



State of Washington
STATE FINANCE COMMITTEE

DUANE A. DAVIDSON, Chairman
State Treasurer

JAY R. INSLEE
Governor

CYRUS HABIB
Lieutenant Governor

AGENDA

STATE FINANCE COMMITTEE

February 5, 2018 at 3:00 PM

Office of the State Treasurer
Legislative Building, Room 230
Olympia, Washington

PURSUANT TO STATUTORY PROVISIONS, YOU ARE HEREBY NOTIFIED that the State Finance Committee will hold a Special Meeting at the Office of the State Treasurer, Legislative Building, Second Floor, Room 230, Olympia, Washington at **3:00 P.M.**, on the **5th day of February, 2018** to consider the following:

I. STATE FINANCE COMMITTEE

1. Approval of minutes of the December 8, 2017 State Finance Committee meeting.
2. Resolution 1209 amends and restates Resolution No. 1207, providing for the issuance of State of Washington General Obligation Bonds in the maximum principal amount of \$1,950,000,000 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. Resolution No. 1209 also authorizes the State Treasurer to adopt bond sale resolutions.
3. Informational Item. Market and bond sales update.

If you are a person with a disability and require an accommodation for attendance, please contact the Office of the State Treasurer, (360) 902-9000, 24 hours prior to the meeting date.

State Finance Committee Meeting Minutes
Olympia, Washington
December 8, 2017
1:30 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
Johnna Craig, Office of the State Treasurer
Svein Braseth, Office of the State Treasurer
Wendy Kancianich, Office of the State Treasurer
Rob Shelley, Piper Jaffray
Bill Tonkin, Foster Pepper PLLC
Rusty Fallis, Office of the Attorney General
Shawn Myers, Office of the State Treasurer
Shelly Sweeney, Office of the State Treasurer
Scott Merriman, Office of Financial Management
Whitney Smith, Office of the State Treasurer
Matthew Schoenfeld, Office of the State Treasurer
Nguyen Dang, Washington State Department of Transportation
Kate Manley, Washington State Department of Transportation
Shannon Thompson, Piper Jaffray
Anthony Hemstad, Office of the State Treasurer
Leo Marquez, Office of the State Treasurer
Libby Hollingshead, Office of the Lt. Governor (via phone)

Chair Davidson requested a roll call. Chair Davidson called the meeting to order at 1:36 pm.

Item 1: Approval of Minutes

Treasurer Davidson introduced minutes from the August 7, 2017 at 2:30 pm State Finance Committee Meeting for approval. There were no corrections. Minutes were accepted as approved.

Item 2: Resolution 1206—Appointing a secretary for the State Finance Committee and setting forth the duties and responsibilities of said secretary.

Treasurer Davidson introduced Resolution 1206 and asked Jason Richter, Deputy Treasurer for Debt Management to provide background on the resolution.

Mr. Richter explained that Resolution 1206 appoints the Deputy Treasurer for Debt Management to serve as the secretary of the State Finance Committee.

Approval of the resolution was motioned by Governor Inslee, seconded by Lt. Governor Habib and adopted unanimously.

Item 3: Informational Item. Market and Bond Sales Update

Jason Richter, Deputy Treasurer of Debt Management for the Office of the State Treasurer gave a brief update on market conditions, interest rates and recent bonds sales. Mr. Richter provided an overview on the debt service savings generated in connection with the November advanced refunding sales.

Discussion followed regarding the elimination of advanced refundings due to federal tax reform.

Item 3: Resolution 1207—State of Washington General Obligation Bonds

Treasurer Davidson introduced Resolution 1207 and asked Jason Richter, Deputy Treasurer for Debt Management to provide background on the resolution.

Mr. Richter explained that Resolution 1207 authorizes the issuance of State of Washington General Obligation Bonds in the maximum principal amount of \$785,000,000 to provide funds for already approved capital projects identified in the 2017-2019 reappropriations only capital budget. This resolution also authorizes the State Treasurer to adopt bond sale resolutions.

