



Authority Meeting

February 15, 2018



WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY AGENDA

YOU ARE HEARBY NOTIFIED that the Washington Higher Education Facilities Authority will hold a **Special Meeting** at 10:00 a.m. PST on Thursday, February 15, 2018, in the Board Room at the Authority offices located at 1000 Second Ave., #2800, Seattle, WA 98104 to consider the following:

- | | | | |
|------------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Jay Inslee,
Governor
Chair | I. | Chair: Call the Meeting to Order | |
| David Schumacher,
Director, Office of
Financial Management,
Governor's Designee | II. | Chair: Approval of the Minutes of the December 15, 2017 Special Meeting | 1 |
| Jerome Cohen,
Public Member
Secretary | III. | Consider and act on the following items: | |
| Cyrus Habib
Lieutenant Governor | | A. Financing Resolution: Pacific Northwest University of Health Sciences (Series 2018) – Ms. Carol Johnson & Mr. Thomas Toepfer | |
| Michael Meotti
Executive Director,
Student Achievement
Council | | 1. Introduction and Financial Update | 2 |
| Dr. Roy Heynderickx
President,
Saint Martin's University | | 2. Consider approval of RESOLUTION #18-01 for Pacific Northwest University of Health Sciences (PNWU) authorizing issuance by the Authority of refunding revenue bonds and revenue bonds in an aggregate principal amount of not to exceed \$46,000,000. The public hearing for this financing was held on Tuesday, January 30, 2018. | 3 |
| Claire Grace,
Public Member
Treasurer | | B. Finance Report – Mr. Bob Cook | |
| Dr. Gene Sharratt
Public Member | | 1. Review and consider acceptance of Financial Statement | 4 |
| Kim Herman,
Executive Director | IV. | Information Items: | |
| | | A. Invoice for Services – Mr. Bob Cook | 5 |
| | | B. Market Update – Dr. Sheryl Bailey, Springsted Incorporated | 6 |
| | | C. Bond Issue Status Report – Mr. Paul Edwards | 7 |
| | | D. Executive Director's Report – Mr. Kim Herman | |
| | | E. Authority Meeting Schedule – Mr. Kim Herman | |
| | | 1. May 3, 2018 | |
| | | 2. August 2, 2018 | |
| | | 3. November 1, 2018 | |

- V. Chair: Public Comment**
- VI. Miscellaneous Business and Correspondence** **8**
- VII. Executive Session (if necessary)**
- VIII. Adjourn**

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

TAB 1

Washington Higher Education Facilities Authority

MINUTES

December 15, 2017

Mr. Jerome Cohen, Board Secretary, called the meeting of the Authority to order at 9:02 a.m.

Mr. Cohen was present in the Board Room, located at 1000 Second Avenue, 28th Floor in Seattle, WA 98104. Board members Ms. Claire Grace, Mr. Michael Meotti, and Dr. Gene Sharratt were all present by telephone. Authority staff present were: Mr. Kim Herman, Executive Director; Mr. Bob Cook, Senior Finance Director; Ms. Carol Johnson, Manager; and Mr. Mike Gary, Program Assistant.

Also present were: Ms. Deanna Gregory of Pacifica Law Group; Messrs. Rusty Fallis and Michael Nelson from the Washington State Office of the Attorney General; Ms. Amy Sutherland from Moss Adams LLP; Mr. Thomas Toepfer from Public Financial Management; Ms. Connie Kanter from Seattle University; and Mr. John Wendling from Blue Rose Capital Advisors. Ms. Debbie Kuykendall from U.S. Bank was present by telephone.

**Approval of the
Minutes**

Mr. Cohen asked for a motion to approve the minutes of the June 26, 2017 Authority Board Meeting as distributed. Dr. Sharratt made the motion, and it was seconded by Mr. Meotti. The motion was unanimously approved as distributed, 4-0.

**Action Item:
Approval of
Resolution
#17-02
for Seattle
University**

Mr. Cohen introduced Ms. Carol Johnson, the Authority's Manager, to present staff recommendation for approval of Resolution No. 17-02.

Ms. Johnson stated that the board will consider a proposed issuance by the Authority of tax-exempt refunding revenue bonds for Seattle University in an aggregate principal amount not to exceed \$47,500,000. She stated that this transaction is a public sale underwritten by George K. Baum and that Blue Rose Capital Advisors was the University's financial advisor. She stated further that the Authority chose to not utilize a financial advisor for this bond issue.

Ms. Johnson then stated that the bond proceeds were to be used by the University to refund previous bonds issued in 2009 to finance capital improvements to its campus.

A public hearing for the transaction was held on Wednesday, December 13, 2017.

Ms. Johnson then introduced Ms. Kanter from Seattle University, and Mr. John Wendling, Senior Vice President, Blue Rose Capital Advisors, to speak further about the project.

Mr. Wendling referred to his application review of the transaction dated December 4, 2017. This transaction is an advanced refunding of Seattle University's 2009 tax-exempt bond issue, to be completed prior to the end of the year. He added that the University stands to benefit economically from the refunding, with net present value savings of 16-17% of refunded par.

Mr. Wendling then stated that bond pricing would occur sometime next Tuesday, December 19, with the firm of George K. Baum being the sole underwriter for this transaction.

He mentioned that the estimated bond par amount would be \$43.5 to \$44 million, depending on coupon structure. The estimated total amount of bonds to be refunded would be \$41,775,000.

Mr. Wendling then stated the University provided information with regards to its financial status. It is continuing to operate at a surplus, and that even though the University does not budget for depreciation, it does budget for capital reserves. He added that enrollment is stable from an

undergraduate FTE perspective, with recent increases in the number of graduate students. He concluded, that overall the University has a stable financial outlook.

Mr. Wendling then referenced Standard & Poor's (S&P) Ratings Direct Report for the University. He added that it was fortuitous that S&P had scheduled its annual surveillance call in early November and reaffirmed the University's "A" bond rating.

Mr. Wendling then referenced Blue Rose's Preliminary Estimate of Tax-Exempt Benefit (Savings) letter dated December 4, 2017. The present value savings was estimated to be about \$2.3 million and the gross cash flow savings around \$4.3 million.

Ms. Kanter thanked the Authority for its work and support on this bond transaction, which benefits the University's students and allows funding for the University and for its scholarships with the significant net present value savings.

Mr. Cohen asked Mr. Wendling if the 16-17% net present value savings are taken into consideration with the extra cash requested and lower interest rate. Mr. Wendling replied that the 2009 bonds were issued at a higher coupon rate of 5.25%. Replacing that with a 4% coupon rate for the

2017 bond issue allowed the University to issue slightly more debt and still show a net savings.

Mr. Cohen asked for a motion to approve Resolution #17-02 regarding the Seattle University financing. Mr. Meotti made the motion, and it was seconded by Dr. Sharratt. The resolution was approved unanimously, 4-0.

Action Item:
Public Hearing
Policy Changes

Mr. Cohen introduced the Executive Director, Mr. Kim Herman, to present the action item concerning public hearing policy changes.

Mr. Herman stated that the IRS provided guidance and permission for the Authority to no longer be required to publish legal notices in printed newspapers in the location(s) of the colleges and universities. The Authority may now utilize its website for this purpose. He noted that legal advertisements are expensive and can cost on average from \$2,000 to \$3,000 each to publish.

Mr. Herman proposed to the board members that the Authority would publish a one-time only legal notice in each of the areas of the state where the Authority's member colleges and universities are located. The notice will state that effective immediately, legal notices would no longer be published in the newspaper, but would be published/posted in accordance with IRS regulations on the Authority's website (www.whefa.org). The

Authority will continue to mail printed copies to those who are on the Authority's mailing list. He concluded that this would save money in the long run for both the Authority and its clients.

