



Capital Comments

A QUARTERLY NEWSLETTER

WHEFA.COM

WINTER 2017-2018



Dennis Reilly

Message from the Executive Director

Private Activity Bonds Survive Tax Reform; Advance Refunding Bonds are Eliminated

Late last year, our ability to maintain access to tax-exempt financing was severely threatened. Tax-exempt financing across the country faced the most hostile challenge to its existence since the 1986 revisions to the Tax Code. The House version of the tax bill proposed eliminating the federal income tax exemption for interest earned on private activity bonds (PABs), which includes 501(c)(3) bonds. Immediately a grass roots advocacy effort erupted here in Wisconsin and across the country to maintain access to tax-exempt financing. Ultimately, and thankfully, the federal tax exemption for PABs was **not** eliminated in the final tax bill.

The loss of **advance refunding** bonds however is a blow to non-profits. As WHEFA board member Robert Van Meeteren stated, “We lost the advance refunding battle, but we won the war on PABs”. **Please note, current refunding bonds are still permitted.**

Corporate Tax Rate Lowered

The huge reduction in the corporate tax rate to 21% from 35% will have a significant negative impact on PABs. The lower corporate tax rate will cause tax-exempt bonds to be less attractive for banks. As a result, tax-exempt bank interest rates will increase for future and possibly even outstanding bank private placements. More information to come in future newsletters and at our annual workshop in March regarding Tax Reform and the impact on PABs.

In other news

Planning is well underway for the 21st Annual WHEFA Workshop to be held on Monday, March 19, 2018 at The Ingleside Hotel in Pewaukee, WI (previously known as the Country Springs Hotel). We truly hope you are able to attend as we have a great line-up of speakers and topics. Please look for your invitation in the coming weeks.

Finally, if you haven't done so already, I would urge you to read our 38th **Annual Report** posted to our web site. This Annual Report highlights our activity for our fiscal year ending June 30, 2017. We are proud to have been able to assist such a wide variety of borrowers (both in size and type) during this past fiscal year.

As always, please do not hesitate to call if we can be of assistance, or simply answer a question.

Best wishes for a happy and prosperous New Year.

Kindest Regards,

Dennis Reilly
Executive Director

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Financing Spotlight

***ANOTHER SUCCESSFUL PRIVATE ACTIVITY
BOND FINANCING***

\$38,185,000

**WHEFA Bond Financing Helps Benevolent Corporation Cedar Community
Construct, Renovate and Refinance in West Bend**

Bonds Underwritten by B.C. Ziegler and Company



“This bond issue enables us to secure long-term financing at historically low rates, and invest in the growth of our organization.”

*– Lynn W. Olson, Chief Executive Officer
Benevolent Corporation Cedar Community*



Benevolent Corporation Cedar Community employs approximately 416 full-time equivalents in Wisconsin, with an annual payroll of over \$20 million.

Bond financing facilitated by WHEFA will be used to help Benevolent Corporation Cedar Community finance the costs associated with the construction, renovation, and equipping of certain healthcare and senior livings facilities in West Bend, Wisconsin, including construction of a new 18-unit CBRF for frail elderly and dementia and construction of new independent living housing. Bond proceeds were also used to refinance bonds previously issued by WHEFA in 2007 and 2013. The net present value savings following the refinancing was approximately \$300,000. This federally tax-exempt financing process has enabled Benevolent Corporation Cedar Community to operate more effectively by financing and refinancing its capital expenses at lower interest rates (3.00% - 5.00%).

WHEFA is proud to have been able to assist Benevolent Corporation Cedar Community reduce their overall debt service by providing access to low-cost private capital.

WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Recently Completed Financings

<u>Date</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount</u>	<u>Structure</u>
11/02/17	Aspirus, Inc. Obligated Group	New Money	\$ 62,700,000	Fixed Rate, Rated, Public Placement
11/09/17	Tomah Memorial Hospital, Inc., Series A BANS	New Money	\$ 35,000,000	Fixed Rate, Unrated, Public Placement
11/09/17	Tomah Memorial Hospital, Inc., Series B	New Money	\$ 13,000,000	Monthly Variable Rate, Unrated, Private Placement
11/10/17	Seeds of Health, Inc.	Refinancing	\$ 3,200,000	7 & 10-Year Reset Rates, Unrated, Private Placement
12/14/17	Children's Hospital of Wisconsin, Inc.	Refinancing, New Money	\$315,400,000	Fixed Rate, Rated, Public Placement
12/22/17	Upland Hills Health, Inc.	Refinancing	\$ 18,781,216	12-Year Reset Rate, Unrated, Private Placement
12/28/17	Attic Angel Place, Inc.	Refinancing	\$ 17,824,500	Fixed Rate, Unrated, Private Placement
12/28/17	Benevolent Corporation Cedar Community	Refinancing, New Money	\$ 38,185,000	Fixed Rate, Unrated, Public Placement
12/28/17	Marshfield Clinic Health System, Inc., Series D	New Money	\$ 75,000,000	Monthly Variable Rate, Unrated, Private Placement
12/29/17	Reedsburg Area Medical Center, Inc.	New Money, Refinancing	\$ 29,600,000	10-Year Reset Rate, Unrated, Private Placement

