

# Capital Comments



Wisconsin Health and Educational  
Facilities Authority

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A Quarterly Newsletter

whefa.com

Spring 2024



### Hope 'Springs' Eternal

Each spring I marvel at how much new life emerges all around us - tulips sprouting (despite a couple unwelcome snowstorms), birds singing, the grass greening up. Brewers baseball back on the air. Plans for spring break, then backyard BBQ's and summer vacations. So much to be thankful for. I hope each of you find renewed joy this spring season.

### WHEFA Activity Recap

Things here at WHEFA have continued to go well.

- WHEFA has remained active this spring, closing four projects since our last publication in December 2023. See the "Recently Completed Financings" section below for more information.
- Additionally, we held a Webinar in late March, wherein Blue Rose Capital Advisors provided a first quarter market update and shared capital planning strategies. A recording of that Webinar can be found on our website here: [Lunch & Learn Webinar - Zoom](#)
- Looking ahead, WHEFA is encouraged by the amount of activity and interest in financings from both existing borrowers as well as new organizations. WHEFA remains committed to supporting each of you with your financing needs or answering any questions you may have.

### Hold the Date – WHEFA Workshop plus Golf Outing (new this year!)

WHEFA will be hosting its annual "Insights Into Capital Finance" Workshop on Tuesday October 1, 2024. New this year will be a golf outing the day prior (Monday, September 30, 2024) providing expanded opportunities for finance executives and industry professionals to network. More details are noted on page 3.

### Final Thoughts

As always, WHEFA is proud to serve as a valuable resource to all nonprofit 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 (cell) or contact any of the WHEFA staff, as we would be honored to be of assistance or simply answer a question.

Best Regards,

Larry D. Wiemer II | Executive Director



### WHEFA MEMBERS

#### Chairperson

James Dietsche

#### Vice-Chairperson

Tim Size

#### Members

Renee Anderson

Billie Jo Higgins

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Robert Van Meeteren

### WHEFA STAFF

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

**\$108,295,000**

### **WHEFA Bond Financing Helps Three Pillars Senior Living Communities Expand in Dousman**

*Bonds Underwritten by Cain Brothers, a division of KeyBanc Capital Markets.*

*“Since 1905, Three Pillars has served thousands upon thousands of residents and families. As a not-for-profit, our proceeds are reinvested back into the organization to improve our product and services, as well as providing care for residents who may outlive their assets. When we can secure tax-exempt financing, it allows us to invest even more money to directly support our residents. In addition, the charitable contributions to our mission over the past century have helped build our strong balance sheet that investors find attractive.”*

*- Jean Freuck, CFO / VP of Finance and Sales  
Three Pillars Senior Living Communities*



**20 Jobs Created**

**50 Construction Jobs Created**

**202 FTE Employees**

Bond financing facilitated by WHEFA will be used to help Three Pillars Senior Living Communities finance the construction of 110 units as well as the development of a town center to provide new amenities for the entire Campus and create a neighborhood style of living. This tax-exempt financing will enable Three Pillars Senior Living Communities 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.

# Hold The Dates: WHEFA Annual Workshop & Golf Outing

## Annual Workshop:

WHEFA's annual "Insights Into Capital Finance" Workshop will be held on **Tuesday, October 1, 2024**, (note this has been moved from the typical March timeframe, and will be held at a new location, the **Milwaukee Marriott West (located in Waukesha off Hwy F)**). The goal of this free Workshop is to improve statewide knowledge about the capital financing process. The Workshop is designed for financial executives of all Wisconsin nonprofit organizations, as well as other professionals who assist in the bond issuance process.



*Invitations will be sent and registration will begin in the near future.*

## Golf Outing:



WHEFA is coordinating a golf outing to coincide with the annual Workshop. The intent of the golf outing is to provide additional networking opportunities for financial executives and financial professionals who assist in the financing process. The golf outing will be held at Western Lakes Golf Club on **Monday, September 30, 2024**.

