

Administrative Policy No. 14.14

Subject: State Treasurer Lease-Purchase Program

Information Contact: Central Purchasing Unit
Lease-Purchase Coordinator
MS 45810 - (360) 664-6030

Authorizing Source: [RCW Chapter 39.94](#) Financing Contracts
[OFM SAAM 30.20.30](#) Capital Leases - Definitions
[OFM SAAM 30.20.40](#) Accounting for Capital Leases
[OFM SAAM 30.50](#) Commodity Class & Location Code
Tables
[Office of the State Treasurer Lease-Purchase Program Guide](#)

Effective Date: April 1, 1995

Revised: February 27, 2020

Approved By: **Original signed by Lori Melchiori**
Senior Director, Office of Policy and Rules

Purpose

This policy provides direction to Department of Social and Health Services (DSHS) staff for utilizing the state treasurer's lease-purchase program to finance equipment acquisitions. The primary purpose of the [State Agency Lease-Purchase Program](#) is to provide convenient, low-cost financing to all state agencies.

Scope

This policy applies to all DSHS administrations and staff with responsibilities relevant to the state treasurer's lease-purchase program.

Definitions

Agency Personal Property Certificate: The one-page document that identifies specific information about the equipment or project to be financed through the State Treasurer's Office.

Authorized agency representative: The staff member(s) authorized by the DSHS secretary to sign the Notice of Intent, State Agency Financing Addendum, and the Personal Property Certificate.

Lease: A lease that transfers all the benefits and risks inherent in the ownership of the property to the state. The net present value of the future minimum lease payments or fair value, whichever is less, must be \$10,000 or more, to qualify as a lease. In addition, one or more of the following criteria must be met:

- Ownership of the leased property is transferred to the state by the end of the lease term
- The lease contains a bargain purchase option
- The lease term is equal to 75% or more of the estimated useful life of the leased property
- At inception of the lease, the present value of the future minimum lease payments, excluding executory costs (usually insurance, maintenance, and taxes paid in connection with the leased property, including any profit thereof), is 90% (or more) of the fair value of the leased property

Certificate designating authorized agency representatives: The document that identifies the DSHS employees, as appointed by the DSHS secretary, who are authorized to sign the Notice of Intent, State Agency Financing Addendum, and the Personal Property Certificate.

Certificates of participation (COP): Securities issued to finance acquisitions through the [State Agency Lease-Purchase Program](#). The state treasurer issues COPs pursuant to a lease of financed assets that provides collateral to the lender. These securities represent ownership interests or participation in the future stream of lease payments.

Lease-purchase coordinator: The DSHS liaison between the State Treasurer's Office in processing and coordinating the agency's lease-purchases.

Letter of intent: Serves as the formal request to initiate a lease-purchase through the Office of the State Treasurer (OST). The letter should be signed by the division director or designee of the program requesting reimbursement. It should also specify the equipment/project to be financed, method of reimbursement, and the requested repayment term.

Notice of intent to lease-purchase (NOI): Document used by the state treasurer to plan for future statewide financing requirements.

State Agency Financing Addendum: Document that establishes the contractual obligations of DSHS in the transaction and confirms the intent of DSHS to sub-lease equipment and remit lease payments to the state treasurer.

Background

The lease-purchase program provides DSHS the following advantages:

- A. Access to municipal securities and lower, tax-exempt interest rates.

- B. Protection of the state's credit rating.
- C. Assurance of compliance with state and federal tax laws, securities and regulations using standardized state treasurer documents.
- D. A payment process through the DSHS office of accounting services (OAS) with COP payments going to the state treasurer. Two weeks prior to the payment date, the state treasurer will forward a notice to all agencies summarizing payments due on outstanding leases.
- E. Enhanced statewide accountability:
 - 1. The state treasurer reports annually to the house capital committee on the status of outstanding debt for the state of Washington.
 - 2. The state treasurer provides the Office of Financial Management (OFM) with a summary report detailing outstanding lease-purchase balances for all state agencies.

