

# STATE OF WASHINGTON

GARVEE Program

September 2013





## *Disclaimer*

This Investor Presentation is provided as of September 4, 2013 for a proposed offering of the State of Washington's (the State) Federal Highway Grant Anticipation Revenue Bonds, Series 2014C (GARVEE) (SR 520 Corridor Program) (the Series 2014C Bonds). If you are viewing this presentation after September 4, 2013, there may have been events that occurred subsequent to such date that would have a material adverse effect on the financial information that is presented herein. The State has not undertaken to update this presentation. All information provided herein is subject to change without notice.

This Investor Presentation is provided for your information and convenience only. Any investment decisions regarding the Series 2014C Bonds should only be made after a careful review of the complete Preliminary Official Statement. This Investor Presentation does not constitute a recommendation or an offer or solicitation for the purchase or sale of any security, including the Series 2014C Bonds, or to adopt any investment strategy. Any offer or solicitation with respect to the Series 2014C Bonds will be made solely by means of the Preliminary Official Statement, which describes the actual terms of such Series 2014C Bonds. In no event shall the State be liable for any use by any party of, for any decision made or action taken by any party in reliance upon, or for any inaccuracies or errors in, or omissions from, the information contained herein and such information may not be relied upon by you in evaluating the merits of purchasing the Series 2014C Bonds.

## Table of Contents

Overview	2
Washington's GARVEE Program	6
Federal Aid Highway Program	9
Project Update	14
Summary	17

## Presentation Participants

- **State of Washington – Office of the State Treasurer**
  - Ellen Evans, Deputy State Treasurer
  
- **State of Washington – Department of Transportation**
  - Amy Arnis, Chief Financial Officer, Strategic Planning and Finance

## Transaction Summary

Federal Highway Grant Anticipation Revenue Bonds, Series 2014C (GARVEE) (SR 520 Corridor Program)	
<b>Key Terms</b>	
<b>Par Amount*</b>	■ \$294,675,000*
<b>Bond Structure*</b>	■ Fixed rate serial bonds maturing from September 1, 2015 to September 1, 2024 with level debt service and a final maturity of 11 years
<b>Tax Status</b>	■ Tax-Exempt
<b>Optional Redemption*</b>	■ To be determined at time of pricing
<b>Security and Sources of Payment</b>	<ul style="list-style-type: none"> <li>■ The Series 2014C Bonds are limited obligations of the state payable solely from and secured solely by Pledged Federal Aid               <ul style="list-style-type: none"> <li>▪ Pledged Federal Aid consists of all funds received by the state pursuant to its Obligation Authority under the Federal-Aid Highway Program administered by the FHWA, including FAHP Funds received as Direct GARVEE Reimbursements and as Reimbursements</li> </ul> </li> <li>■ Additional Bonds Test: Obligation Authority during one of the two prior Federal Fiscal Years (“FFY”) equal to at least 3.5 times Maximum Annual Debt Service               <ul style="list-style-type: none"> <li>▪ At least 3.75 times by State Finance Committee Policy</li> </ul> </li> <li>■ Covenants to obligate federal funds for debt service on a priority basis               <ul style="list-style-type: none"> <li>▪ Funds for GARVEE bond debt service will be obligated first in each FFY</li> <li>▪ WSDOT will de-obligate federal funds on existing programmed projects and re-obligate those funds for debt service, if necessary</li> </ul> </li> </ul>
<b>Use of Proceeds</b>	■ Series 2014C Bonds are being issued to finance a portion of the costs of constructing the SR 520 Floating Bridge and Eastside plus West Approach Bridge Project and to pay costs of issuance
<b>Pricing and Settlement Date*</b>	<ul style="list-style-type: none"> <li>■ Pricing: September 17-18, 2013</li> <li>■ Settlement: September 30, 2013</li> </ul>

\*Preliminary and subject to change

## Overview of Washington State Department of Transportation (“WSDOT”)

### ■ **WSDOT has a Strong Record of Project Management and Securing Transportation Funding**

- The 2013-15 Enacted Transportation budget appropriated \$4.9 billion for capital projects
- WSDOT operates 18,600 state highway lane miles and over 3,600 bridge structures, including the four longest floating bridges in the United States
- In June 2013, WSDOT replaced the damaged Skagit River Bridge with a temporary span, less than one month after a partial collapse; the permanent span is expected to be open by October 2013. The bridge replacement has been financed primarily with federal emergency relief funds

