

OLYMPIA, WASHINGTON

January 23, 2007

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

Present: Michael J. Murphy, State Treasurer  
Brad Owen, Lieutenant Governor

Also Present: Allan J. Martin, Office of the State Treasurer  
Bill Tonkin, Foster Pepper PLLC  
Amy Arnis, Department of Transportation  
Sue Melvin, Office of the State Treasurer  
Pam Johnson, Office of the State Treasurer  
Noah Crocker, Office of the State Treasurer  
Nancy Notter, Office of the State Treasurer  
Tom Saelid, Office of Financial Management  
Sue Penley, Office of the State Treasurer  
Shelly McGuire, Office of the State Treasurer  
Nancy Adams, Office of the State Treasurer  
Dean Torkelson, Seattle-Northwest Securities  
Svein Braseth, Office of the State Treasurer  
Andrew Scott, Office of the Attorney General  
Karl Roeber, Office of the State Treasurer  
Bill Starkey, Seattle-Northwest Securities  
Jeff Caldwell, Department of Transportation  
Wendy Kancianich, Office of the State Treasurer

Chairman Murphy called the meeting to order.

Lieutenant Governor Owen moved the minutes for the December 6, 2006 meeting be approved. Chairman Murphy seconded the motion. The motion passed and the minutes were adopted.

Mr. Martin said proposed Resolution No. 1046 accepts a bid for the purchase of State of Washington Various Purpose General Obligation Bonds, Series 2007C in the aggregate principal amount of \$367,705,000; fixing the interest rates; in accordance with Resolution No. 1043. The Series 2007C Bonds are tax-exempt current interest bonds. The interest will be paid semi-annually on the outstanding principal. The Series 2007C Bonds are structured to produce an approximate level debt service over the life of the Bonds. The electronic bid provider, i-Deal/Parity, received six bids at 7:30 a.m. Pacific Time. Mr. Martin said Lehman Brothers submitted a true interest cost (TIC) of 4.4126067%; Banc of America Securities LLC submitted a TIC of 4.4137843%; Merrill Lynch & Co. submitted a TIC of 4.4138030%; Citigroup Global Markets Inc. submitted a TIC of 4.4288790%; Goldman, Sachs & Co. submitted a TIC of 4.4331144%; and Morgan Stanley & Co. Inc. submitted a TIC of 4.4659022% with the apparent low bidder being Lehman Brothers.

Mr. Martin presented proposed Resolution 1046 to the committee.

Resolution 1046 awards the sale of \$367,705,000 State of Washington Various Purpose General Obligation Bonds, Series 2007C, authorized by Chapter 14, Laws of 1989, 1<sup>st</sup> Ex. Sess; Chapter 15, Laws of 1990, 1<sup>st</sup> Ex. Sess; Chapter 147, Laws of 2003; Chapter 3, Laws of 2003, 1<sup>st</sup> Sp. Sess.; Chapter 18, Laws of 2003, 1<sup>st</sup> Sp. Sess.; Ch. 487, Laws of 2005; Chapter 167, Laws of 2006; and Chapter 39.42 RCW.

Lieutenant Governor Owen moved to adopt Resolution 1046. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 1047 accepts a bid for the purchase of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2007D in the aggregate principal amount of \$402,350,000; fixing the interest rates; in accordance with Resolution No. 1044. The Series 2007D Bonds are tax-exempt current interest bonds. The interest will be paid semi-annually on the outstanding principal. The Series 2007D Bonds are structured to produce an approximate level debt service over the life of the Bonds. The electronic bid provider, i-Deal/Parity, received six bids at 7:30 a.m. Pacific Time. Mr. Martin said Merrill Lynch & Co. submitted a TIC of 4.4078478%; Citigroup Global Markets Inc. submitted a TIC of 4.4137847%; Lehman Brothers submitted a TIC of 4.4158470%; Morgan Stanley & Co. Inc. submitted a TIC of 4.4193867%; Goldman Sachs & Co. submitted a TIC of 4.4307926%; and Banc of America Securities LLC submitted a TIC of 4.4344019%, with the apparent low bidder being Merrill Lynch & Co.

Mr. Martin presented proposed Resolution 1047 to the committee.

Resolution 1047 awards the sale of \$402,350,000 State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2007D, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843); Chapter 147, Laws of 2003 (RCW 47.10.861); Chapter 315, Laws of 2005 (RCW 47.10.873); and Chapter 39.42 RCW.

Lieutenant Governor Owen moved to adopt Resolution 1047. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 1048 accepts a bid for the purchase of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2007E in the aggregate principal amount of \$16,000,000, more or less; fixing the interest rates; in accordance with Resolution No. 1044. The Series 2007E Bonds are tax-exempt compound interest bonds. As such, the interest on the Series 2007E Bonds will be paid only at maturity. The electronic bid provider, i-Deal/Parity, received five bids at 8:00 a.m. Pacific Time. Mr. Martin said LaSalle Financial Services, Inc. submitted a TIC of 4.5083759%; UBS Securities LLC submitted a TIC of 4.5302992%; Citigroup Global Markets Inc. submitted a TIC of 4.5456788%; Lehman Brothers submitted a TIC of 4.5817739%; and Merrill Lynch & Co. submitted a TIC of 4.6269392%, with the apparent low bidder being LaSalle Financial Services Inc.

