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Report to the Citizens of Washington

Fiscal 2019 • July 1, 2018 - June 30, 2019



What We Do

The Office of the State Treasurer (OST) serves as a bank for Washington state government and is responsible for the safety and security of the state's money.

The treasurer serves on state committees overseeing economic and revenue forecasting, economic development, college savings plans, housing access and affordability, and stewardship of investments for public employees.

The agency's divisions manage cash flow, facilitates investment of the state's operating cash, carefully accounts all transactions, manages debt, and provides financing and financial education resources.

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Our Mission:

To ensure responsible and reliable collection, distribution, and management of Washington taxpayer dollars with a focus on service, security, and transparency.

Cash Management

We manage banking services for over 500 state accounts on a pooled basis to reduce banking fees, and we track receipts and spending separately for each account.

Investment

We pool state funds with local government short-term surplus operating cash and invest those funds to help taxing districts get better interest rates and terms than they would be able to receive on their own.

Debt

We structure and secure financing for capital and transportation budget projects, including roads and bridges, school buildings, state park projects, and refinance bonds when appropriate to take advantage of lower interest rates.

Financial Education

We form partnerships with other Washington state agencies and organizations to provide learning opportunities to community members throughout the state that will help them better be able to make informed financial decisions.

The State of Washington

Total Population
7.5 Million

Number of Counties
39



Cities and towns in the Local Government Investment Pool
234

Office of the State Treasurer Full-Time Employees
68
(Approved by the Legislature)

Cash Flow in Billions





Washington Treasurer Duane A. Davidson continues to lead the Office of the State Treasurer in his third year in office, overseeing the safety and security of the state's finances.

In Fiscal Year 2019, his office reached new heights in its internal systems improvements, informative outreach to Washingtonians, and prudent management of taxpayer dollars.

Internal Auditing

OST put into effect a formal Internal Audit Charter that defines the purpose, authority, and responsibility of internal audit activity, includes the scope of internal audits, and outlines records access authorization.



The internal auditor is also responsible for serving as liaison and coordinating annual audits with external auditors, such as the Washington State Auditor's Office, to ensure that public resources and funds are not at risk of fraud, abuse, or misappropriation.

Financial Education

Launched in January 2019, OST now offers over 70 free interactive financial education modules in both English and Spanish that cover a wide range of topics ranging from budgeting and savings to auto loans and retirement.



OST partnered with YouthCare, a non-profit organization working toward ending youth homelessness, providing financial education workshops to residents of the program.

Treasurer Davidson attended numerous program meetings, classrooms, and conferences to advocate for the importance of financial education both in the classroom and in Washington households.

Investment Management

Deposits in the Local Government Investment Pool (LGIP) peaked at a record high of over \$17.8 billion in May 2019, and included participants from 234 cities and towns, as well as 30 community colleges and universities, 7 State Agencies, and 24 other public entities.



In 2019, OST legislation established the capability to offer separately managed investment portfolios to provide a longer-term investment option to eligible governmental entities and allow local governments around the state to take advantage of OST's investment expertise for their core balances.

Debt Management

OST launched the Washington Fund Directory, a one-stop website for sourcing project funding that is designed to help users find the right type of financing for their projects and purchases.

During FY 2019, OST provided credit support through the School Bond Guarantee Program for 30 state school district bond financings, which including refunding bonds, totaled \$1.81 billion.



During FY 2019, OST took the lead in refunding \$227,875,000 worth of lease revenue bonds, originally issued in 2009, to save \$71.1 million in total debt service for the state.



\$21 BILLION

The total amount of Washington's outstanding debt (\$21 billion) and financing contracts, with total annual debt service of over 2 billion in Fiscal Year 2019

Percentage of Near General Fund-State revenues that will be used to pay Various Purpose General Obligation debt service in Fiscal Year 2019

5.3%

\$2,613

The amount each Washingtonian would need to contribute to repay the state's outstanding General Obligation Debt and financing contracts

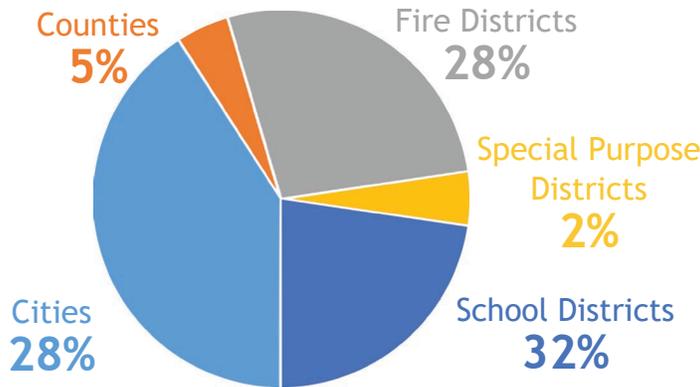
Debt Financing for Local Governments

The Local Option Caption Lending Program (LOCAL Program)

The LOCAL program provides Washington municipalities with a cost-effective way to finance equipment and/or real estate projects at a cost that is lower than they could finance on their own.

