



## - MEETING AGENDA -

### STATE FINANCE COMMITTEE

September 22, 2021 at 9:00 AM

YOU ARE HEREBY NOTIFIED that the State Finance Committee (SFC) will hold a Special Meeting, online via Zoom, and by telephone as detailed below, commencing at approximately 9:00 A.M., on the 22<sup>nd</sup> day of September, 2021, to consider the items listed below.

1. Approval of minutes of the July 14, 2021 SFC meeting.
2. Resolution No. 1254 confirming the appointment of Allyson Tucker as Executive Director of the Washington State Investment Board, effective January 1, 2022.
3. Public Comments.

**Per Governor Inslee's Proclamation 20-28 (as amended and extended) regarding the Open Public Meetings Act, the September 22, 2021 SFC meeting will be held remotely through a secure online option, using Zoom, with a dial-in option for telephone participation, as described below.**

The Treasurer will provide an opportunity for members of the public to comment as indicated on the agenda. Public comments may be made telephonically or through Zoom only using the access information provided below. Thank you for your understanding as we all do our part for public health and safety.

**Public Zoom Access Information:**

**To join virtually, please select the following link:**

<https://us02web.zoom.us/j/88137163955?pwd=RTR5TkV6SHFMZUhhJV3RDblldzSnITUT09>

**Passcode:** 745568

**Public Dial-in Access Information:**

**Participants who wish to participate telephonically, please use the following dial-in information:**

**Dial-in: (253) 215-8782 or 877 853 5257 (Toll Free)**

**Meeting ID:** 881 3716 3955

**Office of the State Treasurer**

**- BRIEFING BOOK -**

**State Finance Committee**

September 22, 2021 Meeting

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**- SECTION 1 -**

**State Finance Committee**

**September 22, 2022 Meeting**

Minutes of the July 14, 2021 State Finance Committee meeting

State Finance Committee Meeting Minutes

Olympia, Washington

July 14, 2021

10:00 AM

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

Present: Mike Pellicciotti, State Treasurer, Chair  
Jay Inslee, Governor  
Denny Heck, Lt. Governor

Also Present Virtually: Jason Richter, Office of the State Treasurer  
Scott Merriman, Office of Financial Management  
Dallas Roberts, Office of the Lt. Governor  
Svein Braseth, Office of the State Treasurer  
Matt Schoenfeld, Office of the State Treasurer  
Austin Goble, Office of the State Treasurer  
Jennifer Merchant, Office of the State Treasurer  
Shad Pruitt, Office of the State Treasurer  
Brenda Snyder, Office of the State Treasurer  
Adam Johnson, Office of the State Treasurer  
Danni Colo, Office of the State Treasurer  
Rusty Fallis, Office of the Attorney General  
Scott Forbes, Office of the Attorney General  
Bill Tonkin, Bond Counsel – Foster Garvey PC

Chair Pellicciotti called the meeting to order at 10:04 AM. Chair Pellicciotti stated for the record that all three members of the State Finance Committee were present and a quorum was established. Treasurer Pellicciotti stated that in observance of the Governor's Proclamation 20-28, as amended and extended, the meeting was being conducted virtually via Zoom video conference. Chair Pellicciotti requested approval of the revised agenda for today's meeting, sent to the State Finance Committee members on July 12, 2021. With no objection, the agenda was approved.

**Item 1: Approval of the Minutes**

Chair Pellicciotti introduced the draft minutes from the December 22, 2020 State Finance Committee meeting for approval. No corrections or amendments were requested. The minutes were approved as presented.

## **Item 2: Resolution No. 1247**

Chair Pellicciotti introduced Jason Richter, State Finance Committee Secretary and Deputy Treasurer of Debt Management for the Office of the State Treasurer, to provide the resolution summary.

Proposed Resolution No. 1247 authorizes the issuance of State of Washington General Obligation Bonds in a principal amount not to exceed \$4,394,000,000 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.

