

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**

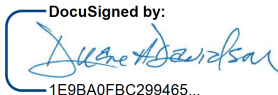
Mr. Richter updated the Committee on market conditions and recent bond sales. Since the last Bond Sale update, the State Finance Committee has sold one series of Various Purpose General Obligation Bonds, one series of Motor Vehicle Fuel Tax General Obligation Bonds, and three series of Certificates of 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

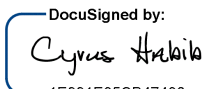
will be more beneficial. The upcoming sale in September will have five different series of General Obligation bonds which is difficult to do competitively. Additionally, the refundings being done in September lend themselves to retail buyers with the goal of broadening our account holders.

Chair Davidson adjourned the meeting at 1:36 PM.

STATE FINANCE COMMITTEE  
STATE OF WASHINGTON

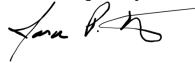
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Duane A. Davidson  
State Treasurer and Chairman

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Jay Inslee  
Governor and Member

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Cyrus Habib  
Lieutenant Governor and  
Member

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Jason P. Richter,

Deputy State Treasurer and Secretary