

# State of Washington Investor Presentation



Office of the State Treasurer

August 2019



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# I. Financial Update

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# Legislative Sessions

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## 2018 Legislative Session

- Passed supplemental operating budget, providing additional funds to meet Supreme Court's McCleary deadline, as well as fund mental health, low income health care, higher education, and fire suppression
- Passed a capital budget to fund projects related to school construction, housing, mental health, and more

## 2019 Legislative Session

- Passed operating budget with investment in K-12 education, behavioral health, and an increase in state employee compensation, among other funding
  - Additional \$584 mm for K-12 public schools, including school employee health benefits, and special education
  - Additional \$396 mm for behavioral health, including state hospital operations and safety improvements, community based capacity, programs, and rates
  - Additional \$477 mm for state employee (including higher education) compensation changes
  - Ends FY 2021 with total reserves of \$2.678 billion, including \$2.248 billion in the Budget Stabilization Account (BSA)
- Passed a capital budget to fund projects related to school construction, housing, mental health, and more



## Legislative Sessions -- Continued

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### 2019 Legislative Session

- Notable new revenue legislation includes:
  - **Establishing a graduated real estate excise tax (ESSB 5998):** An additional \$244.5 mm in revenue for the 2019-21 biennia from a new graduated tax rate structure that varies from 1.1% up to 3% based on the selling price
  - **Facilitating the collection of new tax revenue resulting from the U.S. Supreme Court's decision in *South Dakota v. Wayfair, Inc.* (SSB 5581):** An additional \$115.9 mm in revenue for the 2019-21 biennia to address conflicts between current tax laws related to the collection of sales tax and the *South Dakota v. Wayfair, Inc.* U.S. Supreme Court decision, and provide consistency in a number of other related tax law areas
  - **Concerning the taxation of specified financial institutions (SHB 2167):** An additional \$133.2 mm in revenue for the 2019-21 biennia from an additional business and occupation tax of 1.2% on certain financial institutions



## Initiative 976

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### Initiative-976 (I-976, aka "\$30 Car Tabs" Initiative):

- Will be included on the November 2019 election ballot
- If passed, it would change vehicle taxes and fees going forward by lowering motor vehicle and light duty truck weight fees to \$30, as well as modify or eliminate other transportation-related taxes and fees collected by the State and certain local governments
- Would have a negative impact on future revenues and expenditures. According to OFM estimates:
  - Total revenue loss to the State, based on forecast revenues
    - In 2019-21 biennium: \$477.4 mm
    - over the next six years: \$1.922 billion
  - Total revenue loss to local governments over the next six years: \$2.317 billion
  - Implementation would cost the Department of Licensing and Department of Revenue \$2.8 mm in the 2019-21 biennium

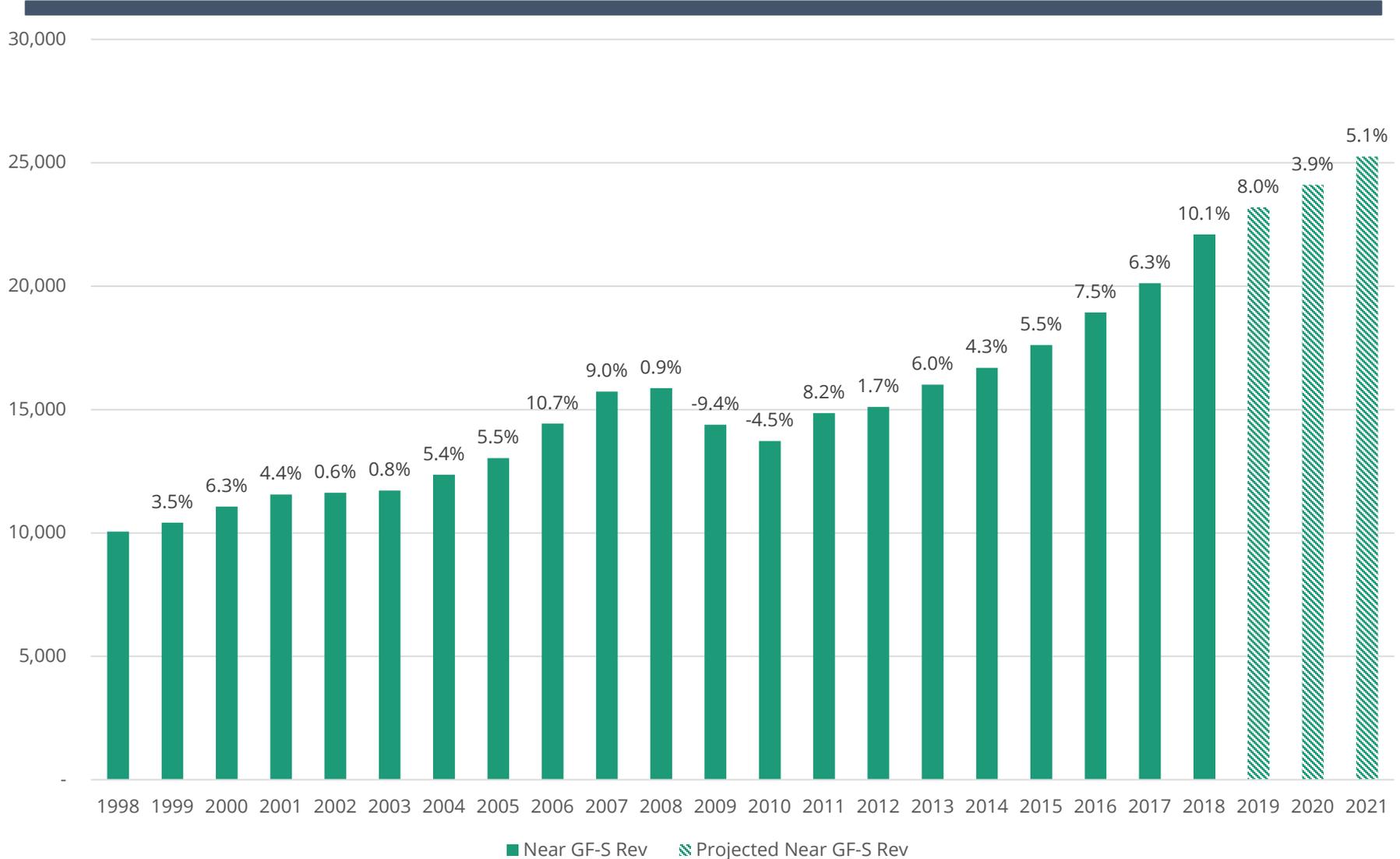


# General Fund-State Budget Balance Sheets

Enacted Budget Balance Sheets		
General Fund-State and Education Legacy Trust, Opportunity Pathways, and Budget Stabilization Accounts (\$ mm)		
RESOURCES		
	2017-19	2019-21
<b>Beginning Fund Balance</b>	<u>1,149</u>	<u>1,834</u>
March Forecasted Revenue	46,106	50,555
June Revenue Forecast Change	<u>(45)</u>	<u>103</u>
<b>Current Revenue Totals</b>	<u>46,061</u>	<u>50,658</u>
Prior Period Adjustments/Governor's Vetoes	73	41
Enacted Transfer to BSA	(440)	(497)
Enacted Fund Transfers/Other Resource Adjustments	<u>(353)</u>	<u>539</u>
<b>Total Resources (including beginning fund balance)</b>	<u>46,490</u>	<u>52,575</u>
EXPENDITURES		
2017-19 Enacted Expenditures	44,848	--
2019-21 Enacted Expenditures	--	52,477
Assumed Reversions/Governor's Vetoes	<u>(192)</u>	<u>(332)</u>
<b>Total Expenditures</b>	<u>44,656</u>	<u>52,145</u>
RESERVES		
<b>Projected Ending Fund Balance</b>	<u>1,834</u>	<u>430</u>
BSA Beginning Balance	1,638	1,671
Interest Earnings/Net transfers from General Fund to Pension Funding Stabilization Account	<u>33</u>	<u>578</u>
<b>Projected BSA Ending Balance</b>	<u>1,671</u>	<u>2,249</u>
<b>Total Reserves (Near General Fund plus BSA)</b>	<u>3,505</u>	<u>2,678</u>



# Near GF-S\* Historic and Projected Revenue and Annual Growth Rate by FY (\$ mm)

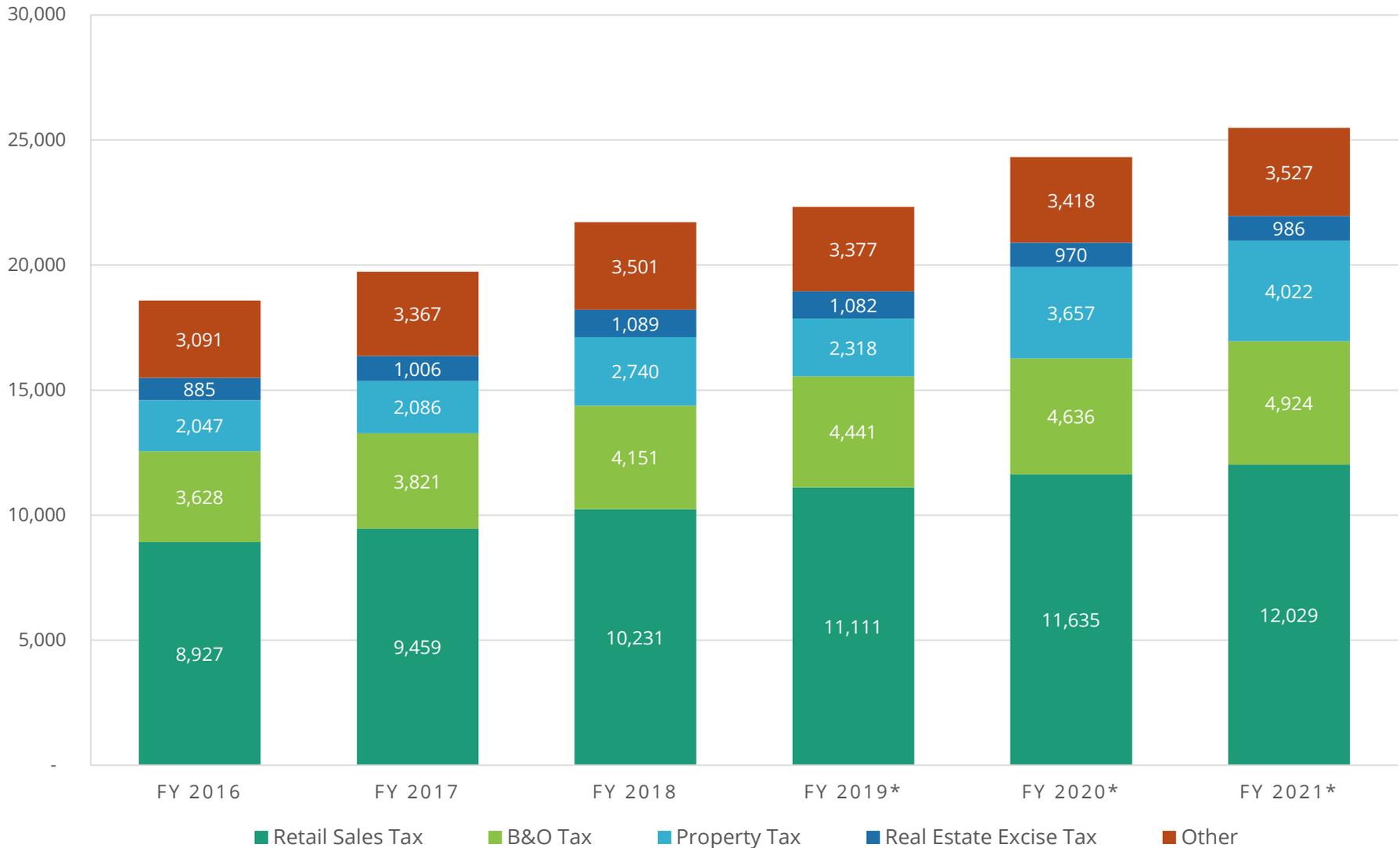


\*Near GF-S includes all state revenue subject to the budget outlook process (including the Opportunities Pathway Account (OPA) and Education Legacy Trust Account (ELTA))