The principal amount was calculated based on the conference budget debt model that is a product of work by House and Senate staff. Resolution No. 1247 also authorizes the Deputy State Treasurer to establish the method of sale of the bonds and the State Treasurer to adopt bond sale resolutions. Proceeds of the bonds will be used to fund expected capital budget cash flow needs for the 2021-23 biennium, based upon preliminary issuance projections from the 2021 Legislative Session. Issuance is currently planned on a semi-annual schedule.

Chair Pellicciotti asked if there were any questions regarding Resolution No. 1247.

Hearing no questions, the Chair asked for a motion to approve Resolution No. 1247.

Governor Inslee made a motion to adopt Resolution No. 1247; seconded by Treasurer Pellicciotti. Resolution No. 1247 was approved unanimously.

## **Item 3: Resolution No. 1248**

Chair Pellicciotti asked Mr. Richter to provide the resolution summary.

Proposed Resolution No. 1248 authorizes the issuance of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, in a principal amount not to exceed \$263,339,000 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. 1248 also authorizes the Deputy State Treasurer to establish the method of sale of the bonds and the State Treasurer to adopt bond sale resolutions.

This resolution authorizes a relatively modest amount of bonds to be issued in comparison to the previous resolution, and is linked to specific appropriations in the 2021-23 biennium transportation budget. The issuance authorized by Resolution No. 1248 is in addition to spending out of the Connecting Washington Bond Authorization from which, in the upcoming biennium, we expect to issue slightly over two billion dollars. In addition, Resolution No. 1248 is different from the Connecting Washington Bond Authorization in that the Connecting Washington Bonds were authorized in full in 2019.

Chair Pellicciotti asked if there were any questions.

Hearing no questions, the Chair asked for a motion to approve Resolution No. 1248.

Governor Inslee made a motion to adopt Resolution No. 1248; seconded by Treasurer Pellicciotti. Resolution No. 1248 was approved unanimously.

#### **Item 4: Resolution No. 1249**

Chair Pellicciotti asked Mr. Richter to provide the resolution summary.

Proposed Resolution No. 1249 authorizes the issuance of State of Washington Various Purpose General Obligation Refunding Bonds, in a principal amount not to exceed \$4,154,745,000, and State of Washington Motor Vehicle Fuel Tax General Obligation Refunding Bonds, in a principal amount not to exceed \$2,195,055,000, for the purpose of refunding certain outstanding Various Purpose General Obligation Bonds, Various Purpose General Obligation Refunding Bonds, Motor Vehicle Fuel Tax General Obligation Bonds, and Motor Vehicle Fuel Tax General Obligation Refunding Bonds of the state; making certain other provisions with respect to the payment of the principal of and interest on the bonds; approving the form of a refunding escrow agreement with respect to the bonds to be refunded; and providing for other matters properly related thereto. Resolution No. 1249 also authorizes the Deputy State Treasurer to establish the method of sale of bonds and the State Treasurer to adopt bond sale resolutions.

Proposed Resolution No. 1249 is an omnibus refunding resolution that updates the authority to refund all outstanding refundable bonds. As of July 14, 2021, there are a total of \$14,032,625,000 of callable bonds outstanding, reflecting all callable Various Purpose General Obligation Bonds, Various Purpose General Obligation Refunding Bonds, Motor Vehicle Fuel Tax General Obligation Bonds, and Motor Vehicle Fuel Tax General Obligation Refunding Bonds. Refundings are executed in accordance with the Committee's Debt Issuance Policy which establishes refunding savings thresholds. With several years of very low interest rates, multiple refundings have been executed over the last few years, which have helped reduce the state's borrowing costs. The resolution provides the maximum flexibility to manage outstanding state debt and to execute refundings as call provisions and market conditions permit to save the state what is expected to be a considerable amount of money.

Chair Pellicciotti asked if there were any questions.

