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THE STATE LEASE/PURCHASE COP PROGRAM

REAL ESTATE AND EQUIPMENT
FINANCING FOR STATE
AGENCIES



Revised February 2024



THE OFFICE OF THE STATE TREASURER

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OFFICIAL STATEMENT DATED OCTOBER 26, 2023

NEW ISSUE, BOOK-ENTRY ONLY

Moody's Rating: Aaa

(See "OTHER CERTIFICATE INFORMATION—Rating")



STATE OF WASHINGTON
CERTIFICATES OF PARTICIPATION

\$38,655,000

Series 2023C

(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 2023C (State and Local Agency Real and Personal Property) (the "Certificates"), are being executed and delivered by the Trustee (currently U.S. Bank Trust Company, 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, 2024. The principal represented by the Certificates is payable in the stated principal amounts on each January 1 (the "Principal Payment Date") beginning January 1, 2025, as shown on page ii.

The Certificates are not subject to optional or mandatory sinking fund prepayment prior to their Principal Payment Dates. The Certificates are subject to extraordinary mandatory prepayment upon the occurrence of certain events. 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 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 or taxing power 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. However, interest represented by the Certificates will be taken into account in determining adjusted financial statement income that may be subject to the alternative minimum tax applicable to certain corporations, 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 & Rauth, 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 15, 2023.



WHAT IS THE STATE LEASE/PURCHASE PROGRAM?

- A COST-EFFECTIVE WAY FOR WASHINGTON STATE AGENCIES TO FINANCE:
 - Equipment purchases such as vehicles, computers, and HVAC systems and
 - Real estate projects, including property acquisition and construction of new facilities



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LEASE/PURCHASE STRUCTURE

CERTIFICATES OF PARTICIPATION

- The Agency enters into a financing contract (lease) with the Office of the State Treasurer (OST) via a nominal lessor (Washington Finance Officers Association – WFOA)
- OST pools the various lease agreements across all agencies, 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 an income stream from the lease payments to be made by the agencies for the life of the loan
- After the individual lease expires, ownership of the financed piece of property is retained by the agency



STATE LEASE/PURCHASE PROGRAM

DETAILS

- For real estate financing leases, agencies are required to obtain legislative authorization in the capital budget
- For equipment financing contracts, agencies must have operating appropriations/revenues sufficient to make lease payments
- Minimum borrowing threshold of \$10,000 for each 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 useful life schedule:



STATE LEASE/PURCHASE PROGRAM

DETAILS (CONTINUED)

- Property financed on a tax-exempt basis is subject to IRS tax law restrictions regarding private business use
 - Private business use may arise from leases, management contracts, research agreements and other contracts with the federal government, corporations, and other private or non-profit entities agreement
 - A taxable sale can be done when there is expected private use, which carries a higher interest rate
- Funds are generally available three times per year, in February, June and October
 - Some large leases may qualify for a special issuance that could fall outside the regular schedule
 - A state agency may also choose to participate in multiple issuances for one project if needed



BENEFITS OF PARTICIPATION

LOW INTEREST RATES

- The State Lease/Purchase 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 multiple agency leases, participants are able to take advantage of the State's strong Aa1 credit rating to secure very low tax-exempt interest rates
 - See Appendix B for most recent rating report

Interest Rates From Recent Transaction
February 6, 2024 Sale Results

STATE*		
<i>Term</i>	Equipment	Real Estate
3 Years	2.98%	
4 Years	2.88%	
5 Years	2.83%	
6 Years	2.81%	
7 Years	2.80%	
10 Years	2.85%	

** 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

(CONTINUED)

ADMINISTRATION

- The State Lease/Purchase Program is user friendly, as OST manages all technical aspects of the program, including:
 - Issuance
 - General administration
 - IRS tax law compliance
 - Continuing disclosure
- To reduce costs and increase efficiency, the program uses standardized documents and a set repayment schedule
 - Lease payments are due on June 1 and December 1
- After providing necessary materials, participating agencies can be reimbursed as soon as funds are available



TIMELINE

- OST plans to go market three times in 2023, with funds expected to be available in February, June and November
- Funds are available approximately three weeks after the sale date

Preliminary State Lease/Purchase Program Timeline *

Funds Available In	Real Estate NOI Cut-Off	Equip NOI and All Document Cut-Off	Real Estate Document Cut-Off	Sale Date	Funds Available	First Payment Due
June '24	March 4, 2024	March 18, 2024	Late April 2024	June 2024	June 2024	December 1, 2024
November '24	July 3, 2024	July 18, 2024	Mid-August 2024	October 2024	November 2024	June 1, 2025
February '25	November 1, 2024	November 15, 2024	Early January 2025	February 2025	February 2025	June 1, 2025

