



State of Washington
STATE FINANCE COMMITTEE

DUANE A. DAVIDSON, Chairman
State Treasurer
JAY R. INSLEE
Governor
CYRUS HABIB
Lieutenant Governor

AGENDA

STATE FINANCE COMMITTEE

July 31, 2020 at 2:00 PM

PURSUANT TO STATUTORY PROVISIONS, YOU ARE HEREBY NOTIFIED that the State Finance Committee will hold a Special Meeting, telephonically and via WebEx as detailed below, at **2:00 P.M.**, on the **31st day of July, 2020** to consider the following:

1. Approval of minutes of the August 8, 2019 State Finance Committee meeting.
2. Resolution No. 1239: approves and establishes a revised finance plan and maximum principal amount of financing contracts and certificates of participation of the State for the 2019-21 biennium.
3. Informational Item Market and bond sales update.

Comments regarding the above agenda item may be submitted to Danni.Colo@tre.wa.gov -- preferably 30 minutes or more prior to the time of the meeting.

Per Governor Inslee's Proclamation 20-28 (as amended and extended) regarding the Open Public Meetings Act, the July 31, 2020 State Finance Committee meeting will be conducted solely via teleconference and Webex video conference. Members of the public can access via teleconference with audio only. The dial-in number for the teleconference is 866-744-4085, conference code 409 956 4369#. Thank you for your understanding as we all do our part for public health and safety.

State Finance Committee Meeting Minutes

Olympia, Washington

August 8, 2019

1:15 PM

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

Present: Duane Davidson, State Treasurer, Chair
Jay Inslee, Governor
Cyrus Habib, Lt. Governor (via phone)

Also Present: Jason Richter, Office of the State Treasurer
Svein Braseth, Office of the State Treasurer
Bill Tonkin, Foster Pepper PLLC
Rusty Fallis, Office of the Attorney General
Erhiza Rivera, Office of the State Treasurer
Scott Merriman, Office of Financial Management
Matthew Schoenfeld, Office of the State Treasurer
Adam Johnson, Office of the State Treasurer
Brenda Snyder, Office of the State Treasurer
Austin Goble, Office of the State Treasurer
Brianna May, Office of the State Treasurer
Whitney Trumbly, Office of the State Treasurer
Leslie Yonkers, Office of the State Treasurer
Shelby Pelon, Office of the State Treasurer
Libby Hollingshead, Office of the Lt. Governor (via phone)
Grace Davidson

Chair Davidson called the meeting to order at 1:19 PM. Chair Davidson stated for the record that all three members were present. Chair Davidson made the announcement that Erhiza Rivera has joined the table as she is the new Assistant Treasurer for the State of Washington. There was one modification to the agenda to pull Item 7: Motion to approve amended and restated Debt Management and Issuance Policy.

Item 1: Approval of the Minutes

Chair Davidson introduced minutes from the State Finance Committee Meeting held on April 17, 2019 at 11:30 AM for approval. One minor correction was made to reflect that the meeting took place at 11:30 AM and not 11:30 PM. The minutes were approved as amended.

Item 2: Resolution No. 1222 – Authorizes the issuance of State of Washington General Obligation Bonds in a principal amount not to exceed \$3,576,220,000 for the purpose of

providing funds to pay and reimburse State expenditures for various State projects identified in the Bond Act; providing for certain terms and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds in one or more sales. Resolution No. 1222 also authorizes the State Treasurer to adopt bond sale resolutions.

Chair Davidson introduced Resolution No. 1222 and asked Jason Richter, Deputy Treasurer of Debt Management for the Office of the State Treasurer, to provide background on the resolution.

Mr. Richter explained that the requested principal amount of \$3,576,220,000 in Resolution No. 1222 is calculated based on the Conference Budget Debt Model which incorporates the 2019-21 Bond Bill, Agency Surveys, re-appropriations, and other assumptions to estimate the amount of bonds that will be needed to meet the State's 2019-21 biennial cash flow needs as appropriated in the budget and previous Capital Budgets.

Approval of the resolution was motioned by Governor Inslee, seconded by Lt. Governor Habib, and adopted unanimously.

Item 3: Resolution No. 1223 – Authorizes the issuance of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds in a principal amount not to exceed \$402,462,000 for the purpose of providing funds to pay and reimburse State expenditures for various transportation projects identified in the Bond Act; providing for certain terms and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds in one or more sales. Resolution No. 1223 also authorizes the State Treasurer to adopt bond sale resolutions.

