



State of Washington  
STATE FINANCE COMMITTEE

**DUANE A. DAVIDSON**, Chairman  
State Treasurer

**JAY R. INSLEE**  
Governor

**CYRUS HABIB**  
Lieutenant Governor

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## AGENDA

### STATE FINANCE COMMITTEE

December 8, 2017 at 1:30 PM

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

PURSUANT TO STATUTORY PROVISIONS, YOU ARE HEREBY NOTIFIED that the State Finance Committee will hold a Special Meeting at the Office of the State Treasurer, Legislative Building, Second Floor, Room 230, Olympia, Washington at **1:30 P.M.**, on the **8<sup>th</sup> day of December, 2017** to consider the following:

#### **I. STATE FINANCE COMMITTEE**

1. Approval of minutes of the August 7, 2017 State Finance Committee meeting.
2. Resolution 1206 appointing a secretary for the State Finance Committee and setting forth the duties and responsibilities of said secretary.
3. Informational Item. Market and bond sales update.
4. Resolution 1207 authorizes the issuance of State of Washington General Obligation Bonds in the maximum principal amount of \$785,000,000 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. 1207 also authorizes the State Treasurer to adopt bond sale resolutions.
5. Resolution 1208 authorizes the issuance of State of Washington General Obligation Bonds in the maximum principal amount of \$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

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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. 1208 also authorizes the State Treasurer to adopt bond sale resolutions.

If you are a person with a disability and require an accommodation for attendance, please contact the Office of the State Treasurer, (360) 902-9000, 24 hours prior to the meeting date.

State Finance Committee Meeting Minutes  
Olympia, Washington  
August 7, 2017  
2:30 pm

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

Present: Duane Davidson, State Treasurer, Chair  
Cyrus Habib, Lt. Governor

Also Present: Johnna Craig, Office of the State Treasurer  
Svein Braseth, Office of the State Treasurer  
Wendy Kancianich, Office of the State Treasurer  
Rob Shelley, Piper Jaffray  
Bill Tonkin, Foster Pepper PLLC  
Rusty Fallis, Office of the Attorney General  
Kristina Brown, Office of the Lt. Governor  
Amy Perry, Office of the State Treasurer  
Shawn Myers, Office of the State Treasurer (via phone)  
Shelly Sweeney, Office of the State Treasurer  
Maggie Marshall, Office of the State Treasurer  
Shad Pruitt, Office of the State Treasurer  
Scott Merriman, Office of Financial Management  
Whitney Smith, Office of the State Treasurer  
Matthew Schoenfeld, Office of the State Treasurer  
Nguyen Dang, Washington State Department of Transportation  
Shannon Thompson, Piper Jaffray  
Brad Hendrickson, Office of the State Treasurer  
Anthony Hemstad, Office of the State Treasurer  
Brenda Snyder, Office of the State Treasurer  
Leo Marquez, Office of the State Treasurer  
Lee Goldberg, Guest of Lt. Governor

Chair Davidson called the meeting to order at 2:35 pm on August 7, 2017. Chair Davidson requested a roll call.

**Item 1: Approval of Minutes**

Treasurer Davidson introduced minutes from the October 21, 2016 at 9:00 am State Finance Committee Meeting for approval. There were no corrections. Minutes were accepted as approved.

**Item 2: Informational Item. Market and Bond Sales Update**

Svein Braseth, Director of Bond Program for the Office of the State Treasurer gave a brief update of the interest rates and bonds sales. The current bond market is fairly stable with low interest rates.

**Item 3: Resolution 1195—Appointing a secretary for the State Finance Committee and setting forth the duties and responsibilities of said secretary.**

Treasurer Davidson introduced Resolution 1195 and asked Johnna Craig, Deputy Treasurer for Debt Management to provide background on the resolution.

Ms. Craig explained that Resolution 1195 appoints the Deputy Treasurer for Debt Management to serve as the secretary of the State Finance Committee. Approval of the resolution was motioned by Lt. Governor Habib, seconded by Treasurer Davidson and adopted unanimously.

**Item 4: Resolution 1196—Motor Vehicle Fuel Tax General Obligation Bonds**

Treasurer Davidson introduced Resolution 1196 and asked Ms. Craig to provide background on the resolution.

Ms. Craig explained that Resolution 1196 authorizes the issuance of motor vehicle fuel tax general obligation bonds of the State, in the maximum principal amount of \$390,258,000. This resolution also authorizes the State Treasurer to establish the method of sale bonds and adopt bond sale resolutions.