Mr. Cohen asked if any board members had any questions for Mr. Herman. Both Ms. Grace and Dr. Sharratt commented that they were pleased that the IRS has now allowed this. Mr. Cohen also concurred. After hearing no further questions or comments from board members, Mr. Cohen then asked for a motion to approve the public hearing policy changes as proposed.

Ms. Grace made the motion, and it was seconded by Dr. Sharratt. The motion was approved unanimously, 4-0.

Action Item:
Approval of the
Audit Report

Mr. Cohen introduced Mr. Bob Cook, the Authority's Senior Director of Finance, to present the final Independent Auditor's Audit report to the board for their consideration. Mr. Cook stated that Moss Adams LLP, the Authority's independent auditor, prepared an unmodified/clean opinion report for the Authority. He stated further that the general operating fund was \$1.7 million of net assets, and was reduced by \$188,000 from the previous year.

Mr. Cook then introduced Ms. Amy Sutherland from Moss Adams, to give their summary of the audit results.

Ms. Sutherland summarized that the audit report was an unmodified/clean opinion. She stated further that the audit was conducted utilizing U.S. GAAP accounting policies and that the planned scope/timing of the audit was communicated to the Authority. It was included in their engagement letter with the field work completed in October, and the report done in November.

She summarized further that Moss Adams believed the Authority's management has selected and applied significant accounting policies/practices appropriately and consistently with those of the prior year. She mentioned that they did not note any significant estimates used in the financial statements and that the disclosures in the financial statements were clear and consistent.

Ms. Sutherland then stated that there were no difficulties encountered during their audit and complimented Authority staff for their help and cooperation. There were no corrected/uncorrected audit adjustments, and no significant risks/exposures/uncertainties were noted in their audit procedures. Also, she mentioned that there were no disagreements with management, and no significant deficiencies or material weaknesses were

noted. Ms. Sutherland added that there were no unusual representations from management. She concluded that they were unaware of any instances of fraud or noncompliance with laws and regulations.

Ms. Grace commended Authority staff for a clean audit.

Mr. Cohen, after hearing no further board member questions or comments, asked for a motion to accept the audit report. Ms. Grace made the motion, and it was seconded by Dr. Sharratt. The motion was approved unanimously, 4-0.

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 shows assets of just over \$1.5 million and approximately \$100,000 of liabilities, leaving just over \$1.4 million in net asset position. He noted that revenue to date is approximately \$5,000, with expenses of almost \$108,000; leaving a deficit position of approximately \$102,000. Mr. Cook mentioned that the Authority waived its ongoing annual fee on bond issues and that this deficit was budgeted. He then asked if any board member had any questions or comments.

Mr. Cohen asked if the \$102,000 were taken from reserves. Mr. Cook replied that it was.

Mr. Cohen thanked Mr. Cook for the financial report, and after hearing no further 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 Mr. Meotti. The motion was approved unanimously, 4-0.

**Invoice for
Services**

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

Mr. Cook stated that the invoices from the Washington State Housing Finance Commission for April 1 through June 30, 2017, totaling \$62,403.67, and July 1 through September 30 for \$45,353.68 have both been reviewed and approved by the Treasurer.

Market Update

Mr. Cohen introduced Mr. Thomas Toepfer, from Public Financial Management, Inc. to present the market update.

Mr. Toepfer stated that proposed tax reform legislation would be reducing both the individual and corporate tax rates, which would reduce the benefits of tax-exempt bonds versus taxable bonds over time. He stated further that the U.S. House version of the legislation before reconciliation with the U.S. Senate would eliminate issuance of tax-exempt bonds and advanced refundings effective January 1, 2018. As a result, bond issuers

across the country have been issuing a high volume of tax-exempt and advanced refunding bonds in anticipation of the possible sunset date.

Mr. Toepfer then mentioned that in the past month, there has been some volatility, with the 10-year AAA interest rate going up and down. He commented that this was occurring because the Federal Reserve (Fed) increased the Fed Funds rate by .25% and is expecting three separate interest rate hikes in 2018. He concluded that there still was investor demand for long-term bonds.

Despite rate increases, long term tax-exempt rates are still generally low from a historical perspective due to inflation. He added that overall, tax-exempt bond rates have steadily declined over the past twenty years, with tax-exempt rates closely mirroring the trends of taxable bond rates.

Mr. Toepfer then commented that for supply and demand, 2017 municipal bond issuances have not surpassed 2016 issuances, despite proposed tax reform forcing issuers to accelerate transactions and adding significant supply. He concluded that inflows to the municipal market funds have declined in the past three months.

**Bond Issue
Status Report**

Mr. Cohen asked Ms. Johnson to present the bond issue status report. Ms. Johnson stated that the report dated December 8, 2017 shows one bond issue in progress for Seattle University, noting that the board just approved the financing resolution, with the bonds set for closing on December 27.

She stated further that there is a \$46 million combination new money and refunding bond issue for Pacific Northwest University of Health Sciences (PNWU) in Yakima anticipated to close in early 2018. PNWU submitted their application in November but chose to postpone the bond closing until early 2018.

Ms. Johnson mentioned that PNWU anticipates another new money transaction for \$20 million sometime in 2019.

She noted that the 2017-2018 fiscal year goal was to complete \$30 million in tax-exempt bond issuances. With bond issues for Seattle University happening now and PNWU sometime in 2018 the total amount would be about \$93.5 million, a little more than 3 times over goal.

**Executive
Director's
Report**

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

Mr. Herman stated that the U.S. House of Representatives introduced their version of the tax reform act on November 2, 2017, which would eliminate issuers' ability to issue private activity bonds. Activity by issuers of tax-exempt bonds has gotten quite busy since then. He stated that staff from the Authority along with its affiliate agency, the Washington State Housing Finance Commission, have been very busy educating our state's members of Congress, especially the Republican members of Congress, about the positive impacts of tax-exempt bond financing.

Mr. Herman stated that the U.S. Senate's version retains tax-exempt bonds but eliminates advance refundings beginning on January 1, 2018. The final bill will be released out of conference committee shortly. From what he has heard, tax-exempt bonds would be retained in the final reconciled bill, but he is still awaiting the final details of the bill.

Relative to the negative impacts of the proposed tax reform bill, he stated that four letters to the editor, prepared by the Housing Finance Commission, were published in statewide newspapers. In addition, Mr. Tom Johnson, former board member and Secretary, sent a letter sent to Congresswoman Cathy McMorris-Rodgers.

Mr. Herman stated that the Housing Finance Commission is currently preparing to close as many as 15 housing and nonprofit bond issues prior

to January 1. He added that there are still discussions going on regarding private activity bond cap. He added further that the Authority's bonds are nonprofit bonds and are exempt from volume cap.

Mr. Herman then stated that there could potentially be issues with rate changes on existing bonds that could trigger advanced refundings on January 1, 2018, and thereafter. Mr. Herman then asked Ms. Deanna Gregory, the Authority's bond counsel from Pacifica Law Group, to comment on what is being done on these transactions.

Ms. Gregory stated that they are working on amending bond documents for a number of existing bond issues for the Authority and the Housing Finance Commission in order to introduce a future interest rate calculation that would not trigger a reissuance. Mr. Herman added further that he will be signing a total of 26 different amendments to existing bond issues as a result.

Mr. Cohen commended Mr. Herman and his staff for being so thorough through this "opaque" process regarding tax reform, and for being able to convince Republican members of Congress to retain private activity bonds.

Mr. Herman mentioned that the Mr. Edwards and Ms. Johnson visited schools in Eastern Washington in late October. He emphasized that this is a very important part of the Authority's work and also one of staff's favorite things to do.

