REVISED
OLYMPIA, WASHINGTON

September 17, 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
Brad Owen, Lt. Governor

Also Present: Svein Braseth, Office of the State Treasurer
Johnna Craig, Attorney General's Office
Shelly Sweeney, Office of the State Treasurer
Ellen Evans, Office of the State Treasurer
Amy Arnis, Department of Transportation
Jeff Caldwell, Department of Transportation
Sue Melvin, Office of the State Treasurer
Gina Stark, Office of the State Treasurer
Wolfgang Opitz, Office of the State Treasurer
Sue Penley, Office of the State Treasurer
Pam Johnson, Office of the State Treasurer
Nancy Notter, Office of the State Treasurer

Chairman McIntire called the meeting to order.

Lt. Governor Owen moved to approve the minutes of the July 14, 2009 State Finance Committee meeting. Chairman McIntire seconded the motion. The motion passed and the minutes were adopted.

Chairman McIntire introduced Resolution No. 1091 which sets forth the procedures for phone participation by committee members and procedures for conducting meetings with notice as short as twenty-four hours. These two procedures will enable the state to more effectively take advantage of favorable market conditions. He noted that Governor Gregoire had been briefed on the proposed resolution and was agreeable this would be advantageous to the state.

Chairman McIntire further noted that whereas these procedures offer some efficiencies, they are not sufficient by themselves to permit the issuance of debt at the lowest possible cost and risk. He indicated that he may explore statutory changes addressing the delegation of issuance authority from the State Finance Committee to the Treasurer in certain circumstances.

Lt. Governor Owen moved to adopt Resolution No. 1091. Chairman McIntire seconded the motion and the resolution was adopted.

Ms. Evans discussed the proposed issuance of Build America Bonds (BABs). She stated that by taking advantage of market conditions and federal subsidies, the State Treasurer is recommending issuing Motor Vehicle Fuel Tax (MVFT) general obligation bonds as Build

America Bonds to realize the lowest cost of funds for the State's taxpayers. A negotiated sale is the method recommended for the October Build America Bond issue. She further explained that it is estimated the state could lock in "all-in" borrowing costs of approximately 3.50% - 3.60% in the current market on a MVFT bond issue with a final maturity of 25 to 30 years. This compares to the estimated rate of 4.35% on 30-year tax-exempt callable bonds.

Ms. Evans explained that the American Recovery and Reinvestment Act of 2009 offers a subsidy to state and local governments covering 30% of interest costs if they issue taxable debt through the Build America Bond program. With this subsidy from the federal government, the effective interest rates on taxable Build America Bonds can be significantly lower than tax-exempt rates. Nearly $30 billion in Build America Bonds have been sold nationwide since the program's inception. Borrowers include general obligation issuers, transportation authorities and higher education issuers. This federal program is expected to remain in effect through the end of 2010.

She mentioned that a negotiated sale is tentatively set for October 15, 2009, one day after a competitive sale of various purpose general obligation bonds. The close proximity of the two bond sales is expected to provide an immediate comparison of the results, and thereby offer the greatest possible transparency for the negotiated transaction. She noted that periodic and strategic use of negotiated sales may further support the success of the state's more often traditional competitive tax-exempt bond sales.

There being nothing further to come before the committee, the State Finance Committee meeting was adjourned at 2:40 p.m.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

_____
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