Approval of the resolution was motioned by Governor Inslee, seconded by Lt. Governor Habib and adopted unanimously.

Item 4: Resolution 1208—State of Washington General Obligation Bonds

Jason Richter, Deputy Treasurer for Debt Management provided background on the resolution.

Mr. Richter explained that Resolution 1208 authorizes the issuance of State of Washington General Obligation Bonds in the maximum principal amount of \$5,300,000,000 for providing funds to pay and reimburse state expenditures for Connecting Washington Projects. This resolution authorizes the entire amount permitted under the bond act due to the unique nature of the project. This resolution also authorizes the State Treasurer to adopt bond sale resolutions.

Approval of the resolution was motioned by Governor Inslee, seconded by Lt. Governor Habib and adopted unanimously.

Treasurer Davidson adjourned the meeting at 1:51 pm.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

By _____
Duane A. Davidson
State Treasurer and Chairman

By _____
Jay Inslee
Governor and Member

By _____
Cyrus Habib
Lieutenant Governor and Member

ATTEST:

Jason P. Richter,
Deputy State Treasurer and Secretary



DUANE A. DAVIDSON, Chairman
State Treasurer

JAY R. INSLEE
Governor

CYRUS HABIB
Lieutenant Governor

State of Washington
STATE FINANCE COMMITTEE

February 5, 2018

MEMORANDUM

TO: The Honorable Duane A. Davidson
The Honorable Jay R. Inslee
The Honorable Cyrus Habib

FROM: Jason P. Richter
Deputy State Treasurer

RE: Proposed Resolution No. 1209 authorizes the issuance and sale of State of Washington Various Purpose General Obligation Bonds

Proposed Resolution No. 1209 authorizes the issuance and sale of State of Washington Various Purpose General Obligation Bonds for capital projects authorized by the Legislature for the 2017-19 biennium.

- **Resolution Purpose.** Proposed Resolution No. 1209 amends and restates Resolution No. 1207, providing for the issuance of State of Washington General Obligation Bonds in the maximum principal amount of \$1,950,000,000 for the purpose of providing funds to pay and reimburse State expenditures for various State projects identified in the bond acts authorizing the bonds; 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. 1209 also authorizes the State Treasurer to adopt bond sale resolutions.
- **Background.** Resolution No. 1207, which was approved by the State Finance Committee December 8, 2017, provided for issuance for the 2017 Reappropriations-only Capital Budget (ESSB 5965). Now with the 2017-19 Capital Budget and 2018 Bond Bill signed into law, Resolution No. 1209 amends and restates Resolution No. 1207 to provide for issuance for both the reappropriations and appropriations for the 2017-19 biennium.

Proposed Resolution No. 1209 is expect to provide for the expected issuance of State of Washington General Obligation Bonds through the 2017-19 biennium based upon cash-flow needs for both

- a) The 2018 Supplemental Capital Budget (SSB 6090), and
- b) The 2017 Reappropriations-only Capital Budget (ESSB 5965).

Of the maximum principal amount of \$1,950,000,000, approximately \$785,000,000 is expected to be allocated to reappropriations and \$1,165,000,000 is expected to be allocated to appropriations.

Office of the State Treasurer

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Bond sales are currently planned on a semi-annual schedule. Proceeds (par amounts and premium, if any) are expected to be deposited into the following accounts upon issuance of the bonds:

Account Number	Account Name	Preliminary Par Amounts		
		Re-appropriations	Appropriations	Total
057	State Building Construction Account	684,650,000	932,897,000	1,617,547,000
070	Outdoor Recreation Account	9,370,000		9,370,000
09C	Famlands Preservation Account	2,240,000		2,240,000
09G	Riparian Protection Account	2,120,000		2,120,000
10P	Columbia River Basin Water Supply	8,600,000		8,600,000
18B	Columbia River Basin Taxable Bond Water Supply	850,000		850,000
22K	Watershed Restoration and Enhancement Bond Account.		20,000,000	20,000,000
244	Habitat Conservation Account	12,540,000		12,540,000
355	State Taxable Building Const. Account	64,600,000	212,103,000	276,703,000
359	School Construction & Skill Centers Building	30,000		30,000
		785,000,000	1,165,000,000	1,950,000,000

