

OLYMPIA, WASHINGTON

September 12, 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
Christine O. Gregoire, Governor

Also Present: Allan J. Martin, Office of the State Treasurer
Amy Arnis, Department of Transportation
Bill Starkey, Seattle-Northwest Securities
Rob Shelley, Seattle-Northwest Securities
Linda Howell, Department of Transportation
Jeff Caldwell, Department of Transportation
Wendy Kancianich, Office of the State Treasurer
Wolfgang Opitz, Office of Financial Management
Tom Saelid, Office of Financial Management
Nancy Notter, Office of the State Treasurer
Jack Marolich, Office of the State Treasurer
Pam Johnson, Office of the State Treasurer
Sue Melvin, Office of the State Treasurer
Noah Crocker, Office of the State Treasurer
Shelly Sweeney, Office of the State Treasurer
William Tonkin, Foster Pepper PLLC
Dean Torkelson, Seattle-Northwest Securities
Nancy Adams, Office of the State Treasurer
Chia Yang, Montague DeRose & Associates
Svein Braseth, Office of the State Treasurer
Andrew Scott, Attorney General's Office
Richard A. Patrick, Office of the State Treasurer
Susan Penley, Office of the State Treasurer

Chairman Murphy called the meeting to order.

Governor Gregoire moved the minutes for the June 5, 2007 State Finance Committee meeting be approved. Chairman Murphy seconded the motion. The motion passed and the minutes were adopted.

Mr. Martin said proposed Resolution No. 1058 accepts a bid for the purchase of State of Washington Various Purpose General Obligation Bonds, Series 2008A in the aggregate principal amount of \$512,905,000; fixing the interest rates; in accordance with Resolution No. 1055. The Series 2008A Bonds are tax-exempt current interest bonds. The interest will be paid semi-annually on the outstanding principal. Together, the debt service payments of Series 2008A Bonds and the Series 2008T Bonds (collectively, the "Bonds") are structured to produce an approximate level debt service over the life of the Bonds. Four bids were received by the State's electronic bid provider, i-Deal/Parity, at 7:30 a.m. Pacific Daylight Time. Mr. Martin said J.P. Morgan Securities Inc. submitted a true interest cost (TIC) of 4.4643997%; Merrill Lynch & Co. submitted a TIC of 4.4678728%; Lehman Brothers, Inc. submitted a TIC of 4.4890352%; and Goldman, Sachs & Co. submitted a TIC of 4.4942208% with the apparent low bidder being J.P. Morgan Securities Inc.

Mr. Martin presented proposed Resolution 1058 to the committee.

Resolution 1058 awards the sale of \$512,905,000 State of Washington Various Purpose General Obligation Bonds, Series 2008A, authorized by Chapter 3, Laws of 2003, 1st Sp. Sess.; Chapter 18, Laws of 2003, 1st Sp. Sess.; Ch. 487, Laws of 2005; Chapter 167, Laws of 2006; Chapter 521, Laws of 2007; Chapter 39.42 RCW; and Resolution No. 1055 of the Committee.

Governor Gregoire moved to adopt Resolution 1058. Treasurer Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 1059 accepts a bid for the purchase of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2008B in the aggregate principal amount of \$387,000,000; fixing the interest rates; in accordance with Resolution No. 1056. The Series 2008B Bonds are tax-exempt current interest bonds. The interest will be paid semi-annually on the outstanding principal. The Series 2008B Bonds are structured to produce an approximate level debt service over the life of the Bonds. Six bids were received by the State's electronic bid provider, i-Deal/Parity, at 7:30 a.m. Pacific Daylight Time. Mr. Martin said J.P. Morgan Securities Inc. submitted a true interest cost (TIC) of 4.4316061%; Citigroup Global Markets Inc. submitted a TIC of 4.4523080%; Merrill Lynch & Co. submitted a TIC of 4.4545249%; Morgan Stanley & Co. Inc. submitted a TIC of 4.4606644%; Lehman Brothers, Inc. submitted a TIC of 4.4611323%; and Goldman, Sachs & Co. submitted a TIC of 4.4715434% with the apparent low bidder being J.P. Morgan Securities Inc.

Mr. Martin presented proposed Resolution 1059 to the committee.

