

September Newsletter

Dear Neighbors,

Summer is over and kids are retuning back to school. Though the newsletter took the summer off the Treasurer's office has a busy issuing and refunding bonds as well as other important things. In this issue I will update you on some of things we have been working on.

Washington's Inaugural GARVEE Sale

Investors responded to Washington's first Federal Highway Grant Anticipation Revenue Bonds (GARVEE) with low rates at the May 22nd sale in the successful pricing of \$494 million.

Approximately twenty-five investors participated in the sale which garnered a low 2.23 percent True Interest Cost for the state.

Proceeds from the bonds will be used to pay for a portion of the construction costs for the SR 520 Floating Bridge and Eastside Project.

We are pleased to see the response to this sale. Investors responded favorably to the conservative structure of these bonds, which allows us to continue to provide low-cost financing the 520 bridge project.

The GARVEE sale provides transportation financing with bonds that are limited obligations of the state payable from and secured solely by pledged federal aid. The Series 2012 F bonds were rated AA by Standard & Poor's and Aa2 by Moody's.

In recent years investors have shown some concern about GARVEE bonds because of increasing uncertainty in federal transportation funding policy.

However, Washington distinguished itself with a prudent structure for the bonds, including limits on future debt issuance. Strong debt-service coverage coupled with relatively short maturities helped address investor concerns about the uncertainty associated with federal transportation revenues.

The fact that we received low rates and positive reception indicates that our mindful approach to structure was appreciated by investors.

Retail Sale

On Wednesday, July 18, 2012 Washington State successfully priced its second retail sale for Washington residents and four competitive bond sales totaling \$560 million.

The state received attractive bids for all four of the competitive sales. The state received nine bids for the \$271.6 million tax-exempt Various Purpose General Obligation Bonds and nine bids for the \$167.6 million Motor Vehicle Fuel Tax General Obligation Bonds Series 2013B-1. The two taxable General Obligation Bonds sales totaling \$119 million each received at least a dozen bids.

Series A bonds provide funds to pay for various state capital projects, state and local water supply improvements, multimodal transportation projects, and state programs for Columbia River Basin water supply development as well as outdoor recreation, habitat conservation, riparian protection and farmland preservation. Series B fuel tax-backed bonds fund state highway projects such as:

- Lane and bridge construction in Snohomish County
- Construction of the SR 99 bored tunnel
- Lane construction on I-405
- Construction of HOV lanes on I-5 in Tacoma
- Improvements to a section of I-90 near Snoqualmie Pass
- Lane expansion and bridge construction on US 395
- Connecting arterials in Douglas County to US 2/US 97

I was pleased with the favorable results of the bond sales. This competitive sale followed the second retail sale offered since I took office. All qualified orders placed by Washington state residents were filled. Retail investors purchased more than \$31 million of the Series 2013B-2 Motor Vehicle Fuel Tax General Obligation Bonds.

Refinancing

On August 7, 2012 my office refinanced \$703 million of Washington State debt today and produced more than \$74 million of savings including \$4.6 million that apply to the current biennial budget.

Reducing debt service by more than \$4 million for the 2011-2013 biennium is a significant savings for Washington. By carefully monitoring our debt portfolio we were able to take advantage of the current low-interest environment and reap the rewards of the call provisions on outstanding bonds.

Citigroup Global Markets beat out seven other bidders in the \$338.7 million various purpose general obligation refunding with a True Interest Cost (TIC) of 2.59 percent. Bank of America Merrill Lynch was the highest of eight bidders on the \$364.5 million motor vehicle fuel tax refunding with a TIC of 2.52 percent.

Senate Joint Resolution 8223

The State Constitution prohibits giving or loaning of the state's credit as well as the credit, money, or property of a municipality to an individual, association, company, or corporation. It also prohibits the state from subscribing to, or being interested in, the stock of any company, association, or corporation. Notwithstanding these prohibitions, the Constitution allows for the investment of the monies of any public pension or retirement fund, industrial insurance fund, or fund held in trust for the benefit of persons with developmental disabilities.

This past legislative session the Legislatures passed SJR 8223. It is a constitutional amendment and has been sent to the public for their approval. If passed in November by the voters, it would allow the public monies of the University of Washington and Washington State University that are held in investment funds to be exempt from the constitutional prohibition on giving or loaning the state's credit to the extent that the monies are invested as authorized by statute.

I will keep you posted on its progress.

Financial Education Training Seminars

We are constantly looking for opportunities to join our partners on community events. This August we teamed up with Jump\$tart of Washington and put together two financial education training seminars for all partners who work in K-12 financial education. These events were an opportunity to learn what is going on around the state in terms of financial education and it was a big success. One was held in Federal Way and the other was held in Spokane. We had special guests Spike Kiel with the FDIC who talked about their youth money smart program and Alejo Torres from the Federal Reserve of Chicago talk about Money Smart Week. An annual event held in April that Washington has participated in for the past three years. We also had teachers from around the state present and talk about the work they do in financial education as well as partners from various credit unions. There are more events in the works so stay tuned.