The LOCAL Program
Real Estate and Equipment Financing for Local Governments

Office of the State Treasurer
Mike Pellicciotti
Washington State Treasurer

Contact Information

Brianna May
COP Program Manager
(360) 902-9022
Brianna.May@tre.wa.gov

Stephanie Richardson
COP Financial Analyst
(360) 902-9005
Stephanie.Richardson@tre.wa.gov

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NEW ISSUE, BOOK-ENTRY ONLY

(See “OTHER CERTIFICATE INFORMATION—Rating”)

STATE OF WASHINGTON
CERTIFICATES OF PARTICIPATION
$26,390,000
Series 2021C
(State and Local Agency Real and Personal Property)

Dated: Date of Initial Delivery

Due: See page ii

The State of Washington Certificates of Participation, Series 2021C (State and Local Agency Real and Personal Property) (the “Certificates”), are being executed and delivered by the Trustee (currently U.S. Bank National Association) pursuant to a Trust Agreement among the Trustee, the State of Washington (the “State”), and the Washington Finance Officers Association (the “Corporation”), a Washington nonprofit corporation. The Certificates evidence and represent undivided proportionate interests in payments to be made by the State under Master Financing Agreements between the Corporation and the State (the “State Payments”).

The interest represented by the Certificates is payable semiannually on each January 1 and July 1, beginning July 1, 2022. The principal represented by the Certificates is payable at the stated principal amounts on each January 1 (the “Principal Payment Date”) beginning January 1, 2023, as shown on page ii.

The Certificates are subject to optional prepayment prior to their Principal Payment Dates. The Certificates are subject to extraordinary mandatory prepayment upon the occurrence of certain events. In addition, the Certificates maturing on January 1, 2040 and January 1, 2042 are subject to mandatory sinking fund prepayment prior to their respective Principal Payment Dates. See “DESCRIPTION OF THE CERTIFICATES—Prepayment.”

The Certificates are issuable in fully registered form under a book-entry only system, initially registered in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”), New York, New York, which will serve as securities depository for the Certificates. The Certificates will be executed and delivered in denominations of $5,000 or any integral multiple thereof within a single maturity. Principal and interest represented by the Certificates are payable to DTC by the Trustee, for subsequent disbursement by DTC to Beneficial Owners of the Certificates, as described under “DESCRIPTION OF THE CERTIFICATES—Book-Entry System” and Appendix E—DTC AND ITS BOOK-ENTRY SYSTEM.

The Certificates are being executed and delivered to finance and/or refinance the costs of acquisition, construction, and/or remodeling of certain real and personal property for the benefit of certain State agencies and Local Agencies (together, the “Agencies”), and to pay issuance costs with respect to the Certificates.

State Payments are made from amounts received by the State under Agency Financing Agreements between the State and the applicable Agency (“Agency Payments”). The Master Financing Agreements and the State Agency Agreements constitute limited obligations of the State payable solely from the sources and subject to the limitations therein and do not constitute a debt or a general obligation of the State or a pledge of the full faith and credit of the State. The obligation of any State Agency to make its Agency Payments and the obligation of the State to make State Payments are subject to appropriation by the Legislature and to Executive Order emergency reduction by the Governor. A determination by the Legislature not to appropriate or an Executive Order reduction would not constitute an Event of Default under the Trust Agreement, the Master Financing Agreements, or any State Agency Financing Agreement. The obligation of each Local Agency to make its Agency Payments is a general obligation of that Local Agency secured by a pledge of its full faith and credit.

In the opinion of Certificate Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied after delivery date of the Certificates, interest represented by the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals. Interest represented by the Certificates received by certain S corporations may be subject to tax, and interest represented by the Certificates received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest represented by the Certificates may have other federal tax consequences for certain taxpayers. See “TAX MATTERS.”

The Certificates are offered when, as and if executed and delivered, subject to receipt of an approving opinion from Foster Garvey P.C., Seattle, Washington, Certificate Counsel to the State, and certain other conditions. Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the State by Stradling Yocca Carlson & Rannag, a Professional Corporation, Seattle, Washington, as Disclosure Counsel to the State.

It is anticipated that the Certificates will be available for delivery through the facilities of DTC in New York, New York, or to the Trustee on behalf of DTC by Fast Automated Securities Transfer, on or about November 17, 2021.
What is the LOCAL Program?

