



State of Washington
STATE FINANCE COMMITTEE

JAMES L. McINTIRE, Chairman
State Treasurer

CHRISTINE O. GREGOIRE, Member
Governor

BRAD OWEN, Member
Lieutenant Governor

AGENDA

December 14, 2012 at 2:30 pm

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

STATE FINANCE COMMITTEE

1. Approval of minutes of the June 14, 2012 State Finance Committee meeting.
2. Informational Item. Bond sales update: results of the July 18, 2012, August 7, 2012, and October 25, 2012 bond sales and plans for upcoming refunding and new money sales.
3. Resolution No. 1137 amends Resolution No. 1116 relating to refunding bonds of the State.

State Finance Committee Meeting Minutes
Olympia, Washington
June 14, 2012
1:33 pm

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

Present: James McIntire, State Treasurer, Chair, by phone
Christine O. Gregoire, Governor, by phone
Brad Owen, Lt. Governor, by phone

Also Present: Svein Braseth, Office of the State Treasurer
Wolfgang Opitz, Office of the State Treasurer
Trish Nightengale, Office of the Attorney General
Bill Tonkin, Foster Pepper
Sue Melvin, Office of the State Treasurer
Pam Johnson, Office of the State Treasurer
Sandi Triggs, Office of Financial Management
Victor Moore, State Investment Board
Rich Struna, Department of Transportation

Chair McIntire called the meeting to order at 1:33 pm on June 14, 2012.

Item 1: Approval of the Minutes

Treasurer McIntire introduced the motion to approve the minutes from the April 25, 2012 State Finance Committee Meeting. The motion was moved by the Governor, seconded by the Lt. Governor and approved unanimously.

Item 2: Resolution 1127 Confirming the Reappointment of Theresa Whitmarsh

Treasurer McIntire motioned to adopt Resolution 1127 which confirms the reappointment of Theresa Whitmarsh as Executive Director of the Washington State Investment Board. Approval of the resolution was moved by the Governor, seconded by the Lt. Governor, and adopted unanimously.

Item 3: Reporting Results of the May 22, 2012 Bond Sale

Treasurer McIntire asked Mr. Wolf Opitz, Assistant State Treasurer, to provide a brief summary of the May 22, 2012 bond sale.

Mr. Opitz outlined that the State's first sale of \$500,400,000 of Federal Highway Grant Anticipation Revenue Bonds ("GARVEE Bonds") at a 2.23% true interest cost (TIC) was due in large part to the extensive work by staff on the Master GARVEE Bond Resolution. Treasurer McIntire agreed that the Master GARVEE Bond Resolution was the source of the bond sale's success.

Item 4: Resolution 1128 Authorizing the Issuance of General Obligation Bonds

Treasurer McIntire introduced the motion to approve Resolution 1128. The motion was moved by the Governor and Seconded by the Lt. Governor. Treasurer McIntire asked Mr. Opitz to provide a summary of the Resolution. Mr. Opitz provided a brief summary of Resolution 1128 which increased the State Finance Committee's authorization to sell various purpose general obligation bonds as a result of the legislature's supplemental capital budget and bond authorization. Mr. Bill Tonkin verified that members of the State Finance Committee had copies of Resolution 1128 before them for their consideration. The Resolution was approved unanimously.

Item 5: Proposed Motion to Implement the Amended 2011-2013 Finance Plan

Treasurer McIntire moved that the State Finance Committee approve and direct the Office of the State Treasurer to implement the amended 2011-2013 finance plan for state financing contracts and issuance of certificates of participation. The motion was seconded by the Governor. Mr. Opitz explained that the proposed motion would allow the Office of the State Treasurer to issue certificates of participation in order to finance projects outlined in the legislature's supplemental budget. The motion was adopted unanimously.

Treasurer McIntire adjourned the meeting at 1:41 pm.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

By _____
James L. McIntire
State Treasurer and Chairman

By _____
Christine O. Gregoire
Governor and Member

By _____
Brad Owen
Lieutenant Governor and Member

ATTEST:

