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THE LOCAL PROGRAM

REAL ESTATE AND EQUIPMENT
FINANCING FOR LOCAL
GOVERNMENTS



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: Aa1

(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 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

GOVERNMENT PARTNERS & TYPE OF PROJECTS

Type of Equipment/Real Estate	Number of Leases
Computers & Peripherals	17
Vehicles - Cars & Trucks	140
Energy Updates & HVAC	98
Commercial Vehicles - School Buses	355
Real Estate Buildings/Land	118
Other	46
Office Equipment & Furniture	12
Machinery	29
Road/Warehouse Vehicles - Tractors	50
Communication Systems	16
Boats, Aircraft, Recreational Equipment	8
Portable Buildings - Modular classrooms	8
Grand Total	897

Government Partners	Number of Leases
School District	284
Fire District	262
City	241
County	43
Hospital District	19
Metropolitan Park District	13
Port District	8
Park and Recreation District	16
Other	6
Mosquito Control District	3
Library District	2
Grand Total	897



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)
 - COPs 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



LOCAL PROGRAM

DETAILS

- 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>



LOCAL PROGRAM

DETAILS (CONTINUED)

- Property financed on a tax-exempt basis is subject to IRS tax law restrictions regarding private business use
- 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 OF PARTICIPATION

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)

Interest Rates From Recent Transaction

February 6, 2024 Sale Results

LOCAL*

Term	Equipment	Real Estate
5 Years	2.80%	
6 Years	2.78%	
7 Years	2.77%	

** 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)

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

Sample School District - School Buses	
Sources:	
<i>Bond Proceeds:</i>	
Par Amount	\$1,085,897
Premium	80,560
	<u>\$1,166,457</u>
Uses:	
<i>Project Fund Deposits</i>	
Project Fund	\$1,163,752
<i>Delivery Date Expenses</i>	
Cost of Issuance	2,158
Underwriter's Discount	547
	<u>2,705</u>
	<u>\$1,166,457</u>
Fees as % of Proceeds	0.23%



BENEFITS

(CONTINUED)

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



TIMELINE

Preliminary LOCAL Program 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

Funds Available In	Project Type	NOI & Credit Application Cut-Off	All-Documents Cut Off	Sale Date	Funds Available	First Payment Due
June '24	Real Estate	March 4, 2024	Late April 2024	June 2024	June 2024	December 1, 2024
	Equipment	March 18, 2024				
November '24	Real Estate	July 3, 2024	Mid-August 2024	October 2024	November 2024	June 1, 2025
	Equipment	July 18, 2024				
February '25	Real Estate	November 1, 2024	Early January 2025	February 2025	February 2025	June 1, 2025
	Equipment	November 15, 2024				

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



APPLICATION PROCESS

1

Notice of Intent
and Credit Form

2

Form of
Reimbursement
Resolution

3

Financing
Documents



APPLICATION PROCESS

1. NOTICE OF INTENT & 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



APPLICATION 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
- 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



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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.

APPENDIX B



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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*)