



State of Washington
STATE FINANCE COMMITTEE

MIKE PELLICCIOTTI, Chair
State Treasurer

JAY R. INSLEE
Governor

DENNY HECK
Lieutenant Governor

STATE FINANCE COMMITTEE MINUTES

✘ **DRAFT until formally adopted and signed by the Committee Members and Secretary**

February 20, at 1:00 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
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 1:00 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 14, 2023, State Finance Committee meeting for approval. No corrections or amendments were requested. Motion – Lieutenant Governor Heck; Second – Governor Inslee; the minutes were approved unanimously.

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

Item 2: Informational Item – Underwriting Pool Update, Request for Qualifications for Underwriter Services

Chair Pellicciotti asked Secretary Richter to provide an update on the Underwriter RFQ.

Secretary Richter described the Request for Qualifications (“RFQ”) for Underwriter Services that was issued in January and summarized the review and selection process. Secretary Richter then gave an overview of the twelve firms that had been selected for the state’s 2024 underwriter pool and described how the underwriter pool is expected to be used.

Lieutenant Governor Heck asked if there were any changes in this 2024 pool from the prior underwriter pool.

Secretary Richter responded that there were some changes from the prior pool. One notable change is that Citigroup elected to leave the municipal market and will not be included in the state’s 2024 underwriter pool.

Lieutenant Governor Heck asked how many firms from this list are new to the pool.

Secretary Richter provided the changes to the pool’s composition.

Item 3: Informational Item – Refinancing Update, Build America Bonds (“BABs”)

Chair Pellicciotti asked Secretary Richter to provide an update on the state’s Build America Bonds.

Secretary Richter summarized the state’s outstanding Build America Bonds, described the ongoing decrease in the BABs interest subsidy as a result of federal sequestration, and provided an overview of the potential refunding to replace the BABs with tax-exempt MVFT/VRF GO Bonds.

The Office of the State Treasurer (“OST”) is finalizing a Request for Proposals, in conjunction with the recently completed underwriter RFQ, to select an underwriting syndicate for a potential negotiated sale. With the support of the state’s municipal advisors, bond counsel, and the underwriting syndicate, OST may execute a refinancing of the BABs in the spring of 2024 if market conditions remain favorable.

Governor Inslee asked who is objecting to the BABs program and what is the nature of the criticism.

Secretary Richter responded that the program has been impacted by sequestration since 2013 and more recently, is now potentially at risk of being terminated as it is viewed as a cost to the federal government. By eliminating the cost, federal deficits can be narrowed and funds redeployed elsewhere.

Governor Inslee asked if most states are refinancing their BABs.

Secretary Richter responded that there are a small number of issuers that have already executed refinancings and that Washington State could find itself as one of many issuers that may elect to refinance their BABs.

Lieutenant Governor Heck asked if the SFC needs to take action on this agenda item at this time.

Chair Pellicciotti confirmed that no action is needed by this committee at this time.

Item 4: Informational Item – 63-20 Financing Update, Fircrest Nursing Facility

Chair Pellicciotti asked Secretary Richter to provide an update on the DSHS Fircrest Nursing Facility project.

Secretary Richter summarized the plan for a 63-20 financing for the DSHS Fircrest Nursing Facility, described how a 63-20 financing is different from other financing contracts and general obligation bonds, and summarized the next steps for the financing.

Item 5: Informational Item – HB 1777 Implementation Update; “Energy as a Service” Public Private Partnership

Chair Pellicciotti asked Secretary Richter to provide an update on the energy as a service program implementation.

Secretary Richter summarized the details of HB 1777, the “Energy as a Service” (“EaaS”) Public Private Partnership program, and the progress made to-date in assisting the Department of Enterprise Services (“DES”) with implementing the legislation. To comply with requirements regarding the use of financing contracts under RCW 39.94, it is expected that the EaaS contracts will need to be reviewed and approved in form by the State Finance Committee (SFC). However, this has not yet happened as DES, who is tasked with managing the program, has not yet provided a completed version of the contract for review.

Governor Inslee asked if this is the normal course of the project.

Secretary Richter responded that DES continues to work through the process of developing the financing documents for the project and OST is standing by, ready to assist when they complete this work.

Item 6: Informational Item – Bond Sales and Market Update

Chair Pellicciotti asked Secretary Richter to provide an update on the bond sale and market update.

Secretary Richter summarized recent bond and COP sales since the last market update in November and provided an update on interest rates.

Secretary Richter indicated that the state plans to sell new money COPs and bonds in the summer of 2024. The size and timing of these issuances will be primarily dependent upon the number and size of state and local financing contracts, and the state's capital budget and transportation budget cash-flow needs. In addition to new money financings, OST actively monitors the state's debt portfolio for refinancing opportunities.

Chair Pellicciotti commented that recent bond issuances have occurred at the low mark of interest rates, matching the "dip" in the graphs provided in the meeting's materials, and acknowledged the work of the debt team to secure favorable borrowing rates.

Item 7: Public Comment

Chair Pellicciotti opened the meeting up for public comment. There was no public comment requested.

Having no further business before the State Finance Committee, Chair Pellicciotti adjourned the meeting at 1:29 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,
State Finance Committee Secretary