

# LOCAL PROGRAM GUIDE

For Real Estate Projects and Equipment Purchases

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Office of the State Treasurer

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Washington State Treasurer



## LOCAL PROGRAM Guide

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The LOCAL PROGRAM of the Office of the State Treasurer offers convenient, cost-effective financing to local agencies financing real estate projects and equipment purchases.

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# LOCAL PROGRAM GUIDE

## For Real Estate Projects and Equipment Purchases

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## I. Overview

*The LOCAL PROGRAM provides convenient, low-cost financing for local agencies.*

*Pooling local agency financings with state agency financings keeps borrowing costs low.*

*The Office of the State Treasurer manages the administration and regulatory compliance of the program.*

*Standardized documents allow agency financing contracts to be pooled and sold to investors as Certificates of Participation (COPs).*

The LOCAL PROGRAM offers local agencies a way to finance essential real estate and equipment over a multi-year period. The program provides the same economies of scale and low interest rates available to state agencies.

The LOCAL PROGRAM is administered by the Office of the State Treasurer (OST). Legal and administrative costs for each participating local agency are minimized through the use of standardized documentation. Once financing documents have been completed and borrowing rates set by the market, each local agency receives a detailed schedule of semi-annual payments due on its outstanding leases. Funds are either distributed directly to vendors or made available on a reimbursement basis upon receipt of detailed invoices and proof of payment.

Local agencies should spend COP proceeds before using other sources of funds. To ensure compliance with tax and legal requirements, OST monitors the spend-down of proceeds and the use of the facilities that have been financed. OST also monitors refunding opportunities.

### Authorization

The State is authorized by [Chapter 39.94 RCW](#) to enter into financing contracts for state and local agencies to acquire real and personal property (real estate and equipment). Financing contracts are multi-year leases that transfer the title to the property to the borrowing agency by the end of the term. Financing contracts do not include operating leases.

The State Finance Committee approves the form of the financing contracts and the aggregate amount of state and local agency financing contracts outstanding.

The use of standardized documents allows contracts to be consolidated or "pooled" and sold to investors in the form of Certificates of Participation (COPs). Pooling financings of local agencies with those of state agencies means local agencies obtain the State's low tax-exempt financing rates and economies of scale.

Each local agency participating in the LOCAL PROGRAM pledges its full faith and credit to make the payments on the financing contract. This pledge takes the form of a resolution or ordinance. In the event that a local agency fails to make a payment, the State Treasurer is authorized to intercept the local agency's share of state revenues to make the payment.



*Funds must be spent on capital expenditures for assets that serve an essential public purpose.*

*Finance terms must be at least one year and not extend beyond the useful life of the property.*

*It is always possible to finance for a term that is shorter than the useful life.*

*The minimum threshold for borrowings is \$10,000.*

Participation in the LOCAL PROGRAM requires credit approval from OST prior to each financing.

Local governments that may be eligible to participate in the LOCAL PROGRAM – referred to in this guide as “local agencies” - include libraries or regional libraries, educational service districts, the school directors’ association, public health districts, counties, cities, towns, school districts or other municipal corporations or quasi-municipal corporations described as such by statute in the State of Washington.

### Program Parameters

Proceeds of financing contracts must be spent on capital assets serving an essential public purpose. Local agencies must represent that the property to be financed is essential for carrying out its functions and responsibilities.

Financing contracts must be for tangible assets that could be relinquished in the event that an investor does not receive payment in a timely manner. Further, local agencies must be able to offer a security interest in the asset being acquired and must commit to maintain the property in working order and condition over the life of the borrowing. Proceeds of financing contracts cannot be used to pay operating expenses such as maintenance and insurance.

Upfront costs such as design, delivery and setup, and some training may qualify for financing. Expenditures for sales and use tax may also be financed.

The term of each financing contract is limited to the expected useful life of the asset being financed, with a maximum term of 20 years. Standardized guidance on the useful life of specific assets is available in the State Administrative & Accounting Manual (SAAM), Chapter 30.50, Capital Asset Class and Location Code List and Useful Life Schedules, and online [here](#). For unique or used equipment, OST staff can provide assistance.

