



WHEFA

AUTHORITY MEETING

December 20, 2024



WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
Meeting Agenda – revised December 13, 2024

Jay Inslee,
Governor
Chair

Nona Snell,
Budget Director, Office of
Financial Management,
Governor’s Designee

Allan Belton
President,
Pacific Lutheran University
Public Member
Secretary

Denny Heck,
Lieutenant Governor

Michael Meotti,
Executive Director,
Student Achievement
Council
Treasurer

Dr. Gene Sharratt
Public Member

Shilpa Tiwari,
Public Member

Sergio Garcia,
Public Member

Steve Walker,
Executive Director

YOU ARE HEREBY NOTIFIED that the Washington Higher Education
Facilities Authority will hold a Special Meeting at 1:30 p.m. prevailing Pacific
Time on Friday, December 20, 2024, in the Olympic View Room at the
Authority’s offices located at 1000 2nd Ave., Suite 2700, Seattle, WA 98104 to
consider the items in the agenda below.

Pursuant to RCW 42.30.030(2), which encourages public agencies to provide
for public access to meetings, this meeting can also be viewed via Zoom or
joined telephonically.

To join virtually, please go to www.zoom.us and enter:

Meeting ID: 860 4970 3676

Password: 480145

Participants using a computer without a microphone who wish to
participate verbally, please dial: 1-(888) 788-0099 U.S. toll-free

Please note that the line will be muted to the public except during the
public comment portions of the meeting.

I. CALL TO ORDER: Chair

II. APPROVAL OF THE MARCH 11, 2024 SPECIAL MEETING MINUTES:

Chair ----- 1

III. CONSIDER AND ACT ON THE FOLLOWING ITEMS:

A. Finance Report – Lucas Loranger

1. Review and consider acceptance of Financial Audit Report

a. Presentation of Independent Auditor’s Report

– Eide Bailly ----- 2

2. Review and consider adopting the Annual Budget for the period

July 1, 2024 – June 30, 2025 ----- 3

3. Review and consider acceptance of the current Financial Statement -----

4

4. Invoice for Services -----

5

IV. INFORMATION ITEMS

A. Authority Meeting Schedule – *Carol Johnson*

V. PUBLIC COMMENT: *Chair*

VI. MISCELLANEOUS BUSINESS AND CORRESPONDENCE -----

6

VII. EXECUTIVE SESSION

VIII. ADJOURN

PUBLIC ENGAGEMENT AT AUTHORITY MEETINGS

All Board meetings of the Washington Higher Education Facilities are open to the public. Our intention is to welcome all members of the public and to provide a clear and reasonable process through which they can share their thoughts with us.

Sharing Your Thoughts

We are committed to providing a fair, respectful and safe opportunity for all voices to be heard. During board meetings, attendees can see and hear all presentations and business taking place. Microphones will be turned off except to receive comment during public hearings and the public comment period.

- **Public Hearings:** Public hearings are generally held separately from Authority board meetings, but there may be exceptions. Please limit comments to those directly related to the public hearing topic.
- **Public Comment:** During this period, which takes place at the end of the business meeting, the Board members listen to public concerns and comments on any topic related to the work of the Authority. Anyone who wishes to speak can take this opportunity. The starting time for the public comment period depends on the length of the Authority's other business.

The Board members may not respond to your comment or question during the meeting, but staff may follow up with you with your consent.

- **Zoom Chat:** The chat feature is disabled in all Authority meetings, as phone attendees cannot participate.

Raising Your Hand:

The meeting chair will ask you to "raise your hand" or otherwise indicate that you would like to speak. If online, use the Zoom "raise hand" feature. Attendees on the telephone can press *9 to "raise a hand." Whether or not you are able to virtually raise a hand, the chair will provide time and opportunity for all to share their comments before closing the public comment period.

Community Standards

- Please keep your comments brief (2 minutes). The chair may ask you to bring your statement to a close after that time, especially if others are waiting to speak.
- Please keep your comments respectful. Any remarks or behavior that is rude, abusive, or otherwise disruptive will not be tolerated. This specifically includes slurs regarding protected classes as outlined by federal and state statute, such as race/ethnicity, disability, religion, sexual orientation, gender identity, etc. For complete list of state protected classes, visit hum.wa.gov.
- Those who do not follow these standards will be asked to leave or removed from the meeting.

TAB 1

Washington Higher Education Facilities Authority

MINUTES

March 11, 2024

Dr. Gene Sharratt, Board Secretary, called the special meeting of the Authority to order at 11:03 a.m.

Including Dr. Sharratt, other Board members present via Zoom were Lt. Governor Denny Heck, Mr. Mike Meotti, and Mr. Allan Belton.

Authority staff present were Mr. Steve Walker, Executive Director; Ms. Carol Johnson, Assistant Director; Mr. Lucas Loranger, Senior Finance Director; and Ms. Rona Monillas, Program Coordinator.

Also present were Ms. Faith Pettis and Mr. Jon Jurich of Pacifica Law Group, the Authority's bond counsel; and Ms. Christi Jacobsen of Hillis Clark Martin & Peterson, Whitman College's legal counsel.

Also present via Zoom were Mr. Jeff Hamrick, Vice President for Finance and Administration, Whitman College; Mr. Thomas Toepfer of PFM Financial Advisors; Mr. Kevin Smith of Eide Bailly; and Ms. Terri Standish-Kuon, President & CEO, Independent Colleges of Washington

Introductions and Acknowledgments

Mr. Steve Walker congratulated Mr. Lucas Loranger on being selected to be the new Senior Director of Finance. He also announced the appointment of Ms. Nashika Stanbro as the new DEI Director for the Commission.

Approval of the Minutes

The minutes of the July 25, 2023, special meeting minutes were approved as mailed.

**Election of Secretary
and Treasurer**

Dr. Sharratt introduced Ms. Johnson to discuss the election of Board Secretary and Treasurer.

Ms. Johnson stated that each year the Board elects a Secretary and a Treasurer. She noted that in the past year, Dr. Sharratt served as Secretary and Mr. Belton served as Treasurer.

She stated that Mr. Belton agreed to take on the role of Secretary and Mr. Meotti agreed to take on the role of Treasurer if the Board nominates and elects them.

Lt. Governor Heck made the motion to elect Mr. Belton as Secretary and Mr. Meotti as Treasurer. The motion was seconded by Dr. Sharratt. The motion was approved unanimously, 4-0.

**Action Item:
Approval of
Resolution #24-01
for Whitman College**

Dr. Sharratt introduced Ms. Johnson to present the staff recommendation for approval of Resolution No. 24-01.

Ms. Johnson stated that the board is being asked to approve the proposed issuance of tax-exempt revenue bonds for Whitman College in an amount not to exceed \$40 million.

Ms. Johnson gave a summary of the transaction and said that a public hearing was held on February 23, 2024. The transaction is set to close on April 2, 2024.

Mr. Hamrick provided additional information about the project and talked about the benefits the College and the local community will get from this transaction.

Lt. Governor Heck asked how the project would address the housing supply issues in the community, and whether Walla Walla is experiencing similar housing shortages observed in other parts of the state and the nation. Mr. Hamrick elaborated on the project's anticipated impact on the housing supply issues in the community. He also expanded on the housing rental challenges specifically present in Walla Walla.

Lt. Governor Heck inquired whether there was data available supporting demand from students to reside on campus. Mr. Hamrick stated that their architectural firm provided anecdotal evidence regarding the demand for on-campus housing among students. He emphasized that their housing lottery serves as compelling evidence of the necessity for additional campus rental units. Furthermore, he outlined their strategy for managing any potential surplus of rental units.

Ms. Standish-Kuon added that some of their member campuses are looking specifically at student housing, recognizing its positive impact not only on their students but also on surrounding communities.

Dr. Sharratt asked for a motion to approve Resolution No. 24-01. Lt. Governor Heck made the motion, and it was seconded by Mr. Belton. The resolution was approved unanimously, 4-0.

Action Item:
Approval of
Resolution #24-02

Dr. Sharratt introduced Ms. Johnson to present the staff recommendation for approval of Resolution No. 24-02.

Ms. Johnson provided details on Resolution No. 24-02, highlighting that this resolution will: (1) authorize the executive director to make expenditures of \$50,000 or less, and to enter into contracts for up to \$250,000; (2) authorize the executive director to delegate in writing to the Assistant Director and other pertinent WHEFA staff the authority to execute documents related to the

agency's daily operations; (3) permanently extend the use and acceptance of electronic signatures.

Lt. Governor Heck pointed out some concerns regarding the contract amount of \$250,000.

Mr. Walker noted that the amount can be changed, emphasizing the primary objective of updating the decision-making process. He emphasized that all contracts would start with an RFP and require Board approval.

Mr. Belton asked about the frequency with which the agency receives contracts of that amount.