Sources: ERFC Economic and Revenue Forecast Update, June 2019; Office of the State Treasurer



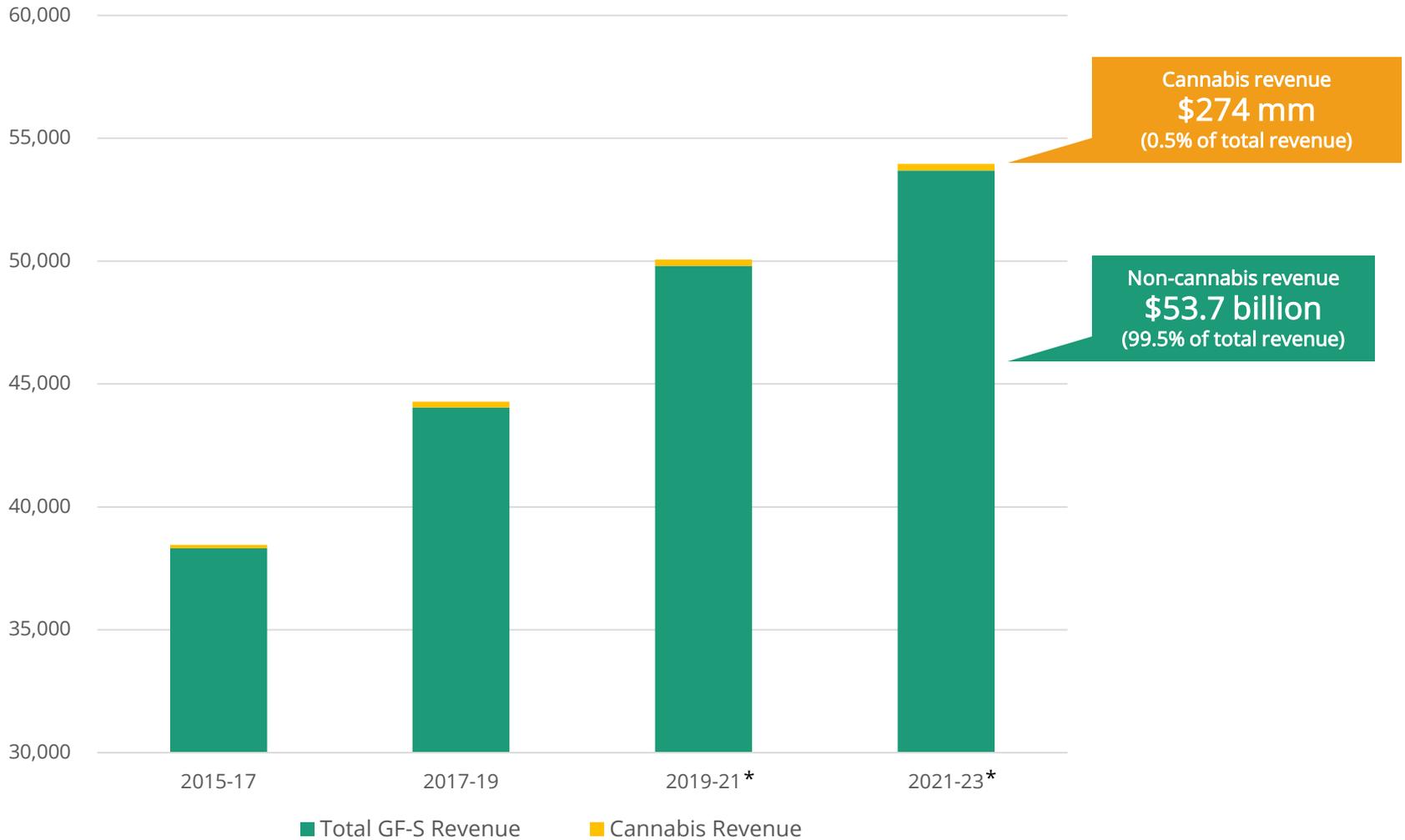
# General Fund-State Revenues by FY (\$ mm)



Sources: Economic and Revenue Forecast Council; Office of Financial Management  
\*Forecast



# Cannabis Revenue vs. Other GF-S Revenue (\$ mm)

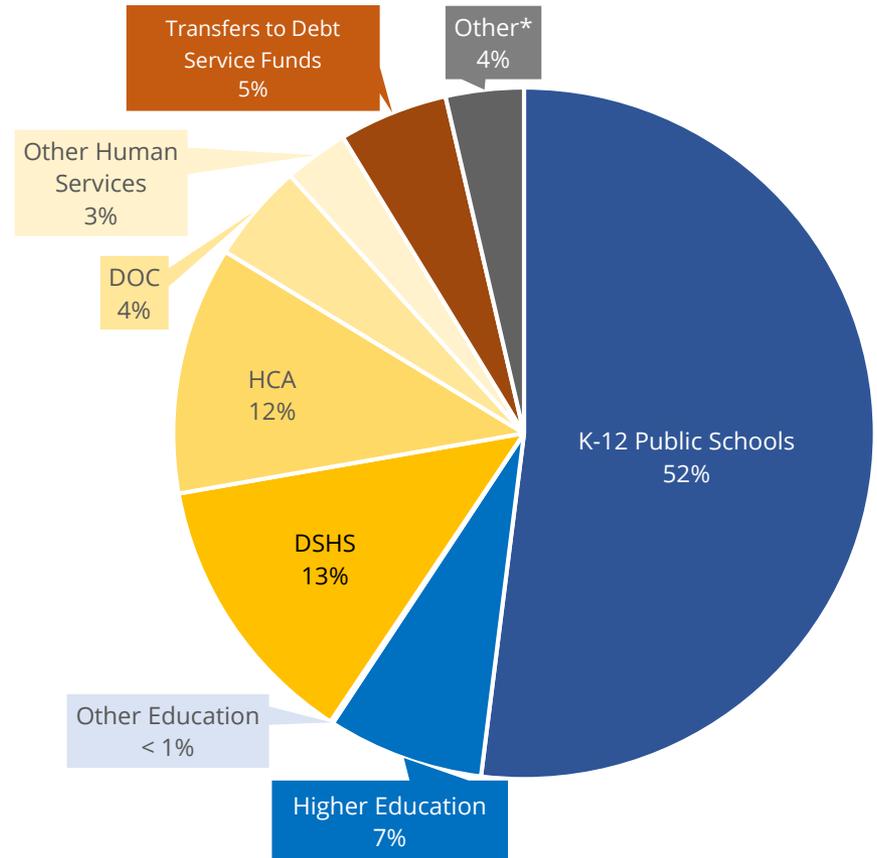




# GF-S Expenditures, FY 2019 (Budgeted) (\$ mm)

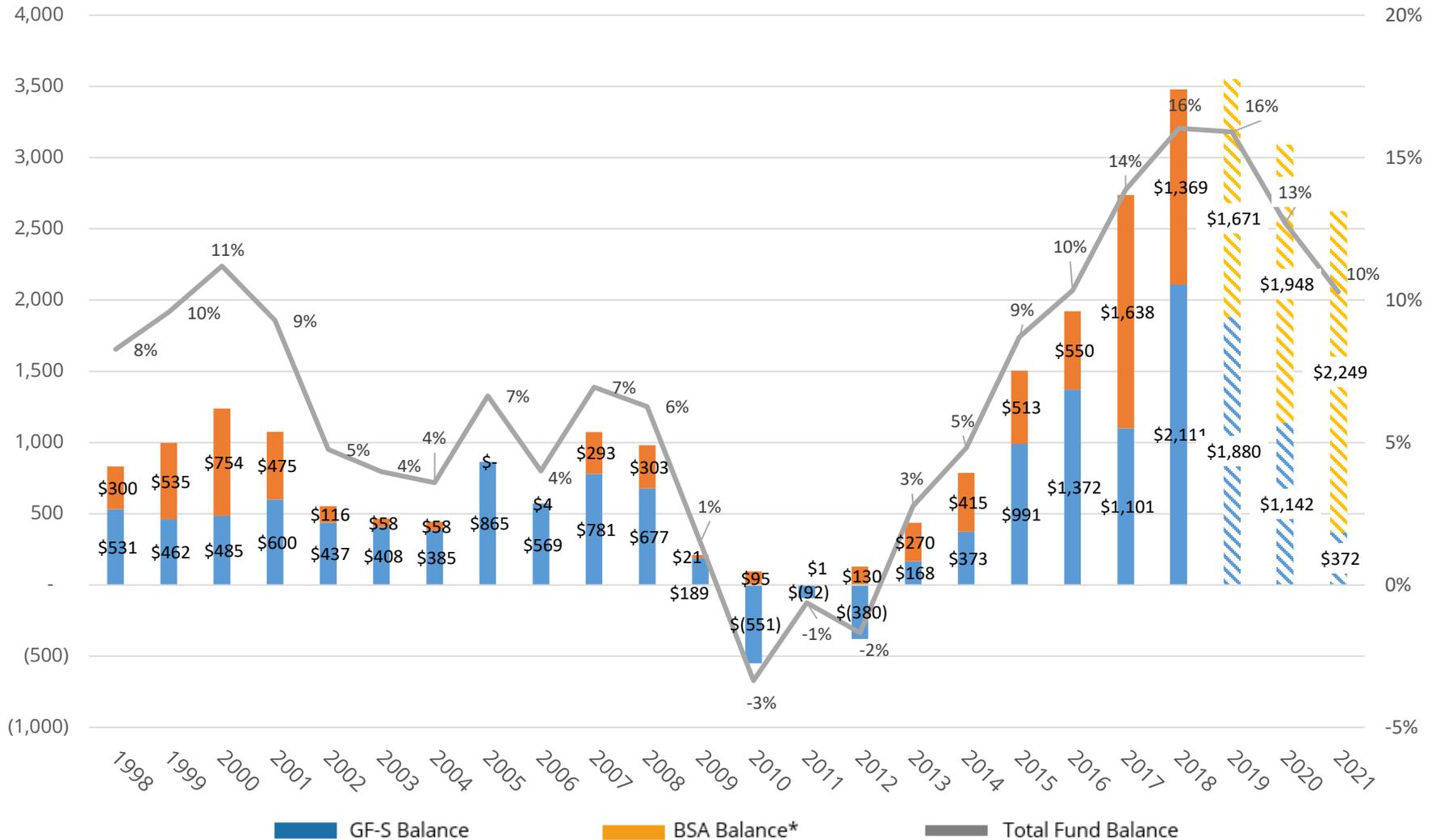
## GF-S Expenditures

Education	
K-12 Public Schools	11,903
Higher Education	1,653
Other Education	30
<b>Total Education</b>	<b>13,568</b>
Human Services	
Dept of Social and Health Services (DSHS)	2,956
Health Care Authority (HCA)	2,655
Dept of Corrections (DOC)	1,050
Other Human Services	683
<b>Total Human Services</b>	<b>7,344</b>
Transfers to Debt Service Funds	1,154
*Other:	
Natural Resources and Recreation	174
Government Operations	288
General Fund Transportation	50
Other General Fund-State Expenditures <sup>(1)</sup>	312
<b>Total GF-State Expenditures</b>	<b>22,908</b>





# GF-S and BSA Balances by Fiscal Year (\$ mm)



Source: Office of Financial Management & Economic and Revenue Forecast Council June Forecast.

