



State of Washington
STATE FINANCE COMMITTEE

JAMES L. McINTIRE, Chairman
State Treasurer

JAY R. INSLEE
Governor

BRAD OWEN
Lieutenant Governor

AGENDA

STATE FINANCE COMMITTEE

May 21, 2014 at 11:40 am

Office of the State Treasurer
Legislative Building, Room 230
Olympia, Washington

1. Approval of minutes of the November 25, 2013 11:30 AM State Finance Committee meeting.
2. Approval of minutes of the November 25, 2013 12:15 PM State Finance Committee meeting.
3. Information Item regarding upcoming sale of \$254.8* million Various Purpose General Obligation Bonds Series 2015A-1 and 2015A-2, \$87* million General Obligation Bonds Series 2015T (Taxable), and two series of refunding bonds: \$392.6* million Various Purpose General Obligation Refunding Bonds, Series R-2015A, and \$402.0* million Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2015B.
4. Resolution 1154 relating to the proposed issuance and sale by TOP of a series of refunding bonds for the purpose of refinancing a portion of Tumwater Office Properties' Lease Revenue Bonds, 2004 (Washington State Office Building).

* Preliminary, subject to change.

Office of the State Treasurer

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State Finance Committee Meeting Minutes
Olympia, Washington
November 25, 2013
11:30 am

The State Finance Committee met in a special meeting after notice duly given to the public.

Present: James McIntire, State Treasurer, Chair
Jay Inslee, Governor
Brad Owen, Lt. Governor

Also Present: Ellen Evans, Office of the State Treasurer
Svein Braseth, Office of the State Treasurer
Mary Ellen Combo, Office of the Attorney General
Bill Tonkin, Foster Pepper
Nancy Neraas, Foster Pepper
Johnna Craig, Office of the State Treasurer
Wolfgang Opitz, Office of the State Treasurer
Nancy Adams, Office of the State Treasurer
Sue Melvin, Office of the State Treasurer
Pam Johnson, Office of the State Treasurer
Shelly Sweeney, Office of the State Treasurer
Sandi Triggs, Office of Financial Management
Eric Hansen, Office of Financial Management
Amy Arnis, Department of Transportation
David Schumacher, Office of Financial Management
Brad Tower, Community Bankers of Washington

Chair McIntire called the meeting to order at 11:30 am on November 25, 2013.

Item 1: Approval of the Minutes

Treasurer Jim McIntire introduced the motion to approve the minutes from the December 14, 2012 State Finance Committee Meeting. The motion was moved by Governor Jay Inslee, seconded by the Lt. Governor Brad Owen and approved unanimously.

Item 2: Update on recent sales

Ms. Ellen Evans, Deputy Treasurer for Debt Management, updated the committee on the results of the January 23, 2013, August 7, 2013, September 17, 2013, and October 10, 2013 bond sales.

Item 3: Resolution 1148

Treasurer McIntire introduced proposed Resolution 1148 which authorizes the issuance of State of Washington Various Purpose General Obligation Bonds in the maximum principal amount of \$2,095,435,000 for the purpose of providing funds to pay and reimburse state expenditures for various state projects.

Approval of Resolution 1148 was moved by the Governor, seconded by the Lt. Governor, and adopted unanimously.

Item 4: Resolution 1149

Treasurer McIntire introduced proposed Resolution 1149 which authorizes the issuance of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, in the maximum principal amount of \$869,766,000 for the purpose of providing funds to pay and reimburse state expenditures for various transportation projects.

Approval of Resolution 1149 was moved by the Governor, seconded by the Lt. Governor, and adopted unanimously.

Item 5: Resolution 1150

Treasurer McIntire introduced proposed Resolution 1150 which authorizes the issuance of State of Washington Various Purpose General Obligation Refunding Bonds, in the maximum principal amount of \$9,700,000,000, and State of Washington Motor Vehicle Fuel Tax General Obligation Refunding Bonds, in the maximum principal amount of \$6,400,000,000, for the purpose of refunding certain outstanding bonds of the state.

Ms. Evans spoke to the results of refundings since January 2009, indicating that with interest rates at historical lows in recent years, the State Finance Committee has executed multiple refundings to lower the state's borrowing costs. Overall, since January 2009 almost \$5.3 billion refunding bonds have been issued, reducing debt service costs by more than \$718.6 million on a nominal basis and \$581.6 on a present value basis.

Approval of Resolution 1150 was moved by the Governor, seconded by the Lt. Governor, and adopted unanimously.