Mr. Herman announced that the 2017 WHEFA Annual Report was just finished and is now posted on the Authority's website. Links to the report have been e-mailed to all Authority board members. Hard copies will be provided shortly. He commended Ms. Ellen Alley from the Communications team for both the Authority and the Housing Finance Commission for a well-done report.

Mr. Herman summarized the articles emailed to the board and provided in the board meeting packet.

Mr. Herman announced the dates for the regularly scheduled quarterly Authority board meetings for 2018: February 1, May 3, August 2, and November 1, 2018.

Mr. Herman mentioned that for the upcoming meeting on February 1, Pacific Northwest University of Health Sciences may have a bond issue to consider. He emphasized that if there was no business to conduct, the scheduled meetings would be cancelled.

Adjournment

Mr. Cohen adjourned the meeting at 10:06 a.m.

Mr. Jerome Cohen, Secretary

Date

TAB 2

Final Project Description

Pacific Northwest University of Health Sciences

School Name/Location	Pacific Northwest University of Health Sciences (PNWU) 200 University Parkway Yakima, WA 98901
Bond Issue Name	Refunding Revenue Bonds (Pacific Northwest University of Health Sciences), Series 2018 A & B; and Revenue Bonds (Pacific Northwest University of Health Sciences), Series 2018 C
Purpose	<p>Finance and refinance the costs of acquiring, constructing, improving, expanding and equipping University facilities located on the University's campus bounded by and adjacent to Terrace Heights Drive, N. Keys Road and University Parkway in Yakima, WA 98901.</p> <p>Refunding Revenue Bonds, Series A & B will refinance existing debt and refund bonds issued by the Authority in 2013.</p> <p>Revenue Bonds, Series C will finance the construction of a new two-story academic building of approximately 35,000 square feet located on the University's campus</p> <p>Proceeds of the bonds may be used to finance any other costs, fees, reserves and associated permitted issuance expenses associated with the transaction.</p>
Official Intent Declaration #	17-W01
Application	Received on November 13, 2017 Reviewed and accepted by staff on February 6, 2018
Public Hearing	January 30, 2018
Resolution	Resolution #18-01 is currently before the Board for consideration
<i>Financial Information</i>	
Type:	Private Placement
Estimated Bond Amount	Not to exceed \$46,000,000
Bond Structure	Fixed Rate
Lender	US Bank – Series A and C HomeStreet Bank – Series B
Underwriter	N/A
Trustee/Fiscal Agent	US Bank N.A.
Closing Date	March 1, 2018



1200 Fifth Avenue
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Thomas Toepfer
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206-858-5360

February 5, 2018

Mr. Kim Herman, Executive Director
Ms. Carol Johnson, Manager
Washington Higher Education Facilities Authority
1000 Second Avenue, Suite 2700
Seattle, WA 98104

Dear Mr. Herman and Ms. Johnson

We have received and reviewed the application of Pacific Northwest University of Health Sciences (the "University") for assistance from the Washington Higher Education Facilities Authority (the "Authority") to finance a new academic building and refinance existing debt. The University estimates the bond funded portion of the project will be approximately \$45,140,000.

It is anticipated that the bonds will be issued in three series and designated as the

- Washington Higher Education Facilities Authority Refunding Revenue Bonds ((Pacific Northwest University of Health Sciences Project), Series 2018A,
- Washington Higher Education Facilities Authority Refunding Revenue Bonds (Pacific Northwest University of Health Sciences Project), Series 2018B, and
- Washington Higher Education Facilities Authority Revenue Bonds (Pacific Northwest University of Health Sciences Project), Series 2018C.

The Project

The University is planning to finance construction of a two story academic building up to 35,000 square feet. This new space will incorporate new interior technology (DIRTT wall systems) to permit the repurposing of the interior walls to accommodate additional new programs, such as nursing or pharmacy (the "Project"). This University is also planning to refinance all existing debt which consists of 6 tax-exempt and taxable loans ("Prior Debt"). The University expects to refinance approximately \$36,356,960 of Prior Debt in March of 2018, and finance the new construction with approximately \$8,500,000 in December 2018. The University expects construction to begin in March of 2018 with completion in December 2018. The University plans to use its own cash during the construction period and will request reimbursement through the Series 2018C bonds once the building is completed.

Sources and Uses

A preliminary estimate of the sources and uses of bond proceeds to fund the University's projects are as follows:

Sources of Funds	
Par Amount of Bonds	\$45,140,000.00
Accrued Interest	82,177.69
Cost of Issuance (Series C) ⁽¹⁾	64,269.55
Total Sources	\$45,286,447.24
Uses of Funds	
Refunding of Prior Debt	\$36,439,137.64
Deposit to Project Construction Funds	8,500,000.00
Costs of Issuance	347,309.60
Total Uses	\$45,286,447.24

(1) Cost of issuance for Series C are due at closing, before the project funds are drawn on Series 2018C.

Outstanding Debt

As of February 1, 2018 the University has 6 loan agreements outstanding, one of which has been issued by the Authority. The 2018 Bonds will allow the University to refinance all 6 loan agreements including those Bonds issued by the Authority. Several of these loans are taxable loans, but subject to the tax opinion by the Authority's bond counsel that the financed projects qualify, these loans are expected to be refinanced with tax-exempt bonds.

Series	Issued Date	Final Maturity	Original Principal	Outstanding Principal
WHEFA/US Bank Loan	March 1, 2013	April 1, 2043	\$24,500,000	\$22,136,115
Terrace Heights Development	March 6, 2015	March 1, 2028	\$5,200,000	\$5,200,000
US Bank Term Note	June 30, 2015	June 30, 2020	\$2,000,000	\$1,832,972
Patricia Wade Temple Loan	January 6, 2011	December 6, 2020	\$2,011,800	\$523,745
US Bank Refi (Spiegel Notes)	December 3, 2015	November 30, 2020	\$3,400,000	\$2,008,226
US Bank Iron Horse Lodge	June 8, 2016	May 31, 2021	\$5,120,000	\$4,831,421
			\$42,231,800	\$36,532,479

Plan of Finance

The University has elected to refinance its Prior Debt and to fund the Project using Authority-issued tax-exempt bonds. The Bonds will be issued through a bank placement with U.S. Bank and Homestreet Bank as the lenders (the "Lenders").

The Bonds will be issued in three series. U.S. Bank will purchase Series 2018A, which will be issued at a fixed rate for 10 years, and a par value of approximately \$21,005,000. Series B will be financed by Homestreet Bank and will be issued at a fixed rate for 10 years, and a par value of approximately \$15,635,000. The initial interest rate for both the Series 2018A and Series 2018B bonds is estimated at 3.45% and subject to change at or around the closing date. The proceeds of Series A and B will be used to refinance the University's Prior Debt. Series C will be purchased by U.S. Bank and is designated to fund the Project. Series 2018C functions like a draw down loan, allowing the University to draw funds to reimburse the construction cost of the Project after completion, expected by December 2018. The interest of the Series 2018C will be fixed through the same date as Series 2018A and 2018B bonds. U.S. Bank has provided a formula that is based on an interest rate index. The fixed interest rate for the 2018C bonds will depend on the calculation of the formula at the time the rate is locked which is expected to occur close to the draw date in December. The Bonds will have an initial term of 10 years (mandatory tender), after which the University will need to refinance or payoff the Bonds. The Bonds are paid monthly and principal amounts are amortized over a period of up to 20 years from the date of issuance.

Security for the Bonds and Financial Covenants

The bonds will be secured by University real estate as follows:

- 206 University Parkway, Yakima, WA 98901
- 111 University Parkway, Yakima, WA 98901
- 3113 Inspiration Drive, Yakima, WA 98901
- 3200 Inspiration Drive, Yakima, WA 98901
- A two story academic building up to 35,000 square feet with location to be determined
- Bare land consisting of approximately 49 acres surrounding the PNWU campus.