Note: Fund balances at close of fiscal year. Provided revenue data is displayed on a cash basis. 2019-2021 are projections

\*Emergency Reserve Account (1998-2008)/Budget Stabilization Account (2009-present)



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## II. Economic and Revenue Update

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## June 2019 Forecast Overview

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Washington's economy shows solid growth, with employment rising in most sectors

- Non-farm employment expected to increase 2.2% in CY 2019 and 1.6% in 2020
- Nominal personal income growth is expected to increase 4.9% in CY 2019 and to average 4.9% in 2020-2023

Downside risks outweigh upside risks and includes international trade concerns, maturing economic expansion, and geopolitical tensions

Near General Fund-State revenue forecast:

- Near GF-S revenue collections for the remainder of the 2017-19 biennium are forecasted to decrease by \$47 mm, largely due to a \$70 mm refund
- Forecast Near GF-S revenues for the 2019-21 biennium have increased by \$432 mm; this incorporates a \$330 mm increase in revenue due to legislative changes and a forecast increase of \$103 mm
- Forecasted Near GF-S revenues have increased by \$678 mm in the 2021-23 biennium; this incorporates a \$605 mm increase in revenue due to legislative changes and a forecast increase of \$73 mm



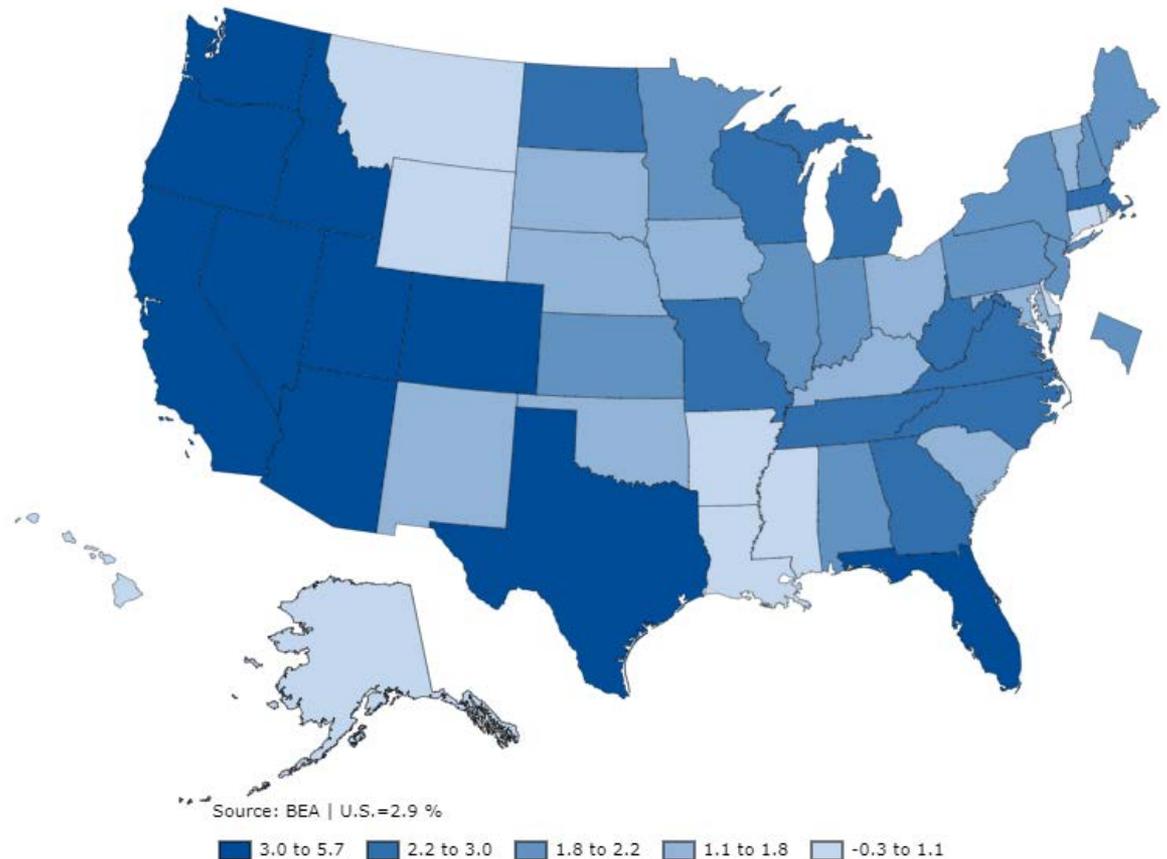
# Washington GDP

Washington's real GDP grew 5.7% in 2018, making it the fastest growing state in the nation

National GDP rose 2.9% during the same period

Real GDP By State: All Industry Total, 2017-2018  
% Change from Preceding Period

State	% Change	Rank
Washington	5.7	1
Utah	4.3	2
Idaho	4.1	3
Arizona	4.0	4
California	3.5	5
Colorado	3.5	6
Florida	3.5	7
Oregon	3.4	8
Nevada	3.2	9
Texas	3.2	10





# Washington Exports

Washington consistently ranks high in exports, placing 4<sup>th</sup> in total export value behind Texas, California, and New York in 2018

- \$78.0 billion of total exports
- Transportation equipment, primarily aircraft and parts, accounted for 54.9% of exports

Washington ranked 4<sup>th</sup> in exports per capita in 2018. The largest export partners are:

- China, \$15.9 billion
- Canada, \$9.3 billion
- Japan, \$6.1 billion
- South Korea, \$4.6 billion

Largest Export Commodities, 2018*	Value**
Civilian Aircraft, Engines, and Parts	41,750
Agriculture (6 largest categories)	10,547
Oil (Not Crude) From Petrol & Bitum Mineral Etc	2,097
Medical, Surgical, Dental Or Vet Inst, No Elec, Pt	1,295
Wood In The Rough, Stripped Or Not Etc	712
Electric Apparatus For Line Telephony Etc, Parts	514
Petroleum Gases & Other Gaseous Hydrocarbons	495

\*Excludes software and services

\*\*\$ in millions



# Washington Exports

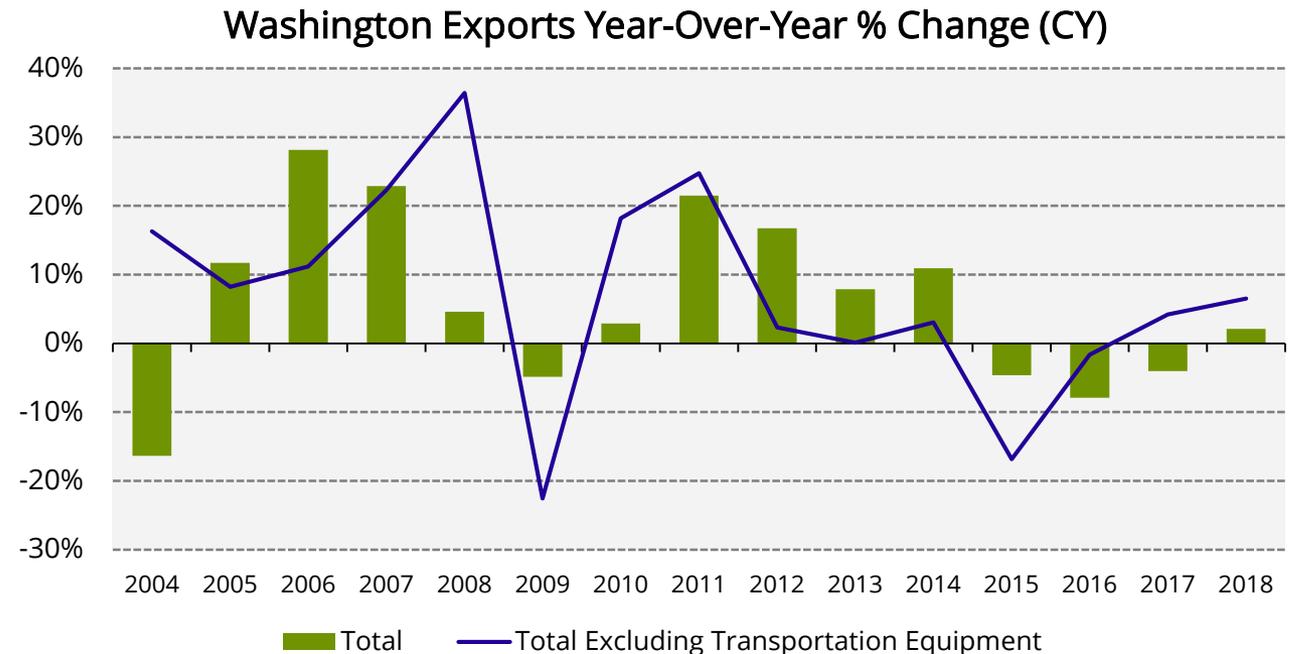
In 2018, total exports increased 2.1% compared to 2017

In 2019 Q1, total exports decreased by 5.0% compared to 2018 Q1

2019 Q2 saw a 27.6% decrease compared to 2018 Q2

Between 2018 Q1 and 2019 Q1, exports of agricultural products rose 2.4% while transportation equipment exports (mostly Boeing planes) decreased by 8.0% and exports of all other commodities (mostly manufacturing) decreased 3.8%

2019 Q2 exports were 27.6% below 2018 Q2, which is the largest quarterly decline since 2000 Q1 compared to 1999 Q1 (30% drop); contributing factors include a decline in aerospace exports, international trade uncertainty, and a slowing global economy





## Economic Impact of Boeing 737 MAX

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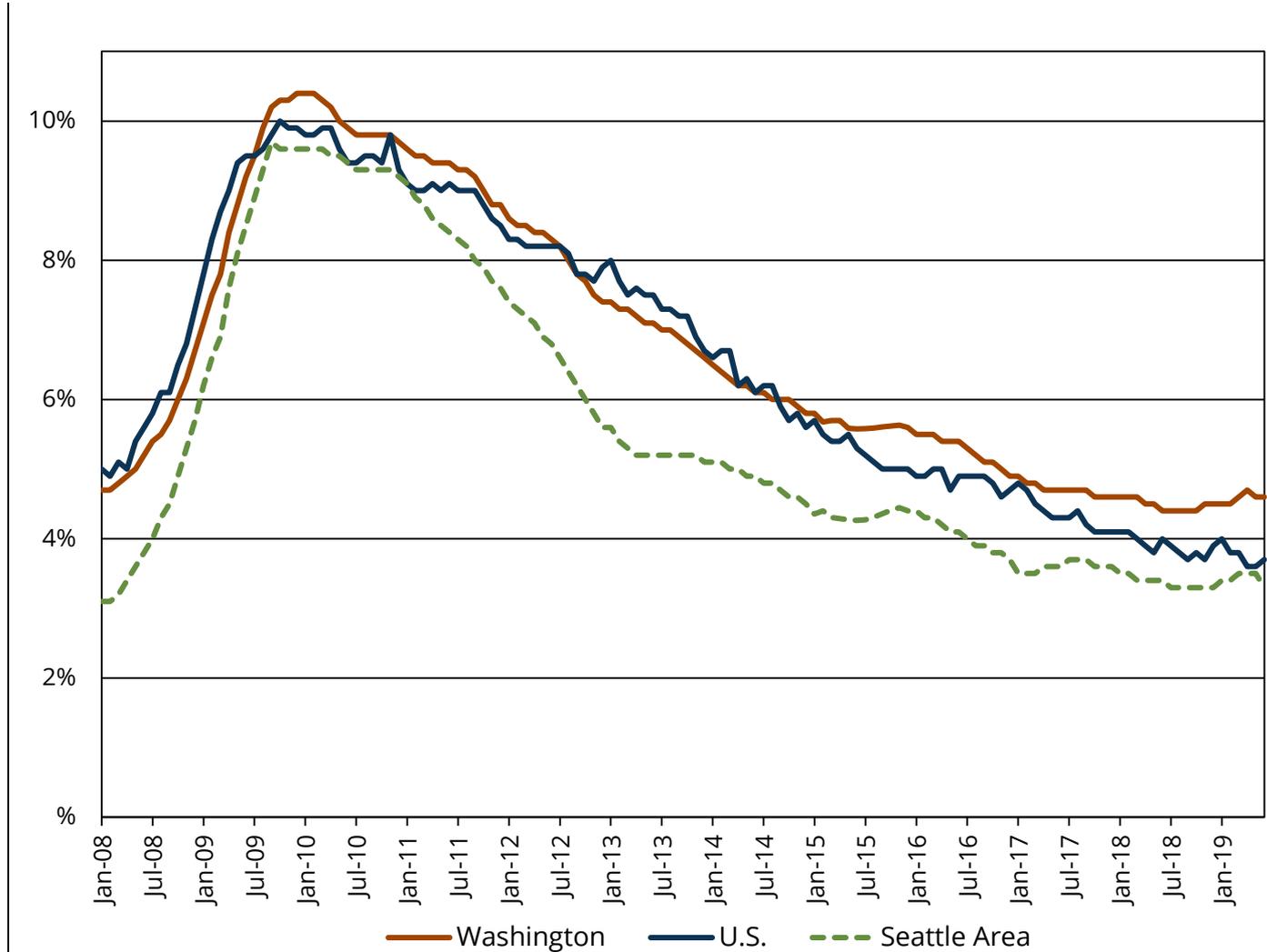
- The issues around the 737 MAX are a forecast risk as they could have a potential negative impact on WA employment and personal income
- However, because total aerospace employment in WA has increased every month since January 2018, there hasn't been visible impact to date of the decision to reduce the 737 MAX production rate; additional slowdowns or a temporary shutdown could have a visible impact
- To date, predictions regarding potential economic impacts related to the 737 MAX have not been incorporated into ERFC forecasts
- IHS-Markit is assuming a further drop in production of ten 737 MAX planes starting August 2019 (to 32), with the plane being back in the air and production returning to 52 per month in January 2020; these assumptions will be incorporated into the September forecast



