



State of Washington
STATE FINANCE COMMITTEE

JAMES L. McINTIRE, Chairman
State Treasurer

JAY R. INSLEE
Governor

BRAD OWEN
Lieutenant Governor

STATE FINANCE COMMITTEE PUBLIC DEPOSIT PROTECTION COMMISSION AGENDA

December 18, 2015 at 2:45 PM

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

I. STATE FINANCE COMMITTEE

1. Approval of minutes of the August 17, 2015 State Finance Committee meeting.
2. Informational Item. February 2016 sale.
3. Informational Item. Implementing Chapter 45, Laws of 2015, 3rd Sp. Sess. ("Connecting Washington Bond Act")

II. PUBLIC DEPOSIT PROTECTION COMMISSION

1. Approval of minutes of the November 25, 2013 Public Deposit Protection Commission meeting.
2. Commission Action. Resolution 2015-1 consideration for well-capitalized Washington public depositories to reduce their current 100% collateral requirement to no less than 50% and to increase their maximum liability to 25%.
3. Commission Report.
Letters of authorization issued by the Chairman involving actions of granting and rescinding approval of various public depositories in accordance with authorization granted under Resolution 2010-4 dated May 25, 2010.

Letters of resolution issued by the Chairman on behalf of the University of Washington in accordance with authorization granted under Resolution 2005-7 dated August 16, 2005.

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.

Office of the State Treasurer

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State Finance Committee Meeting Minutes
Olympia, Washington
August 17, 2015
11:00 am

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

Present: James McIntire, State Treasurer, Chair
Jay Inslee, Governor, by phone
Brad Owen, Lt. Governor

Also Present: Ellen Evans, Office of the State Treasurer
Svein Braseth, Office of the State Treasurer
Wolfgang Opitz, Office of the State Treasurer
John Ryan, Office of the Attorney General
Wendy Kancianich, Office of the State Treasurer
Wendy Weeks, Office of the State Treasurer
Kate Manley, Office of the State Treasurer
Brenda Mendez, Office of the State Treasurer
Amy Arnis, Department of Transportation
Ken Camp, Office of the Lieutenant Governor
Mathew Lane, Office of the State Treasurer
Michael Bennion, Office of the State Treasurer
Theresa Whitmarsh, Washington State Investment Board
Nancy Neraas, Foster Pepper PLLC

Chair McIntire called the meeting to order at 11:02 am on August 17, 2015.

Item 1: Approval of the Minutes

Treasurer McIntire introduced the motion to approve the minutes from the September 4, 2014 at 3:15 pm State Finance Committee Meeting. The motion was moved by the Lt. Governor, seconded by the Governor and approved unanimously.

Item 2: Resolution 1174 Confirming the Reappointment of Theresa Whitmarsh

Treasurer McIntire introduced Resolution 1174 confirming the reappointment of Theresa Whitmarsh as Executive Director of the Washington State Investment Board.

Approval of the resolution was moved by the Treasurer, seconded by the Lt. Governor, and adopted unanimously.

Item 3: Market Update

Ellen Evans, Deputy Treasurer for Debt Management and State Finance Committee Secretary, provided an update to the committee on the financial markets.

Item 4: Resolution 1170 General Obligation Bonds

Treasurer McIntire introduced Resolution 1170 authorizing the issuance of State of Washington General Obligation Bonds in the maximum principal amount of \$2,287,376,000

Treasurer McIntire asked Ms. Evans to provide background on the resolution.

Ms. Evans described Resolution 1170.

Approval of the resolution was moved by the Lt. Governor, seconded by the Treasurer, and adopted unanimously.

Item 5: Resolution 1171 Motor Vehicle Fuel Tax General Obligation Bonds

Treasurer McIntire introduced Resolution 1171 authorizing the issuance of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds in the maximum principal amount of \$651,651,000.

Treasurer McIntire asked Ms. Evans to provide background on the resolution.

Ms. Evans described Resolution 1171.

Approval of the resolution was moved by the Lt. Governor, seconded by the Treasurer, and adopted unanimously.

Item 6: Resolution 1172 Various Purpose General Obligation Refunding Bonds

Treasurer McIntire introduced Resolution 1172 authorizing the issuance of various purpose general obligation refunding bonds in the maximum principal amount of \$9,600,000,000 and motor vehicle fuel tax general obligation refunding bonds in the maximum principal amount of \$6,200,000,000.

Treasurer McIntire asked Ms. Evans to provide background on the resolution.

Ms. Evans described Resolution 1172.

Approval of the resolution was moved by the Lt. Governor, seconded by the Treasurer, and adopted unanimously.

