



What is the LOCAL Program?

A cost-effective way for Washington municipalities to finance:

EQUIPMENT



Northport School District buses

REAL ESTATE



City Hall Building for the City of Brier




Lease/Purchase Structure – Certificates of Participation

- The local agency enters into a financing contract (lease) with the Office of the State Treasurer (OST)
- OST pools a number of LOCAL and state agency financing agreements and packages them as a security called a Certificate of Participation (COP)
 - COP's are similar to municipal bonds in that they are structured with fixed principal and interest payments and sold to investors
 - Investors that purchase the COP are guaranteed a fixed income stream from the lease payments throughout the life of the financing contract
- The local agency retains ownership of the property throughout the term of the lease



Program Participants & Property Since 1999

Government Partners	Number of Leases	Type of Equipment/Real Estate	Number of Leases
School District	252	Commercial Vehicles -- Buses, Fire T	308
Fire District	222	Vehicles -- Cars & Trucks	121
City	217	Real Estate Buildings/Land	92
County	35	Energy Updates & HVAC	92
Park and Recreation District	16	Road/Warehouse Vehicles -- Tractor	46
Hospital District	15	Other	40
Metropolitan Park District	12	Machinery	28
Port District	7	Computers & Peripherals	16
Public Utility District	3	Communication Systems	15
Mosquito Control District	3	Office Equipment & Furniture	13
Housing Authority	2	Boats, Aircraft, Recreational Equipm	8
Irrigation or Reclamation District	1	Portable Buildings -- Modular classrc	7
Library District	1		
Total	786	Total	786




Program Participants & Property Since 1999

Total LOCAL par issued	
Real Estate	\$82,030,374
Equipment	\$185,385,676
	\$267,416,050

Smallest LOCAL Leases			
	Par Amount	Agency	Property
Real Estate	\$45,000	Stevens Fire District 7	Fire Station
Equipment	\$10,000	Jefferson Fire District 4	Vehicle

Largest LOCAL Leases			
	Par Amount	Agency	Property
Real Estate	\$15,365,00	Mason County	Public Works Buildings
Equipment	\$4,632,793	City of Yakima	Police cars

4



LOCAL Program Details

- Funds are generally available three times per year:
 - February, June and October
- Large requests may qualify for a special issuance that could fall outside the regular schedule
- The LOCAL Program requires participants to make a general obligation pledge
 - Unable to accept a revenue backed pledge
- OST conducts a credit review based on the borrower's non-voted debt capacity and financial health

5



LOCAL Program Details

- Minimum borrowing threshold of \$10,000 per lease/contract
- Maximum borrowing amount is decided on a case-by-case basis
- The term of each financing is based upon the useful life of the asset:
 - For real estate transactions, the maximum term is 25-years
 - For equipment, the maximum term is determined by the Office of Financial Management Capital Asset useful life schedule
- Property financed on a tax-exempt basis is subject to IRS tax law restrictions regarding private business use:
 - When necessary, a taxable sale can be done

6



Program Benefits

- 1. Low Cost of Issuance/Economies of Scale**
- 2. Low Interest Rates**
- 3. Ease of Administration**

7



Low Cost of Issuance/Economies of Scale

- The issuance cost is imbedded in the lease/contract; no out of pocket payments are required
- State agencies cover the fixed costs; cost of issuance for local agencies is limited to the incremental cost of their participation
 - Fiscal agent & escrow fees
 - Title insurance & municipal advisor fees (for real estate transactions)
 - Local agency counsel



Interest Rates

- Aa1 rating provides local participants with ability to access very low cost tax-exempt interest rates

June 4, 2019


Term	Equipment*	Real Estate*
5 Years	1.60%	--
7 Years	1.65%	--
10 Years	--	1.69%

- Pooling allows even the smallest participants access to the public tax-exempt market

September 24, 2019

Term	Equipment*	Real Estate*
4 Years	1.48%	-
5 Years	1.50%	1.45%
8 Years	1.58%	-
9 Years	-	1.61%
10 Years	1.65%	-
13 Years	1.99%	-
20 Years	-	2.72%


* Interest rates include all financing costs. Past interest rates do not predict future interest rates. Actual interest rates are determined by the competitive bids received on the date of sale.