For administrative efficiency, OST has established a minimum borrowing threshold of \$10,000 for each lease.

All property financed on a tax-exempt basis is subject to federal tax restrictions regarding private business use.



*Construction contracts should be entered into prior to seeking financing through the LOCAL PROGRAM.*

*Equipment must be well maintained through the life of the financing.*

Real Estate Projects:

A real estate project must be ready to proceed before it is financed. The financing cannot be executed until the construction contract has been awarded or the acquisition completed. For acquisitions, agencies must first acquire the building or land and obtain title to the property prior to financing. For new construction, OST requires agencies to have entered into a construction, design-build or general contractor/construction manager (GCCM) contract for the project prior to financing. Generally, proceeds must be spent within 18 months of the COP closing date.

Equipment Purchases:

The COP pledges a security interest in all financed equipment. Local agencies should list themselves as both legal and registered owners on titled assets. The equipment serves as collateral for financing and must be maintained in good working order. If equipment becomes unusable, the equipment must be repaired or replaced with equipment of equal value and useful life. If not, the local agency must immediately prepay the lease.

Energy Efficiency Equipment:

In order to finance energy equipment through the LOCAL PROGRAM, OST requires a signed energy services contract with a guaranteed final price.



## II. Financing Process for Equipment Purchases

1. Submit a Notice of Intent and Credit Application
2. Submit financing documents (see *Appendix 1: Equipment Financing Checklist*)
3. Submit Disbursement Instructions
4. COP Sale

### 1. Submit a Notice of Intent and Credit Application

#### Notice of Intent (Available on the OST website)

Submit a [Notice of Intent](#) with key information regarding the local agency and the equipment to be financed. The Notice of Intent should be submitted *after* selecting the equipment and deciding to seek financing. Note that submitting a Notice of Intent does not obligate the local agency to use the LOCAL PROGRAM.

Briefly describe the type of equipment to be financed. For example: energy efficient equipment, vehicles or computers. More specific information is required later in the process.

Estimate the dollar value to be financed. Provide a high estimate as an amendment to the Notice of Intent is required for any revision that increases the amount to be financed. The minimum size for each financing is \$10,000. Consider combining smaller requests for equipment of the same expected useful life.

Request a repayment term in years. Remember that the finance term may not exceed the useful life of the equipment, with a maximum term of 20 years. OST can provide estimated payment schedules for different finance terms.

Sign the Notice of Intent. OST will acknowledge acceptance of the Notice of Intent and assign a lease number that will be referenced throughout the financing process.

For agencies seeking reimbursement for expenditures made prior to closing, a Reimbursement Resolution will be required along with the financing documents described in Section 2 (below). Expenditures made more than 60 days prior to the date of the resolution cannot be reimbursed.

#### Credit Application (Available on the OST website)

The credit application requests general and financial information regarding the local agency's operations and financial resources over the most recent five-year period. This includes: assessed valuations, levy rates, information on outstanding debt obligations as well as standard financial statements of revenues and expenditures, fund balances and budgets. Additional information may be requested regarding pending litigation, anticipated changes in local employment or the tax base and future finance plans.

OST staff will review the application materials and follow up with any additional questions with the appropriate finance officer. Once an application has been reviewed, OST will acknowledge the approval. It is recommended that the local agency wait to receive written approval before making financial commitments.





## 2. Submit Financing Documents

OST has prepared standard forms for the following financing documents to be completed by the local agency. (See Appendix A-1 – Equipment Financing Checklist)

### Reimbursement Resolution (if applicable)

A Reimbursement Resolution is only required for agencies planning to seek reimbursement for early expenditures financed through the LOCAL PROGRAM. To comply with IRS requirements, expenditures made more than 60 days prior to the date of the Reimbursement Resolution cannot be reimbursed.

### Authorizing Resolution (for cities, Authorizing Ordinance)

- i. The Authorizing Resolution or Ordinance authorizes the financing of equipment through the LOCAL PROGRAM and specifies the number of local agency representatives required to execute the financing.
- ii. Certificate of Authorizing Resolution/Ordinance: This document certifies a true copy of the resolution or ordinance.
- iii. Certificate designating authorized agency representatives: This document names the local agency representative(s) authorized to execute the financing documents. It must be notarized.

