets all the requirements for a private placement.

Only the following types of owners will be considered for the placement of unrated bonds:

- A lending institution which is subject to regulation by a national or state regulatory body; or
- A Securities Exchange Commission (SEC) registered entity; or
- A financial or other institution, governmental agency, or individual approved by the Authority, that demonstrates the capability to analyze sufficiently the risk involved in the transaction and is not purchasing for more than one account or with a view to distributing the bonds.

2. Sophisticated Investor Letter

A "sophisticated investor" letter or "certificate of purchaser," in a form acceptable to the Authority must be provided by each investor, in which the investor acknowledges having sufficient knowledge and experience to properly evaluate the investment being offered.

3. Bond Funds

Bond funds must be SEC registered to qualify as purchasers of unrated bonds. The bond fund must certify at closing that the unrated bonds purchased are less than two percent of the total bond fund and that after purchase; the bond fund has no more than five percent of its portfolio invested in unrated bonds of the Authority.

4. Requirements for Transfer

In order to transfer ownership from a single owner to another single owner, a resale or transfer of ownership must be in compliance with the policies, requirements, and terms imposed by the Authority upon the initial bond owner.

In order to transfer bonds from a single owner to multiple owners, the bonds must have a credit enhancement or conform to the rating policies of the Authority.

F. Derivatives and Interest Rate Swaps

In connection with the issuance of bonds or other obligations, borrowers may enter into certain "payment agreements" including interest rate swaps, ceilings or floors (collectively, "Swaps"), on either a current or forward basis. Swaps can be entered into for the purpose of managing or reducing the borrower's exposure to fluctuations in interest rates or for lowering the net cost of borrowing on Authority bonds.

Borrowers may enter into Swaps at bond closing or at another time. The Authority is not a party to such agreements and has no financial or other interest in such payment agreements, except in situations where the agreement is integrated with the bonds for tax purposes, e.g., to establish a fixed bond yield on swapped variable rate bonds or to allow certain payments to be taken into account in calculating bond yield. In the latter case, a) the terms of the Swap and the process for entering into the Swap must be reviewed and

PROPOSED WHEFA POLICY CHANGE

(Clean Pages)

The underwriter or borrower's representative will schedule a scoping meeting in consultation with the Authority, bond counsel, and the Authority's financial advisor (if any).

G. Public Hearing and Governor Approval

The Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") requires that a public hearing be held after reasonable notice to gather testimony regarding the use of tax-exempt bond financing. The testimony is then submitted to the applicable elected representative of the jurisdiction in which the facility is located for their consideration and approval. In the Authority's case, that is the Governor of the State.

TEFRA requires the Authority to hold a public hearing for each of its new money bond issuances. As determined by the Authority's bond counsel, a public hearing may be required when an issue is current refunded and the bond structure is significantly altered or the maturity of the bonds is extended.

The public hearing notice will 1) identify the borrower 2) identify the project location; 3) generally describe the project type; 4) and list the proposed principal amount of the bonds. The hearing notice will be published on the Authority's website at www.whefa.org in accordance with proposed Internal Revenue Service (IRS) regulations and Code requirements. The Authority sends a summary of the public hearing to the Governor for review and approval.

If an application is amended or resubmitted, a new public hearing may be required. A new hearing must be held if the bond issue for a project does not close within 12 months after the date of the Governor's approval.

NOTE: The Authority does not consider issues such as the environmental impact or zoning of the project. Such issues are appropriately raised with the applicable land use jurisdiction at the local level.

H. Financing Resolution

The Authority considers and acts on a bond financing resolution to approve the documents and the sale of the bonds when the appropriate documentation is in substantially final form. Generally, neither the borrower nor the lender needs to be present for this meeting.

The financing resolution will set a maximum bond issue amount and maximum interest rate at which the bonds can be sold and/or the level of savings expected in a refunding, and will delegate signing authority to the Authority's Executive Director or designee.

VIII. Financing Requirements

A. Security

All Authority-issued bonds, whether publicly sold or privately placed, require as security a first lien against any unexpended proceeds of the bonds and amounts held by the trustee in special funds created by the Authority for payment of the bonds.

B. Trustee, Fiscal Agent, or Paying Agent Requirement

A trustee, fiscal agent or paying agent is required for all transactions. The role necessary will be determined by the nature of the transaction.

C. Monthly Reporting

Once a transaction has been completed, the Authority requires, on a monthly basis and within five days of month end, a report detailing the principal amount of the bonds outstanding, including the principal and interest payments. The assigned Trustee, Fiscal Agent, or Paying Agent will prepare this report.

D. Public Sale

In order to ensure financial stability and to track the performance of its bonds, the Authority requires each publicly sold bond issue to have a long-term investment grade debt rating from one or more of the following firms: Standard & Poor's, Moody's Investors Service, Fitch Ratings or a comparable nationally recognized rating agency satisfactory to the Authority. A long-term investment grade debt rating is defined as BBB- or higher by Standard & Poor's and Fitch Ratings and Baa3 or higher by Moody's Investors Service. A rating withdrawal by the borrower will not be permitted during the life of the bonds.

The required rating may be based upon the financial strength of the educational institution or achieved with the use of credit enhancement.

As determined to be appropriate by the Authority, bond issues rated on the strength of the institution without credit enhancement may require as security one or any combination of (a) through (e) below or other security, including pledges or negative pledges:

a) A first lien against any unexpended proceeds of the bonds;
b) A first lien against moneys in the special fund or funds created by the authority for their payment;
c) A first or subordinate lien against the revenue and receipts of the participant or participants which revenue is derived in whole or in part from the project financed by the authority;

d) A first or subordinate security interest against any real or personal property, tangible or intangible, of the participant or participants, including, but not limited to, the project financed by the authority; or
e) Any other real or personal property, tangible or intangible.

The Authority, in consultation with the Finance Team, will determine the security required for those bonds rated on the strength of the institution without credit enhancement.

If the borrower itself does not have an investment grade rating, the bond issue can be supported with a credit enhancement. Typically, that could be either a bank letter of credit or bond insurance.

E. Requirements for Privately Placed/Unrated Bonds

As an instrumentality of the State of Washington, the Authority issues "unrated bonds" only when privately placed in order to protect investors and to maintain its reputation.

Since the Authority issues a range of bonds to a variety of investors in a changing marketplace, it is impossible to establish a single unchanging set of procedures to assure compliance with these essential principles. Rather, the Authority delegates to the Executive Director of the Authority the discretion, to be exercised by reference to this Facility Financing Policy Guide as adopted by the Authority, to assure that these essential principles with respect to unrated bonds are met on each transaction.

Projects proposed to be financed with unrated bonds will be evaluated for potential risk to the investors and to the reputation of the State.

The Authority will adhere to the following additional policies when issuing unrated bonds which are privately placed.

1. Bond Ownership

An unrated bond can have only one owner at a time. An unrated bond cannot be sold to another owner unless either:

- A bond rating is obtained, which is acceptable to the Authority and would be sufficient to permit a public offering; or
- The bond is sold in a secondary offering that meets all the requirements for a private placement.

Only the following types of owners will be considered for the placement of unrated bonds:

- A lending institution which is subject to regulation by a national or state regulatory body; or

- A Securities Exchange Commission (SEC) registered entity; or
- A financial or other institution, governmental agency, or individual approved by the Authority, that demonstrates the capability to analyze sufficiently the risk involved in the transaction and is not purchasing for more than one account or with a view to distributing the bonds.

2. Sophisticated Investor Letter

A "sophisticated investor" letter or "certificate of purchaser," in a form acceptable to the Authority must be provided by each investor, in which the investor acknowledges having sufficient knowledge and experience to properly evaluate the investment being offered.

3. Bond Funds

Bond funds must be SEC registered to qualify as purchasers of unrated bonds. The bond fund must certify at closing that the unrated bonds purchased are less than two percent of the total bond fund and that after purchase; the bond fund has no more than five percent of its portfolio invested in unrated bonds of the Authority.

4. Requirements for Transfer

In order to transfer ownership from a single owner to another single owner, a resale or transfer of ownership must be in compliance with the policies, requirements, and terms imposed by the Authority upon the initial bond owner.

In order to transfer bonds from a single owner to multiple owners, the bonds must have a credit enhancement or conform to the rating policies of the Authority.

F. Derivatives and Interest Rate Swaps

In connection with the issuance of bonds or other obligations, borrowers may enter into certain "payment agreements" including interest rate swaps, ceilings or floors (collectively, "Swaps"), on either a current or forward basis. Swaps can be entered into for the purpose of managing or reducing the borrower's exposure to fluctuations in interest rates or for lowering the net cost of borrowing on Authority bonds.