Chair Davidson introduced Resolution No. 1223 and asked Mr. Richter to provide background on the resolution.

Mr. Richter described that the requested principal amount of \$402,462,000 is based on appropriations made in the 2019-21 Transportation Budget and is expected to be allocated between the Transportation Partnership Program and Special Category C bond authorizations.

Approval of the resolution was motioned by Governor Inslee, seconded by Lt. Governor Habib, and adopted unanimously.

Item 4: Resolution No. 1224 – Authorizes the issuance of Various Purpose General Obligation Refunding Bonds of the State in a principal amount not to exceed \$2,812,145,000 and Motor Vehicle Fuel Tax General Obligation Refunding Bonds of the State in a principal amount not to exceed \$1,555,905,000 for the purpose refunding certain outstanding Various Purpose General Obligation Bonds and Motor Vehicle Fuel Tax General Obligation Bonds of the State and thereby effecting a debt service savings to the State. Resolution No. 1224 also authorizes the State Treasurer to adopt bond sale resolutions.

Chair Davidson introduced Resolution No. 1224 and asked Mr. Richter to provide background on the resolution.

Mr. Richter explained that the resolution sets a ceiling on the amount of refunding bonds that can be issued in the 2019-21 biennium based on the amount of bonds that are potentially callable through the end of fiscal year 2023. He notes that based on current federal tax laws the maximum principal amount requested in the Resolution is an aspirational number that incorporates bonds that most likely will not be able to be refunded in the current biennium. However, Mr. Richter noted that if tax-exempt advance refundings are reauthorized by the federal government, Resolution No. 1224 will set the State of Washington up for success by allowing the Office of the State Treasurer to quickly take advantage of any refunding opportunities that would be available. Chair Davidson noted that the National Association of State Treasurers is currently advocating for legislation to make tax-exempt advance refundings available again. Chair Davidson has met with members of Washington's federal delegation to discuss this bipartisan legislation. This legislation would be beneficial for the State of Washington and other governments around the nation.

Approval of the resolution was motioned by Governor Inslee, seconded by Lt. Governor Habib, and adopted unanimously.

Item 5: Resolution No. 1225 – Amends and restates Resolution No. 1208, providing for issuance of State of Washington General Obligation Bonds in a principal amount not to exceed \$5,300,000,000 for the purpose of providing funds to pay and reimburse State expenditures for Connecting Washington projects or improvements identified in the Bond Act; providing for certain terms and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds in one or more sales. Resolution No. 1225 also authorizes the State Treasurer to adopt bond sale resolutions.

Chair Davidson introduced Resolution No. 1225 and asked Mr. Richter to provide background on the resolution.

Mr. Richter informed the Committee that Resolution No. 1225 is a housekeeping resolution that updates Resolution No. 1208, which the Committee approved at the December 8, 2017 meeting. Specifically, Mr. Richter stated the resolution adds two additional continuing disclosure notice requirements that are mandated by the SEC effective as of February 27, 2019. This requires the State to disclose within ten business days the incurrence of a financial obligation of the State if material or any event of default, event of acceleration, termination event, or modification event with respect to a financial obligation of the State if material.

Approval of the resolution was motioned by Governor Inslee, seconded by Lt. Governor Habib, and adopted unanimously.

Item 6: Resolution No. 1226 – Approves and establishes a revised finance plan and maximum principal amount of financing contracts and certificates of participation of the State for the 2019-21 biennium.

Chair Davidson introduced Resolution No. 1226 and asked Mr. Richter to provide background on the resolution.

Mr. Richter stated that the resolution establishes the maximum principal amount of financing contracts and certificates of participation to be outstanding in the 2019-21 biennium at \$1,565,374,168. This total includes \$869,996,168 in outstanding financing contracts, \$258,805,000 in outstanding 63-20 financing leases, and an estimated \$436,573,000 in new financing contracts to be entered into and certificates of participation to be issued during the 2019-2021 biennium.

Chair Davidson added that the Office of the State Treasurer has been aggressively promoting the LOCAL and COP programs, and the resulting renewed interest has allowed the Office of the State Treasurer to increase the number of times it enters the financial market for these programs. Mr. Richter elaborated that there have been many user-friendly changes to the program which has made it more accessible to local governments and agencies. There were 17 local governments that have participated in COP issues for the LOCAL program to finance equipment purchases and various other transportation and infrastructure needs.