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

**Item 5: Resolution 1997—Various Purpose General Obligation Refunding Bonds**

Treasurer Davidson introduced Resolution 1197 and asked Ms. Craig to provide background on the resolution.

Ms. Craig explained that Resolution 1197 authorizes the issuance of various purpose general obligation refunding bonds of the State, in the maximum principal amount of \$10,100,000,000 and motor vehicle fuel tax general obligation refunding bonds of the State in the maximum principal amount of \$6,300,000,000. This resolution also authorizes the State Treasurer to establish the method of sale bonds and adopt bond sale resolutions.

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

**Item 6: Resolution 1198—Maximum Principal of Financing Contracts and Certificates of Participation**

Treasurer Davidson introduced Resolution 1198 and asked Ms. Craig to provide background on the resolution.

Ms. Craig explained that Resolution 1198 approves and establishes the maximum principal amount of financing contracts and certificates of participation for the state. The State currently has \$1.1B outstanding and is seeking an additional amount outstanding of \$374M.

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

Treasurer Davidson adjourned the meeting at 2:49 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**

December 8, 2017

MEMORANDUM

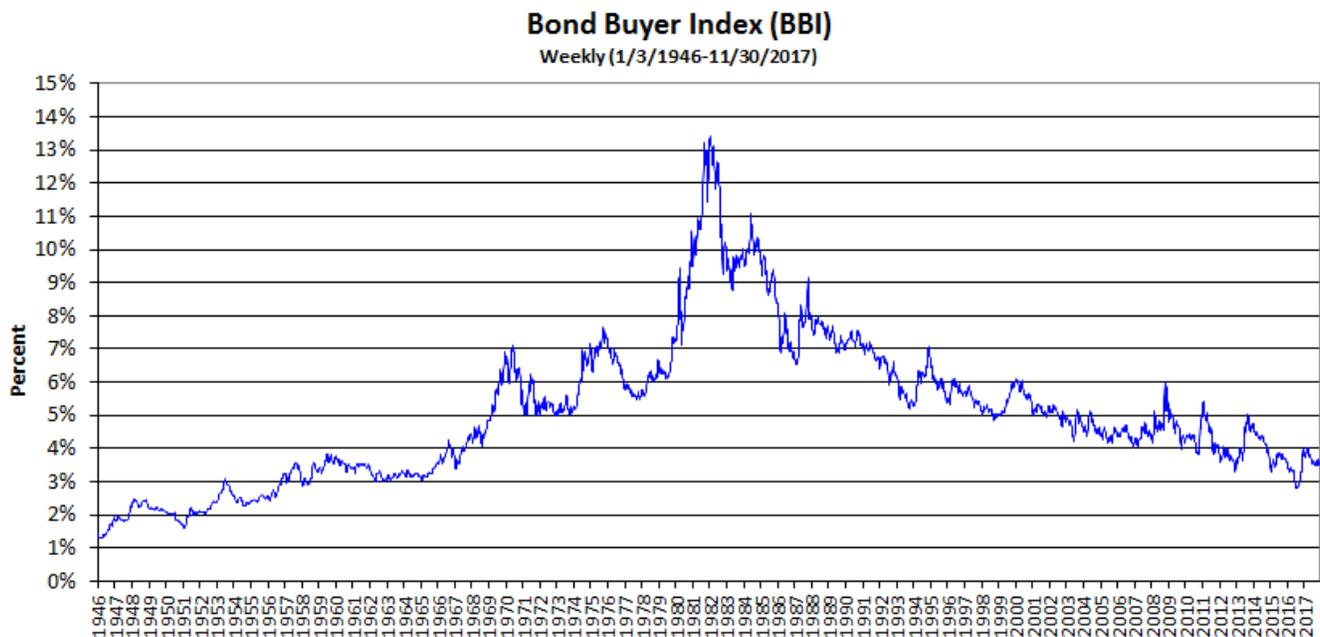
**TO:** The Honorable Duane A. Davidson  
The Honorable Jay R. Inslee  
The Honorable Cyrus Habib

**FROM:** Jason P. Richter  
Deputy State Treasurer

**RE: Market and Bond Sales Update**

*Market Update.* Interest rates continue to be very low. The current Bond Buyer Index now stands at around 3.6%, which is 80 bps higher than the recent historic low of 2.8% (on July 7, 2016). The following chart shows the history of the Bond Buyer Index, with rates from 1946 to current (Chart 1).

