

THE STATE OF WASHINGTON



Investor Presentation

March 4, 2014



Disclaimer

This presentation is not an offer to sell or a solicitation of an offer to buy any state bonds. There are no current offerings of state general obligation bonds. State bonds may only be purchased through a municipal securities broker-dealer. Any investment decision regarding state bonds should only be made after a careful review of the official statement prepared in connection with the bonds.

The information in this presentation is a summary of certain recent developments concerning the state. The presentation is not intended to contain all information material to investors in state bonds. The information speaks only as of its date and is subject to change. The state does not undertake to update this information.



Prudent Fiscal Policies

The State of Washington's policies and statutory Framework have resulted in a history of prudent fiscal management.

- Governor is required by law to propose a balanced budget.
- The state budgets to independent quarterly revenue forecasts.
- History of the Governor and Legislature repeatedly implementing mid-budget adjustments when necessary to balance the budget.
- Rainy Day Fund recently strengthened by constitutional amendment (2011).
- Initiatives cannot amend the Constitution. In recent years, the Legislature has modified voter approved initiatives.





Stable Revenue Forecast

February Economic and Revenue Forecast

Washington economy continues to be slightly stronger than the overall U.S. economy

- Above average growth in personal income,
- Faster employment growth, and
- Unemployment rate below the national average : State at 6.8%, Seattle 5.3%.

The Washington economy continues to grow slowly.

- Employment is rising in most sectors except aerospace and the federal government.
- Over the forecast term , impact of the recent Boeing-machinists' union agreement is modest.
- November S&P/Case-Shiller Index for Seattle was 12.4% higher Y-O-Y, still 16.2% below May 2007 peak.

General Fund revenues are expected to grow by 7.7% in the 2013-15 Biennium.



The State's Pension System is Healthy; Liquidity is Robust

The state has one of the healthiest pension systems in the nation.

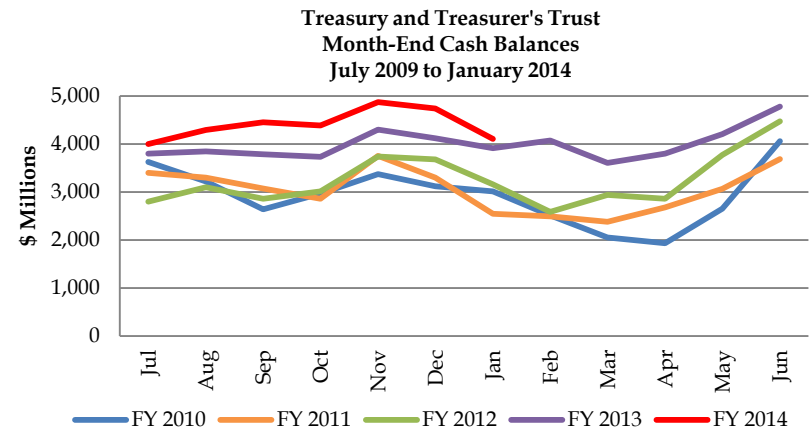
- The current total funded status for the plans is 101 percent.
- Assumed investment rate of return currently 7.9% to be reduced to 7.7% by 2017.
- Investment returns for FY 2013, 2012 and 2011 were 12.4%, 1.4% and 21.1%, respectively. Ten-year annualized return was 8.32% through June 2013.
- In 2011/2012, the Legislature repealed the automatic cost of living adjustment for PERS/TRS plans 1, and reduced benefits for future hires. (Both measures have been challenged in court.)

Funded Ratios - 2012	
PERS 1	69%
PERS 2/3	111%
TRS 1	79%
TRS 2/3	114%
SERS 2/3	110%
PSERS 2	134%
LEOFF 1	135%
LEOFF 2	119%
WSPRS	114%
Total	101%

Source: Office of the State Actuary. June 30, 2012 Actuarial Valuation Report.

Liquidity: Treasury/Trust Fund balances

- The state has strong cash management policies and sound liquidity.





Budgetary Challenges

Education and Transportation

McCleary Decision on Funding K-12 Education

- Supreme Court 2012: the state is not making ample provisions for the basic education of Washington's K-12 public school students
- 2013 legislative budget added \$1 billion dollars in state funding to K-12 schools
- January 2014, the Supreme Court: although meaningful steps were taken in the 2013 legislative session, the state is not on target to meet the funding requirements by the 2017-2018 school year.
- The Supreme Court ordered the state to submit by April 30, 2014, a complete plan for implementing its school funding program for each year between now and the 2017-2018 school year.

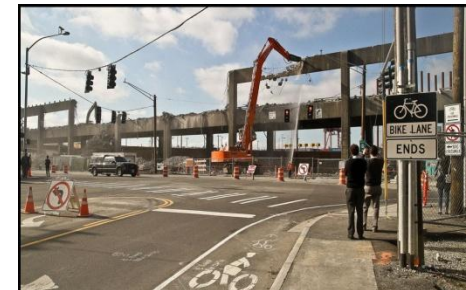
Transportation Funding



Washington's Transportation Program

Update on Washington's Eligible Toll Facilities

- Significant transportation projects
 - SR 520 Corridor Program
 - Alaskan Way Viaduct
 - ~~Columbia River Crossing~~
- Toll-backed financing
 - Transportation Commission as tolling authority
 - Early tolling
 - Rely on rate covenants for toll-backed debt when possible
 - Conservative toll rate schedule : SR520 finance plan assumes no toll rate hikes after construction has been completed, and
 - Judicious use of GO pledge.