Lieutenant Governor Heck asked if there is any way to estimate the amount of potential savings over the next 4 years by refinancing existing debt.

Mr. Richter did not have those calculations in front of him and would send a more detailed response in the next few days.

Lieutenant Governor clarified his request to include the lifecycle savings and reduced biennial debt service.

Chair Pellicciotti added information regarding the last refunding in April, saving the state over \$100 million.

Hearing no further questions, the Chair asked for a motion to approve Resolution No. 1249.

Governor Inslee made a motion to adopt Resolution No. 1249; seconded by Treasurer Pellicciotti. Resolution No. 1249 was approved unanimously.

## **Item 5: Resolution No. 1250**

Chair Pellicciotti asked Mr. Richter to provide the resolution summary.

Proposed Resolution No. 1250 approves and establishes the maximum aggregate principal amount of financing contracts and certificates of participation (COP) of the state to be outstanding in the 2021-23 Biennium at \$1,639,329,000. This total includes (as of July 14, 2021):

- \$894,930,000 in currently outstanding financing contracts (certificates of participation);
- \$239,315,000 in currently outstanding 63-20 financing contracts; and
- an estimated \$505,084,000 in new financing contracts to be entered into and certificates of participation to be issued during the 2021-23 Biennium

Of the financing contracts expected to be entered into over the 2021-23 Biennium, \$255,084,000 represent real estate financing contracts authorized by the Legislature for state agencies, and \$250,000,000 represents the estimated state and local agency equipment and local agency real estate financing contracts for the biennium. Resolution No. 1250 also approves any refinancing contract (including issuance of refunding certificates of participation) to be entered into for the purpose of achieving interest cost savings in accordance with the Committee's Debt Issuance Policy savings threshold.

Mr. Richter provided additional information regarding the LOCAL equipment and real estate projects. The state's LOCAL Program is a companion of the state's COP Program allowing local government entities to partner with the state to borrow for essential government needs, such as: school busses, fire trucks, police cars, fire stations, city halls, and other equipment for our local government partners across the State.

Chair Pellicciotti asked if there were any questions.

Lieutenant Governor Heck asked for a brief summary of a 63-20 financing contract.

Mr. Richter explained that a 63-20 financing contract is an IRS tax code that allows a non-profit partner to issue lease revenue bonds to construct a facility on behalf of the state and in turn the state is obligated to make annual lease payments in connection with the financing. It is a structure and a credit similar to our Certificates of Participation (COP) Program. The arrangement could also be referred to it as a P3 light, where the state coordinates with a non-profit entity who is solely formed to construct and manage the facility, and then by doing so, the state makes semi-annual lease payments that cover the debt service costs and the ongoing maintenance and management of the facility. We will likely see a 63-20 financing proposal come before this committee on behalf of DSHS in connection with the Fircrest nursing facility that they are in the process of developing. The Jefferson Building in Olympia and the Edna Goodrich building in Tumwater are the only two state projects that have been constructed through the 63-20 financing process.

Lieutenant Governor Heck asked if the bulk of the \$239,315,000 is for the Jefferson Building

Mr. Richter confirmed that yes, the majority of the balance is related to the Jefferson Building.

Governor Inslee asked about what systems do we have in place to provide assurance against any conflicts of interest for counsel and advisors to the State Finance Committee in relation to 63-20 financing recommendations.

William Tonkin, Foster Garvey and bond counsel to the state and certificate counsel of certificates of participation, added that the state has a contract in place through the Attorney General's Office, and it

has several provisions against conflict of interest that we might have in representing another party that may directly or indirectly adverse to the State Treasurer or the State Finance Committee.

Governor Inslee clarified that he is not aware of any specific concern, rather wanted to provide an opportunity to clarify the systems in place to prevent such.