# Unemployment

June 2019  
Unemployment:

- Washington: 4.6%
- Seattle: 3.3%
- US: 3.7%





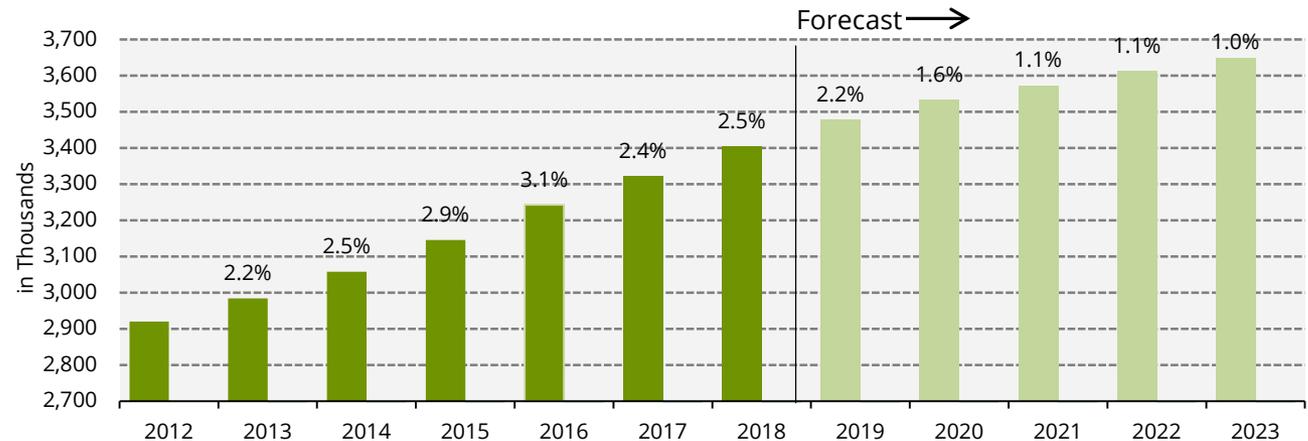
# Employment and Income

2019 Washington employment growth is expected to be 2.2%

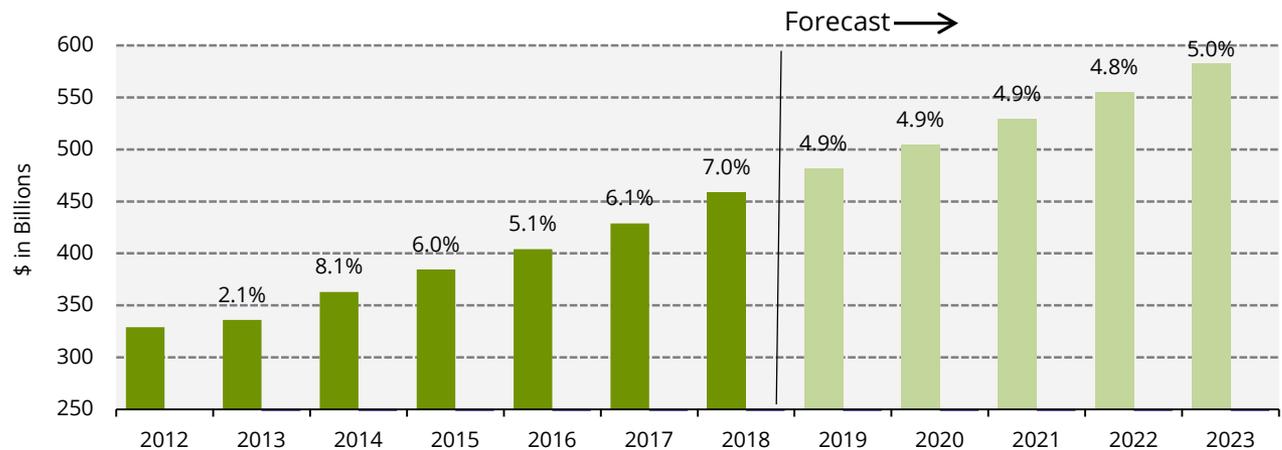
Washington GDP and personal income growth led the nation in 2018

Personal income grew by 4.3% in Q1 2019, faster than the national average of 3.4%

### Washington Nonfarm Payroll Employment (CY)



### Washington Personal Income (CY)



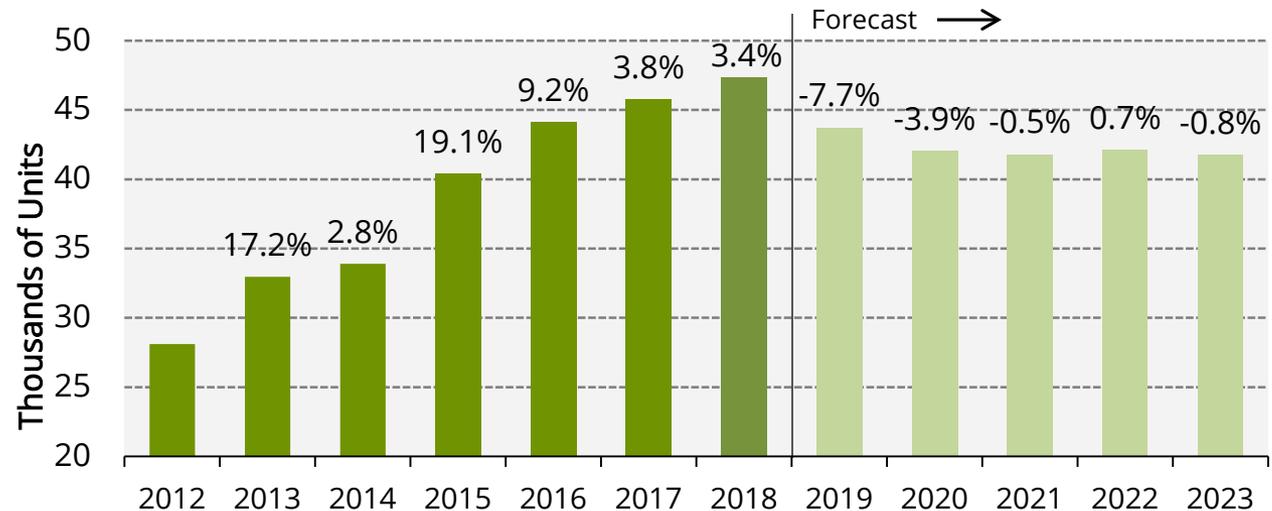


# Housing Sector and Inflation

According to the S&P/Case-Shiller home price index, year-over-year growth for Seattle was 1.6% in March 2019

Seattle home prices are 31% above their May 2007 peak

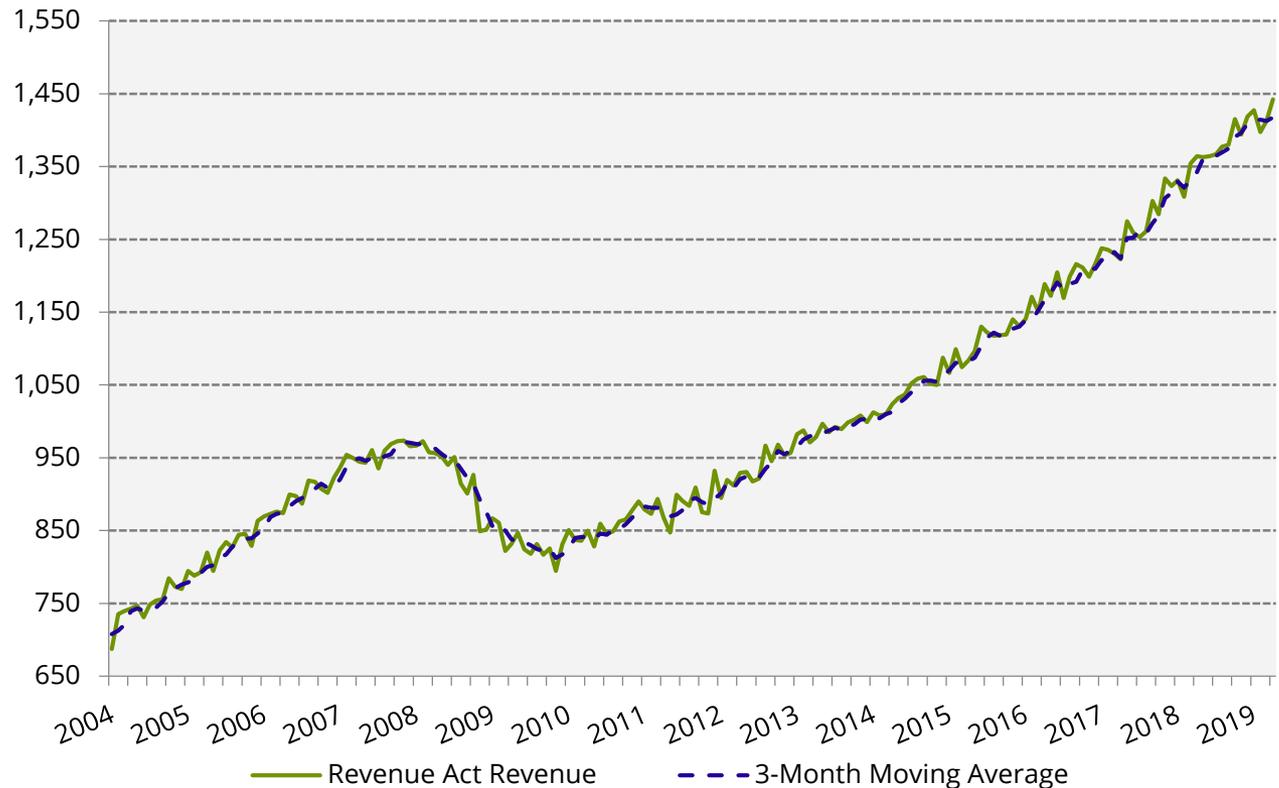
### Washington Housing Permits (CY)





# Revenue Collection Performance

### Seasonally Adjusted Revenue Act Receipts Monthly Revenue (CY) (\$ mm)\*



Seasonally adjusted Revenue Act collections have seen significant growth since 2009

Q1 2019 grew by 5.6% compared to Q1 2018

\*Current definition, adjusted for large payments/refunds and timing of payments



# Retail Sales Tax and Business & Operating (B&O) Receipts

Sales tax collections increased by:

- 6.0% in FY 2017
- 8.2% in FY 2018
- Expected to grow 8.6% in FY 2019 and 4.7% in FY 2020

B&O tax receipts increased by:

- 5.3% in FY 2017
- 8.6% in FY 2018
- Expected to grow 7.0% in FY 2019 and 4.4% in FY 2020

Washington Retail Sales Tax Receipts Monthly Revenue (CY) (\$ mm)\*



\*Adjusted for large payments/refunds, amnesty payments and taxpayer reporting frequency change.

Washington B&O Tax Receipts Monthly Revenue (CY) (\$ mm)\*



\*Adjusted for taxpayer frequency shift, amnesty payments, and recent large refunds.



