

## LOCAL Program Frequently Asked Questions

- 1. Who can participate in the LOCAL Program?

Any municipal corporation or other agency authorized to issue general obligation debt. This includes cities, counties, school districts, fire districts and others.

- 2. Does this take place of my agency issuing bonds?

It could. You might find the LOCAL program financing is all you need. Or you might find it's appropriate for just some of your needs. For example, you may need a piece of equipment immediately, but the main object of your bond issue will not be ready for financing until quite a bit later. In that case you might use the LOCAL program only for that first piece of equipment.

- 3. What can be financed?

Either equipment or real estate. Some examples include: school buses, ambulances, construction projects, fire trucks, HVAC systems, computers, office furniture, copiers, vacant land, portable classrooms and energy projects.

There is a \$10,000 minimum for equipment, but various items can be combined to meet the minimum, for example, computer equipment and computer furniture. Software cannot be financed alone — it must be combined with hardware. Contact our office for more information.

Real estate financing is available for land and/or buildings and can be used for acquisitions, construction projects or to refinance an existing loan.

- 4. What's the timeline?

OST plans to go to market three times per year, around February, June and October. Applications are typically due about 3-months prior to our financing date. A link to our current timeline can be accessed from [the LOCAL Program home page](#). (see attached timeline)

- 5. Are there any costs to participate in the LOCAL program?

Yes. All costs are included in the all-inclusive borrowing rate (AIC). The historical all-inclusive rates are posted on our website. There are no additional fees.

Participating state agencies are responsible for the basic fixed costs for any pooled borrowing. The local agencies share in the incremental costs related to their participation. This leads to relatively low costs of issuance for local agencies. You will be provided with an all-in borrowing rate, to enable you to see the effect of the costs.

6. Where do I find out what the current interest rate is?

You can find the interest rates from our most recent sales on [the LOCAL Program home page](#). Please note that each issue is different – the interest rate is set by the lowest bid we receive on the day the financing issue goes to market. In that way, you're assured of getting the lowest interest rate on that day, but there can be volatility from sale-to-sale. (see attached interest rates from 2/1/2022)

7. How long are the financing terms?

Maximum equipment financing terms are set by the useful life of the item. See the Office of Financial Management web site for its Useful Life Table ([www.ofm.wa.gov/policy/30.50.htm](http://www.ofm.wa.gov/policy/30.50.htm)). If several types of equipment have been combined to meet the \$10,000 minimum, the shortest useful life will determine the maximum financing term.

8. How are the funds released?

Equipment payments can go directly to vendor or to agency as reimbursement according to what best fits your needs and schedule.

9. I just bought some equipment. Can I finance it through the LOCAL program?

Possibly. You must pass a Reimbursement Resolution either **before** purchasing equipment or **no later than 60 days after** purchasing equipment. Please call us to discuss your situation.

10. If I send in my Notice of Intent (application form) does that obligate me to participate?

No. After you submit a Notice of Intent, you will be contacted a few weeks before the cut-off date to see if you wish to participate in the upcoming financing issue. If you indicate you want to participate in that financing issue, you must commit to a specific dollar amount by the cut-off date.

11. I only know the approximate amount I will need to finance. What should I put on the Notice of Intent?

Indicate the **most** you anticipate financing on the Notice of Intent — you can always finance less. As mentioned above, you must commit to a specific dollar amount by the cut-off date for your financing issue.

12. Can we prepay our lease?

It is possible, but both the principal outstanding AND the interest due on future payments must be paid. This creates a partial financial defeasance of the pooled COPs. In this process, securities maturing on payment dates matching those in the original debt service schedule are purchased and held in trust. While these securities earn some interest, it typically is not sufficient to cover the interest owed. In addition, trustee fees may also be owed. [Note: Some real estate leases allow redemption prior to maturity and in those cases only the outstanding principal must be paid.]