

OLYMPIA, WASHINGTON

October 14, 2009

10:00 am

Washington Office of the State Treasurer

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 O. Gregoire, Governor
Brad Owen, Lt. Governor

Also Present: Svein Braseth, Office of the State Treasurer
Hugh Spitzer, Foster Pepper PLLC
Dean Torkelson, Seattle Northwest Securities
Jenny Poreé, Montague DeRose and Assoc.
Johnna Skyles Craig, Associate Attorney General
Gina Stark, Office of the State Treasurer
Sue Penley, Office of the State Treasurer
Bill Starkey, Seattle Northwest Securities
Rob Shelly, Seattle Northwest Securities
Wolfgang Optiz, Office of the State Treasurer
Jeff Caldwell, Washington State Department of Transportation
Liz Mendizabal, Washington State Investment Board
Theresa Whitmarsh, Washington State Investment Board
Pat McElligott, Washington State Investment Board
Sue Melvin, Office of the State Treasurer
Natalie Perkins, Montague DeRose and Assoc.
Doug Vaughn, Washington State Department of Transportation
Tom Saelid, Office of Financial Management
Nancy Notter, Office of the State Treasurer
Shelly Sweeney, Office of the State Treasurer
Wendy Kancianich, Office of the State Treasurer
Pam Johnson, Office of the State Treasurer
Alicia Dunkin, Office of Financial Management
Noah Crocker, Office of the State Treasurer

Chairman McIntire called the meeting to order at 10:00 am on October 14, 2009.

Chairman McIntire brought up for adoption the approval of a revised version of the minutes for the September 17, 2009 meeting. Lt. Governor Owen moved to approve the minutes of the September 17, 2009 State Finance Committee Meeting. Governor Gregoire seconded the motion. The motion passed and the minutes were adopted.

Chairman McIntire introduced Resolution 1096 which set forth the approval of Theresa Whitmarsh as the Executive Director of the Washington State Investment Board. Chairman McIntire introduced Theresa Whitmarsh and Pat McElligott, Chair of the WSIB Board, and asked if the Finance Committee members had any questions for them.

Governor Gregoire moved to adopt Resolution 1096. Chairman McIntire seconded the motion. Treasurer McIntire asked for discussion, seeing none, the motion passed and Theresa Whitmarsh was approved as the new Executive Director of the Washington State Investment Board.

Before moving to the next resolution, Chairman McIntire introduced Ellen Evans, Deputy Treasurer Debt Management, who was participating by phone. Chairman McIntire stated that Ellen Evans was in New York monitoring the progress on the State's sale of the Build America Bonds that were set to be sold the following day.

Chairman McIntire asked Ellen to give the Committee members an update and context of what they will be doing the next day.

Ellen Evans said that observing the market from the New York side was both interesting and informative. She explained that Washington State was in the process of two days of sales. Today was a competitive sale of three different series: a new money issue and two refunding issues. Tomorrow the state of Washington will sell Build America Bonds (BABs). She noted that it was a tough, somewhat volatile, due in part to California's large issue the previous week. California issued more than \$4.1 billion of tax-exempt and taxable bonds which had widened spreads for all municipal issuers borrowing "in their wake". Although the market is now beginning to stabilize, there are indications issuers re-evaluating the current low yields that are available to them. However, the good news is that yields are still very low. She announced that this morning's competitive sales were very successful and set a new record low of 4.23 percent, the lowest rate Washington State had achieved in 30 years.

At that point she turned it over to Dean Torkelson, to report on the saving levels achieved on the two refundings executed this morning. Mr. Torkelson stated the bonds that were sold this morning refunded \$346,485,000 outstanding bonds with an interest rate of about 5.24%. The

bonds sold today obtained a rate of approximately 3.7%, producing savings of about \$24 million. Current biennium savings are approximately \$7.3 million.

He noted that with the recent increase in rates, the size of the refunding had been scaled back from the \$650 million that had been scheduled to be refinanced a week ago. He reminded the Committee that there would likely be other opportunities for refundings. A refunding threshold was set because you can only advance refund once and we want to hold ourselves to a high standard but still overall a good result.

Chairman McIntire stated that the Treasurer's Office was able to save \$7.3 million for the state's supplemental budget. He stated to date that savings are close to \$12 million dollars as a result of refundings alone. The Treasurer's staff will continue to monitor opportunities to achieve savings through lower debt service costs

Chairman McIntire introduced Resolution 1092.

Resolution No. 1092 was brought before the committee.

Resolution No. 1092 awards the sale of \$229,970,000 State of Washington Various Purpose General Obligation Bonds, Series 2010C, as authorized by Resolution No. 1084 of the Committee and one or more of the Bond Acts identified there in.

Governor Gregoire moved to adopt Resolution 1092 and the Lt. Governor seconded the motion and Resolution 1092 was adopted.

Chairman McIntire introduced Resolution 1093.

Resolution No. 1093 was brought before the committee.

Resolution No. 1093 awards the sale of \$215,500,000 State of Washington Various Purpose General Obligation Refunding Bonds, Series R-2010B, as authorized by Resolution Nos. 945 and 1023 of the Committee and one or more of the Bond Acts identified therein.