### ■ **WSDOT has a Strong Track Record of Delivering Projects on Time and On Budget**

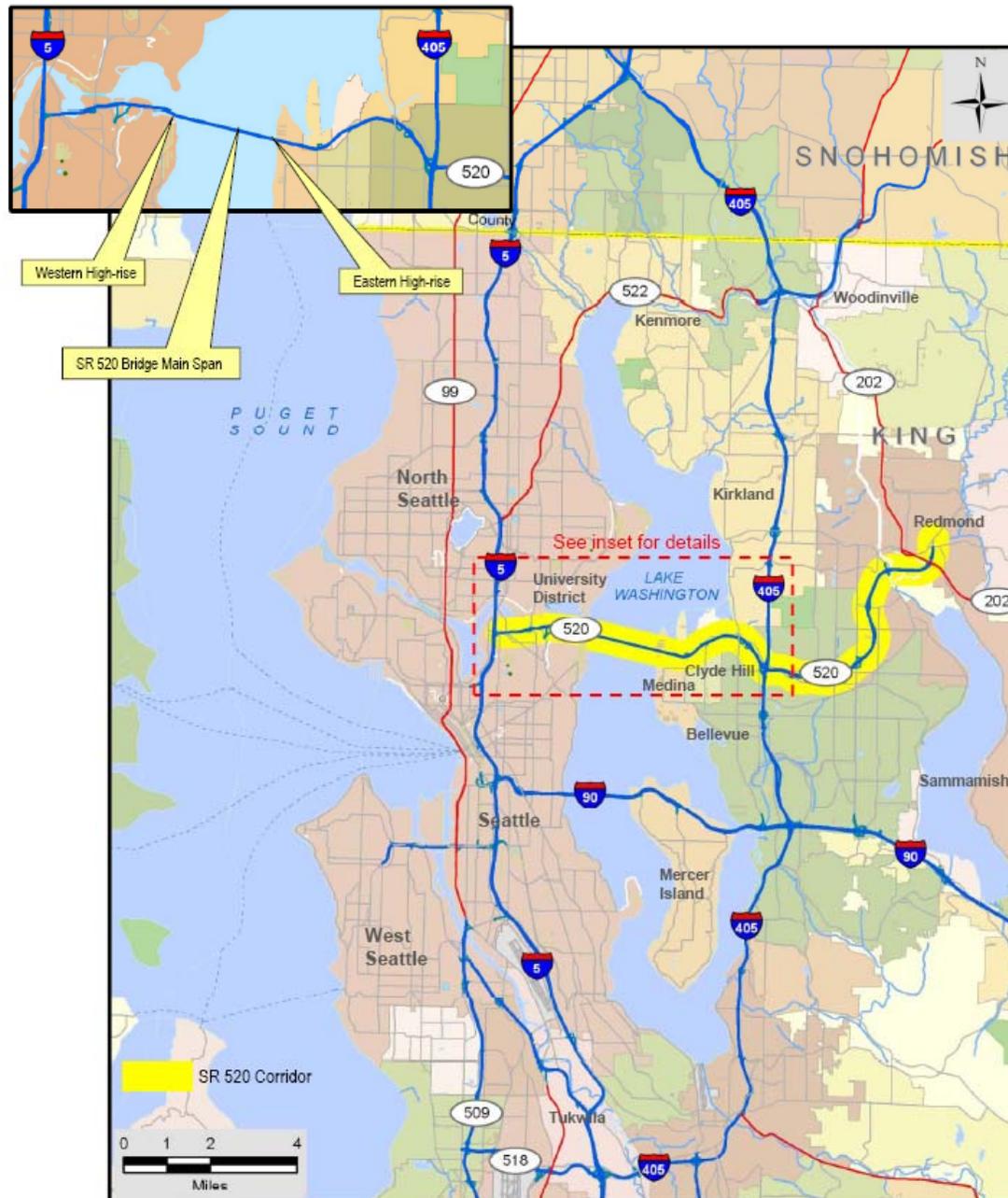
- To date, WSDOT has completed 344 of 421 projects funded by the 2003 and 2005 gas tax increases; 88% were early or on time and 92% were on or under budget