Certificate of Incumbency: The incumbency certificate is available from the county auditor or Educational Service District (ESD). It identifies the governing officials and their terms of office.

Opinion of Local Agency Counsel: An opinion letter from the local agency's counsel verifies the authority of the local agency to execute the financing contract.

Escrow Letter: The escrow letter requests that the opinion of the local agency counsel be held in escrow until the COP closing date ("dated date" of the transaction).

### Local Agency Financing Contract

The Local Agency Financing Contract between the State and the local agency specifies the details of the local agency's lease, establishes the contractual obligations of the local agency and confirms the local agency's general obligation pledge to make installment payments. Appendix 1 to the Local Agency Financing Contract provides a comprehensive definition of terms. The local agency's authorized representative(s) must sign the document. All other information will be completed by OST.

Tax Certificate: This document shows acknowledgement by the local agency that it understands and will comply with applicable IRS regulations



### 3. Submit Disbursement Instructions

Financing proceeds are typically disbursed either as direct payments to the vendor(s) or as a reimbursement to the local agency. The following documents are required for the release of financing proceeds.

Personal Property Certificate: Each disbursement of proceeds requires a Personal Property Certificate, which describes the equipment, the vendor(s), and the disbursement amount. Specific details regarding the property are necessary to establish the security interest in the property. It is important to list all equipment related to the disbursement amount being requested.

Copies of Invoices: Copies of all invoices for the equipment listed on the Personal Property Certificate for which the agency is requesting reimbursement.

Proof of Payment: Proof of payment for each invoice submitted can be in the form of a copy of a check or a report from an official payment system. Each vendor must receive payment before reimbursements are made.

Proof of Insurance: Evidence of liability and property damage insurance coverage and a statement that insurance will be automatically renewed annually for the life of the financing.

Occasionally, the local agency has not yet taken possession of equipment at the time of COP closing. In these cases, the proceeds are deposited and held in the Local Government Investment Pool (LGIP) until the agency has received and paid for the goods or services and seeks reimbursement. Reimbursement requests may be submitted to OST as expenditures occur.

In all cases, financing proceeds must be spent in accordance with IRS spenddown rules. To ensure compliance, pooled COP financing issues typically require that proceeds be spent according to this schedule:

At least <b>15%</b> of proceeds must be spent within <b>six months</b> of COP closing.
At least <b>60%</b> of proceeds must be spent within <b>12 months</b> of COP closing.
<b>100%</b> of COP proceeds must be spent within <b>18 months</b> from the closing date.

If spenddown rules are not met on the financing agreement, and arbitrage calculations or payments to the IRS are required, the local agency will be responsible for those costs.

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### 4. COP Sale

OST typically “pools” state and local agency financing contracts for equipment and real estate financings twice a year, and issues Certificates of Participation (COPs) in the consolidated lease payments. The borrowing rates for each state and local agency are determined by the interest rates set in a competitive bid process on the sale date.

Proceeds are received on the COP closing or “dated” date (approximately two weeks following the sale date), and distributed in accordance with agencies disbursement instructions.



After the COP financing issue closes, OST will send a copy of the debt service schedule to the local agency. Payments are due on June 1 and December 1, with the first payment (interest only) due on December 1 of the year of issuance.

The State's current fiscal agent, U.S. Bank, posts debt service statements for local agencies to its Washington State Fiscal Agent website (<https://usbtrustgateway.usbank.com/portal/login.do>) around mid-May and mid-November for the amounts due on the first of the following month. Please contact Carolyn Morrison at [carolyn.morrison@usbank.com](mailto:carolyn.morrison@usbank.com) or 206-344-4678 if you have questions about the website or access to it. If your agency is not a self-treasurer, payment is made through your county treasurer.

If the equipment becomes unusable, it must be repaired or replaced with equipment of equal value and useful life. If it cannot be repaired or replaced, the agency must immediately prepay the lease.