Ellen Evans, Deputy State Treasurer
and Secretary



State of Washington
STATE FINANCE COMMITTEE

JAMES L. McINTIRE, *Chairman*
State Treasurer

CHRISTINE O. GREGOIRE
Governor

BRAD OWEN
Lieutenant Governor

December 10, 2012

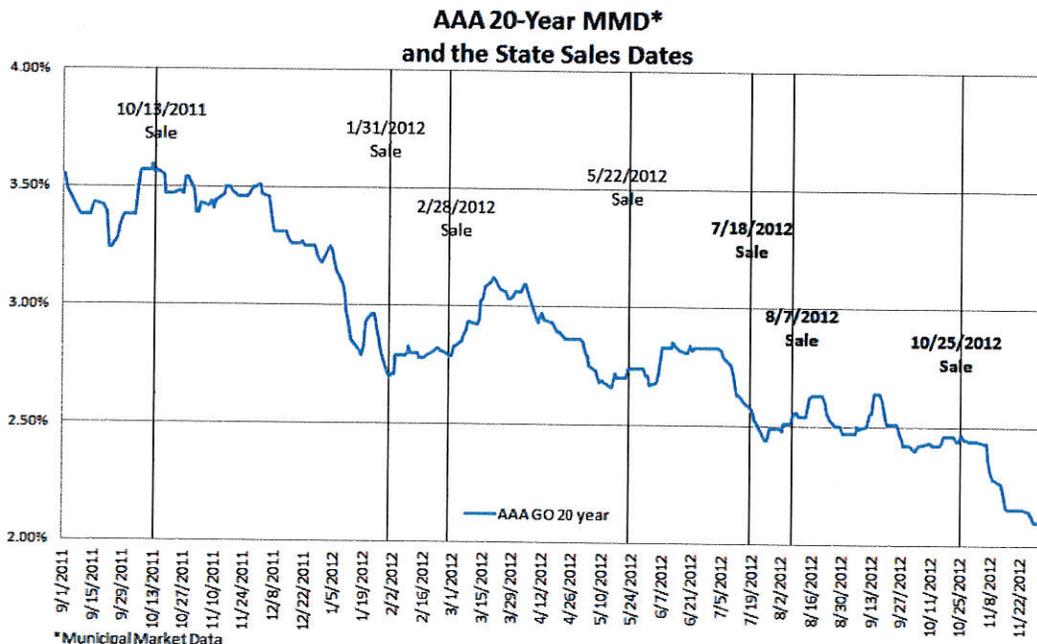
MEMORANDUM

TO: The Honorable James L. McIntire
The Honorable Christine O. Gregoire
The Honorable Brad Owen

FROM: Ellen Evans
Deputy State Treasurer / Secretary

RE: **Report on Bond Sales**

Since the last State Finance Committee meeting on June 14, 2012, the State Finance Committee, acting by and through the State Treasurer, issued bonds on a) July 18, 2012, b) August 7, 2012, and c) October 25, 2012. The purpose of the bonds and the results of the sales are summarized below. Additionally, a preview of the upcoming refunding and new money sales are provided.



Office of the State Treasurer

Legislative Building, P.O. Box 40200 • Olympia, Washington 98504-0200 • (360) 902-9000 • TTY Users: Call 711
FAX (360) 902-9045 • Home ge <http://www.wa.tre.wa.gov>



I. Reports on Completed Sales

Bond Sale Resolution 1136

\$300,000,000
Toll Revenue Bonds, Series 2013C
(SR 520 Floating Bridge and Eastside Plus
West Approach Bridge Project: TIFIA – 2012-1001A)
October 25, 2012 Closing

Par Amount Not to exceed \$300 million

Summary and Final Results

Lender	United States Department of Transportation
Interest Rate	2.99%
Draw-down Loan	Draws anticipated in 2014-2016
Final Maturity	6/1/2051
Average Life	29.192 Years
Closing Date	October 25, 2012
Pledged Revenues	Toll Revenues as defined in the Master Bond Resolution 1117 adopted by the State Finance Committee on September 29, 2011

Bond Sale Resolution 1134

\$338,725,000 Series R-2013A
Various Purpose General Obligation Refunding Bonds
7:00 am - August 7, 2012

Bid Par Amount \$338,725,000
Number of bids: 8

Bid Results	TIC (%)	Variance from Winning Bid
Citigroup Global Markets Inc.	2.592342	
J.P. Morgan Securities LLC	2.612676	0.020334
Bank of America Merrill Lynch	2.619810	
Wells Fargo Bank, National Association	2.628342	
RBC Capital Markets	2.688760	
Barclays Capital Inc.	2.689478	
Morgan Stanley & Co., LLC	2.690346	
Goldman, Sachs & Co.	2.699505	0.107163