Item 7: Resolution 1173 Financing Contracts and Certificates of Participation of the State

Treasurer McIntire introduced Resolution 1173 approving and establishing the maximum principal amount of financing contracts and certificates of participation of the state.

Treasurer McIntire asked Ms. Evans to provide background on the resolution.

Ms. Evans described Resolution 1173.

Approval of the resolution was moved by the Lt. Governor, seconded by the Treasurer, and adopted unanimously.

Treasurer McIntire adjourned the meeting at 11:16 am.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

By _____
James L. McIntire
State Treasurer and Chairman

By _____
Jay Inslee
Governor and Member

By _____
Brad Owen
Lieutenant Governor and Member

ATTEST:

Ellen Evans, Deputy State Treasurer
and Secretary



JAMES L. McINTIRE, Chairman
State Treasurer

JAY R. INSLEE
Governor

BRAD OWEN
Lieutenant Governor

State of Washington
STATE FINANCE COMMITTEE

December 18, 2015

MEMORANDUM

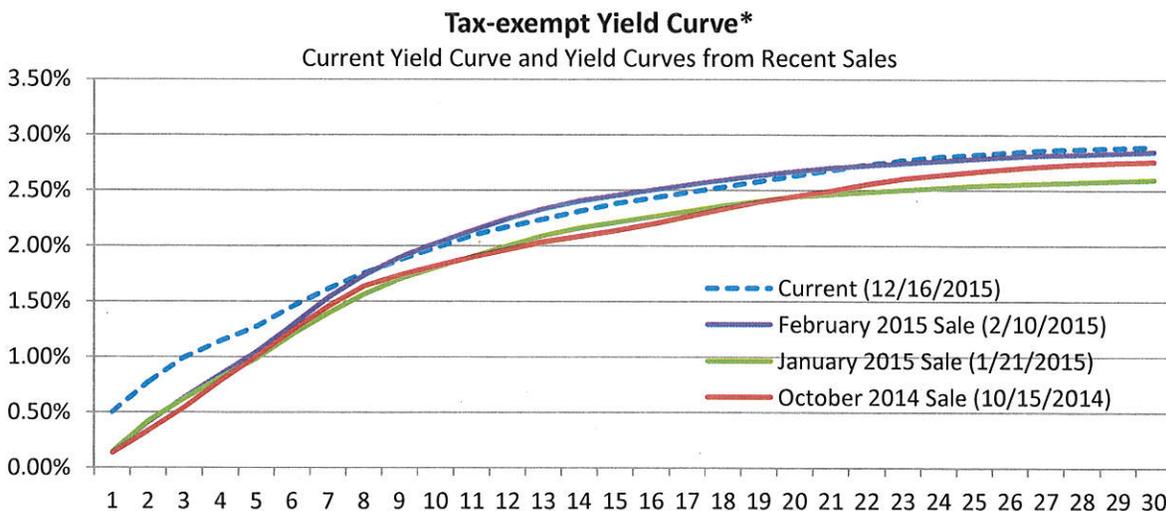
TO: The Honorable James L. McIntire
The Honorable Jay R. Inslee
The Honorable Brad Owen

FROM: Ellen Evans
Deputy State Treasurer

RE: **February 2016 Sale**

Market Update. On December 16, the Federal Reserve raised interest rates for the first time since 2006. The new target range for the federal funds rate is 25-50 basis points. The Federal Open Market Committee of the Federal Reserve expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate.

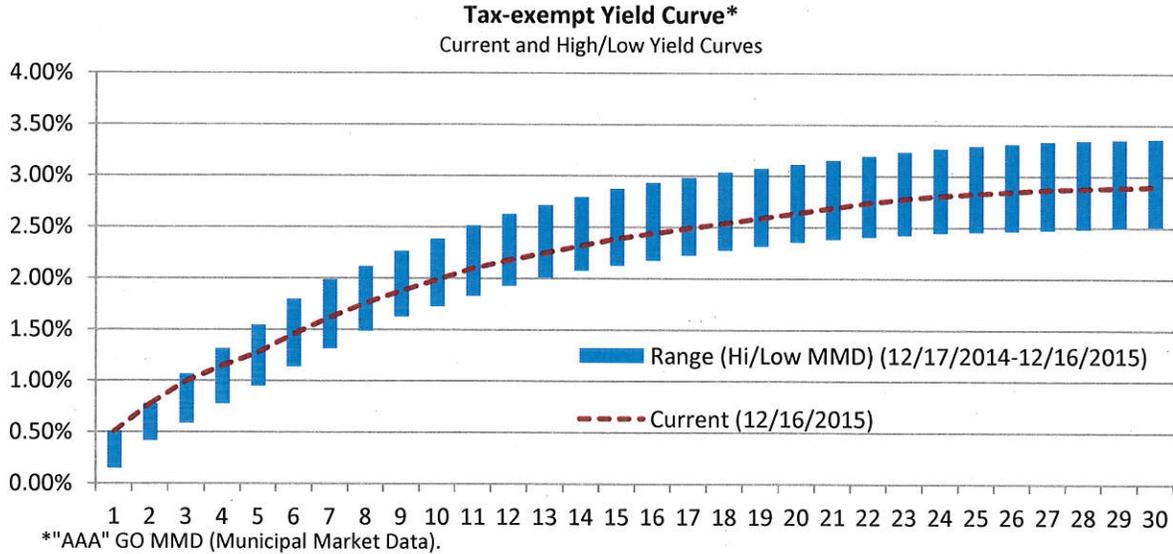
Following the announcement, taxable interest rates marginally higher and tax-exempt borrowing costs were largely unchanged. Tax-exempt interest rates remain at historic lows and largely within the band of high and low rates seen over the past year.



