



MICHAEL J. MURPHY
State Treasurer

Spring 2007

The LOCAL View

Local Option Capital Asset Lending

County Treasurers welcomed

by **Mike Murphy**
State Treasurer

One of the great pleasures in my role as State Treasurer is welcoming newly-elected county treasurers.

I had just such an opportunity on December 7th when the new Treasurers-elect Jan Sears (San Juan County), Renee Goodin (Pacific County), and Audrey McLean (Columbia County) visited us in Olympia during their Newly Elected Officials Conference. Three of five new treasurers were able to make the trek - unfortunately Treasurers-elect D.E."Skip" Chilberg (Spokane County) and Leah McCormack (Okanogan County) were unable to attend. The meeting also gave me a chance to visit with County Treasurers Judi Morris (Jefferson County), Mary Dodge (Douglas County), Judy Scott (Clallam County) and Whatcom County Chief Deputy Treasurer Steve Oliver.

Judy Ainslie, Cowlitz County Treasurer, a member of the Local Option Capitol Asset Lending (LOCAL) Advisory Committee and president of the Washington State Association of County Treasurers, arranged the meeting as an orientation for the new treasurers.

In addition to an overview of the Office of the State Treasurer, the group was able to meet our LOCAL staff and receive LOCAL program highlights. County Treasurers play an integral role in the LOCAL program and each treasurer signs a memorandum of understanding that sets out the role and responsibilities of each party. Without the partnership with

county treasurers LOCAL would not be as successful at providing tax-exempt financing to junior taxing districts and we appreciate what they do for the program.

Besides the LOCAL program, there is daily interaction between state and county treasurers through programs that include the Local Government Investment Pool (LGIP), the School Bond Guarantee Program, the State Treasurer's monthly distributions and the state and local Fiscal Agent Agreement.

My office and staff are dedicated to working with local government. Deputy Treasurer Allan Martin and I have both served as county treasurers and many of my staff has also grown from those roots. We are always looking for opportunities to improve that relationship and meetings such as this help to serve that purpose.

According to Judy Ainslie the meeting was informative for our new colleagues and the new treasurers are excited to get started.

We know how that feels. ■

"Government is a trust, and the officers of the government are trustees; and both the trust and the trustees are created for the benefit of the people."

- Henry Clay, 1829

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Franklin County Mosquito Control District

Did you know there are only 16 entities in the great state of Washington whose sole purpose is to control the mosquito population in their area? The LOCAL Program recently had the privilege of working with one of these unique special districts in order to help them better fulfill their mission. Working with the Franklin County Mosquito Control District was not only a great experience, it was educational as well.

The Franklin County Mosquito Control District was established in 2003 to provide mosquito control for all residents and visitors in Franklin County and the cities in the district. Their goal is to limit mosquito breeding areas, particularly near bodies of water, by spraying pesticides when the mosquitoes are in the larva stage.

So, how did LOCAL help?

Franklin County Mosquito Control District was able to utilize the LOCAL Program to receive tax-exempt, low-cost, and convenient financing. The district needed long-term financing for

their recently purchased 5,500 sq ft district office and shop facility. The facility is located on 1.12 acres in the City of Pasco and provides the district with the necessary space to operate effectively. Mosquitoes are not only pesky; they can also transmit diseases such as the West Nile Virus and other serious illnesses to humans and animals. It is crucial for the district to continue doing its job effectively and efficiently in order to protect residents by controlling the mosquito population in that area. Their new facility will help serve that purpose.

The LOCAL Program is proud to have provided low-cost financing to the Franklin Mosquito District and commends the district's role in helping to contain and prevent the spread of serious illness and disease. We would like to thank the Franklin County Mosquito Control District for choosing LOCAL as their financing option. ■

Act of Congress affects reporting requirements

Beginning in January 2007, the state fiscal agent, The Bank of New York, is required to report to the Internal Revenue Service all payments to your bondholders of tax-exempt interest earned. This requirement is effective for all tax-exempt interest paid in calendar year 2006 and in future years. Prior to the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA,) Form 1099-INT reported only taxable interest, now it will also report tax-exempt interest. Bondholders should have received a separate 1099-INT for each bond they own whether taxable or non-taxable. A checkbox on the form indicates whether the fiscal agent is reporting taxable or non-taxable income to the IRS.

Interestingly enough, this does not mean that tax-exempt interest has become taxable. Rather, the law requires reporting tax-exempt interest in the same manner in which taxable interest is reported to the federal government. However, if the fiscal agent does not have a certified taxpayer-ID for a bondholder, the fiscal agent is required to follow general IRS

rules on backup withholding even on non-taxable bonds.

