

OLYMPIA, WASHINGTON

June 9, 2009

The State Finance Committee met in a special meeting after notice duly given to the press and radio of Thurston County.

Present: James L. McIntire, State Treasurer  
Christine Gregoire, Governor  
Brad Owen, Lt. Governor

Also Present: William Tonkin, Foster Pepper PLLC  
Svein Braseth, Office of the State Treasurer  
Dean Torkelson, Seattle-Northwest Securities  
Jenny Poreé, Montague DeRose and Assoc.  
Johnna Craig, Attorney General's Office  
Sally Alhadeff, Department of Information Services  
Joanne Todd, Department of Information Services  
Jim Albert, Department of Information Services  
Steve Masse, House of Representatives  
John Finke, FYI Properties  
Dick King, Barclays Capital  
Cindy Edens, Wright Runstad & Co.  
Jim Bemis, Montague DeRose & Associates  
Jeff Caldwell, Department of Transportation  
Jennifer Cox, Department of Information Services  
Len Lewis, Department of Information Services  
Doug Vaughn, Department of Transportation  
Mike Roberts, Self  
Jeanne Marie Thomas, Self  
Nancy Notter, Office of the State Treasurer  
Susan Musselman, DashenMusselman, Inc.  
Sue Melvin, Office of the State Treasurer  
Sue Penley, Office of the State Treasurer  
Wendy Kancianich, Office of the State Treasurer  
Tom Saelid, Office of Financial Management  
Jon Hedegard, House Financial Institutions and Insurance Committee  
Pam Johnson, Office of the State Treasurer  
Wolfgang Opitz, Office of the State Treasurer  
Noah Crocker, Office of the State Treasurer  
Gina Stark, Office of the State Treasurer  
Doug Extine, Office of the State Treasurer  
Nancy Adams, Office of the State Treasurer  
Ellen Evans, Office of the State Treasurer  
Shelly Sweeney, Office of the State Treasurer  
Amy Arnis, Department of Transportation  
Shad Pruitt, Office of the State Treasurer  
Cynthia Weed, K&L Gates  
Rob Shelley, Seattle-Northwest Securities

Chairman McIntire called the meeting to order.

Chairman McIntire commented that he was pleased to share the most recent credit ratings for the state of Washington: Moody's, S&P and Fitch have all affirmed the state's AA+ or equivalent ratings and have assigned a "stable" outlook. All the analysts have noted the early, decisive action taken by the Governor and the Legislature to move ahead on the budget and manage effectively through the financial downturn.

Governor Gregoire moved to approve the minutes of the April 7, 2009 State Finance Committee meeting. Lt. Governor Owen seconded the motion. The motion passed and the minutes were adopted.

Chairman McIntire introduced Resolution No. 1083 to accept this morning's sale of \$391.3 million of General Obligation Refunding Bonds. He reported that this refunding saved the taxpayers approximately \$34 million in today's dollars, and that \$4.5 million of these savings will be realized during the next biennium. He noted further that these are savings that were not anticipated or included in the budget that was just adopted. We continue to find ways to save money for taxpayers.

In addition, Chairman McIntire commented that we should now consider how the state might be more nimble in how we issue debt. He noted that if the refunding bonds had been issued last week or possibly even yesterday, we would have been able to save the taxpayers an additional \$10 million. Conditions in the bond market deteriorated in the days prior to this scheduled meeting. He noted that other states commonly delegate this type of issuance authority to the Treasurer within certain parameters. Chairman McIntire would like to begin discussions at the staff level to see if this would be possible in Washington State.

Ellen Evans described proposed Resolution No. 1083 which accepts the bids for the purchase of State of Washington Various Purpose General Obligation Refunding Bonds, Series R-2010A. Six bids were received by the State's electronic bid provider, i-Deal/Parity, at 7:30 a.m. Pacific Time. Ms. Evans said Goldman, Sachs & Co. was the apparent low bidder submitting a true interest cost (TIC) of 3.6789827%. Merrill Lynch & Co. submitted a TIC of 3.6814710%; J.P. Morgan Securities Inc. submitted a TIC of 3.7294758%; Morgan Stanley & Co. Inc. submitted a TIC of 3.7295474%; Citigroup Global Markets Inc. submitted a TIC of 3.7785294%; and Barclays Capital, Inc. submitted a TIC of 3.8002688%.

Ms. Evans presented Resolution No. 1083 to the committee.

Resolution No. 1083 awards the sale of \$391,300,000 more or less, State of Washington Various Purpose General Obligation Refunding Bonds, Series R-2010A, authorized by Chapters 39.42 and 39.53 RCW and Resolution No. 945 of the Committee.