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

APPLICATION PROCESS

1

Legislative
Authorization (RE
only) and Notice
of Intent

2

Financing
Documents

3

Reimbursement



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APPLICATION PROCESS

1. NOTICE OF INTENT

- Financing contracts for real estate projects must be authorized by the Legislature, typically in the capital budget
 - For equipment purchases, it is expected the agency has sufficient current revenue to meet the payment obligations
- The Notice of Intent (NOI) is a standardized, non-binding agreement that notifies OST of the agency's intent to finance real estate or equipment through the COP Program
- Reimbursements can only be provided for purchases made no earlier than 60 days prior to submittal of the NOI
- Some preliminary fees for real estate projects (such as design) can be reimbursed outside of 60-day window



APPLICATION PROCESS

2. FINANCING DOCUMENTS

- For equipment financing contracts, documents are available on the OST website
 - The financing contract and personal property certificate, with corresponding paid invoice(s), and proof of payment(s) are to be submitted no later than the document due date
- Documents for real estate are prepared by OST and are not available online
 - The due date for Real Estate documents are separate than equipment
 - A full list of documents can be seen in Appendix A



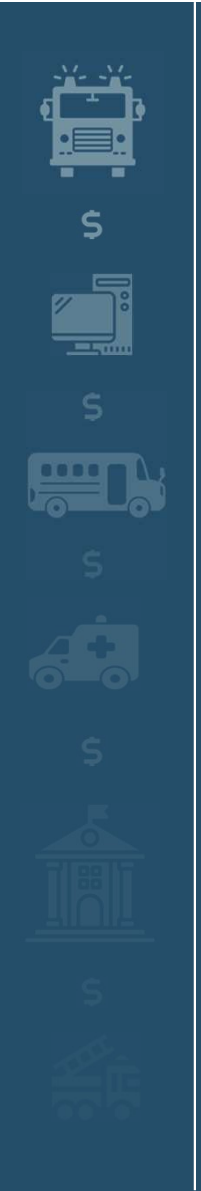
APPLICATION PROCESS

3. REIMBURSEMENT

- The agency must submit the following to be reimbursed:
 - Personal Property Certificate (Equipment only)
 - Request for Release of Proceeds (Real Estate only)
 - Invoices
 - Proof of Payment
- For equipment purchases, property must be acquired prior to the sale, and the reimbursement documents are submitted with the other Financing Documents
- For Real Estate construction projects, can request reimbursement as the project progresses and funds are spent
- For Real Estate acquisition, the agency must hold title to the property prior to the financing



APPENDIX A





Rating Action: Moody's assigns Aa1 to State of Washington's COPs, Series 2023C; outlook stable

12 Oct 2023

New York, October 12, 2023 – Moody's Investors Service has assigned a Aa1 rating to the State of Washington's \$38.7 million Certificates of Participation, Series 2023C (State and Local Agency Real and Personal Property). Following the issuance of the 2023C COPs, the state will have approximately \$833.5 million similarly-secured COPs outstanding, all rated Aa1. The outlook remains stable.

RATINGS RATIONALE

The Aa1 rating on the Certificates of Participation (State and Local Agency Real and Personal Property), one notch below the state's Aaa Issuer Rating, reflects the essential nature of the properties 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 State of Washington's Aaa Issuer Rating reflects its strong economic fundamentals driven largely by the technology sector in the Seattle (Aaa stable) metro area, above-average resident income levels, positive demographic trends and strong fiscal governance practices (governance issuer profile score G - 1). The state's reserve position has strengthened in recent years as a result of better-than-expected revenue performance and the availability of federal pandemic relief funds. Its financial reserves will retreat from record positions to still sound levels in coming years, given sizable spending increases approved under the 2023-2025 biennium budget and as revenue growth is slowing under softening economic conditions. While the state's total leverage (debt, pension, OPEB, and other long-term liabilities) is moderately higher than the 50-state median, it has declined in recent years and the state's fixed costs are in-line with the sector median. Frequent voter initiative activity can add to 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 sound reserves. Long-term liabilities are expected to remain manageable.



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APPENDIX B





FINANCING DOCUMENTS

1. Notice of Intent
2. Project Overview (Real Estate only)
3. Construction Contract/Purchase and Sale Agreement (Real Estate only)
4. State Agency Financing Lease/Contract
5. Memorandum of Financing Lease (Real Estate only)
6. State agency Site Lease (Real Estate only)
7. Memorandum of Site Lease (Real Estate only)
8. State Agency Tax Certificate (Real Estate only)
9. Certificate Designating Authorized Agency Representative
10. Personal Property Certificate(s) (Equipment only)
11. Request of Release of Proceeds (Real Estate only)
12. Invoice(s)/Proof of payment(s)
13. Evidence of Insurance