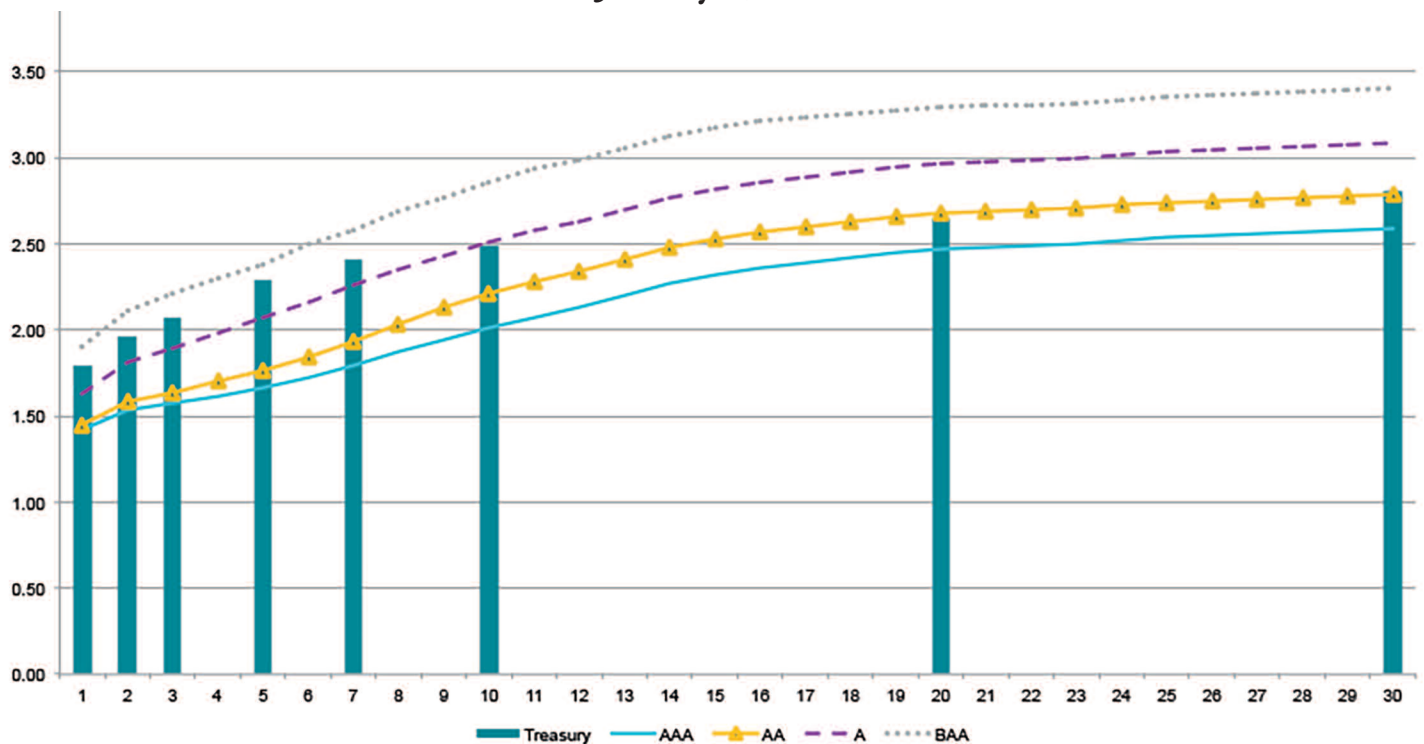
WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Interest Rates (as of January 5, 2018)

	Current	Three Months Ago	One Year Ago
SIFMA Muni Swap Index	1.470%	0.820%	0.680%
Bank Prime Rate	4.500%	4.250%	3.750%
10-Year Treasury Note	2.480%	2.230%	2.370%
Revenue Bond Index (30-Year, A1/A+, Tax-Exempt Rate)	3.920%	3.840%	3.900%
Municipal Market Data (MMD) (30-Year, Aaa, Tax-Exempt Rate)	2.580%	2.830%	2.990%

Muni Index Yield Curve by Credit Rating

**Municipal & Treasury Rates
January 8, 2018**



(Source: Treasury.gov January 8, 2018 Robert W. Baird)

Not-For-Profit Median Ratios

Below please find links to the 2017 not-for-profit median ratios for fiscal year 2016 from Moody's Investors Service, Fitch Ratings and Standard & Poor's Global Ratings.