Ms. Johnson said that contracts of that amount are not common outside of the RFP processes. The maximum amount for those contracts is \$500,000. The majority of such contracts are paid through proceeds generated from bond financings. She added that the Authority seldom directly pays contracted financial advisors or legal counsel, with the exception of special projects. Those come up very infrequently.

Mr. Walker proposed adjusting the amount from \$250,000 to \$50,000, with any amount exceeding this limit requiring approval from the Board.

Lt. Governor Heck made the motion to approve Resolution No. 24-02, and it was seconded by Mr. Meotti. The motion was approved unanimously, 4-0.

Mr. Belton made the motion to amend the resolution by lowering the amount that the Executive Director is authorized to enter into from \$250,000 to \$50,000. The motion was seconded by Mr. Meotti. Amended Resolution No. 24-02 was approved unanimously, 4-0.

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

Mr. Loranger introduced Mr. Kevin Smith to present a summary of the 2023 Audit Report.

Mr. Smith presented the overall results of the audit and highlighted that the auditors encountered no difficulties during the audit process.

Lt. Governor Heck made the motion to accept the final Audit Report. It was seconded by Mr. Meotti. The motion was approved unanimously, 4-0.

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

Dr. Sharratt asked Mr. Loranger to present the financial statement for approval.

Mr. Loranger presented the unaudited, current financial statement of the Authority's General Operating Fund for the period ending January 31, 2024. He stated that the increase in expenses from the previous year was a result of pay increases, retention and COVID bonuses implemented by the State, and increased travel and conference costs as we transitioned out of the pandemic era.

Mr. Belton moved approval of the financial statement, and it was seconded. The motion was approved unanimously, 4-0.

**Invoice for
Services**

Mr. Loranger stated that the invoice from the Housing Finance Commission for April 1, 2023, through December 31, 2023, has been reviewed and approved for payment by the Treasurer, Mr. Belton.

**Washington
Student
Achievement
Council Update**

Dr. Sharratt introduced Mr. Meotti to provide an update on the activities of the Washington Student Achievement Council (WSAC).

Mr. Meotti presented updates regarding enrollment and gave an update on the positive impacts of the past legislative session. He also made comments on the impact of financial aid on enrollment.

Market Update

Dr. Sharratt introduced Mr. Toepfer to present the market update.

Mr. Toepfer presented a market update which included a discussion about inflation, employment and the housing market, taxable and tax-exempt rates, an overview of interest rate history and trends, an interest rate forecast, and a discussion of municipal market supply and demand.

**Bond Issue
Status Report**

Dr. Sharratt asked Ms. Johnson to present the Bond Issue Status Report.

Ms. Johnson said that at the beginning of this past fiscal year, the Authority anticipated closing two bond issues totaling approximately \$49 million by June 30, 2024. She highlighted that as of March, the Authority financed one bond issue totaling \$27 million. She further stated that with Whitman College closing in April, the Authority will have exceeded its goal by around \$18 million, for a total of approximately \$67 million.

**Executive
Director's
Report**

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

Mr. Walker welcomed the new officers and thanked the outgoing officers Dr. Sharratt and Mr. Belton for their past service to the Board as Secretary and Treasurer.

Mr. Walker thanked Mr. Meotti for his update and acknowledged the Student Achievement Council's outstanding contributions.

Mr. Walker gave an update on the state legislative session and stated that there were no bills passed that directly impacted WHEFA.

At the request of Dr. Sharratt, Mr. Meotti gave an update on dual credit programs that are available to students in high school.

Mr. Walker said that the NAHEFFA Spring conference will be held April 7-10 in New Orleans, LA. He advised board members interested in attending to contact staff.

Mr. Walker shared that WHEFA is still in the process of recruiting for a board position and that the announcement was distributed widely. Lt. Governor Heck expressed concerns regarding the lack of BIPOC representation on the board. Mr. Walker stated that staff share the same concern and have been actively reaching out to various minority communities and institutions to enhance board diversity.

Mr. Walker gave a summary of relevant articles in the board meeting packet. He added the next board meeting is on May 2, 2024. He noted that if there is no business to conduct, the meeting will be cancelled.

Adjournment

Dr. Sharratt adjourned the meeting at 12:29 p.m.

Mr. Allan Belton, Secretary

Date

TAB 2



Financial Statements
June 30, 2024 and 2023

Washington Higher Education Facilities Authority

Washington Higher Education Facilities Authority

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June 30, 2024 and 2023

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Independent Auditor's Report

To the Board of Directors
Washington Higher Education Facilities Authority
Seattle, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business type activities of the Washington Higher Education Facilities Authority (the Authority), a discretely presented component unit of the State of Washington, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2024 and 2023, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Eide Bailly LLP

Boise, Idaho
October 30, 2024

As management of the Washington Higher Education Facilities Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2024 and 2023 (FY 2024 and FY 2023, respectively). This overview and analysis is required by accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board.

Financial Highlights

At June 30, 2024, and for the year then ended:

- Cash and investments totaled \$1.22 million an increase of \$160.3 thousand due to increased interest income and fees earned on new issuances.
- Fees receivable increased by \$5.9 thousand as an annual fee remained unpaid at year end.
- Total revenues increased 15.9% in FY 2024 primarily due to an increase in issuance fees on refunding bonds issued during the year.
- Total expenses for FY 2024 increased 11.9% as increased staff time allocated to the agency resulted in a increase in total allocated expenses.

Overview of the Financial Statements

The financial statements consist of three parts: Management's Discussion and Analysis, the financial statements, and the notes to the financial statements. The financial statements are presented in a manner similar to that of a private business, using the economic resources measurement focus and the accrual basis of accounting. The financial statements report information for all Authority programs and operations. The statements of net position include all of the Authority's assets and liabilities. All revenues and expenses of the Authority are reflected in the statements of revenue, expense, and changes in net position.

Economic Outlook

The ongoing impacts of the COVID-19 pandemic and shifting demographics are contributing to uncertainty in enrollment and facility needs for our university and college clients. While interest rates are expected to decrease in the coming year, they are still relatively high, and construction costs have risen. Additionally, the upcoming elections add another layer of uncertainty. Consequently, we anticipate that refunding opportunities will remain limited. However, as institutions face increased competition for a shrinking student pool due to demographic shifts, there may be a rise in new financing aimed at upgrading facilities to enhance competitive advantage.

Financial Analysis of the Authority

Statements of Net Position

The following table summarizes the changes in assets, liabilities, and net position between the years ended June 30, 2024 and 2023 (in thousands):

	<u>2024</u>	<u>2023</u>	<u>Change</u>	
Assets				
Cash and cash equivalents	\$ 1,221.9	\$ 1,061.5	\$ 160.4	15.1%
Accounts receivable, net of Allowance for doubtful Accounts of (2,976)	3.0	-	3.0	100.0%
Prepaid fees and other assets	<u>14.3</u>	<u>13.6</u>	<u>0.7</u>	5.1%
Total assets	<u>1,239.2</u>	<u>1,075.1</u>	<u>\$ 164.1</u>	15.3%
Liabilities				
Payables	<u>96.6</u>	<u>88.8</u>	<u>\$ 7.8</u>	8.8%
Total liabilities	<u>96.6</u>	<u>88.8</u>	<u>\$ 7.8</u>	8.8%
Net Position				
Unrestricted	<u>\$ 1,142.6</u>	<u>\$ 986.3</u>	<u>\$ 156.3</u>	15.8%

Statements of Revenues, Expenses, and Changes in Net Position

The following table summarizes the changes in revenues and expenses between the years ended June 30, 2024 and 2023 (in thousands):

	<u>2024</u>	<u>2023</u>	<u>Change</u>	
Revenues				
Program fees	\$ 501.5	\$ 446.7	\$ 54.8	12.3%
Operating fund interest income	<u>65.0</u>	<u>41.9</u>	<u>23.0</u>	32.3%
Total revenues	<u>566.5</u>	<u>488.6</u>	<u>77.9</u>	15.9%
Expenses				
Salaries and related expense	302.5	272.4	30.0	11.0%
Communication and office expenses	59.5	62.4	(2.9)	-4.6%
Professional expense	<u>48.2</u>	<u>31.8</u>	<u>16.4</u>	51.5%
Total expenses	<u>410.2</u>	<u>366.6</u>	<u>43.6</u>	11.9%
Change in Net Position	<u>\$ 156.3</u>	<u>\$ 122.0</u>	<u>\$ 34.3</u>	28.1%

Washington Higher Education Facilities Authority

Management's Discussion and Analysis

June 30, 2024 and 2023

During the year ended June 30, 2024, the Authority's revenue largely resulted from program fees from initial issuer fees totaling \$501.5 thousand as ongoing annual issuer fees were waived. Expenses of \$410.2 thousand are comprised of personnel, communication, office expense, and other professional fees.

