



JAMES L. McINTIRE
State Treasurer

State of Washington
Office of the Treasurer

To: The Honorable Christine Gregoire, Governor
The Honorable Members of the Washington State Legislature and
The Citizens of Washington

I am pleased to report that despite considerable turbulence in the financial sector during Fiscal Year (FY) 2009, the Office of the State Treasurer rose to the challenges and remains in strong position going into the new biennium. Notably my office successfully engaged the bond market to continue to provide the capital financing needs of the state.

Debt Management: The credit crisis that defined the municipal bond market in FY 09 forced a reevaluation of the size and schedule for bond sales. Washington's strong financial management continued to attract investors when the market began to thaw. Issuances in July, January and April achieved \$1.7 billion in bond sales.

Cash Management and Warrant Processing: Cash Management administered a cash flow of over \$237.4 billion in FY 09. Over 4.4 million electronic transfers totaling over \$43.2 billion were processed through the automated clearinghouse (ACH). In FY 09, over 3.6 million warrants representing over \$7.8 billion were processed with only 62 warrant forgery claims filed.

State Treasury Trust: All accounts in the state treasury are pooled for investment purposes. The captive nature of these accounts allows the treasury/trust portfolio to be invested in longer maturities, where over time they will achieve a higher yield. The lowering of the targeted fed funds rate by the Fed had an impact on the earnings yield of the treasury/trust portfolio compared to the previous fiscal year. Combined with a decrease in balances due to declining revenues the earnings declined from \$255 to \$161 million, the rate from 4.83% to 4.01% and the average balance from \$5.3 to \$4.0 billion.

Local Government Investment Pool (LGIP) Our pool continues to be a sound investment option for local governments and institutions of higher education. The Fed reduced the targeted funds rate from 2.00% to 0.25% during the fiscal year in an effort to spur economic growth. Accordingly,

the FY 09 average yield of 1.57% was lower than the 4.00% average for FY 08. The average balance in the LGIP portfolio during the fiscal year was \$7.07 billion, the highest in the 23-year history of the pool. The combination of higher balances and lower yields resulted in earnings of \$112 million, a decrease of \$162 million over FY 08. The LGIP serves 457 participants in 657 accounts. The total portfolio at the end of the fiscal year was \$8.5 billion. In FY 09, the LGIP had a net administrative charge of 0.878 basis points.

Other highlights of 2009:

School Bond Guarantee Program The School Bond Guarantee Program has grown steadily since its launch in early 2000. The program authorizes the state to guarantee payment on school district general obligation debt backed by the full faith and credit of the state. Since 2000, bonds totaling nearly \$10 billion have been issued by 209 school districts through the School Bond Guarantee Program.

Guaranteed Education Tuition (GET) In GET's eleven years of existence, Washington residents have learned the value of purchasing tomorrow's tuition today. As of the end of FY 09, more than 106,419 future college and university students have all or part of their tuition paid for. These accounts are valued at more than \$1.35 billion.

Sincerely,

A handwritten signature in blue ink that reads "James L. McIntire". The signature is fluid and cursive, with the first name being the most prominent.

James L. McIntire
Washington State Treasurer