

Capital Comments



Wisconsin Health and Educational
Facilities Authority

A Quarterly Newsletter

whefa.com

Fall 2023



Fall...the best time of the year!

Who doesn't enjoy hayrides, cornfield mazes, pumpkin picking and apple cider drinking? Or maybe you prefer backyard bonfires on cool (bug free) fall evenings. Or high-school football on Friday nights...or Badger football on Saturdays....or Packer football on Sundays, Mondays and Thursdays. Don't forget deer hunting. So much to do before we settle into our winter hibernation. However you choose to spend this time of year, I hope each of you are finding a way to enjoy all that Wisconsin has to offer.

Let me catch you up on what we've been up to at WHEFA

- Instability in the economy and interest rate environment continues to challenge borrowers. Despite the challenging environment, WHEFA has been working with several borrowers to assist them with financing related to their projects. WHEFA has closed one project since our last publication in Summer 2023.
- Looking ahead, WHEFA continues to see a modest amount of activity and interest in financings from both existing borrowers as well as new organizations and remains committed to supporting each of you with your financing needs or answering any questions you may have.
- From an educational perspective, WHEFA presented at the Wisconsin Economic Development Association (WEDA) Best Practices Conference, sharing how WHEFA can help nonprofits "Build More and Spend Less using Tax-Exempt Bonds". If you are interested in learning more about this, please don't hesitate to reach out to us.
- From an advocacy perspective, WHEFA continues to regularly meet with legislative leaders regarding WHEFA's activities and ways that WHEFA can best serve the financing needs of its nonprofit constituents in the future.

As always, WHEFA is proud to serve as a valuable resource to all nonprofits organizations throughout Wisconsin looking to obtain and maintain access to low-cost, tax-exempt financing. Please do not hesitate to call me directly at 262.510.9556 or contact any of the WHEFA staff, as we would be honored to be of assistance or simply answer a question.

Best Regards,

A blue ink handwritten signature of Larry D. Wiemer II.

Larry D. Wiemer II | Executive Director



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WHEFA MEMBERS

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Recently Completed Financings

Date	Borrower	Purpose	Amount	Structure
07/28/2023	Carroll University, Inc. Network Project	New Money	\$ 7,328,556	Fixed Rate, Unrated, Private Placement

Financing Spotlight



ANOTHER SUCCESSFUL PRIVATE ACTIVITY BOND FINANCING

\$7,328,556

WHEFA Bond Financing Helps Carroll University, Inc.

Fund Energy Improvement Initiatives in Waukesha

Financing Provided through Siemens Public, Inc.

Project financing facilitated by WHEFA was used to help Carroll University finance costs associated with the acquisition and installation of certain energy improvement equipment and measures and renovations, including weatherization and retro-commissioning, on the University campus. This tax-exempt financing will enable Carroll University to operate more effectively by financing its capital expenses at a low interest rate.

WHEFA is proud to continue its mission of assisting all eligible Wisconsin nonprofit organizations by providing access to tax-exempt financing to fund their capital improvement and expansion needs.

[SEC charges of unregistered muni advisor illustrate a growing problem | Bond Buyer](#)

SEC Section 15B, the regulation governing the conduct of municipal advisors states that "it shall be unlawful for a municipal advisor to provide advice to or behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, or to undertake a solicitation of a municipal entity or obligated person, unless the municipal advisor is registered in accordance with this subsection." Implemented as part of Dodd-Frank reforms, confusion still seems to abound about where the line is drawn and whether an individual or firm might be covered by any of the several exemptions codified in the SEC's registration rule. The Commission has come out with three different versions of guidance on 15B, the first two of which fixed some of the largest concerns, but the problem now is ambiguity. Concrete guidance on how the Commission interprets the ambiguity has been limited and enforcement actions often focus on what some in the industry consider to be small, cherry-picked cases that can further complicate the matter.

[Wisconsin Hospital Association Information Center: New data shows Wisconsin hospitals facing significant financial challenge | WisBusiness](#)

The Guide to Wisconsin Hospitals for FY2022 report recently released by the Wisconsin Hospital Association Information Center shows reports that Wisconsin hospitals are facing relatively slim operating margins as the cost of supplies, services, salaries and more continue to rise.. WHAIC Vice President and Chief Privacy Officer Jennifer Mueller says last year was "one of the toughest years financially" in the past decade for health care providers in the state.

"With inflation driving up the costs of goods -- not only for individual consumers, but for businesses and organizations as well -- hospitals have been challenged with increased costs of medical supplies and overhead costs incurred while providing care," Mueller said in a statement.

The report compares fiscal year 2022 data with figures from fiscal year 2019, skipping the pandemic years of 2020 and 2021. Over that period, hospitals in the state saw a 37.5% decrease in operating margins.

A total of 53 hospitals had a negative operating margin while 65 had a negative total margin. Both of those numbers are the highest they've been in the last 10 years, according to the report. Plus, health system operating margins fell to -0.1% in fiscal year 2022, compared to 3.9% in fiscal year 2019. That's the lowest that figure has been for a decade.

These trends are being driven in part by rising costs, report authors wrote. The largest expenses, supplies and services, have increased 26.73% since 2019. At the same time, salary and fringe costs -- which are related to things like vacation and sick leave -- have risen 13.51%. Meanwhile, capital costs have increased 6%.