Debt Administration

The Authority issues bonds on behalf of private higher education facilities. However, the bonds issued meet the definition of conduit debt obligations for which the Authority has not extended any additional commitments for debt service payments beyond the collateral and payments received from the underlying mortgages. As of June 30, 2024, such bonds have an aggregate outstanding principal amount payable of \$720.7 million. Because these bonds are considered conduit bonds they are not recognized as a liability by the Authority.

The Authority has no general obligation bonds and does not currently have an issuer credit rating. The Authority's authorized debt limit is \$1 billion.

Additional information on the Authority's debt obligations can be found in Note 5 of this report.

Comparison of Fiscal Year 2023 with 2022

Statements of Net Position

The following table summarizes the changes in combined net position between June 30, 2023 and 2022 (in thousands):

	<u>2023</u>	<u>2022</u>	<u>Change</u>	
Assets				
Cash and cash equivalents	\$ 1,061.5	\$ 871.8	\$ 189.7	21.8%
Prepaid fees and other assets	<u>13.6</u>	<u>62.7</u>	<u>(49.1)</u>	-78.3%
Total assets	<u>1,075.1</u>	<u>934.5</u>	<u>140.6</u>	15.0%
Liabilities				
Payables	<u>88.8</u>	<u>70.2</u>	<u>18.6</u>	26.5%
Net Position				
Unrestricted	<u>\$ 986.3</u>	<u>\$ 864.3</u>	<u>\$ 122.0</u>	14.1%

Statements of Revenues, Expenses and Changes in Net Position

The following table summarizes the combined changes in net position activity between the years ended June 30, 2023 and 2022 (in millions):

	2023	2022	Change	
Revenues				
Program fees	\$ 446.7	\$ 154.3	\$ 292.4	189.5%
Operating fund interest income	41.9	2.6	39.3	1511.5%
Total revenues	<u>488.6</u>	<u>156.9</u>	<u>331.7</u>	211.4%
Expenses				
Salaries and related expense	272.4	259.8	12.6	4.8%
Communication and office expenses	62.4	51.2	11.2	21.9%
Professional expense	31.8	37.8	(6.0)	-15.9%
Total expenses	<u>366.6</u>	<u>348.8</u>	<u>17.8</u>	5.1%
Change in Net Position	<u>\$ 122.0</u>	<u>\$ (191.9)</u>	<u>\$ 313.9</u>	-163.6%

During the year ended June 30, 2023, the Authority's revenue largely resulted from program fees from initial issuance fees totaling \$446.7 thousand as ongoing annual fees were waived. Expenses of \$366.6 thousand are comprised of personnel, communication, office expense, and other professional fees.

Additional Information

Questions and inquiries may be directed to the Senior Director of Finance or the Senior Controller at Washington Higher Education Facilities Authority, 1000 2nd Avenue, Suite 2700, Seattle, Washington 98104 (206-464-7139).

Washington Higher Education Facilities Authority
 Statements of Net Position
 June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 1,221,856	\$ 1,061,509
Accounts receivable, net of allowance for credit losses of (2,976)	2,975	-
Prepaid fees and other assets	14,318	13,606
Total assets	\$ 1,239,149	\$ 1,075,115
Liabilities and Net Position		
Accounts payable	\$ 96,552	\$ 88,814
Net Position		
Unrestricted	1,142,597	986,301
Total liabilities and net position	\$ 1,239,149	\$ 1,075,115

Washington Higher Education Facilities Authority
 Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended June 30, 2024 and 2023

	2024	2023
Revenues		
Fee income	\$ 501,507	\$ 446,707
Interest earned on investments	65,046	41,934
Total revenues	566,553	488,641
Expenses		
Salaries and related expense	302,549	272,443
Communication and office expense	59,474	62,442
Professional fees	48,234	31,787
Total expenses	410,257	366,672
Change in Net Position	156,296	121,969
Net Position, Beginning of Year	986,301	864,332
Net Position, End of Year	\$ 1,142,597	\$ 986,301

Washington Higher Education Facilities Authority

Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Cash received from fee income	\$ 495,556	\$ 494,044
Cash payments for salaries and benefits	(298,226)	(261,462)
Vendor payments	(102,029)	(84,825)
Net Cash from Operating Activities	95,301	147,757
Investing Activities		
Interest received on investments	65,046	41,934
Net Cash from Investing Activities	65,046	41,934
Net Increase in Cash and Cash Equivalents	160,347	189,691
Cash and Cash Equivalents, Beginning of Year	1,061,509	871,818
Cash and Cash Equivalents, End of Year	\$ 1,221,856	\$ 1,061,509
Reconciliation of Change in Net Position to Net Cash from Operating Activities		
Change in Net Position	\$ 156,296	\$ 121,969
Adjustments to reconcile excess of revenues over expenses to net cash from operating activities		
Cash from changes in operating assets and liabilities		
Interest and other receivables	(68,733)	7,202
Interest and other payables	7,738	18,586
Net Cash from Operating Activities	\$ 95,301	\$ 147,757

Note 1 - Principal Business Activity

The Washington Higher Education Facilities Authority (the Authority) was created in 1983 in accordance with the Chapter 28B.07 of the Revised Code of Washington (RCW). The Authority was formally activated in 1984. Four public board members are appointed by the governor to terms of four years, subject to confirmation by the State Senate. Three board members serve ex officio, the Governor (who may designate an employee of the governor's office to serve in the governor's absence), Lieutenant Governor, and the Chair of the Student Achievement Council.

The Authority's purpose is to reduce the financing costs of higher education facilities through the issuance of tax-exempt, nonrecourse revenue bonds, and to loan the proceeds to qualified, not-for-profit higher education institutions in Washington State. The institutions may use the bond proceeds for refinancing taxable or tax-exempt debt, remodeling, construction, purchase of equipment, or other approved purposes. The Authority's debt limit is \$1 billion.

The bonds, which constitute a special obligation of the Authority, are payable solely from the bond fund established pursuant to the indenture. Payments made by the not-for-profit higher education institutions to satisfy the loan agreement are the primary source of payment on the bonds, in addition to any other money held by the bond trustee pursuant to the indenture. The obligation of the not-for-profit colleges and universities to repay the loan is absolute and unconditional.

The bonds do not constitute a general, moral, or special obligation of the State of Washington, a pledge of the faith and credit of the State, or a general obligation of the Authority. The owners of the bonds have no right to require the State of Washington or the Authority, nor has the State of Washington or the Authority any obligation or legal authorization, to levy any taxes or appropriate or expend any of its funds for the payment of principal thereof, premium, if any, or interest thereon. For financial reporting purposes, the bonds meet the definition of conduit bonds and are, therefore, not included as a liability to the Authority.

Effective July 22, 2007, the Authority was granted the power to originate and purchase student loans, to participate in federal programs that provide guarantees for the repayment of educational loans and to issue revenue bonds payable from and secured by educational loans. Revenue bonds so secured are to be excluded from the debt limit of \$1 billion. As of the date of this report, no such revenue bonds have been issued.

The Authority is a legally separate entity from and incurs no expense or liability to the State of Washington. Although the governor and lieutenant governor sit on the board and the governor appoints the public members of the board, the State of Washington is not considered to be financially accountable due to the restricted ability of the Washington State legislature to impose its will on the Authority and a lack of any financial dependency of the Authority on any State appropriations. The Authority does not impose a financial burden on, nor is there a benefit to the State; however, the Authority is presented as a discrete component unit of the State of Washington in their Annual Comprehensive Financial Report.

The Authority summarizes its financial activities in the General Operating Fund. The General Operating Fund was established by the Authority to account for the fiscal activities related to the administration of its ongoing program responsibilities. Revenues of the General Operating Fund are derived primarily from fees earned on bond issues and interest income on operating investments. All funds received by the Authority are generated by its activities. Expenditures are not appropriations from the State of Washington.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has applied all applicable GASB pronouncements. The most significant of the Authority's accounting policies are described below.

Measurement Focus and Basis of Accounting

The Authority uses a flow of economic resources measurement focus with all assets and all liabilities included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Unclassified Statement of Net Position

The Authority's business cycle is greater than one year. As such, all assets and liabilities as shown on the statements of net position are unclassified.

Cash and Cash Equivalents

Cash deposits are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

For purposes of the statement of cash flows, the Authority considers all highly liquid, interest-bearing instruments purchased with an original maturity of three months or less that are readily convertible to cash to be cash and cash equivalents.

Conduit Bonds

Conduit bonds are defined as debt instruments where:

1. The Authority, as the issuer, is joined by an unrelated third-party obligor, and a debt holder or trustee;
2. The debt obligation is neither a parity bond of the Authority, nor is it cross-collateralized with other debt of the Authority. Debt proceeds are intended and received by the third-party obligor or its agent, and
3. The Authority is not primarily obligated for the debt service payments.