### ■ **WSDOT has Experience Building Megaprojects and with Tolling**

- Since 2002, WSDOT has completed a series of large projects, including the Tacoma Narrows Toll Bridge (\$735mm) and Hood Canal Floating Bridge (\$500mm)
- Alaskan Way Viaduct south end replacement is on budget and one year early
- Based on preliminary data, SR 520 traffic performance is exceeding FY 2012 projections
- Preliminary FY 2013 SR520 net toll revenues are \$201,000 or 0.4% less than projections

Source: Washington State Department of Transportation

## SR 520 Corridor Program — Project Need & Corridor Map

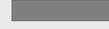


Source: Preliminary Official Statement

- The SR 520 Corridor is 12.8 miles long from I-5 in Seattle to the west and crossing Lake Washington to SR 202 in Redmond
- The SR 520 Corridor provides an east-west link across Lake Washington
  - Approximately 100,000 daily vehicle trips (pre-tolling)
  - It is one of two major east-west roadways crossing Lake Washington
- The current bridge opened in 1963 and has been damaged by heavy traffic, wind and wave action over its history and needs replacement

## SR 520 Corridor Program – Project Components

### SR 520 Corridor Project Components

-  ■ **Pontoon Project** – Includes construction of the pontoons needed for the bridge replacement
-  ■ **Floating Bridge Project** – Construction of a new 6-lane bridge (2 GP lanes and HOV lane in each direction), bike and pedestrian path
-  ■ **Eastside Project** – Completes and improves the transit and HOV system from Lake Washington to Redmond, lidded overpasses, fish passable culverts
-  ■ **West Approach Bridge (north) Project** – Construct new bridge to the Montlake interchange
-  ■ **Westside Project** - Replaces the interchanges and roadway between I-5 and the western shore of Lake Washington (currently unfunded)

### SR 520 Corridor Program Map



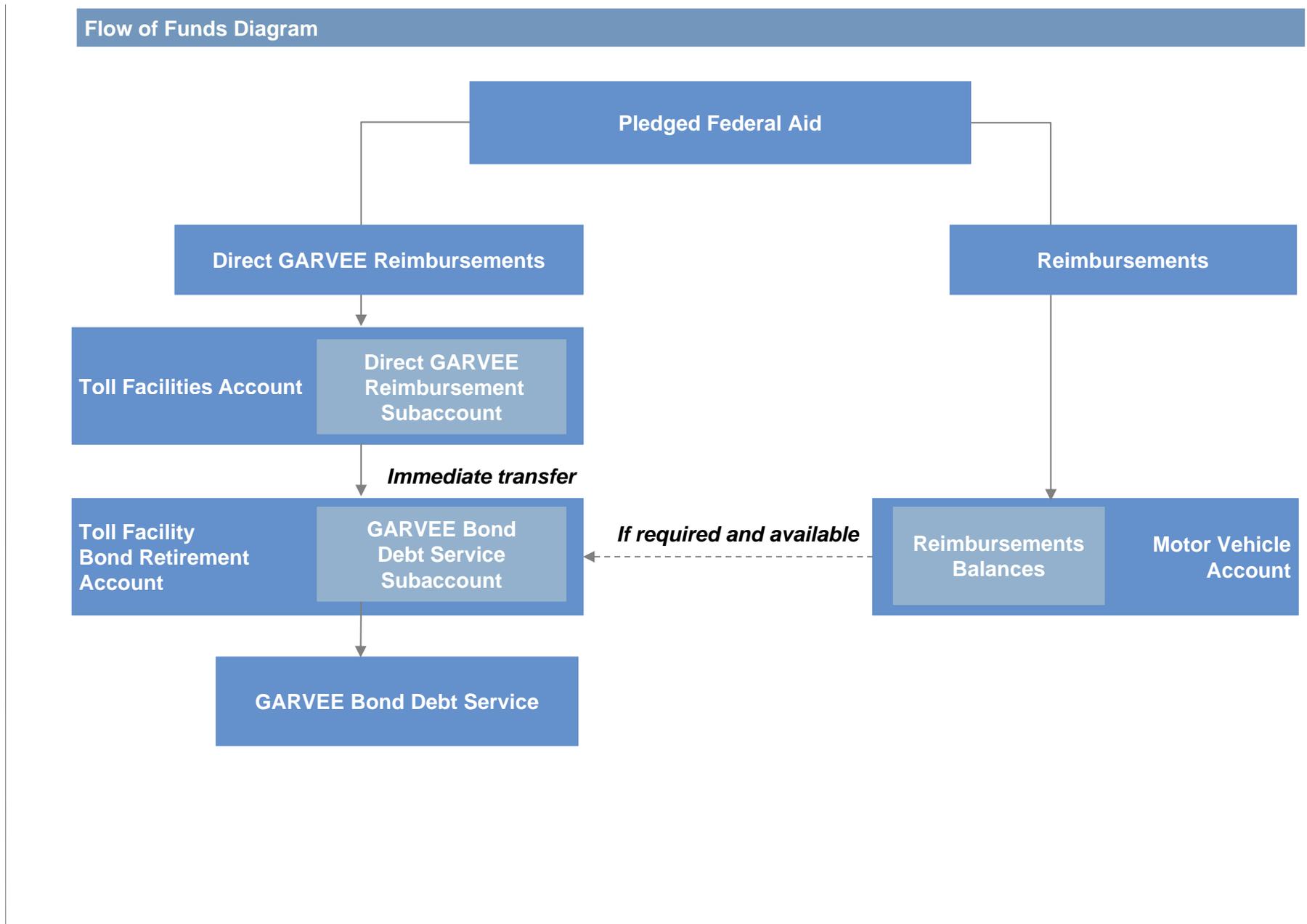
## State of Washington — GARVEE Program Overview