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

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The next sale of State of Washington bonds is scheduled in early February 2016. Issuance is expected to include \$326 million VP GO bonds and \$204 million MVFT GO bonds. Depending on market conditions, the State may also refund certain general obligation bonds.

February 2016

Series	Series Name	Expected Par Amount	Avg Life (Yrs)
2016C	VP GO Bonds, Series 2016C	\$326,495,000	15.4
2016D	MVFT GO Bonds, Series 2016D	\$203,590,000	15.4

Counsel and Advisors.

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

**WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION
OLYMPIA, WASHINGTON**

November 25, 2013

The Washington Public Deposit Protection Commission met in special session after notice was duly given to the press and radio of Thurston County.

Present: State Treasurer James L. McIntire, Chairman
Governor Jay Inslee, Member
Lieutenant Governor Brad Owen, Member

Also Present: Ellen Evans, Office of the State Treasurer
Nancy Adams, Office of the State Treasurer
Johnna Craig, Office of the State Treasurer
Svein Braseth, Office of the State Treasurer
Mary Ellen Combo, Assistant Attorney General
Bill Tonkin, Foster Pepper PLLC
Nancy Neraas, Foster Pepper PLLC
Pam Johnson, Office of the State Treasurer
Sue Melvin, Office of the State Treasurer
Wolfgang Opitz, Office of the State Treasurer
Shelly Sweeney, Office of the State Treasurer
Sandi Triggs, Office of Financial Management
Eric Hansen, Office of Financial Management
David Schumacher, Office of Financial Management
Amy Arnis, State Department of Transportation
Brad Tower, Community Bank of Washington

Chairman McIntire called the meeting to order at 12:09 P.M.

Chairman McIntire stated the first item of business was consideration of the minutes from the April 25, 2012 meeting. Lieutenant Governor Owen moved acceptance of the minutes, the motion was seconded and the minutes were adopted.

Resolution No. 2013-1 was presented by Nancy Adams for consideration by the Commission. This resolution will allow negotiable certificates of deposit to be pledged as collateral under the requirements set forth in Chapter 389.58 RCW.

Ms. Adams further stated that the certificates of deposit must be purchased from a federally insured financial institution in an amount not to exceed federal insurance limits.

Lieutenant Governor Owen moved Resolution No. 2013-1 be adopted, the motion was seconded and the Resolution was adopted.

Nancy Adams updated the Commission members on financial institution activity authorized by the Chair pursuant to Resolution No. 2010-4.

Nancy Adams updated the Commission members on out-of-state and/or foreign account activity for the University of Washington pursuant to Resolution No. 2005-7.

There being nothing further, Chairman McIntire adjourned the meeting of the Public Deposit Protection Commission at 12:22 P.M.

**STATE OF WASHINGTON
PUBLIC DEPOSIT PROTECTION COMMISSION**

STATE TREASURER JAMES L. MCINTIRE, CHAIRMAN

GOVERNOR JAY INSLEE, MEMBER

LIEUTENANT GOVERNOR BRAD OWEN, MEMBER

ATTEST:

**NANCY ADAMS, ADMINISTRATOR
PUBLIC DEPOSIT PROTECTION COMMISSION**



JAMES L. McINTIRE, Chairman
State Treasurer

JAY INSLEE, Member
Governor

State of Washington
PUBLIC DEPOSIT PROTECTION COMMISSION

BRAD OWEN, Member
Lieutenant Governor

MEMORANDUM

December 18, 2015

To: The Honorable James L. McIntire
The Honorable Jay Inslee
The Honorable Brad Owen

FROM: Nancy Adams, PDPC Administrator

RESOLUTION 2015 – 1 is presented for consideration by the Commission to ease the collateral requirement from 100% to 50% and subsequently, to increase the maximum liability from 10% to 25% for all “Well-Capitalized” Washington public depositaries.

