

Washington Higher Education Facilities Authority

MINUTES

May 8, 2020

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

Mr. Cohen announced that the meeting was being held remotely in order to comply with the State's directive, that it had been determined to be necessary and routine as required by the Governor's order, and that it was being recorded.

Board members present on the line were Lt. Governor Cyrus Habib, Mr. Michael Meotti, Ms. Claire Grace, and Mr. Gene Sharratt. Mr. Allan Belton, President of Pacific Lutheran University, soon to be officially appointed to the board, was also present.

Lt. Governor Cyrus Habib left the teleconference at 2:10 p.m.

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

Also present on the line were Ms. Faith Pettis and Ms. Deanna Gregory of Pacifica Law Group, the Authority's bond counsel; Mr. Dan Gottlieb of Hillis Clark Martin & Peterson, the Authority's backup bond counsel; Mr. Michael Nelson II, Assistant Attorney General from the Washington State Attorney

General's Office; Ms. Elizabeth Bergman of Baker Tilly Municipal Advisors; and Mr. Aaron Fong of U.S. Bank Corporate Trust.

Other meeting attendees were Mr. Bob Woodard and Mr. Matt Vickery of the Washington State Housing Finance Commission; representatives from Seattle University: Mr. Andrew O'Boyle, Associate VP for Finance and Investments, Mr. Wilson Garone, VP and Chief Financial Officer; and Mr. Joe Cater, Controller; Mr. John Wendling of UMB Bank, financial advisor to Seattle University; Ms. Terri Standish-Kuon, President and CEO of Independent Colleges of Washington; Ms. Mary Chikwinya, Director of Higher Education to Lt. Governor Cyrus Habib; and Mr. Grant Carwile of SL Capital Strategies.

Approval of the Minutes

Mr. Cohen asked for a motion to approve the minutes of the meeting held on January 30, 2020. Dr. Sharratt made the motion, and it was seconded by Ms. Grace. The minutes were approved unanimously, 5-0.

Introduction of the New Board Member

Ms. Johnson introduced and welcomed Mr. Allan Belton. Mr. Belton will be taking over the position that Dr. Roy Heynderickx currently holds once his appointment is finalized.

Election of Secretary and Treasurer

Mr. Cohen introduced Mr. Walker to discuss the election of Board Secretary and Treasurer. Mr. Walker stated that each year the Board elects a Secretary and a Treasurer. He noted that the past year Mr. Cohen served as Secretary and Ms. Grace served as Treasurer.

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

Dr. Sharratt made the motion to re-elect Mr. Cohen as Secretary and Ms. Grace as Treasurer. The motion was approved unanimously, 5-0.

**Approval of Policy
Revision**

Mr. Cohen introduced Ms. Johnson to present Authority policy revisions. Ms. Johnson stated that the proposed policy change is intended to clarify how Authority issuance fees and contracted finance team fees are calculated on publicly sold bond issues with premium.

Ms. Johnson said that the objective of the policy change is to ensure that all applicable fees will be charged based on the amount of the bond proceeds generated from the sale of the bonds.

Ms. Johnson asked the Board to consider acting on staff recommendations to approve the proposed changes to the Authority Facility Financing Policy Guide, effective immediately. Mr. Meotti made the motion to accept the proposed changes and Ms. Grace seconded the motion. The motion was approved unanimously, 5-0.

**Action Item:
Approval of
Resolution
#20-03
for Seattle
University**

Mr. Cohen introduced Ms. Johnson to present staff recommendation for approval of Resolution No.20-03.

Ms. Johnson stated that the board is considering a proposed issuance of tax-exempt revenue bonds for Seattle University in an amount not to exceed \$75,000,000.

Ms. Johnson gave a brief summary of the transaction. She said that the bonds were rated “A” with a negative outlook by Standard & Poor’s (S&P).

Ms. Johnson stated that a public hearing for this transaction will be held on May 15, 2020. She added that the Authority was unable to conduct a public hearing prior to the board meeting due to the Governor’s proclamation prohibiting public gatherings due to COVID-19 and the IRS’ public hearing requirements for in-person testimony. She reported that the IRS recently

issued temporary guidance that allows public hearings to be conducted via teleconference or other internet-based meeting technology.

Mr. O'Boyle thanked the Authority and gave a detailed description of the project. He added that they are excited to open the project next year.

Mr. Cohen inquired about the campus maker space. Mr. O'Boyle said that it is an open space where students can be creative, develop their ideas and make them real. He added that 3D printers will be available in this space.

Mr. Wendling, the University's financial advisor, presented the financing details of the project.