- A cost-effective way for Washington municipalities to finance equipment and/or real estate projects, including property acquisition and construction of new facilities

- LOCAL financing is structured as a financing contract (lease) offered through the Office of the State Treasurer (OST)
## Program Participants and Leases Since 1999

<table>
<thead>
<tr>
<th>Government Partners</th>
<th>Number of Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>School District</td>
<td>278</td>
</tr>
<tr>
<td>Fire District</td>
<td>257</td>
</tr>
<tr>
<td>City</td>
<td>238</td>
</tr>
<tr>
<td>County</td>
<td>42</td>
</tr>
<tr>
<td>Hospital District</td>
<td>17</td>
</tr>
<tr>
<td>Park and Recreation District</td>
<td>16</td>
</tr>
<tr>
<td>Metropolitan Park District</td>
<td>13</td>
</tr>
<tr>
<td>Port District</td>
<td>8</td>
</tr>
<tr>
<td>Mosquito Control District</td>
<td>3</td>
</tr>
<tr>
<td>Public Utility District</td>
<td>3</td>
</tr>
<tr>
<td>Housing Authority</td>
<td>2</td>
</tr>
<tr>
<td>Irrigation or Reclamation District</td>
<td>1</td>
</tr>
<tr>
<td>Library District</td>
<td>1</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>879</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Equipment/Real Estate</th>
<th>Number of Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Vehicles -- Buses, Fire Trucks</td>
<td>348</td>
</tr>
<tr>
<td>Vehicles -- Cars &amp; Trucks</td>
<td>135</td>
</tr>
<tr>
<td>Real Estate Buildings/Land</td>
<td>116</td>
</tr>
<tr>
<td>Energy Updates &amp; HVAC</td>
<td>94</td>
</tr>
<tr>
<td>Road/Warehouse Vehicles -- Tractors, Forklifts</td>
<td>49</td>
</tr>
<tr>
<td>Other</td>
<td>47</td>
</tr>
<tr>
<td>Machinery</td>
<td>29</td>
</tr>
<tr>
<td>Computers &amp; Peripherals</td>
<td>17</td>
</tr>
<tr>
<td>Communication Systems</td>
<td>16</td>
</tr>
<tr>
<td>Office Equipment &amp; Furniture</td>
<td>12</td>
</tr>
<tr>
<td>Boats, Aircraft, Recreational Equipment</td>
<td>8</td>
</tr>
<tr>
<td>Portable Buildings -- Modular classrooms, yurts</td>
<td>8</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>879</strong></td>
</tr>
</tbody>
</table>
Lease/Purchase Structure –
Certificates of Participation

• Participants enter into a financing contract (lease) with the Office of the State Treasurer (OST)

• OST pools the various lease agreements across all LOCAL participants 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 regular 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
The LOCAL Program requires participants to have a general obligation pledge and the ability to levy property taxes

Minimum borrowing threshold of $10,000 per lease/contract

Maximum borrowing amount is decided on a case-by-case basis, based on the borrower’s non-voted debt capacity and ability to repay the lease

The length of each financing contract 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:
  
  https://www.ofm.wa.gov/sites/default/files/public/legacy/policy/30.50.htm
• 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

• Funds are generally available three times per year, in February, June and October
  - Some leases may qualify for a special issuance that could fall outside the regular schedule
  - A local agency may also choose to participate in multiple issuances if needed
Benefits – Low Interest Rates

- The LOCAL Program allows participants access to the national tax-exempt market through a competitive bid process, regardless of the size of their financing contract.

- By pooling with the State’s Aa1 rated COP issuances, LOCAL participants are able to take advantage of the State’s very low tax-exempt interest rates.
  - (see Appendix A for most recent rating report)

<table>
<thead>
<tr>
<th>Term</th>
<th>Equipment*</th>
<th>Real Estate*</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Years</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>4 Year</td>
<td>2.11%</td>
<td>2.11%</td>
</tr>
<tr>
<td>5 Years</td>
<td>2.21%</td>
<td>2.21%</td>
</tr>
<tr>
<td>7 Years</td>
<td>2.41%</td>
<td>2.41%</td>
</tr>
<tr>
<td>9 Years</td>
<td>2.47%</td>
<td>2.47%</td>
</tr>
<tr>
<td>10 Years</td>
<td>2.64%</td>
<td>2.64%</td>
</tr>
</tbody>
</table>

* Interest rates shown above 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.
Benefits – Economies of Scale

- Local agencies participating in the LOCAL Program receive significantly reduced issuance costs

- State agencies pay the basic fixed costs of the pooled financing program, including:
  - Legal fees (bond and disclosure counsel)
  - Municipal advisor fees (for equipment)
  - Credit rating fee

- Because of the pooled approach, the cost of issuance for local agencies is limited to the incremental cost of their participation:
  - Escrow fees (if applicable)
  - Title insurance & municipal advisor fees (for real estate transactions)
  - Local agency counsel

<table>
<thead>
<tr>
<th>Sources:</th>
<th>Sample School District - School Buses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bond Proceeds:</strong></td>
<td></td>
</tr>
<tr>
<td>Par Amount</td>
<td>$1,085,897</td>
</tr>
<tr>
<td>Premium</td>
<td>80,560</td>
</tr>
<tr>
<td></td>
<td>$1,166,457</td>
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</table>

<table>
<thead>
<tr>
<th>Uses:</th>
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<tbody>
<tr>
<td><strong>Project Fund Deposits</strong></td>
<td></td>
</tr>
<tr>
<td>Project Fund</td>
<td>$1,163,752</td>
</tr>
</tbody>
</table>

| **Delivery Date Expenses** |                 |
| Cost of Issuance         | 2,158          |
| Underwriter's Discount   | 547            |
|                         | 2,705          |

| Fees as % of Proceeds | 0.23% |

Total Proceeds: $1,166,457
Benefits – Administration

• The LOCAL Program is user friendly, as OST manages all technical aspects of the program, including:
  - General administration
  - Structuring
  - COP Issuance
  - IRS tax law compliance
  - Continuing disclosure

• 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
OST plans to go market three times in 2022, with funds expected to be available in February, June and November.