Whether your entity already is an investment grade borrower, or is striving to become one, we believe you will find the median ratios very helpful as you manage your operations:

The links below will take you to the correct area on our website:

[Private University Medians from Moody's Investors Service](#)

[Continuing Care Retirement Community \(CCRCs\) Medians from Fitch Ratings](#)

[Not-For-Profit Health Care Medians from Standard & Poor's Global Ratings](#)

The Bond Deal is Over, Now What? A Brief Reminder about the Completion Certificate

Have you issued bonds for a new money project?

If so, upon completion of all of the respective components of the project to be financed with proceeds of the Bonds, it is a requirement of the borrower to deliver to the bond trustee (if applicable) and WHEFA a Completion Certificate.

WHEFA Announces its 21st Annual Workshop

"Insights Into Capital Finance", a one day Workshop hosted by WHEFA, will be held on Monday, March 19, 2018 at the Ingleside Hotel in Pewaukee, Wisconsin (previously known as the Country Springs Hotel). This Workshop is designed for financial executives of all Wisconsin non-profit institutions, as well as other financial professionals who assist in the financing process.

This will be a free Workshop presented in the hopes of improving statewide knowledge about the capital financing process. Invitations will be out shortly and online registration is now available on our website. We hope you can join us for our 21st Workshop!

Washington Advocacy Report

The following report was written for the National Association of Health & Educational Facilities Finance Authorities (NAHEFFA) and is being included in this copy of the WHEFA Newsletter.

By: Chuck Samuels & ML Strategies

Dated: December 22, 2017

We did it!

Facing extinction, the nonprofit tax-exempt bond sector rallied from disaster (but never despair) when the House bill was introduced in November and, along with other private activity bond (PAB) interests, preserved the category intact. The bill passed the House and Senate and was signed by the President.

When the House Ways and Means bill was unveiled in November, eliminating PAB's, we were in shock. The combination of last minute search for revenue raisers and unappreciated Republican animosity toward higher education undermined our years of advocacy.

But just temporarily. We rallied. We switched the narrative from PAB's are a "private business" subsidy to an understanding that charitable borrowing is the largest category. We adjusted to a Republican input only process. You, directors and boards, our health and education allies, bankers, and public officials came to town, and contacts were made at home. Meetings and phone calls were arranged. The media narrative changed (AHA underwrote an impactful media campaign). The other PAB's interests did the same and the Senate bill came out clean on PAB's (but devastating for advance refundings).

The Senate position was upheld in conference due to very aggressive advocacy. Unfortunately, advance refunding couldn't even get a transition rule or delayed effective date, thereby keeping us busy at end of year.

We aren't out of the woods. PAB's probably will come up again in next year's technical corrections (covering true mistakes and relitigation of lost issues) or infrastructure legislation, both possible expansions (bank qualified) and limitations.

Here's the really, really good news. Our TEFRA comments to the IRS/Treasury are relevant!

WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

About WHEFA

WHEFA fulfills its mission of assisting all eligible Wisconsin non-profit institutions to obtain and maintain access to tax-exempt financing in order to finance or refinance capital improvement and expansion needs. Since inception, WHEFA has provided several hundred Wisconsin non-profit corporations access to private and public capital markets at lower costs than are available to them in the conventional marketplace.

38 Years of History: 839 bond issues in excess of \$25 billion



■ Acute Care - 51%
■ Long Term Care - 25%
■ Education - 16%
■ Other - 8%

Number of issues as of 6/30/2017

Pursuant to Section 231.10 of the Wisconsin Statutes, bonds issued by WHEFA are not considered indebtedness of the State of Wisconsin, and the State has no obligation to repay any bonds issued by WHEFA under any circumstances. Additionally, WHEFA does not utilize any State moneys to fund its operations.

Save the Date!
WHEFA WORKSHOP – 21st Anniversary
Monday, March 19, 2018

WHEFA MEMBERS

Chairperson

James Dietsche

Vice-Chairperson

Tim Size

Members

Renee Anderson

Paul Mathews

James Oppermann

Pamela Stanick

Robert VanMeeteren

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Dennis Reilly

Manager of Operations & Finance

Tanya Coppersmith

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