Ms. Grace commended the University for the reaffirmation of their "A" rating despite the uncertainties of the current market and COVID-19.

Dr. Sharratt asked if the University is anticipating additional fundraising and if they are expecting additional capital support for the project. Mr. O'Boyle said that their campaign goal for this project was \$100 million and that they have raised \$96 million. He said that \$90 million will be used for the current project and \$10 million on miscellaneous campus improvements. He added that they are not anticipating additional funds for this project. Mr. O'Boyle said that the overall capital campaign was \$275 million, and they have raised about \$260 million with a year to go.

Dr. Sharratt inquired if the University is planning for additional facilities in the future. Mr. O'Boyle said that they currently are not expecting any. Mr. Wendling added that the University has good flexibility within their budget that will enable them to make choices and contingency plans in the future.

Mr. Cohen asked for a motion to approve Resolution No.20-03. Dr. Sharratt made the motion, and it was seconded by Mr. Meotti. The resolution was approved unanimously, 5-0.

**Action Item:
Approval of
Resolution
#20-04
Authorizing the Use
and Acceptance of
Electronic
Signatures**

Mr. Cohen introduced Mr. Edwards to present Resolution No.20-04.

Mr. Edwards stated the resolution authorizes the use and acceptance of electronic signatures in accordance with RCW 19.360.020 and ESSB 6028 and further authorizes the development of procedures for implementation of the electronic signature policy.

Mr. Cohen asked for a motion to approve Resolution No.20-04. Ms. Grace made the motion. Dr. Sharratt seconded the motion. The resolution was approved unanimously, 5-0.

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

Mr. Cohen introduced Mr. Cook to present the proposed annual budget for the fiscal year beginning July 1, 2020 thru June 30, 2021.

Mr. Cook stated that the Authority is expecting two financings next year totaling \$30 million of proceeds. He said that for the six fiscal years prior to the current one, the Authority waived its ongoing annual fee of 6 basis points on bonds outstanding for member schools. He added that Authority staff are recommending that the Authority again waive the annual fee for the upcoming fiscal year to help member schools deal with the impacts of COVID-19.

Mr. Cook presented the Authority's budget summary and workplan for the fiscal year ending June 30, 2021. He asked the board to approve the budget with a proviso that the overhead items in the budget could vary up to 10% due to COVID-19 related items in the Washington State Housing Finance Commission's ("Commission") budget. The addition of these items could affect the allocation of overhead to the Authority.

Mr. Cohen inquired about the amount of the possible increase in the overhead items. Mr. Cook said that the maximum amount would be \$3,000 and only on certain items such as rent, information services, and the like that the Commission bills to the Authority based on the number of FTE's. He added that since the Commission's budget is not yet finished, it will affect the Authority's budget.

Mr. Cohen asked if there is a separate resolution for waiving the annual 6 basis points fee. Mr. Cook said that there is no separate resolution since the fees and fee waiver are reflected in the budget.

Ms. Grace recommended including a written evaluation of the impact of COVID-19 on Authority's programs and processes for this year as a performance measure.

Mr. Cohen asked for a motion to accept the budget for fiscal year 2021 with the proviso that overhead items billed by the Commission can increase by up to 10% above what is currently in the budget, and that there be a performance measure added to the Authority's Business Objectives that evaluates the impacts of COVID-19 on programs and processes. Ms. Grace made the motion and it was seconded by Dr. Sharratt. The motion was approved unanimously, 4-0. Lt. Governor Cyrus Habib left the teleconference at 2:10 p.m. and was not present for this vote or subsequent votes.

**Action Item:
Review and
Act on
Resolution
#20-02**

Mr. Cohen introduced Mr. Cook to present Resolution No.20-02 authorizing investment of WHEFA funds in the Local Government Investment Pool (LGIP).

Mr. Cook stated that the LGIP resolution has been updated so that the authorization is for named roles rather than named persons. He added that this precludes the need for a new resolution each time there is a change in staff.

Ms. Grace inquired about the LGIP returns on funds invested. Mr. Cook said that the Authority has a smaller reserve amount compared with the Commission. He added that LGIP has been doing well during this low interest environment. Mr. Cook said that LGIP works as a money market investment that is managed by the State Treasurer for municipalities and added that it is better than any money market fund the Authority can get in the marketplace in terms of returns.

Mr. Cohen asked for the motion to approve Resolution No.20-02. Ms. Grace made the motion and it was seconded by Mr. Meotti. The motion was approved unanimously, 4-0.