Bonds issued that meet the definition of a conduit bond are reportable in note disclosure rather than within the financial statements.

Prior to bond issuance the Authority determines if the bond meets this definition with periodic subsequent review to ensure the bonds still meet the definition of conduit debt. As of June 30, 2024 and 2023, all bonds outstanding met the definition of conduit bond and are excluded from the financial statements but are summarized in Note 5.

Prepaid Fees

Prepaid fees represent annual property and liability insurance premiums.

Revenue Recognition

The primary source of revenue are issuance fees, charged at bond origination as well as annual fees charged on the loan amounts outstanding. Fees are recognized on an accrual basis.

Income taxes – The Authority is exempt from federal income taxes under Internal Revenue Code (IRC) Section 115(a) and, accordingly, no provision for income taxes was made for the years ended June 30, 2024 and 2023.

Use of estimates – The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from those estimates.

Unrestricted net position – The unrestricted net position balances at June 30, 2024 and 2023, were \$1,142,597 and \$986,301, respectively.

Note 3 - Investments

Investment Policy

The Authority can invest in nongovernmental investments, including certificates of deposit, banker's acceptances, and repurchase agreements.

In addition, the following governmental investments are eligible:

1. Treasury bills, notes, and other obligations issued by the United States Department of the Treasury and backed by the full faith and credit of the US government.
2. Federal Home Loan Bank notes and bonds.
3. Federal Land Bank bonds.
4. Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.
5. The obligations of certain government-sponsored corporations whose obligations are eligible as collateral for advances to member banks, as determined by the Board of Governors of the Federal Reserve System.
6. Shares of mutual funds with portfolios consisting of only US government bonds or US government guaranteed bonds issued by federal agencies with average maturities less than four years.
7. Investments in state investment pool – the Authority is a voluntary participant in the Local Agency Investment Pool operated by the State Treasurer pursuant to RCW 43.250. Investments in the pool are reported at amortized cost.

The Authority measures investments at fair value on a reoccurring basis and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. However, as of the years ended June 30, 2024 and 2023, the Authority held no investments as all excess funds were held as cash and cash equivalents.

Note 4 - Contracted Self Services

The Washington State Housing Finance Commission (the Commission) provides staff and other administrative services to the Authority. The Authority has no directly hired staff and as such has no pension obligations. Total charges for each fiscal year and amounts due as of the end of each fiscal year are summarized here:

	2024	2023
Contracted Services		
Total charges of the Commission for the fiscal year	\$ 347,902	\$ 303,255
Amount due to the Commission at June 30	93,964	80,864

Note 5 - Bonds Payable

The Authority's bonds are limited obligations payable solely from, and secured by, a pledge of the mortgage loans (including any insurance payments made with respect thereto), restricted investments, and undisbursed bond proceeds and the earnings thereon held under the indenture or financing agreement authorizing the bonds. The Authority has made no other commitment to support debt service payments. Uncured default of the debt requires mandatory bond redemption, paid by reassignment of the underlying pledge of the mortgage loan to the bond holder as full payment of the outstanding conduit debt obligation and eliminating the tax-exempt benefits to the remaining parties. As of June 30, 2024 and 2023, the conduit bonds issued by the Authority have an aggregate outstanding principal amount payable of \$720.7 million and \$708.4 million, respectively, none of which is recognized as a liability by the Authority.

Note 6 - Contingencies

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; natural disasters; and acts of terrorism for which the Authority carries commercial insurance. As of June 30, 2024, there were no known asserted or unasserted claims or judgments against the Authority.

Members of the board of directors and persons acting on the Authority's behalf, while acting within the scope of their duties or employment, shall not be subject to any personal liability resulting from carrying out the powers and duties conferred on them, and shall have the indemnification rights under the provisions of the Authority's Public Officials and Employees Liability insurance policy.

TAB 3



Memorandum

To: Authority Board Members

From: Lucas Loranger, Sharon Hu, & Shirleen Noonan

CC: Steve Walker, Carol Johnson

Date: December 16, 2024

Re: Proposed annual budget and workplan for the fiscal year July 1, 2024 – June 30, 2025

Background:

The draft budget proposal for the upcoming fiscal year, July 1, 2024 through June 30, 2025 (FY25), is attached. It outlines the business objectives and income and expense budget for the upcoming year.

Realizing member schools continue to face enrollment challenges in the wake of the COVID-19 pandemic and shifting demographics, Authority staff are anticipating reduced demand for our services in the coming years. As such, we are proposing to reduce staff time allocated to the Authority from a budgeted 2.43 full-time employees (FTEs) in Fiscal Year 2024 to 1.09 FTEs in FY25. Additionally, we are recommending eliminating unnecessary expenses, most notably travel. We do not anticipate this will reduce the level of service provided, rather reflects the challenges facing the Authority and our member colleges and universities. The impact of these changes reduces budgeted expenses by \$242,213, or 47.8%.

For many of the last several years, the Authority has been in the fortunate position to waive our ongoing annual 6 basis point (0.06%) fee on bonds outstanding. To reflect the proposed expense reductions, we propose waiving our annual ongoing fee down to 3 basis points (0.03%). We are committed to maintaining this fee level for at least the next 5 fiscal years. This reduces annual fee income for the Authority by approximately \$221,000 in FY25, but these are savings passed on to our member schools as they weather the challenges ahead of them.

Despite the challenges on the horizon, the Authority anticipates two financings totaling \$40 million with \$50,000 in revenue coming from the related application and issuance fees in FY25. In addition, with the continued high-interest rate environment, the Authority expects to receive approximately \$57,579 in interest income.

Recommended Action:

Consider approval of the proposed budget and work plan for the fiscal year July 1, 2024 through June 30, 2025.

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

Program Summary

Fiscal Year 2024– 2025

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 \$40 million by June 30, 2025.
2. Review policies to determine whether further streamlining or modernizing is necessary or prudent. Staff recommendations will be brought before the WHEFA board by June 30, 2025.
3. Produce and distribute a 2024 Annual Report by December 31, 2024.

Performance Measures:

Complete two bond issues for the Authority totaling approximately \$40 million by June 30, 2025.

Assumptions:

Complete two bond issues for the Authority totaling approximately \$40 million by June 30, 2025.

Assumes one new money issue of approximately \$8 million for equipment financing for the University of Puget Sound and one unidentified new money issue by the end of fiscal year 2025.

WHEFA

Budget Summary for the fiscal year ending: June 30, 2025

FINANCIAL AND PROGRAM INFORMATION

	FYE 25 Proposed Budget	FYE 24 Actual	FYE 24 Budget as Adopted
Personnel Resources [FTE's]			
Permanent	1.09	2.05	2.43
Temporary	-	-	
Total FTE's	1.09	2.05	2.43
Program Budget			
Fee Income	270,338	498,531	496,405
Interest Income	57,579	65,046	43,154
Total Revenue	327,917	563,577	539,559
Employee Expenses	189,691	305,389	382,190
Travel Expenses	3,880	14,820	18,100
Professional Fees	37,250	45,258	44,610
Office Expenses	34,110	41,814	62,245
Total Expenses	264,931	407,281	507,144
Total Income/(Loss)	62,987	156,296	32,415

PERFORMANCE MEASUREMENTS

	FYE 25 Proposed Budget	FYE 24 Actual	FYE 24 Budget as Adopted
<u>PERFORMANCE MEASUREMENTS</u>			
Number of bonds to issue	2	2	2
Amount of bonds to issue	\$ 40,000,000	\$ 65,005,000	\$ 49,000,000