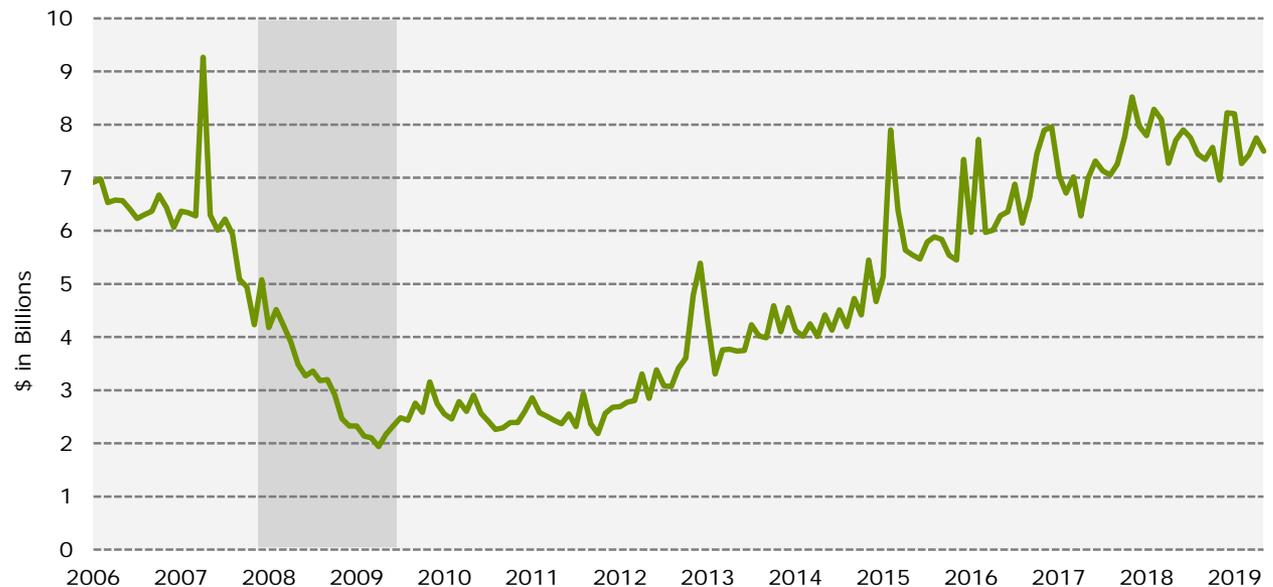
# REET Activity

Large commercial transactions slowed in May, while residential activity increased

Effective January 2020, the rates will be:

- 1.1% for the portion of the selling price up to \$500,000
- 1.28% for the portion \$500,000 to \$1.5 mm
- 2.75% for the portion \$1.5 mm to \$3 mm
- 3.0% for the portion greater than \$3 mm

### Seasonally Adjusted Sales Taxable to Real Estate Excise Taxes (REET) (CY)



Note: State share of REET is 1.28% of the taxable sales.  
Shading indicates the 2008 Recession.



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### III. General Obligation Pledge

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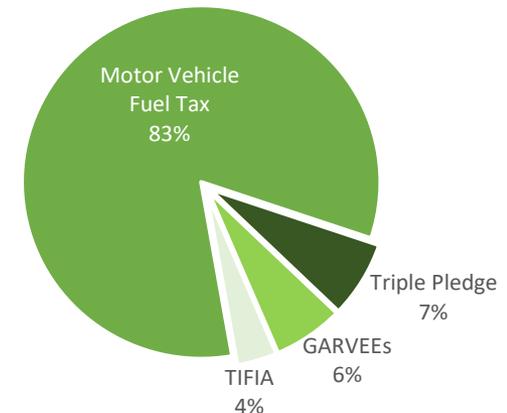
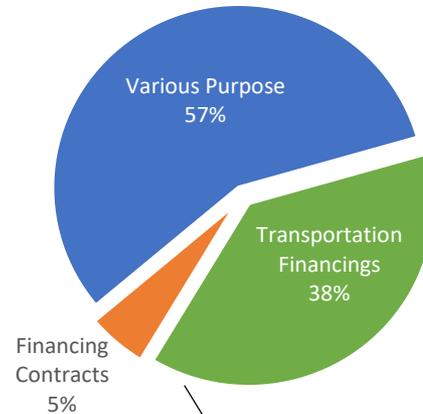
# Washington's Debt Portfolio

Outstanding Obligations (\$ mm) (as of 6/30/2019)	
Obligation Type	Outstanding
Various Purpose GO	12,057
Leasehold Financing Contracts*	1,118
<b>Subtotal</b>	<b>13,175</b>
Motor Vehicle Fuel Tax GO	6,707
Triple Pledge (Tolls, MVFT, GO)	569
GARVEEs (Pledged Federal Aid)	517
TIFIA (Tolls)	294
<b>Subtotal</b>	<b>8,087</b>

GO Bond Credit Ratings		
AA+	Aa1	AA+
S&P	Moody's	Fitch

Certificates of Participation Credit Ratings		
	Aa2	
	Moody's	

Total State Obligations



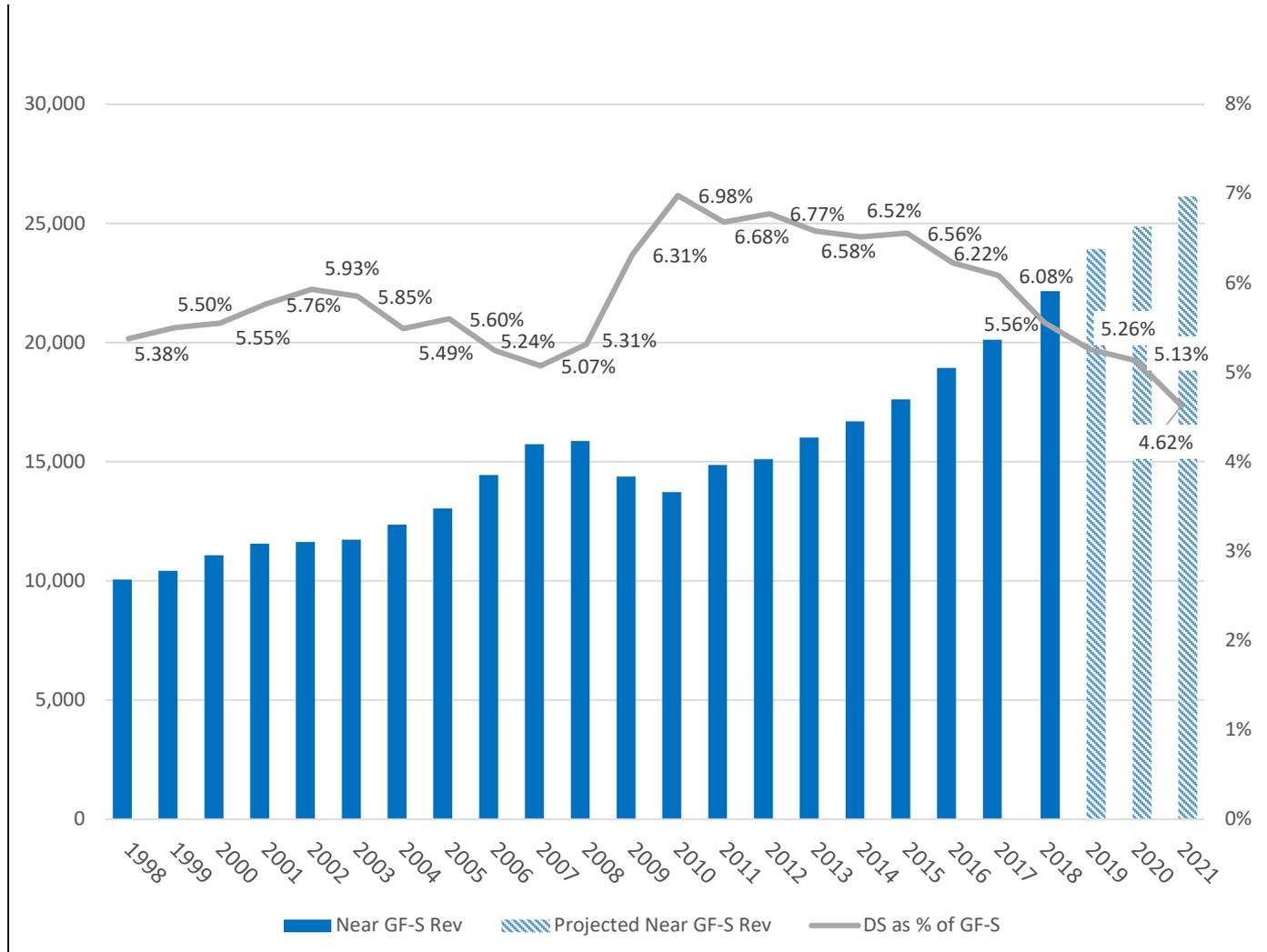
Transportation Obligations

\*State agency leasehold financing contracts only, including Lease Revenue Bonds  
Source: Office of the State Treasurer



# Various Purpose GO Debt Service as a % of General Fund Revenues by FY\* (\$ mm)

The amount of D/S backed by General State Revenues (GSR) is constitutionally limited



Sources: Office of Financial Management; ERFC Economic and Revenue Forecast Update, June 2019; Office of the State Treasurer