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State Treasurer

JAY INSLEE, Member
Governor

State of Washington
PUBLIC DEPOSIT PROTECTION COMMISSION

BRAD OWEN, Member
Lieutenant Governor

If adopted, PDPC Resolution 2015-1 (attached) would allow lower collateral requirements from 100% of uninsured public deposits to 50% for well-capitalized banks.

This change will lower the cost of collateral for banks that face a combination of new federal capital reporting requirements and a low interest rate environment. This is expected to reduce barriers to accepting public deposits. Banks that are not well-capitalized are required to maintain 100% collateral for uninsured public deposits.

PDPC action in 2009 moved collateral requirements from 10% to 100% to better protect public deposits and to help maintain confidence in the banking sector during the 2008-2011 financial crisis so that local governments would continue to have safe and sound banking services. Representatives of the banking industry and DFI have been consulted and both support adopting this resolution.

- 1) State law allows PDPC to reduce collateral requirements by resolution - no WAC or statute changes needed.
- 2) If adopted, the resolution would take effect December 18, 2015, but is permissive so institutions can act on this change at any time after the effective date.
- 3) All 64 PDPC institutions are currently "well-capitalized" (as defined by the Federal Deposit Insurance Act) so all PDPC banks and thrifts can have a lower cost of collateral.
- 4) Only "well-capitalized" institutions can have lower collateral levels.
- 5) By statute, banks with 100% collateral have liability to the risk pool limited to 10% of their public deposits. This resolution raises the liability to 25% of their public deposits for institutions that collateralize deposits at the 50% level.
- 6) Any institution that drops by even one tier will be required to go back to 100% collateral for their uninsured public deposits. Resolution 2015-1 leaves the existing 100% requirement in place for those that are less than "well-capitalized".
- 7) "Well-capitalized" is defined in standard terms and as provided in call reports that are already reported to us electronically. This resolution does not create any new reporting requirements or use any confidential data.

The Commission and its Duties

The Public Deposit Protection Commission consists of the State Treasurer, as chair, the Governor, and the Lieutenant Governor. The State Treasurer is designated chair, and the administration of the Act is assigned to the Office of the State Treasurer.

The Commission has the statutory authority to make and enforce regulations necessary for the performance of its functions under the Act. The Commission is empowered to request a public depository to furnish information on its public deposits and the exact status of its net worth. The Commission is further empowered to take any action deemed advisable for the protection of public funds and to establish procedures for collection or settlement of claims arising from loss.

Each depository reports monthly and quarterly to the Commission the aggregate amount of all public deposits and the amount of collateral pledged in accordance with a single agreement. Those depositories having excess deposits or those not meeting the minimum financial standards set by the Commission must monitor public deposits on a daily basis and maintain adequate collateral accordingly.

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PUBLIC DEPOSIT PROTECTION COMMISSION

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The Washington State Treasurer's Office implements the laws, rules and procedures related to the work of the PDPC to ensure that state and local government funds deposited in state and federally chartered banks are not lost should a bank fail. In such an event, state law compels both the PDPC and the state's public depositories to act in a timely manner to restore public funds to the depositors.

Background

Washington passed its public deposit protection laws in 1969 to create the framework for the system still in place today. The 1969 Public Deposit Protection Act initially set collateral requirements for individual banks to 5 percent of public deposits. The 1977 Legislature increased the collateral requirement to 10 percent.

The Public Deposit Protection Act stood untested for forty years because no banks were closed in ways that could have resulted in lost public deposits. Because it appeared to be functioning, the Act was amended only occasionally with changes aimed generally at reducing restrictions or expanding participation.

In the event a public depository fails, all other authorized PDPC institutions are responsible for providing funds to cover public deposits that are either uninsured or not collateralized, on a pro-rata basis. Financial institutions benefitted greatly from additional liquidity made possible by substantially reduced collateral requirements that did not require increased insurance premiums. The public benefited from increased convenience and ability for governments to safely deposit public funds in local banks.

The forty year stability of the Public Deposit Protection Act was shaken by the financial crisis of 2008. As venerable financial institutions foundered, it became clear the status quo could no longer adequately protect public deposits.