The par amounts are expected to be allocated to existing bond authorizations as shown in the table below:

Chapter and Laws (Bond Authorizations)	Bonds Authorized	Issued	Unissued	Preliminary Par Amount Allocation
Ch. 14 -- Laws of 1989, 1st Ex. Sess., as amended.....	\$ 576,229,431	\$ 545,060,000	\$ 31,169,431	\$ -
Ch. 18 -- Laws of 2003, 1st Sp. Sess.....	206,250,000	147,710,000	58,540,000	-
Ch. 147 -- Laws of 2003, Regular Sess.....	111,635,000	73,585,000	38,050,000	-
Ch. 167 -- Laws of 2006, Regular Sess.....	184,450,000	151,475,000	32,975,000	9,450,000
Ch. 179 -- Laws of 2008, Regular Sess.....	76,410,000	69,990,000	6,420,000	30,000
Ch. 6 -- Laws of 2009, Regular Sess.....	42,535,000	33,860,000	8,675,000	-
Ch. 498 -- Laws of 2009, Regular Sess.....	1,049,640,000	862,340,000	187,300,000	2,240,000
Ch. 49 -- Laws of 2011, 1st Sp. Sess.....	1,068,010,000	939,940,000	128,070,000	-
Ch. 20 -- Laws of 2013, 2nd Sp. Sess.....	2,036,000,000	1,739,610,000	296,390,000	4,400,000
Ch. 37 -- Laws of 2015, 3rd Sp. Sess.....	2,332,456,000	1,060,065,000	1,272,391,000	768,880,000
Ch. 3 -- Laws of 2018, Regular Sess.....	3,230,230,000	-	3,230,230,000	1,165,000,000
<i>Subtotal</i>	\$ 10,913,845,431	\$ 5,623,635,000	\$ 5,290,210,431	\$ 1,950,000,000

Examples of capital projects appropriations for the 2017-19 Biennium (SSB 6090) that are expected to be funded with bonds include the following (amounts shown as dollars in thousands):

2017-19 Capital Budget -- 2018 Supplemental
Enacted New Appropriations (SSB 6090)
(Projects Larger than or Equal to \$20 Million)

(Dollars In Thousands)

		New Appropriations
Department of Commerce		
40000005	2018 Local and Community Projects	130,529
30000872	2017-19 Housing Trust Fund Program	106,770
40000018	Behavioral Health Community Capacity	65,600
30000881	Clean Energy Funds 3	46,100
30000883	2017-19 Building Communities Fund Grant	30,900
30000879	Weatherization Plus Health Matchmaker Program	21,000
40000009	PWAA Preconstruction and Emergency Loan Programs	19,000
Public Schools		
40000003	2017-19 School Construction Assistance	932,563
92000040	Small Rural District Modernization Grants	35,000
92000041	Distressed Schools	21,186
University of Washington		
20082850	Burke Museum	24,200
91000016	Center for Advanced Materials/Clean Energy Research Test Beds	20,000
Washington State University		
30000519	WSU Pullman - Plant Sciences Building	52,000
30001322	Global Animal Health Building	23,000
Eastern Washington University		
30000001	University Science Center - Science I	67,009
Central Washington University		
30000456	Nutrition Science	23,000
Department of Ecology		
40000006	Catastrophic Flood Relief	60,000
92000076	Storm Water Improvements	40,000
30000706	Floodplains by Design 2017-19	35,389
30000705	2017-19 Centennial Clean Water program	35,000
30000712	Columbia River Water Supply Development Program	33,800
30000711	Yakima River Basin Water Supply	31,100
30000797	2015-17 Restored Stormwater Financial Assistance	30,100
30000796	2017-19 Stormwater Financial Assistance Program	25,000
30000458	Remedial Action Grants	20,000
91000343	Water Availability	20,000
Recreation and Conservation Funding Board		
30000408	Salmon Recovery Funding Board Programs	69,711
30000414	Puget Sound Acquisition and Restoration	40,000
91000566	Brian Abbott Fish Passage Barrier Removal Board	19,747
State Board for Community & Technical Colleges		
30000137	Edmonds Community College: Science, Engineering, Technology Bldg	37,757
30000981	Big Bend: Professional-Technical Education Center	35,063
30000138	Whatcom Community College: Learning Commons	33,960
30001368	Minor Works - Program	26,630
30000982	Spokane: Main Building South Wing Renovation	24,919
30000983	Highline: Health and Life Sciences	23,372