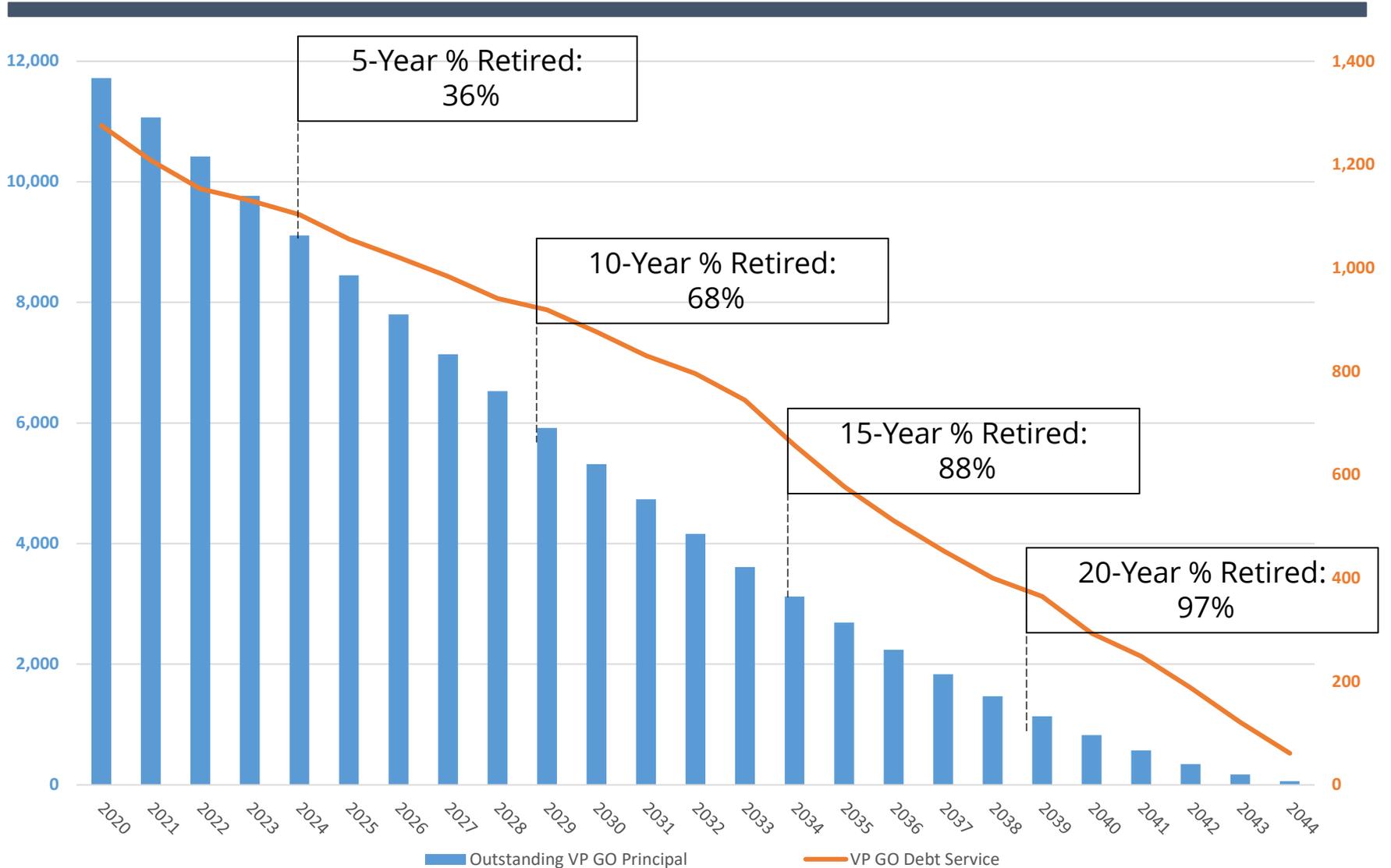


# General Obligation Debt Limitations

- **Constitutional Debt Limitation.** Maximum Annual Debt Service (“MADS”) for GO Bonds subject to the State’s Debt Limit may not exceed 8.25% (dropping to 8.00% in 2034) of the average of General State Revenues (“GSR”) for the six preceding fiscal years
  - **Included.** The State’s non-voter approved VP GO Bonds are generally subject to the Constitutional Debt Limitation
  - **Excluded.** Voter-approved GO Bonds, MVFT GO Bonds, MVFT/VRF GO Bonds, Triple Pledge Bonds, non-GO Backed Bonds, financing contracts, and guarantees under the School Bond Guarantee Program
- The Constitution restricts the incurrence of new GO Bonds based on a calculation of MADS and GSRs at the time the new debt is issued; it does not prohibit the payment of debt service in excess of the limit at the time payment is due, nor does it affect the ability to issue refunding bonds for savings
- **Working Debt Limit.** State statute provides for a “Working Debt Limit,” which is used for budgeting and planning purposes, and may be adjusted by the SFC due to extraordinary economic conditions
  - The Working Debt Limit is equal to 8.0% for the 2019-21 Biennium, dropping to 7.75% in years thereafter



# Various Purpose GO Outstanding Principal and Debt Service Schedule as of June 30, 2019 (FY) (\$ mm)





# Pension Funded Ratio

Assumed rate of return:

- 2008: 8.0%
- 2011: 7.9%
- 2013: 7.8%
- 2015: 7.7%
- 2017: 7.5%

In 2014 the actuarial cost method for calculating funded status changed from Projected Unit Credit to Entry Age Normal

The adjustments to lower the assumed rate of return are a positive change for the long term health of the system



Source: Office of the State Actuary.

\*Preliminary. The 2018 Funded Ratio information is being developed and is expected to be published in the *Economic Experience Study and Report on Financial Condition* on or about August 31, 2019.



## OPEB

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OPEB refers to benefits (other than pensions) paid after employment, typically including: medical, dental, vision, hearing, life insurance, disability, long-term care, etc.

GASB Statements No. 74 and 75 require the State to base the discount rate for plans without a dedicated trust fund on a 20-year municipal bond index, meaning the discount rate will fluctuate from year-to-year

- Unlike some other states, the State does not pre-fund OPEB, which increases the potential impact of the discount rate change

Primary medical benefit for Medicare eligible State retirees is an explicit reduction to monthly premium

- Retiree monthly premium reduced up to \$168 during CY2019 (up to \$183 in CY2020)
- Actuarial valuation assumes inflationary increases to the monthly reduction (explicit subsidy) in the future

### **Total OPEB Liability (TOL) is \$5.1 billion**

- TOL decreased by 13% from the prior year. Increases and decreases are due to:
  - Updated healthcare assumptions including trend rates, healthcare costs, and retiree contributions (decrease)
  - 2019 Session legislation increased the explicit subsidy for Medicare retirees (increase)
  - The assumed discount rate increased from 3.58% to 3.87% (tied to the 20-yr bond index) (decrease)
  - Retiree dental benefits are now included in the valuation (increase)



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## IV. Transportation Update

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# WSDOT Transportation Revenues

State Collected Transportation Revenues\*  
FY 2015 - 2021



June 2019 forecast projects gross transportation revenue for 2019-21 at \$6.6 billion, a \$24.7 million increase from the March forecast

\*Actuals and Projections as of June 2019 Forecast. State Collected Transportation Revenues include accounts that primarily support WSDOT and do not include other accounts that support expenditures for agencies such as Department of Licensing, the Washington State Patrol and local grant agencies.



# WSDOT Enacted Transportation Budgets

	<u>2019-21 Enacted</u>
Operating Budget	\$2.00 billion
Capital Budget	\$4.75 billion
<b>Total Appropriation</b>	<b>\$6.75 billion</b>

WSDOT construction projects in 2019-21 include work on:

- The Alaskan Way Viaduct Replacement
- The SR 520 Westside Project
- I-405/Renton to Bellevue – Corridor Widening
- Puget Sound Gateway Project

Major new revenue items include:

- A new electrification fee of \$75 for electric vehicles and plug-in hybrid electric vehicles effective August 1, 2019 (fees will total \$225), and a new hybrid vehicle transportation electrification fee of \$75 for hybrid or alternative fuel vehicles effective October 1, 2019 (fees will total \$75)
- \$50 million per biennium of the Hazardous Substance Tax to the Motor Vehicle Account to be used exclusively for storm water activities
- An increase to the service fee for a vehicle/vessel title transaction and registration vehicle/vessel renewal transaction effective June 28, 2019



## Nickel Funding Package

\$3.2 billion GO bond authorization, payable from motor vehicle fuel taxes

Expires when bonds are retired

\$212.5 mm unissued

The Nickel package includes:

- \$0.05 per gallon gas tax increase, effective July 1, 2003
- 15% increase in gross weight fees on heavy trucks
- 0.3% increase in the sales tax on motor vehicles

Nickel capital projects include\*:

- Alaskan Way Viaduct design
- Various I-405 projects
- Construction of a ferry and terminal improvements
- Projects for congestion relief and improved safety
- Other projects throughout the State

\*Refer to the LEAP transportation project list for currently funded Nickel projects



# Transportation Partnership Package

\$5.3 billion GO bond authorization, payable from motor vehicle fuel taxes

No sunset date

\$1.4 billion unissued

The Transportation Partnership (TPA) package includes:

- \$0.095 gas tax increase phased in over four years (with \$0.01 dedicated to cities and counties), beginning on July 1, 2005
- Vehicle weight fee on passenger cars
- Light truck weight fee increase
- Annual motor home fee

TPA capital projects include\*:

- The Alaskan Way Viaduct
- SR 520 Bridge design and construction
- Central Puget Sound bridge seismic retrofit
- Projects for congestion relief and improved safety
- Other projects throughout the State

\*Refer to the LEAP transportation project list for currently funded TPA projects



# Connecting Washington

\$5.3 billion GO bond authorization, payable from MVFT and vehicle-related fees

First issuance of approximately \$280 million is planned for fall 2019

No sunset date

The Connecting Washington transportation package includes:

- \$0.07 fuel tax increase effective August 1, 2015
- Additional \$0.049 fuel tax increase effective July 1, 2016
- License fees by weight for trucks and cars increase effective July 1, 2016
- Additional weight fees begin July 1, 2022

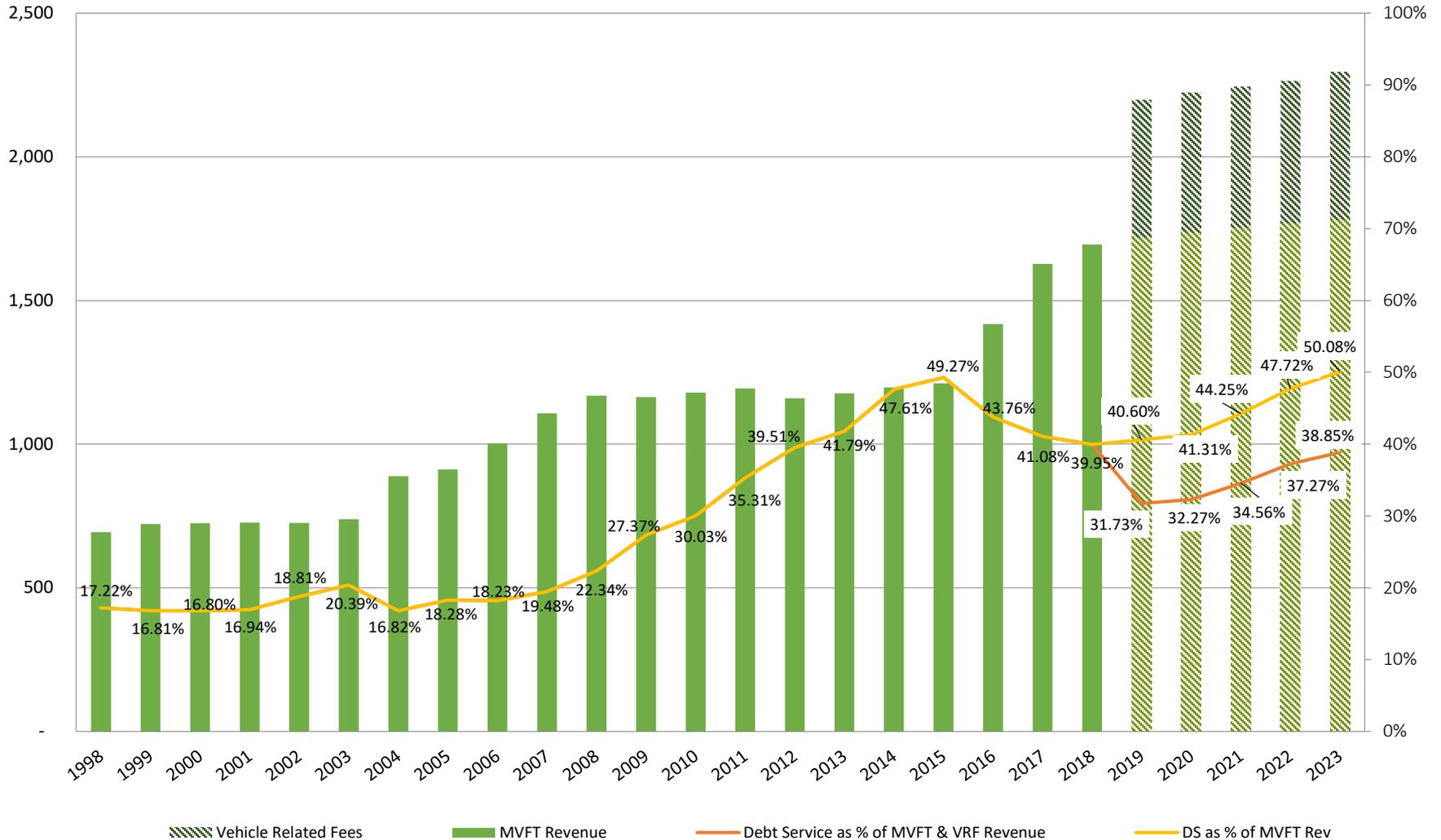
Connecting Washington capital projects include\*:

- SR 167/SR 509 Puget Sound Gateway
- SR 520 Westside Project
- I-405 Lynnwood to Tukwila Corridor Improvements
- US 395 North Spokane Corridor

\*Refer to the LEAP transportation project list for currently funded Connecting Washington projects



# MVFT / MVFT-VRF Debt Service as % of MVFT and MVFT-VRF Revenues by FY (\$ mm)



Sources: Transportation Revenue Forecast Council; Washington State Department of Transportation; Office of the State Treasurer