Policy Requirements

- A. Authorization:

[Chapter 39.94 RCW](#) authorizes the state treasurer to administer a lease-purchase program. When DSHS chooses to finance its acquisition, DSHS **must** obtain financing through the state treasurer's lease-purchase program.
- B. Criteria

DSHS lease-purchases must meet the following criteria:

 - 1. Involve assets serving an essential public purpose which increases the opportunity for appropriation by the legislature for future payments.
 - 2. Be a lease under [Chapter 39.94 RCW](#) and in accordance with State Administrative and Accounting Manual (SAAM) Chapters [30.20.30](#) and [30.20.40](#). Note: Rental agreements do not meet this requirement.
 - 3. Be longer than one year and not exceed the useful life of the property because the property serves as collateral. Useful life can be determined by consulting [SAAM, Chapter 30.50, Fixed Asset Commodity Class Code List and Useful Life Schedule](#). The proposed finance term should not exceed 75% of the useful life of that product.
 - 4. Consolidate the proposed finance terms submitted on the NOI when applicable. Each certificate of participation issued by the OST is based on a proposed finance term. If your NOI has several different finance terms, OST will be required to issue multiple COPs for each finance term.
 - 5. Design, delivery and setup, training, and sales and use tax are considered eligible

lease-purchase costs for financing of the asset. Design costs may not be financed before equipment is acquired or construction begins because design, by itself, does not represent collateral to the lender. These costs may be reimbursed when COPs are sold.

6. Maintenance and insurance are operating expenses and may not be financed.
7. The total amount of the lease-purchase must exceed \$10,000. Transactions for less than \$10,000 should be purchased with available funds.
8. Follow Internal Revenue Service (IRS) reimbursement regulations in order to maintain the tax exempt status of the COP's to investors.
9. Have submitted the NOI to the state treasurer before the date of remittance to vendors when reimbursement is requested.

Procedures

A. Responsibilities of the Requesting Program

1. The division director or designee submits the following documents to the lease-purchase coordinator to initiate a lease-purchase:
 - a. The NOI to lease-purchase. The agency authorized representative countersigns the notice before sending it to the State Treasurer's Office.
 - b. A letter of intent identifying the equipment or project to be reimbursed, the method of reimbursement, and the requested repayment term in years.
 - c. An approved ordering document (Purchase Requisition A-15-A, Information Technology Product Request Form (ITPR)), or Purchase Order.
2. The division director or designee must contact the central purchasing lease-purchase coordinator to identify the next available state treasurer cut-off dates, to include processing time for submittal of reimbursement packet to OST.
3. The division director or designee, upon receipt of equipment, forwards three (3) copies of the following receiving documents (receiving packet) to the lease-purchase coordinator.
 - a. Receiving documents signed and dated.
 - b. Copy of the invoice(s) and remittance advice or warrant registers showing the payment information for the state treasurer to reimburse DSHS directly.
4. The director or designee of the requesting program notifies the lease-purchase coordinator that the lease-purchase is completed per the amortization schedule for appropriate assets posting.

B. Responsibilities of the central purchasing unit.

1. The lease-purchase coordinator sends the NOI, countersigned by the authorized agency representative, to the grant management manager at OAS, to forward to the OST. The letter of intent, signed by the director or designee, will be kept on file as an internal approval document.
2. Upon receipt of state treasurer's approval and assignment of a specific lease-

purchase number, the lease-purchase coordinator provides approval information to the director or designee of the requesting program, with a copy to the grant management manager at OAS.

3. The DSHS central purchasing unit processes the order per the signed and approved ordering document(s). Asset management staff will issue inventory tags, when necessary, to the requesting program.
4. Upon receipt of the receiving documents from the requesting program, the lease-purchase coordinator will request reimbursement for the equipment or project by sending three identical packets containing the following documents to the OST. The lease-purchase coordinator will need to make one complete copy of the reimbursement packet for the lease-purchase file maintained by CPU.
 - An original memo on state letterhead requesting reimbursement
 - A copy of the receiving packet
 - The financing addendum
 - The personal property certificate
 - A copy of the certificate designating authorized agency representatives
5. Upon receipt of the completed COP from the state treasurer, the lease-purchase coordinator makes a copy for the lease-purchase file and forwards a copy of the completed COP (including amortization table) to the grant management manager at OAS, the director or designee of the requesting program, and the DSHS enterprise risk management office (ERMO).
6. The lease-purchase coordinator closes and files the completed lease-purchase package. Completed lease-purchase files are retained for a minimum of six years, per state record retention schedules.

C. DSHS enterprise risk management office responsibilities

1. The DSHS enterprise risk management office will send a letter to Department of Enterprise Services (DES), requesting an insurance certificate from DES for the equipment.
2. DES will initiate and send the insurance certificate to the OST.
3. A copy of the certificate will be forwarded to the lease-purchase coordinator and kept in the lease-purchase file.