Approval of the resolution was motioned by Governor Inslee, seconded by Lt. Governor Habib, and adopted unanimously.

Item 7: Market and Bond Sales Update

Mr. Richter updated the Committee on market conditions and recent bond sales. Since the last Bond Sale update, the State Finance Committee has sold one series of Various Purpose General Obligation Bonds, one series of Motor Vehicle Fuel Tax General Obligation Bonds, and three series of Certificates of Participation. The majority of those sales occurred in February of 2019 when interest rates were at the higher end of the range than the Office has seen over a three year period. However, from a historical perspective, the rates were still fairly attractive. Since then, the Bond Buyer Index (BBI) has shown interest rates falling by 81 basis points, from 4.23% to 3.42%. These numbers were a week old, so now the BBI would be closer to a full percentage point lower since the last sale. When compared to the three year high reached in October of 2018, the plunge in the BBI has been even more severe. There are a number of global economic concerns that have influenced interest rates in a dramatic way and, in his opinion, this has a beneficial impact for the State in terms of borrowing costs.

Mr. Richter also touched on the Office's work in updating the underwriter pool. The State Finance Committee maintains an underwriting pool that had been comprised of 10 different firms. This has been expanded to 12 different firms to show a broad mix of bigger banks, MBE owned firms, and one disabled Veteran owned firm. Mr. Richter stated that he anticipates that the Office will continue to rely on competitive sales, but situations may arise where negotiated sales

will be more beneficial. The upcoming sale in September will have five different series of General Obligation bonds which is difficult to do competitively. Additionally, the refundings being done in September lend themselves to retail buyers with the goal of broadening our account holders.

Chair Davidson adjourned the meeting at 1:36 PM.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

By

Duane A. Davidson
State Treasurer and Chairman

By

Jay Inslee
Governor and Member

By

Cyrus Habib
Lieutenant Governor and
Member

ATTEST:

Jason P. Richter,

Deputy State Treasurer and Secretary



DUANE A. DAVIDSON, Chairman
State Treasurer

JAY R. INSLEE
Governor

CYRUS HABIB
Lieutenant Governor

State of Washington
STATE FINANCE COMMITTEE

July 31, 2020

MEMORANDUM

TO: The Honorable Duane A. Davidson
The Honorable Jay R. Inslee
The Honorable Cyrus Habib

FROM: Jason Richter
Deputy State Treasurer

RE: **Proposed Resolution 1239** approves and establishes a revised finance plan and maximum aggregate principal amount of financing contracts and certificates of participation of the State

On August 9, 2019, the Committee approved Resolution 1226, which established a preliminary finance plan for State financing contracts and certificates of participation for the 2019-21 Biennium. On April 3, 2020, the Governor of the State signed into law Engrossed Substitute Senate Bill 6248 as Chapter 356, Laws of 2020, the Supplemental Capital Budget. Proposed Resolution 1239 provides a revised finance plan to reflect the new financing contracts authorized in the Supplemental Capital Budget.

Proposed Resolution 1239 approves and establishes a revised finance plan and maximum aggregate principal amount of financing contracts and certificates of participation of the State to be outstanding in the 2019-21 Biennium at \$1,586,453,878. This revised maximum aggregate principal amount reflects, as of July 31, 2020, \$887,510,878 of outstanding financing contracts, \$249,370,000 of outstanding 63-20 financing leases, and an estimated \$449,573,000 of financing contracts to be entered into during the Biennium.

Of the anticipated additional financing contracts for the 2019-21 Biennium, \$249,573,000 represent financing contracts authorized by the Legislature for State agencies, and \$200,000,000 represents the estimated State and local agency equipment and local agency real estate financing contracts.

Resolution 1239 also approves any refunding certificates of participation to be entered into for the purpose of achieving interest cost savings in accordance with the savings requirements described in the Committee's Debt Issuance Policy.

• **Counsel and Advisors.**

Bond Counsel: William Tonkin, Foster Pepper PLLC
Financial Advisor: Robert Shelley, Piper Jaffray & Co
Natalie Perkins, Montague DeRose and Associates

Office of the State Treasurer

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DRAFT DATED 07/16/2020

STATE FINANCE COMMITTEE

OLYMPIA, WASHINGTON

RESOLUTION NO. 1239

A RESOLUTION OF THE STATE FINANCE COMMITTEE OF THE STATE OF WASHINGTON AMENDING AND RESTATING RESOLUTION NO. 1226, APPROVING AND ESTABLISHING A FINANCE PLAN AND MAXIMUM PRINCIPAL AMOUNT OF FINANCING CONTRACTS AND CERTIFICATES OF PARTICIPATION OF THE STATE FOR THE 2019-21 BIENNIUM.