Along with these trends, the report also includes overall dollar figures for the latest fiscal year. Wisconsin hospitals generated about \$28.3 billion in total revenue and had about \$26.8 billion in expenses, resulting in net income of \$941.7 million.

See the full report: <https://www.whainfocenter.com/WHAInfoCenter/media/DataProducts/GuidePDFs/2022Narrative.pdf>

(Continued on page 4)

[Data breaches cost higher education and training organizations \\$3.7M on average in 2023 | Higher Ed Dive](#)

In an annual report, IBM assessed the cost of cyberattacks by studying 553 impacted organizations across 17 sectors. The higher education sector had the 11th highest data breach costs out of 17 sectors IBM tracked, with the average data breach in the higher education and training sector costing \$3.7 million in 2023. In contrast, the healthcare, financial and pharmaceutical industries were at the top end, with average costs of breaches ranging from \$4.8 million to \$10.9 million.

[Moody's report: college closures to increase \(insidehighered.com\)](#)

A report from Moody's Investors Service finds that college closures, while remaining rare, "will continue to accelerate gradually" as the higher education sector navigates financial challenges. Small private colleges with enrollment struggles are "most vulnerable to closure," Moody's finds. While the report indicates that more public institutions will merge or consolidate, it does not offer a prediction on how many will go out of business.

[Kaufman Hall | National Hospital Flash Report \(August 2023\)](#)

In an environment where hospitals continue to feel the effects of Medicaid disenrollment and labor expenses, those that have been more successful have made care transition a priority. Other Key Takeaways:

- Hospital performance declined on a month-over-month basis in July. All volume indicators registered declines this month. However, when compared to 2022, there is some slight improvement in operating margins.
- Outpatient volumes decreased slightly more than inpatient. Some of this decline may be attributed to less patients seeking elective procedures in summer.
- Expenses declined, but not enough to offset revenue losses. Labor continues to be the biggest share of hospital expenses, and expenses will likely continue to fluctuate due to inflation.
- Bad debt and charity care rose month-over-month. Medicaid eligibility redetermination continues to affect hospitals and patients, with more than 30 states disenrolling people in June and July.

The Bond Deal is Over—Now What?

RESTRICTED DONATIONS

The IRS does not allow tax-exempt borrowing in excess of the cost of the defined Project. If a donor makes a restricted gift to be applied to the Project, there is a potential for "excess borrowing."

Example: Assume the borrower incurs \$20 million in bond debt for library improvements, with total budgeted cost of \$20 million. After closing, a donor gives a \$1 million restricted gift toward the library. In this case there is too much money for the cost of the Project, so it may be necessary to prepay bonds. A prepayment premium may be applicable, so may not be the best option.

Options:

- a) A restricted donation may be applied to the borrower's equity contribution to the Project (not applicable to the example above, since there is no equity contribution).
- b) An alternative to prepaying the bonds may be to substitute Project. That is, use the excess bond proceeds for another exempt purpose, subject to the approval of bond counsel.

Key Takeaway: As you size the amount of tax-exempt borrowing, be mindful of the impact of gifts, pledges and donations that are restricted specifically for the Project.

Fun Facts

- ◇ Madeline Island, the largest of the Apostle Islands, is 14 miles long and 3 miles wide.
- ◇ With 47 dams, the 430-mile Wisconsin river has been called the “hardest working river in the nation”.
- ◇ During the depression, Bears owner/coach George Halas once borrowed \$1,500 from the Packers to make payroll.
- ◇ On November 11, 1940 a blizzard dumped a foot of snow on Wisconsin, accompanied by 80 mph winds.
- ◇ The Badger State is the fifth-biggest Christmas tree-producing state. 36,000 acres (approximately 56 miles) of land is devoted solely to growing Christmas trees. There are nearly 630,000 Christmas trees harvested, accounting for almost 5 percent of the nation's supply.

Words of Wisdom

- ◇ Good things tend to happen to good people.
- ◇ It’s amazing how grandparents become so young once you become one.
- ◇ If you must cry over spilled milk, at least condense it.
- ◇ All the ills of the younger generation will be cured within the next 20 years.
- ◇ Enthusiasm is the yeast that raises a lot of dough.
- ◇ If something is worth doing, you have already been paid.
- ◇ One good thing about snow is that it makes your lawn look as nice as your neighbors.

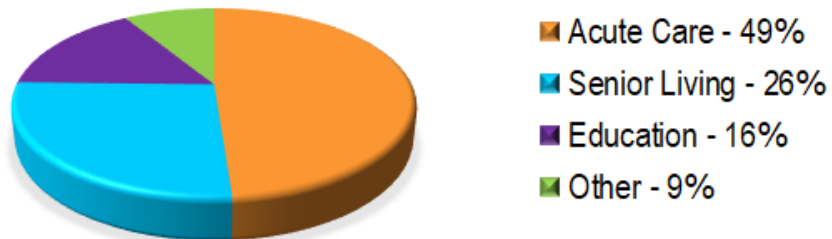
About WHEFA

WHEFA's mission is to assist all eligible Wisconsin nonprofit institutions to obtain and maintain access to tax-exempt financing in order to finance or refinance their qualifying capital improvement and expansion needs.

Since inception, WHEFA has provided several hundred Wisconsin nonprofit corporations access to private and public capital markets at lower costs than are available to them in the conventional marketplace.

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.

44 Years of History: 967 financings totalling in excess of \$32 billion



As of 06/30/2023

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