On January 16, 2009 (three days after Treasurer McIntire took office), the Washington Department of Financial Institutions (DFI) closed the Bank of Clark County after which the FDIC sold the bank's insured deposit accounts and fixed assets (which excluded loans and investments). Though most of the bank's operations resumed the first business day of the following week, the FDIC did not require the acquiring institution to honor uninsured public deposits.

At that time uninsured public deposits in Washington were backed by a collateral pool from other depositories but they, including Bank of Clark County, were required to have only 10 percent collateral for their own public deposits.

Several public entities had a total of \$23.9 million deposited with Bank of Clark County when it was closed on January 16, 2009. The FDIC - working with the DFI and the State Treasurer's Office - applied federal deposit insurance and the collateral designated by the Bank of Clark County to leave \$15.1 million in unsecured deposits that belonged to four local government entities: Clark County, the City of Ridgefield, the Port of Ridgefield, and the City of Vancouver. All other public deposits were covered by actions taken by the FDIC.

As required under the Act, the members of the pool were assessed to cover the \$15.1 million of unsecured public deposits and all public deposits were made whole within 30 days. This first-ever assessment shocked the banking system and the local government depositor community.

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As a result, the PDPC passed a resolution that set July 1, 2009, as the target for all 105 banks and thrifts that operate as public depositories to collateralize 100% of their uninsured public deposits - up from 10% - so that public deposits would be better protected and to reduce the chance of another assessment should other public depositories fail.

At the request of the Commission, the 2009 Legislature then unanimously passed HB2061 to facilitate the immediate actions necessary to protect public deposits and financial institutions. House Bill 2061 clearly defined the Public Deposit Protection Commission's authority as well as new rules for Public Depositories.

Washington's public depositories continue to provide secure banking services for state and local government entities. No financial institutions serving government depositors were closed in 2015. By comparison, 12 banks were closed at the height of the banking crisis in 2010.

Three public depository banks were acquired by other institutions that were already PDPC participants. As of October 31, 2015, 64 PDPC banks and 15 PDPC credit unions held over \$6 billion in public deposits.

Reforms enacted by the 2009 Legislature, signed into law by the Governor, overseen by the Public Deposit Protection Commission, and implemented by the State Treasurer were highly effective at protecting all public deposits in Washington State.

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**WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION
OLYMPIA, WASHINGTON**

RESOLUTION 2015-1

WHEREAS, the Commission recognizes the decisive and effective actions taken by financial institutions, public depositors, and state and federal regulators to safeguard public funds by strengthening and improving protections afforded to public deposits in Washington State;

WHEREAS, all public depositaries are currently required to fully collateralize uninsured public deposits pursuant to Resolution 2009-1 adopted February 18, 2009; and

WHEREAS, the Commission desires to ease collateral requirements on uninsured public deposits held by public depositaries categorized as Well Capitalized as defined in Subsection (b)(1)(A) of Section 38 of the Federal Deposit Insurance Act (FDIA) [codified as 12 U.S.C. 1831o(b)(1)(A)] or hereafter amended;

NOW, THEREFORE, BE IT RESOLVED that all Well Capitalized public depositaries, as defined in Subsection (b)(1)(A) of Section 38 of the FDIA [12 U.S.C. 1831o(b)(1)(A)] or hereafter amended and as determined by the federal regulatory authority for that public depositary, may collateralize uninsured public deposits at no less than fifty percent.

BE IT FURTHER RESOLVED that pursuant to Revised Code of Washington (RCW) 39.58.010(12)(b), public depositaries pledging less than one hundred percent collateral on uninsured public deposits held as of the then most recent commission report date, shall have their maximum liability increased to twenty-five percent of (a) all uninsured public deposits held by such public depositary; or (b) the average of the balances of said uninsured public deposits on the last four immediately preceding reports required pursuant to RCW 39.58.100, whichever is greater.

BE IT FURTHER RESOLVED that all public depositaries not categorized as Well Capitalized as defined in Section 38 of the FDIA are required to fully collateralize uninsured public deposits pursuant to Resolution 2009-1.

AND BE IT FURTHER RESOLVED that this Resolution shall become effective December 18, 2015.

ADOPTED at an open meeting of the Washington Public Deposit Protection Commission at Olympia, Washington, after notice thereof duly and regularly given as required by law, this eighteenth day of December, 2015.

STATE OF WASHINGTON
PUBLIC DEPOSIT PROTECTION COMMISSION

STATE TREASURER JAMES L. MCINTIRE, CHAIRMAN

GOVERNOR JAY INSLEE, MEMBER

LIEUTENANT GOVERNOR BRAD OWEN, MEMBER

ATTEST:

NANCY ADAMS, ADMINISTRATOR