ADOPTED: July 31, 2020

Table of Contents

Section 1. Definitions1

Section 2. Approval of Finance Plan for State Financing Contracts and Certificates of Participation for the 2019-21 Biennium.2

Section 3. Approval of Maximum Principal Amount of State Financing Contracts and Certificates of Participation for the 2019-21 Biennium3

Section 4. Filing of Resolution3

Section 5. Ratification3

Section 6. Effective Date4

Exhibit 1 – Legislatively Authorized State Agency Financing Contracts

STATE FINANCE COMMITTEE

OLYMPIA, WASHINGTON

RESOLUTION NO. 1239

A RESOLUTION OF THE STATE FINANCE COMMITTEE OF THE STATE OF WASHINGTON AMENDING AND RESTATING RESOLUTION NO. 1226, APPROVING AND ESTABLISHING A FINANCE PLAN AND MAXIMUM PRINCIPAL AMOUNT OF FINANCING CONTRACTS AND CERTIFICATES OF PARTICIPATION OF THE STATE FOR THE 2019-21 BIENNIUM.

WHEREAS, the State Finance Committee (the “Committee”) of the State of Washington (the “State”) is charged with oversight of financing contracts entered into by the State (RCW 39.94.040); and

WHEREAS, from time to time the Office of the State Treasurer, as staff to the Committee, reports on prior usage of financing contracts and presents proposed finance plans for state financing contracts and the issuance of certificates of participation therein pursuant to Chapter 39.94 RCW; and

WHEREAS, the Committee is required from time to time to establish the maximum aggregate principal amount of state financing contracts to be outstanding under Chapter 39.94;

WHEREAS, the Committee adopted Resolution No. 1226 on August 8, 2019, to approve and establish a finance plan and maximum principal amount of financing contracts and certificates of participation of the State for the 2019-21 biennium; and

WHEREAS, on April 3, 2020, the Governor of the State signed into law Engrossed Substitute Senate Bill 6248 as Chapter 356, Laws of 2020, adopting a supplemental capital budget for the 2019-21 biennium (the “2020 Supplemental Capital Budget”); and

WHEREAS, the Committee wishes to amend and restate Resolution No. 1226 as Resolution No. 1239 to include among the legislatively authorized state agency financing contracts and certificates of participation therein authorized to be sold and issued pursuant to this resolution the additional state financing contracts of the State authorized by the 2020 Supplemental Capital Budget;

NOW, THEREFORE, BE IT RESOLVED BY THE STATE FINANCE COMMITTEE ACTING FOR AND ON BEHALF OF THE STATE OF WASHINGTON, as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this section shall, for all purposes of this resolution and of any resolution supplemental hereto, have

the meanings specified; words importing the singular number include the plural number and vice versa:

2019-21 Biennium means the two-year period beginning July 1, 2019 through June 30, 2021.

Committee means the State Finance Committee of the State, or any successor thereof.

Laws means the statutes of the State.

Legislature means the Legislature of the State.

State means the State of Washington.

Section 2. Approval of Finance Plan for State Financing Contracts and Certificates of Participation for the 2019-21 Biennium. The Office of State Treasurer has proposed and the Committee hereby approves a finance plan for State financing contracts and issuance by the State of certificates of participation therein for the 2019-21 Biennium having the following components:

(a) *Financing Contracts Authorized by the Legislature for State Agencies.* In Section 7002 of SHB 1102 (the 2019-21 State capital budget), as amended by Section 7002 of the 2020 Supplemental Capital Budget, and Section 702 of ESHB 1160 (the 2019-21 State transportation budget), the Legislature has authorized certain state agencies to enter into financing contracts for the acquisition of real property projects in a total principal amount of \$249,573,000, plus financing expenses and required reserves, as summarized in Exhibit 1.

(b) *Financing Contracts for State and Local Agency Equipment and Local Agency Real Estate.* In addition to the \$249,573,000 of financing contracts authorized by the Legislature for the state agencies described in Section 2(a), it is expected that the State will enter into financing contracts for the acquisition of equipment for state and local agencies and for the acquisition of real property projects for local agencies during the 2019-21 Biennium in an estimated aggregate total principal amount of \$200,000,000, plus financing expenses and required reserves.