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

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

Mr. Cook stated that the unaudited financial statement for the period ending March 31, 2020, shows assets of just over \$1.4 million and approximately \$170,000 of liabilities, leaving just over \$1.26 million in net assets. He added that unrestricted revenue was approximately \$572,000. Mr. Cook said that expenses to date are approximately \$291,000, leaving a net position of about \$1.26 million.

Ms. Grace moved the acceptance of the financial statements, and it was seconded by Dr. Sharratt. The motion was approved unanimously, 4-0.

**Invoice for
Services**

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

Mr. Cook stated that the invoice from the Commission for January 1, 2020 through March 31, 2020 has been reviewed and approved for payment by the Treasurer, Ms. Grace.

Market Update

Mr. Cohen introduced Ms. Bergman to present the market update.

Ms. Bergman reported how COVID-19 produces volatility in the market. She said that the higher education bond sale market came back to life with ten deals to date during the COVID-19 period.

Ms. Bergman stated that interest rates on municipal bonds remained low from a historical perspective and added that the market remains favorable despite the disruption in the initial period.

Ms. Bergman reported that the investors are thinking about credits and what kinds of bonds they want to buy. The distinction between essential and non-essential services has increased. She stated that higher education is seen as a high-risk sector.

Ms. Bergman stated that Seattle University's "A" rating affirmation, even with a negative outlook, reflects strong management in this environment. She added that S&P put a negative outlook on over 100 ratings in higher education. Ms. Bergman said that both Moody's Investor Services' and S&P's sector outlooks are negative during the COVID-19 period. They both view higher education as in for a difficult operating environment and they expect more downgrades than upgrades. Narrow liquidity, thin operating margins, and weak enrollment trends are factors making universities most susceptible to negative rating actions.

Dr. Sharratt asked if a university's investment income can be a factor that is susceptible to negative ratings. Ms. Bergman said that even though endowments suffered significant losses over the past months, there is a tremendous amount of uncertainty. Rating agencies are hesitant to jump to conclusions and see losses in endowments as a moment in time.

**Washington
Student
Achievement
Council
Update**

Mr. Cohen introduced Mr. Meotti to present the Washington Student Achievement Council (WSAC) update.

Mr. Meotti shared WSAC’s work and explained how the agency operates. He said that WSAC recently launched a digital tool to support students. He added that it is a texting tool for College Bound Scholars where they can interact 24/7 and get help filling out financial forms. They also launched a program called College & Career Compass that empowers adults to return to school, earn a credential and advance in their career. Due to the COVID-19 crisis they ramped up a version for high school students as well.

Mr. Meotti said Washington is the only state where the Governor terminated in-person instruction from K-12 to higher education in March. He said that WSAC has been working with the Governor’s office, the Workforce Board, and other sectors on the re-opening of a few limited programs. This plan will allow for clinical programs, not including in-class instruction, to resume this week with social distancing and other protective measures. Mr. Meotti said that the Governor’s Office is convening a group to begin conversations about fall re-opening.

Mr. Meotti said that one of the relevant challenges is that higher education institutions are dependent on auxiliary revenues such as dorm and food services. He said that enrollment was down about 10% - 12% in the Spring quarter.

**Bond Issue
Status Report**

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

Mr. Edwards stated that the potential \$7 million refunding for Heritage University presented at the January board meeting has been dropped. He reported that Heritage University has since decided not to pursue a refunding. Instead, the University and the bank have negotiated a change in the terms of

the bond issue. The negotiation will result in a reduced interest rate and relaxed financial reporting, both of which will give the University more flexibility.

Mr. Edwards highlighted that the Authority's total bond issue for 2020 fiscal year will be \$271,180,000 with total estimated Present Value (PV) savings of \$7.54 million.

**Executive
Director's
Report**

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

Mr. Walker announced that the Governor's Office will soon officially appoint Allan Belton, President of Pacific Lutheran University to the WHEFA board, taking over Dr. Heynderickx's position.

Mr. Walker recognized Dr. Heynderickx for his eight years of service as a board member to the Authority.

Mr. Walker acknowledged staff for their work and effort in keeping Authority business on track.

Mr. Walker said that there will be a special session in the State Legislature sometime in late summer.

Mr. Walker reported that the NAHEFFA 2020 Spring Conference in Charleston, South Carolina was cancelled due to COVID-19. He said that the Fall Conference in Milwaukee, Wisconsin is still scheduled on September 16-18.

Mr. Walker gave a summary of relevant articles in the board meeting packet. He added that the next board meetings are scheduled for August 6, 2020 and November 5, 2020.

Adjournment

Mr. Cohen adjourned the meeting at 3:00 p.m.

Mr. Jerome Cohen, Secretary

Date