### III. Financing Process for Real Estate Projects

1. Submit Notice of Intent, Project Overview Form and Credit Application
2. Preliminary review of proposed financing with the finance team.
3. Submit financing documents (see *Appendix 2: Real Estate Financing Checklist*)
4. COP Sale

#### 1. Submit Notice of Intent, Credit Application and Project Overview Form

Forms for the Notice of Intent, Credit Application and Project Overview Form are available on the [OST website](#). Submit the Notice of Intent and completed Project Overview Form when a project has been authorized and acquisition and/or construction is expected to occur within six months.

##### Notice of Intent

The Notice of Intent requests key information regarding the local agency and the equipment to be financed. The Notice of Intent should be submitted *after* selecting the property and deciding to seek financing. Note that submitting a Notice of Intent does not obligate the local agency to use the LOCAL PROGRAM.

When estimating the dollar value to be financed, if the exact amount is not known, provide a high estimate. An amendment to the Notice of Intent is required for any revision that increases the amount to be financed. The minimum size for each financing is \$10,000. Request a repayment term in years. Remember that the finance term may not exceed 20 years. OST can provide indicative payment schedules for different finance terms. Sign the Notice of Intent. OST will acknowledge acceptance of the Notice of Intent and assign a lease number that will be referenced throughout the financing process.

For agencies seeking reimbursement for expenditures made prior to closing, a Reimbursement Resolution will be required, along with the other financing documents described in Section 3 (below). Expenditures made more than 60 days prior to the date of the resolution cannot be reimbursed.

##### Credit Application

The credit application requests general and financial information regarding the local agency's operations and financial resources over the most recent five-year period. This includes: assessed valuations, levy rates, information on outstanding debt obligations as well as standard financial statements of revenues and expenditures, fund balances and budgets. Additional information may be requested regarding pending litigation, anticipated changes in local employment or the tax base and future finance plans.

##### Project Overview Form

The project overview form requests information regarding the property to be financed. This includes details regarding: project timeline, estimated budget, financing structure, the use of the land/building to be acquired or constructed, and the legal description of the property.



## 2. Preliminary Review with the Finance Team

Real estate projects and complex acquisition projects often require a minimum of 90 days lead time before a financing can take place. Expect to consult with OST staff and the state's counsel at several points during the financing process.

The finance team (including OST staff, certificate counsel and OST's financial advisor) will discuss the COP financing process in a preliminary review with local agency representatives and seek information on several aspects of the project. Agency project leaders should be prepared to provide an overview of the project, including the estimated cost of acquisition and/or construction and timing. Any special budget and financial issues will also be discussed.

Following the meeting, OST staff will provide a summary of the discussion including a checklist of information and documents required from responsible parties.

The finance team will then develop a schedule for the transaction, working toward a sale and closing date for the COPs. The financing cannot be executed until a construction contract has been awarded or the acquisition completed and closed. For new construction, OST requires agencies to have entered into a construction contract, design-build or general contractor/construction manager (GCCM) contract with a guaranteed maximum price prior to issuing a COP. Generally, proceeds must be spent within 18 months. For acquisitions, agencies must first acquire the building or land and obtain title to the property prior to issuing the COP. OST must be alerted if the project timeline changes.

Any ancillary legal agreements with outside parties related to the project must be reviewed by OST's certificate counsel prior to execution to ensure that requirements of the COP program have been met. This includes documents drafted by the agency's bond counsel (or other legal representation). Ancillary legal agreements include purchase and sale agreements, construction contracts, property management or other service agreements and any lease agreements between the agency and current or prospective tenants.

Sub-leases or management contracts with private businesses, non-profit organizations or agencies of the federal government may impact the tax status of the borrowing. Agencies should discuss their plans with OST prior to the execution of those sub-leases or management contracts to avoid unintended tax consequences. The selection of contractors, construction plans and purchase negotiations is the responsibility of the local agency.

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## 3. Submit All Required Documentation

OST's finance team takes responsibility for completing the financing transaction with the issuance of the COPs in coordination with the agency's acquisition and construction schedule. The agency is responsible for submitting the documentation specified below and/or other materials requested by the finance team. Some of the documentation will be provided by OST for execution by the agency. The agency is also responsible for informing OST of any material changes in the expected timing of the acquisition and/or construction.