Mr. Tonkin further explained that there are more entities involved with a 63-20 financing. There is a private nonprofit corporation which is involved as the issuer and that leases the financed property back to the state of Washington. The nonprofit corporation typically contracts with an architectural design firm that, with the construction firm, builds the project technically for the nonprofit corporation. The state is paying for everything through the 63-20 financing contract. There are more outside parties involved than there would be for a typical competitive bond offering where it is put out for public bid and the state is the only active party.

Hearing no further questions, the Chair asked for a motion to approve Resolution No. 1250.

Governor Inslee made a motion to adopt Resolution No. 1250; seconded by Treasurer Pellicciotti. Resolution No. 1250 was approved unanimously.

#### **Item 6: Informational Item**

Chair Pellicciotti asked Mr. Richter to provide the informational item summary.

Since the last State Finance Committee meeting on December 22, 2020, the state has sold six series of bonds and two series of Certificates of Participation (COPs). The state has done its best to capitalize on historically low interest rates, as summarized in the tables provided on page 139 of the briefing booklet. For the February bond sale, the average borrowing cost for our standard bond structure, which is 25-year level debt service structure, was in the range of 2.30% – 2.40%. For the April bond sale, interest rates bumped up ever so slightly to 2.50%, which remains close to record low interest rates for the state, allowing the state to borrow at a cost that is less than inflation. In February and June the state issued Certificates of Participation, which have a shorter life than the state's standard bond financing, reflecting the generally shorter average life of the asset being purchased. Those two financings came in with average interest costs of less than 1% and 1.9% respectively.

Future New Money Issuances. The state plans to sell bonds on July 29, 2021, and anticipates additional issuances in the fall of 2021 and in the beginning of 2022 to finance Capital Budget and Transportation Budget projects. The size and timing of these issuances will be primarily dependent upon the state's cash flow needs.

Future Refundings. In addition to new money financings, OST actively monitors the state's debt portfolio for refunding opportunities. The table on page 140 of the briefing booklet shows the outstanding bonds that are callable over the next three years.

Market Update. The current Bond Buyer 20-Bond Index (BBI) now stands at 2.09% (as of June 17, 2021), which is 2.28% lower than the recent high of 4.37% on October 11, 2018. Chart 1 on page 140 of the briefing booklet shows the BBI over the last three years. The state has a significant amount of projected future borrowing, and the interest rates are projected to be very low. Chart 2 on page 141 shows the BBI since 1900. This is 121 years of data. Our current rate is 2.09% which is less than half of the 121 year average of 4.46%. The only time the rates have been lower was in the 1940s and 1950s. In looking at the



upside/downside risks, there is not a lot of upside anticipated for rates to go lower, and the downside risk is we could experience inflation causing the interest rates to go higher.

Lieutenant Governor Heck asked if the Federal Reserve has indicated they intend to hold steady the interest rate until 2023 and how does that forecast of holding steady with only minor tweaking inform or influence what we have in the pipeline for issuance, if at all.

Mr. Richter explained that there is an accumulative impact from the benefit of lower rates. When we prepare our long-term financing plans, we generally prepare them using assumptions that are more conservative than the unusually low interest rates we see today. So, the ability to issue bonds today at lower interest rates than originally contemplated by our bond model results in either lower debt service costs, or the creation of additional capacity. Alternatively, our bond model and our future issuance plans have room to accommodate higher interest rates, and we true up the model on an annual and semi-annual basis. We do not anticipate that slight to moderate increases in the interest rates will have near term impacts. In the long term, we will continue to monitor and adjust as needed.

Lieutenant Governor Heck summarized by saying, stay the course, and stay flexible.

Chair Pellicciotti concurred and added that the flexibility of this committee to conduct refinancings in between full meetings of the State Finance Committee has allowed the state to take advantage of the record low interest rates and realize savings.

Chair Pellicciotti asked if there were any questions. Hearing no further questions, the Chair opened the meeting up for public comment. There was no public comment provided.

Having no further business before the State Finance Committee, Chair Pellicciotti adjourned the meeting at 10:38 AM.

