

Vision & Mission – Washington Infrastructure Bank (WIB)				
<p><b>Vision:</b> That the <b>Washington Infrastructure Bank (WIB)</b> be a legacy institution that amasses sufficient capital reserves to adequately finance the economic development and social needs of Washington State, regardless of conditions faced in the national economy.</p> <p><b>Mission:</b> To utilize and leverage Washington State's depository assets in ways that afford better use of taxpayer revenues and public resources for the benefit of the people (i.e., taxpayers) and economy of the State.</p> <p><i>Note:</i> Safety and Soundness of this institution is of paramount importance, as it pursues the goals of economic development, meeting social needs, and local job creation, subject to limitations dictated by the State constitution (unless modified).</p>				
	Business Model	Description	Pros	Cons
A	“Part Bank of North Dakota - Part Federal Reserve”	Preferred depository for State Gov’t deposits. Serves as a limited purpose lender (i.e., offer loans to finance projects related to a “public good” which have clearly-defined cash flows connected to a Governmental entity). Would also target interest rates and provide liquidity to the State economy through the direct purchase of bonds offered by any public entity based within WA State.	<ol style="list-style-type: none"> <li>1) WA State Gov’t can potentially see increased revenues since it would earn interest on both Deposits and Loans.</li> <li>2) If lending only for public works projects with guaranteed cash flow streams, strategy carries low risk of loan portfolio losses.</li> <li>3) Can potentially produce interest savings on longer-dated bonds serviced by WA State revenues.</li> <li>4) Could reduce the State’s credit risk by helping it manage its interest rate risk.</li> <li>5) Appears to fit within State constitutional limits on “lending of credit”.</li> <li>6) Tested model that’s currently being actively promoted at the State and National levels.</li> </ol>	<ol style="list-style-type: none"> <li>1) Initial capitalization likely to be an issue.</li> <li>2) Requires loan loss reserve.</li> <li>3) Liquidity and/or losses could be a concern if the entity gets stuck with illiquid bonds.</li> <li>4) Depending on implementation, potential for asset/liability duration mismatch that negatively impacts liquidity.</li> <li>5) Depending on implementation, WA State might have to cover losses.</li> </ol>
<p>Other functional areas (in the private sector) which may be pursued at a later time:</p> <ul style="list-style-type: none"> <li>• Agricultural lending</li> <li>• Educational lending</li> <li>• Export financing</li> <li>• Purchasing loans originated by state-chartered depositories</li> <li>• Overseer/warehouse for various existing state-sponsored lending programs</li> <li>• Small Business lending</li> </ul>				

**Capitalization Plan:**

The Washington Department of Financial Institutions (DFI) has advised the Infrastructure Financing Task Force that, in order to meet Safety and Soundness requirements, any newly chartered depository institution should meet the following standards:

Standard	Ratio %
Initial capitalization:	
Primary Liquidity Ratio:	
Tier 1 Leverage Ratio (Tier 1 capital/Avg. Assets):	
Tier 1 Risk Based Ratio (Tier 1 capital/Risk-adjusted assets):	
Loan Loss Reserve (as % of Assets):	
Loan-to-Deposit Ratio:	
Net Interest Margin:	

From these metrics, the following pro-forma balance sheet can be constructed for the WIB, based on a projected initial loan portfolio of (\$500 million?):