The bonds are subject to appraisals showing that the bond amount does not exceed 80% of the value of the listed real estate.

The University will not establish a debt service reserve fund.

The University is subject to certain covenants including:

- Maintenance of a Fixed Charge Coverage Ratio of at least 1.35x, measured annually

Future Additional Debt

The University shall not incur additional indebtedness exceeding \$100,000 per year without written consent of the Lender

Credit Rating

The University's debt is not rated. U.S. Bank and Homestreet Bank did their own credit analysis and have approved lending to the University as long as the loan to value ratio is at least 80%.

Financial Statements

Since opening its doors in 2008, PNWU has experienced tremendous growth. The Cadwell Student Center was added to the campus in 2011. Butler-Haney Hall, the flagship building, received a major addition in 2012 that includes a 400-person occupancy auditorium, faculty and staff offices, and a café area for students. The University Conference Center was completed in 2015; the Iron Horse Lodge was purchased in 2016; and additional land parcels have been purchased for future campus growth, increasing the campus from 43 to 70 acres.

Growth in the University's revenue and support have outpaced expense growth from 2013 to 2017. On an average annual basis revenues and expenses have grown by 17.71% and 12.86% respectively. Net Assets increased from \$6 million in 2013 to \$22 million in 2017. The following page shows the University's Statement of Activities for the past five fiscal years.

Statement of Activities					
	2013	2014	2015	2016	2017
Revenue and Support					
Tuition and Fees	\$ 13,675,296	\$ 17,206,557	\$ 20,803,930	\$ 24,403,831	\$ 28,724,998
Contribution Revenue	1,471,878	1,786,460	1,194,246	1,597,084	1,592,362
Forgiveness of Debt	1,000,000	-	-	-	-
Grant Revenue	537,858	22,280	35,110	348,411	343,895
Other Income	568,101	358,814	509,805	1,587,334	2,241,368
Interest and Dividends	7,526	22,237	28,589	30,171	54,345
Net (loss) gain on investments, realized and unrealized	-	53,739	(10,200)	(35,576)	102,574
Net assets released from restriction	17,260,659	19,450,087	22,561,480	27,931,255	33,059,542
Expenses					
Education Program services					
Instruction	7,853,097	8,190,057	9,570,882	10,606,868	11,423,009
Student Services	815,630	1,210,899	1,527,820	1,696,320	2,130,831
Research	-	608,189	640,453	1,249,121	1,465,900
Supporting services					
Academic support	2,190,520	1,696,396	2,070,652	2,469,542	3,444,527
General institution and operations	3,993,723	4,377,566	5,017,796	5,153,788	5,595,567
	14,852,970	16,083,107	18,827,603	21,175,639	24,059,834
Change in Net Assets	2,407,689	3,366,980	3,733,877	6,755,616	8,999,708
Net Assets, beginning of year	6,091,464	8,499,153	11,866,133	15,600,010	22,355,626
Net Assets, end of year	\$ 8,499,153	\$ 11,866,133	\$ 15,600,010	\$ 22,355,626	\$ 31,355,334

From 2013 to 2017 the University's total Assets have grown from \$44.3 million to \$78.6 million. Total Liabilities have grown from \$35.8 million in 2013 to \$47.2 million in 2017, due largely to the incurrence of additional long-term debt over that timeframe. University's Net Assets grew by \$22.8 million over this horizon, with Unrestricted Net Assets growing by \$20.8 million. Shown below are the University's Statement of Financial Position for the past five fiscal years

	Statement of Financial Position				
	2013	2014	2015	2016	2017
Current Assets					
Cash and cash equivalents					
Operating cash	\$6,105,253	\$6,006,933	\$2,452,162	\$4,379,688	\$13,131,032
Board designated operating reserves	-	-	5,144,000	6,682,000	8,551,000
Total cash and cash equivalents	6,105,253	6,006,933	7,596,162	11,061,688	21,682,032
Current portion of assets limited as to use	86,664	105,110	128,294	167,737	203,579
Current portion of contributions receivable	677,705	643,065	636,492	186,832	533,137
Grant and other receivables	594,366	380,398	189,853	1,325,793	1,491,964
Prepaid expenses	73,354	130,519	151,313	228,407	329,551
Other assets	438,499	881,019	870,887	481,541	489,532
Total current assets	7,975,841	8,147,044	9,573,001	13,451,998	24,729,795
Contributions Receivable, net	867,344	750,285	738,942	828,838	1,539,820
Investments	-	1,061,674	1,042,896	1,001,994	1,109,047
Assets Limited as to Use, net of current portion	250,000	250,000	251,253	250,000	250,000
Property and Equipment	38,070,840	39,064,087	49,825,161	57,453,407	58,332,260
Less accumulated depreciation	2,809,530	3,894,405	5,004,375	6,117,991	7,358,693
	35,261,310	35,169,682	44,820,786	51,335,416	50,973,567
Total assets	\$44,354,495	\$45,378,685	\$56,426,878	\$66,868,246	\$78,602,229
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	\$665,486	\$314,228	\$358,633	\$429,666	\$601,920
Accrued liabilities	703,326	787,289	1,023,765	805,378	1,172,772
Retirement liability	310,019	321,717	384,306	643,538	852,248
Deferred revenue	2,940,781	2,615,378	3,082,889	3,693,751	7,396,904
Line of Credit	1,500,000	-	-	-	-
Current portion of long-term debt	262,000	697,000	3,894,000	1,745,000	1,889,000
Total current liabilities	6,381,612	4,735,612	8,743,593	7,317,333	11,912,844
Long-term debt, net of current portion	29,473,630	28,776,840	32,083,175	37,195,187	35,324,001
Total Liabilities	\$35,855,242	\$33,512,452	\$40,826,768	\$44,512,520	\$47,236,845
Net Assets					
Unrestricted	\$8,412,589	\$10,695,656	\$14,471,336	\$21,188,975	\$29,223,017
Temporarily restricted	86,664	170,577	128,774	166,751	1,019,653
Permanently restricted	-	1,000,000	1,000,000	1,000,000	1,112,764
Total net assets	8,499,253	11,866,233	15,600,110	22,355,726	31,355,434
Total liabilities and net assets	\$44,354,495	\$45,378,685	\$56,426,878	\$66,868,246	\$78,592,279

Enrollment

The following table shows the University's total enrollment by FTE for the past five years. The University's student base is entirely graduate students

	2013	2014	2015	2016	2017	5- Year
Total Fall FTE	360	429	495	569	573	
Change (%)		19.17%	15.38%	14.95%	0.70%	12.55%
Change (#)		69	66	74	4	53.25

University enrollment has seen growth over the past five years. In 2013, class sized increased from 70 to 135 which aided enrollment results. The number of FTE students increased 12.55% over the previous five years. In 2016, the University had all four class levels filled to reflect the 135 student class size

Financial Schedules A-C

Financial schedules A-C provide information concerning the University's financial performance for the fiscal year ended June 30, 2017.

Schedule A includes a number of relevant financial metrics to provide information about the University's financial performance. These ratios are used by Moody's for use in credit rating analysis. Schedule A also shows industry medians for similarly rated private institutions with FTE enrollment of less than 3,000. 2016 Medians are used as they are the most recent available. The ratio comparison is provided in the package, but note that the University's debt is not rated. Schedule A-1 provides a listing of the formulas used to calculate the ratios.

Schedule B shows the College's current debt service along with projections of its debt service following the issuance of the Bonds

We will be in attendance at the Authority's meeting on February 15, 2018 to discuss Pacific Northwest University of Health Science's application and our review.