STATE FINANCE COMMITTEE  
STATE OF WASHINGTON

By

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Mike Pellicciotti  
State Treasurer and Chairman

By

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Jay Inslee  
Governor and Member

By

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Denny Heck  
Lieutenant Governor and Member

ATTEST:

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Jason P. Richter,  
Deputy State Treasurer and Secretary

**- SECTION 2 -**

**State Finance Committee**

**September 22, 2022 Meeting**

Resolution No. 1254



**STATE OF WASHINGTON  
STATE INVESTMENT BOARD**

**2100 Evergreen Park Drive SW • P.O. Box 40916 • Olympia, Washington • 98504-0916  
(360) 956-4600 • Fax (360) 956-4785 • [www.sib.wa.gov](http://www.sib.wa.gov)**

September 7, 2021

The Honorable Mike Pellicciotti, Chairman, State Treasurer  
The Honorable Jay R. Inslee, Governor  
The Honorable Denny Heck, Lieutenant Governor  
State Finance Committee  
Office of the State Treasurer  
P.O. Box 40200  
Olympia, Washington 98504-0200

Honorable Members of the State Finance Committee:

At its June 17, 2021, meeting, the Washington State Investment Board (WSIB) appointed Allyson Tucker as its executive director for a 3-year term, beginning January 1, 2022, and ending December 31, 2024. In accordance with RCW 43.33A.100, this appointment is hereby forwarded for conformation by the State Finance Committee. We respectfully request that this matter be placed on the September 22, 2021, State Finance Committee Meeting Agenda.

I will attend this meeting to represent the WSIB's request and to be available to answer any questions regarding this appointment.

Please do not hesitate to contact me if you have any questions or require any additional information. I can be reached at 360-902-4203 or [joel.sacks@lni.wa.gov](mailto:joel.sacks@lni.wa.gov).

Sincerely,

Joel Sacks  
Board Chair

## **ALLYSON TUCKER, CFA, CAIA** **CHIEF INVESTMENT OFFICER**

Allyson is the Chief Investment Officer (CIO) of the Washington State Investment Board (WSIB) reporting to the Executive Director. The WSIB, one of the nation's largest institutional investors, currently manages over \$175 billion on behalf of 35 separate funds, comprised of defined benefit and defined contribution retirement funds, deferred compensation funds, insurance funds, permanent funds, and other trust funds. The WSIB's strong investment performance, along with sensible pension design and stable contributions, have resulted in Washington's pension system ranking as one of the best-funded in the country.



As CIO, Allyson oversees the Investment Division for the WSIB, including the establishment and implementation of annual and long-term strategic objectives for a complex and multi-faceted investment program. She is responsible for the development and continued relevance of detailed investment policies for each fund managed by the WSIB, including strategic asset allocation; development and presentation of recommendations for Board consideration; and the construction of implementation strategies of Board-approved investment policies. She directs the construction and strategic management of investment portfolios and regularly advice and support to the Board and Committees on all investment matters, researches and responds to Board requests, prepares informational status updates and special reports, and makes recommendations to the Board and Committees for action. As the WSIB's CIO, Allyson often serves as the face of the WSIB's investment capabilities and approach with investment partners, stakeholders, beneficiaries, external organizations, and the general public.

### **CAREER PATH**

Allyson has over 23 years of progressive multi-asset class investment experience at high-quality investment organizations in the Pacific Northwest. She has 14 years equity-focused experience including 5 years on the sell side where she was responsible for research and investment recommendations across multiple sectors and 5 years with a well-respected family investment office. At the WSIB, Ms. Tucker built a quality team at the total portfolio level, strengthened internal collaboration, and elevated the stature of the Risk Management and Asset Allocation unit to a highly contributive element of the investment process.

