



- AGENDA -

**STATE FINANCE COMMITTEE
AND
PUBLIC DEPOSIT PROTECTION COMMISSION**

November 14, 2023, at 1:00 P.M.

Via Zoom

With public participation via Zoom, telephonically,
and in-person at the Office of the State Treasurer,
Legislative Building, Second Floor, Room 230, Olympia, Washington

I. STATE FINANCE COMMITTEE

Call to Order.

1. Approval of minutes of the June 8, 2023, State Finance Committee meeting.
2. Informational Item: Bond sales and market update.
3. Public Comments.

Adjourn.

II. PUBLIC DEPOSIT PROTECTION COMMISSION

Call to Order.

1. Approval of minutes of the March 22, 2023, Public Deposit Protection Commission meeting.
2. Informational Item - New Public Depository Financial Institutions Update: Letter of authorization issued by the Chair authorizing approval of financial institution for public depository status in accordance with Resolution 2018–3 dated November 13, 2018.

3. Informational Item – Termination Public Depository Financial Institution Update: Letter of authorization issued by the Chair authorizing termination request of financial institution for public depository status in accordance with Resolution 2018–3 dated November 13, 2018.
4. Informational Item: Financial Institutions and PDPC program update.
5. Public Comments

Adjourn.

Public Zoom Access Information:

To join virtually, please select the following:

<https://us02web.zoom.us/j/89160667343?pwd=K2E2YSswZk9mSzJLM1MyK0VldGhlUT09>

Passcode: 058878

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: 891 6066 7343

Office of the State Treasurer

P.O. Box 40200 Olympia, Washington 98504-0200
(360) 902-9000 • TTY USERS: CALL 711 • FAX (360) 902-9037
www.tre.wa.gov

- BRIEFING BOOK -

State Finance Committee

November 14, 2023, Meeting

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- SECTION 1 -

State Finance Committee

November 14, 2023, Meeting



State of Washington
STATE FINANCE COMMITTEE

MIKE PELLICCIOTTI, Chair
State Treasurer

JAY R. INSLEE
Governor

DENNY HECK
Lieutenant Governor

STATE FINANCE COMMITTEE MINUTES

June 8, 2023, at 3:00 PM

Via Zoom

**With public participation via Zoom, telephonically,
and in-person at the Office of the State Treasurer,
Legislative Building, Second Floor, Room 230, Olympia, WA**

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

Present: State Treasurer Mike Pellicciotti, Chair
Governor Jay Inslee, Member
Lieutenant Governor Denny Heck, Member

Also Present Virtually: Jason Richter, Office of the State Treasurer, Secretary
Nona Snell, Office of Financial Management
Dallas Roberts, Office of the Lieutenant Governor
Sharon James, Office of the Attorney General
Scott Forbes, Office of the Attorney General
Tammie Nuber, Office of the State Treasurer
Anna Borris, Office of the State Treasurer
Svein Braseth, Office of the State Treasurer
Austin Goble, Office of the State Treasurer
Aaron Sherman, Office of the State Treasurer
Danni Colo, Office of the State Treasurer
Molly Johannessen, Office of the State Treasurer

Chair Pellicciotti called the meeting to order at 3:01 PM. Chair Pellicciotti stated for the record that all three members of the State Finance Committee were present, and a quorum was established. Chair Pellicciotti stated this meeting was being streamed by TVW.

Item 1: Approval of Minutes

Chair Pellicciotti introduced the draft minutes from the November 29, 2022, State Finance Committee meeting for approval. No corrections or amendments were requested. Motion – Governor Inslee; Second – Lieutenant Governor Heck; the minutes were approved unanimously.

Office of the State Treasurer

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Item 2: Resolution No. 1271

Chair Pellicciotti introduced Jason Richter, State Finance Committee Secretary and Deputy Treasurer of Debt Management for the Office of the State Treasurer, to provide a summary of Resolution No. 1271.

Resolution No. 1271 authorizes the issuance of State of Washington General Obligation Bonds in a principal amount not to exceed \$5,355,900,000 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. 1271 also authorizes the Deputy State Treasurer to establish the method of sale of the bonds and the State Treasurer to adopt bond sale resolutions.

Chair Pellicciotti asked if there were any questions regarding Resolution No. 1271.

Hearing no questions, the Chair asked for a motion to approve Resolution No. 1271.

Motion – Governor Inslee; Second – Lieutenant Governor Heck; Resolution No. 1271 was adopted unanimously.