Resolution 1059 awards the sale of \$387,000,000 State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2008B, authorized by Chapter 431, Laws of 1993 (RCW 47.10.812); 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); Chapter 39.42 RCW; and Resolution No. 1056 of the Committee.

Chairman Murphy indicated that this bond deal was substantially larger than any that have been done before. He then mentioned that a sale is currently scheduled for early January 2008 and there is a possibility of a refunding sometime between October and early December.

Governor Gregoire moved to adopt Resolution 1059. Treasurer Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 1060 accepts a bid for the purchase of State of Washington General Obligation Bonds, Series 2008T (Taxable) in the aggregate principal amount of \$70,000,000; fixing the interest rates for the bonds; in accordance with Resolution No. 1057. The Series 2008T Bonds are taxable current interest bonds. The interest will be paid semi-annually on the outstanding principal. Together, the debt service payments of Series 2008T Bonds and the Series 2008A Bonds (collectively, the "Bonds") are structured to produce an approximate level debt service over the life of the Bonds. Five bids were received by the State's electronic bid provider, i-Deal/Parity, at 8:00 a.m. Pacific Daylight Time. Mr. Martin said Citigroup Global Markets Inc. submitted a true interest cost (TIC) of 4.8088075%; Merrill Lynch & Co. submitted a TIC of 4.8856672%; Raymond James & Associates, Inc. submitted a TIC of 4.9016111%; Morgan Keegan & Co., Inc. submitted a TIC of 4.9242039%; and Lehman Brothers Inc. submitted a TIC of 4.9561851% with the apparent low bidder being Citigroup Global Markets Inc.

Mr. Martin presented proposed Resolution 1060 to the committee.

Resolution 1060 awards the sale of \$70,000,000 State of Washington General Obligation Bonds, Series 2008T (Taxable), authorized by Chapter 487, Laws of 2005; Chapter 521, Laws of 2007; Chapter 39.42 RCW; and Resolution No. 1057 of the Committee.

Governor Gregoire moved to adopt Resolution 1060. Treasurer Murphy seconded the motion and the resolution was adopted.

Resolution 1061 appoints Richard A. Patrick as Secretary to the State Finance Committee. Mr. Patrick was recently named as Deputy State Treasurer for Debt Management. A traditional role of this position has been acting as the secretary of the State Finance Committee, which does require a resolution from that Committee.

Mr. Martin thanked the Committee for the opportunity to serve as Secretary from August 3, 1999 to the present. He said it has been a great opportunity and for a kid that grew up in the Wenatchee Valley it has been quite humbling to participate at this level of state government. He also noted that during his tenure as secretary under his signature and the committee's action, the Committee issued \$13,461,719,452.60 worth of bonds.

Governor Gregoire, also speaking for Lieutenant Governor Owen, thanked Mr. Martin for a very fine job in his role as secretary. She stated that her experience here has always been that of finding Mr. Martin to be the consummate professional that could always be counted on. She thanked him for his public service and stated that she will miss him in this role.

Chairman Murphy presented proposed Resolution No. 1061 to the committee.

Resolution 1061 appointing a secretary for the State Finance Committee and setting forth the duties and responsibilities of said secretary.

Richard Patrick thanked the committee and said that he was honored for his appointment to serve as secretary to the State Finance Committee. He indicated that he will work hard and that he has some very big shoes to fill.

Mr. Patrick said proposed Resolution No. 1062 provides for the issuance and sale of not to exceed \$670,000,000 State of Washington Various Purpose General Obligation Bonds, Series 2008C, authorized by Chapter 14, Laws of 1989, 1st Ex. Sess; Chapter 15, Laws of 1990, 1st Ex. Sess; Chapter 18, Laws of 2003, 1st Sp. Sess.; Chapter 487, Laws of 2005; Chapter 167, Laws of 2006; Chapter 521, Laws of 2007; and Chapter 39.42 RCW for the purpose of providing funds to pay and reimburse the state for various state capital project expenditures; fixing the date, form, terms, maturities, redemption provisions 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.