(c) *Estimated Aggregate Total Financing Contracts to be Entered Into and Certificates of Participation to be Issued During 2019-21 Biennium.* As described in Section 2(a) and (b) above, the aggregate total principal amount of financing contracts expected to be entered into and certificates of participation therein expected to be issued during the 2019-21 Biennium is estimated to be not more than \$449,573,000, plus financing expenses and required reserves.

(d) *Maximum Aggregate Total Outstanding Financing Contracts.* The estimated maximum aggregate total of financing contracts of the State expected to be outstanding in the 2019-21 Biennium is as follows:

Outstanding certificates of participation as of July 31, 2020	\$887,510,878
Outstanding 63-20 financing leases (Wheeler & Tumwater Office Projects)	249,370,000
Anticipated additional financing contracts (2019-21 Biennium)	449,573,000
Total	<u>\$1,586,453,878</u>

Section 3. Approval of Maximum Principal Amount of State Financing Contracts and Certificates of Participation for the 2019-21 Biennium. Pursuant to RCW 39.94.040:

(a) Based upon the finance plan for financing contracts and certificates of participation described in and approved by Section 2 of this resolution, the maximum aggregate total principal amount of financing contracts (including certificates of participation therein) of the State is approved and established at \$1,586,453,878, plus financing expenses and required reserves; and

(b) 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.

Section 4. Filing of Resolution. The Deputy State Treasurer is directed to file with the State Treasurer, pursuant to RCW 39.42.100, a certified copy of this resolution immediately upon its adoption.

Section 5. Ratification. All actions heretofore taken by officers or staff of the Committee consistent with the terms of this resolution are ratified, approved and confirmed.

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Section 6. Effective Date. This resolution shall take effect immediately upon its adoption.

ADOPTED at an open meeting of the State Finance Committee after notice thereof was duly given as required by law, this 31st day of July, 2020.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

By _____
Duane A. Davidson
State Treasurer and Chair

By _____
Jay Inslee
Governor and Member

By _____
Cyrus Habib
Lieutenant Governor and Member

ATTEST:

Jason P. Richter,
Deputy State Treasurer and Secretary

EXHIBIT 1

LEGISLATIVELY AUTHORIZED STATE AGENCY FINANCING CONTRACTS

2019-21 Capital Budget, Chapter 413, Laws of 2019 (SHB 1102)

2019-21 Capital Budget – Supplemental, Chapter 356, Laws of 2020 (ESSB 6248)

Agency	Authorization Section	Authorized Amount*
Secretary of State	7002(3)	\$103,143,000
Washington State Patrol	7002(4)	7,450,000
Department of Social and Health Services	7002(5)	3,600,000
Department of Fish and Wildlife	7002(6)	3,099,000
Department of Natural Resources	7002(7)	1,800,000
Western Washington University	7002(8)	9,950,000
State Board for Community and Technical Colleges on behalf of:		
Columbia Basin Community College	7002(9)(a)	27,000,000
Pierce College Puyallup	7002(9)(b)	2,831,000
Walla Walla Community College	7002(9)(c)	1,500,000
Walla Walla Community College	7002(9)(d)	6,500,000
Wenatchee Valley College	7002(9)(e)	4,500,000
Yakima Valley Community College	7002(9)(f)	22,700,000
Everett Community College	7002(9)(g)	10,000,000
South Seattle College	7002(9)(h)	10,000,000**
Eastern Washington University	7002(10)	3,000,000**
Capital Budget Total		\$217,073,000

2019-21 Transportation Budget, Chapter 416, Laws of 2019 (ESHB 1160)

Agency	Authorization Section	Authorized Amount*
Department of Transportation	702(2)	\$ 32,500,000
Transportation Budget Total		\$ 32,500,000

Total Authorized Financing Contracts in the Capital and Transportation Budgets

\$249,573,000

* In each case, plus financing expenses and required reserves.

** Additional financing contracts authorized in the 2020 Supplemental Capital Budget not previously approved by Resolution No. 1226.

CERTIFICATE

I, Jason P. Richter, the duly appointed, qualified and acting Secretary of the State Finance Committee of the State of Washington, certify that the foregoing is a true and correct copy of Resolution No. 1239 of such Committee, adopted at an open public meeting thereof held on this 31st day of July, 2020, 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: July 31, 2020.

Jason P. Richter, Secretary
State Finance Committee