WHEFA - Budget Report for the fiscal year ending: June 30, 2025

	Proposed Budget	Current Year, Actual	Current Year Budget	Prior Year Actual
<u>Revenues</u>				
Interest Earned	57,579	65,046	43,154	41,934
Program Fees	220,338	424,775	442,655	439,207
One Time Program Fees	50,000	73,756	53,750	7,500
Total Revenues	327,917	563,577	539,559	488,641
<u>Expenses</u>				
Salaries & Wages	136,570	224,830	274,411	202,659
Annual Leave	11,216	8,399	22,514	2,000
Payroll Taxes	10,824	18,482	22,191	16,933
Health Insurance	15,277	28,174	32,152	27,574
Retirement	12,939	21,704	25,673	21,877
Commute Trip Reduction	600	893	1,287	1,200
Employee Training	90	-	90	90
Recognition - Employee	174	68	468	110
Conference Registration	2,000	2,840	3,404	2,750
In State Travel Expenses	100	124	6,100	3,340
Out of State Travel Expenses	3,780	14,696	12,000	13,132
Accounting Fees	31,250	35,265	32,000	28,800
Legal Fees	5,000	9,993	9,500	2,986
Financial Advisor Fees	1,000	-	2,000	-
Professional Fees - Other	-	-	1,110	-
Printing (Letterhead, etc)	500	184	3,300	1,134
Supplies- Office	555	488	1,206	720
Postage	50	3	50	1
Delivery	-	44	400	111
Equipment - Non Capitalized	164	-	351	39
Equipment/Furniture Rentals	226	355	584	467
Office Expense - Other	1,898	992	1,467	743
Rent- Office Building	2,769	7,406	13,640	9,685
Maint. - Equipment & Building	1,254	177	2,946	235
Telephone	1,976	2,839	2,967	2,294
Information Services	2,319	4,247	4,786	3,627
Software Maintenance & Support	4,099	7,494	6,293	6,153
Distributed Materials	500	-	1,500	-
Legal Advertising	-	-	-	106
Insurance	12,715	12,864	15,265	13,052
Dues	4,290	4,020	4,095	4,045
Subscriptions and Publications	695	702	695	808
Meeting Expense	100	-	2,699	-
Total Expenses	264,931	407,281	507,144	366,672
Revenue over (under) Expense	62,987	156,296	32,415	121,969

TAB 4



December 17, 2024

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 October 31, 2024 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
Shirleen Noonan
General Operations Manager

Approved by: Sharon Hu
Sharon Hu
Senior Controller

Governor Jay Inslee, *Chair*
Steve Walker, *Executive Director*



WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
GENERAL OPERATING FUND

October 31, 2024

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(See Accountant's Compilation Report)

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Washington Higher Education Facilities Authority
Statement of Net Position
Fund: General Operating Fund
Division: All
October 31, 2024

(See Accountant's Compilation Report)

	<u>Current Year</u>	<u>Prior Year</u>	<u>Variance</u>	
			<u>Amount</u>	<u>%</u>
ASSETS				
Cash and Cash Equivalents:				
Demand Deposits	\$ 96,339	\$ 128,729	\$ (32,390)	(1) -25%
Money Market Accounts	1,142,355	1,291,794	(149,439)	(1) -12%
Fees Receivables	216,150	5,951	210,199	(2) 3532%
Prepaid Expenses & Other Receivable	13,670	13,395	272	2%
<i>Total Assets</i>	<u>\$ 1,468,514</u>	<u>\$ 1,439,872</u>	<u>\$ 28,642</u>	<u>2%</u>
LIABILITIES				
Accounts Payable and Other Liabilities	\$ 207,597	\$ 120,351	\$ 87,246	(3) 72%
Unearned Fee Income	144,100	281,110	(137,010)	(4) -49%
<i>Total Liabilities</i>	<u>351,697</u>	<u>401,461</u>	<u>(49,764)</u>	<u>-12%</u>
NET POSITION				
Unrestricted	1,116,817	1,038,411	78,406	8%
Total Net Position	<u>1,116,817</u>	<u>1,038,411</u>	<u>78,406</u>	<u>8%</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 1,468,514</u>	<u>\$ 1,439,872</u>	<u>\$ 28,642</u>	<u>2%</u>

(1) Fluctuations in these accounts are considered in aggregate. The decrease is a reflection of the deferment of annual Authority fee billings in the current fiscal year.

(2) Increase in fees receivables is due to the deferment of Authority fee billings in the current fiscal year. In the prior year, the funds for the majority of the fees billed on July 1st were received.

(3) The increase in payables is primarily due to the timing of interagency invoice payments.

(4) The decrease in unearned fee income is due to the reduction in the fee rate used to bill annual Authority Fees on bonds outstanding.

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: October 31, 2024
(See Accountant's Compilation Report)

	Current Period	Current Year to Date	Prior Year to Date	Variance	
				Amount	%
<i>Revenues:</i>					
Fee Income	\$ 18,013	\$ 75,027	\$ 167,288	\$ (92,261)	(1) -55%
Interest Earned	4,772	19,980	19,398	582	3%
<i>Total Unadjusted Revenues</i>	<u>22,785</u>	<u>95,007</u>	<u>186,687</u>	<u>(91,680)</u>	<u>-49%</u>
<i>Expenses:</i>					
Salaries, Wages, and Employee Benefits	27,681	103,788	104,817	(1,029)	-1%
Travel & Conferences	4,752	5,371	11,049	(5,678)	(2) -51%
Professional Fees	-	1,105	4,880	(3,775)	(3) -77%
Office Expense	(378)	10,523	13,832	(3,309)	(4) -24%
<i>Total Expenses</i>	<u>32,055</u>	<u>120,787</u>	<u>134,577</u>	<u>(13,790)</u>	<u>-10%</u>
(Deficit) Excess of Revenues over Expenses	<u>(9,270)</u>	<u>(25,780)</u>	<u>52,110</u>	<u>(77,890)</u>	<u>-149%</u>
<i>Net Position</i>					
Total net position, beginning of period	1,126,087	1,142,597	986,301	156,296	16%
Current Increase (Decrease) to Net Position	<u>(9,270)</u>	<u>(25,780)</u>	<u>52,110</u>	<u>(77,890)</u>	<u>-149%</u>
Total net position, end of year	<u>\$ 1,116,817</u>	<u>\$ 1,116,817</u>	<u>\$ 1,038,411</u>	<u>\$ 78,406</u>	<u>8%</u>

- (1) The decrease in fee revenue is primarily due to the amortization of lower Authority fees. The Authority fee rate was reduced from 6bps to 3bps for annual Authority fee billings. In addition, program fee revenue was generated in the prior year from a bond issuance. No bonds have been issued in the current year as of this reporting period.
- (2) The decrease in travel and conferences expense is primarily due to lower out of state travel expenses, resulting from the conference being held in a closer and more economical location.
- (3) The prior year's bond issuance generated additional legal fees, resulting in decreased legal fees in this fiscal year.
- (4) The decrease in office expense is primarily related to a decrease in rent expenses in the current year.

Washington Higher Education Facilities Authority
Detailed Statement of Activities
Fund: General Operating Fund
Division: All
For The Year To Date Ending: October 31, 2024
(See Accountant's Compilation Report)

	Variance-YTD vs. PY Actuals		Prior YTD	YTD	YTD	Variance-YTD Budget to Actual	
	%	Amount	Actual	Actual	Budget	Amount	%
<i>Revenues:</i>							
Program Fees	-47%	\$ (65,980)	\$ 141,007	\$ 75,027	\$ 73,446	\$ 1,580	2.2%
Issuance & Application Fees	-100%	(26,281)	26,281	-	16,667	(16,667)	-100.0%
Interest Revenue	3%	582	19,398	19,980	19,193	787	4.1%
Total Unadjusted Revenues	-49.1%	(91,679)	186,687	95,007	109,306	(14,299)	-13.1%
<i>Expenses:</i>							
Salaries & Wages - Staff & Temp. Svcs	-2%	(1,366)	80,667	79,301	49,262	30,039	61%
Employee Benefits - Staff	1.4%	337	24,150	24,487	13,302	11,185	84.1%
Conference, Education & Training	0.0%	-	1,650	1,650	1,650	-	0.0%
Travel out of state - Staff	-59.9%	(5,554)	9,275	3,721	3,720	1	0.0%
Travel in state - Staff	-100.0%	(124)	124	-	33	(33)	-100.0%
Accounting Fees	NA	135	-	135	10,417	(10,282)	-98.7%
Legal Fees	-80.1%	(3,910)	4,880	970	1,667	(697)	-41.8%
Financial Advisor Fees	NA	-	-	-	333	(333)	-100.0%
Office Rent/Conf. Room Rentals	-58.8%	(1,531)	2,605	1,074	923	151	16.4%
Furniture & Equipment Rental	-58.9%	(86)	146	60	75	(15)	-20.3%
Advertising	NA	-	-	-	167	(167)	-100.0%
Publications/ Subscriptions/ Dues	-20.7%	(335)	1,618	1,283	1,662	(379)	-22.8%
Deliveries	-72.7%	(32)	44	12	-	12	NA
Insurance	-1.0%	(44)	4,284	4,240	4,238	2	0.0%
Meeting Expense	NA	-	-	-	33	(33)	-100.0%
Equipment & Building Maintenance	NA	23	-	23	418	(395)	-94.5%
Software Maint. Support & Other Info Svcs	-29.1%	(1,009)	3,463	2,454	2,139	315	14.7%
Non-capitalized Equipment/Supplies	NA	-	-	-	55	(55)	-100.0%
Postage	NA	-	-	-	17	(17)	-100.0%
Printing	-100.0%	(184)	184	-	167	(167)	-100.0%
Supplies	43.7%	86	197	283	185	98	52.9%
Telephone	-12.4%	(122)	985	863	659	204	31.1%
Other Office Expenses	-25.1%	(76)	303	227	633	(406)	-64.1%
Total Expenses	-10.2%	(13,792)	134,575	120,783	91,753	29,030	31.6%
(Deficit) Excess of Revenues over Expenses	-149.5%	\$ (77,888)	\$ 52,112	\$ (25,776)	\$ 17,553	\$ (43,329)	-246.9%

