

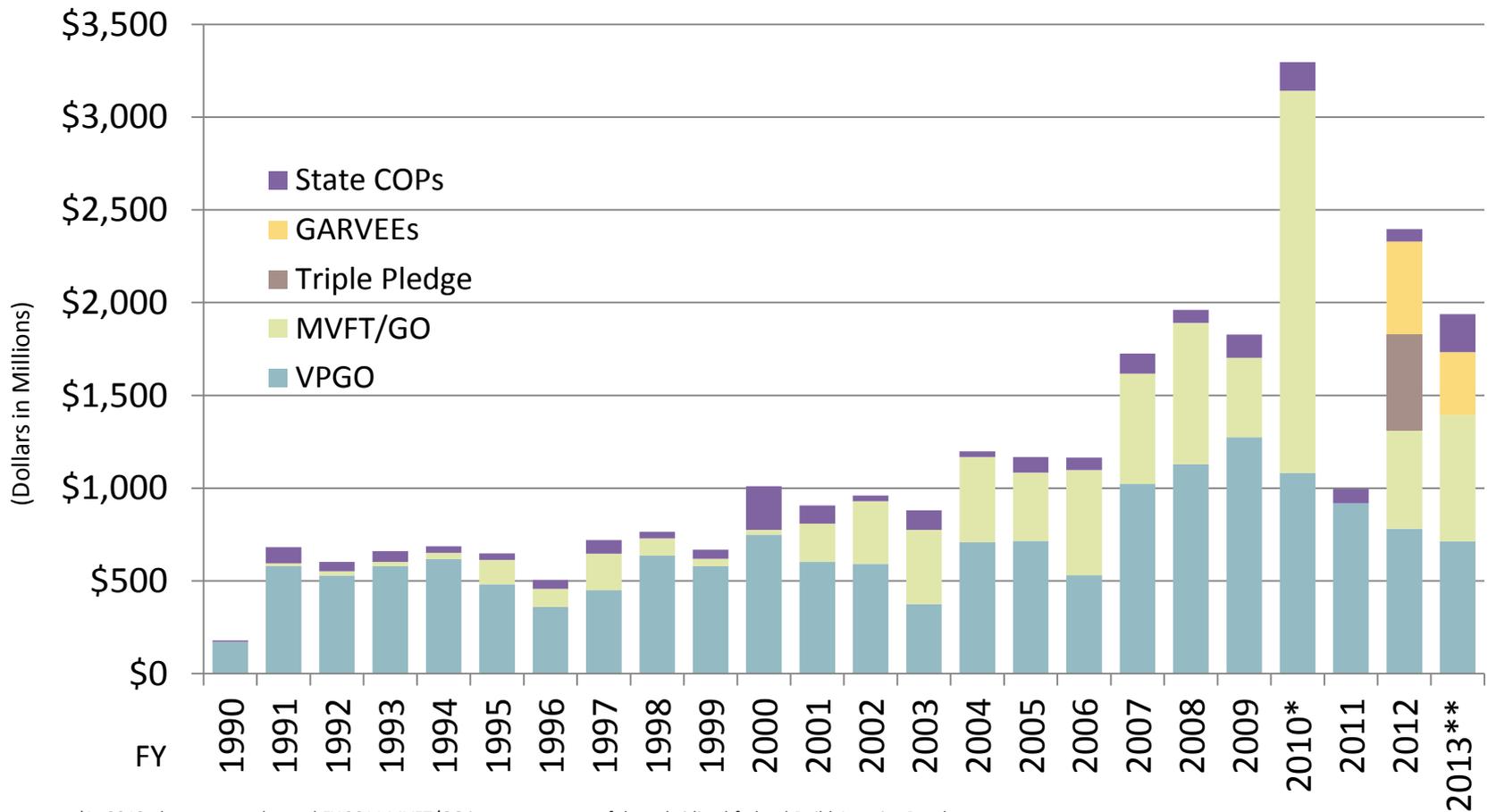
Debt Approval and Issuance Process in the State of Washington: Transportation Project Finance

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State of Washington Debt Portfolio Capital and Transportation Projects

GO Bonds, GARVEES, and COPs Issued 1990-2013



*In 2010, the state accelerated FY 2011 MVFT/GO issuance as part of the subsidized federal Build America Bond program.

**Estimate.

Source: Office of the State Treasurer

Transportation Project Finance in Washington

High Level Focus on matching Sources to Uses

WSDOT proposes bonding for capital project based on preliminary finance plan

Other Legislative Authorizations

- Designation of eligible toll facility
- Authorization of Bi-state Transportation Commission Agreement

WSDOT operating agreements

- Toll collection
- Operations and Maintenance

Legislative Bond Authorization /Appropriation

- Provide purpose for the bond proceeds
- Authorize not-to-exceed amount of bonds
- Anticipate revenues to be pledged (toll revenues, federal funds, state gas taxes, GO pledge or some combination)
- Establish parameters of financing / delegate to the State Finance Committee
- Authorize use of a trustee

Further Development of Project Finance Plan

Matching Sources to Uses, today...

and in the future

Further Development of Finance Plan

- Initial Toll rate schedule
- Traffic and Revenue projections - gross and net toll revenue
- Toll Rate revisions – revised Revenue Projections
- Timing of Bond Sales depending on Cash Flow needs
- Operating and Maintenance Cost Projections
- Adjustments to Project Cost

- Throughout the process, demonstrate the defined project is fully funded

Development of Legal Framework for financing (Resolution)

- Finance team includes attorneys, accountants, bankers , and financial advisors in addition to the project management team, DOT , Office of the State Treasurer, traffic consultants and engineers

Transportation Project Finance: Factors considered in issuing different types of debt

Debt capacity

- Type of revenue to be pledged
- Future capital plans
- Characteristics of the revenue stream: sensitivity analysis, history

Cost of capital

- Market conditions
- Rating agency credit analysis

Process for issuing debt in Washington

State Finance Committee

Bond Resolution – legal and financial framework

Specifies security and pledge, flow of funds, rate covenants, additional bonds test

New:

- Master Bond Resolution for SR520 toll-backed financings (triple-pledge, TIFIA and stand-alone toll revenue)
- Master Bond Resolution for GARVEEs

Sale Resolution - authorizes sale of bonds

May be delegated to the Treasurer

Lessons learned from other projects

Importance of rate covenants

- Contractual requirements support disciplined implementation
- Long-term focus – commitments to bond holders of all maturities
- Transparent financial reporting
- Transparent performance measures

Full recognition of sources and uses of funds