Sincerely,

PFM Financial Advisors

Thomas Toepfer
Senior Managing Consultant

		Rating Medians FTE <3,000		
	PNWU (2017)	A	Baa	Desired Direction
Debt Service Coverage (x) Measures the ability of a University to make debt service payments from annual operations	3.5	2.7	2.3	↑
Debt Service to Operating Expenses (%) Measures annual debt service burden on the annual operating budget	14.1	4.8	5.4	↓
Spendable Cash & Investments to Total Debt (x) Measures the University's ability to repay bondholders from wealth that can be accessed over time or for a specific purpose	0.6	2.4	1.9	↑
Total Debt to Cash Flow (x) Measures the ability of a University to repay its debt from the profitability of its operations	3.2	5.4	5.0	↓
Spendable Cash and Investments to Operating Expenses (x) Measures the extent to which a University can rely on wealth that can be accessed over time or for a specific purpose to operate without earning any additional revenue	0.9	2.0	1.2	↑
Net Tuition per Student (\$) Measures tuition and fees actually received per student, after scholarships	\$50,130	\$23,200	\$20,156	↑
Total Tuition Discount (%) Measures the amount of tuition revenue funded by unrestricted institutional resources as well as restricted endowments and external sources	0.43	39.7	46.7	↓

Source: Moody's Analytics MFRA (Municipal Financial Ratio Analysis) as of 2/1/2018



	Formula
Debt Service Coverage (x) Measures the ability of a University to make debt service payments from annual operations	$\frac{\text{Annual operating surplus (deficit) + depreciation + interest expense}}{\text{Actual Principal and Interest}}$
Debt Service to Operating Expenses (%) Measures annual debt service burden on the annual operating budget	$\frac{\text{Annual debt service}}{\text{Operating Expenses}}$
Spendable Cash & Investments to Total Debt (x) Measures the University's ability to repay bondholders from wealth that can be accessed over time or for a specific purpose	$\frac{\text{Total Cash and Investments - Permanently Restricted Net Assets}}{\text{Total Debt}}$
Total Debt to Cash Flow (x) Measures the ability of a University to repay its debt from the profitability of its operations	$\frac{\text{Total Cash \& Investments}}{\text{Annual operating surplus (deficit) + depreciation + interest expense}}$
Spendable Cash and Investments to Operating Expenses Measures the extent to which a University can rely on wealth that can be accessed over time or for a specific purpose to operate without earning any additional revenue	$\frac{\text{Total Cash and Investments - Permanently Restricted Net Assets}}{\text{Operating Expenses}}$
Net Tuition per Student (\$) Measures tuition and fees actually received per student, after scholarships	$\frac{\text{Net Tuition and Fee Revenue}}{\text{Total FTE Enrollment}}$
Total Tuition Discount (%) Measures the amount of tuition revenue funded by unrestricted institutional resources as well as restricted endowments and external sources	$\frac{\text{Total Scholarships and Fellowships}}{\text{Gross Tuition and Fee Revenue}}$

Projected Debt Service and Coverage ⁽¹⁾				
Fiscal Year	Series 2018 Principal	Series 2018 Interest	Series 2018 Total Debt Service	Projected Debt Service Coverage
2018	\$315,000	\$315,114	\$630,114	3.81x ⁽²⁾
2019	1,435,000	1,378,692	2,813,692	4.18x
2020	1,670,000	1,470,692	3,140,692	3.74x
2021	1,745,000	1,412,085	3,157,085	3.72x
2022	1,800,000	1,350,675	3,150,675	3.73x
2023	1,865,000	1,287,770	3,152,770	3.73x
2024	1,920,000	1,222,335	3,142,335	3.74x
2025	1,950,000	1,155,994	3,105,994	3.78x
2026	2,095,000	1,086,132	3,181,132	3.69x
2027	2,125,000	1,013,553	3,138,553	3.74x
2028	2,215,000	938,644	3,153,644	3.73x
2029	2,260,000	861,666	3,121,666	3.76x
2030	2,375,000	782,101	3,157,101	3.72x
2031	2,460,000	698,366	3,158,366	3.72x
2032	2,530,000	612,893	3,142,893	3.74x
2033	2,595,000	524,299	3,119,299	3.77x
2034	2,740,000	432,486	3,172,486	3.70x
2035	2,800,000	337,008	3,137,008	3.75x
2036	2,895,000	239,071	3,134,071	3.75x
2037	3,010,000	137,281	3,147,281	3.73x
2038	2,340,000	33,638	2,373,638	4.95x
Total:	\$45,140,000	\$17,290,496	\$62,430,496	

Note: Coverage based on FY 2017 cash flow (operating income + depreciation + interest expense) available for debt service of approximately \$11.75 million

- 1) Series 2018 debt service is projected and subject to change, assumes interest rates are locked at 3.45% for the life of the Bonds
- 2) Includes approximately \$2.4 million of debt service on the Prior Debt for FY 2018



February 5, 2018

Mr. Kim Herman, Executive Director
Ms. Carol Johnson, Manager
Washington Higher Education Facilities Authority
1000 Second Avenue, Suite 2700
Seattle, WA 98104

Dear Mr. Herman and Ms. Johnson

On behalf of the Washington Higher Education Facilities Authority (the "Authority") and the institutions who borrow through the Authority, we have 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 Pacific Northwest University of Health Sciences (the "University").

Consistent with the debt service schedule provided in the University's application, we have relied on the following assumptions in our analysis:

- Refinancing all outstanding principal of the University's outstanding debt as of March 1, 2018
- Project fund deposit of \$8,500,000
- Fixed rate of 3.45% for the life of the Bonds
- Similar costs of issuance and underwriter's discount
- Final maturity in 20 years (March 1, 2038) and structured to achieve level monthly payments.

In order to evaluate the savings benefit to the University when issuing tax-exempt bonds as opposed to a taxable issuance, we analyzed the results when assuming the taxable conversion factor is applied to an estimate of US Bank's tax-exempt fixed rate (3.45%). Per the term sheet provided by US Bank, the Bonds will carry a taxable conversion factor equal to 1.27. In the event a determination of taxability occurs, the tax-exempt rate will be adjusted, in this case the conversion would be calculated as follows: $3.45\% \times 1.27 = 4.38\%$. The benefit in cash flow savings between a 3.45% tax-exempt rate versus a 4.38% taxable rate is summarized below.

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.

<u>Nominal Cash Flow Savings</u>	<u>PV Cash Flow Savings</u>
\$5,232,486	\$3,714,251

Representative of PFM will participate in the scheduled February 15, 2018 Authority Board meeting to discuss the benefit to the University from using Authority issued bonds. If you have any questions or comments prior to the meeting, please contact us at (206) 858-5360.

Sincerely,

PFM Financial Advisors
Thomas Toepfer
Senior Managing Consultant

TAB 3

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

RESOLUTION NO. 18-01

A RESOLUTION of the Washington Higher Education Facilities Authority authorizing the issuance of nonrecourse revenue bonds in an aggregate principal amount of not to exceed \$46,000,000 to finance and refinance the costs of acquiring, constructing, improving, expanding and equipping facilities of Pacific Northwest University of Health Sciences; approving the sale of said bonds to U.S. Bank National Association and HomeStreet Bank; approving the form of an indenture of trust and loan agreement; and authorizing the officers and Executive Director of the Authority to amend and execute such documents and other related documents.

APPROVED ON FEBRUARY 15, 2018

PREPARED BY:

PACIFICA LAW GROUP LLP
1191 Second Avenue, Suite 2000
Seattle, Washington 98101

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* This table of contents is not a part of the resolution; it is included for convenience of the reader only.

RESOLUTION NO. 18-01

A RESOLUTION of the Washington Higher Education Facilities Authority authorizing the issuance of nonrecourse revenue bonds in an aggregate principal amount of not to exceed \$46,000,000 to finance and refinance the costs of acquiring, constructing, improving, expanding and equipping facilities of Pacific Northwest University of Health Sciences; approving the sale of said bonds to U.S. Bank National Association and HomeStreet Bank; approving the form of an indenture of trust and loan agreement; and authorizing the officers and Executive Director of the Authority to amend and execute such documents and other related documents.