TAB 5

Statement of Account

Washington Higher Education Facility Authority
Proration of costs between WHEFA and WSHFC
For the period January 1, 2024 - March 31, 2024

Month	Salaries & Benefits	Office Expenses ⁽¹⁾	Overhead ⁽²⁾	Total
January	\$ 22,183.64	\$ 2,682.64	\$ 94.44	\$ 24,960.72
February	24,451.29	1,670.89	91.75	26,213.93
March	26,172.11	4,888.22	99.51	31,159.84
<hr/>				
Total Per Category	\$ 72,807.04	\$ 9,241.75	\$ 285.70	\$ 82,334.49
Previous Balance at December 31, 2023				89,014.58
Payments & Credit Memos (through March 31, 2024)				<u>(89,014.58)</u>
Total Due to WSHFC:				<u><u>\$ 82,334.49</u></u>

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

DocuSigned by:

F3D288AB7F8A45E

Authority Board Member

TAB 6

Nona Snell, Budget Director
Washington State
Office of Financial Management

Nona Snell was appointed Budget Director at the Office of Financial Management in 2019. She previously held the position of Senior Budget Assistant to the Governor for the capital budget at OFM from 2014 to 2017.

Nona served as Deputy Chief Clerk for the Washington State House of Representatives from 2017 to 2019. She first joined the House of Representatives in 2005 as a Fiscal Analyst for the Appropriations Committee. She moved on to staff the Capital Budget Committee and eventually became Staff Coordinator. Nona also served as Policy Director for the Washington State Treasurer.

Nona attended Washington State University and earned her Master of Public Administration degree from The Evergreen State College.



Governor Jay Inslee, *Chair*
Steve Walker, *Executive Director*



CONTACT:

Margret Graham, Communications Manager
Washington Higher Education Facilities Authority
(206) 454-9058 - margret.graham@wshfc.org

June 17, 2024

Sergio Garcia appointed by Governor to WHEFA board



SEATTLE, Wash. – Governor Inslee has appointed Sergio Garcia of Yakima as the Washington Higher Education Facilities Authority’s newest board member, effective May 14.

Garcia has a diverse and robust background in affordable housing development, civil rights advocacy, and public service. Currently an affordable housing developer with Catholic Charities Housing Services, his extensive experience includes roles with the Office of Rural and Farmworker Housing, the Washington State Human Rights Commission, and the Northwest Justice Project.

Garcia is a board member with both the Washington Economic Development Finance Authority (WEDFA) and the Yakima County Planning Commission. His deep familiarity with bond financing, gained through his housing development work and tenure on the WEDFA board, underscores his expertise in public infrastructure and economic development.

“I am eager to support the creation of state-of-the-art educational facilities that will enhance learning experiences and opportunities for students across Washington,” said Garcia. “Serving on this board will allow me to combine my passion for community development with my commitment to educational excellence.”

Throughout his career, Garcia has managed multi-family affordable housing projects and facilitated major civil rights settlements, acquiring a deep understanding of public financing and project management. His work has secured and developed millions of dollars for housing projects, ensuring their successful and efficient completion.

Originally from a bilingual farmworker household, Garcia earned his bachelor’s degree from the University of Washington. He lives in his hometown of Yakima.

"We are excited to welcome Sergio," said Steve Walker, executive director of WHEFA. "His passion, expertise, and dedication to community service will be instrumental in guiding our organization toward achieving its goals and making a lasting positive impact. We look forward to his contributions and leadership."

###

Since 1983, the **Washington Higher Education Facilities Authority** (www.whefa.org) has helped the state’s private, nonprofit colleges and universities to access more than \$2.7 billion in tax-exempt financing for projects such as student housing, academic and administrative buildings, sports and music facilities, and computer systems. WHEFA’s ability to obtain lower interest rates through the sale of tax-exempt bonds has saved Authority borrowers millions of dollars. The savings ultimately benefit the students of Washington State and supports the mission of the institutions. The Authority receives no regular state funding for its operations and accomplishes its work without taxpayer funding of any kind.

STIFEL

March 26, 2024

Ms. Carol Johnson, Manager
Washington Higher Education Facilities Authority
1000 Second Avenue, Suite 2700
Seattle, WA 98104

Dear Ms. Johnson,

On behalf of the Washington Higher Education Facilities Authority (the “Authority”) and the institutions who borrow through the Authority, Stifel has calculated the estimated interest savings that result from issuing tax-exempt bonds through the Authority, compared to the interest cost of comparable taxable rates. The purpose is to quantify the benefit of issuing tax-exempt debt through the Authority and determine the benefit to Whitman College (the “College”).

We have relied on the following assumptions in our analysis:

- Whitman College’s Series 2024 Bonds funded the construction of a new apartment-style student housing project designed to house juniors and seniors (the “Project”). In addition, the scope of the Project includes significant renovations to a 29-room facility for one of the college’s fraternity houses (or renovations at all college-owned fraternity houses), as well as the construction of two 2-bedroom cottages and two 1-bedroom cottages on 804 North Main Street.
- The Project is estimated to cost approximately \$74 million, funded through a combination of unrestricted and restricted gifts and reserves, fundraising and partnerships, and the Series 2024 tax-exempt bond issue. The Project will provide 210 revenue-generating beds and the College will assume 100% of the associated occupancy risk. The College also funded costs of issuance and capitalized interest from bond proceeds.
- The bonds financed approximately \$34.5 million of the Project’s \$78.5 million estimated cost. Of the \$78.5 million Project cost, an estimated \$75.9 million is associated with the 210-bed troika of junior/senior apartment-style residence halls; \$1.3 million is associated with the two 1-bedroom cottages and two 2-bedroom cottages; and \$1.3 million is associated with renovations to one or more of the College’s fraternity houses.
- The amortization for the Series 2024 issuance wraps the new issue around the College’s existing debt structure. Amortization for the issue will stipulate annual principal payments commencing January 1, 2035 and ending in 2049. Semi-annual interest payments will be made on July 1 and January 1 of each year the Bonds remain outstanding.

In order to evaluate the savings benefit to the College when issuing tax-exempt bonds as opposed to a taxable issuance, Stifel analyzed the results when assuming taxable debt is used for the new money projects. With relevant data gathered and analyzed, Stifel input separate interest rate scales and ran separate bond cash flows and sources and uses of funds for each scenario, i.e. tax-exempt versus taxable financings (i.e. 4.43% TIC vs. 5.78% TIC). Stifel compared the cash flows of the two scenarios on (i) a total (gross) cost basis and (ii) a present value basis using a discount factor that represents the average of the all-in-costs of the two scenarios.

In addition to the assumptions described above, this analysis assumes the bonds are held until final maturity at the interest rates described above. Early redemption, or any other material changes to the bonds, could result in a material deviation from the figures shown below. Stifel has calculated the tax-exempt benefit on an estimated basis assuming market conditions as of March 26, 2024.

Series 2024 Nominal Cash Flow Savings
\$11,750,497

Series 2024 PV Cash Flow Savings
\$6,762,064

**Present value is being calculated using a discount factor of 5.11%*

As you review, please let us know if you have any questions or comments. If you'd like, please feel free to contact us at 720-766-8213.

Sincerely,

A handwritten signature in black ink, appearing to read "Brad Gysin". The signature is fluid and cursive, with a prominent initial "B" and a long, sweeping tail.

Brad Gysin
Director, Stifel

Whitman to use \$38 million in bonds to finance housing project

Loryn Kykendall Walla Walla Union-Bulletin
Apr 16, 2024

The Washington Higher Education Facilities Authority has issued \$38 million in bonds on behalf of Whitman College to help pay for a new residential village on campus.

The residential village for juniors and seniors, announced by the college last year, will accommodate 212 students in 69 apartment-style units with kitchens. The project is expected to cost between \$70 million and \$80 million, according to Vice President for Finance and Administration Jeff Hamrick.

So far, the college has collected about \$18.5 million for the project through donations and philanthropy efforts, including the Upward Together campaign. Hamrick said the vast majority of college residential construction projects in the state issue debt financing through WHEFA to help with the cost.

WHEFA is a state-sponsored agency that allows Washington nonprofit colleges to access lower interest, tax-exempt bond financing.

“The primary benefit is that it is cheaper debt,” Hamrick said. “If it were taxable financing — Whitman has a bit of its debt portfolio that is taxable bond debt — we would not go through WHEFA.”