*Additional details and registration information for this event will be provided in the near future.*

## Recently Completed Financings

<u>Date</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount</u>	<u>Structure</u>
01/24/2024	Reedsburg Area Medical Center, Inc.	New Money	\$ 18,200,000	10 Year Reset Rate, Unrated, Private Placement
02/21/2024	Forensic Science & Protective Medicine Collaboration, Inc. Project	New Money	\$ 168,775,000	Fixed Rate, Rated, Public Placement
02/22/2024	Fort Healthcare	New Money	\$ 53,955,000	Fixed Rate, Rated, Public Placement
04/04/2024	Three Pillars Senior Living Communities	New Money	\$ 108,295,000	Fixed Rate, Rated, Public Placement

## **News of Note**

(Excerpts from curated news articles)

[Credit and Capital Markets Outlook for 2024 | Kaufman Hall](#) For many providers, 2023 provided a return to profitability (albeit at modest levels) following the devastating operating and investment losses experienced in 2022. Kaufman Hall's National Hospital Flash Report data illustrated generally improving operating margins throughout the year, leveling off at 2.0% in November on a year-to-date basis. This level of performance is commendable given 2022 and early 2023 margins, although it is still well below the 3% to 4% range which we believe is needed for long-term sustainability in the not-for-profit healthcare world. We may well have reached a point of stability with respect to operating performance, but at a lower level. The question for hospital and health system leaders is whether this level of operating stability provides sustainability?

[Analysts see positives in healthcare as planned issuance rises | Bond Buyer](#) Not-for-profit healthcare finances should improve this year, rating agencies said, and many healthcare issuers plan to test the bond market. The sector reached a "turning point" in calendar year 2023, Fitch Ratings said in a report released in late February.

[Covenant violations may signal healthcare sector trouble ahead | Bond Buyer](#) The not-for-profit healthcare sector continues to face challenges, including a high number of bond covenant violations, which can provide an early warning of payment defaults, said Lisa Washburn, chief credit officer and managing director for Municipal Market Analytics. At year-end 2023, S&P Global Ratings found that downgrades for hospitals were outpacing upgrades by a 4-to-1 ratio, and unfavorable outlooks outnumbered favorable ones at a 2.6-to-1 ratio, said Suzie Desai, senior director and sector lead of U.S. Not-For-Profit Healthcare. It has a negative outlook for the sector. Kaufman Hall's National Hospital Flash Report released March 27 found that February numbers reflected a strong start to 2024, but Erik Swanson, senior vice president of data and analytics, said in the report "challenges are on the horizon."

[Takeaways from Our Conversation with the Rating Agencies on the Outlook for Higher Education | Kaufman Hall](#)

Earlier this month, Kaufman Hall hosted a webinar on "Beyond the Outlooks: Our Second Annual Conversation with the Rating Agencies." Our panelists included the higher education sector leaders from the three rating agencies: Emily Raimés from Moody's Investors Service, Emily Wadhvani from Fitch Ratings, and Jess Wood from S&P Global Ratings. Moody's has a stable outlook for 2024, Fitch has a deteriorating—or negative—outlook, and the outlook from S&P Global is bifurcated, with institutions with strong demand and financial resources well positioned for the year and less selective, more regional institutions continuing to face negative pressures. Despite the mixed outlooks, the rating agencies cite common factors driving their expectations for 2024:

- Improved macroeconomic conditions
- Stabilization of labor costs
- Generally soft enrollment trends
- Relatively inflated interest rates affecting the cost of capital
- Some continued strength in balance sheets
- Limited impact of cost reduction efforts now that most of the "low-hanging fruit" has been gathered

[‘We are not hospice’: The race to get faster in predicting college shutdowns | Higher Ed Dive](#) The Higher Learning Commission has been studying institutional closures under its purview to understand the signs of distress, officials with the accreditor said at its annual conference. Timing matters for colleges in distress. How much cash is in the bank at a given moment can mean the difference between shuttering and staying open. And if an institution begins seeking a merger partner when it’s already in dire straits, the effort could be doomed from the start. Given those time pressures, officials with the Higher Learning Commission — which accredits around 1,000 institutions, primarily in the Midwest — have been working to more quickly identify signals of a college in distress.

[Waiting too long can doom a college merger, experts say | Higher Ed Dive](#) The best window for consolidation is usually gone by the time colleges are deeply distressed, panelists at Higher Learning Commission’s conference said. Higher education experts have a message for college leaders contemplating a merger: Don’t wait. By the time a college is in deep financial distress and facing potential closure, the window for an optimal merger typically has closed long ago.

[Top Senior Housing Trends for 2024 - Senior Housing News](#) A new year always brings new challenges and opportunities. In 2024, the senior living industry will have plenty of both. The senior living sector endured a hard year in 2023, starting with multiple stories of operators shutting down or in distress, and ending with assisted living being slammed in the recent Washington Post series. But there are reasons for hope as 2024 dawns. The industry is heading into the new year with more momentum on occupancy and the prospect of regaining pre-pandemic census levels by the year’s end. At the same time, they are excited by a relatively low rate of new construction starts and looming demand from the baby boomer generation, which could keep occupancy gains flowing into 2025 and potentially beyond.