Item 6: Proposed Motion

Treasurer McIntire introduced the motion that the Committee pursuant to RCW 39.94.040 take the following action:

(a) The Committee approves and directs the State Treasurer to implement the proposed 2013-2015 biennium finance plan for state financing contracts, including all individual, legislatively authorized state agency financing contracts, and issuance of certificates of participation therein, as submitted to the Committee and on file with the State Treasurer;

(b) The maximum aggregate principal amount of financing contracts (including certificates of participation therein) of the state to be outstanding in the 2013-2015 biennium is approved and established at \$1,650,230,000, plus financing expenses and required reserves; and

(c) Any refinancing contract (including issuance of refunding certificates of participation therein) to be entered into for the purpose of achieving interest cost savings in accordance with the Committee's Debt Issuance Policy's savings threshold is approved, irrespective of its stated principal amount or date of execution.

The motion was moved by the Lt. Governor, seconded by the Governor and adopted unanimously.

Treasurer McIntire adjourned the meeting at 12:14 pm.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

By _____
James L. McIntire
State Treasurer and Chairman

By _____
Jay R. Inslee
Governor and Member

By _____
Brad Owen
Lieutenant Governor and Member

ATTEST:

Ellen Evans, Deputy State Treasurer
and Secretary

State Finance Committee Meeting Minutes
Olympia, Washington
November 25, 2013
12:15 am

The State Finance Committee met in a special meeting after notice duly given to the public.

Present: James McIntire, State Treasurer, Chair
Jay Inslee, Governor
Brad Owen, Lt. Governor

Also Present: Ellen Evans, Office of the State Treasurer
Svein Braseth, Office of the State Treasurer
Mary Ellen Combo, Office of the Attorney General
Bill Tonkin, Foster Pepper
Nancy Neraas, Foster Pepper
Johnna Craig, Office of the State Treasurer
Wolfgang Opitz, Office of the State Treasurer
Nancy Adams, Office of the State Treasurer
Sue Melvin, Office of the State Treasurer
Pam Johnson, Office of the State Treasurer
Shelly Sweeney, Office of the State Treasurer
Sandi Triggs, Office of Financial Management
Eric Hansen, Office of Financial Management
Amy Arnis, Department of Transportation
David Schumacher, Office of Financial Management
Brad Tower, Community Bankers of Washington

Chair McIntire called the meeting to order at 12:23 am on November 25, 2013.

Item 1: Proposed Motion

Treasurer Jim McIntire introduced the motion that the Committee pursuant to RCW 39.98.040 take the following action:

- (1) The State Finance Committee directs the secretary of the State Finance Committee through the Office of the State Treasurer, to proceed with the rulemaking process in accordance with applicable law, to amend the regulations governing the Program, as set forth in chapter 210-02 WAC;
- (2) The State Finance Committee directs the secretary to utilize in said rulemaking process the proposed amendments to chapter 210-02 WAC as presented by staff to the State Finance Committee today (Draft Rules);
- (3) In the event the secretary does not receive substantive comments relating to the proposed amendments during the rulemaking process, the Draft Rules are deemed to be adopted by the Committee at the conclusion of the public hearing to be held pursuant to chapter 34.05 RCW; and

(4) In the event the secretary does receive substantive comments to the proposed amendments during the rulemaking process, the Draft Rules will not be deemed to be adopted and the State Finance Committee shall consider the comments at a special meeting and take such further action as it deems appropriate.

The motion was moved by Governor Jay Inslee, seconded by Lt. Governor Brad Owen and adopted unanimously.

Item 2: Discussion

The committee engaged in a discussion regarding coverage requirements for motor vehicle fuel tax general obligation bonds of the State of Washington.

Treasurer McIntire adjourned the meeting at 12:34 pm.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

By _____
James L. McIntire
State Treasurer and Chairman

By _____
Jay R. Inslee
Governor and Member

By _____
Brad Owen
Lieutenant Governor and Member

ATTEST:

Ellen Evans, Deputy State Treasurer
and Secretary



JAMES L. McINTIRE, Chairman
State Treasurer

JAY R. INSLEE
Governor

State of Washington
STATE FINANCE COMMITTEE

BRAD OWEN
Lieutenant Governor

May 19, 2014

MEMORANDUM

TO: The Honorable James L. McIntire
The Honorable Jay R. Inslee
The Honorable Brad Owen

FROM: Ellen Evans
Deputy State Treasurer

RE: Resolution 1154 relating to the proposed issuance and sale by TOP of a series of refunding bonds for the purpose of refinancing a portion of Tumwater Office Properties' Lease Revenue Bonds, 2004 (Washington State Office Building).

