



STATE FINANCE COMMITTEE MINUTES

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

June 13, 2024, at 10:30 AM

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.

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

Staff Present: 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
Stacia Hollar, 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
Dawn Leopardo, Office of the State Treasurer
Aaron Sherman, Office of the State Treasurer
Danni Colo, Office of the State Treasurer
Megan Farrell, Office of the State Treasurer

Guests Present: Secretary Jilma Meneses, Department of Social and Health Services
Richard Pannkuk, Department of Social and Health Services
Larry Covey, Department of Social and Health Services

Chair Pellicciotti called the meeting to order at 10:38 AM. 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.

Office of the State Treasurer

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Item 1: Approval of Minutes

Chair Pellicciotti introduced the draft minutes from the February 20, 2024, State Finance Committee meeting for approval. No corrections or amendments were requested. Motion – Lieutenant Governor Heck; Second – Governor Inslee; the minutes were approved unanimously.

Item 2: Resolution No. 1283 – Authorizing the Issuance and Sale of Lease Revenue Bonds by Fircrest Properties

Chair Pellicciotti asked Secretary Richter to provide an overview of Resolution No. 1283.

Secretary Richter provided a summary of Resolution No. 1283, authorizing the issuance and sale by Fircrest Properties of lease revenue bonds for the purpose of permitting, designing, and constructing a nursing facility and related improvements on the Fircrest Residential Habilitation Center campus pursuant to a financing contract with the Department of Social and Health Services (DSHS).

The 2023-25 Capital Budget authorized a financing contract for DSHS to construct a nursing facility on their Fircrest campus in an amount not to exceed \$175,888,000 in total project costs, plus financing costs and expenses, required reserves, and capitalized interest. The authorization permits the department to lease purchase or lease develop the facility. DSHS has consulted with the Office of Financial Management and the Office of the State Treasurer (OST) and selected to move forward with 63-20 financing.

Named after IRS Revenue Ruling 63-20, the structure allows a nonprofit corporation to issue tax-exempt bonds “on behalf” of a municipal entity. This allows certain capital projects to maintain the benefits of a tax-exempt financing, while shifting certain risks to a private development team through a guaranteed maximum price, thereby better incentivizing time and cost savings. The approach also provides a built-in budget for operating and maintenance costs by including those expenses in the annual lease amount.

The Office of the State Treasurer recommends that the State Finance Committee adopt Resolution No. 1283 which approves a form of Lease Agreement between DSHS and Fircrest and the issuance by Fircrest of the Bonds in the aggregate principal amount not to exceed \$235,000,000. The ‘not to exceed’ amount is sized conservatively to fund the project cost and allow for capitalizing interest during the construction phase, fund reserves (if needed), and pay the cost of issuance.

Richard Pannkuk, Assistant Secretary/Chief Financial Officer for DSHS introduced their project team.

Larry Covey, Director of Capital Projects for DSHS provided an overview of the Fircrest Residential Habilitation Center project.

Governor Inslee commented on the 40% energy savings Larry Covey had mentioned during his remarks and thanked the team for their planning.

DSHS Secretary Jilma Meneses thanked the project team for their work and the State Finance Committee for their support of this important project.

Chair Pellicciotti asked for a motion to approve Resolution No. 1283. Motion – Lieutenant Governor Heck; Second – Governor Inslee; approved unanimously.

Item 3: Informational Item – Bond Sale and Market Update

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

Secretary Richter provided an overview of the March 26, 2024, bond sale, refinancing the state’s outstanding Build America Bonds (BABs), resulting in approximately \$22.8 million in total debt service savings, or \$18.8 million on a net present value basis.

The state plans to sell new money and refunding bonds on June 25, 2024. The next Certificate of Participation (COP) issuance is anticipated to be in the fall of 2024, followed by new money bonds to be sold in early 2025. The Office of the State Treasurer actively monitors the state’s debt portfolio for refinancing opportunities.

Inflation continues to remain above the Federal Reserve’s target rate, causing the market to alter expectations for future rate cuts. Borrowing rates in the municipal market have trended up over the past few months but remain below long-term averages.

Item 4: 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 11:00 AM.

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