Item 3: Resolution No. 1272

Chair Pellicciotti asked Deputy Treasurer Richter to provide a summary of Resolution No. 1272.

Resolution No. 1272 authorizes the issuance of Motor Vehicle Fuel Tax and Vehicle Related Fees General Obligation Bonds of the State in a principal amount not to exceed \$1,905,620,000 for the purpose of providing funds to pay and reimburse State expenditures for various transportation projects identified in the Bond Acts; 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. 1272 also authorizes the Deputy State Treasurer to establish the method of sale of the bonds and the State Treasurer to adopt bond sale resolutions.

Chair Pellicciotti asked if there were any questions regarding Resolution No. 1272.

Hearing no questions, the Chair asked for a motion to approve Resolution No. 1272.

Motion – Governor Inslee; Second – Lieutenant Governor Heck; Resolution No. 1272 was adopted unanimously.

Item 4: Resolution No. 1273

Chair Pellicciotti asked Deputy Treasurer Richter to provide a summary of Resolution No. 1273.

Resolution No. 1273 authorizes the issuance of Various Purpose General Obligation Refunding Bonds of the State in a principal amount not to exceed \$4,577,460,000 and Motor Vehicle Fuel Tax and Vehicle Related Fees General Obligation Refunding Bonds of the State in a principal amount not to exceed \$2,947,310,000 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; 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. 1273 also authorizes the Deputy State Treasurer to establish the method of sale of the bonds and the State Treasurer to adopt bond sale resolutions.

Proposed Resolution No. 1273 is an omnibus refunding resolution that updates the State Finance Committee's authority to refund outstanding refundable bonds. As of June 8, 2023, there are a total of \$4,577,460,000 of Various Purpose General Obligation Bonds and Various Purpose General Obligation Refunding Bonds, and a total of \$2,947,310,000 of Motor Vehicle Fuel Tax General Obligation Bonds, and Motor Vehicle Fuel Tax General Obligation Refunding Bonds that are callable over the next four fiscal years (through the end of FY 2027). Refundings are executed in accordance with the State Finance Committee's Debt Issuance Policy which establishes refunding savings thresholds.

Chair Pellicciotti asked if there were any questions regarding Resolution No. 1273.

Lieutenant Governor Heck asked if there was significance to focusing on bonds that are callable in the next four fiscal years. Why not three years or six years?

Deputy Treasurer Richter explained that the proposed four-year range provides a significant amount of flexibility to consider standard refinancings as well as taxable refinancings, while also preparing the state to act quickly in the event that the ability to issue tax exempt advance refunding bonds is re-instated. Mr. Richter went on to state that prior to the 2018 tax reform, municipalities were able to issue tax exempt advanced refundings, which allowed an issuer to refinance bonds that had call dates that were more than 90 days from the closing date. The tax reform eliminated the ability to do this, meaning we could only issue tax exempt refundings to refinance bonds that were callable within 90 days of the closing date.

Chair Pellicciotti asked if there were any additional questions.

Hearing no further questions, the Chair asked for a motion to approve Resolution No. 1273.

Motion – Governor Inslee; Second – Lieutenant Governor Heck; Resolution No. 1273 was adopted unanimously.

Item 5: Resolution No. 1274

Chair Pellicciotti asked Deputy Treasurer Richter to provide a summary of Resolution No. 1274.

Proposed Resolution No. 1274 approves and establishes the maximum aggregate principal amount of financing contracts and certificates of participation of the state to be outstanding in the 2023-25 Biennium at \$1,623,833,000. This total includes (as of June 8, 2023):

- \$858,210,000 in currently outstanding financing contracts (Certificates of Participation);

- \$220,735,000 in currently outstanding 63-20 financing contracts; and
- an estimated \$544,888,000 in new financing contracts to be entered into and certificates of participation and/or lease revenue bonds to be issued during the 2023-25 Biennium.

Of the financing contracts expected to be entered into over the 2023-25 Biennium, \$294,888,000 represent real estate financing contracts authorized by the Legislature for state agencies (shown in Exhibit 1), and \$250,000,000 represents the estimated state and local agency equipment and local agency real estate financing contracts for the Biennium.

Proposed Resolution No. 1274 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.

Chair Pellicciotti asked if there were any questions regarding Resolution No. 1274.

Hearing no questions, the Chair asked for a motion to approve Resolution No. 1274.