A. BACKGROUND

In 2004, the Department of General Administration (GA), now known as the Department of Enterprise Services (DES), entered into a financing contract for the lease-purchase of an office building known as the Edna Lucille Goodrich (ELG) Building.

At that time, GA worked in close collaboration with the Office of Financial Management (OFM) to determine the most appropriate financing method. After evaluating the State's Certificate of Participation (COP) Program and the issuance of lease revenue Bonds by an "on behalf of" governmental issuer (63-20 Bonds), GA and OFM together determined that issuance of 63-20 Bonds was the most appropriate method of financing. The State Finance Committee approved the financing and the non-profit corporation (Tumwater Office Properties) that issued the bonds in Resolution 988. The Tumwater Office Properties Lease Revenue Bonds, 2004 (the "2004 Bonds") were issued in January 2004.

Over the past several months, the Office of the State Treasurer (OST) has approached DES about potential savings in debt service that could be achieved by refunding the 2004 Bonds. To that end, OST has provided DES with various refunding scenarios and estimated potential debt service savings associated with each.

In collaboration with OFM and taking into account other factors and costs associated with various refunding scenarios, DES and OFM have ultimately concluded that it is most advantageous to refund the 2004 Bonds with a new issue of 63-20 bonds (memo attached).

Office of the State Treasurer

B. ESTIMATED SAVINGS

TOP's issuance of Lease Revenue Refunding Bonds, 2014 to call and redeem the 2004 Bonds maturing on and after July 1, 2015 is expected to significantly lower debt service costs and in turn reduce the state's lease payments on this facility. As interest rates have very recently dropped to exceptional lows, we are providing a range of projected savings for this refunding. It is estimated that savings will reach \$7.5 to 9.1 million on a present value, or \$9.1 million to \$10.9 million on a nominal basis over the life of the bonds. This represents savings of 14.8% to 18.2% of the refunded bonds, and annual debt service savings in the neighborhood of \$650,000 to \$775,000.

C. RESOLUTION PURPOSE

Proposed Resolution 1154 approves TOP and the 2014 Bonds to be issued by TOP in accordance with the State Finance Committee's Debt Issuance Policy, and subject to the conditions noted in Resolution 1154. Resolution 1154 also approves the intended acceptance of title to the Project by the State when the bonds have been paid.



STATE OF WASHINGTON

Olympia, Washington 98504

May 19, 2014

RE: Refunding of Tumwater Office Properties Lease Revenue Bonds, 2004

In 2004, the Department of General Administration (GA), now known as the Department of Enterprise Services (DES), entered into a financing contract for the lease-purchase of an office building known as the Edna Lucille Goodrich (ELG) Building.

At that time, GA worked in close collaboration with the Office of Financial Management (OFM) to determine the most appropriate financing method. After evaluating the State's Certificate of Participation (COP) Program and the issuance of lease revenue Bonds by an "on behalf of" governmental issuer (63-20 Bonds), GA and OFM together determined that issuance of 63-20 Bonds was the most appropriate method of financing. The State Finance Committee approved the financing and the non-profit corporation (Tumwater Office Properties) that issued the bonds in Resolution 988. The Tumwater Office Properties Lease Revenue Bonds, 2004 (the "2004 Bonds") were issued in January 2004.

Over the past several months, the Office of the State Treasurer (OST) approached DES about potential savings in debt service that could be achieved by refunding the 2004 Bonds. To that end, OST has provided DES with various refunding scenarios and estimated potential debt service savings associated with each.

In collaboration with OFM and taking into account other factors and costs associated with various refunding scenarios, DES and OFM have ultimately concluded that it is most advantageous to refund the 2004 Bonds with a new issue of 63-20 bonds. The proposed refinancing will be presented to the State Finance Committee for approval in May 21, 2014 and it is expected that the refunding 63-20 bonds will be issued at a competitive sale in June 2014.

Jim Crawford
Assistant Director
Office of Financial Management

Annette Meyer
Chief Financial Officer
Department of Enterprise Services

STATE FINANCE COMMITTEE

OLYMPIA, WASHINGTON

RESOLUTION NO. 1154

A RESOLUTION OF THE STATE FINANCE COMMITTEE OF THE STATE OF WASHINGTON RELATING TO THE PROPOSED ISSUANCE AND SALE BY TOP OF A SERIES OF REFUNDING BONDS FOR THE PURPOSE OF REFINANCING A PORTION OF TUMWATER OFFICE PROPERTIES' LEASE REVENUE BONDS, 2004 (WASHINGTON STATE OFFICE BUILDING).