- The Legislature has authorized GARVEE bonds to provide a portion of the funding for the SR 520 Floating Bridge and Eastside Project; additional GARVEE bonds are not expected for SR 520 and are not authorized for other transportation projects
- Each transportation budget enacted by the Legislature includes an appropriation providing that, in addition to the specified dollar amounts appropriated for (among other things) bond retirement and interest, there also is appropriated such further amounts as may be required or available for those purposes under any proper bond covenant made under law
- The State Finance Committee approved a GARVEE policy that further restricts the use of GARVEE bonds to ensure federal funds are not over leveraged
  - Policy includes a more restrictive ABT of 3.75x compared to the Master Resolution's 3.5x and a maximum 12-year final maturity
- Memorandum of Understanding ("MOU") between WSDOT and FHWA regarding GARVEE financings for the SR 520 Floating Bridge and Eastside Project was signed in August 2011 and updated in May 2012 to include the results from the 2012 GARVEE sale
  - The conversion of advance construction to Obligation Authority shall be the first obligation in each FFY of Pledged Federal Aid legally available for that purpose
  - WSDOT plans to use Toll Credits as the state match for the GARVEE bonds

## Master Bond Resolution – Key Security Features

- **Broad pledge of all funds received by the state pursuant to its Obligation Authority**
  - Direct GARVEE Reimbursements - all FAHP Funds received by the state from FHWA pursuant to the MOU to meet requirements for Annual Debt Service and other costs relating to Bonds
  - Reimbursements - all FAHP Funds on deposit in the Motor Vehicle Fund which are reimbursements for projects not financed with GARVEE Bond proceeds
- **Strong Covenants to Obligate Federal Funds for Debt Service on a Priority Basis**
  - Funds for GARVEE debt service will be obligated first in each FFY
  - WSDOT will de-obligate funds on existing programmed projects and re-obligate those funds for debt service, if necessary
- **Prudent Additional Bonds Test Limits Over-Leveraging**
  - Obligation Authority from one of the 2 prior FFYs is at least 3.5x Maximum Annual Debt Service (“MADS”)
- **Timing of Debt Service Payments Provides Structural Protections**
  - Interest due on 3/1 and 9/1, with principal due on 9/1 — 5 and 11 months, respectively, after the beginning of the FFY, allows time for any delays in Direct GARVEE Reimbursements
  - WSDOT must bill FHWA at least 7 business days prior to payment dates. If funds have not been received 3 business days prior to the payment date then WSDOT shall immediately request funds from FHWA
- **Unique Pledge of Reimbursements Provides Additional Structural Liquidity**
  - If Direct GARVEE Reimbursements are not received by the payment date, Reimbursements on deposit in the Motor Vehicle Account (if available) shall be used to cure any deficiency