Borrowers may enter into Swaps at bond closing or at another time. The Authority is not a party to such agreements and has no financial or other interest in such payment agreements, except in situations where the agreement is integrated with the bonds for tax purposes, e.g., to establish a fixed bond yield on swapped variable rate bonds or to allow certain payments to be taken into account in calculating bond yield. In the latter case, a) the terms of the Swap and the process for entering into the Swap must be reviewed and approved in advance by the Authority's bond counsel, and (b) the Authority must identify the Swap, in memo form only, on the books and records that it will maintain for the bonds

TAB 4

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

Memorandum

To: Authority Board Members

From: Bob Cook, Debra Stephenson

CC: Kim Herman, Paul Edwards

Date: May 27, 2019

Re: Annual budget and workplan for the fiscal year July 1, 2019 – June 30, 2020

Background:

Management of the Washington Higher Education Facilities Authority has prepared a proposed budget and program summary for the Authority's July 1, 2019 - June 30, 2020 fiscal year ("FY20"). The attached materials outline the program's purpose, business objectives, and supplementary information to support the proposal.

For FY20, the Authority has budgeted two financings totaling $60 million. Application and issuance fees directly related to these issuances represent approximately $75,000.

Early in this decade, we had a large number of new money and refunding bond transactions that contributed to significant growth in our operating reserves. Recognizing this, the Authority approved the waiver of the ongoing, annual fee of 6 basis points (0.06%) assessed on the Universities' bonds outstanding beginning in Fiscal Year 2014. This waiver continued through FY19 with an estimated $2.5 million savings to the schools over the six years. However, the Authority is projecting a fund balance at FYE 06/30/19 of approximately $966k, just under the $1 million threshold discontinuing the waiver. Therefore, the budget presented includes associated revenue of $379k for FY20.

Expenses for FY20 are budgeted to be .61% ($3,130) less than the prior year's budget, primarily due to a decrease in staff costs as a vacant Commission position partially allocated to the Authority was eliminated for this year.

Recommended Action:

Consider approval of the proposed budget and work plan for the fiscal year July 1, 2019 through June 30, 2020.

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

Program Summary

Fiscal Year 2019– 2020

Problem/Need:

The cost of financing capital facilities and equipment for higher education institutions can be reduced by providing access to tax-exempt financing, thereby increasing educational opportunities and reducing costs.

The ability to obtain lower interest rates through the sale of tax-exempt bonds has saved our borrowers millions of dollars. The savings ultimately benefit the students of Washington State and support the missions of the institutions.

Goal:

To enhance educational opportunities for citizens in this state by maintaining and increasing the availability of quality facilities for independent colleges and universities in Washington.

Providing below-market financing for capital projects allows educational institutions to maintain and increase the quality of facilities and equipment and indirectly to pass on the interest savings to students.

Business Objectives:

1. Complete two bond issues for the Authority totaling approximately $60 million by June 30, 2020.
2. Review policies to determine whether further streamlining or modernizing is necessary or prudent. If change is required or desired, staff recommendations will be brought before the WHEFA board by June 30, 2020.
3. Participate in at least one National Association of Higher Education Facilities Authorities meeting to share program and business information by June 30, 2020.
4. Produce and distribute a 2018 – 2019 Annual Report by October 30, 2019.
5. Complete the annual NAHEFFA Survey within 30 days of request by NAHEFFA.
6. Complete a minimum of 6 college or university site visits prior to June 30, 2020.
7. Review and update the Authority's underwriter roster beginning January 1, 2020. New contacts or firms will be reviewed based on the Authority's requirements and presented to the Deputy Director or Executive Director for approval by February 28, 2020.
8. Explore and research opportunities to expand WHEFA's use of the Commission's SalesForce database system for agency monitoring and reporting if appropriate.

Performance Measure:

1. Complete two bond issues for the Authority totaling approximately $60 million by June 30, 2020.
2. Complete a minimum of 6 college or university site visits prior to June 30, 2020.
3. WHEFA will score 4 or better on a client satisfaction survey based upon a 1 to 5 scale for the current fiscal year. Survey results will be compiled and distributed by August 1, 2020.

Assumptions:

Assumes one new money financing totaling approximately $20 million for Pacific Northwest University of Health Sciences (PNUW) and a second new money financing totaling approximately $40 million for Seattle University by the end of fiscal year 2020.

The expectation that this financing will go forward is based on the fact that a means of finance will be available for the university.

WHEFA

Budget Summary for the fiscal year ending: June 30, 2020

FINANCIAL AND PROGRAM INFORMATION

	FYE 20 Proposed Budget	FYE 19 Projected Actual	FYE 19 Budget as Adopted
Personnel Resources [FTE's]			
Permanent	2.49	1.69	1.51
Temporary	-	-	1.18
Total FTE's	**2.49**	**1.69**	**2.69**
Program Budget			
Fee Income	454,079	-	37,500
Interest Income	27,642	26,846	21,435
Total Revenue	481,721	26,846	58,935
Employee Expenses	361,020	258,006	367,327
Travel Expenses	25,250	19,744	24,150
Professional Fees	56,000	45,012	54,500
Office Expenses	67,193	43,924	66,616
Total Expenses	509,463	366,685	512,593
Total Income/(Loss)	(27,743)	(339,839)	(453,658)

PERFORMANCE MEASUREMENTS

PERFORMANCE MEASUREMENTS	FYE 20 Proposed Budget	FYE 19 Project Actual	FYE 19 Budget as Adopted
1 Number of bonds to issue	2	0	2
1 Amount of bonds to issue	$ 60,000,000	$ -	$ 30,000,000
1 College & University site visits	>6	>6	>6
1 Satisfaction survey	>4	>4	>4

WHEFA - Budget Report for the fiscal year ending: June 30, 2020

		Proposed Budget	Current Year, Projected Actual	Current Year Budget	Prior Year Actual
	Revenues				
4020	Interest Earned	27,642	26,846	21,435	19,260
4100	Program Fees	379,079	-	-	-
4110	One Time Program Fees	75,000	-	37,500	105,613
	Total Revenues	481,721	26,846	58,935	124,873
	Expenses				
5010	Salaries & Wages	249,976	182,148	254,896	149,201
5021	Annual Leave	19,940	6,134	19,213	(6,083)
5031	Payroll Taxes	19,209	14,425	19,256	11,859
5032	Health Insurance	31,373	23,931	33,892	17,430
5033	Retirement	31,993	23,167	32,270	18,237
5041	Commute Trip Reduction	2,430	1,795	2,626	1,812
5042	Employee Training	-	-	-	35
5043	Recognition - Employee	299	181	323	246
5110	Conference Registration	5,800	6,225	4,850	3,756
5120	In State Travel Expenses	6,500	2,871	6,150	2,886
5121	Out of State Travel Expenses	18,750	16,873	18,000	11,655
5210	Accounting Fees	45,000	39,500	39,000	38,000
5220	Legal Fees	7,000	3,491	9,000	6,792
5230	Financial Advisor Fees	2,500	2,021	2,000	-
5250	Professional Fees - Other	1,500	-	4,500	2,400
5410	Printing (Letterhead, etc)	2,950	1,151	4,540	2,797
5420	Supplies- Office	1,533	846	2,724	1,028
5430	Postage	100	38	200	273
5431	Delivery	400	104	400	183
5440	Equipment - Non Capitalized	374	524	404	324
5450	Equipment/Furniture Rentals	1,370	1,056	1,686	930
5460	State Services	25	30	-	25
5498	Office Expense - Other	2,200	1,156	1,985	1,054
5510	Rent- Office Building	13,211	10,127	14,421	8,011
5511	Facility Rent - Conference Rms	-	-	-	32
5530	Maint. - Equipment & Building	1,340	1,748	990	355
5600	Telephone	1,844	1,644	2,037	1,926
5610	Database Design & Support	4,980	3,980	5,380	-
5620	Information Services	1,723	690	1,503	775
5630	Software Maintenance & Support	9,711	3,588	6,337	2,927
5660	Distributed Materials	1,000	-	1,000	-
5665	Partner Awards	1,000	-	-	-
5670	Legal Advertising	-	-	-	1,389
5810	Insurance	13,317	13,368	13,300	13,317
5820	Dues	3,795	3,126	3,800	4,479
5830	Subscriptions and Publications	1,170	749	660	498
5840	Meeting Expense	5,150	-	5,250	203
	Total Expenses	509,463	366,685	512,593	298,753
	Revenue over (under) Expense	(27,743)	(339,839)	(453,658)	(173,880)

TAB 5

JAY INSLEE, Chair
Governor

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

KIM HERMAN
Executive Director

May 28, 2019

Members
Washington Higher Education Facility Authority
Seattle, Washington

We have compiled the UNAUDITED Statement of Net Position of the Washington State Higher Education Facilities Authority (the "Authority") General Operating Fund, as of April 30, 2019 and the related statement of Activities and Changes in Net Position for the month ended in accordance with generally accepted accounting principles.