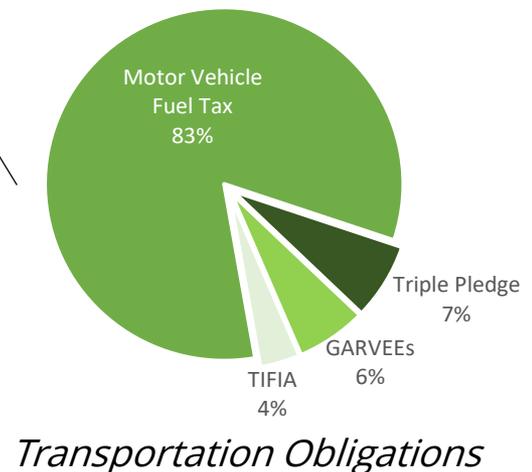
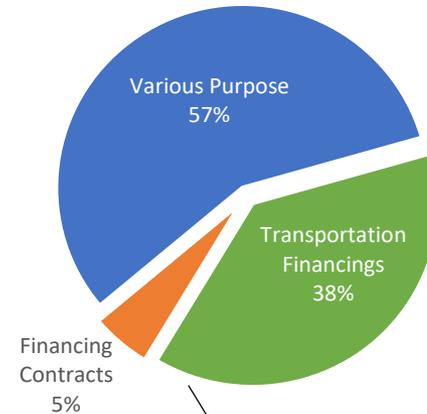


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MVFT GO Bond Credit Ratings		
AA+	Aa1	AA+
S&P	Moody's	Fitch

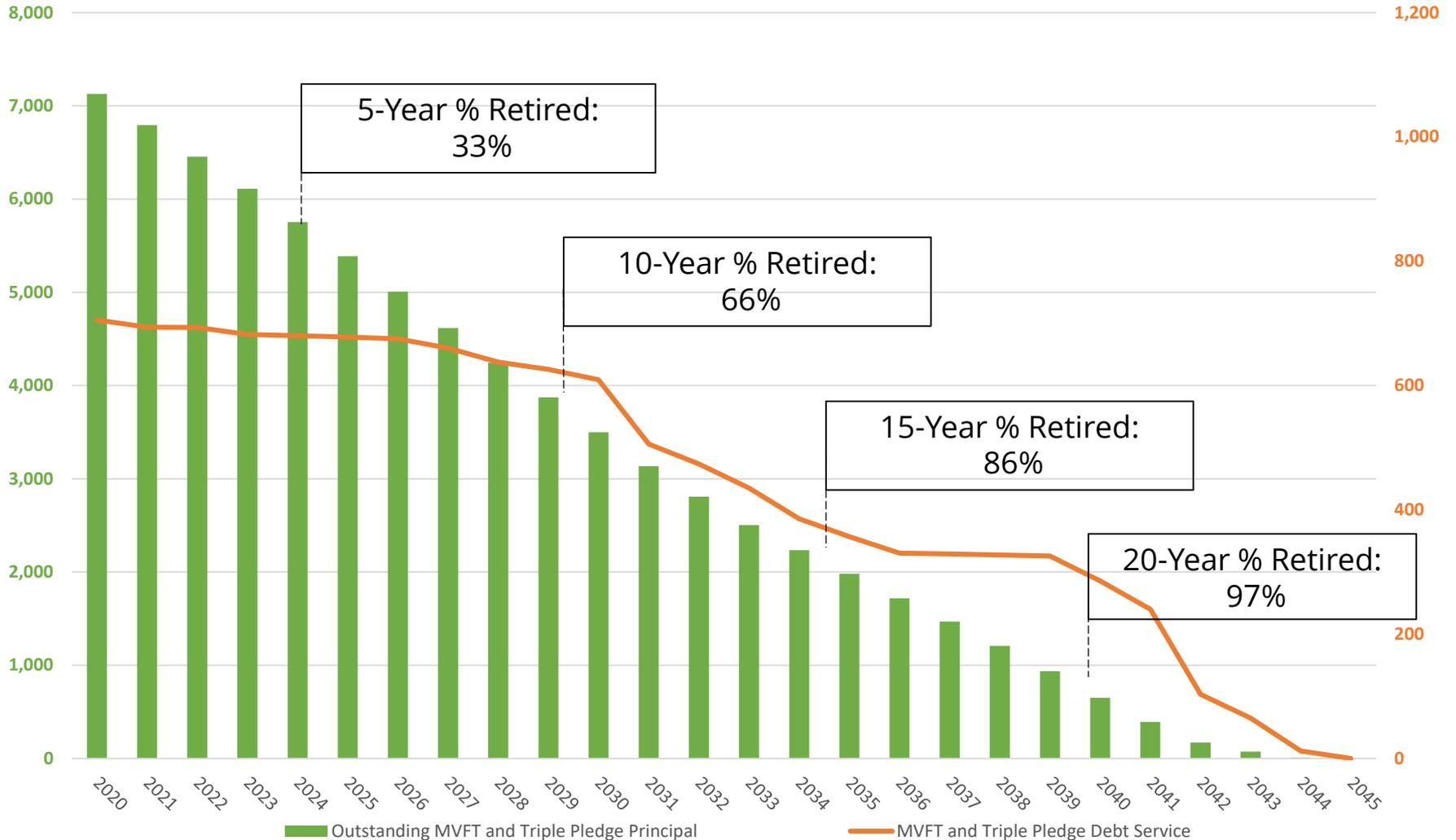
Total State Obligations



\*State agency leasehold financing contracts only, including Lease Revenue Bonds  
Source: Office of the State Treasurer



# Transportation Outstanding Principal and Debt Service Schedule as of June 30, 2019 (FY) (\$ mm)



Sources: Washington State Department of Transportation; Office of the State Treasurer  
Note: Excludes TIFIA and GARVEEs



# Alaskan Way Viaduct (AWV) Replacement Program Updates

- The viaduct has been replaced with a two-mile long bored tunnel, highway connections, and south downtown overpass. A new waterfront surface street is also being constructed by the City of Seattle (a portion of which is State funded)
- The viaduct closed permanently January 11, 2019, and the new tunnel opened February 4, 2019
- The cost to complete the program is \$3.30 billion
  - There was a two-year delay in tunnel boring and the responsibility for additional costs and delays associated with this work is currently the subject of litigation
  - Tolling is scheduled to begin in fall 2019

The State plans to issue up to \$200 mm of MVFT GO Bonds for the AWV, to be reimbursed by toll revenues

- \$122 mm was issued during the 2017-19 biennium
- The remaining amount is authorized to be issued in the 2019-21 biennium



Before and after of Alaska Way Viaduct demolition

[www.wsdot.wa.gov/Projects/Viaduct](http://www.wsdot.wa.gov/Projects/Viaduct)



# I-405 Corridor Program

Legislation passed during the 2019 session (ESSB 5825) that expanded toll authorization for express toll lanes on the I-405 Corridor

The bill authorizes WSDOT to sell up to \$1.16 billion of Triple Pledge GO bonds, first payable by toll revenue and further secured by MVFT and VRF, as well as the State's General Fund, in support of completing the I-405 Corridor Program

The I-405 Corridor Program includes several projects, including two new lanes in each direction; a managed lanes system; and local street, transit (including a new Bus Rapid Transit system), and bicycle and pedestrian improvements

- **Completed:** I-405 express toll lanes from Bellevue to Lynnwood, the extension of high occupancy toll lanes on SR 167, and a new northbound peak-use shoulder lane on I-405 between SR 527 and I-5
- **Future improvements:** I-405/SR 167 direct connector project, Renton to Bellevue widening and express toll lanes project, and Northeast 132nd Interchange project



[www.wsdot.wa.gov/Projects/I405](http://www.wsdot.wa.gov/Projects/I405)



# Puget Sound Gateway Program

Legislation passed during the 2019 session (ESSB 5825) provided toll authorization for the Puget Sound Gateway Program. The bill authorizes WSDOT to sell up to \$340 million of Triple Pledge GO bonds, first payable by toll revenue and further secured by MVFT and VRF, as well as the State's General Fund, in support of the Puget Sound Gateway Program.

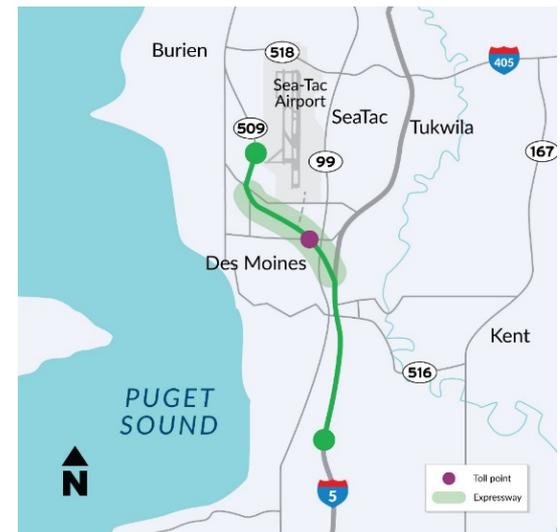
The Puget Sound Gateway Program is composed of two projects: the completion of SR 167 in Pierce County and the completion of SR 509 in King County. The projects will connect the State's largest ports (Tacoma and Seattle) to key distribution centers in King and Pierce counties and to eastern Washington.

The Program is currently expected to be complete in 2028. Total funding for the Project is \$2.0 billion.

## SR 167 & SR 509 Spur



## SR 509





# SR 520 Corridor Program

The cost of the SR 520 Floating Bridge and Eastside plus West Approach Bridge North Project and the Westside Project is estimated to be \$4.507 billion

Of this total, the Westside Project is budgeted at \$1.6 billion



The SR 520 Corridor is 12.8 miles long from I-5 in Seattle to the west and crossing Lake Washington to SR 202 in Redmond. The corridor is one of two major east-west roadways crossing Lake Washington and includes two major bridges: a floating bridge which is 1.42 miles long (the longest floating bridge in the world), and the Portage Bay (elevated) bridge.

The SR 520 Corridor Program includes two major projects:

- The SR 520 Floating Bridge and Eastside plus West Approach Bridge North Project, which is substantially complete
- The Westside Project, also known as the “Rest of the West”, has been funded by the Legislature as part of the Connecting Washington transportation package and is expected to be phased in over the next 10 or more years



# SR 520 Corridor Project: Actual Traffic and Revenue vs. Projections

SR 520 gross and net toll revenues are within target

Traffic and Toll Revenue*	Forecast	Actual	Variance
<b>Toll Transactions</b>			
FY 2017	\$24,190,000	\$23,974,779	- 0.9%
FY 2018	\$24,609,000	\$25,785,356	+ 4.8%
FY 2019 through April 2019	\$21,638,000	\$21,768,342	+ 0.6%
<b>Gross Toll Revenues</b>			
FY 2017	\$82,371,000	\$81,913,287	- 0.6%
FY 2018	\$87,336,000	\$90,349,101	+ 3.5%
FY 2019 through April 2019	\$75,962,000	\$75,787,643	- 0.2%
<b>Net Toll Revenues</b>			
FY 2017**	\$59,479,000	\$63,865,423	+ 7.4%
FY 2018	\$64,306,000	\$69,458,811	+ 8.0%
FY 2019 through April 2019	\$52,550,000	\$55,616,513	+ 5.8%

\*FY 2017 data is compared to the November 2016 forecast, FY 2018 data is compared to the November 2017 forecast, and FY 2019 data is compared to the November 2018 forecast.

\*\*FY 2017 net revenue includes sales of right of way valued at \$2.85 mm not previously included in the forecast.