# Flow of Funds Diagram



## Federal Transportation Funding Landscape

- **MAP-21 authorizes transportation funding through September 30, 2014 and the levy of underlying fuel taxes through September 30, 2016**
  - With the passage of MAP-21 in July 2012, the annual obligation limitation has been established at \$39.7 billion for FFY 2013 and \$40.3 billion for FFY 2014
  - Authorized spending levels are maintained at current levels with a minor adjustment for inflation. Distribution of the limitation is similar to the process under SAFETEA-LU

Highway Account Receipts Federal Fiscal Years 1999 – 2012 (\$bn)



Notes: (1) In 2008, the amount of \$8,017,000,000 was transferred from the General Fund to the Highway Trust Fund. In 2009, \$7 billion was transferred. In 2010, \$14.7 billion was moved from the General Fund to the Highway Trust Fund, and \$1,065,125 moved to other funds from the Highway Trust Fund. In 2012, \$2.4 billion was transferred from the Leaking Underground Storage Tank (LUST) Trust Fund.

(2) FFY 1999 to 2010 data from 2010 FE-210 Report (<http://www.fhwa.dot.gov/policyinformation/statistics/2010/fe210.cfm>).

(3) FFY 2011 and 2012 data from Highway Trust Fund FE-1 Report (<http://www.fhwa.dot.gov/highwaytrustfund/>).

## WSDOT is Highly Experienced in Managing Federal Transportation Programs & the Reimbursement Process

- Washington has historically obligated all of its Obligation Authority in each FFY and annually positions itself to receive additional Obligation Authority redistributed from other states and programs
- WSDOT has received over \$616 million in Obligation Authority Distribution through July FFY 2013

State's Obligation Authority (\$mm)				
Federal Fiscal Year	Obligation Authority Distribution	Redistributed Obligation Authority	Obligation Authority <sup>1</sup>	Additional Obligation Authority <sup>2</sup>
2005	459.0	19.6	<b>478.6</b>	82.5
2006	449.0	55.4	<b>504.4</b>	226.8
2007	533.3	72.1	<b>605.4</b>	141.5
2008	539.2	16.2	<b>555.4</b>	247.8
2009	559.8	30.7	<b>590.5</b>	732.4
2010	602.9	68.4	<b>671.3</b>	119.8
2011	638.9	10.0	<b>648.9</b>	54.0
2012	610.3	9.0	<b>619.3</b>	76.8

1. Obligation Authority would constitute "Obligation Authority" under the Master Resolution. 2. Would not constitute "Obligation Authority" under the Master Resolution. Includes Emergency Relief Program, earmarks, and other allocated programs. Includes \$491.3 million in American Recovery and Reinvestment Act (ARRA) obligation authority provided in Federal Fiscal Year 2009. Excludes Obligation Authority for TIGER grants in Federal Fiscal Years 2010-12 and does not include transfer of obligation authority to other federal agencies, such as the Federal Transit Administration or Federal Public Lands. Source: WSDOT.

State's Receipts of Federal Highway Aid Revenues (\$mm)				
Federal Fiscal Year	Formula funds Reimbursed <sup>1,4</sup>	Additional funds Reimbursed	Reimbursements <sup>2</sup>	ARRA Funds Reimbursed <sup>3</sup>
2005	472.9	114.3	<b>587.2</b>	0
2006	441.9	112.2	<b>554.1</b>	0
2007	533.2	200.2	<b>733.4</b>	0
2008	565.7	158.3	<b>724.0</b>	0
2009	467.1	178.9	<b>646.0</b>	44.7
2010	341.8	179.1	<b>520.9</b>	300.4
2011	412.3	222.0	<b>634.3</b>	129.7
2012	636.6	170.1	<b>806.7</b>	52.5

1. Reimbursements for projects funded using formula Obligation Authority. 2. These funds would constitute "Reimbursements" under the Master Resolution and such funds received in future years would be pledged to the Bonds in the event that Direct GARVEE Reimbursement is not provided by FHWA and such funds are on deposit. 3. Would not constitute "Reimbursements" under the Master Resolution. 4. Does not include \$5.9 million received from FHWA for GARVEE debt service payment in 2012. Source: WSDOT.