In January your bondholders should have received statements from The Bank of New York on Form 1099-INT showing the amount of tax-exempt interest paid to them during calendar year 2006. While The Bank of New York has mailed a brief explanation of TIPRA to your bondholders, because of this change some people in your community will be seeing this form for the first time and may be calling you with their questions.

More information can be found in IRS Notice 2006 – 93, "Information Reporting Requirements for Payments of Interest on Tax-Exempt Bonds." Obligors may call The Bank of New York Fiscal Agency Unit at 1-800-646-5468 for information. If you are contacted by a bondholder regarding this new federally mandated requirement you can refer them to The Bank of New York's Customer Service Department at 1-800-438-5473. ■

LOCAL Advisory Group

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Come see us

LOCAL representatives will be available at these upcoming meetings:

Washington Municipal Treasurers Conference
Apr 10-13
Chelan

Washington Recreation & Park Association
Apr 17-20
Semiahmoo Resort

Washington Association of School Business Officials
May 2-4
Yakima

Debt Issuance Class
May 09
Yakima

Association of WA Cities
Jun 12-15
Tacoma

Washington Association of Fire Chiefs
Jul 10-13
Pasco

Washington Finance Officers Association
Sep 18-21
Kennewick

Fiscal Agent contract signed with The Bank of New York

On January 25, 2007, Treasurer Michael J. Murphy signed an agreement with The Bank of New York for fiscal agency services to the state and its local governments. A four-year term began February 1.

Deputy State Treasurer Allan J. Martin led the year-long RFP effort that culminated in a recommendation to the State Finance Committee that The Bank of New York be retained. At its December 6 meeting, the State Finance Committee accepted the recommendation.

“Local government participation in the RFP process was invaluable,” said Martin. The process began with a survey of local obligors with outstanding bonds and municipal finance professionals to identify any areas of concern. A working group with representatives from counties, cities and ports participated in writing the RFP and the evaluation of the proposals received.

With the reappointment, Wells Fargo Bank will continue to serve as co-fiscal agent. As such, a holder of a bond issued by the state or local governments may receive payment from any Wells Fargo branch in Washington. The bondholders will not be charged a fee for this service regardless of whether they have an account with Wells Fargo.

The Bank of New York has served as state fiscal agent since 1993. “During that time, the bank has gained knowledge and experience

and recognizes the nuances of both state and local governments,” said Murphy. “We will continue our partnership with local government by sponsoring an annual due diligence meeting between local representatives from the state’s municipal finance associations and the fiscal agent. This has done much to improve communication and to assure the needs of local government are met. Bank personnel will continue to attend state municipal finance conferences and be available to you via their toll free number.”

The Bank of New York announced that it will be expanding its web-based services that provide obligors the ability to view and download debt service schedules, cash activity reports and statements. Beginning in March the bank will notify obligors when their reports are updated and posted to the site. To take advantage of this notification service you’ll need a user ID and password for the Fiscal Agency Website. If you do not have one already, please either contact your Fiscal Agent representative or go to the web-site main page www.bankofny.com/wabonds and click on the “sign up” button in the upper right corner. There you will be able to download a User Access Request Form. Then just follow the instructions. The bank also announced a new mailing address: The Bank of New York, Corporate Trust Dept. Fiscal Agencies Unit, 101 Barclay Street – 7W Floor, New York, New York 10286. ■

What’s the big deal about debt capacity?

While working with local governments, we often receive questions from local governments about the statutes that govern financing and indebtedness. One of the most important statutes deals with the limitation of indebtedness under RCW 39.36.

Under RCW 39.36.020, each type of taxing district is limited in the total amount of debt that may be incurred. The calculation for determining the debt capacity is based on a percentage of the assessed value of the taxable property within the taxing district incurring indebtedness.

Understanding the total amount of non-voted and voted debt that is legally available to your entity should be one of your first considerations when evaluating whether or not to borrow money payable from taxes or to incur other obligations treated as “debt.” It will affect the way in which you make business decisions regarding how to pay for projects.

In the LOCAL Program, we examine each local government’s debt capacity as we require a general obligation pledge to pay the financing contract or financing lease, which would count against its non-voted debt capacity. The issue of remaining debt capacity arises whenever an entity borrows funds “for any purpose” and “in any manner.”

If you have questions about how to calculate your entity’s debt capacity please feel free to contact us. ■

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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Quick fact

LOCAL has helped 244 local governments finance 396 equipment transactions totaling \$78.7 million and 40 real estate transactions totaling \$23.7 million as of February 20, 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.

State Treasurer Michael J. Murphy announced the appointment of Allan J. Martin to Assistant State Treasurer, effective May 1. For more information visit our website <http://tre.wa.gov> (go to press releases)



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