State Finance Committee Minutes
Olympia, Washington
July 28, 2010
10:00 am

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, Chair
Christine O. Gregoire, Governor
Brad Owen, Lt. Governor

Also Present: Ellen Evans, Office of the State Treasurer
Svein Braseth, Office of the State Treasurer
Bill Tonkin, Foster Pepper PLLC
Rob Shelley, Seattle Northwest Securities
Nancy Adams, Office of the State Treasurer
Jenny Poreé, Montague DeRose and Assoc.
Wolfgang Opitz, Office of the State Treasurer
Johnna Skyles Craig, Associate Attorney General
Chia Yang, Montague DeRose and Assoc.
Sue Penley, Office of the State Treasurer
Alicia Dunkin, Office of Financial Management
Elizabeth Dunfee, Associate Attorney General
Natalie Perkins, Montague DeRose and Assoc.
Bill Starkey, Seattle Northwest Securities
Doug Vaughn, Washington State Department of Transportation
Jeff Caldwell, Washington State Department of Transportation
Katherine Chapman, Office of the Lt. Governor
Chris McGann, Office of the State Treasurer
Sue Melvin, Office of the State Treasurer
Wendy Kancianich, Office of the State Treasurer
Pam Johnson, Office of the State Treasurer
Noah Crocker, Office of the State Treasurer
Gina Stark, Office of the State Treasurer

Chairman McIntire called the meeting to order at 10:05 am on July 28, 2010.

Treasurer McIntire introduced the motion to approve the minutes from the May 25, 2010 State Finance Committee meeting. The motion was moved by the Governor, seconded by the Lt. Governor and approved with one correction.

Treasurer McIntire stated the rates Washington State received on today's sale were at historical lows. He added that the $1.1 billion Build America Bonds issued in May 2010 achieved the lowest rates in the nation with the exception of two AAA-rated universities.

Treasurer McIntire reported that the state has maintained its strong credit ratings. Treasurer McIntire also noted that the Treasurer's office had recently engaged in dialogue with Standard and Poor's concerning a report containing significant errors in its description of the state's pension system. A corrected report has been issued.

Treasurer McIntire asked Ms. Ellen Evans, Deputy Treasurer - Debt Management to describe the day's sales.

Ms. Evans explained that Series R 2011-A refunded outstanding various purpose general obligation bonds to realize present value savings of approximately $42,458,759, or 10.58% of the refunded par amount. The $365,605,000 refunding received eight bids in a competitive sale. J.P. Morgan Securities LLC was the successful bidder at a True Interest Cost (TIC) of 2.6292357%. Ms. Evans stated that this was 12 basis points lower than expected. The next highest bid was Goldman, Sachs & Co. with a TIC of 2.6449473%. All the major financial firms participated in the sale: Banc of America Merrill Lynch (2.6624595%), Citigroup Global Markets Inc. (2.6642245%), Barclays Capital Inc. (2.6976607%), Wells Fargo Bank, National Association (2.7016905%), Morgan Stanley & Co Inc (2.7059397%), and Jefferies & Company, Inc. (2.7381755%).

The second sale Series 2011T (Taxable) was a new money sale of $118,215,000 General Obligation Bonds with a final maturity of 2020. Ten bids were received. Citigroup Global Markets Inc. was the winning bidder with a True Interest Cost (TIC) of 2.9772594%. Bidding was aggressive and the winning TIC was 27 basis points below what had been expected. Other bids were J.P. Morgan Securities LLC (3.0161440%), Robert W. Baird & Co. (3.0180626%), Goldman, Sachs & Co. (3.0235513%), BMO Capital Markets (3.0303544%), Ramirez & Co. (3.0308708%), Barclays Capital, Inc. (3.0476397%), Banc of America Merrill Lynch (3.0727249%), Morgan Stanley & Co Inc (3.2374256%), and Jefferies & Company, Inc. (3.3389804%).