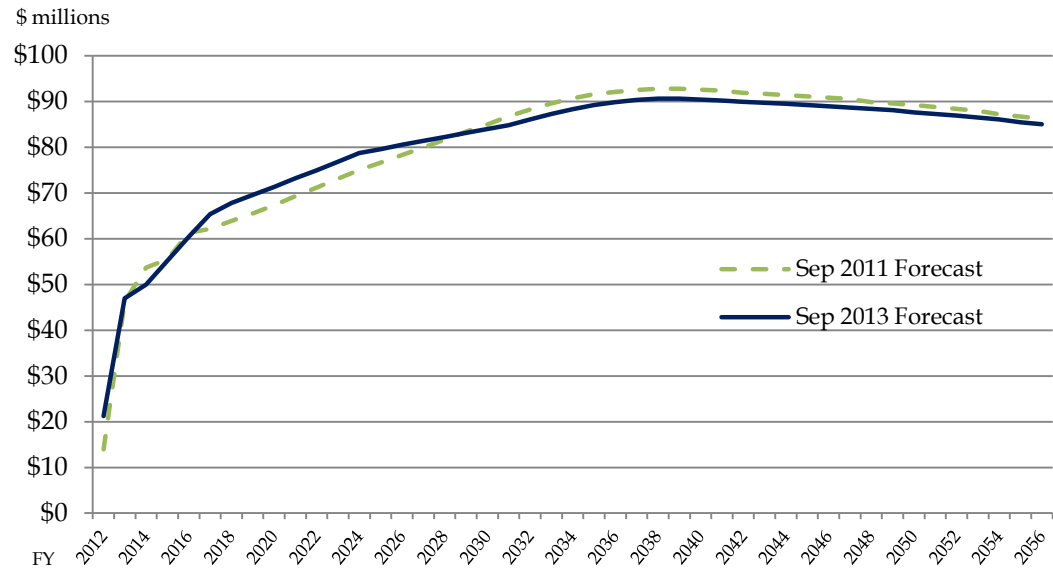
SR 520 Corridor Project: Toll Revenues vs. Projected

Update on SR 520 Corridor Project

Traffic & Toll Revenue

	Forecast	Actual	Variance
• Toll Transactions			
FY 2013	19,682,000	20,220,601	+ 2.7%
Jul - Dec 2013	10,377,000	10,506,284	+ 1.2%
• Gross Toll Revenues			
FY 2013	\$62,591,000	\$61,301,711	- 2.1%
Jul - Dec 2013	\$32,320,000	\$32,346,994	+ 0.1%
• Net Toll Revenues			
FY 2013	\$47,124,000	\$46,784,511	- 0.7%
Jul - Dec 2013	\$23,749,000	\$25,193,407	+ 6.1%

Net Toll Revenues



FY 2013 data is compared to Sep 2012 forecast. Jul - Dec 2013 data is compared to Oct 2013 forecast.



Project Updates

SR 520 Corridor

Pontoons	<ul style="list-style-type: none">• Issues with pontoons expected to cost \$208 million• Bridge opening delayed until April 2016
Eastside	<ul style="list-style-type: none">• HOV lanes and lidded overpasses under construction
Tolling	<ul style="list-style-type: none">• All electronic tolling, variably priced• Over 80% of tolls are paid via <i>Good To Go!</i> Accounts, surpassing forecast of 72%



Alaskan Way Viaduct

December 2013, Seattle Tunnel Partners (STP), WSDOT's design-build contractor for the project, stopped tunneling after encountering increasing resistance near the front of the tunneling machine.

STP will try to get machine going by September 1.

It is not known at this time how this issue will affect the project's schedule and budget.

"We haven't seen any evidence from STP that suggests the state or taxpayers will be responsible for cost overruns associated with the current delay." (WSDOT February 28, 2014)





Washington's Debt Profile

Debt Type	Outstanding ¹	Future Sales	Security
General Obligation Ratings: Aa1/AA+/AA+			
- Various Purpose	\$11,463,013,784	\$530 million Summer 2014	Irrevocable pledge of the full faith, credit and taxing power of the state. Constitutional mandate regarding payment of state debt requires that the Legislature appropriate sufficient funds to pay state debt when due, and provides for judicial enforcement of the state's payment obligation on that debt. No other provision of Washington's Constitution contains comparable language to compel payment of other state obligations.
- Motor Vehicle Fuel Tax	\$7,030,901,568	\$290 million Summer 2014	First payable from state excise taxes on motor vehicle and special fuels, secondly by the state's general obligation pledge (see above).
- Triple Pledge Bonds	\$518,775,000	None scheduled	Payable first from toll revenues in addition to the pledge of MVFT revenues and the general obligation pledge of the State (see above).
Grant Anticipation Revenue Bonds Ratings: A1/AA/NR	\$786,315,000	None scheduled	Limited obligations of the state payable from and secured solely by Pledged Federal Aid.
Certificates of Participation Ratings: Aa2 /NR/NR	\$674,856,540	\$21 million February 2014	Undivided proportionate interests in Agency Rent and Installment Payments pursuant to the Master Financing Agreements, subject to appropriation and executive order reduction. \$83 million of the total represents COPs issued for local governments through the state's program.
Toll-backed Bonds	None	FY 2016	Net toll revenues of the system (net of operations and maintenances expenditures).

¹ As of 2/21/14.