Final Results After Resizing

Resized Par Amount \$352,220,000
Par Amount of Refunded Bonds \$357,625,000

TIC (%) 2.583603

Final Maturity 7/1/2030
Average Life 11.139 years

Delivery Date September 6, 2012

Summary of Savings

Net Present Value Savings \$34,684,943
NPV as % of Refunding Bonds 9.85%
NPV Policy Minimum 5.00%

Nominal Savings \$43,459,775
Nominal Savings in 2011-13 Biennium \$2,021,552

Bond Sale Resolution 1135

\$364,545,000 Series R-2013B
Motor Vehicle Fuel Tax General Obligation Refunding Bonds
7:30 am - August 7, 2012

Bid Par Amount	\$364,545,000
Number of bids:	8

Bid Results	TIC (%)	Variance from Winning Bid
Bank of America Merrill Lynch	2.515374	
Citigroup Global Markets Inc.	2.518438	0.003064
Wells Fargo Bank, National Association	2.530007	
J.P. Morgan Securities LLC	2.539386	
Goldman, Sachs & Co.	2.597198	
RBC Capital Markets	2.602212	
Barclays Capital Inc.	2.621992	
Morgan Stanley & Co., LLC	2.629057	0.113683

Final Results After Resizing

Resized Par Amount	\$380,390,000
Par Amount of Refunded Bonds	\$388,055,000

TIC (%)	2.511268
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Final Maturity	7/1/2030
Average Life	10.438 years

Delivery Date	September 6, 2012
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Summary of Savings

Net Present Value Savings	\$39,651,495
NPV as % of Refunding Bonds	10.42%
NPV Policy Minimum	5.00%

Nominal Savings	\$50,618,398
Nominal Savings in 2011-13 Biennium	\$2,551,049

State of Washington Bond Sale

7/18/2012

Bond Sale Results

On July 18, 2012, the State Finance Committee acting by and through the State Treasurer awarded the sale of the following series:

- \$273,460,000 State of Washington Various Purpose General Obligation Bonds, Series 2013A,
- \$173,840,000 State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2013B-1,
- \$31,510,000 State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2013B-2,
- \$40,475,000 State of Washington General Obligation Bonds, Series 2013T (Taxable), and
- \$78,295,000 State of Washington General Obligation Refunding Bonds, Series R-2013T (Taxable).

The Series 2013A bonds were issued to provide funds for various state capital projects, state and local water supply improvements, multimodal transportation projects, and state programs for Columbia River Basin water supply development, outdoor recreation, habitat conservation, riparian protection and farmland preservation.

The Series 2013B-1 and 2013B-2 bonds were issued to provide funds for state and local highway improvements including widening SR 522 and construction of a bridge over the Snohomish River, 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, connecting arterials in Douglas County to US 2/US 97, and other lane expansion and bridge construction on US 395. Series 2013B-1 bonds were sold on a competitive basis. Series 2013B-2 bonds were sold on a negotiated basis in a retail order period; Washington residents had priority over all investors and accounted for approximately 70% of all orders.

The Series 2013T bonds were issued to provide funds for certain non-transportation related projects and purposes that cannot be financed with tax-exempt bonds.

The Series R-2013T refunded certain outstanding general obligation bonds of the state to realize debt service savings of \$6,391,628 on a Net Present Value (NPV) basis.

The table below shows the True Interest Cost (TIC) for each series. For each series sold competitively, all bids received are shown. The sale was awarded to the bidder with the lowest True Interest Cost (TIC).

Series 2013A	Bidder	TIC*	
	Citigroup Global Markets Inc.	3.279359%	Low Bidder
	Barclays Capital Inc.	3.302382%	
	Bank of America Merrill Lynch	3.309270%	
	Wells Fargo Bank, National Association	3.337007%	
	J.P. Morgan Securities LLC	3.343889%	
	Goldman, Sachs & Co.	3.375326%	
	Jefferies & Company, Inc.	3.395257%	
	RBC Capital Markets	3.415250%	
	Morgan Stanley & Co, LLC	3.481379%	
Series 2013B-1	Bidder	TIC*	
	Bank of America Merrill Lynch	3.476462%	Low Bidder
	Citigroup Global Markets Inc.	3.488369%	
	Barclays Capital Inc.	3.502678%	
	Morgan Stanley & Co, LLC	3.515022%	
	Wells Fargo Bank, National Association	3.520007%	
	J.P. Morgan Securities LLC	3.527438%	
	RBC Capital Markets	3.622118%	
	Goldman, Sachs & Co.	3.664755%	
	Jefferies & Company, Inc.	3.672321%	
Series 2013B-2	Negotiated Sale	TIC*	
	Bank of America Merrill Lynch	2.959842%	