## Washington Federal Funds Forecast – Planning

- The federal funds forecast for FFY 2013 is based on MAP-21 and H.R. 4348. The forecast for FFY 2014 is based on the “Summary of Estimated Federal Fiscal Year 2014 Apportionments” under the MAP-21 Conference Report
- Budgeted amounts for FFY 2015 and 2016 include reductions of 11 percent and 10 percent, respectively, reflecting the assumption that amounts available for distribution to the state would be limited by the projected balance in the Highway Account of the Highway Trust Fund
- After FFY 2016, the state’s federal funding level is forecasted to grow at the same growth rate as the state’s motor fuel consumption

**Washington’s federal transportation revenue budget is prudent**

## Federal Aid Reimbursements

- If Direct GARVEE reimbursements are not available on a timely basis to pay debt service on GARVEE bonds, other available federal funds received by the state from FHWA (Reimbursements) and deposited into the Motor Vehicle Account will be transferred to the GARVEE bond debt service subaccount
- The State Finance Committee policy specifies that WSDOT will treat the monthly balances in the Motor Vehicle Account as funds derived from accumulated FAHP Reimbursements that are available for use to pay debt service on GARVEE bonds in the event direct reimbursement for debt service on GARVEE bonds is not timely received from FHWA
  - Over the past two completed FFYs the Motor Vehicle Account has maintained an average monthly balance in excess of \$106 million
  - Over the past two completed state FYs, WSDOT has averaged over \$57 million in Federal Aid Highway Program reimbursements per month

**Unique pledge of reimbursements provides additional structural liquidity**

## Summary of Washington FHWA Rescissions and Sequestration

- Since 2005, Congress has taken action to reduce unobligated balances of previously authorized funds by issuing the rescissions shown in the table below. There were no rescissions in 2012
- Rescissions to date have not been large enough to impact Washington's Obligation Authority
- In 2013, the state lost approximately \$1.9 million from federal transportation funds as a result of sequestration, less than 0.5 percent of the projected FFY 2013 total
- WSDOT has covenanted to de-obligate funds on existing programmed projects to make Obligation Authority available for debt service payments, if necessary

### Rescissions of Unobligated Balances – Federal Fiscal Years 2006 – 2011 (\$)

Date	National Amount	Washington's Share	Source: FHWA Notice	Public Law No.
12/28/2005	\$1,999,999,000	\$37,089,941	N 4510.578	109-115
03/21/2006	1,143,000,000	21,212,285	N 4510.588	109-148
07/07/2006	702,362,500	13,034,746	N 4510.606	109-234
03/19/2007	3,471,582,000	63,656,419	N 4510.643	110-5
06/20/2007	871,022,000	15,971,433	N 4510.647	110-28
03/04/2008	3,150,000,000	54,088,797	N 4510.673	110-161
04/13/2009	3,150,000,000	53,772,670	N 4510.707	111-8
08/13/2010	2,200,000,000	37,537,831	N 4510.729	111-226
06/30/2011	2,500,000,000	43,727,418	N 4510.735	112-10
<b>Total</b>	<b>\$19,187,965,500</b>	<b>\$340,091,540</b>		

Source: Washington State Department of Transportation

**WSDOT has successfully managed the impact of rescissions to date**

## SR 520 Project Update

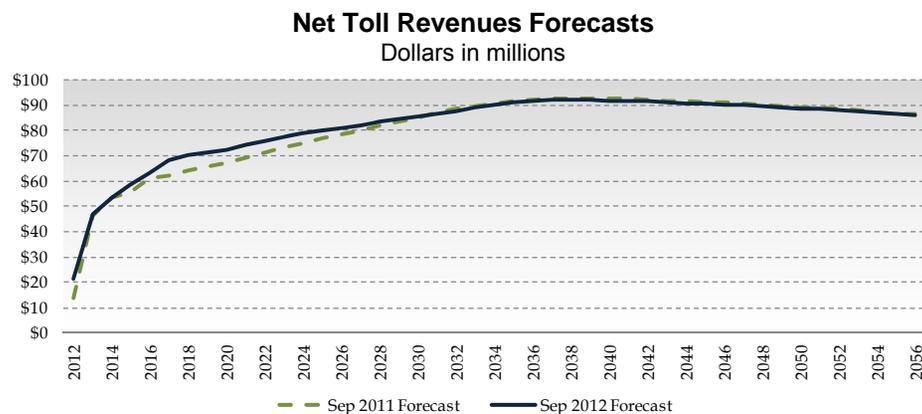
### The SR 520 Corridor Construction is Underway