Hamrick said the average cost of the debt over the life of the entire bond issuance is about 4.38%. The bonds will be paid back by Whitman over several years, with the final payment expected in 2049.

For the first 18 months of borrowing, as the residential village is being built, the college will capitalize interest, meaning interest will accrue but not be paid until later on.

After the residential village is built, the college will begin paying a mixture of interest and principal, which is the face value of the loan.

Hamrick said that later on, likely from about 2034 to 2049, the college will make payments mostly toward the principal cost until the entirety of the loans and interest have been paid.

Some of the bond money also will be used to update two fraternity houses on campus, adding two one-bedroom and two two-bedroom cottages.

In addition to the bonds and gifts from donors, Whitman College will spend accumulated operating surpluses to help pay for the project. Accumulated operating surplus is the difference between revenues and expenses for the college each year.

“If we realize revenues that are slightly in excess of expenses, we can kind of save those excesses and accumulate them up through time,” Hamrick said. “And then we can put those — in some sense — like a down payment on a home toward a residential village project such as this one.”

Hamrick emphasized that this project and the bonds being issued through WHEFA would not cost local taxpayers anything.

“This program costs taxpayers of the city of Walla Walla nothing,” Hamrick said. “WHEFA acts as a kind of clearinghouse for this and there’s no net cost to taxpayers in the state of Washington.”

The college is expected to break ground on the residential village on Thursday, May 2, and plans to complete construction by August 2025.



Jeff Hamrick
Courtesy photo

Loryn Kykendall



DIVE BRIEF

Seattle University plans to acquire arts college

Cornish College of the Arts, in Washington, would retain its campus and be renamed under the Catholic university's banner, the institutions announced.

Published Dec. 6, 2024



Ben Unglesbee
Senior Reporter

Cornish College of the Arts in Seattle. The institution signed a letter of intent to be acquired by the private Catholic institution Seattle University. [The image by Joe Mabel is licensed under CC BY 3.0](#)

Dive Brief:

- Seattle University intends to acquire the Cornish College of the Arts, the two institutions announced Thursday.
- Under the plan, the private nonprofit arts institution would become “Cornish College of the Arts at Seattle University” and remain at its campus in Seattle’s South Lake Union neighborhood.
- The colleges signed a letter of intent but are still working toward a final deal, which would require regulatory and accreditor approval. They expect for the acquisition to begin by May 2025 and be fully completed around May 2026.

Dive Insight:

Seattle University, a private Catholic institution, and Cornish framed their planned combination as an expansion of opportunities for students at both institutions. Those opportunities, they said, would include “innovative interdisciplinary learning across fields such as computer science, business and the fine arts.”

Cornish is less than a tenth of the size of its prospective partner. In 2022, the arts college had a fall headcount of just 443 students, down nearly a third from five years prior. Seattle University had 7,121 students in fall 2022, a moderate decline — 2.2% — from 2017.

For the 2023 fiscal year, Cornish reported a total operating deficit of \$2.7 million while its cash assets fell by more than half to \$2.4 million. Seattle University also booked a deficit that fiscal year, of \$3.9 million, though it has a much larger revenue and asset base.

As of May 2023, Cornish had about \$54.1 million in property on its balance sheet and long-term debt of \$12.3 million.

Cornish’s history extends back some 110 years, when it was founded by pianist and teacher Nellie Cornish. Today its offerings run the artistic gamut, with programs in visual art, dance, design, music, media and film, theater and other areas.

Seattle University lacks a dedicated fine arts school, though it offers a limited number of fine arts degrees as well as other degrees in arts topics.

However, the university has plans to expand its reach into the arts. Months before the letter of intent with Cornish, Seattle University announced a donation of an art collection valued at \$300 million — the largest such gift to a U.S. university, the institution said — to build an art museum on campus.

“Expanding opportunities for arts education at Seattle University reflects the long-standing Jesuit commitment to integrating the visual and performing arts into the educational experience,” the institution said in Thursday’s release.

The acquisition also comes during a tough time for private arts colleges. The sudden collapse of University of the Arts in Philadelphia was particularly dramatic. The Delaware College of Art and Design also folded this year. Additionally, California College of the Arts reportedly has been wrestling with a massive deficit and sharp enrollment decline, and has mulled a potential merger.

As they work on a definitive deal, Seattle University plans to run a “thorough due diligence review of Cornish’s finances, holdings and assets, operations, compliance and legal obligations.”

The colleges expect Seattle University to take control by the end of May 2025. For a transition period of about a year after that, Cornish would likely keep its own degree-granting authority and retain its current accreditation. During that time, the two institutions would begin merging their administrative support operations, they said.

Wealth

Cash-Strapped Colleges Are Selling Their Prized Art and Mansions

- They're selling rare art, mansions and other real estate
- Small private colleges have been struggling to cover costs



Kerry Hall at Cornish College of the Arts Source: *Cornish College of the Arts*

By [Amanda Albright](#) and [Lily Meier](#)

October 23, 2024 at 6:00 AM CDT

Updated on October 23, 2024 at 10:21 AM CDT

Kerry Hall is the crown jewel of the Cornish College of the Arts.

Adorned with a red-clay-tile roof that hangs over a white-stucco exterior – vestiges of the Spanish Revival style that swept across the West Coast a century ago – the hall houses nearly 32,000 square feet of dance studios, performance venues and classrooms. Nearby, there's an espresso bar and trendy little spots serving up Japanese Wagyu beef and vegan pancakes in Seattle's bustling Capitol Hill neighborhood.

So when school officials dangled a for-sale sign on Kerry Hall in April, it triggered an uproar. Students, faculty and alumni – including Faith Vanchu, class of 2021 – rallied around the building to protest. “Everyone kind of panicked,” says Vanchu. “It’s just sad.”

It’s also the harsh new reality confronting scores of small, often little-known, private colleges across the US.

Squeezed by a steady decline in the national birth rate that’s shrinking the pool of college applicants, the schools are struggling to fill classrooms and cover costs. Preliminary data from the National Student Clearinghouse Research Center shows that freshman enrollment at US colleges this fall dropped 5%, the first decline since 2020.

Faced with this predicament, schools are rushing to sell off prized assets – housing complexes, presidential mansions, apartments, even some paintings – to receive an injection of cash and, for the most vulnerable of the lot, stave off the financial collapse that has already done in many others. School closures have spiked in the past couple years. So too have bond defaults by colleges.

“Like a lot of small colleges,” said Emily Parkhurst, Cornish’s interim president, “we’re property rich and cash poor.” When Parkhurst says small, she means small. There are 488 students on the Cornish campus this semester. That’s down from nearly 800 a decade ago.

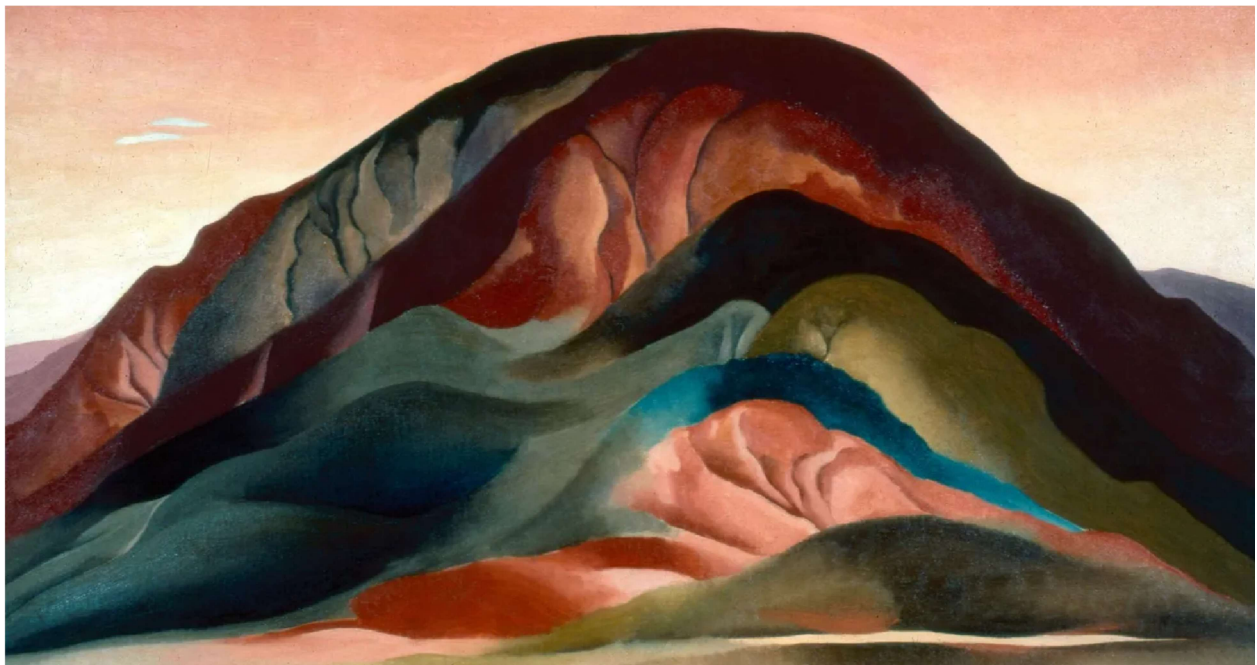
To be clear, many bigger, more prestigious US private and state institutions are doing fine. They boast deep endowments and robust enrollment, allowing them to thrive financially. But at the other end of the spectrum, the strains of lower-profile schools like Cornish reveal a larger picture of stress, resulting in sometimes painful and contentious decisions.