WHEREAS, the Washington Higher Education Facilities Authority, a public body corporate and politic of the State of Washington (the “Authority”), has been duly constituted pursuant to the authority and procedures of RCW 28B.07 et seq. (the “Act”); and

WHEREAS, pursuant to the Act the Authority is authorized to issue its nonrecourse revenue bonds for the purpose of financing or refinancing all or a part of the “project costs” of “higher education institutions” as such terms are defined in the Act; and

WHEREAS, the Internal Revenue Code of 1986, as amended (the “Code”), grants an exemption from gross income for federal income tax purposes of interest paid on bonds where the proceeds thereof are used to finance facilities owned and operated by corporations described under Section 501(c)(3) of the Code; and

WHEREAS, Pacific Northwest University of Health Sciences (the “University”) is a private, nonprofit higher education institution meeting the requirements of the Act and a corporation described under Section 501(c)(3) of the Code; and

WHEREAS, the Authority previously issued its Revenue Bond (Pacific Northwest University of Health Sciences Project), Series 2013 (the “2013 Bond”) to finance certain facilities of the University; and

WHEREAS, the University has submitted an application to the Authority to provide a portion of the funds required (1) to refund on a current basis the 2013 Bond; (2) to refund certain taxable loans of the University incurred to acquire, construct, and improve land and buildings on the University campus; (3) to construct, furnish, and equip a new academic building on the University's campus; and (4) to pay certain expenses incurred in connection with the issuance of the hereinafter defined Bonds (collectively, the "Project"); and

WHEREAS, it is desirable for the Authority to provide the University with tax-exempt financing of the Project through: (1) the issuance of its Refunding Revenue Bonds (Pacific Northwest University of Health Sciences Project), Series 2018A (the "2018A Bonds"), Refunding Revenue Bonds (Pacific Northwest University of Health Sciences Project), Series 2018B (the "2018B Bonds"), and Revenue Bonds (Pacific Northwest University of Health Sciences Project), Series 2018C (the "2018C Bonds", and collectively, the "Bonds") in an aggregate principal amount of not to exceed \$46,000,000, and (2) the loaning the proceeds of the Bonds to the University pursuant to the hereinafter defined Loan Agreement; and

WHEREAS, the Authority has received an offer to purchase the Bonds from U.S. Bank National Association, as purchaser of the 2018A Bonds and the 2018C Bonds, and HomeStreet Bank, as purchaser of the 2018B Bonds (together, the "Purchasers"); and

WHEREAS, the Authority has held a public hearing with respect to the Bonds and the Project and has received, or prior to the issuance of the Bonds will receive, an approval of the Bonds and the Project from the Governor of Washington, in accordance with the Code;

NOW, THEREFORE, BE IT RESOLVED by the Washington State Higher Education Facilities Authority as follows:

Section 1. Definitions. Unless otherwise defined in this resolution, capitalized terms used herein shall have the meanings set forth in the following documents filed with the Executive Director of the Authority: the Indenture of Trust (the “Indenture”) between the Authority and U.S. Bank National Association (the “Trustee”) and the Loan Agreement among the Authority, the Trustee and the University (the “Loan Agreement”).

Section 2. Findings. The University has made an application to the Authority which has been reviewed and analyzed by the Authority staff. The Authority staff has determined that the financing and refinancing of the Project will benefit the higher education system; that the University can reasonably be expected to successfully complete the Project and the refinancing of the 2013 Bond and certain taxable loans; that the Project, the refinancing contemplated herein and the issuance of the Bonds are economically feasible and can be undertaken on terms economically satisfactory to the Authority; that the Project and the refinancing contemplated herein will carry out the purposes and policies of the Act; and that the University has reasonably satisfied the requirements of the Act and the regulations promulgated thereunder.

Section 3. Authorization of the Bond; Plan of Refunding. The Authority hereby authorizes the issuance and sale of its nonrecourse revenue bonds to be designated “Washington Higher Education Facilities Authority Refunding Revenue Bonds (Pacific Northwest University of Health Sciences Project), Series 2018A”, “Washington Higher Education Facilities Authority Refunding Revenue Bonds (Pacific Northwest University of Health Sciences Project), Series 2018B”, and “Washington Higher Education Facilities Authority Revenue Bonds (Pacific Northwest University of Health Sciences Project), Series 2018C”, or other series designation as determined to be necessary by the Executive Director of the Authority, in an aggregate principal

amount of not to exceed \$46,000,000, pursuant to and in accordance with the provisions of the Act, the Code, the Indenture and this resolution.

A portion of the proceeds of the 2018A Bonds and 2018B Bonds, together with other available funds, if any, will be used to currently refund the 2013 Bond. The Authority further authorizes the refunding of the 2013 Bond with proceeds of such Bonds and other funds available for such purpose.

Section 4. Approval of Documents. The Authority hereby accepts, approves and agrees to the execution and delivery and to all the terms and conditions of the Indenture and the Loan Agreement, pertaining to it in substantially the forms on file with the Authority, including the forms of exhibits thereto, and with such additions, deletions and modifications as hereafter are deemed by the Executive Director or the Secretary of the Authority to be in the best interests of the Authority and approved by the University. The Indenture will authorize, inter alia, the sale, execution, issuance and delivery of the Bonds and will be in substantially the form on file with the Authority. The Authority also accepts, approves and agrees to the execution and delivery of all other certificates and documents which, in the judgment of the Executive Director or the Secretary of the Authority, are necessary to the sale, execution, issuance and delivery of the Bonds, the loan of the proceeds from the issuance and sale of the Bonds to the University, the financing and refinancing of the Project, including the redemptions authorized therein, and the exemption of interest on the Bonds from federal taxation pursuant to the Code.

Section 5. Authorization to Execute and Deliver Documents and the Bond. The Chair, the Executive Director and the Secretary of the Authority, or any one of such persons, hereby are authorized and directed to cause the Indenture and the Loan Agreement to be appropriately dated and to execute, for and on behalf of the Authority, and deliver to the parties

entitled to executed copies of the same, together with any exhibits thereto required to be executed and delivered by the Authority, with such additions, deletions and modifications as are hereafter deemed by the Executive Director and the Secretary of the Authority to be necessary to confirm such documents to each other and/or to be in the best interest of the Authority and the University. The Chair and the Secretary or Executive Director of the Authority hereby are authorized and directed to execute, for and on behalf of the Authority, the Bonds, in substantially the form set forth in the Indenture. Such officers are hereby authorized to execute on behalf of the Authority any additional certificates and documents which are necessary to the sale, execution, issuance and delivery of the Bonds.

Section 6. Sale of the Bond. The Authority hereby authorizes and approves the sale of the Bonds to the Purchasers, as described in and in accordance with the purchase offers attached hereto as Exhibit A.

Section 7. Execution of Resolution in Counterparts. This resolution may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original; and such counterparts together shall constitute one and the same instrument.

Section 8. Executive Director. The Deputy Executive Director is hereby authorized to act on behalf of the Executive Director for all purposes of this resolution if it is necessary or desirable to accomplish the purposes hereof.

Section 9. Effective Date. This resolution shall become effective immediately upon its passage and execution by a majority of the members of the Authority at a duly constituted meeting.

ADOPTED at an open public meeting duly noticed and called this 15th day of February,
2018.