OST has prepared standard forms for the following financing documents to be completed by the local agency. (See Appendix A-2 – Real Estate Financing Checklist)

Reimbursement Resolution (if applicable):

A Reimbursement Resolution is only required for agencies planning to seek reimbursement for early expenditures financed through the LOCAL PROGRAM. To comply with IRS requirements, expenditures made more than 60 days prior to the date of the Reimbursement Resolution cannot be reimbursed.

Authorizing Resolution (for cities, Authorizing Ordinance)

- i. The Authorizing Resolution or Ordinance authorizes the financing of the equipment through the LOCAL PROGRAM and specifies the number of local agency representatives required to execute the financing.
- ii. Certificate of Authorizing Resolution/Ordinance: This document certifies a true copy of the resolution or ordinance.
  - i. Certificate designating authorized agency representatives: This document names the local agency representatives authorized to execute the financing documents. It must be notarized.

Certificate of incumbency: The incumbency certificate comes from the county auditor or Educational Service District (ESD). It identifies the governing officials and their terms of office.

Opinion of local agency counsel: An opinion letter from the local agency's counsel verifies the authority of the local agency to execute the financing contract.

Escrow letter: The escrow letter requests that the opinion of the local agency counsel be held in escrow until the COP closing date ("dated date" of the transaction).

Documentation required for a real estate lease purchase financing also includes two primary lease documents, which are prepared by OST and its certificate counsel.

Financing Lease

The financing lease commits the agency to make lease payments to be able to use the specific land or facility being financed. Lease payments are made to a non-profit corporation appointed by the State Treasurer (currently the Washington Finance Officers Association, or WFOA) which then assigns its rights under the lease to the state's fiscal agent, currently US Bank.

Site Lease

The site lease – an agreement between the agency, OST and WFOA – commits WFOA to lease the land and the facility for a period of time that extends 5 years beyond the financing lease. WFOA prepays its lease commitments with the proceeds received with the issuance of the COP. WFOA assigns its rights to the land and facility to the State's fiscal agent.

The site lease effectively provides a type of backup to the financing lease. Should the agency fail to make lease payments under the financing lease, the site lease allows the fiscal agent to assume control of the property on behalf of investors. The trustee may determine that it is in the best interests of investors to rent the facility to another entity to repay investors. In all cases, however, the property reverts to the local agency at the end of the term of the site lease. If the agency makes its lease payments on a timely basis, the site lease terminates at the end of the financing term.



#### 4. COP Sale

As noted above in the section on equipment financings, OST periodically consolidates or “pools” several lease/purchase financings and sells interests in the portfolio to investors in the form of COPs. Real estate financings may be pooled with equipment financings. This sale of COP securities sets the borrowing rates for each agency lease/purchase financing.

On the COP sale date, OST executes a competitive market sale which sets the borrowing costs for the financing. On the COP closing date (approximately two weeks following the sale date), proceeds are received and disbursed to agencies in accordance with the agencies' disbursement directions. Most funds are disbursed to agencies as reimbursements.

If the real estate project has not been completed, proceeds are temporarily held by OST and invested in the Local Government Investment Pool (LGIP). Subsequent disbursements are made following OST's receipt of a *Request for Release of Proceeds* form certifying that the project costs have been incurred, along with invoice(s) and proof of payment(s). Proceeds must be spent only on the project described in the Notice of Intent and in accordance with IRS spend-down rules.



## IV. Lease Payments

### Lease Payments

OST provides payment schedules to the local agency following the COP sale. Payments are due semiannually on June 1 and December 1 to US bank, the State's fiscal agent. A statement for the debt service amount will be posted on the US Bank website approximately mid-May and mid-November. Instructions for remitting payment can be found on the statement. If you have questions or concerns regarding your agency's payment, contact OST prior to the due date.

### Prepaying Lease/Purchase Financings

Most COPs are issued for relatively short maturities and cannot typically be restructured to take advantage of lower interest rates over the life of the financing. OST will monitor refunding opportunities for leases with longer terms.