WHEREAS, TOP, a Washington nonprofit corporation formerly known as Tumwater Office Properties, for and on behalf of the State of Washington (the "State"), has constructed an office building (including parking facilities) (the "Project") on property situated at 7345 Linderson Way, S.W., in the City of Tumwater on land leased from the Department of Enterprise Services (as the successor agency to the Department of General Administration) ("DES") of the State under the terms of a Ground Lease, dated as of October 23, 2003, as amended on January 22, 2004 (the "Ground Lease"); and

WHEREAS, TOP and the State determined that the most cost-effective method of financing the Project was by the issuance of tax-exempt bonds pursuant to Revenue Ruling 63-20 of the U.S. Treasury, as further amended and updated by Revenue Procedure 82-26 of the U.S. Treasury (collectively, the "Ruling"); and

WHEREAS, on October 8, 2003, the State Finance Committee adopted Resolution No. 988, approving the Project, a form of Lease Agreement between the State and TOP with respect to the Project (hereinafter defined as the "Financing Lease"), and the issuance by TOP of its Lease Revenue Bonds, 2004 (Washington State Office Building) (the "2004 Bonds"), and evidencing the State's agreement to take title to the Project when such 2004 Bonds are retired; and

WHEREAS, the Project has been completed and all proceeds of the 2004 Bonds have been allocated to Project expenditures, including costs of issuance and capitalized interest; and

WHEREAS, in connection with the issuance of the 2004 Bonds, the State entered into a Lease Agreement, originally dated as of October 23, 2003, by and between TOP and the State, as originally executed, as amended and restated on January 22, 2004, which is being amended on or after June 1, 2014 and as it may from time to time be supplemented, modified or amended in accordance with its terms (the "Financing Lease"); and

WHEREAS, the State wishes to lower its rent payments under the Financing Lease and subject to the conditions of this resolution, the State Finance Committee is approving the issuance by TOP (on behalf of the State) of its Lease Revenue Refunding Bonds, 2014 (Washington State Office Building) (the "2014 Bonds") to call and redeem the 2004 Bonds maturing on and after July 1, 2015 (the "Refunded 2004 Bonds"); and

WHEREAS, the State may not enter into any financing contract for itself if the aggregate principal amount payable thereunder is greater than an amount to be established from time to time by the State Finance Committee, and the State Finance Committee on November 25, 2013, approved a 2013-2105 Biennium Proposed Finance Plan for Financing Contracts and Certificates of Participation therein in a maximum aggregate amount that includes the Financing Lease, and also approved any refinancing contract entered into for the purpose of achieving interest cost savings in accordance with the State Finance Committee's Debt Issuance Policy; and

WHEREAS, the stated purposes of TOP are *inter alia*, to assist in the erection and maintenance of public buildings and to undertake activities which lessen the burdens of government; and

WHEREAS, the Project serves these purposes by lessening the burdens of the State by providing a cost effective means of financing and refinancing the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE STATE FINANCE COMMITTEE OF THE STATE OF WASHINGTON, as follows:

Section 1. Bond Issuance by TOP. For the purpose of refunding the Refunded 2004 Bonds and paying costs of issuance, the State Finance Committee hereby approves the issuance of the 2014 Bonds by TOP in accordance with the State Finance Committee's Debt Issuance Policy. This approval is subject to the following conditions.

(a) *Manner of Sale.*

1. The Deputy State Treasurer shall determine whether the 2014 Bonds will be sold competitively at public sale or whether the 2014 Bonds will be sold by means of a negotiated sale to one or more underwriters.

2. The rating process for the 2014 Bonds shall be managed by the Office of State Treasurer in consultation with TOP.

3. If the Deputy State Treasurer determines to sell the 2014 Bonds at a public sale, she shall in consultation with TOP: (i) establish the date of the public sale for the 2014 Bonds; (ii) establish the criteria by which the successful bidder will be determined; (iii) determine the amount, form and method of delivery of a good faith deposit; (iv) cause notice of the public sale to be given; and (v) provide for such other matters pertaining to the public sale as deemed necessary or desirable. If the Deputy State Treasurer determines to sell the 2014 Bonds by means of a negotiated sale, she shall, in consultation with TOP, determine the manner

of selection of the underwriter or underwriters and negotiate the terms of a bond purchase contract for the sale of the 2014 Bonds.