[Higher Demand Spells Senior Living Upswing, But Risk of New Supply Shortfall - Senior Housing News](#) Favorable demographics and demand spell good news for senior living operators in the months and years ahead, but a low rate of new supply and quickly aging properties could limit how many residents the industry can ultimately serve.

# The Bond Deal is Over—Now What?

## COMPLIANCE OFFICER

In every WHEFA loan agreement, the borrower will agree to designate a person or persons (the "Compliance Officer") who will be responsible for ensuring compliance with the applicable provisions of the Internal Revenue Code of 1986 (the "Code") with respect to the bonds including:

- the use of the proceeds of the bonds,
- the use and ownership of the bond financed property, including any remediation required as a result of a change in ownership or use of the bond financed property,
- the borrower's status as an organization described in Section 501(c)(3) of the Code, and
- the maintenance of all records on the following:
  - (a) expenditures of proceeds of the (including investment proceeds) of the bonds,
  - (b) investments of the proceeds of the bonds,
  - (c) rebate, and
  - (d) management and research contracts pertaining to and leases and other private use of the bond financed property.

The Compliance Officer shall also be responsible for monitoring ongoing compliance with the requirements contained in all documents to which the borrower is a party related to the issuance of the bonds.

Additionally, the borrower agrees to promptly inform WHEFA of any change in the designation of its Compliance Officer.

## Words of Wisdom

- ◇ You may be disappointed if you fail, but you are doomed if you don't try. Occasional failure is the price of improvement.
- ◇ Easter egg hunts are proof kids can find things when they want to.
- ◇ Remember paper road maps? They are those things that would tell us everything we need to know - except how to fold them up again.
- ◇ Of all the things you wear, your expression is the most important.

## Fun Facts

- ◇ Wisconsin Senator Gaylord Nelson created Earth Day in 1970. It was meant to be a day of education about environmental issues. In its first year, 20 million people participated across the country. Since then, it's been observed annually on April 22.
- ◇ In Wisconsin, 29.1% (10.1 million acres) of all state land is devoted to crops. That places Wisconsin 12<sup>th</sup> among the 50 states. Iowa is the highest with 74.7% (26.7 million acres) of land devoted to crops. Not surprisingly, Alaska is the lowest with less than 0.01% (still 79,000 acres) of land devoted to cropland.
- ◇ Although Wisconsin is commonly known as the "America's Dairyland" (for being ranked #1 in the production of cheese), Wisconsin also ranks #1 for snap beans, cranberries, and ginseng. All told, annually agriculture contributes \$104.8 billion (approximately 7.1% of GDP) to Wisconsin's economy.
- ◇ With 300 miles of coast, the Door County peninsula has more shoreline than any other county in the country. For that reason, it's become known as the "Cape Cod of the Midwest."
- ◇ The Seymour Community Historical Society claims that the first hamburger in America was invented in their town. There's no indisputable evidence for this, but that hasn't stopped the city from opening the Hamburger Hall of Fame in the Seymour Community Museum.
- ◇ The Barbie doll debuted at the 1959 Toy Fair in New York. To make the doll more relatable, Mattel's marketers created a personal story to go with the character. Barbie was short for Barbara Millicent Roberts, and her birthday is March 3rd. According to the story, Barbie also comes from Willows, Wisconsin, a fictional town.
- ◇ Margarine can't be used as a substitute for butter in Wisconsin restaurants unless it's specifically requested.

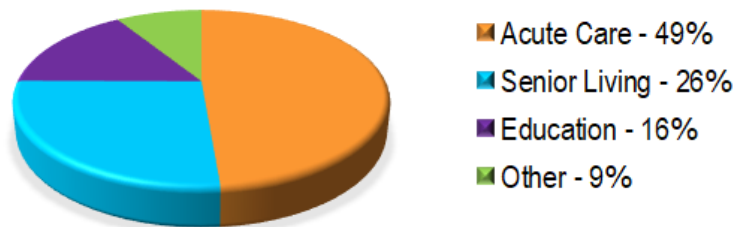
## About WHEFA

WHEFA's mission is to assist all eligible Wisconsin nonprofit organizations by providing access to tax-exempt financing to fund 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: 972 financings totalling in excess of \$32 billion*



As of 12/31/2023

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