This compilation is limited to presenting, in the form of financial statements, information that is accurate to the best of our knowledge and belief. These statements have not been audited or reviewed by an independent third party.

We have elected to omit substantially all of the disclosures required by generally accepted accounting principles including the statement of cash flow. If the omitted disclosures were included in the financial statements, they might influence the users' conclusions about the Authority's financial position, results of operations and changes in financial position. Accordingly, these financial statements are not designed for those who are not informed about these matters.

Prepared by: ______________________
Shirleen Noonan
General Operations Manager

Approved by: ______________________
Debra L. Stephenson
Senior Controller

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY GENERAL OPERATING FUND

April 30, 2019

CONTENTS

(See Accountant's Compilation Report)

Washington Higher Education Facilities Authority
Statement of Net Position
Fund: General Operating Fund
Division: All
April 30, 2019
(See Accountant's Compilation Report)

	Current Year	Prior Year	Variance Amount		Variance %
ASSETS					
Cash and Cash Equivalents:					
Demand Deposits	$ 7,314	$ 94,812	$ (87,498)		-92%
Money Market Accounts	1,106,035	1,339,697	(233,662)		-17%
Loan Receivable (net)	3,454	3,454	-		0%
Prepaid Expenses & Other Receivable	2,803	6,914	(4,114)	(1)	-60%
Total Assets	$ 1,119,606	$ 1,444,880	$ (325,274)		-23%
LIABILITIES					
Accounts Payable and Other Liabilities	$ 95,297	$ 75,367	$ 19,930	(2)	26%
Accrued Payroll Payable	165	-	165		NA
Total Liabilities	95,462	75,367	20,095		27%
NET POSITION					
Unrestricted	1,024,144	1,369,513	(345,369)		-25%
Total Net Position	1,024,144	1,369,513	(345,369)		-25%
Total Liabilities and Net Position	$ 1,119,606	$ 1,444,880	$ (325,274)		-25%

(1) The lower prepaid expense balance in the current year is due to the timing of the Spring NAHEFFA conference. In the prior year, the conference was held in May 2018 and the conference fees were reflected as a prepaid expense, while in the current year, the conference was held in March 2019 and the fees were fully amortized.

(2) Higher payables balance in the current year is primarily due to payables to the Commission for interagency expenses. These expenses are higher due to greater monthly expense allocations resulting from the staffing of a position that was vacant in the prior year, from mid-July 2017 through mid-February 2018.

Totals may not add due to rounding.

Washington Higher Education Facilities Authority
Statement of Activities and Changes in Net Position
Fund: General Operating Fund
Division: All

For The Year To Date Ending: April 30, 2019
(See Accountant's Compilation Report)

	Current Period	Current Year to Date	Prior Year to Date	Variance Amount		Variance %
Revenues:						
Fee Income	$ -	$ -	$ 105,613	$ (105,613)	(1)	-100%
Interest Earned	2,312	22,286	15,123	7,163	(2)	47%
Total Unadjusted Revenues	2,312	22,286	120,737	(98,451)		-82%
Expenses:						
Salaries, Wages, and Employee Benefits	21,086	209,013	151,095	57,918	(3)	38%
Travel & Conferences	28	21,558	7,524	14,034	(4)	187%
Professional Fees	2,435	44,075	46,338	(2,263)		-5%
Office Expense	3,417	36,463	33,114	3,349	(5)	10%
Total Expenses	26,966	311,109	238,070	73,039		31%
(Deficit) Excess of Revenues over Expenses	(24,654)	(288,823)	(117,333)	(171,490)		146%
Net Position						
Total net position, beginning of period	1,048,798	1,312,967	1,486,846	(173,879)		-12%
Current Increase (Decrease) to Net Position	(24,654)	(288,823)	(117,333)	(171,490)		146%
Total net position, end of year	$ 1,024,144	$ 1,024,144	$ 1,369,513	$ (345,369)		-25%

(1) The prior year fee income reflects fees from two bond issuances/refunding totaling approximately $84 million. There was no issuance in the current year.

(2) While investable funds dropped slightly, the rate of return on the money market account increased to 2.54% from the prior year rate of 1.71%, resulting in an increase in interest revenue.

(3) The increase in salaries and employee benefits in the current year is primarily due to the staffing of a position that had been vacant in the prior year, from mid-July 2017 to mid-February 2018.

(4) The increase is primarily due to out of state travel expenses. In the current year the Spring NAHEFFA conference was held in March 2019, while in the prior year the conference was in May 2018. In addition, staff attended two additional conferences in the current year.

(5) The increase in office expenses is primarily due to an increase in overhead expense allocation from WSHFC. The allocation is based on WHEFA hours worked as a percentage of total WSHFC hours. As noted for salary expense, there was a vacant position through mid-February 2018 in the prior year, which reduced the overhead expense allocation.

Totals may not add due to rounding.

Washington Higher Education Facilities Authority
Detailed Statement of Activities
Fund: General Operating Fund
Division: All
For The Year To Date Ending: April 30, 2019
(See Accountant's Compilation Report)

	Variance-YTD vs. PY Actuals %	Variance-YTD vs. PY Actuals Amount	Prior YTD Actual	YTD Actual	YTD Budget	Variance-YTD Budget to Actual Amount	Variance-YTD Budget to Actual %
Revenues:							
Issuance & Application Fees	-100.0%	$ (105,613)	$ 105,613	$ -	$ 31,250	$ (31,250)	-100.0%
Interest Revenue	47.4%	7,163	15,123	22,286	17,863	4,423	24.8%
Total Unadjusted Revenues	-81.5%	(98,450)	120,737	22,286	49,113	(26,827)	-54.6%
Expenses:							
Salaries & Wages - Staff & Temp. Svcs	39%	44,222	112,078	156,300	228,424	(72,124)	-32%
Employee Benefits - Staff	35.1%	13,696	39,017	52,713	73,640	(20,927)	-28.4%
Conference, Education & Training	243.2%	3,662	1,506	5,168	4,780	388	8.1%
Travel out of state - Staff	329.8%	10,748	3,259	14,007	17,400	(3,393)	-19.5%
Travel in state - Staff	-13.6%	(375)	2,759	2,384	5,125	(2,741)	-53.5%
Accounting Fees	3.9%	1,500	38,000	39,500	38,833	667	1.7%
Legal Fees	-51.2%	(3,040)	5,938	2,898	7,500	(4,602)	-61.4%
Financial Advisor Fees	NA	1,678	-	1,678	1,667	11	0.7%
Office Rent/Conf. Room Rentals	34.5%	2,157	6,249	8,406	12,018	(3,612)	-30.1%
Furniture & Equipment Rental	20.5%	149	727	876	1,405	(529)	-37.7%
Publications/ Subscriptions/ Dues	-12.9%	(477)	3,694	3,217	3,717	(500)	-13.5%
Deliveries	-52.5%	(96)	183	87	333	(246)	-73.9%
Insurance	0.0%	-	11,097	11,097	11,083	14	0.1%
Meeting Expense	-100.0%	(79)	79	-	4,375	(4,375)	-100.0%
Equipment & Building Maintenance	497.1%	1,208	243	1,451	825	626	75.9%
Software Maint. Support & Other Info Svcs	128.5%	3,855	3,000	6,855	11,017	(4,162)	-37.8%
Non-capitalized Equipment/Supplies	34.3%	111	324	435	336	99	29.5%
Postage	-87.4%	(221)	253	32	167	(135)	-80.8%
Printing	-65.8%	(1,841)	2,797	956	3,783	(2,827)	-74.7%
State Services	0.0%	-	25	25	-	25	NA
Supplies	-15.4%	(128)	831	703	2,270	(1,567)	-69.0%
Telephone	-16.7%	(273)	1,638	1,365	1,698	(333)	-19.6%
Other Office Expenses	43.3%	290	669	959	1,654	(695)	-42.0%
Total Expenses	30.7%	73,041	238,071	311,112	436,633	(125,521)	-28.7%
(Deficit) Excess of Revenues over Expenses	146.2%	$ (171,492)	$ (117,334)	$ (288,826)	$ (387,520)	$ 98,694	-25.5%

Totals may not add due to rounding.