Property Types	Total Financed in FY 2019
Equipment	\$6,162,992
Real Estate	\$13,871,941
Total	\$20,034,933

LOCAL Program User Types in FY 2019



* Special districts are independent, special-purpose governmental units that exist separately from local governments such as mosquito control districts or diking improvement districts.

Local government directly serves the people of every community. There are many that take advantage of the state's low tax-exempt financing rates of the LOCAL Program to purchase and construct:

- Municipal Buildings
- Fire Trucks
- School Buses
- And More



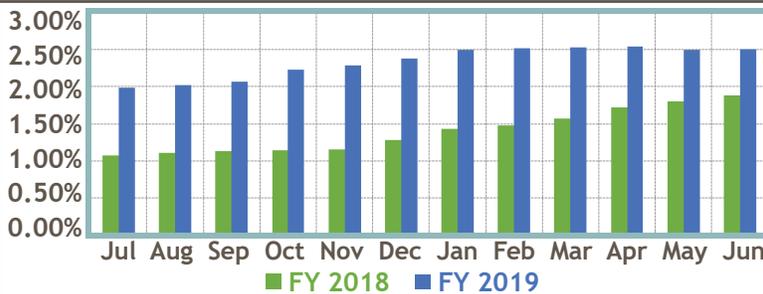
There are various types of property financed through the LOCAL Program, including vehicles, and equipment. This table shows the types of property financed in FY 2019.

Types of Property	Number of Financings
Real Estate Buildings/Land	6
Road Vehicles -- Tractors	1
Communication Systems	1
Vehicles -- Cars & Trucks	4
Boats, Aircraft, Recreational Equipment	1
Commercial Vehicles -- Buses, Fire Trucks	9
Total	22

Investments for Local Governments

The Local Government Investment Pool (LGIP Program)

LGIP Net Rate of Return



The LGIP is a voluntary investment option that invests surplus cash from local governments and had an average balance of \$15.4 billion in FY 2019. A combination of a low administrative fee and a high rate of return makes the LGIP a valuable resource for local government investing.

The bottom line is, as a government agency, OST can provide local governments financing and investment opportunities at a lower cost than the private sector due to our state's high credit rating and by pooling resources to provide the benefit of economies of scale.

Looking Ahead: Challenges in Fiscal Year 2020

Challenges

For the Treasurer's Office

Banking: In an effort to protect the financial interests of Washington, State Treasurer Duane Davidson is standing against legislative proposals that would establish a public bank within Washington state government.

The Office of the State Treasurer (OST) currently provides a number of services that would make a state bank an unnecessary addition to the state's footprint. These resources include providing financing for local governments to purchase:

- Real Estate
- Emergency Vehicles
- Industrial Equipment



For Washington State

Financial Education Outreach: Washington consumers need quality financial education information to manage their own personal finances because our state thrives when our communities do. OST is pushing for better access to the financial resources people need with free online learning modules that cover a wide range of financial topics, including:

- Budgeting
- Checking and Savings
- Retirement
- Paying for College
- Loans and Payments



Controlling Debt: Containing state debt within the constitutional limit, which Washington does, is not enough. We need to make a reduction in our debt portfolio, and the associated annual debt service. This challenge falls upon state legislators, but the Treasurer can help highlight the need for reduction by illuminating:

- Washington's \$21.3 billion debt portfolio
- \$2.1 billion the state pays in annual debt service



We want to hear from you!

Do you like this report? Do you believe it should include any other information? Please let us know with an email.

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The Association of Government Accountants (AGA) developed a standard format for reporting to the public called the Citizen-Centric Report (CCR) and helps citizens better understand the services provided by their government. This CCR is to inform citizens of the work of the Office of the State Treasurer (OST).



More information on CCR can be found at the AGA website: <https://www.agacgfm.org>