Selling cherished assets is a tricky calculus. While the funds generated can provide immediate relief, the effect of the disposals may hurt schools’ appeal, ultimately deepening their plight without even solving structural issues. After all, these sales don’t lead to a steady stream of revenue they can rely on, said Emily Raimés, a higher education analyst for Moody’s Ratings.

“If you’re looking at a long-term problem, which many of these colleges are, selling an asset is not a long-term solution,” Raimes said.

Case in point: the College of Saint Rose in Albany, New York, which ended up shuttering earlier this year despite selling real estate. It filed for bankruptcy protection in October and is selling its campus to pay off creditors.

Others have faced backlash for selling beloved assets. In Indiana, Valparaiso University’s decision to sell three works of art from its Brauer Museum of Art collection – most notably modernist masterpiece “Rust Red Hills” by Georgia O’Keeffe, which is expected to be worth as much as \$15 million – faced ire from professors, students and even the wider art community.



Georgia O’Keeffe’s Rust Red Hills, 1930 *Source: Brauer Museum of Art*

In Ohio, Attorney General Dave Yost earlier this year sought to block Hebrew Union College-Jewish Institute of Religion from selling copies of the Talmud and other ancient books housed at its Cincinnati library. While a spokesperson for the school said it had “merely conducted an assessment” of some of its rare books and that the AG’s action was “unfounded,” Yost cited reports that it was looking to sell to cover its deficits.

Students and alumni of Cornish, meanwhile, staged a sit-in earlier this year to protest the proposed sale of Kerry Hall. They were worried about what it

would mean for its dancers and musicians, especially since the building – a short bus ride from the main campus – was considered a safe haven for its students.

“I know a lot of people, myself included, went to Cornish because of that space,” Vanchu said. “A huge selling point for everyone was that you can practice, you can work on your art whenever you want.”

Belt Tightening

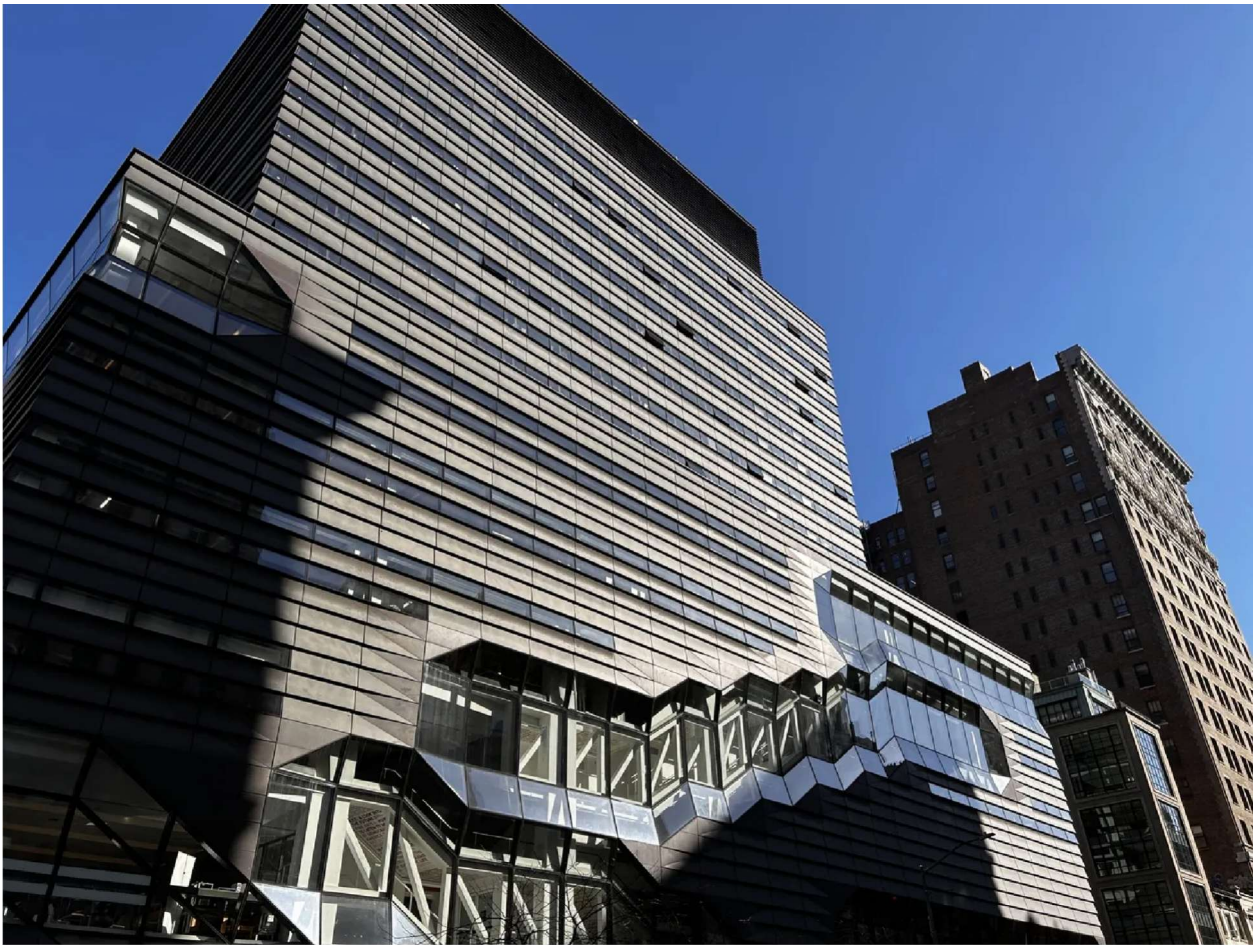
Not all sales indicate a school is in financial distress, but it’s telling that schools are taking stock of what they can sell. That’s the case with the New School in New York City.

Its endowment grew to nearly \$450 million in fiscal 2023 and it has nearly 10,000 students, though total headcount has dropped for two consecutive years.

Against this backdrop, it sold a housing complex in Manhattan, which is a nine-minute walk from the Chelsea Market food hall, for \$30 million earlier this year, citing poor demand among students. Amid a deficit, it also put its president’s home on the block for \$20 million, later marking it down to \$12 million.

A New School spokesperson said that the decision to sell the president’s home wasn’t related to its efforts to bridge the deficit, which has since been resolved. The spokesperson added that the college regularly assesses its space needs.

“We will continue to consider all options, including the sale of real estate, to position the university strongly for the future,” the spokesperson said in an emailed statement.



The New School in New York. *Photographer: Lindsey Nicholson/Universal Images Group via Getty Images*

In the case of Pacific Lutheran University, the costs to maintain a four-bedroom, five-bath home in Tacoma, Washington – that previously housed the institute’s presidents – outweighed its benefits, a spokesperson said. The property, which is two miles from campus, sold for \$1.6 million earlier this year. It had been donated to the college in 1971 and no president had lived there since 2017.

“Realistically, you don’t have to have a president’s house,” said Jeff Denneen, higher education consultant at Bain & Company, who was speaking broadly about colleges. He advises that, when necessary, colleges sell assets that are non-core to their mission, like power generation facilities and stadiums.

Read More:

[A College Taps Wall Street Playbook to Rival Ivies on Admissions](#)

[High Costs, Enrollment Drop Are Squeezing Small US Colleges](#)

Kerry Hall, though, is still a treasured part of Cornish College, because it was actively used until earlier this year.

It's unclear how much it's being sold for – its real estate agent CBRE declined to reveal the potential price range. The statuesque building is being marketed as a potential office, daycare center or apartment complex.

Once the sale goes through, the college will no longer have a footprint in Capitol Hill, completing its “decades-long plans” to consolidate the campus in the South Lake Union neighborhood, Parkhurst said in a September letter to the community. Separately, she acknowledged that selling real estate isn't a sustainable way to raise cash longer term.

“Like many small colleges, it's really hard to operate a college sustainably when you have fewer than 10,000 students,” she said. “and we have just under 500.”

– *With assistance from Nic Querolo*

(Updates with data in the fifth paragraph.)

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