TAB 6

Statement of Account

Washington Higher Education Facility Authority
Proration of costs between WHEFA and WSHFC
For the period April 1, 2018 through June 30, 2018

Month	Salaries & Benefits	Office Expenses (1)	Overhead (2)	Total
April	$ 15,752.84	$ 1,551.66	$ 42.03	$ 17,346.53
May	22,060.00	2,882.35	63.55	25,005.90
June	19,009.99	2,697.63	60.49	21,768.11
Total Per Category	$ 56,822.83	$ 7,131.64	$ 166.07	$ 64,120.54
Previous March 31, 2018				56,632.98
Payments & Credit Memos (Through June 2018)				(56,632.98)
Total Due to WSHFC:				$ 64,120.54

Please make checks payable to:

Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046

(1) Office Expenses are expenses paid by WSHFC on behalf of WHEFA and allocation of HFC expenses based upon percentage of WHEFA salary hours vs. total HFC salary hours.
(2) Overhead is the allocation of HFC's depreciation exp based upon percentage of WHEFA salary hours vs. total.

Approval for Payment

Claire A. Grace

Authority Board Member

Statement of Account

Washington Higher Education Facility Authority
Proration of costs between WHEFA and WSHFC
For the period July 1, 2018 through September 30, 2018

Month		Salaries & Benefits		Office Expenses (1)		Overhead (2)		Total
July	$	19,919.12	$	1,615.40	$	72.79	$	21,607.31
August		20,866.50		3,431.81		64.87		24,363.18
September		25,477.99		2,319.25		95.78		27,893.02
Total Per Category	$	66,263.61	$	7,366.46	$	233.44	$	73,863.51
Previous Balance at June 30, 2018								64,120.54
Payments & Credit Memos (Through September 30, 2018)								-
Total Due to WSHFC:							$	137,984.05

Please make checks payable to:

Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046

(1) Office Expenses are expenses paid by WSHFC on behalf of WHEFA and allocation of HFC expenses based upon percentage of WHEFA salary hours vs. total HFC salary hours.
(2) Overhead is the allocation of HFC's depreciation exp based upon percentage of WHEFA salary hours vs. total.

Approval for Payment

Claire S. Grace

Authority Board Member

Statement of Account

Washington Higher Education Facility Authority
Proration of costs between WHEFA and WSHFC
For the period October 1, 2018 through December 31, 2018

Month	Salaries & Benefits	Office Expenses (1)	Overhead (2)	Total
October	$ 20,524.19	$ 3,555.54	$ 85.22	$ 24,164.95
November	21,220.13	2,892.55	124.82	24,237.50
December	15,993.52	2,364.60	59.19	18,417.31
Total Per Category	**$ 57,737.84**	**$ 8,812.69**	**$ 269.23**	**$ 66,819.76**

Previous Balance at September 30, 2018	**137,984.05**
Payments & Credit Memos (through December 31, 2018)	**(137,984.05)**
Total Due to WSHFC:	**$ 66,819.76**

Please make checks payable to:

Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046

(1) Office Expenses are expenses paid by WSHFC on behalf of WHEFA and allocation of certain HFC expenses based on WHEFA salary hours as a percentage of total HFC salary hours.

(2) Overhead is the allocation of HFC's depreciation expense based on WHEFA salary hours as a percentage of total HFC salary hours.

Approval for Payment

Claire S. Grace

Authority Board Member

Statement of Account

Washington Higher Education Facility Authority
Proration of costs between WHEFA and WSHFC
For the period January 1, 2019 through March 31, 2019

Month		Salaries & Benefits		Office Expenses (1)		Overhead (2)		Total
January	$	20,665.85	$	4,391.88	$	57.49	$	25,115.22
February		18,804.55		1,916.76		101.15		20,822.46
March		23,237.02		2,372.58		86.39		25,695.99
Total Per Category	$	62,707.42	$	8,681.22	$	245.03	$	71,633.67

Previous Balance at December 31, 2018		66,819.76
Payments & Credit Memos (through December 31, 2018)		(66,819.76)
Total Due to WSHFC:	$	71,633.67

Please make checks payable to:

Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046

(1) Office Expenses are expenses paid by WSHFC on behalf of WHEFA and allocation of certain HFC expenses based on WHEFA salary hours as a percentage of total HFC salary hours.
(2) Overhead is the allocation of HFC's depreciation expense based on WHEFA salary hours as a percentage of total HFC salary hours.

Approval for Payment

Claire A. Grace

Authority Board Member

TAB 7

Market Update: Slide 1

Washington Higher Education Facilities Authority

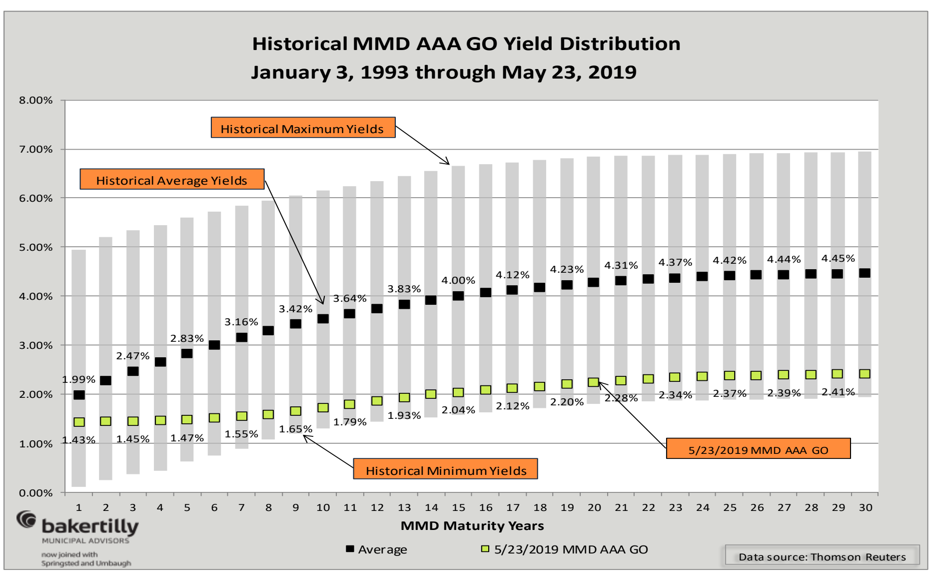
Market Update

Presented by
Elizabeth Bergman
June 17, 2019

bakertilly
MUNICIPAL ADVISORS
now joined with
Springsted and Umbaugh

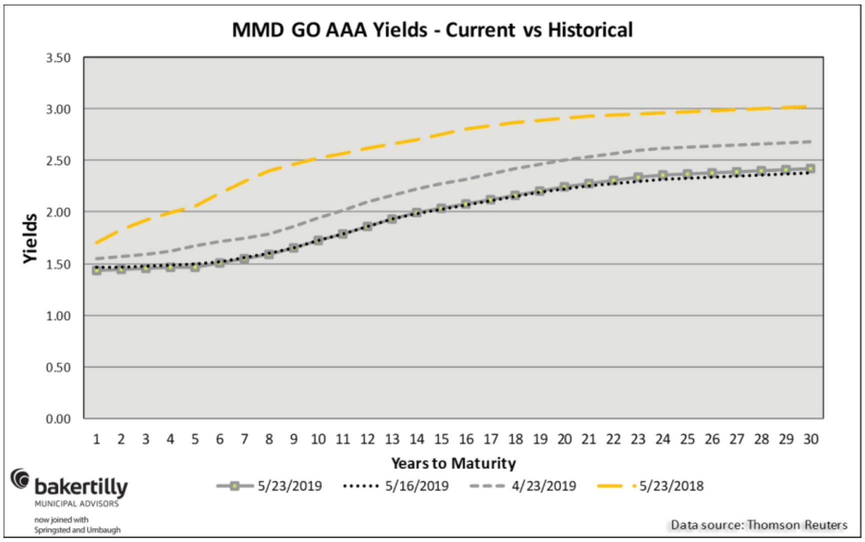
Market Update: Slide 2

Historical MMD AAA GO Yield Distribution



Market Update: Slide 3

Current AAA MMD vs. Historical



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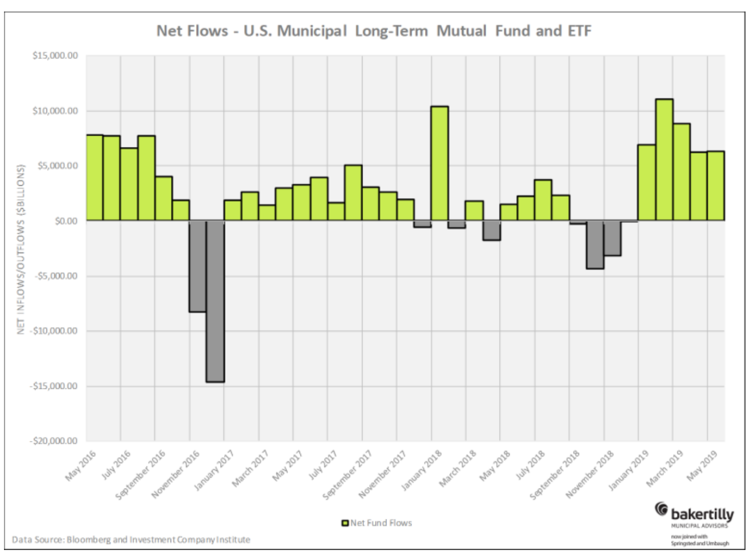
Market Update: Slide 4