Motion – Governor Inslee; Second – Lieutenant Governor Heck; Resolution No. 1274 was adopted unanimously.

Item 6: Informational Item – Bond Sales Update

Chair Pellicciotti asked Deputy Treasurer Richter to provide an update on bond and certificate of participation sales since the last State Finance Committee meeting.

Sales Update

Since the last State Finance Committee meeting on November 29, 2022, the state sold four series of bonds and one series of certificates of participation (COPs), totaling over \$2 billion.

Refunding Savings

Of the four series of bonds sold since the last meeting, two series were refundings, which are bonds issued to refinance existing debt. The April 26, 2023, refunding resulted in around \$199.9 million in total debt service savings, or around \$160.7 million of savings on a present value basis.

Future New Money Issuances

The state plans to sell new money bonds in July 2023 and anticipates an additional new money issuance in the beginning of 2024 to finance Capital Budget and Transportation Budget projects. The size and timing of these issuances will be primarily dependent upon the state's capital budget and transportation budget cash-flow needs.

Future Refinancings

In addition to new money financings, the Office of the State Treasurer actively monitors the state's debt portfolio for refinancing opportunities.

Market Update

The current Bond Buyer 20-Bond Index (BBI) now stands at 3.67% (as of June 1, 2023), which is close to where the BBI was at during the last meeting (3.65% as of December 1, 2022). Over the last three years the BBI has been as high as 4.16% and as low as 2.02%.

Item 7: Public Comment

Chair Pellicciotti 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 3:21 PM.

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

- SECTION 2 -

State Finance Committee

November 14, 2023, Meeting



State of Washington
STATE FINANCE COMMITTEE

MIKE PELLICCIOTTI, Chair
State Treasurer
JAY R. INSLEE
Governor
DENNY HECK
Lieutenant Governor

November 14, 2023

MEMORANDUM

TO: The Honorable Mike Pellicciotti
The Honorable Jay R. Inslee
The Honorable Denny Heck

FROM: Jason P. Richter
Deputy State Treasurer

RE: **Bond Sales and Market Update**

Sales Update

Since the last Bond Sales and Market Update provided to the State Finance Committee on June 8, 2023, the state has sold five series of bonds and one series of certificates of participation (COPs), totaling over \$1.6 billion, as summarized below.

Bond issuance since June 8, 2023

July 25, 2023 -- Bond Sale

Series Name	Series	Par Amount	Delivery Date	Final Maturity	Avg. Life (yrs)	TIC*
VP GO Bonds, Series 2024A	2024A	\$ 682,590,000	8/9/2023	8/1/2048	16.577	3.83%
MVFT & VRF GO Bonds, Series 2024B	2024B	376,615,000	8/9/2023	6/1/2048	15.263	3.82%
GO Bonds, Series 2024T (Taxable)	2024T	55,105,000	8/9/2023	8/1/2027	2.257	4.79%
		\$ 1,114,310,000				

November 7, 2023 -- Bond Sale

Series Name	Series	Par Amount	Delivery Date	Final Maturity	Avg. Life (yrs)	TIC*
VP GO Refunding Bonds, Series R-2024A	R-2024A	\$ 289,660,000	11/21/2023	2/1/2039	8.945	3.75%
MVFT & VRF GO Refunding Bonds, Series R-2024B	R-2024B	181,845,000	11/21/2023	6/1/2039	9.431	3.77%
		\$ 471,505,000				

COP issuance since June 8, 2023

October 26, 2023 -- Certificates of Participation Sale

Series Name	Series	Par Amount	Delivery Date	Final Maturity	Avg. Life (yrs)	TIC*
State of WA COP, LP_2023C	LP_2023C	\$ 38,655,000	11/15/2023	1/1/2034	3.800	3.81%

*True Interest Cost (TIC)

Refunding Savings

Of the five series of bonds sold since the last meeting, two series were refundings, which are bonds issued to refinance existing debt. The November 7, 2023, refunding sale resulted in around \$59.3 million in total debt service savings, or around \$47.4 million on a present value basis.

Future New Money Issuances

The state plans to sell new money bonds in January or February 2024 and anticipates an additional new money issuance in the summer of 2024 to finance Capital Budget and Transportation Budget projects. The size and timing of these issuances will be primarily dependent upon the state's capital budget and transportation budget cash-flow needs.