Mr. Martin presented proposed Resolution 1048 to the committee.

Resolution 1048 awards the sale of \$16,000,000, more or less, of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2007E, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843); and Chapter 39.42 RCW.

Lieutenant Governor Owen moved to adopt Resolution 1048. Treasurer Murphy seconded the motion and the resolution was adopted.

Mr. Crocker said proposed Resolution No. 1049 approves and authorizes the State to enter into a Master Financing Lease, including a State Agency Financing Lease Addendum thereto to be entered into by the State Board for Community and Technical Colleges on behalf of Pierce Community College, and related financing documents to finance the construction of a student gym and fitness center as authorized by Chapter 488, Laws of 2005, Section 909(5)(m), and authorizes the issuance and sale pursuant to Chapter 39.94 RCW of up to \$8,000,000, plus financing expenses and required reserves, of State of Washington Certificates of Participation therein.

Mr. Crocker said proceeds of the sale will be used to construct a student gym and fitness center. The project consists of a 15,000 sq ft building addition. The College anticipates construction work to begin in April 2007 with projected completion in July 2008.

The certificates of participation are to be issued pursuant to Chapter 39.94 RCW. Approval by the State Finance Committee of the issuance of certificates of participation for the Pierce Community College student gym and fitness center is being requested pursuant to Committee policy that no projects in the over \$6 million category will be financed without an approving resolution of the Committee.

Mr. Crocker presented proposed Resolution 1049 to the committee.

Resolution 1049 approves and authorizes the State to enter into a Master Financing Lease, including a State Agency Financing Lease Addendum thereto to be entered into by the State Board for Community and Technical Colleges on behalf of Pierce Community College, and related financing documents to finance the construction of a student gym and fitness center as authorized by Chapter 488, Laws of 2005, Section 909(5)(m), and authorizes the issuance and sale pursuant to Chapter 39.94 RCW of up to \$8,000,000, plus financing expenses and required reserves, of State of Washington Certificates of Participation therein.

Lieutenant Governor Owen moved to adopt Resolution 1049. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Crocker said proposed Resolution No. 1050 approves and authorizes the State to enter into a Master Financing Lease, including a State Agency Financing Lease Addendum thereto to be entered into by the State Board for Community and Technical Colleges on behalf of Edmonds Community College, and related financing documents to finance the construction of a bookstore and student center as authorized by Chapter 488, Laws of 2005, Section 909(5)(d), as amended by Chapter 371, Laws of 2006, Section 222, and authorizes the issuance and sale

pursuant to Chapter 39.94 RCW of up to \$8,500,000, plus financing expenses and required reserves, of State of Washington Certificates of Participation therein.

Mr. Crocker said proceeds of the sale will be used to construct a book store and student center. The project consists of an 18,000 sq ft building addition. The College anticipates construction work to begin in March of 2007 with projected completion in August 2008.

The certificates of participation are to be issued pursuant to Chapter 39.94 RCW. Approval by the State Finance Committee of the issuance of certificates of participation for the Edmonds Community College bookstore and student center is being requested pursuant to Committee policy that no project in the over \$6 million category will be financed without an approving resolution of the Committee.

Mr. Crocker presented proposed Resolution 1050 to the committee.

Resolution 1050 approves and authorizes the State to enter into a Master Financing Lease, including a State Agency Financing Lease Addendum thereto to be entered into by the State Board for Community and Technical Colleges on behalf of Edmonds Community College, and related financing documents to finance the construction of a bookstore and student center as authorized by Chapter 488, Laws of 2005, Section 909(5)(d), as amended by Chapter 371, Laws of 2006, Section 222, and authorizes the issuance and sale pursuant to Chapter 39.94 RCW of up to \$8,500,000, plus financing expenses and required reserves, of State of Washington Certificates of Participation therein.

Mr. Crocker said that both financing requests (Pierce Community College and Edmonds Community College) will be combined into one sale with issuance before the end of the biennium.

Lieutenant Governor Owen moved to adopt Resolution 1050. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin reported that Standard & Poor's most recent review of the State of Washington affirmed the "AA" rating and revised the outlook to positive from stable. The outlook revision reflects the state's proposed move to formalize its rainy day fund reserve, which will provide for increased financial stability in times of future economic downturns. Whether or not the implementation of the fund is constitutional or statutory, a rainy day fund could improve the state rating to AA+ from AA.

Treasurer Murphy expressed pleasure on the news of the revised outlook and stated his support of a rainy day fund. He remarked that it's a very positive step.

There being nothing further to come before the committee, the State Finance Committee meeting was adjourned at 10:14 a.m.

STATE FINANCE COMMITTEE  
STATE OF WASHINGTON

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Michael J. Murphy, 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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Allan J. Martin  
Deputy State Treasurer & Secretary