Municipal Market Demand



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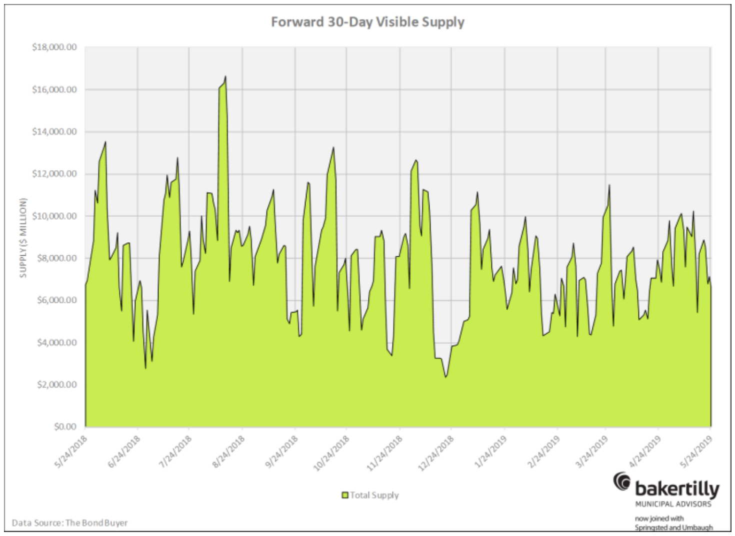
Market Update: Slide 5

Municipal Market Visible Supply



Market Update: Slide 6

2019 Key Economic Indicators

Date	Tuesday Jun 11	Wednesday Jun 12	Thursday Jun 13	Friday Jun 14	Monday Jun 17	Tuesday Jun 18	Wednesday Jun 19	Thursday Jun 20	Friday Jun 21	Monday Jun 24	Tuesday Jun 25	Wednesday Jun 26	Thursday Jun 27	Friday Jun 28
Events	PPI-FD	CPI	Jobless Claims	Retail Sales	Housing Market Index	Housing Starts	EIA Petroleum Status Report	EIA Natural Gas Report	Existing Home Sales		S&P Corelogic Ase-Shiller HPI	MBA Mortgage Applications	Pending Home Sale index	Chicago PMI
		EIA Petroleum Status Report		Industrial Production	Empire State Mfg Survey		FOMC Forecasts	Fed Balance Sheet			Consumer Confidence	Durable Goods Orders	EIA Natural Gas Report	Cosumer Sentiment
					Treasury International Capital		Fed Chair Press Conference	Jobless Claims			New Home Sales	EIA Petroleum Status Report	Fed Balance Sheet	Personal Income and Outlays
													Kansas City Fed Mfg Index	

Source: Bloomberg Markets www.b-us.econoday.com

Key Economic Indicators

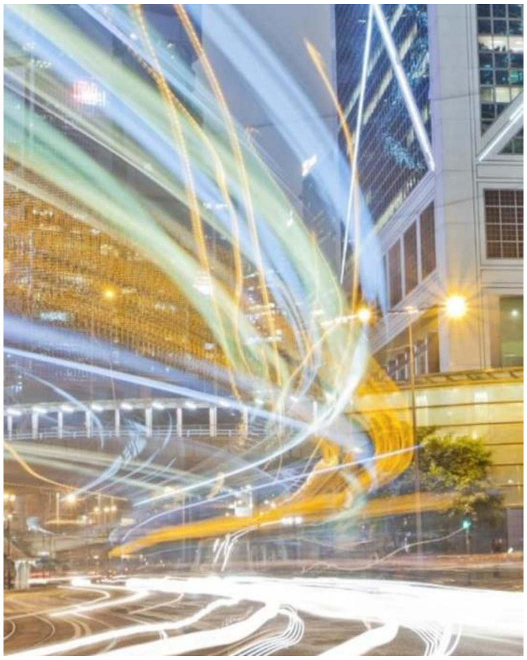
Market Update: Slide 7

Higher Education Credit Update

Negative outlook from both S&P and Moody's

Current credit drivers

- Slow revenue growth
  - Stagnant tuition revenues
  - Increased discounting
- Demographic trends
  - Local
  - International
- Cybersecurity risks
- Positive endowment returns



Market Update: Slide 8

ATTENTION

DISCLAIMER

The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought.

Baker Tilly Municipal Advisors, LLC is a registered municipal advisor and wholly-owned subsidiary of Baker Tilly Virchow Krause, LLP, an accounting firm. Baker Tilly Virchow Krause, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

TAB 8

Washington Higher Education Facilities Authority
Bond Issue Status Report
As of May 24, 2019

	Appl. Rec'd	OID Signed	App Review Complete	Scoping Meeting	Public Hearing	Tax Due Diligence Complete	Doc Review Meetings	Gov's Cert Signed	Borrower Board Approval	Authority Board Approval	Pricing	Pre-Close & Close	Savings	Comments
Potential Bond Issues - Fiscal Year 2018/19														
Whitworth University ***$20,000,000*** *New Money* *Health Sciences Building*	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	Oct 2019	Nov 2019 or TBD	TBD	Late 2019 or Early 2020	Preliminary Present Value TBD	*Financial Advisor TBD*
Seattle University ***$50,000,000*** *New Money* *Center for Science & Innovation*	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	Early 2020	Preliminary Present Value TBD	*Financial Advisor TBD*
PNWU ***$20,000,000*** *New Money* *80,000 SF Regional Center for Inter-professional Education*	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	Early 2020	Preliminary Present Value TBD	*Financial Advisor TBD*

Washington Higher Education Facilities Authority
Bond Issue Status Report
As of May 24, 2019

	Appl. Rec'd	OID Signed	App Review Complete	Scoping Meeting	Public Hearing	Tax Due Diligence Complete	Doc Review Meetings	Gov's Cert Signed	Borrower Board Approval	Authority Board Approval	Pricing	Pre-Close & Close	Savings	Comments
Gonzaga University ***$25,000,000*** *New Money* *Engineering Complex*	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	2020 For reporting purposes only	Preliminary Present Value TBD	*Financial Advisor TBD*
Walla Walla University ***$10,000,000*** *New Money* *New Women's Residence Hall*	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	2022 For reporting purposes only	Preliminary Present Value TBD	*Financial Advisor TBD*
Closed Bond Issues - Fiscal Year 2018														

FY 18-19 Goal: Complete two bond issues totaling approximately $30 million by June 30, 2019.

TAB 9

PACIFIC LUTHERAN UNIVERSITY

University President

Allan Belton

Allan Belton was appointed by the Pacific Lutheran University Board of Regents to serve as the University's 14th President as of April 3, 2019.

Prior to that he was the Acting President, and before that he served as Senior Vice President and Chief Administrative Officer, responsible for the University's administrative functions including Business Operations & Finance, Human Resources, Facilities & Construction Management, Information Technology, and Risk Management. Allan joined PLU in 2015 as the University's Chief Financial Officer.

Prior to joining PLU, Allan enjoyed a 25-year career with Bank of America Merrill Lynch, where he served most recently as Managing Director and Chief Operations Officer for global treasury management. He holds a B.A. in Business Administration and an M.B.A. from Washington State University.

Allan is married to Melinda Krotz Belton, PLU Class of 1991; they live in Gig Harbor with their three children.

PNWU Names Michael J. Lawler As New President

August 22, 2018

Yakima, WA – The Pacific Northwest University of Health Sciences Board of Trustees has announced the selection of Michael J. Lawler, MSW, PhD, as the President of PNWU.

"I am inspired by PNWU's mission to improve access to quality health care in rural and underserved communities of the Pacific Northwest by educating new health care professionals," Dr. Lawler said. "Everyone I've met at PNWU, including students, faculty, staff, administration, and community members, has been fully aligned with the mission and eager to build on PNWU's strengths."