Future Refinancings

In addition to new money financings, the Office of the State Treasurer actively monitors the state's debt portfolio for refinancing opportunities. The following table shows the outstanding bonds that are callable over the 2023-25 and 2025-27 Biennia.

Fiscal Year	Refundable Par
2024	\$ 437,405,000 *
2025	2,142,500,000
2026	1,765,060,000
2027	1,462,050,000
	<u>\$ 5,807,015,000</u>

* Does not include the callable Build America Bonds (BABs).

Market Update.

The Bond Buyer 20-Bond Index (BBI) stands at 4.17%, as of November 2, 2023, which is 0.50% higher than it was at the time of the last SFC meeting (3.67% as of June 8, 2023). In October, the BBI rose to its highest point over the last three years (4.19% as of October 19, 2023). Over the same period, the lowest rate was 2.03% in July 2021.

- Chart 1 below shows the BBI over the last three years.
- Chart 2 shows the BBI since 1900.
- Chart 3 shows the Municipal Market Data (MMD) curve as of November 1, 2023, the yield curves from one month ago, one year ago, and five years ago.
- Chart 4 displays the tax-exempt yield for the 1-year, 5-year, 10-year, and 20-maturities over the last three years.
- Table 1 shows the True Interest Cost ("TIC") for all new money tax-exempt bond issues over the last three years