**Chart 1**



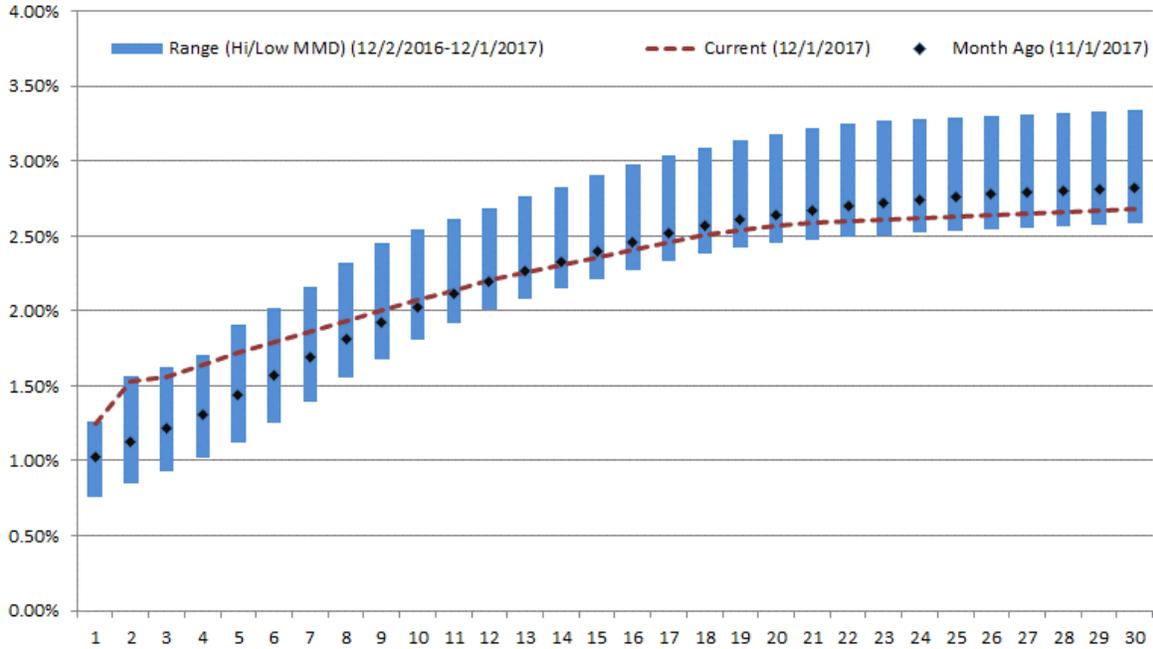
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Long-term interest rates are currently at the lower end of their 12 month range, while short-term rates are close to their twelve month high (Chart 2 and 3 below).

**Chart 2**

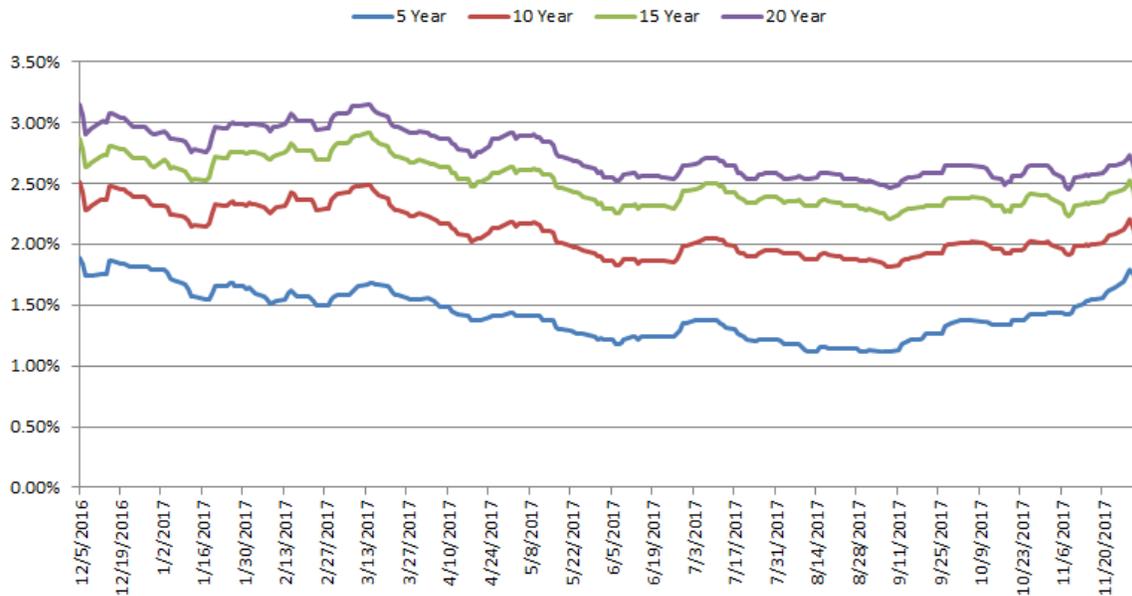
**Tax-exempt Yield Curve\***  
**Current and High/Low Yield Curves**



\*"AAA" GO MMD (Municipal Market Data).