Dr. Lawler brings 35 years of professional experience in health and human services, including 24 years as a successful leader and administrator in higher education, to the rapidly expanding health sciences university. He plans to officially begin his role as President on October 8, succeeding current Interim President Dr. Robert Sutton and former University President Keith Watson, DO, who retired from the Office of President this past June after six years of outstanding leadership.

"We have selected an exceptional individual to take over the reins of leadership here at PNWU," said Dr. Heather Phipps, PNWU Board Chair. "Dr. Lawler possesses so many attributes that make him a great fit for our University. He has experience with service to underserved populations, in health and human services, as a successful leader and administrator in higher education, in interprofessional health sciences education, and in building partnerships with health systems, health care providers, public agencies and other academic institutions. He is the ideal person to take over for Dr. Watson, and I'm very excited about the next stage in our University's history."

As the Dean and Professor of the School of Health Sciences at the University of South Dakota (USD), Dr. Lawler led ten academic departments and helped to cement the USD School of Health Sciences as a national leader in interprofessional health sciences education. Alongside internal and external partners and colleagues, he helped to create new programs and research centers, doubled student enrollment, improved graduation rates, increased student scholarships, grew funding for faculty and student research, elevated financial reserves, and raised funds to construct a new teaching and research facility for USD's Doctor of Occupational Therapy and Doctor of Physical Therapy programs — the very programs PNWU aims to add next.

"I was fortunate to spend several days with Dr. Lawler," explained Karen Hyatt, PNWU Trustee and Presidential Search Committee member. "From our first meeting, I felt how genuine he is. He has a vision for PNWU that will preserve and protect what we have accomplished with the College of Osteopathic Medicine and propel PNWU into a full-fledged health sciences university."

Prior to joining USD in 2010, Dr. Lawler worked at the University of California, Davis (UCD) for 16 years, serving as Director of the Center for Human Services, Co-Director of the Center for Public Policy Research, and Chair of UC Davis Extension. At UCD, he partnered with a wide array of stakeholders, including all 58 California counties, state agencies, tribal governments, and federal agencies, as well as business leaders, to secure $130M of extramural funding to create several self-supporting research, practice, and education centers focused on developing policies and practices in health and human services. He remains a faculty affiliate of the UCD Center for Public Policy Research.

In addition to his academic leadership, Dr. Lawler has authored and co-authored more than 80 publications and served as the United States Principal Investigator of Children's Worlds: International Survey of Children's Well-Being, an international research project that assesses the health and well-being of children in Africa, Asia, Europe, North America, and South America. Additionally, he is an appointed member and chair-elect of the American Psychological Association's Committee on Children, Youth and Families.

"I believe Dr. Lawler brings to PNWU the perfect champion for our culture and mission," said Dr. Robert Sutton, Interim President of PNWU. "I've been around since this whole thing was just a dream. The hiring of Dr. Lawler gives me the confidence to retire with a smile on my face and excitement for the future of our University."

For more information about this topic please contact Paul Bubluski at 509-249-7771 or email at PBubluski@pnwu.edu.

AP NEWS

Speaker stuns 2019 Morehouse grads, to pay off student debt

By ERRIN HAINES WHACK
May 19, 2019

A billionaire technology investor stunned the entire graduating class at Morehouse College when he announced at their commencement Sunday that he would pay off their student loans __ estimated at up to $40 million.

Robert F. Smith, this year's commencement speaker, made the announcement while addressing nearly 400 graduating seniors of the all-male historically black college in Atlanta. Smith, who is black, is the Founder and CEO of Vista Equity Partners, a private equity firm that invests in software, data, and technology-driven companies.

"On behalf of the eight generations of my family that have been in this country, we're gonna put a little fuel in your bus," the investor and philanthropist told graduates in his morning address. "This is my class, 2019. And my family is making a grant to eliminate their student loans."

The announcement immediately drew stunned looks from faculty and students alike. Then the graduates broke into the biggest cheers of the morning and stood up, applauding. Morehouse said it is the single largest gift to the college.

Though college officials could not provide an estimate of the exact amount owed by the current graduating class, students graduate with an average debt of $30,000 to $40,000, said Terrance L. Dixon, vice president of enrollment management.

Smith, who received an honorary doctorate from Morehouse during the ceremony, had already announced a $1.5 million gift to the school.

Smith said he expected the recipients to "pay it forward" and said he hoped that "every class has the same opportunity going forward."

"Because we are enough to take care of our own community," Smith said. "We are enough to ensure that we have all the opportunities of the American dream. And we will show it to each other through our actions and through our words and through our deeds."

In the weeks before graduating from Morehouse on Sunday, 22-year-old finance major Aaron Mitchom drew up a spreadsheet to calculate how long it would take him to pay back his $200,000 in student loans — 25 years at half his monthly salary, per his calculations.

In an instant, that number vanished. Mitchom, sitting in the crowd, wept.

"I can delete that spreadsheet," he said in an interview after the commencement. "I don't have to live off of peanut butter and jelly sandwiches. I was shocked. My heart dropped. We all cried. In the moment it was like a burden had been taken off."

His mother, Tina Mitchom, was also shocked. Eight family members, including Mitchom's 76-year-old grandmother, took turns over four years co-signing on the loans that got him across the finish line.

"It takes a village," she said. "It now means he can start paying it forward and start closing this gap a lot sooner, giving back to the college and thinking about a succession plan" for his younger siblings.

Morehouse College president David A. Thomas said the gift would have a profound effect on the students' futures.

"Many of my students are interested in going into teaching, for example, but leave with an amount of student debt that makes that untenable," Thomas said in an interview. "In some ways, it was a liberation gift for these young men that just opened up their choices."

Whack reported from Philadelphia. Associated Press writer Ben Nadler contributed to the report from Atlanta.

THE CHRONICLE
of Higher Education

Everyone Wants to Measure the Value of College. Now the Gates Foundation Wants a Say.

By Katherine Mangan MAY 16, 2019

Perhaps never before has there been such a need for postsecondary credentials but such skepticism about whether a college education is worth the cost. That, according to the Bill & Melinda Gates Foundation, is the paradox that prompted it to create a national research group, to be publicly convened on Thursday.

The Commission on the Value of Postsecondary Education is the latest national effort to measure and seek to convey clearly just how much someone gains — economically, anyway — from a college credential.

The goal is to provide useful, understandable information to help colleges "take a critical look at how and how well they are contributing to economic opportunity for today's students; aid policy makers in gauging what the public gets for its investment in higher education; and equip students and families as they consider where and what to study," the foundation said in announcing the commission.

Gates officials say the result will be more comprehensive than existing measures, like the College Scorecard, a program introduced by the Obama administration as a way to help increase transparency in higher education.

The federal scorecard looks at institution-level data, while the new commission will break down the economic benefits by program. It will also focus more on equity than existing efforts do, said Sue Desmond-Hellman, chief executive officer of the foundation and a co-chair of the commission.

"As the cost of a credential rises, and student debt goes to record levels, people are actually asking a question I never thought I'd hear: 'Is going to college a reliable path to economic opportunity?'" she said during a news-media call to introduce the new commission. "This question of value needs to be addressed, and we feel that it needs to be addressed urgently."

Among the questions the commission will try to help students and parents answer: Are graduates better off compared with their peers who stopped at high school? Which degrees offer the best increases in earnings?

The commission is made up of 30 leaders from inside and outside education, including college and university officials, researchers, students, and business and nonprofit leaders.

It will focus on the economic returns of college, while recognizing that "there are real and significant noneconomic returns," including critical-thinking skills, better health, and a greater chance of turning out at the voting booth.

The commission, which started working last month, plans by mid-2020 to propose a definition of postsecondary value, create a way to measure how programs at specific colleges create value for students, and identify gaps by race, ethnicity, income, and gender.

It will look at a range of ways to measure the economic benefits of a certificate or degree. Those will include:

- How much students earn after graduating and how that affects their ability to pay off their college loans.
- How much more money students with certificates or degrees earn, compared with those who end their education at high school.
- How much those credentials help students move to a higher income bracket.

Skeptics contend that there's already plenty of consumer information out there — too much, some argue — to allow people to make informed decisions about college without drowning in a sea of data.

Recent research has found that the College Scorecard appeared to influence application behavior only among more-affluent students and made no statistical difference in where students enrolled. That raised questions about whether giving students more information might actually widen equity gaps between those affluent students and those who need the information most but might not see it.