Chart 1

**Weekly Bond Buyer 20-Bond Index (BBI)
General Obligation Bond Interest Rate Trends
(36 Months)**

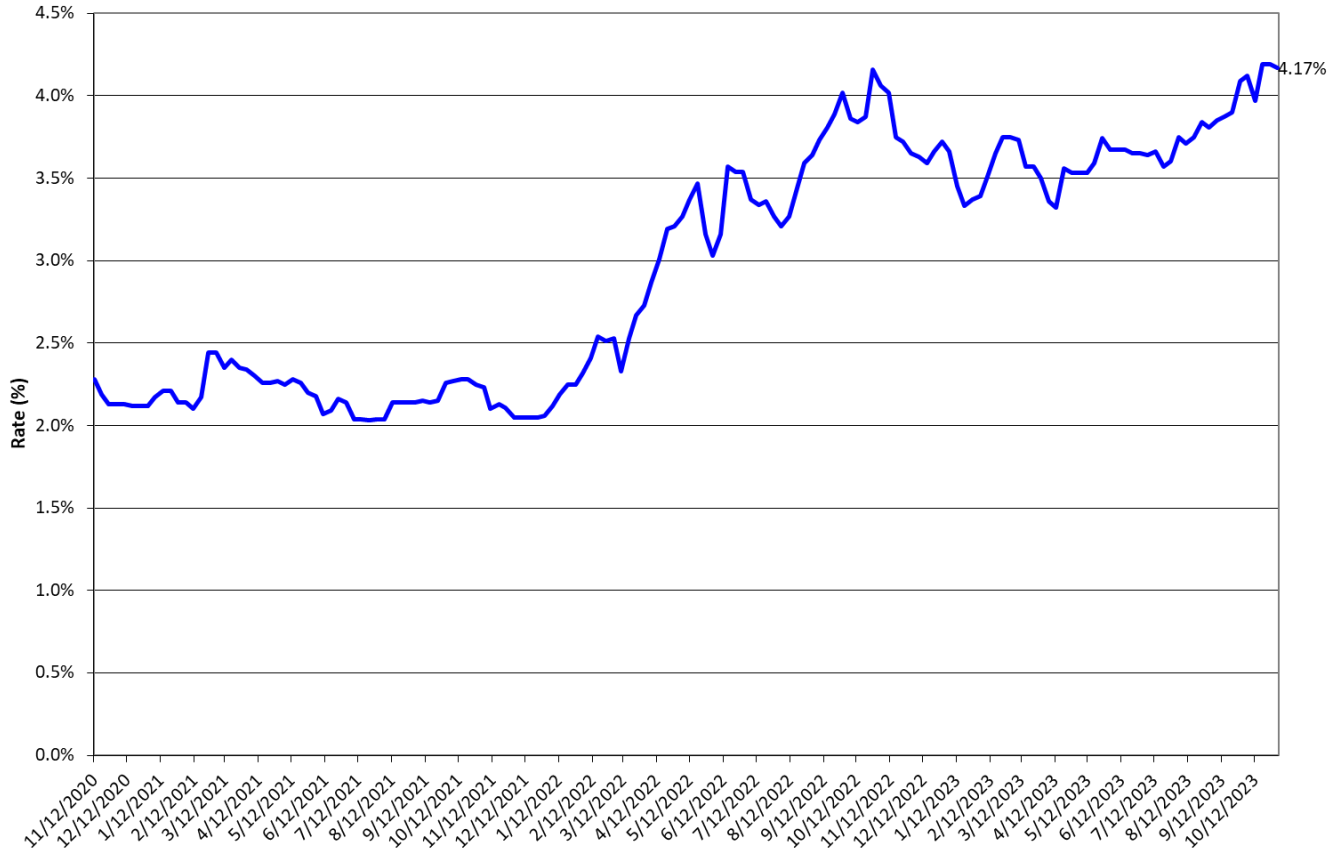


Chart 2