Occasionally, agencies need to prepay lease/purchase financings for other reasons. In this case, the agency prepays both principal and interest due over the life of the financing. The funds are used to purchase a portfolio of U.S. Treasury securities to be held in an escrow account.

OST generally discourages local agencies from requesting prepayments for budgetary reasons. Prepayments will only be arranged for exceptional circumstances. Agencies requesting prepayments must cover all associated costs of the transaction including escrow fees. A minimum of 30-days notice is required to complete a prepayment request. OST cannot schedule prepayments in the month of June.

OST will provide an initial estimate of escrow costs. Once the decision to proceed with prepayment has been made, it is irrevocable. OST will commit to the purchase of the escrow securities and advise the agency of the amount due. Funds must be remitted as scheduled.





## V. Regulatory Post-Issuance Compliance

### Tax Compliance

OST is responsible for monitoring overall compliance with all Internal Revenue Service (IRS) regulations governing tax-exempt finance. Also, each agency is responsible for monitoring its own compliance with these rules with respect to its project. If one lease in a pooled COP financing fails to meet these regulations, the tax exempt status of the entire pooled transaction may be compromised.

COPs are almost exclusively issued as tax-exempt securities, which means their interest is excluded from gross income for the investor. If it is determined that a security no longer qualifies for tax-exemption, the interest becomes taxable for the COP investor, negatively impacting the value of the COPs.

### Disbursement of COP Proceeds

Disbursement requests will be reviewed in detail to confirm that proceeds are used only for qualified capital expenditures and that requests are supported by invoices and the appropriate proof of payment.

Proceeds must be spent in accordance with IRS spend-down rules, typically within 18 months, with at least 15 percent of the total in 6 months and at least 60 percent in 12 months. Monthly statements from OST show the minimum spend-down requirements for each lease. OST will contact agencies to monitor the expected spend-down. OST will also confirm that reimbursements are requested for expenditures made no more than 60 days prior to the date of the Reimbursement Resolution.

If spend-down requirements are not met, the agency will be responsible for the cost of any required arbitrage calculations and/or payments to the IRS.

### Private Activity

COPs may be treated as "private activity" bonds and lose their tax-exempt status if they meet the IRS "private business use test" AND the "private payment test".

*Private Business Use Test* – Private business use is established if a certain percentage – usually above 10 percent - of the proceeds of the COP issue is used for a private company, a non-profit corporation by or any agency of the federal government. Private business use does not include "general public use" such as private drivers on State highways. To avoid unintended tax consequences, agencies considering rental agreements or management contracts with private entities should discuss their plans with OST prior to the execution of contracts.

*Private Payment Test* – Private payment is established if debt service on more than 10 percent of the COP issue is secured by (or could be sourced from) private payments or security. This may be a concern if COP-financed facilities are rented to a private company, a non-profit corporation or a federal government agency. The rent-free use of a State facility by one of these entities would not meet the test.



The obligation to monitor private activity continues for the life of the financing, i.e. until the COP has been fully repaid. COPs that may have originally qualified as tax-exempt can become taxable if there is a "change in use" of the financed facility or equipment which includes private use and private payments. For example, if an agency finances the construction of a building with a COP and then later sells the building before the COP has been paid off, the COP may meet both the private business use test and the private payment test. Remedial actions to correct a change in use are sometimes available, but these options are not guaranteed. It is critical that the agencies notify OST as private business use arrangements such as new rental

# Equipment Financing Checklist

LOCAL PROGRAM – Office of the State Treasurer – State of Washington

## Key Dates and Deadlines\*

	NOI & Credit Approval (Forms A-B) Cut-Off	All Documents (Forms C-L) Cut-Off	First Payment (Interest Only)
Late February/March	November 15	December 9	December 1, year of issue
Mid/Late August	May 15	June 20	December 1, year of issue

\* Dates are subject to change. Contact OST to verify financing timeline and deadlines

## Forms available on the OST website:

- A. Notice of Intent (NOI):** Specifies anticipated dollar amounts, dates and contact persons(s) for the proposed financing.
- B. Credit Application:** requests general and financial information for a five-year period.

Following credit approval, OST will email the following forms. Originals must be signed, completed and sent to OST by the cut-off dates shown in the table above.

