



JAMES L. McINTIRE
State Treasurer

State of Washington
Office of the Treasurer

To: The Honorable Jay Inslee, Governor
The Honorable Members of the Washington State Legislature and
The Citizens of Washington

I am pleased to report that in Fiscal Year (FY) 2014, the Office of the State Treasurer maintained its strong performance in core functions including investments, cash management and debt issuance to provide the safety, liquidity and capital financing needs for the state.

Debt Management: The state entered the financial market six times during fiscal year 2014 on behalf of the State Finance Committee. Issuance included \$1.57 billion various purpose general obligation and motor vehicle fuel tax general obligation bonds. The state also issued \$285.9 million Federal Grant Anticipation Revenue (GARVEE) Bonds for the SR 520 Corridor Program in September 2013. An additional \$223.9 million general obligation refunding bonds were sold to refinance outstanding debt, providing debt service savings on a present value basis in excess of \$31.4 million. The state issued \$56.0 million through the Certificates of Participation (COP) Program for state agencies and on behalf of local governments.

Cash Management and Warrant Processing: Cash Management administered a cash flow of over \$262.9 billion in FY 2014. Over 7.5 million electronic transfers totaling over \$55.5 billion were processed through the automated clearinghouse (ACH). In FY 2014, a little over 2 million warrants representing over \$4.7 billion were processed with 75 warrant forgery claims filed.

State Treasury and Treasurer's Trust: All accounts in the state treasury and in custody of the treasurer are pooled for investment purposes. The captive nature of these accounts allows the portfolio to be invested in longer maturities, where over time they will achieve a higher yield. The continued low targeted fed funds rate led to a decline in earnings from \$30 to \$21 million. The rate fell from 0.76% to .48% with an average balance of \$4.3 billion.

Local Government Investment Pool (LGIP): Our pool continues to be a sound investment option for local governments and institutions of higher

education. FY 2014 was a challenging one for short-term investors as the Fed kept the targeted funds rate at between 0.00% and 0.25% for the fifth consecutive year in an effort to spur economic growth. The FY 2014 average yield of 0.11% was lower than the 0.18% average for FY 2013. The average balance in the LGIP portfolio during the fiscal year was \$10.138 billion.

The combination of higher balances but lower yields resulted in earnings of \$12.2 million, a decrease of \$6.4 million over FY 2013. The LGIP serves 538 participants in 755 accounts. The total portfolio at the end of the fiscal year was \$11.157 billion. In FY 2014, the LGIP had an administrative charge of 0.9 basis points.

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 approximately \$16.5 billion have been issued by 216 school districts through the School Bond Guarantee Program.

Guaranteed Education Tuition (GET) Since 1998, Washington residents have been saving for college with GET, our state's 529 prepaid tuition plans. As of the end of FY 2014, 157,494 families have opened GET accounts and 35,721 students have already used their GET accounts to attend colleges and universities nationwide. These accounts are valued at more than \$2.6 billion.

Sincerely,

A handwritten signature in black ink that reads "James L. McIntire".

James L. McIntire
Washington State Treasurer