WASHINGTON HIGHER EDUCATION
FACILITIES AUTHORITY

David Schumacher, Designee for
Jay Inslee, Governor, Member and Chair

The Honorable Cyrus Habib,
Lieutenant Governor and Member

Michael Meotti, Executive Director of the
Washington State Achievement Council and
Member

Claire Grace, Public Member

Roy Heynderickx, Public Member

Dr. Gene Sharratt, Public Member

Jerome Cohen, Public Member

EXHIBIT A

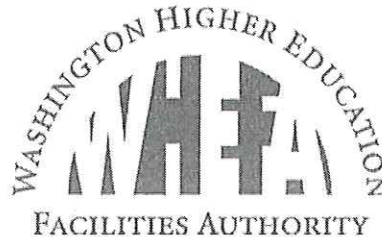
Purchase Offers

TAB 3

Exhibit A - Signed Purchase Offers

(To be distributed to Board members prior to meeting)

TAB 4



February 1, 2018


Members

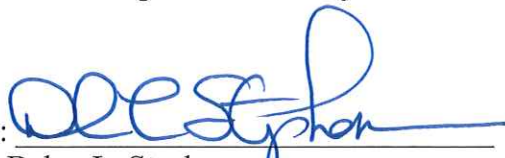
Washington Higher Education Facility Authority
Seattle, Washington

We have compiled the UNAUDITED Statement of Net Position of the Washington State Higher Education Facilities Authority (the "Authority") General Operating Fund, as of December 31, 2017 and the related statement of Activities and Changes in Net Position for the month ended in accordance with generally accepted accounting principles.

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

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

Prepared by: 
Shirleen Noonan
General Operations Manager

Approved by: 
Debra L. Stephenson
Senior Controller



WASHINGTON HIGHER EDUCATION
FACILITIES AUTHORITY
GENERAL OPERATING FUND

December 31, 2017

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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
December 31, 2017
(See Accountant's Compilation Report)

	<u>Current Year</u>	<u>Prior Year</u>	<u>Variance</u>	
			<u>Amount</u>	<u>%</u>
<i>ASSETS</i>				
Cash and Cash Equivalents:				
Demand Deposits	\$ 109,408	\$ 170,693	\$ (61,285)	-36%
Money Market Accounts	1,332,897	1,476,765	(143,868)	-10%
Fees Receivables	-	134	(134)	-100%
Loan Receivable (net)	3,454	3,454	-	0%
Prepaid Expenses & Other Receivable	8,905	9,369	(467)	-5%
<i>Total Assets</i>	<u>\$ 1,454,664</u>	<u>\$ 1,660,418</u>	<u>\$ (205,754)</u>	<u>-12%</u>
<i>LIABILITIES</i>				
Accounts Payable and Other Liabilities	\$ 51,686	\$ 43,326	\$ 8,360	(1) 19%
<i>Total Liabilities</i>	<u>51,686</u>	<u>43,326</u>	<u>8,360</u>	<u>19%</u>
<i>NET POSITION</i>				
Unrestricted	1,402,978	1,617,092	(214,114)	-13%
Total Net Position	<u>1,402,978</u>	<u>1,617,092</u>	<u>(214,114)</u>	<u>-13%</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 1,454,664</u>	<u>\$ 1,660,418</u>	<u>\$ (205,754)</u>	<u>-13%</u>

(1) Higher payables balance is due to the timing of payment to the Commission for interagency expenses.

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: December 31, 2017
(See Accountant's Compilation Report)

	Current Period	Current Year to Date	Prior Year to Date	Variance Amount	%
<i>Revenues:</i>					
Fee Income	\$ 44,825	\$ 59,825	\$ 136,835	\$ (77,010)	(1) -56%
Interest Earned	1,467	8,290	4,122	4,168	(2) 101%
<i>Total Unadjusted Revenues</i>	<u>46,292</u>	<u>68,115</u>	<u>140,958</u>	<u>(72,843)</u>	<u>-52%</u>
<i>Expenses:</i>					
Salaries, Wages, and Employee Benefits	13,362	84,710	121,894	(37,184)	(3) -31%
Travel & Conferences	110	6,565	11,909	(5,344)	(4) -45%
Professional Fees	1,228	41,802	43,513	(1,711)	-4%
Office Expense	5,079	18,906	21,767	(2,861)	(5) -13%
<i>Total Expenses</i>	<u>19,779</u>	<u>151,983</u>	<u>199,082</u>	<u>(47,099)</u>	<u>-24%</u>
(Deficit) Excess of Revenues over Expenses	26,513	(83,868)	(58,124)	(25,744)	44%
<i>Net Position</i>					
Total net position, beginning of period	1,376,465	1,486,846	1,675,216	(188,370)	-11%
Current Increase (Decrease) to Net Position	26,513	(83,868)	(58,124)	(25,744)	44%
Total net position, end of year	<u>\$ 1,402,978</u>	<u>\$ 1,402,978</u>	<u>\$ 1,617,092</u>	<u>\$ (214,114)</u>	<u>-13%</u>

(1) The prior year fee income reflects fees from two bond issuance totaling approximately \$109 million compared to one in the current year of approximately \$42 million.

(2) While investable funds dropped slightly, the rate of return on the money market accounts increased to 1.28% from the prior year rate of .51%.

(3) The decrease in salaries and employment benefits is due to a position vacancy beginning in August 2017.

(4) The decrease is primarily due to out of state travel expenses. In the prior year, one additional staff member attended the NAHEFFA conference and it was held in a higher priced location of Chicago. In the current year, the conference was held in Boise.

(5) The decrease in office expenses is primarily due to a decrease in overhead allocation from WSHFC. The allocation is based on WHEFA salary hours as a percentage of WSHFC salary hours. As noted for salary expense, a staff position has been vacant since August 2017.

Washington Higher Education Facilities Authority
Detailed Statement of Activities
Fund: General Operating Fund
Division: All
For The Year To Date Ending: December 31, 2017
(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>							
Issuance & Application Fees	-56.3%	\$ (77,010)	\$ 136,835	\$ 59,825	\$ 18,750	\$ 41,075	219.1%
Interest Revenue	101.1%	4,168	4,122	8,290	1,115	7,175	643.5%
<i>Total Unadjusted Revenues</i>	-51.7%	(72,842)	140,958	68,115	19,865	48,250	242.9%
<i>Expenses:</i>							
Salaries & Wages - Staff & Temp. Svcs	-32%	(29,687)	92,791	63,104	122,072	(58,968)	-48%
Employee Benefits - Staff	-25.8%	(7,496)	29,102	21,606	39,508	(17,902)	-45.3%
Conference, Education & Training	-25.9%	(505)	1,950	1,445	2,050	(605)	-29.5%
Travel out of state - Staff	-61.9%	(4,145)	6,697	2,552	6,400	(3,848)	-60.1%
Travel in state - Staff	-21.3%	(693)	3,261	2,568	2,625	(57)	-2.2%
Accounting Fees	-5.0%	(2,000)	40,000	38,000	38,500	(500)	-1.3%
Legal Fees	-60.1%	(2,111)	3,513	1,402	5,000	(3,598)	-72.0%
Financial Advisor Fees	NA	-	-	-	3,000	(3,000)	-100.0%
Office Rent/Conf. Room Rentals	-28.9%	(1,393)	4,825	3,432	6,768	(3,336)	-49.3%
Furniture & Equipment Rental	-22.0%	(126)	574	448	460	(12)	-2.6%
Publications/ Subscriptions/ Dues	-1.3%	(24)	1,802	1,778	2,430	(652)	-26.8%
Insurance	0.0%	-	6,658	6,658	7,205	(547)	-7.6%
Meeting Expense	NA	37	-	37	2,624	(2,587)	-98.6%
Equipment & Building Maintenance	-4.3%	(7)	161	154	288	(134)	-46.5%
Software Maint. Support & Other Info Svcs	-44.9%	(1,130)	2,516	1,386	4,279	(2,893)	-67.6%
Postage	-52.2%	(95)	182	87	175	(88)	-50.3%
Printing	147.1%	1,520	1,033	2,553	1,350	1,203	89.1%
Supplies	-66.6%	(458)	688	230	707	(477)	-67.5%
Telephone	-12.0%	(141)	1,177	1,036	913	123	13.5%
Other Office Expenses	-79.1%	(1,537)	1,944	407	497	(90)	-18.1%
Contract Services	NA	2,400	-	2,400	2,250	150	6.7%
Varit Other Misc. Expenses	885.9%	629	71	700	-	700	NA
<i>Total Expenses</i>	-23.7%	(47,098)	199,081	151,983	250,786	(98,803)	-39.4%
 (Deficit) Excess of Revenues over Expenses	44.3%	\$ (25,745)	\$ (58,123)	\$ (83,868)	\$ (230,921)	\$ 147,053	-63.7%

