



MICHAEL J. MURPHY
State Treasurer

Fall 2007

The LOCAL View

Local Option Capital Asset Lending

LOCAL*It all began in 1998*

by Mike Murphy
State Treasurer

The LOCAL Program had its origins in the State's own Lease/Purchase Program. In 1989, the State Treasurer recognized the inefficiencies and risk to the State resulting from various agencies independently seeking their own financing, and proposed legislation to require all State agencies to receive approval from the State Finance Committee prior to entering into a financing contract. The State Treasurer's Office then created a program to pool State agency needs, and sell shares in the financing contracts through use of Certificates of Participation (COPs). In 1991, the State first used COPs for real estate financing for the Department of Ecology headquarters building in Lacey.

Over time the State's Lease/Purchase Program became a demonstrated success, so in 1997 the State Treasurer proposed legislation to provide local agencies with the option of financing their own needs through the State's proven program. The legislation provided that local agencies could participate in the program in two stages: personal property (equipment) starting in 1998, and real property beginning in 2000.

The State Treasurer's staff focused on establishing the parameters for local agency participation. Of course, one of the important tasks was to develop a name for the program. It needed to be a catchy acronym, relevant to local agencies, thus, the "LOCAL Program" was named -- for Local Option Capital Asset Lending Program -- with option being a key word. Of more direct importance was development of a simplified process for both local agencies and OST staff, while ensuring the local

agencies would receive the benefits of the State's credit rating and reputation as a program manager. The current program rating is Aa2 by Moody's Investors Service.

The credit form was designed to be reasonably simple, while providing information that the Lease Purchase Specialists need to assess the local agency's ability to make payments on the requested financing. After discussions with the rating agencies, it was determined that local agencies with a non-voted general obligation credit rating of "A" or better would automatically be credit-qualified for the program. The rating, though, must be based on the agency's own credit (i.e. not bond insurance or the State's School Bond Guaranty Program), and must be relatively recent (i.e. within two to three years). Summary information from the credit form is provided to the Moody's rating agency and to bond insurers for each COP issue. All financing through the LOCAL Program must be backed by a general obligation pledge of the local agency.

As we learned more about the needs of local agencies, Treasurer Murphy requested that legal counsel develop streamlined legal documents to provide for various financing combinations within a COP issue; that is, state and local agency financing for real

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1998	
Average Cost of new house	\$129,300.00
Average Income per year	\$38,100.00
Average Monthly Rent	\$619.00
Gallon of Gas	\$1.15
Average Cost New Car	\$17,200.00
US Postage Stamp	32 cents
1 pound of Bacon	\$2.53
Hamburger Meat per pound	\$1.40
Loaf of Bread	\$1.26
Dozen Eggs	88 cents

Come see us

LOCAL representatives will be available at these upcoming meetings:

Washington Finance Officers Association
Sep 18-21
Kennewick

IACC Conference
Oct 23-25
Wenatchee

Fire Commission Association
Oct 25-27
Pasco

Watch our website for an index to articles in LOCAL newsletters

<http://tre.wa.gov>

(LOCAL history continued)

estate and equipment can be combined in one issue. With this change, the Lease Purchase Specialists have more options to offer each agency: participation in the regularly scheduled quarterly pools or participation in State agency real estate pools that are customized for the participating agencies. At times, local agencies may be advised that their financing request is a better fit in one or the other of these pools, depending on size, timing and term of a financing request.

Our goals have been to allow local agencies to benefit from the economies of the State's program while keeping it simple to use. The program has evolved to best meet the needs of local agencies, within the statutory framework provided. We will continue to seek improvements and appreciate feedback from local agencies on what works well and where you see room for improvement.

And, finally, watch for upcoming classes in locations throughout the State. The classes combine general education on debt issuance, debt capacity, bond security and methods of sale, as well as use of the LOCAL Program, including detailed review of forms and required documentation.

Technology 1998

Windows 98 released by Microsoft

1998 Popular Culture

Fads include: *Rugrats, Teletubbies, anything Titanic related, ginkgo, swing and ballroom dancing.*

Furby is the holiday gift hit.

Voyager I, launched in 1977 is still transmitting from 6.5 billion miles from earth

Titanic becomes the highest grossing film in history at \$850 million.

Seinfeld is the fourth highest rated final show in TV history.

Millennium Countdown LCD clock for the Y2K countdown is \$20

Interest in latest home run ball mounts as Mark McGwire gets closer to the record, the ball is expected to bring \$1 million at auction.

The Hubble telescope reveals that the universe is expanding at an accelerating rate.

WelcomeRichard A. Patrick, Deputy State Treasurer of Debt Management



Treasurer Michael J. Murphy welcomes Richard A. Patrick of Mount Vernon as Deputy State Treasurer for Debt Management. The appointment became effective August 1. Richard (Rick) will manage the state's bond indebtedness – a position that was previously held by Assistant Treasurer, Allan J. Martin.