4. The preparation of the public offering materials and information (including, but not limited to, the preliminary official statement, the official statement and investor presentations) shall be managed by the Office of State Treasurer.

5. The acceptance of a bid for purchase of the 2014 Bonds shall be subject to the prior approval of the Deputy State Treasurer.

6. The date and time of closing and closing conditions for delivery of the 2014 Bonds shall be as determined by the Deputy State Treasurer in consultation with TOP.

(b) *Administrative Matters.*

1. The 2014 Bonds shall be delivered with the approving legal opinion of bond counsel acceptable to TOP and the State.

2. The designation of a trustee for the 2014 Bonds and refunding trustee for the Refunded 2004 Bonds (the "Trustee") shall be subject to the approval of the Deputy State Treasurer.

3. Agreements for ongoing disclosure under Securities and Exchange Commission Rule 15c2-12 with respect to the 2014 Bonds shall be subject to review and approval by the Deputy State Treasurer.

4. The sale and issuance of the 2014 Bonds shall be subject to the further terms and conditions set by the Deputy State Treasurer, in consultation with TOP, as she deems appropriate. The 2014 Bonds shall not be delivered to the successful bidder unless the Deputy State Treasurer has confirmed in writing that the conditions established in and pursuant to this Section 1 have been met (or waived) in her sole discretion.

(c) *Security for the 2014 Bonds.* The 2014 Bonds shall provide that they are limited obligations of TOP, payable solely from the Trust Estate. TOP is a single purpose entity, is not a governmental unit and has no taxing power. TOP has no source of funds available to pay debt service on the Bonds other than the Trust Estate, and TOP and the Trustee are not obligated to use funds and there is no recourse to funds not included in the Trust Estate to pay debt service on the Bonds.

The State's sole obligation is to pay Rent and perform its other obligations as provided in the Lease. The obligation of the State to pay Rent and perform its other obligations under the Lease is a limited obligation of the State payable solely from the sources and subject to the limitations set forth in the Lease. The State payments under the Lease do not constitute a general obligation of the State and neither the full faith and credit nor the taxing power of the State is pledged to the payment of Rent or the performance of its other obligations under the Lease. Payments of Rent by the State are subject to appropriation by the Legislature and

Executive Order reduction by the Governor. A determination by the Legislature not to appropriate or any Executive Order reduction by the Governor would not constitute an Event of Default under the Indenture or the Lease, and the preliminary and final Official Statements for the 2014 Bonds shall also include language to that effect.

Section 2. Approval of Nonprofit Corporation. For the sole purpose of providing for the financing and refinancing of the construction, equipping and operation of the Project, the State Finance Committee approves TOP, the purposes and activities of TOP as described in Section 4.1 of its Articles of Incorporation, and the 2014 Bonds to be issued by TOP for the refunding of the Refunded 2004 Bonds, subject to the following additional conditions:

- (a) TOP shall at all times operate on a nonprofit basis;
- (b) TOP's income shall in no event inure to the benefit of any private person; and
- (c) Upon the payment and retirement of the 2014 Bonds and any refunding bonds issued by TOP, TOP shall convey all right, title and interest in the Project to the State free and clear of any encumbrance or obligation of any kind (other than those created or otherwise approved by the State).

Section 3. Delivery of Project on Payment of Bonds. Under the terms of the Financing Lease, title to the Project shall be delivered to the State free and clear of any encumbrance or obligation of any kind (other than those created or otherwise approved by the State), and the State Finance Committee approves the intended acceptance of title to the Project by the State upon tender thereof by TOP when the 2014 Bonds and any refunding bonds have been paid or their payment fully provided for.

ADOPTED by the State Finance Committee of the State of Washington this 21st day of May, 2014.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

By _____
James L. McIntire
State Treasurer and Chairman

By _____
Jay Inslee
Governor and Member

By _____
Brad Owen
Lieutenant Governor and Member

ATTEST:

Ellen Evans, Deputy State Treasurer
and Secretary

CERTIFICATE

I, Ellen Evans, the duly appointed, qualified and acting Deputy State Treasurer and Secretary of the State Finance Committee of the State of Washington, certify that the foregoing is a true and correct copy of Resolution No. 1154 of such Committee, adopted at an open public meeting thereof held on this 21st day of May, 2014, after notice of such meeting was duly and regularly given as required by law, and that such resolution has been entered in the records of such Committee held on such date and remains in effect as of this date.

DATED: _____, 2014.

Ellen Evans, Deputy State Treasurer
and Secretary