**Chart 3**

**Tax-exempt Rates**  
**MMD (AAA) GO Yield \***



\*Municipal Market Data.

*Bond Sale Update.* Since the last SFC meeting on August 7, 2017, the State has executed three bond sales (Table 1). The first sale, which took place on September 26, 2017, is expected to provide funds through approximately January 2018 for the bond funded projects in the reappropriated-only 2017-19 Capital Budget and in the 2017-19 Transportation Budget. In addition, the sale included two current refundings of existing various purpose and motor vehicle fuel tax general obligation bonds.

The second and third sales occurred on November 14<sup>th</sup> and November 30<sup>th</sup>, with bonds being issued to advanced refund existing various purpose general obligation bonds. Of note, last month's refundings produced the highest amount of savings ever generated in a single month – both on a cash flow basis and on a present value basis. Total cash flow savings for the two refundings totaled \$207 million, while present value savings stood at \$160 million. Table 2 summarizes the refunding sales since the last SFC meeting.

Since the last SFC meeting, refundings have produced cash flow savings for the 2017-19 Biennium of \$17.3 million – most of this for the general fund.

**Table 1 –Total issuance since last SFC meeting**

**September 26, 2017**

Series Name	Series	Par Amount	TIC	Avg. Life (yrs)	Delivery Date
VP GO Bonds, Series 2018A	2018A	\$336,000,000	3.37%	16.653	10/11/2017
MVFT GO Bonds, Series 2018B	2018B	100,805,000	3.33%	15.342	10/11/2017
GO Bonds, Series 2018T (Taxable)	2018T	36,650,000	1.74%	2.417	10/11/2017
VP GO Refunding Bonds, Series R-2018A	R-2018A	27,290,000	1.20%	2.914	10/11/2017
MVFT GO Refunding Bonds, Series R-2018B	R-2018B	29,305,000	1.24%	3.124	10/11/2017
		\$530,050,000			

**November 14, 2017**

Series Name	Series	Par Amount	TIC	Avg. Life (yrs)	Delivery Date
VP GO Refunding Bonds, Series R-2018C	R-2018C	\$742,645,000	2.75%	10.695	12/7/2017

**November 30, 2017**

Series Name	Series	Par Amount	TIC	Avg. Life (yrs)	Delivery Date
VP GO Refunding Bonds, Series R-2018D	R-2018D	\$501,545,000	3.03%	12.344	12/20/17

Total since 8/7/2017: \$1,774,240,000

**Table 2 – Refunding savings since last SFC meeting**

**September 26, 2017**

Series Name	Series	Par Amount	Cash Savings	NPV Savings	2017-19 Biennium Savings
VP GO Refunding Bonds, Series R-2018A	R-2018A	\$27,290,000	\$3,066,200	\$3,008,813	\$876,194
MVFT GO Refunding Bonds, Series R-2018B	R-2018B	29,305,000	3,536,344	3,456,298	947,160
		\$56,595,000	\$6,602,544	\$6,465,111	\$1,823,354

**November 14, 2017 and November 30, 2017**

Series Name	Series	Par Amount	Cash Savings	NPV Savings	2017-19 Biennium Savings
VP GO Refunding Bonds, Series R-2018C	R-2018C	\$742,645,000	\$137,848,799	\$107,782,059	\$9,008,500
VP GO Refunding Bonds, Series R-2018D	R-2018D	501,545,000	69,215,749	52,487,584	6,468,330
		\$1,244,190,000	\$207,064,547	\$160,269,643	\$15,476,830

Total Refundings: \$1,300,785,000 \$213,667,092 \$166,734,754 \$17,300,184

*Future Issuances.* The State currently anticipates that it will issue approximately \$300 million of various purpose general obligation bonds and \$70 million of motor vehicle fuel tax general obligation bonds in the beginning of 2018.