Examples of reappropriated capital projects (ESSB 5965) that are expected to be funded with bonds include the following (amounts shown as dollars in thousands):

2017-19 Capital Budget
Enacted Reappropriations-Only Budget (ESSB 5965)
(Projects larger than or equal to \$20 Million)
(Dollars In Thousands)

			Reapprop
<i>Department of Commerce</i>			
000	92000369	Local & Community Projects 2016	88,204
002	30000833	Housing Trust Fund Appropriation	59,701
000	92000344	Community Behavioral Health Beds - Acute & Residential	38,857
004	30000726	Clean Energy and Energy Freedom Program	31,476
005	30000835	Energy Efficiency and Solar Grants	21,276
<i>Office of Financial Management</i>			
005	20084850	Catastrophic Flood Relief	20,000
<i>Department of Social and Health Services</i>			
061	20081319	Western State Hospital New Kitchen and Commissary Building	28,000
<i>Department of Ecology</i>			
033	30000537	Floodplains by Design	34,826
<i>Recreation and Conservation Funding Board</i>			
002	30000220	Washington Wildlife Recreation Grants	34,791
038	92000131	Recreation & Conservation Office Recreation Grants	30,256
025	30000226	Puget Sound Acquisition and Restoration	27,521
<i>Central Washington University</i>			
032	30000451	Samuelson Communication and Technology Center (SCTC)	29,084
<i>Community & Technical College System</i>			
007	30000122	Olympic College: College Instruction Center	23,174
<i>Public Schools</i>			
007	92000039	K-3 Class-size Reduction Grants	209,571
007	30000169	2015-17 School Construction Assistance Program	92,767
007	30000145	2013-15 School Construction Assistance Program - Maintenance	37,201

- **Counsel and Advisors.**

Bond Counsel:	William Tonkin, Foster Pepper PLLC
Financial Advisor:	Chia-Jung Yang, Montague DeRose and Associates LLC
	Robert Shelley, Piper Jaffray