Administration

- OST manages all technical aspects of the program, including:
 - General administration
 - Structuring
 - COP Issuance
 - IRS tax law compliance
- There are no continuing disclosure obligations for the Local agency (except per SEC rule 15c2-12)
- To reduce costs and increase efficiency, the LOCAL Program uses standardized documents and a set repayment schedule
 - Lease payments are due on June 1 and December 1
- Once funds are available, proceeds can be sent directly to a participant’s vendor or as a reimbursement to the local agency

10



Timeline


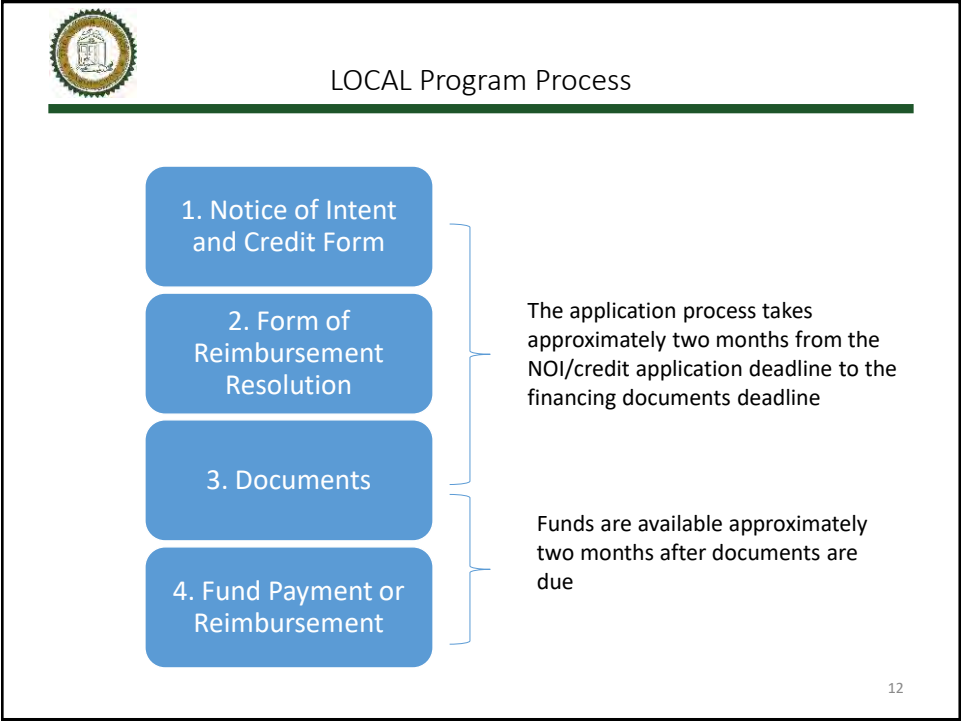
Preliminary LOCAL Program Timeline

Funds Available In	Project Type	NOI & Credit Application Cut-Off	All-Documents Cut Off	Sale Date	Funds Available	First Payment Due
February '20*	Real Estate Equipment	November 1, 2019 November 14, 2019	Early January 2020	February, 2020	February, 2020	June 1, 2020
June '20*	Real Estate Equipment	Mid-March 2020 Early April 2020	Late April 2020	June, 2020	June, 2020	December 1, 2020
October '20*	Real Estate Equipment	Mid-July 2020 Late July 2020	Mid-August 2020	September, 2020	October, 2020	December 1, 2020

*All dates are tentative and subject to change; dates for future sales will be established after the current sale is completed

- OST plans to go market three times a year, with funds expected to be available in February, June and October
 - OST has the ability to issue additional series if the need arises

11

 LOCAL Program Process

1. Notice of Intent and Credit Form

- The Notice of Intent (NOI) is a standardized, non-binding agreement that notifies OST of the local agency's intent to participate in the next financing
- It should be completed by the local agency's primary point of contact
- The NOI establishes the maximum amount to be financed and the proposed term for the lease/contract



LOCAL Program Process

1. Notice of Intent and Credit Form

- The credit form is submitted with the NOI, and allows OST to analyze a participant's fiscal health and determine compliance with credit guidelines
 - The process is similar to applying for a bank loan
- OST will respond to request within 2-3 weeks
 - We perform an internal review of financial statements and budgets, and other documentation provided by the agency
 - This is followed by an external review by our greater finance team
- Participation is dependent on OST credit approval