Funds are available approximately two weeks after the sale date.
Application Process

1. Notice of Intent and Credit Form
2. Form of Reimbursement Resolution
3. Financing Documents

The application process takes approximately two months from the NOI/credit application deadline to the financing documents deadline.
Application 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 credit form 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
  - The credit form and NOI are typically submitted to OST together
- OST will respond to request within 2-3 weeks
- Participation is dependent on OST credit approval
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

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
Application Process

3. Financing Documents

• This portion of the process is the most document intensive with the major financing documents including:
  - Authorizing Resolution (prepared by OST, completed and passed by governing body)
  - Financing Contract & Site Lease (prepared by OST, completed and signed by authorized local agency representatives)
  - Tax Certificate (prepared by OST, completed and signed by authorized local agency representative)

• See Appendix B for full list of documents

• OST requires two original copies of each document prior to document due date

• Financing documents can be signed electronically. OST Drafted Documents that don’t require notarization may be signed electronically if they originate through OST’s Docusign account.
Appendix A
Moody’s Investors Service

Rating Action: Moody’s assigns Aa1 to Washington State’s COPs, Series 2022A; outlook stable

20 Jan 2022

New York, January 20, 2022 -- Moody’s Investors Service has assigned a Aa1 rating to the State of Washington’s $25.7 million Certificates of Participation, Series 2022A (State and Local Agency Real and Personal Property). Following the issuance of the 2022A COPs, the state will have approximately $919 million similarly-secured COPs outstanding, all rated Aa1. The outlook is stable.

RATINGS RATIONALE

The Aa1 rating on the Certificates of Participation (COPs), one notch below the Aaa rating on the state's general obligation bonds, reflects the essential nature of the property being financed and/or refinanced, the moderate legal structure and subject-to-appropriation nature of the state's payment obligations, active administration of the financing program by the state treasurer's office, and the state's established track record of making appropriation-backed payments under a variety of financing programs.

The Aaa rating on the Washington's general obligation bonds reflects its sizable financial reserves; exceptionally strong economic fundamentals driven largely by the technology sector in the Seattle (Aaa stable) metro area; above-average wealth and income levels; and strong fiscal governance practices. The state has been able to maintain strong reserves despite the recent health and economic crisis as a result of better-than-expected revenue performance. While the state's debt levels are above average, they have been declining relative to the 50-state medians, and the state's debt and pension liabilities combined, as well as its fixed costs, are comparable to medians. Frequent voter initiative activity adds budget challenges, but the legislature has broad authority to suspend voter-enacted statutes and a history of responding effectively to maintain budget balance.

RATING OUTLOOK

Washington's outlook is stable, reflecting the positive underlying fundamentals of its economy and the state's strong governance practices which will continue to support sizable reserves. Long-term liabilities are expected to remain manageable.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Not applicable.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- A sustained or structural weakening of the state's economy.
- Protracted structural budget imbalance and/or a shift to reliance on one-time budget solutions.
- A significant deterioration of the state's cash position.

LEGAL SECURITY

The Series 2022A COPs are secured by and expected to be paid from payments made by participating state and local agencies including: (1) rent payments for real property projects, and (2) installment payments for personal property.

Payments made by the state agencies are subject to appropriation by the legislature and executive order reduction by the governor. The state has never failed to make needed appropriations to meet the payment obligations for state agencies related to its COPs.

Payments made by the local agencies are secured by the full faith and credit of the local agencies, effectively general obligation, limited tax obligations. In the event any local agency fails to make its scheduled payment, the state treasurer is obligated to make the payment on behalf of the local agency using state funds; such state
Appendix B
Appendix B – Financing Documents

Note: OST prepares all documents, to be filled out and completed by Local Agency

• Financing Documents
  1. Form of Reimbursement Resolution
  2. Authorizing Resolution/Ordinance
  3. Local Agency Financing Contract/Lease
  4. Local Agency Financing Lease Memo
  5. Local Agency Site Lease and Site Lease Memo (Real Estate Only)
  6. Tax Certificate
  7. Opinion of Local Agency Counsel
  8. Escrow Letter

• Certificates
  - Certificate of Authorizing Resolution/Ordinance
  - Certificate Designating Authorized Agency Representatives
  - Certificate of Incumbency

• Other
  - Construction Contract (Real Estate Only)
  - Evidence of Property Insurance (due after purchase of property)
  - Title Insurance Policy (Real Estate Only)