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February 5, 2018

MEMORANDUM

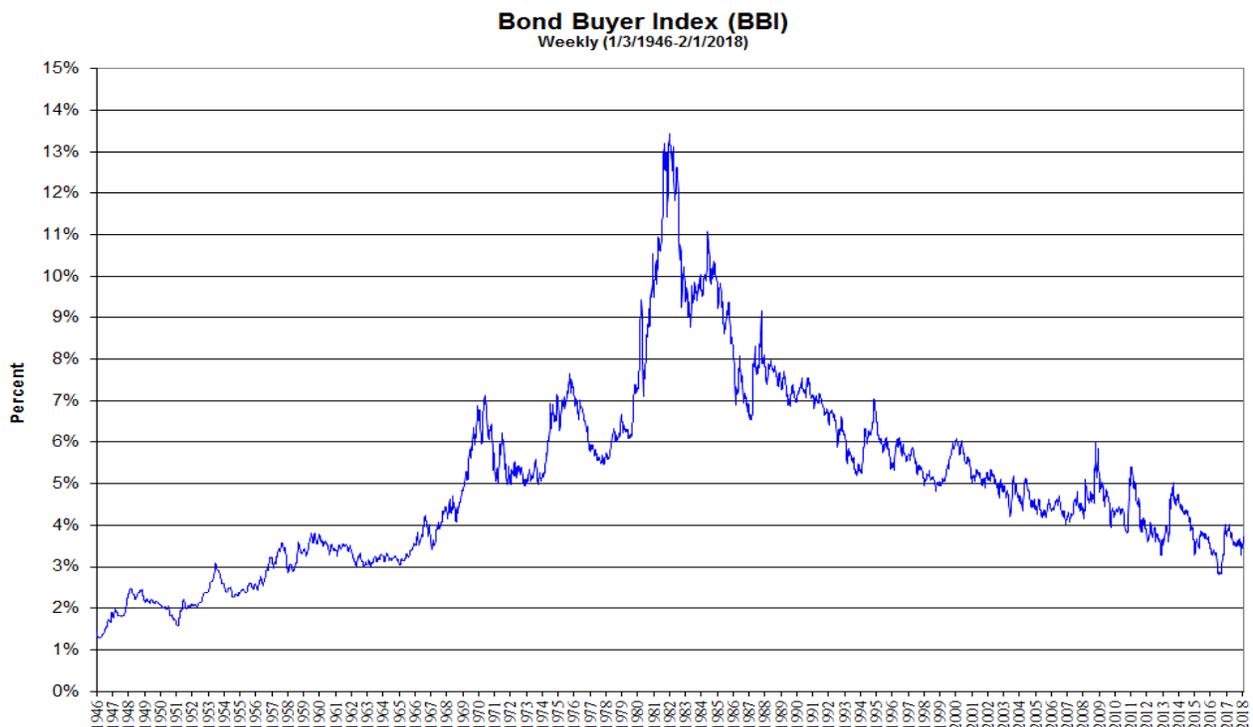
TO: The Honorable Duane A. Davidson
The Honorable Jay R. Inslee
The Honorable Cyrus Habib

FROM: Jason P. Richter
Deputy State Treasurer

RE: Market and Bond Sales Update

Market Update. Interest rates continue to be very low. The current Bond Buyer 20-Bond Index now stands at 3.72%, which is 92 bps higher than the recent historic low of 2.80% (on July 7, 2016). The following chart shows the history of the index, with rates from 1946 to current (Chart 1).

Chart 1



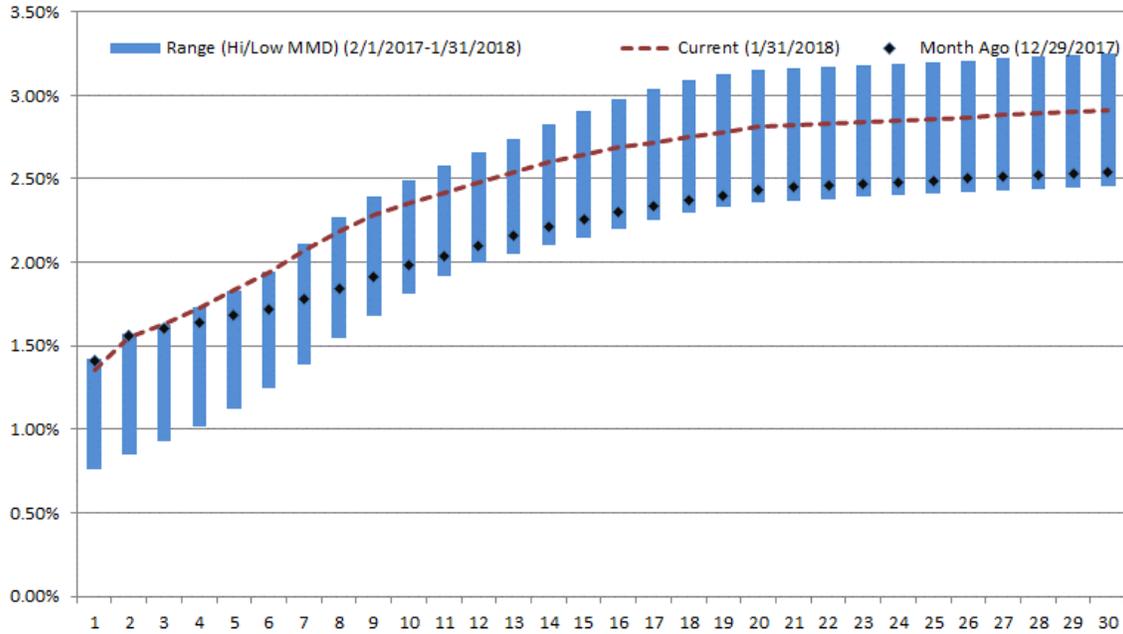
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Long-term interest rates are currently rising, with short-term rates at or close to their twelve month high (Chart 2 and 3 below).