- C. Reimbursement Resolution** (if applicable): Required if the agency plans to seek reimbursement of early expenditures financed through the Local Program. To comply with IRS requirements, expenditures made more than 60 days prior to the date of the Reimbursement Resolution cannot be reimbursed.
- D. Authorizing Resolution** (for cities, **Authorizing Ordinance**): Authorizes the financing of the equipment through the Local Program and specifies the number of local agency representatives required to execute the financing.
- E. Certificate of Authorizing Resolution or Ordinance:** Certifies a true copy of the resolution/ordinance.
- F. Certificate Designating Authorized Agency Representatives:** Names the agency representatives authorized to execute the financing documents.
- G. Certificate of Incumbency:** Certificate from the county auditor or ESD identifying the governing officials and their terms of service.
- H. Opinion of Local Agency Counsel:** Verifies the authority of the local agency to execute the contract.
- I. Escrow Letter:** Requests that the opinion of the local agency counsel be held in escrow until the dated date of the transaction.
- J. Local Agency Financing Contract:** Establishes the contractual obligations of the local agency in the transaction.
- K. Tax Certificate:** Acknowledgement by the local agency that it understands and will comply with applicable IRS regulations.
- L. Personal Property Certificate:** Indicates the local agency's acceptance of the property. Includes a description of the equipment, the vendor(s), and instructions for disbursement.
- M. Evidence of Personal Property Insurance:** Demonstrates coverage for the life of the financing.

# Real Estate Financing Checklist

LOCAL PROGRAM – Office of the State Treasurer – State of Washington

## Key Dates and Deadlines\*

	NOI & Credit Approval (Forms A-B) Cut-Off	All Documents (Forms C-L) Cut-Off	First Payment (Interest Only)
Late February	November 1	December 4	December 1, year of issue
Mid/Late August	May 1	June 1	December 1, year of issue

\* Dates are subject to change. Contact OST to verify financing timeline and deadlines

## Forms available on the OST website:

- A. Notice of Intent (NOI):** Specifies anticipated amounts, dates and contact person(s) for the proposed financing.
- B. Credit Application:** Requests general and financial information for a five-year period.
- C. Project Overview Form:** Requests information regarding the property to be financed.

Following credit approval, OST will email the following forms, which must be signed and the originals returned to OST by the "All Documents" cut-off date shown in the table above:

- D. Reimbursement Resolution** (if applicable): Required if the agency plans to seek reimbursement of early expenditures financed through the Local Program. To comply with IRS requirements, expenditures made more than 60 days prior to the date of the Reimbursement Resolution cannot be reimbursed.
- E. Authorizing Resolution** (for cities, **Authorizing Ordinance**): Authorizes the financing of the property through the LOCAL PROGRAM and specifies the number of agency representatives required to execute the financing.
- F. Certificate of Authorizing Resolution or Ordinance:** Certifies a true copy of the resolution/ordinance.
- G. Certificate Designating Authorized Agency Representatives:** Names the agency representatives authorized to execute the financing documents.
- H. Certificate of Incumbency:** Certificate from the county auditor or ESD identifying the governing officials and their terms of service.
- I. Opinion of Local Agency Counsel:** Verifies the authority of the local agency to execute the contract.
- J. Escrow Letter:** Requests that the opinion of the local agency counsel be held in escrow until the dated date of the transaction.

In addition, copies of the following documents must be provided to OST by the "All Documents" cut-off date:

- K. Evidence of Property Insurance:** Fire insurance in the amount of the financing or guarantee replacement and proof of \$1 million in liability insurance
- L. Current Title Insurance Policy**
- M. Construction Contract** (for construction projects), **Current Loan Contract** (for refinancing), or **Purchase and Sale Agreement** (for acquisitions)

After receiving all of the above documents, OST will provide the following, which must be signed and the originals returned to OST prior to the financing date:

- N. Local Agency Financing Lease:** Establishes the contractual obligations of the local agency in the transaction.
- O. Local Agency Site Lease:** Provides the collateral for the financing lease.
- P. Tax Certificate:** Acknowledgement by the local agency that it understands and will comply with applicable IRS regulations.