TAB 5

Statement of Account

Washington Higher Education Facility Authority
Proration of costs between WHEFA and WSHFC
For the period October 1, 2017 through December 31, 2017

Month	Salaries & Benefits	Office Expenses (1)	Overhead (2)	Total
October	\$ 15,588.63	\$ 1,492.77	\$ 39.08	\$ 17,120.48
November	15,473.22	1,153.32	37.16	16,663.70
December	13,183.23	1,232.04	33.90	14,449.17
<hr/>				
Total Per Category	\$ 44,245.08	\$ 3,878.13	\$ 110.14	\$ 48,233.35
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Previous September 30, 2017				45,353.68
Payments & Credit Memos (Through December 2017)				<u>(45,353.68)</u>
Total Due to WSHFC:				<u>\$ 48,233.35</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 HFC expenses based upon percentage of WHEFA salary hours vs. total HFC salary hours.

(2) Overhead is the allocation of HFC's depreciation exp based upon percentage of WHEFA salary hours vs. total.

Approval for Payment

Claire S. Grace

Authority Board Member

TAB 6

Market Update

(To be distributed to Board members prior to meeting)

TAB 7

Washington Higher Education Facilities Authority
Bond Issue Status Report
As of February 6, 2018

	Appl. Rec'd	OID Signed	App Review Complete	Scoping Meeting	Public Hearing	Tax Due Diligence Complete	Doc Review Meetings	Gov's Cert Signed	Borrower Board Approval	Authority Board Approval	Pricing	Pre-Close & Close	Savings	Comments
Potential Bond Issues - Fiscal Year 2017														
PNWU <i>Not to exceed \$46 million</i> <i>Refund, refinance & new money</i> <i>Includes construction of 35,000 SF 2-story academic bldg</i>	11/13/17	11/14/17	2/6/18	1/11/18	1/30/18	In process 2018 TBD	1/29/18 2/12/18	In process Feb 2018	10/28/17 11/8/17 11/16/17 1/3/18	2/15/18	N/A	2/27/18 3/1/18	Preliminary Present Value TBD \$3,714,251	<i>Financial Advisor - PFM</i> <i>Private Placement – US Bank and HomeStreet Bank</i>
PNWU \$20,000,000 <i>New Money</i> <i>New 80,000 SF Regional Center for Inter-professional Education</i>	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	Summer 2018	Preliminary Present Value TBD	<i>Financial Advisor TBD</i>

**Washington Higher Education Facilities Authority
Bond Issue Status Report
As of February 6, 2018**

	Appl. Rec'd	OID Signed	App Review Complete	Scoping Meeting	Public Hearing	Tax Due Diligence Complete	Doc Review Meetings	Gov's Cert Signed	Borrower Board Approval	Authority Board Approval	Pricing	Pre-Close & Close	Savings	Comments
Closed Bond Issues - Fiscal Year 2017														
Seattle University \$41,860,000 <i>Advance Refund 2009 bonds</i>	11/21/17	11/20/17	12/8/17	11/17/17	12/13/17	Complete	11/30/17 12/13/17	Complete	Complete	12/15/17	12/19/17	12/21/17 12/27/17	Final Present Value \$2,276,478 \$3,799,733 over the life of the bonds	<i>School Financial Advisor – Blue Rose Capital</i> <i>Public Sale</i>

FY 17-18 Goal: Complete two bond issues totaling approximately \$30 million by June 30, 2018.

TAB 8



December 19, 2017

Mr. Kim Herman, Executive Director
Mr. Paul Edwards, Deputy Director
Mr. Robert Cook, Senior Director
Ms. Carol Johnson, Affiliates Manager
Washington Higher Education Facilities Authority
1000 Second Street, Suite 2700
Seattle, WA 98104-1046

RE: Seattle University – Final Analysis of Tax-Exempt Benefit (Savings)

Dear Authority Staff,

On behalf of the Washington Higher Education Facilities Authority (the “Authority”) and the institutions of higher learning who borrow through the Authority, herein we calculate the estimated interest benefit (savings) resulting from the use of the tax-exempt borrowing status of the Authority versus the interest cost for the institution to borrow at taxable rates in the public market or commercially from a bank or other financial institution. The purpose of this analysis is to quantify, demonstrate and document the monetary and economic benefit for Seattle University (the “University”) to borrow on a tax-exempt basis through the Authority.

Blue Rose Capital Advisors, LLC (“Blue Rose”) analysis is based on the use of current, observable market rates for tax-exempt and taxable bonds that have been sold in the market recently and for which the results are reported publicly or in trade publications. More specifically, we evaluate recently priced, comparable bond issues that have similar characteristics to the bonds to be issued by the institution for which an application has been submitted for Authority assistance.

For this final analysis, Blue Rose utilizes (i) the final pricing for the tax-exempt bonds for the University and (ii) certain factors and/or metrics to determine the prospective taxable interest rates. Such factors include, but may not be limited to, the following:

- Credit rating, if any
- Borrowing institution characteristics
- Issue size
- Issue term
- Call feature(s)
- Principal amortization footprint
- State from where securities issued
- Market conditions
- Investor or financial institution sentiment

In addition to comparable primary market offerings, we also evaluate the past and recent performance of the institution’s outstanding bonds issued through the Authority, as applicable and relevant. Prior pricing

performance for each institution (although not an exact indicator for a current market offering) allows for the indexing of results and provides a basis for historical comparison to current market levels.

With relevant data gathered and analyzed, Blue Rose applies the tax-exempt and taxable interest rate scales and run separate bond cash flows and sources and uses of funds for each scenario. We then compare the cash flows of the two scenarios on a total (gross) cost basis and present value basis using a discount factor that represents the difference between the two scenarios.

Blue Rose has calculated the tax-exempt benefit on a **final basis** assuming market conditions as of the day of final pricing, **December 19, 2017**. The final analysis represents the benefit based on final tax-exempt and estimated taxable interest rates since the tax-exempt bonds priced in the primary market and the bond purchase agreement is fully executed.

For **Seattle University's Refunding Revenue Bonds, Series 2017** (the "2017 Bonds"), our final analysis demonstrates cash flow and present value savings is as follows:

	<u>Gross Cash Flow Savings</u>	<u>Present Value Savings*</u>
Series 2017	\$3,799,733	\$2,276,478
Tax-Exempt Bond Yield (Final):	3.294%	
Taxable Bond Yield (Estimated):	3.940%	

**Present value savings is calculated using a discount factor of 3.50%.*

Blue Rose has calculated the estimated cash flow savings benefit through the final maturity of the 2017 Bonds on May 1, 2039 and utilized a common 10-year par call feature for both the tax-exempt and taxable bonds.

A Blue Rose representative will be available at the Authority's request to discuss the final tax-exempt benefit to the University by issuing the 2017 Bonds through the Authority. At your convenience, please feel free to reach out to me directly at (303) 803-8253 with comments or questions.

Submitted respectfully,



John R. Wendling
Senior Vice President
Blue Rose Capital Advisors, LLC