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## V. Investments and Fund Balances

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# Investments Overview

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**State Treasury and Treasurer's Trust Portfolio.** Comprised of all accounts in the State Treasury and in the custody of the State Treasurer

- Comingled for cash management and investment purposes
- Managed in two portfolios
  - **Liquidity** – meets immediate and short-term cash needs
  - **Core** – invested longer-term with a portfolio duration target of 2.15 years
- Amount allocated to core portfolio adjusted periodically based on cashflow forecasts

**Local Government Investment Pool (LGIP).** Voluntary investment option for local governments and certain State agencies

- Provides participants 100% liquidity on a daily basis
- Portfolio managed similar to Rule 2a-7 money market funds

**Separately Managed Account Program.** 2019 legislation authorized the Treasurer to contract with local governments and certain State agencies to manage investments in separate accounts

- Portfolios are managed using the same parameters as the State's core portfolio



# Investment Practices are Conservative

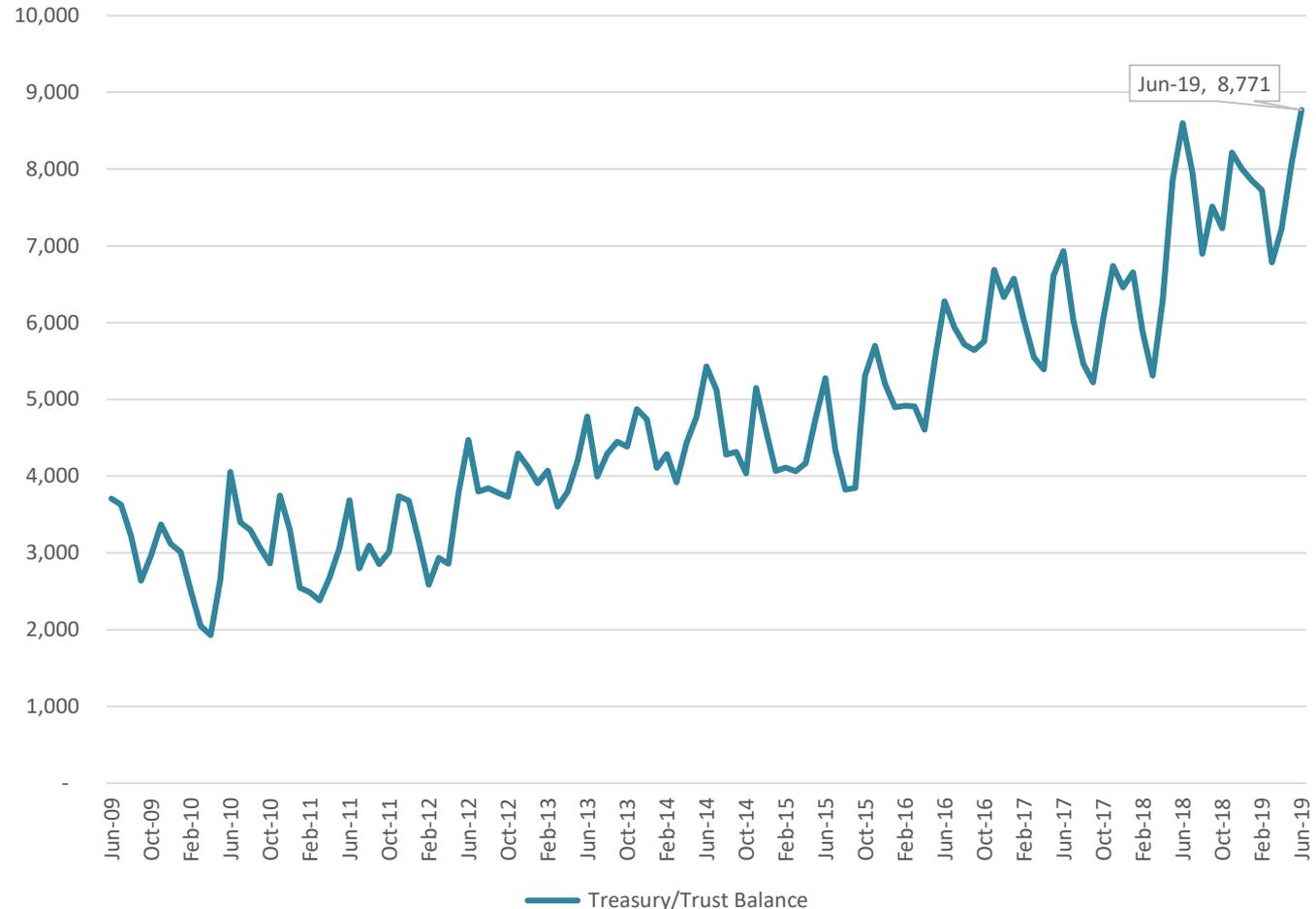
The State maintains conservative investment practices and policies

Average Daily Balances by Security Class				
	June 2019		July 2018 - June 2019	
Treasury & Treasurer's Trust Funds	(\$ in Thousands)	(%)	(\$ in Thousands)	(%)
U.S. Agency	1,327,915	16.4	1,361,103	18.0
Supranational Institutions	696,159	8.6	725,695	9.6
U.S. Treasury	3,122,915	38.6	2,438,915	32.2
Corporate Notes	154,618	1.9	138,434	1.8
Repurchase Agreements	-	0.0	-	0.0
Bank Deposits	287,920	3.6	234,680	3.1
LGIP Deposit	2,342,843	29.0	2,506,769	33.1
Certificates of Deposit	158,875	2.0	163,067	2.2
<b>Total:</b>	<b>8,091,245</b>	<b>100</b>	<b>7,568,666</b>	<b>100</b>
<b>Weighted Average Maturity: 488 days</b>				
LGIP Funds	(\$ in Thousands)	(%)	(\$ in Thousands)	(%)
U.S. Agency	6,475,465	37.9	5,534,439	35.9
Supranational Institutions	862,103	5.0	1,183,238	7.7
U.S. Treasury	4,193,402	24.5	3,690,444	24.0
Repurchase Agreements	2,770,127	16.2	2,641,970	17.2
Interest Bearing Bank Accounts	2,588,297	15.1	2,159,189	14.0
Certificates of Deposit	202,250	1.2	187,571	1.2
<b>Total:</b>	<b>17,091,644</b>	<b>100</b>	<b>15,396,850</b>	<b>100</b>
<b>Weighted Average Maturity: 43 days</b>				



# Treasury / Trust Fund Balances

### Treasury / Trust Month End Balances FY 2009 – FY 2019 (\$ mm)



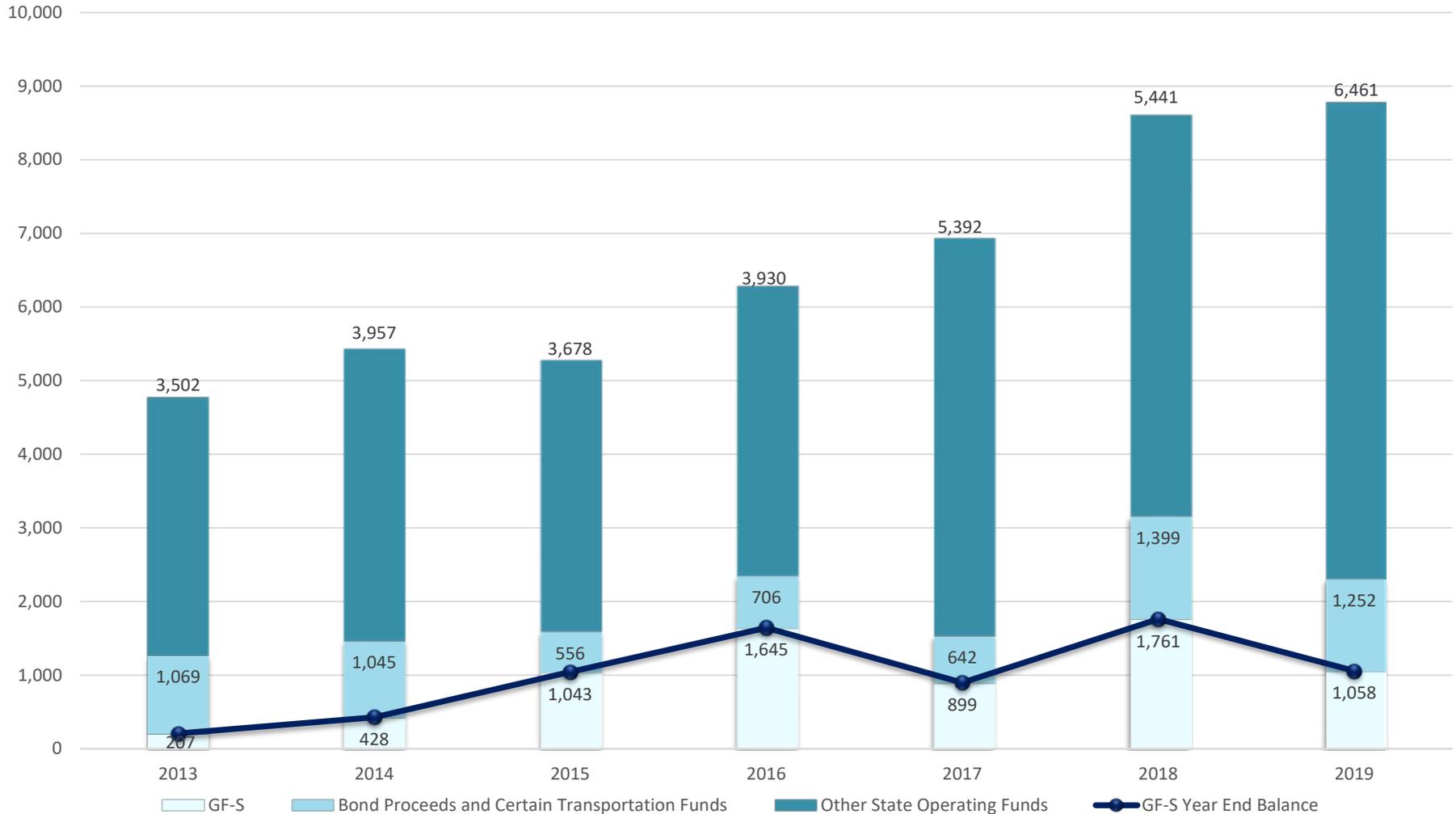
The Treasury/Trust balance represents the total of the commingled State funds managed by the Office of the State Treasurer

The State has strong cash management policies and sound liquidity



# Alternative Liquidity

## Treasury/Trust Ending Cash Balance By Category\* (FY) (\$ mm)



\* All inclusive net of GF-S, VP GO bond proceeds, and MVFT GO bond proceeds

Sources: Office of Financial Management; ERFC Economic and Revenue Forecast Update, June 2018; Office of the State Treasurer



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## VI. Risk Management

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# Cyber Security

The State carries two insurance policies providing a total of \$5 mm of cyber security coverage:

\$2 mm master property policy and cyber liability;  
\$100,000 deductible

\$3 mm secondary insurance policy

Limits are not restored

Office of Cyber Security (OCS) was established in 2015 and is responsible for:

- Establishing and monitoring statewide IT security standards
- Preventing and responding to IT security incidents
- Cyber information sharing with State agencies, federal government, and local government

State Auditor performs penetration testing on several agencies per year

Office of the Secretary of State works collaboratively with the Department of Homeland Security (DHS) to ensure elections system security

- Includes penetration testing, web application testing, and social engineering
- Employs recommended elections standards including paper-based systems, independent testing, election audits, and security measures
  - Cyber Resilience Review provided by DHS at no cost



# Natural Disasters and Environment

Last major volcanic event was the eruption of Mount St. Helens in 1980

Last sizeable earthquake, in 2001, recorded 6.8 on the Richter Scale

## Natural Disasters

The loss of life and property damage that could result from a major earthquake or other major natural disasters could have a material and adverse impact on the State, its economy, and financial condition

- Cascadia subduction zone may produce a major earthquake with a resulting tsunami along coastline
- Other potential disasters include volcanic eruptions, mudslides, wildfires, floods, wind storms, drought, and avalanches
- Weather-related events may be impacted by a changing climate

## Environment

Actions of the Governor's Office:

- Executive Order 14-04 passed in 2014 created the Carbon Emissions Reduction Taskforce
- Joined the Pacific Coast Collaborative and signed the Under 2 MOU, commitments to climate action greenhouse gas reduction



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## VII. Debt Issuance Plans

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# State Financing Calendar and Contact Information

New Issue Calendar*	
Timing	Description
Sept 10, 2019	<b>State of Washington</b> -\$472 mm Various Purpose GO Bonds (tax-exempt) -\$229 mm MVFT and VRF GO Bonds (tax-exempt) -\$38 mm GO Bonds (taxable)
Sept 24, 2019	<b>State of Washington</b> -\$100 mm Certificates of Participation
Sept 26, 2019	<b>State of Washington</b> -\$92 mm Refunding VP GO Bonds -\$53 mm Refunding MVFT GO Bonds

\*Preliminary, time and size subject to change

Website: [tre.wa.gov](http://tre.wa.gov)

For questions, please contact the following individuals at the Office of the State Treasurer:

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# Marquee Washington Business

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