Mr. Patrick said that the Series 2008C Bonds will be used to fund cash flow requirements for construction of state capital projects, state buildings and facilities for institutions of higher education, correctional facilities, the Columbia river basin water supply development program, the Hood Canal aquatic rehabilitation program, rehabilitation of Puget Sound, farmlands preservation and riparian protection. Bond proceeds from this proposed issue are to be deposited or transferred to the following funds: State Building Construction Account (fund 057), Outdoor Recreation Account (fund 070), State and Local Impr. Revolving Account -- Water Supply

Facilities (fund 072), Farmlands Preservation Account (fund 09C), Riparian Protection Account (fund 09G), Columbia River Basin Water Supply Account (10P), Hood Canal Aquatic Rehabilitation Bond Account (fund 10T), Habitat Conservation Account (fund 244), and Gardner-Evans Higher Education Construction Account (fund 357).

Resolution No. 1062 provides for an amount “not to exceed” of \$670,000,000. The final issuance amount will be based upon cash-flow requirements at the time of the offering of the bonds. Resolution 1062 provides that the Deputy State Treasurer, with the approval of the Treasurer, is authorized to determine the final aggregate principal amount of the Bonds.

The Series 2008C Bonds are tax-exempt current interest bonds. The interest will be paid semi-annually on the outstanding principal. The Series 2008C Bonds are structured to produce an approximate level debt service over the life of the Bonds.

Mr. Patrick presented proposed Resolution 1062 to the committee.

Resolution 1062 authorizes the issuance and sale of not to exceed \$670,000,000 State of Washington Various Purpose General Obligation Bonds, Series 2008C, authorized by Chapter 14, Laws of 1989, 1st Ex. Sess.; Chapter 15, Laws of 1990, 1st Ex. Sess.; Chapter 18, Laws of 2003, 1st Sp. Sess.; Chapter 487, Laws of 2005; Chapter 167, Laws of 2006; Chapter 521, Laws of 2007; and Chapter 39.42 RCW.

Governor Gregoire moved to adopt Resolution 1062. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Patrick said proposed Resolution No. 1063 provides for the issuance of Motor Vehicle Fuel Tax General Obligation Bonds, Series 2008D, of the state, in the principal amount of not to exceed \$829,000,000, authorized by Chapter 431, Laws of 1993 (RCW 47.10.812), 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 for the purpose of providing funds to pay and reimburse state expenditures for construction and improvement of state and local highways, construction of selected transportation 2003 projects or improvements, construction of selected 2005 transportation partnership projects or improvements, and Washington State Ferries construction; fixing the date, form, terms, maturities, redemption provisions 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.

Mr. Patrick directed the committee to a letter from the Washington State Department of Transportation (DOT) describing projects to be funded with the bond proceeds of this sale.

Resolution No. 1063 provides for an amount “not to exceed” of \$829,000,000. The final issuance amount will be based upon cash-flow requirements at the time of the offering of the bonds. Resolution 1063 provides that the Deputy State Treasurer, with the approval of the Treasurer, is authorized to determine the final aggregate principal amount of the Bonds.

The Series 2008D Bonds are tax-exempt current interest bonds. The interest will be paid semi-annually on the outstanding principal. The Series 2008D Bonds are structured to produce an approximate level debt service over the life of the Bonds.

Mr. Patrick presented proposed Resolution 1063 to the committee.

Resolution 1063 authorizes the issuance and sale of not to exceed \$829,000,000 State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2008D, authorized by Chapter 431, Laws of 1993 (RCW 47.10.812); 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.

Governor Gregoire moved to adopt Resolution 1063. Chairman Murphy seconded the motion and the resolution was adopted.

Chairman Murphy talked about the Washington State Ferry tour that was held in conjunction with the Rating agency meetings. He said the Department of Transportation was extraordinarily cooperative and the tour was very successful.

He then thanked Mr. Martin for the fine work he did while serving as Secretary on the State Finance Committee. He mentioned that Mr. Martin was recently appointed as Assistant Treasurer when Mike Colleran retired and expressed that he is doing an excellent job. He then welcomed Mr. Patrick and explained that he came to us from local government. Chairman Murphy indicated that he and Mr. Patrick have known each other for 25-30 years.

There being nothing further to come before the committee, the State Finance Committee meeting was adjourned at 10:36 a.m.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

Michael J. Murphy, State Treasurer & Chairman

Christine O. Gregoire, Governor & Member

Brad Owen, Lieutenant Governor & Member

Richard A. Patrick
Deputy State Treasurer & Secretary