**Weekly Bond Buyer 20-Bond Index (BBI)
Annual Averages -- 1900 - 2023 -- as of 11/2/2023**

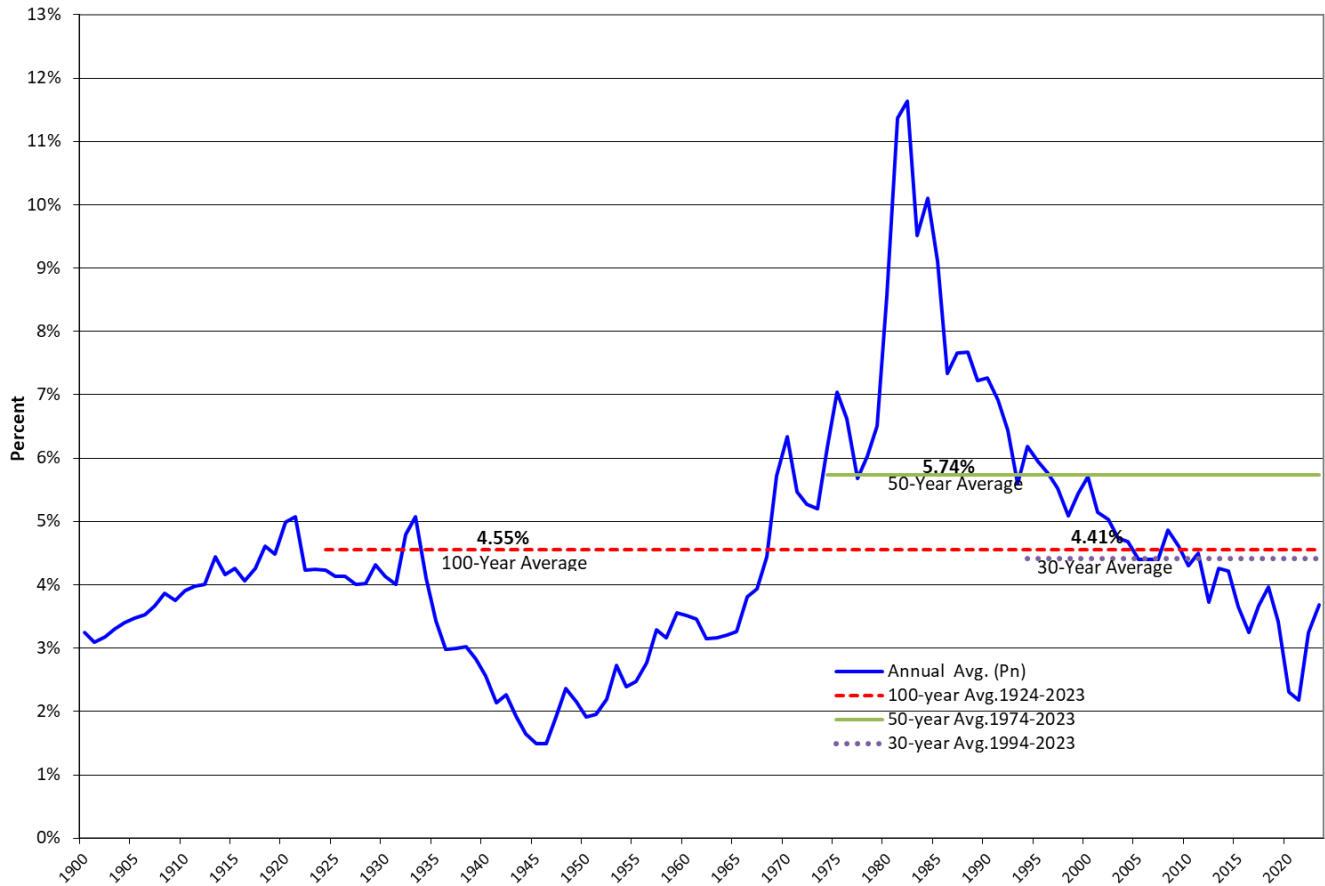
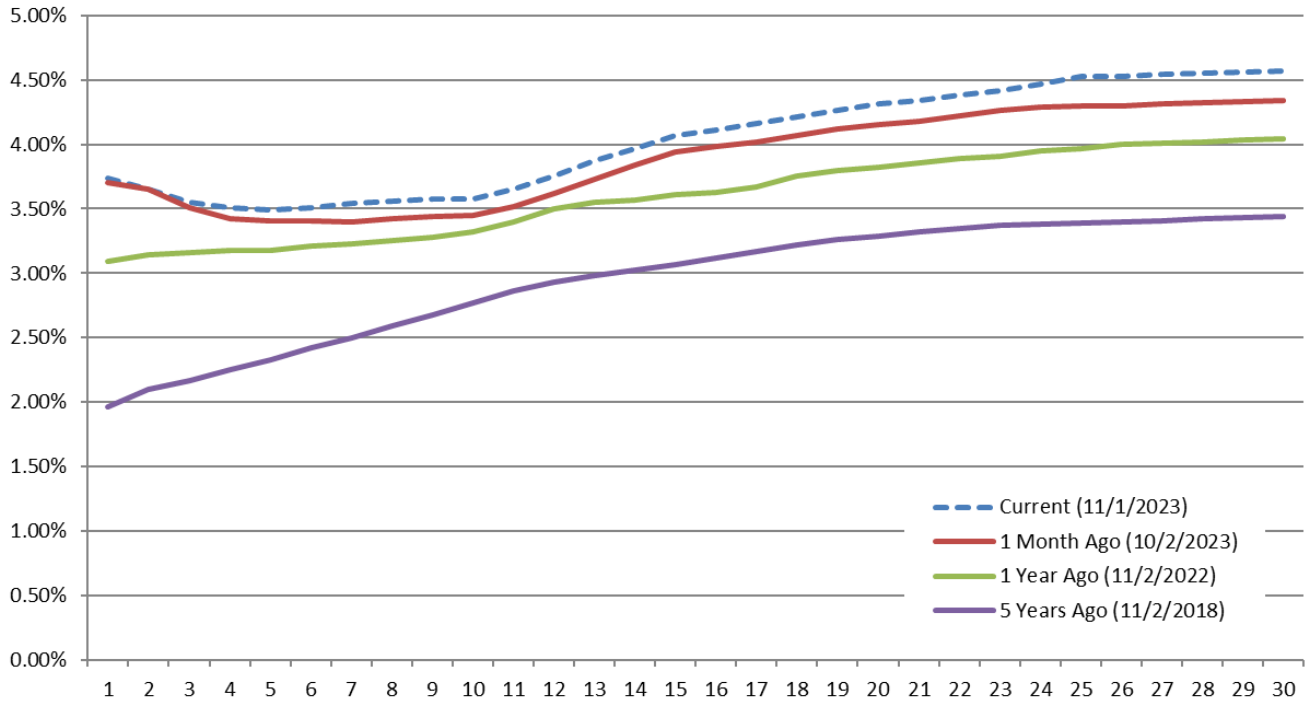