Series 2013T

Bidder	TIC*	
Bank of America Merrill Lynch	0.857608%	Low Bidder
Wells Fargo Bank, National Association	0.873272%	
Piper Jaffray	0.928975%	
J.P. Morgan Securities LLC	0.960302%	
Barclays Capital Inc.	0.970778%	
Citigroup Global Markets Inc.	0.986480%	
BMO Capital Markets	0.991912%	
Morgan Keegan & Co., Inc.	1.000865%	
Jefferies & Company, Inc.	1.030648%	
Ramirez & Co.	1.034752%	
RBC Capital Markets	1.053263%	
Goldman, Sachs & Co.	1.070779%	
Morgan Stanley & Co, LLC	1.079660%	
Robert W. Baird & Co., Inc.	1.098976%	

Series R-2013T

Bidder	TIC*	
J.P. Morgan Securities LLC	0.490859%	Low Bidder
Wells Fargo Bank, National Association	0.565736%	
Piper Jaffray	0.615144%	
BMO Capital Markets	0.624977%	
Jefferies & Company, Inc.	0.627682%	
Bank of America Merrill Lynch	0.629179%	
Citigroup Global Markets Inc.	0.641665%	
RBC Capital Markets	0.685032%	
Barclays Capital Inc.	0.695882%	
Morgan Keegan & Co., Inc.	0.745775%	
Morgan Stanley & Co, LLC	0.832395%	
Ramirez & Co.	0.936384%	

*True Interest Cost (TIC).

II. and III. Upcoming Bond Sales

II. Upcoming Refunding Bond Sale.

- Preparations are being made for a bond sale refunding approximately \$1 billion Various Purpose and Motor Vehicle Fuel Tax General Obligation Bonds on January 23, 2013. The Refunding Bonds will be sold competitively.

Preliminary estimates show savings of approximately \$50 million for the Various Purpose General Obligation Refunding Bonds and \$23 million for the Motor Vehicle Fuel Tax General Obligation Refunding Bonds (reflecting rates as of November 20, 2012). These figures could change significantly between now and the sales date.

Subject to the approval of Resolution 1137, Series VR-96A and Series VR-96B, dated February 29, 1996 ("VR-96") will also be refunded with Various Purpose General Obligation Refunding Bonds, Series R-2013C.

The current estimate of savings exceeds the savings targets for advance refundings provided by the State Finance Committee Debt Issuance Policy. The Bonds will be structured to produce approximately uniform savings over the refunded bonds.

Various Purpose General Obligation Refunding Bonds, Series R-2013C

Series	Type	Call Date & Price	Refunded Bond Par Amount	Net Savings	PV Savings (%)
2006D	Various Purpose	January 1, 2016 @ 100	\$30,900,000	\$3,460,234	11.20%
2007A	Various Purpose	July 1, 2016 @ 100	\$287,420,000	\$26,111,488	9.08%
2007C	Various Purpose	January 1, 2017 @ 100	\$232,325,000	\$19,264,280	8.29%
R-2006A*	Various Purpose	July 1, 2015 @ 100	\$55,520,000	\$3,438,318	6.19%
Subtotal			\$606,165,000	\$52,274,320	8.62%

Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2013D

Series	Type	Call Date & Price	Refunded Bond Par Amount	Net Savings	PV Savings (%)
2006E	MVFT	January 1, 2016 @ 100	\$34,040,000	\$3,803,172	11.17%
2007B	MVFT	July 1, 2016 @ 100	\$124,225,000	\$11,255,877	9.06%
2007D	MVFT	January 1, 2017 @ 100	\$116,860,000	\$7,842,011	6.71%
Subtotal			\$275,125,000	\$22,901,060	8.32%

III. Upcoming New Money Bond Sale.

- Preparations are being made for a competitive new money sale at the Office of the State Treasurer, in February 2013. The following series and approximate amounts are expected to be sold:

\$230 million Various Purpose General Obligation Bonds, Series 2013D

\$300 million Motor Vehicle Fuel Tax General Obligation Bonds, Series 2013E

Bond proceeds are to be deposited to the following funds:

Series 2013D:

State Building Construction Account (fund 057),

Outdoor Recreation Account (fund 070),

State and Local Impr. Revolving Account -- Water Supply Facilities (fund 072),

Farmlands Preservation Account (fund 09C),

Riparian Protection Account (fund 09G),

Columbia River Basin Water Supply Account (fund 10P),

Multimodal Transportation Account (fund 218), and

Habitat Conservation Account (fund 244).