- **Counsel and Advisors.**

Bond Counsel:	William Tonkin, Foster Pepper PLLC Cynthia Weed, K&L Gates
Financial Advisor:	Robert Shelley, Piper Jaffray & Co Chia-Jung Yang, Montague DeRose and Associates LLC



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December 8, 2017

MEMORANDUM

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

FROM: Jason P. Richter  
Deputy State Treasurer

RE: **Proposed Resolution No. 1207** authorizes the issuance and sale of State of Washington Various Purpose General Obligation Bonds

Proposed Resolution No. 1207 authorizes the issuance of State of Washington General Obligation Bonds in the maximum principal amount of \$785,000,000 for the purpose of providing funds to pay and reimburse State expenditures for various State projects identified in the bond acts authorizing the bonds; 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. 1207 also authorizes the State Treasurer to adopt bond sale resolutions.

The Bonds will be used to fund expected cash flow requirements for the 2017-19 biennium, based upon preliminary issuance projections in line with agency allotments as of December 1, 2017 from the 2017 Reappropriations-only Capital Budget (ESSB 5965). Bond sales are currently planned on a semi-annual schedule. Proceeds (par amounts and premium, if any) are expected to be deposited into the following accounts upon issuance of the bonds:

Account Number	Account Name	Preliminary Par Amounts
057	State Building Construction Account	684,650,000
070	Outdoor Recreation Account	9,370,000
09C	Faamlands Preservation Account	2,240,000
09G	Riparian Protection Account	2,120,000
10P	Columbia River Basin Water Supply	8,600,000
18B	Columbia River Basin Taxable Bond Water Supply	850,000
244	Habitat Conservation Account	12,540,000
355	State Taxable Building Const. Account	64,600,000
359	School Construction & Skill Centers Building	30,000
		<u>785,000,000</u>

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Examples of reappropriated capital projects that are expected to be funded with bonds include the following (amounts shown as dollars in thousands):

**2017-19 Capital Budget**  
**Enacted Reappropriations-Only Budget (ESSB 5965)**  
**(Projects larger than or equal to \$20 Million)**  
(Dollars In Thousands)

			<b>Reapprop</b>
<b><i>Department of Commerce</i></b>			
000	92000369	Local & Community Projects 2016	88,204
002	30000833	Housing Trust Fund Appropriation	59,701
000	92000344	Community Behavioral Health Beds - Acute & Residential	38,857
004	30000726	Clean Energy and Energy Freedom Program	31,476
005	30000835	Energy Efficiency and Solar Grants	21,276
<b><i>Office of Financial Management</i></b>			
005	20084850	Catastrophic Flood Relief	20,000
<b><i>Department of Social and Health Services</i></b>			
061	20081319	Western State Hospital New Kitchen and Commissary Building	28,000
<b><i>Department of Ecology</i></b>			
033	30000537	Floodplains by Design	34,826
<b><i>Recreation and Conservation Funding Board</i></b>			
002	30000220	Washington Wildlife Recreation Grants	34,791
038	92000131	Recreation & Conservation Office Recreation Grants	30,256
025	30000226	Puget Sound Acquisition and Restoration	27,521
<b><i>Central Washington University</i></b>			
032	30000451	Samuelson Communication and Technology Center (SCTC)	29,084
<b><i>Community &amp; Technical College System</i></b>			
007	30000122	Olympic College: College Instruction Center	23,174
<b><i>Public Schools</i></b>			
007	92000039	K-3 Class-size Reduction Grants	209,571
007	30000169	2015-17 School Construction Assistance Program	92,767
007	30000145	2013-15 School Construction Assistance Program - Maintenance	37,201

The par amounts are expected to be allocated to existing bond authorizations as shown in the table below:

Chapter and Laws (Bond Authorizations)	Bonds			Preliminary Par Amount Allocation
	Authorized	Issued	Unissued	
Ch. 14 -- Laws of 1989, 1st Ex. Sess., as amended.....	\$ 577,529,431	\$ 546,360,000	\$ 31,169,431	\$ -
Ch. 18 -- Laws of 2003, 1st Sp. Sess.....	213,235,000	154,695,000	58,540,000	-
Ch. 147 -- Laws of 2003, Regular Sess.....	152,795,000	114,745,000	38,050,000	-
Ch. 167 -- Laws of 2006, Regular Sess.....	208,260,000	175,285,000	32,975,000	9,450,000
Ch. 179 -- Laws of 2008, Regular Sess.....	128,655,000	122,235,000	6,420,000	30,000
Ch. 6 -- Laws of 2009, Regular Sess.....	42,535,000	33,860,000	8,675,000	-
Ch. 498 -- Laws of 2009, Regular Sess.....	2,024,180,000	1,836,880,000	187,300,000	2,240,000
Ch. 49 -- Laws of 2011, 1st Sp. Sess.....	1,122,000,000	993,930,000	128,070,000	-
Ch. 20 -- Laws of 2013, 2nd Sp. Sess.....	2,036,000,000	1,739,610,000	296,390,000	4,400,000
Ch. 37 -- Laws of 2015, 3rd Sp. Sess.....	2,332,456,000	1,060,065,000	1,272,391,000	768,880,000
<i>Subtotal</i> .....	<b>\$ 8,837,645,431</b>	<b>\$ 6,777,665,000</b>	<b>\$ 2,059,980,431</b>	<b>\$ 785,000,000</b>