Governor Gregoire moved to adopt Resolution 1093. Lt. Governor Owen seconded the motion and Resolution 1093 was adopted.

Chairman McIntire introduced Resolution 1094.

Resolution No. 1094 was brought before the committee.

Resolution No. 1094 awards the sale of \$121,235,000 State of Washington Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2010C, as authorized by Resolution Nos. 945 and 1023 of the Committee and one or more of the Bond Acts identified therein.

Governor Gregoire moved adoption of Resolution 1094 and Lt. Governor Owens seconded the motion and Resolution 1093 was adopted.

Lt. Governor Owen inquired about the winning bidder of the competitive sale. Although this information is reported in the resolution, Chairman McIntire asked that it be stated for discussion purposes.

Dean Torkelson announced the winning bidder for series 2010C was Merrill Lynch & Co., for series R-2010B it was Merrill Lynch & Co, and for series R-2010C it was Barclays Capital, Inc.

For the record:

Resolution No. 1092 accepts a bid for the purchase of State of Washington Various Purpose General Obligation Bonds, Series 2010C in the aggregate principal amount of \$229,970,00; fixing the interest rates; in accordance with Resolution No. 1084. The Series 2010C Bonds are tax-exempt current interest bonds on which interest is paid semi-annually on the outstanding principal. Six bids were received by the State's electronic bid provider, i-Deal/Parity, at 8:30 a.m. Pacific Time. Merrill Lynch & Co. was the apparent low bidder submitting a true interest cost (TIC) of 4.2309114%. Barclays Capital, Inc. submitted a TIC of 4.2482275%; Morgan Stanley & Co., submitted a TIC of 4.2494698%; J.P. Morgan Securities submitted a TIC of 4.2594403%; Citigroup Global Markets Inc. submitted a TIC of 4.3102566%; and Goldman, Sachs & Co. submitted a TIC of 4.3146069%.

Resolution No. 1093 accepts a bid for the purchase of State of Washington Various Purpose General Obligation Refunding Bonds, Series R-2010B in the aggregate principal amount of \$215,500,000; fixing the interest rates; in accordance with Resolution Nos. 945 and 1023. The Series R-2010 B Bonds are tax-exempt current interest bonds on which interest is paid semi-annually on the outstanding principal. Four bids were received by the State's electronic bid provider, i-Deal/Parity, at 7:30 a.m. Pacific Time. Merrill Lynch & Co was the apparent low bidder submitting a true interest cost (TIC) of 3.6706630%; Barclays Capital, Inc. submitted a TIC of 3.6807463%; Citigroup Global Markets Inc. submitted a TIC of 3.7625295%; and J.P. Morgan Securities Inc. submitted a TIC 3.7691456%.

Resolution No. 1094 accepts a bid for the purchase of State of Washington Motor Vehicle Fuel General Obligation Refunding Bonds, Series R-2010C in the aggregate principal amount of \$121,235,000; fixing the interest rates; in accordance with Resolution Nos. 945 and 1023. The

Series R- 2010C Bonds are tax-exempt current interest bonds on which interest is paid semi-annually on the outstanding principal. Five bids were received by the State's electronic bid provider, i-Deal/Parity, at 8:00 a.m. Pacific Time. Barclays Capital, Inc. was the apparent low bidder submitting a true interest cost (TIC) of 3.7139604%; Merrill Lynch & Co. submitted a TIC of 3.7622613%; J.P. Morgan submitted a TIC of 3.7689719; Morgan Stanley & Co. submitted a TIC of 3.8127596%; and Citigroup Global Markets Inc. submitted a TIC of 3.8457844%.

Chairman McIntire recognized Jenny Poreé with Montague DeRose & Assoc. who gave a brief summary of how the sale of the Build America Bonds sale would proceed on the following day. She noted that she expected Washington State to be well received in the market and advised that the State Finance Committee would need to act upon the BAB's transaction expeditiously.

Chairman McIntire moved to the next agenda item regarding legislation that will provide delegation authority from the State Finance Committee to the Office of the State Treasurer. This will provide the capacity to move more quickly to the market and take advantage of opportunities without waiting weeks to schedule a State Finance Committee meeting. He noted that the point of this discussion was to put this proposal out on the table for public comment. He also noted that if the legislation were to be approved, the Committee would still be required to meet at least twice a year.

The Governor commented that the draft language included her comments and that she was pleased.

The Lt. Governor raised the issue of 63-20 financings being a different situation since the issuer then is not the state. He noted that in this instance there would be a need to come back to the Committee for approval. There also maybe times when a special meeting will need to be called.

The Governor commented that the two annual meetings could be used to discuss policy and not only focus on the approval of bond sales.

The Lt. Governor asked if the Governor and Lt. Governor can call a State Finance Committee meeting. Treasurer's office stated they would find an answer to that question.

It was stated the Office of the State Treasurer would soon be checking the Governor's and Lt. Governor's calendars for a refunding and new sale early in the year.

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