- Construction is complete on 24 of the 77 total bridge pontoons; an additional 14 pontoons are now underway
- Floating bridge and landings construction continues on Lake Washington. Assembly of pontoons and construction of the roadway superstructure have begun; construction of the fixed piers in Seattle and Medina is underway
- Eastside construction continues with substantial progress on the three lidded overpasses, several fish-friendly culverts, corridor walls, stormwater facilities, and transit stops
- Pontoon issues with spalling and end-wall cracking due to an error in pontoon design has resulted in a number of change orders.
  - Pontoon repairs are underway to ensure a 75-year design life
  - The opening of the floating bridge to traffic is expected to be delayed from mid-2015 to late-2015 or early 2016
- Executed change orders and a settlement totaled \$152.3 million as of August 1, 2013, and have been paid from contingency funds available within the project
- West Approach Bridge (north) Project is in design and the construction contract will be awarded in mid-2014

## SR 520 Tolling Update

### Strong SR 520 Traffic and Revenue Performance

- The 2012 Traffic & Revenue Forecast Update revised the following assumptions:
  - Share of Good To Go! transactions is significantly higher, slightly lower long-term population and employment forecasts, and O&M expenditures were revised downwards



- Preliminary FY 2013 results versus 2012 Forecast:
  - Average weekday traffic exceeded the Forecast by 2.3%
  - Average weekend traffic exceeded the Forecast by 16.5%
  - Adjusted gross toll revenue was 4.3% less than projected
    - More “Good To Go!” and fewer pay-by-mail users, lower than projected truck transactions, and one-time accounting adjustments that defer revenue to future financial periods
  - Lower than expected operations and maintenance expenditures
  - Preliminary FY 2013 net toll revenues are \$201,000 or 0.4% less than projected

## Proforma Coverage is Sound

### Debt Service Coverage on GARVEE Bonds (\$ millions)

Federal Fiscal Year Ending September 30	Series 2012F Bonds Debt Service	Series 2014C Bonds Debt Service <sup>1</sup>	FFY 2012 Obligation Authority	Coverage Ratio(x) <sup>1</sup>
2013	24.8		619.3	24.9
2014	24.8	13.8	619.3	16.0
2015	64.7	38.4	619.3	6.0
2016	64.7	38.4	619.3	6.0
2017	64.7	38.4	619.3	6.0
2018	64.7	38.4	619.3	6.0
2019	64.7	38.4	619.3	6.0
2020	64.7	38.4	619.3	6.0
2021	64.7	38.4	619.3	6.0
2022	64.7	38.4	619.3	6.0
2023	64.7	38.4	619.3	6.0
2024	64.7	38.4	619.3	6.0

1. Preliminary, subject to change

- MADS coverage is sound at 6.0x with a level debt service structure and amortization that does not exceed twelve years

## Summary

### Experience in Managing Federal Transportation Programs

- Washington has historically obligated all of its Obligation Authority in each FFY and has continually positioned itself to receive Obligation Authority redistributed from other states/programs

### Conservative Forecasting

- Federal forecast used for programming projects assumes a reduction in Obligation Authority to align with State's contribution to the Highway Account

### Prudent Additional Bonds Test

- Obligation Authority from one of the two prior FFYs is at least 3.5x Maximum Annual Debt Service ("MADS")
- State Finance Committee's GARVEE policy requires at least 3.75x coverage

### Covenant to De-Obligate/Re-Obligate

- If necessary, WSDOT will de-obligate funds on existing programmed projects and then re-obligate those funds for the payment of debt service

### Significant Built-In Liquidity

- Washington's covenant to use Reimbursements on deposit in the Motor Vehicle Fund to meet debt service requirements (if necessary) provides significant additional liquidity to bondholders

### Conservative Tenor Of Debt

- With a 12-year maturity limitation, exposure to reauthorization risk is expected to be manageable; 2014C will have a 11-year maturity (with level debt service)

### Sound Coverage and No Additional GARVEE Debt Expected

- Additional GARVEE bonds are not expected for SR 520 and are not currently authorized for any other transportation project. Coverage of MADS based on 2012 OA is 6.0x

\* Preliminary and subject to change

## Anticipated Transaction Timeline

September 2013						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
30						

### Anticipated Transaction Timeline\*

Post POS	September 4
Pricing	September 17-18
Settlement	September 30

\*Preliminary, subject to change.