Governor Gregoire moved to adopt Resolution No. 1083. Lt. Governor Owen seconded the motion and the resolution was adopted.

Chairman McIntire explained that the next two resolutions presented for adoption are somewhat different than what has previously been done. These resolutions are designed to authorize the sale of all general obligation and motor vehicle fuel tax debt authorized by the

Legislature and expected to be issued during the next biennium. These omnibus authorizations should decrease the frequency of Committee meetings and improve the agility and efficiency of the debt issuance process.

Ms. Evans presented Resolution No. 1084 which authorizes the issuance of State of Washington Various Purpose General Obligation Bonds, in the maximum principal amount of \$2,408,510,000 for capital projects authorized by the Legislature for the 2009-2011 biennium. The first issuance is expected to take place on July 14, 2009.

Ms. Evans presented Resolution No. 1084 to the committee.

Resolution No. 1084 authorizes the issuance of State of Washington Various Purpose General Obligation Bonds, in the maximum principal amount of \$2,408,510,000 pursuant to various bond acts for the purpose of providing funds to pay and reimburse state expenditures for various state projects identified in those bond acts; 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.

Governor Gregoire moved to adopt Resolution No. 1084. Lt. Governor Owen seconded the motion and the resolution was adopted.

Ms. Evans presented Resolution No. 1085 which authorizes the issuance of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, in the maximum principal amount of \$2,294,298,000 for transportation capital projects authorized by the Legislature for the 2009-2011 biennium. The first issuance is expected to take place on July 14, 2009. Ms. Evans mentioned that this authorization does not include the authorization for the issuance of bonds for the SR-520 bridge replacement. These bonds will be authorized separately at a future date.

Ms. Evans presented Resolution No. 1085 to the committee.

Resolution No. 1085 authorizes the issuance of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, in the maximum principal amount of \$2,294,298,000 pursuant to various bond acts for the purpose of providing funds to pay and reimburse state expenditures for various transportation projects identified in those bond acts; 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.

Governor Gregoire moved to adopt Resolution No. 1085. Lt. Governor Owen seconded the motion and the resolution was adopted.

Governor Gregoire asked when financing for SR-520 will come before the Committee. Ms. Evans said she believes that will occur in early 2010, however, the authorization may occur before then.

Chairman McIntire introduced a motion to accept a financing plan for state and local Certificates of Participation (COPs) for the 2009-11 biennium. He indicated that this financing

plan differs from previous plans as it raises the threshold for individual financing contracts that require separate approval by the Committee from \$20 million to \$30 million.

Governor Gregoire moved the motion: *"that the Finance Plan for the issuance of lease/purchase Certificates of Participation during the 2009-2011 Biennium as set forth in the Memorandum dated June 2, 2009 is hereby approved and adopted and shall be set forth in the minutes of this meeting."* Lt. Governor Owen seconded the motion and the motion was adopted.

Chairman McIntire presented Resolution No. 1086 (the Wheeler Project) which authorizes the Department of Information Services to enter into a financing contract for the acquisition of a six-story office building, a state data center complex with four data halls, and an underground parking garage. As the authorization expires June 30, 2009, a financing contract must lawfully obligate the state before June 30, 2009 for the project to proceed without reauthorization. He indicated that there will be an additional resolution pertaining to the Wheeler Project that is slated to be on the July 14, 2009 State Finance Committee meeting agenda. This second resolution will authorize the sale of bonds for the project.

Chairman McIntire explained that this project replaces an outdated facility and plays a key role in consolidating government services.

Governor Gregoire moved to adopt Resolution No. 1086. Lt. Governor Owen seconded the motion and the resolution was adopted.

Ms. Evans briefly discussed the School Bond Guarantee Program, stating that it has been a very successful program, saving the school districts an estimated \$6 million per year and more than \$100 million dollars over the life of the program.

She indicated that the School Bond Guarantee program will accommodate school districts that choose to issue Build America Bonds (BABs), a program of the Federal American Recovery and Reinvestment Act of 2009. As part of this program school districts may elect to issue taxable bonds and get a subsidy from the Federal government covering a portion of their interest cost – in this case, 35 percent.

Chairman McIntire mentioned that there has been discussion about using Build America Bonds for transportation related projects of the state as they currently potentially offer significant savings.

There being nothing further to come before the committee, the State Finance Committee meeting was adjourned at 10:21 a.m.

STATE FINANCE COMMITTEE  
STATE OF WASHINGTON

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James L. McIntire, State Treasurer & Chairman

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Christine O. Gregoire, Governor & Member

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Brad Owen, Lieutenant Governor & Member

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Ellen Evans  
Deputy State Treasurer & Secretary