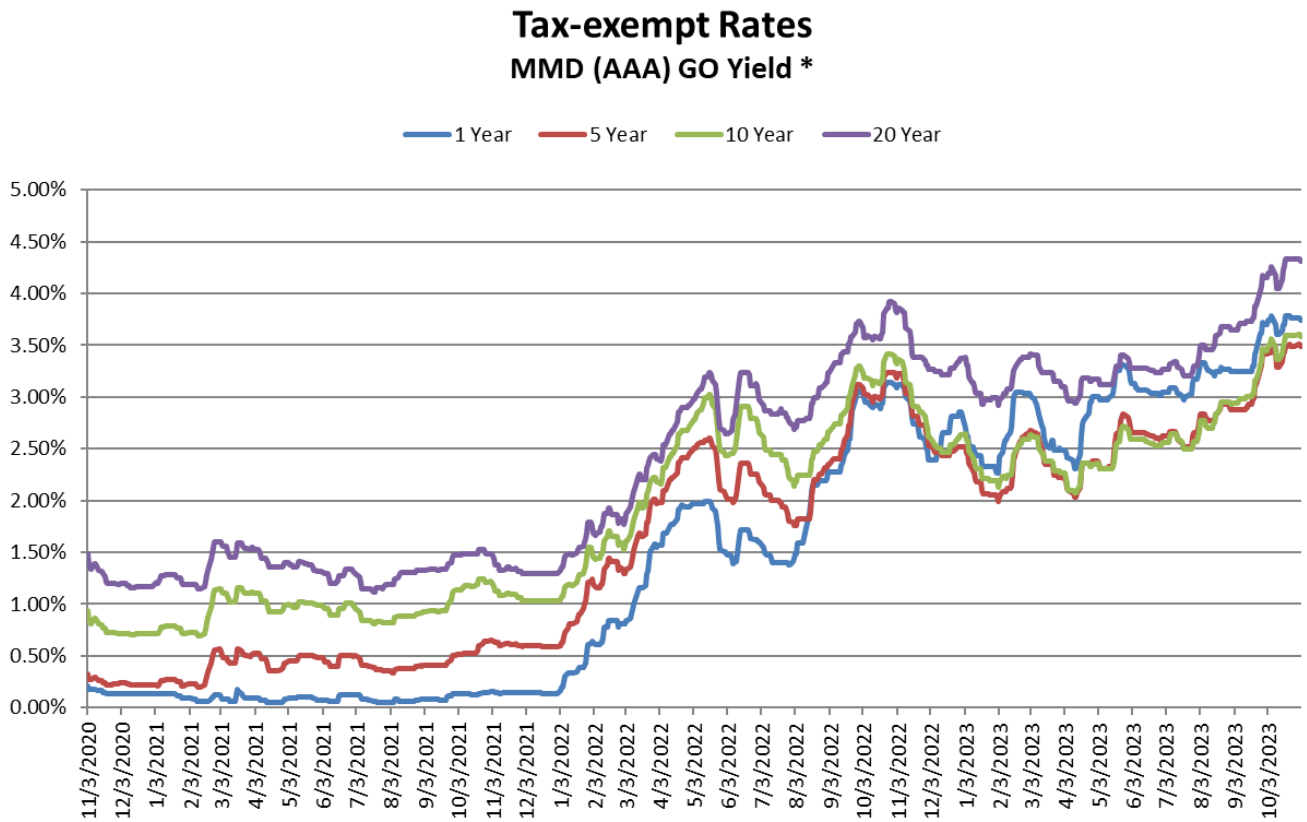
Chart 3

Tax-exempt Yield Curve*
 Current Yield Curve and Past Yield Curves from
 1 Month Ago, 1 Year Ago, and 5 Years Ago



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

Chart 4



*Municipal Market Data.

Table 1

New Money Tax-Exempt Bonds Over Previous Three Years

Series Name	Series	Sale Date	Par Amount	Final Maturity	TIC*
VP GO Bonds, Series 2021C	2021C	2/9/2021	\$ 512,675,000	2/1/2046	2.39%
MVFT GO Bonds, Series 2021D	2021D	2/9/2021	107,675,000	6/1/2046	2.07%
MVFT & VRF GO Bonds, Series 2021E	2021E	2/9/2021	232,100,000	6/1/2046	2.35%
MVFT & VRF GO Bonds, Series 2021F	2021F	4/20/2021	240,410,000	6/1/2046	2.50%
VP GO Bonds, Series 2022A	2022A	7/29/2021	599,490,000	8/1/2046	2.49%
MVFT GO Bonds, Series 2022B	2022B	7/29/2021	42,325,000	6/1/2046	2.45%
VP GO Bonds, Series 2022C	2022C	2/8/2022	749,490,000	2/1/2047	2.84%
VP GO Bonds, Series 2023A	2023A	7/19/2022	693,905,000	8/1/2047	3.75%
VP GO Bonds, Series 2023B	2023B	1/18/2023	603,020,000	2/1/2048	3.57%
MVFT & VRF GO Bonds, Series 2023C	2023C	1/18/2023	90,165,000	6/1/2048	3.57%
VP GO Bonds, Series 2024A	2024A	7/25/2023	682,590,000	8/1/2048	3.83%
MVFT & VRF GO Bonds, Series 2024B	2024B	7/25/2023	376,615,000	6/1/2048	3.82%

*True Interest Cost (TIC)