Chart 2

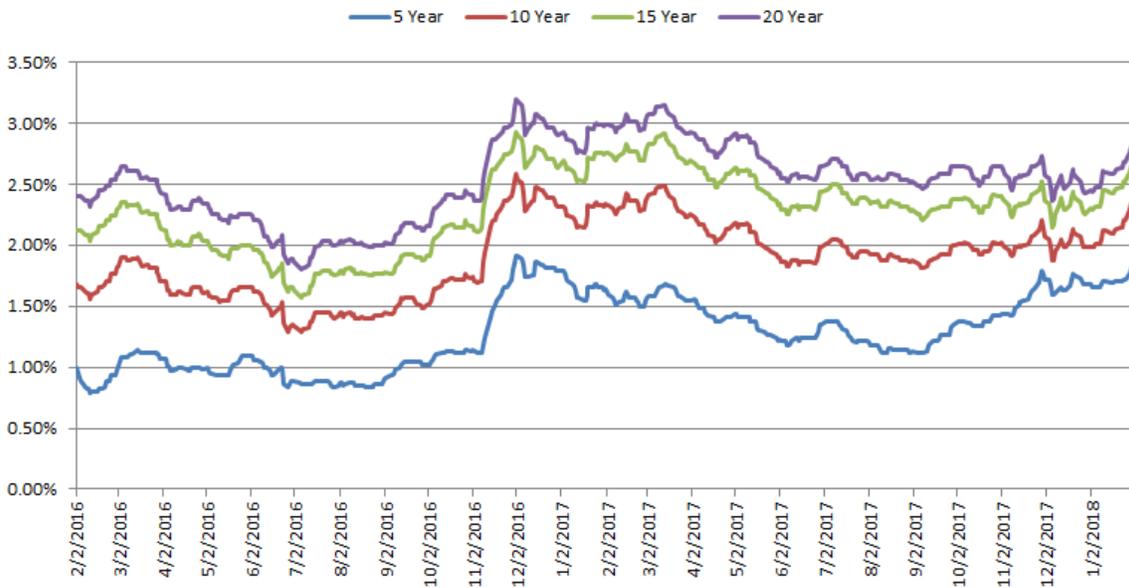
Tax-exempt Yield Curve*
Current and High/Low Yield Curves



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

Chart 3

Tax-exempt Rates
MMD (AAA) GO Yield *



*Municipal Market Data.

Future Issuances. The State currently anticipates that it will issue approximately \$500 million of various purpose general obligation bonds and \$80 million of motor vehicle fuel tax general obligation bonds in the March of 2018. Subsequent issuance will be dependent upon cash-flow needs.

- **Counsel and Advisors.**

Bond Counsel: William Tonkin, Foster Pepper PLLC
Financial Advisor: Chia-Jung Yang, Montague DeRose and Associates LLC
Robert Shelley, Piper Jaffray & Co