A co-chair of the new commission said its report would be different. "This cannot and must not be done like any other report that we've heard that goes right to the shelf and no one uses it," said Mildred Garcia, president of the American Association of State Colleges and Universities. The commission's goal is to produce "relevant, actionable information to help people make decisions," she said.

The program-level data called for by the Gates effort would include former students' median earnings, debt levels, and loan repayments. Most of that information is already available to consumers, but it's spread out over various websites, including College Navigator and the College Salary Report. The College Board issues a report every three years on the value of a college education.

The goals of increasing transparency even made their way into an executive order on campus free speech issued in March by President Trump, who directed colleges to add new information to the College Scorecard.

And income mobility is the focus of research by Raj Chetty, a Harvard economist who pioneered a method for measuring how much colleges nationwide provide access to low-income students and offer opportunities of upward mobility.

Gates officials acknowledge Chetty's work. A child born into the bottom-20-percent income level is three times as likely to reach the top-40-percent level with a postsecondary education, the Gates announcement noted. For Americans today, it said, "education after high school is not a luxury; it's a necessity."

As the focus of reform efforts has shifted in recent years from expanding access to expanding success in college, more attention now is being paid to the return on investment, the announcement said.

Commission leaders hope their research will influence faltering efforts to reauthorize the federal law governing higher education.

But even if those efforts fail, "better definitions of a college's or program's value will certainly be used by states to help allocate funding, and college-access organizations and rankings providers will also be interested in the findings," Robert Kelchen, an assistant professor of education leadership at Seton Hall University, told *The Chronicle* after learning of the commission's announcement.

"But one thing is worth emphasizing — the panel is unlikely to bring down the price tag of a college education," he said. "Instead, it is focusing on whether programs are worth the price tag."

Katherine Mangan writes about community colleges, completion efforts, and job training, as well as other topics in daily news. Follow her on Twitter @KatherineMangan, or email her at katherine.mangan@chronicle.com.

THE CHRONICLE
of Higher Education

Private Colleges Set New Record on Tuition Discounts

By Steven Johnson MAY 10, 2019

Private colleges are offering students discounts on tuition and fees at record-high rates, according to the annual Tuition Discounting Study, released on Thursday by the National Association of College and University Business Officers.
The average tuition-discount rates for the 2018-19 academic year are estimated at 52.2 percent for first-time freshmen and 46.3 percent for all undergraduates, according to the study. That means that 46 cents of every dollar in tuition and fees are used for financial aid.

The new estimates continue an upward trend that has persisted for more than a decade. Both the share of students receiving institutional grants and the size of those grants have increased.

The average grant for freshmen has climbed to $20,255 from $10,586 in the 2008-9 academic year, an increase of 91 percent. Published tuition and fee prices have increased by 47 percent in the same period. And nearly 90 percent of freshmen received such a grant this academic year, compared with 82 percent a decade earlier. An average grant covered 59 percent of a freshman's tuition and fees.

The Tuition Pricing Crisis

The trends suggest that "most increases in tuition and fee listed prices have largely been offset by even higher institutional discounts," according to a report on the study. The trends also "warrant questions about whether tuition-discounting practices are sustainable."

Private colleges have seen rising discount rates — the percentage of revenues from tuition and fees that is awarded to students in grants and scholarships — as troubling signs for their finances. As colleges jockey for price-conscious families in a more-competitive market, heftier grants can strain their budgets over time. For the 2017-18 academic year, colleges reported a 3.6-percent decline in net tuition revenue from freshmen, when adjusted for inflation, according to the study.

"Despite seemingly high sticker prices for tuition, there's a great deal of financial aid available" to families, said Ken Redd, the association's senior director of research and policy analysis.

That spending raises questions for the colleges, he said: “Are the increases having any effect on academic programs? Are they having any effect on faculty salary and employee benefits?”

In search of financial balance, colleges have focused on retention, rather than recruitment, Redd said, and have experimented with adjusting the sticker prices that may scare away many families. Many colleges have also looked for sources of revenue besides tuition and fees, such as fund raising and auxiliary services, he said.

The organization surveyed 405 private, nonprofit colleges for its 2018 study. Here are other findings from it:

30 vs. 57

percent of students receive institutional grants at public colleges versus private ones.

About $^1/_3$

of private colleges’ operating budgets comes from net tuition revenue.

11

percent of financial-aid funding at all private colleges comes from endowments. The share is higher at wealthier colleges, with endowments over $1 billion, which fund 30 percent of aid dollars from their endowments.

40

percent of private colleges reported flat or declining enrollments, an important driver of revenue for colleges without large endowments. About 65 percent of them said students’ price sensitivity was the main deterrent to enrollment, followed closely by increased competition for students and “changing demographics.”

60

percent of private colleges saw increases in freshman enrollment, which they attributed primarily to better recruitment and marketing.

Follow Steven Johnson on Twitter at @stetyjohn, or email him at steve.johnson@chronicle.com.

THE CHRONICLE
of Higher Education

Why Colleges Need a Vice President for Strategic Initiatives

By Michelle Marks and James Sparkman MAY 05, 2019

There was a time when colleges and universities handled almost all the functions necessary to enroll, educate, and graduate students. As financial and political pressures mount, more colleges want to focus on the academic core — teaching and research — and transfer much of the rest of their operations to specialized businesses. The result is a complex relationship between colleges and companies, and it's quickly growing more common — the public-private partnership, or P3.

The Chronicle *recently released a special report, "The Outsourced University: How Public-Private Partnerships Can Benefit Your Campus," that provides an all-in-one primer on P3s. The following is excerpted from that report.*

As colleges and universities in the United States adapt to new financial and competitive challenges, partnerships with the private sector are playing an expanding role. A recent survey of presidents, provosts, and chief financial officers by *The Chronicle* and P3•EDU found that 83 percent of respondents said partnerships between their institutions and private companies had increased (with virtually none of the respondents citing a decrease in such relationships).

Public-private partnerships, or P3s, are growing not only in number but also in type. Traditional P3s for student housing and building development continue, as do new ways to raise capital through the sale of long-term branding agreements and service rights around parking and energy. In addition to these traditional administrative partnerships, a whole new group of academic P3s is now in place to grow online programs, recruit international students, and improve student success. The same survey of public-private partnerships found, for example, that partnerships for expanding online programs were second only to partnerships for development of campus infrastructure as areas of the most interest on today's college campuses. That expanded range of partnerships comes with new opportunities, but also poses new challenges and risks. While the upside of the partnerships may be great — unique capabilities, new capital, speed to market — considerable financial and reputational stakes are at play.

Most colleges do not have the dedicated resources to consider these transactions properly. More often than not, the exploration and execution of public-private partnerships are led by college leaders who already have full-time jobs at their institution. The partnerships can be led by treasurers, budget directors, housing directors, athletics directors, and equally by deans, associate provosts, online directors, and vice presidents for external affairs. And, not surprising, the skill sets of those leading these partnership efforts vary widely.

In the corporate world, where mergers, acquisitions, and strategic partnerships are the norm, these efforts are typically consolidated into one dedicated strategic office. Most often referred to as the office of corporate development, it is usually led by an executive vice president or senior vice president for corporate development. Teams in those roles typically have comprehensive transactional experience and oversee a range of services related to partnerships and acquisitions, including strategic procurement, financial and operational due diligence, contract review and negotiation, and project implementation.

Higher education today needs a similar office. Though the name should probably change — we might call it the office of strategic initiatives — the function of the office and the required skill sets of the person leading it would largely be the same. The executive vice president for strategic initiatives would have not only the basic competencies to protect and advance the colleges, but also the strong ability to work across the institution. The role would need to be strategic in nature, and not siloed in one specific area. We suggest structuring it as a central resource for the institution, with a direct reporting line to the president.

The concept of adding a new senior-level office may sound far-fetched, but colleges and universities have had to do it before. Consider technology over the past 10 years. As it became more pervasive on campuses, the role of managing it expanded considerably, from small projects to a strategic imperative. Today there is probably not a college campus in the country without a chief information officer whose office serves as a critical central resource across the institution.

As colleges focus on their core competencies and engage in partnerships to help advance their institutional missions, they would be well served by someone with the expertise and focus to execute on those initiatives. It is time to recognize that a dedicated role may be required.

Michelle Marks is vice president for academic innovation and new ventures at George Mason University, and James Sparkman is a partner at Alpha Education, a consulting company.

THE CHRONICLE
of Higher Education

Public-Private Partnerships Take New Shapes

By Scott Carlson MAY 05, 2019

There was a time when colleges and universities handled almost all the functions necessary to enroll, educate, and graduate students. As financial and political pressures mount, more colleges want to focus on the academic core — teaching and research — and transfer much of the rest of their operations to specialized businesses. The result is a complex relationship between colleges and companies, and it's quickly growing more common: the public-private partnership, or P3.

