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# Local Option Capital Asset Lending Program

## “LOCAL Program”

*offering financing solutions for local governments*

James L. McIntire, State Treasurer

Wendy Kancianich, LOCAL Specialist – Equipment

Noah Crocker, LOCAL Specialist – Real Estate

July, 2009



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# LOCAL Authorization

- The LOCAL program is an expanded version of the successful state agency lease/purchase program.
- The program was originally created by the Legislature in 1989 (RCW 39.94) to provide low-cost financing for state agency purchases by pooling funding needs into larger offerings of securities (Certificates of Participation).
- Thanks to support and assistance from many friends of local government, the Legislature passed legislation in 1998 to allow local governments to participate in the program.
- Financing of both real property and personal property (real-estate and equipment) is accomplished through the use of financing contracts.
- The State Finance Committee has delegated administrative responsibility for the Lease/Purchase Program to the Debt Management Team in the Office of the State Treasurer.



# LOCAL PROGRAM

## Local Option Capital Asset Lending

- The LOCAL Program provides a low-cost financing option to local governments...
  - For equipment
  - For real estate
    - Acquisition
    - Construction
- Scheduled Financing Pools
  - March, June, and November
  - Additional flexibility on large real estate projects
- Basic requirements
  - Any municipal corporation with authorization to levy property taxes
  - GO pledge
  - Project size – \$10,000 or greater



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# LOCAL Benefits

- Competitive Interest Rates
  - Economies of scale – locals' pooled with state agencies' financing requests
  - \$10,000 purchases at same rate as multi-million dollar purchases
  - Competitive bidding attracting national underwriters
  - State's Aa2 credit rating from Moody's
  - Use our posted (All-In-Cost) rates as bellwether rates
  
- Office of State Treasurer
  - Familiar with local governments
  - Extensive municipal finance experience
    - \$105+ million issued since 1998
    - 441+ leases
    - For 249+ local governments
  - We can help
    - Prepare estimated payment schedules
    - Explain program to entity's council/commissioners
  - We listen
    - LOCAL Advisory Group
      - Includes 5 county treasurers



# LOCAL PROGRAM

## LOCAL Benefits

- Save time
  - Combine purchases from different vendors into one financing contract
  - Standard repayment schedule and process
    - County Treasurer or City Finance Manager/Clerk-Treasurer
    - Twice-yearly payments (June and December)
    - Via State Fiscal Agent – Bank of New York
  - Payments can go directly to vendor(s)
  - Standardized documents – *read fine print once*
  - Forms on our website in MSWord format – *just tab from field to field*
- We coordinate network of advisors and municipal finance professionals
  - Bond counsel
  - Financial advisor
  - Rating agencies
  - Fiscal Agent



LOCAL  
PROGRAM

# How to use LOCAL

- Visit our website
  - [www.tre.wa.gov](http://www.tre.wa.gov), then click on LOCAL
  - Forms and Instructions
  - Interest rates for past year
  
- Notify Office of the State Treasurer
  - Submit Notice of Intent
    - Non-binding
    - Establishes intent in accordance with US Treasury regulations
  - We respond with acknowledgement letter with cc to County Treasurer for county agencies
  
- Submit Credit Form – *not necessary if recent credit rating of A or higher*
  - We will send credit approval to local government with cc to County Treasurer
  
- If Real Estate, submit completed Real Estate Worksheet



# LOCAL PROGRAM

## How to use LOCAL

- Prepare for Board Meeting
  - Authorizing resolution (or ordinance, if city)  
Attach the following:
    - Notice of Intent
    - Form of Financing Contract
    - Certificate designating Authorized Agency Representative(s)
  - Certificate of Authorizing Resolution
  - Reimbursement Resolution
    - Optional, required only if we are reimbursing the local government rather than paying the vendor directly.*
  
- After board meeting
  - Authorized agency representative(s) should sign the following forms and submit:
    - Local Agency Financing Contract
    - Tax Certificate
    - Personal Property Certificate / Site Lease *(if real estate)*
  - Request from County Auditor
    - Evidence of Incumbency
  - Request Opinion Letter and Escrow Letter from municipality's attorney



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# Getting the money

## **If payment to vendor...**

- Submit copy of vendor invoice
- Submit vendor address
- Request evidence of insurance

## **If reimbursement...**

- *Reimbursement Resolution in place*
- Submit copy of vendor invoice
- Submit proof of payment
- Request evidence of insurance

*If equipment is not received by the cut-off date, entities can submit the following documents upon receipt of equipment:*

Personal Property Certificate

Evidence of Insurance

Copy of vendor invoice / proof of payment



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# Financing calendar

<b>Cut-off Date for Paperwork</b>		<b>Funds Available</b>
Real Estate	January 1	mid-March
Equipment	February 1	
Real Estate	April 1	mid-June
Equipment	May 1	
Real Estate	September 1	mid-November
Equipment	October 1	



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# Recent equipment financings

<i>All financing costs are included in Interest Rates... there are no additional financing costs</i>				
<b>Term</b>	<b>9/12/2008</b>	<b>12/16/2008</b>	<b>3/17/2009</b>	<b>6/23/2009</b>
2 years	3.47%			
3 years	3.37%		3.35%	3.45%
4 years				3.47%
5 years	3.46%	4.24%		3.66%
6 years		4.43%		
7 years		4.62%		4.01%
10 years	3.81%	5.11%	4.21%	4.66%

*The maximum financing term is determined by the useful life table, Chapter 30.50 of the State Administrative & Accounting Manual, available at the Office of Financial Management web site:  
<http://www.ofm.wa.gov/policy/30.50.htm>.*



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# Recent real estate financings

<i>All financing costs are included in Interest Rates... there are no additional financing costs</i>		
<b>Term</b>	<b>2/11/2009</b>	<b>6/24/2009</b>
5 years	3.30%	
10 years		4.47%
15 years	4.51%	
20 years	5.12%	5.26%



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# LOCAL Advisory Group

**The Honorable Barbara Stephenson**  
Kitsap County Treasurer  
Representing: Association of County Treasurers

**The Honorable Dani Burton**  
Klickitat County Treasurer  
Representing: Association of County Treasurers

**The Honorable Thad Duvall**  
Douglas County Auditor  
Representing: Association of County Auditors

**Roger Ferris**  
Executive Secretary  
Washington Fire Commissioners Association  
Representing: Fire Commissioners Association

**Donna Gregg**  
Educational Services District 112  
ESD 112, Vancouver  
Appointed by: Office of the State Treasurer

**James Hendrickson**  
Financial Services Manager, City of Tumwater  
Representing: Municipal Treasurers Association

**The Honorable Robert Lothspeich**  
Whitman County Treasurer  
Representing: Association of County Officials

**Alexandra E. Johnson**  
Assistant Audit Manager  
State Auditor's Office  
Appointed by: Office of the State Treasurer

**Debbie Terry**  
Finance Director, City of Shoreline  
Representing: Washington Finance Officers

**The Honorable Ilene Thomson**  
Yakima County Treasurer  
Representing: Association of County Treasurers



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# LOCAL Contacts

**James L. McIntire**  
**Treasurer**

**Ellen Evans**  
**Deputy Treasurer**

**[www.tre.wa.gov](http://www.tre.wa.gov)**

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