- **Counsel and Advisors.**

Bond Counsel:	William Tonkin, Foster Pepper PLLC
Financial Advisor:	Robert Shelley, Piper Jaffray, Seattle Northwest Division Chia-Jung Yang, Montague DeRose and Associates LLC



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December 8, 2017

MEMORANDUM

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

FROM: Jason P. Richter  
Deputy State Treasurer

RE: **Proposed Resolution No. 1208** authorizes the issuance and sale of State of Washington General Obligation Bonds

**Resolution Purpose.** Proposed Resolution No. 1208 authorizes the issuance of State of Washington General Obligation Bonds in the maximum principal amount of \$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. 1208 also authorizes the State Treasurer to adopt bond sale resolutions.

**Background.** Chapter 45, Laws of 2015 (Senate Bill 5989) (the "Bond Act") authorizes the issuance and sale of up to \$5.3 billion in bonds of the State of Washington (the "State") to provide funds for transportation improvements. In connection with this authorization of financing for transportation projects in the State, the Bond Act also broadens the pledge supporting the bonds to be issued under its authority ("Bonds") to include:

- (1) the State's full faith and credit general obligation pledge,
- (2) proceeds of motor vehicle and special fuel excise taxes ("MVFT") imposed by chapters 82.36 and 82.38 of the Revised Code of Washington ("RCW"), and
- (3) vehicle-related fees imposed under Title 46 RCW that constitute license fees for motor vehicles required to be used for highway purposes.

This expanded pledge is intended to:

- (A) allow the State to achieve a strong rating for Bonds issued under the Bond Act, thereby achieving cost-effective financing for transportation projects;
- (B) utilize the exception to the State's debt limit contained in Article VIII, Section 1(g) of the State Constitution, and
- (C) broaden and diversify the pledge by making vehicle-related fees available as a source of funds to pay debt service on transportation Bonds.

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Pursuant to Section 4 of the Bond Act, proceeds of MVFT and vehicle-related fees are pledged to the payment of Bonds. Further, the State legislature has agreed to continue to impose MVFT and vehicle-related fees in amounts sufficient to pay the principal and interest on all Bonds issued under the Bond Act.

**Workgroup.** An interagency workgroup was convened in 2016 by the Office of the State Treasurer to review the license fees for motor vehicle imposed under Title 46 to determine which would be pledged, and how to implement the Bond Act. Members of the work group included staff from the legislative transportation committees, Office of Financial Management, Department of Transportation, Washington State Transportation Commission, Department of Licensing, Office of the Attorney General, Office of the State Treasurer in addition to financial advisors and bond counsels to the state. One of the outcome of the workgroup was Resolution No. 1208

**Connecting Washington Projects.** Examples of Connecting Washington projects funded with bonds include the following (the amount shown reflects the total for the projects, which some of is funded by bonds):

- SR 167/SR 509 Gateway Project - \$1.9 billion
- SR 520 “Rest of the West” - \$1.6 billion
- I-405 Lynnwood to Tukwila Corridor Improvements - \$1.3 billion
- US 395 North Spokane Corridor - \$879 million
- JBLM Congestion Relief - \$494 million
- I-90 Snoqualmie Pass - \$426 million
- Safety projects - \$335 million
- Fish Passage Barriers - \$300 million

**Issuance.** The bonds are expected to be issued over more than 10 years, with the first issuance starting during the 2017-19 Biennium.

**Counsel and Advisors.**

Bond Counsel:	William Tonkin, Foster Pepper PLLC Allison Schwartzman, Foster Pepper PLLC
Financial Advisor:	Robert Shelley, Piper Jaffray, Seattle Northwest Division Chia-Jung Yang, Montague DeRose and Associates LLC