

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. Heynderickx. 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