14



LOCAL Program Process

2. Form of Reimbursement Resolution

- A Reimbursement Resolution allows a local agency to purchase equipment or property in advance of being reimbursed by a financing
 - OST provides a template for the local agency's governing body to enact a reimbursement resolution
 - This provides the participant with flexibility to purchase equipment or property independent of the financing schedule
- Not necessary if paying vendor directly
- The reimbursement resolution must be passed by the participant's governing body either before purchasing the equipment or property or no later than 60 days after the purchase date
- The reimbursement resolution due date depends on the timing of the equipment or property purchase

15



LOCAL Program Process

3. Documents

- Once the local agency is credit approved, OST will provide two types of documents: those that authorize the agency to participate and the financing contracts
- The authorizing documents are templates the Agency fills out and are executed by their governing body
- The financing contracts are prepared by OST and sent to the agency for signature
- See Appendix A for full list of documents

16



LOCAL Program Process

4. Payment or Reimbursement

- For equipment financings, local agencies need to submit a Personal Property Certificate, proof of payment and proof of insurance
- For acquisitions, the local agency must first be in possession of the property
- For new construction, the agency must own the property and have an executed construction contract
- For real estate financings, reimbursements can occur as the project progresses

17

Questions?

Contact Information



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Appendix A



Appendix A – Financing Documents

- Authorizing Documents
 1. Form of Reimbursement Resolution
 2. Authorizing Resolution/Ordinance
 3. Certificate of Authorizing Resolution/Ordinance
 4. Certificate Designating Authorized Agency Representatives
 5. Certificate of Incumbency
 6. Opinion of Local Agency Counsel
 7. Opinion of Local Agency Counsel Escrow Letter
- Financing Documents
 1. Local Agency Financing Contract and Financing Memo
 2. Local Agency Site Lease and Site Lease Memo (Real Estate Only)
 3. Tax Certificate
- Other
 - Construction Contract or Purchase and Sale Agreement (Real Estate Only)
 - Evidence of Liability & Property Insurance (due after purchase of property)
 - Title Insurance Policy (Real Estate Only)

20



Appendix B

21

Moody's
INVESTORS SERVICE

Rating Action: Moody's upgrades Washington State GOs to Aaa from Aa1; outlook stable

23 Aug 2019

New York, August 23, 2019 -- Moody's Investors Service has upgraded the ratings on the State of Washington's approximately \$19.4 billion outstanding general obligation bonds, including bonds additionally secured by motor vehicle fuel taxes and toll revenues, to Aaa from Aa1.

In conjunction with the upgrade of the general obligation ratings, we have upgraded the following related ratings:

- The Washington State School Bond Guarantee Program (approximately \$13.5 billion bonds guaranteed) to Aaa from Aa1;
- The state's certificates of participation (approximately \$870 million outstanding) to Aa1 from Aa2;
- The TOP Lease Revenue Refunding Bonds, 2014 (Washington State Office Building) (\$35.8 million outstanding) to Aa1 from Aa2; and
- The City of Aberdeen, Special Revenue Bonds, Series 2002 (Stafford Creek Corrections Center Project) (\$670,000 outstanding) to Aa2 from Aa3.

We have affirmed the A2 rating on the state's \$517 million outstanding Federal Highway Grant Anticipation Revenue Bonds, Series 2012F & 2014C (GARVEE) (SR 520 Corridor Program).

At this time, we have assigned Aaa ratings to the state's planned general obligation bond issues:

- \$457.9 million Various Purpose General Obligation Bonds, Series 2020A;
- \$222.5 million Motor Vehicle Fuel Tax & Vehicle Related Fees General Obligation Bonds, Series 2020B;
- \$38.4 million General Obligation Bonds, Series 2020T;
- \$91.8 million Various Purpose General Obligation Refunding Bonds, Series R-2020A; and
- \$63.1 million Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2020B.

We have also assigned a Aa1 rating to the state's planned issue of \$87.7 million Certificates of Participation, Series 2019D (State and Local Agency Real and Personal Property).

The outlook on the state's debt and the school bond guarantee program is stable.