Prior to joining the WSIB, Allyson worked as an Investment Specialist for what is now known as Cascade Asset Management Company (formerly BMGI), the investment manager for the William H. Gates III Family Office and for the Bill &

Melinda Gates Foundation Trust. During her time there, she worked across multiple asset classes with a broad range of responsibilities. Ms. Tucker contributed to the investment management of the world's largest foundation endowment across multiple asset classes, both directly and indirectly through external managers. She planned and executed the organization's successful external manager program including raising the quality of the program's evaluation, selection, and monitoring of key public and private equity partner relationships.

From 1998 to 2003, Allyson worked as a Research Analyst for Ragen MacKenzie, a regional full-service stock brokerage firm specializing in value-oriented investment strategies.

### **EDUCATION, CERTIFICATES/LICENSES, AND MEMBERSHIPS**

Allyson graduated *Cum Laude* and *Phi Beta Kappa* from the University of Washington with a BA in accounting. As a sell-side analyst, she passed the Series 7 and Series 65 registered representative exams. Allyson earned the right to use the Chartered Financial Analyst (CFA) designation and the Chartered Alternative Investment Analyst (CAIA), and she is a member of the Seattle Society of Chartered Financial Analysts and the CAIA Seattle chapter. She currently serves on the Board of Trustees of the Seattle Foundation and as Vice Chair of the Foundation's Investment Committee. The Seattle Foundation is the oldest and largest community foundation in the region, with more than 1,100 individual, family, and corporate funds and with assets of over \$800 million. In addition, Ms. Tucker has served on the Board of Pacific Pension and Investment Institute (PPI) since 2019. She is currently PPI's Audit Committee Chair and serves on the Program Committee.

**OFFICE OF THE STATE FINANCE COMMITTEE  
OLYMPIA, WASHINGTON**

**RESOLUTION NO. 1254**

A RESOLUTION OF THE STATE FINANCE COMMITTEE OF THE STATE OF WASHINGTON CONFIRMING THE APPOINTMENT OF MS. ALLYSON TUCKER AS EXECUTIVE DIRECTOR OF THE STATE INVESTMENT BOARD FOR A TERM OF THREE YEARS, AS PROVIDED BY RCW 43.33A.100.

WHEREAS, the State Investment Board has appointed Allyson Tucker as the Board's executive director for a 3-year term beginning January 1, 2022, and ending December 31, 2024; and

WHEREAS, such employment is subject to confirmation of the State Finance Committee under the terms of RCW 43.33A.100; and

WHEREAS, the State Investment Board has submitted the name of Allyson Tucker to the State Finance Committee, and requested that the State Finance Committee consider confirming Ms. Tucker's employment by the State Investment Board as that Board's executive director; and

WHEREAS, the State Finance Committee has fully considered the professional qualifications of Ms. Tucker for the position of the State Investment Board executive director, and other information relevant to such employment; and

WHEREAS, the State Finance Committee finds that Ms. Tucker is qualified for the position of the State Investment Board's executive director;

NOW THEREFORE, BE IT RESOLVED BY THE STATE FINANCE COMMITTEE acting for and on behalf of the State of Washington:

Section 1. The employment of Ms. Allyson Tucker by the State Investment Board as that Board's executive director should be, and hereby is, confirmed.

Section 2. This confirmation is subject to the employment term, and other conditions, set out in RCW 43.33A.100 and other applicable law.

Section 3. This resolution shall be effective immediately upon its adoption.

ADOPTED at an open meeting of the State Finance Committee, State of Washington, held at Olympia, Washington, after notice thereof duly and regularly given as required by law, this 22<sup>nd</sup> day of September 2021.

STATE FINANCE COMMITTEE  
STATE OF WASHINGTON

By \_\_\_\_\_  
Mike Pellicciotti  
State Treasurer and Chair

By \_\_\_\_\_  
Jay Inslee  
Governor and Member

By \_\_\_\_\_  
Denny Heck  
Lieutenant Governor and Member

ATTEST:

\_\_\_\_\_  
Jason P. Richter  
Deputy State Treasurer and Secretary