"Richard comes to us with excellent credentials and experience," Murphy said.

"And I have every expectation he will do a great job for the people of our state."

Following his graduation from high school in Federal Way, Rick attended Western Washington University where he received his BA in Business Administration and Economics in 1985. After college he worked for the City of Yelm as their clerk and treasurer until 1988 when he began working for the City of Burlington as Finance Director.

Rick is an active member and former board member of the Washington Municipal Treasurers Association, a member of the Washington Finance Officers Association and a member of the Association of Public Treasurers, US and Canada.

He is married to Janet Mercier (from Yelm) who is Administrative Secretary for the Superintendent of the Conway School District. They have two children, Cody (13) and Carly (11).

LOCAL Advisory Group

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Wapato SD Demonstrates LOCAL Success

In May, the LOCAL Advisory Group held its Spring 2007 meeting in Yakima. The meeting included a tour of the Wapato School District's Transportation and Maintenance Building and its Early Childhood and Special Education Center.

When the properties came on the market, the district recognized the unique benefits each offered: The spaciousness of a farm machinery dealership could provide room not only for school bus maintenance but also for general maintenance operations as well; the location of a church and parsonage adjoining an elementary and high school could provide the convenience and cost-savings of shared resources.

District officials explained how they turned to the LOCAL program for financing at the suggestion of Yakima County Treasurer Ilene Thomson. LOCAL made it possible for the district to act when the opportunity to purchase each building arose.

After the tour, LOCAL Advisory Group members called these concrete examples of LOCAL 'gratifying' and 'exciting.' Whit-



Wapato's Early Childhood Education Center

man County Treasurer Bob Lothspeich, said, "It's one thing to think you're offering something helpful – it's another thing entirely to actually see the program's benefits and hear from users that it's great!"

After the meeting, LOCAL staff offered a class that covered the decision-making process when selecting a financing option and on LOCAL financing in particular. Other classes are being scheduled independent of the Advisory Group meetings – call 360-902-9005 for more information.

LOCAL Program works with "Energy and Water Savings"

Wouldn't you like to save money while reducing your carbon footprint? The LOCAL Program has a suggestion that may help.

The Energy Performance Contracting Savings (EPCS) program at the Department of General Administration (GA) has become a huge success story for providing energy savings and reducing costs to tax payers. Additionally, with the help of the LOCAL Program, local governments are gaining access to a low-cost financing mechanism for the energy savings payback.

This is how it works: When you go through the GA EPCS program, you will select a pre-qualified Energy Service Company (ESCO) to perform an energy/water audit of your facility. Once the energy/water audit is complete, you will work with the GA EPCS team and ESCO to determine which projects you wish to proceed with to generate energy and water savings for your agency. The ESCO will design, install and complete the energy and water efficiency projects they have identified.

In addition, the ESCO will guarantee the maximum project costs and project energy savings. The ESCO will also maximize any available utility savings for you to reduce your project costs.

The goal: Create energy and water savings to offset the project costs. This is where the LOCAL Program can help. Since most projects require an initial cash investment while the savings accrue over time, it only makes sense to finance the project cost over time. The energy and water savings received will offset those payments due and at the end of the financing term, the project will have paid for itself. It will then continue to produce the energy and water savings as well as provide the benefit of reducing the facility's carbon footprint.

If you have questions about the Energy Performance Contracting Savings Program please see www.ga.wa.gov/EAS/epc/esp.htm. Or if you have, additional questions about the LOCAL Program feel free to contact us at anytime.

Annual LOCAL financing schedules

Real estate			Equipment		
Cutoff	Funding date	First payment due	Cutoff	Funding date	First payment due
Jan. 1	Mid-March	June 1 (year of issue)	Feb. 1	Mid-March	June 1 (year of issue)
April 1	Mid-June	Dec. 1 (year of issue)	May 1	Mid-June	Dec. 1 (year of issue)
July 1	Mid-September	Dec. 1 (year of issue)	Aug. 1	Mid-September	Dec. 1 (year of issue)
Oct. 1	Mid-December	June 1 (following year)	Nov. 1	Mid-December	June 1 (following year)

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LOCAL helps save Energy/Water**

Quick fact

LOCAL has helped 248 local governments finance 411 equipment transactions totaling \$84.8 million and 40 real estate transactions totaling \$23.7 million as of August 23, 2007.

Updated LOCAL Forms on Web

When you're ready to use LOCAL, just download the forms from our web site (www.tre.wa.gov, then click on LOCAL). You'll be assured of having the most up-to-date forms. You'll also find the most recent interest rates. And, if you have any suggestions, please let us know. We welcome your comments -- 360-902-9050.



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