Series 2013E:

Motor Vehicle Account (fund 108),

Transportation 2003 Account (fund 550), and

Transportation Partnership Account (fund 09H).



State of Washington
STATE FINANCE COMMITTEE

JAMES L. McINTIRE, *Chairman*
State Treasurer

CHRISTINE O. GREGOIRE
Governor

BRAD OWEN
Lieutenant Governor

December 10, 2012

MEMORANDUM

TO: The Honorable James L. McIntire
The Honorable Christine O. Gregoire
The Honorable Brad Owen

FROM: Ellen Evans
Deputy State Treasurer

RE: **Proposed Resolution No. 1137** amends Resolution No. 1116 relating to refunding bonds of the State

The purpose and background of Proposed Resolution No. 1137 are summarized below.

- **Resolution Purpose.** Proposed Resolution No. 1137 amends Resolution No. 1116 relating to refunding bonds of the State. Resolution No. 1116 is being amended to provide for refunding of Adjustable Rate General Obligation Bonds, Series VR-96A and Series VR-96B, dated February 29, 1996 (“VR-96”).
- **Background.** Resolution No. 1116, adopted by the State Finance Committee (the “Committee”) on September 7, 2011, provided for the issuance of various purpose general obligation refunding bonds and motor vehicle fuel tax general obligation refunding bonds of the State of Washington (the “State”), pursuant to the provisions of chapters 39.42 and 39.53 RCW (the “Bond Act”), for the purpose of refunding certain outstanding various purpose general obligation bonds, various purpose general obligation refunding bonds, motor vehicle fuel tax general obligation bonds and motor vehicle fuel tax general obligation refunding bonds (collectively defined and identified in Resolution No. 1116 as the “Refunded Bonds”), only to effect a debt service savings to the State.

Proposed Resolution No. 1137 will amend Resolution No. 1116 to authorize the refunding of any Refunded Bonds identified in Resolution No. 1116 for any purpose authorized by the Bond Act, including to effect a debt service savings to the State or to modify debt service requirements, sources of payment, covenants, or other terms of the Refunded Bonds.

Office of the State Treasurer



- **Refunding of VR-96.** The state issued \$200,000,000 variable rate debt in 1996 (VR-96), as a 25-year variable rate bond with a weekly remarketing mode. The issue is supported by a “liquidity facility” -- which provides immediate funds to purchase bonds that have been tendered in the event that they cannot be remarketed. Currently, \$108,800,000 is outstanding with a final maturity date of June 2, 2020.

Landesbank Hessen-Thüringen (“Helaba”) has provided a liquidity facility for VR-96 since the initial issuance. On October 17 of this year, Helaba notified the state that the liquidity facility will expire on February 25, 2013.

VR-96 has been a very successful debt program for the state. It has saved nearly \$80 million compared to the fixed-rate issuance alternative available in 1996 at the rate of 5.25%. This savings estimate takes into account all costs, including the costs of re-marketing and the liquidity facility. The average interest rate over the life of the bonds was just 2.08%, and the weekly rate fell to a low of 0.04% in 2011. Moreover, the highly rated liquidity facility from Helaba enabled the state to place its debt at cost effective rates during each week of the financial crisis in 2008 and 2009.

In light of the upcoming expiration of Helaba’s liquidity facility for VR-96, the Office of the State Treasurer recommends refunding VR-96 with fixed rate bonds with the same amortization schedule. Replacing VR-96 with fixed rate debt will enable the state to lock in low interest rates which have not been witnessed since 1965. The state will also have minimized its exposure to the possible deterioration in the credit of financial institutions providing liquidity facilities.

Amending Resolution No. 1116 will allow for the refunding of VR-96.

Potential budget impact: VR-96 interest costs have been budgeted at 5.25%. A refunding of VR-96 is expected to yield a TIC of approximately 1.5%, producing savings versus budget of approximately \$7 million for the 2013-15 biennium.

I know of no controversy or issue relating to this proposed bond authorization.

- **Counsel and Advisors.**

Bond Counsel:	William Tonkin, Foster Pepper PLLC
Financial Advisor:	Jenny Poreé, Montague DeRose and Associates LLC
	Robert Shelley, Seattle-Northwest Securities Corporation