Third, was the Series 2011A Various Purpose General Obligation Bond competitive sale of $347,295,000. This series was structured with level debt service through the final maturity of 2035. Ms. Evans reported that five bids were received: Barclays Capital, Inc. was the winning bid with a True Interest Cost (TIC) of 4.2063199%; Goldman, Sachs & Co. (4.2147957%); J.P. Morgan Securities LLC (4.2176948%); Citigroup Global Markets Inc. (4.2206818%), and Morgan Stanley & Co Inc (4.2313562%).

Resolution 1099
Resolution 1100
Resolution 1101

Treasurer McIntire moved Resolution 1099. The Governor moved the motion and Lt. Governor seconded the motion. Resolution 1099 was adopted.

Resolution No. 1099 awards the sale of $347,295,000 of State of Washington Various Purpose General Obligation Bonds, Series 2011A, as authorized by Resolution No.1084 of the Committee and one or more of the Bond Acts identified therein.

Treasurer McIntire moved Resolution 1100. The Governor moved the motion and Lt. Governor seconded the motion. Resolution 1100 was adopted.

Resolution No. 1100 awards the sale of $118,215,000 of State of Washington General Obligation Bonds, Series 2011T (Taxable), as authorized by Resolution No. 1084 of the Committee and one or more of the Bond Acts identified therein.

Treasurer McIntire moved Resolution 1101. The Governor moved the motion and Lt. Governor seconded the motion. Resolution 1101 was adopted.

Resolution No. 1101 awards the sale of $365,605,000, of State of Washington Various Purpose General Obligation Refunding Bonds, Series R-2011A, as authorized by Resolution No.1023 of the Committee and one or more of the Bond Acts identified therein.

Resolution 1102

Treasurer McIntire moved Resolution 1102.

Resolution No. 1102 amends resolutions nos. 945, 1023, 1084 and 1085 to provide for delegation of authority to the state treasurer to establish the method of sale of bonds and adopt bond sale resolutions; amending the undertakings to provide ongoing disclosure set forth in such resolutions; and providing for other matters properly related thereto.

Resolution 1102 makes use of new authority that was granted the State Finance Committee in SB 6220 (Chapter 18, Laws of 2010, 1st Special Session), to delegate certain bond sale and refunding tasks from the Committee to the Treasurer. Delegation of these tasks is designed to improve the execution of bond transactions so that lower costs can be achieved for taxpayers than would otherwise be possible. Resolution 1102 also makes certain technical changes in the form of the State's undertaking to provide continuing disclosure to the municipal securities market with respect to State bonds.

Treasurer McIntire asked if there was any discussion. Governor Gregoire expressed her view that the new delegation authority should be used and that it also facilitated communication among staff in the Governor's office, the Lt. Governor's office and the Treasurer's office.

Lt. Governor Owen questioned whether the group will be presented with a list of upcoming bond issuances and then have an opportunity to discuss them. This was confirmed.

Treasurer McIntire noted that the State Finance Committee will meet at the beginning of the year to discuss a Debt Affordability Study to be presented to the Legislature in December. Lt. Governor Owen clarified that each office will have an opportunity to review preliminary drafts of the debt affordability study prior to the January State Finance Committee meeting. Treasurer McIntire confirmed that drafts would be made available.

The Governor moved the motion and Lt. Governor seconded the motion. Resolution 1102 was adopted.

Ms. Evan indicated the next refunding of motor vehicle bonds was expected to take place in the fall and new funds may not be needed for the Department of Transportation until July 2011.

As there were no further questions, Treasurer McIntire moved to adjourn the meeting. The Governor moved the motion and Lt. Governor seconded the motion.

Treasurer McIntire adjourned the meeting at 10:40 am.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

By_____
James L. McIntire
State Treasurer and Chairman

By_____
Christine O. Gregoire
Governor and Member

By_____
Brad Owen
Lieutenant Governor and Member

ATTEST:

_____
Ellen Evans, Deputy State Treasurer
and Secretary