The Chronicle *recently released a special report, "The Outsourced University: How Public-Private Partnerships Can Benefit Your Campus," that provides an all-in-one primer on P3s. The following is excerpted from that report.*

Higher-education institutions once handled almost all the functions necessary to enroll, educate, and graduate students. They built and maintained residence halls, sports complexes, and rec centers. They operated their own power plants, laid cable, and pushed steam through underground pipes. They ran kitchens to feed thousands of people, opened stores to sell toiletries, snacks, books, and memorabilia. Security, parking, marketing … the list of duties beyond the classroom goes on.

Today, financial and political pressures are leading more institutions to focus on the academic core — teaching and research — and to transfer much of the rest of their operations to companies that specialize in those areas. Enter the public-private partnership: a kind of marriage between an institution and a private company, in which the company often finances, designs, builds, and operates a college "asset," as industry insiders call the outsourced facilities and services. Those projects can be fraught with problems over the control, revenue, and risk of a particular campus activity or asset.

While P3s, as the partnerships are known, have long been used to build and operate student housing, they are increasingly being developed now for other kinds of campus infrastructure, like hotels and arenas. And some people see P3s expanding into activities that are closer to the academic core, like online program management and advising. Here are two case studies of successful partnerships.

The Hotel at the University of Maryland at College Park

The strip of Baltimore Avenue that runs in front of the University of Maryland at College Park has long had its share of eyesores. With its cluster of car-oriented, fast-food restaurants and auto-repair shops, the community didn't exactly bring a shine to the institution. The university has longed to change that.

A cornerstone of that plan has been the Hotel at the University of Maryland, the first hotel to open near the campus since the 1960s. The project was the culmination of a series of partnerships among the university, its foundation, a development company connected to the university, the local government, and a private developer.

The Terrapin Development Company, created by the foundation and the university, was charged with transforming 17 properties that the university had acquired on the strip. In the case of the hotel, the university transferred that property to the development company, putting the land on the tax rolls and easing negotiations with the city.

Terrapin Development also found an unusual P3 partner: The Southern Management Corporation, a company that builds and operates apartment buildings and hotels in the mid-Atlantic region, was owned by a Maryland alumnus, David Hillman.

Hillman was willing to put up all the investment money for the project — $180 million — without help from the university or the state. The university has a lease on the land and will get a percentage of the gross revenue from the hotel, which includes restaurants, a spa, a fitness center, and meeting space.

"Obviously, because we share in the gross revenue, we have an incentive for the hotel to continue to do well," said Ken Ulman, president of Terrapin Development. But he noted that the university is not responsible for the performance of the hotel.

The hotel, which opened in 2017, has already spurred nearby development, also in the form of partnerships: WeWork, a company that develops and runs shared working spaces, opened a location behind the hotel, its first on a college campus. And nearby the Capital One Tech Incubator — a partnership between the financial company and the university — opened late last year. Capital One gave about $6 million to the university to support laboratories, faculty positions, and the creation of the incubator; the company may benefit from access to student and faculty work in the space.

A P3 Boosts Academics at Concordia U. at St. Paul

Concordia University at St. Paul has a range of partnerships, but one of the most prominent is its relationship with Learning House, a company that offers services in academic program management.

Eric LaMott, provost and chief operating officer of the Minnesota university, said colleges always believe they can handle the administration of academic programs by themselves. But the complexity of the sector and the competitive pressures within it have grown significantly in recent years, and colleges have trouble getting the right people to spin up new programs.

"I tell everybody I am focused entirely on talent acquisition," he said. "In some categories where I can’t get good talent, I’d rather put the tasks on the shoulders of another professional group and say, you’re responsible for achieving these outcomes."

Concordia formed its partnership with Learning House in 2012. The company works on branding, marketing, recruitment, and retention for the university’s adult undergraduate programs and many master’s programs, both on the ground and online. (While the company helps recruit students, LaMott stressed that admissions decisions are always made by the university.)

The company can also identify academic programs that could have potential for the university, and help get them off the ground. For example, Learning House identified a regional need for a computer-science program, then went to industry experts to find out what skills employers wanted applicants to have. It provided Concordia with content and resources from its technology boot-camp programs, and faculty members used that information to build lesson plans for the new degree program.

Attending to the elements of partnership is among the most important aspects of the relationship, LaMott said. That has required the university to break down some of the operational walls between departments on the campus, and to align their duties with Learning House.

Administrators have pushed staff members at Concordia to accelerate their responses to the company and developments in their shared projects. Given that its activities affect students directly, a failure by Learning House would reflect poorly on the institution as well.

"This is not a vendor," said LaMott. "This is a partner and a relationship, because they are holding our entire brand in their hands." He sees Learning House as a kind of investment firm.

"They're investing in this institution," he said, "expecting that we're going to be able to return that investment."

Scott Carlson is a senior writer who covers the cost and value of college. Email him at scott.carlson@chronicle.com.

THE BOND BUYER

Higher education sector's struggles aired at Milken Conference

By Keeley Webster

Published April 29 2019

The public not only thinks college costs too much, but questions whether it adequately prepares graduates for work, according to speakers Monday at the Milken Institute Global Conference in Beverly Hills, California.

Half of Democrats and three-quarters of Republicans say higher education is “going in the wrong direction,” according to a 2018 poll by the Pew Research Center.

Daphne Kis, CEO of WorldQuant University, pitched online learning Monday at the Milken Institute's Global Conference.

“It seems like every week I read in the Chronicle of Higher Education of a small liberal arts college closing,” asked one audience member during the question and answer session. “When so many of them are closing, how do institutions of higher education claim any relevance?”

The universities that will survive are the ones that are nimble and adjust the curriculum to ensure it matches what students need in today’s world, said Carol Quillen, president of Davidson College, a private liberal arts college in North Carolina.

She added that the universities that survive will be the ones, like hers, that teach students not just competency in a subject material, but how to think creatively so they can adapt when the world changes.

Daphne Kis, CEO of WorldQuant University, discussed how online learning can connect students in countries across the globe.

Though panelists don’t think universities will go away, they do think higher education needs to be more responsive to disruptive forces like those represented by technology-focused industries. And part of that means changing the time-frame for earning degrees.

“We have been partnering with the same disruptive start-ups that want to blow higher ed up,” Quillen said.

Since 2013, enrollment has fallen 7% to 17.8 million from 19.1 million, according to data from the National Center for Education Statistics.

S&P Global Ratings said in a Jan. 24 report that its ratings actions on U.S. institutions of higher education have skewed generally more negative than positive since 2012. In 2018, the downgrade-to-upgrade ratio reached a five-year record high of 6.7 to 1, which analysts called a general reflection of the rising pressure facing the sector. S&P analyzed the recent performance of 414 public and private colleges and universities, which included the vast majority of the colleges it rates.

“We believe some of these issues stem from the revolution of technology and the raised expectation for higher education, which have intensified competition among institutions to invest in human capital as well as in facilities to transform the way they provide their services,” S&P analysts wrote. “Other pressures arise from unfavorable demographic trends that are projected to continue in various regions across the country.”

A 2012 survey by TIME Magazine and the Carnegie Corporation of New York found that 89% of U.S. adults and 96% of senior administrators at colleges and universities considered higher education to be in crisis, and nearly 4 in 10 in both groups considered the crisis to be “severe.”

It’s not the Harvards and Yales that are in trouble, but the regional public schools who saw decades of growth and are now facing major budget cuts and the smaller, less-selective private colleges with high sticker prices and declining enrollment, moderator Adam Harris wrote in a 2018 article.

Colleges spend a lot of time looking at SATs and how many Ph.D.s they have on the faculty, said Paul LeBlanc, president of Southern New Hampshire University. “We need to look more at the outcomes — and how students are doing once they leave college.”

That includes their ability to repay debt.

“I feel like we as institutions should have skin in the game around student debt,” Quillen said. “It should be important to us that our students are able to repay our debt. We can do that, because we are smaller and we know our students — but that should be the case for larger institutions.”

LeBlanc doesn't think free or cheap tuition ideas floated by Democratic presidential candidates Elizabeth Warren and Bernie Saunders are realistic.

"In countries where tuition is free, the quality of education the students are receiving is poor," LeBlanc said.

The average annual increase in college tuition from 1980-2014 grew by nearly 260%. In 1980, the average cost of tuition, room and board, and fees at a four-year post-secondary institution was $9,438, according to the Department of Education. That number had climbed to $26,120 by fiscal 2015-16.