

# *Certificates of Participation and Other Financing Agreements*

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## **DAS Budget & Management Division**

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Salem, Oregon

Certificates of Participation (COP) Financing  
for acquiring real property and equipment

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# *Purpose of Slide Presentation*

- The purpose of this slide presentation is to assist agencies considering the use of COP financing as an option to pay for Capital Costs
- We will outline the steps to include qualifying projects can be included in the Agency Request Budget
- The steps are chronological, from budget kick off, March 2008, to the submission of the Agency Request Budget, either August or September 2008

# *The “Big Picture” Policy Question*

## *Pay-as-you-Go or Finance?*

### ➤ **Pay-As-You-Go**

➤ Construction or acquisition only as revenues become available

➤ Current users bear cost

➤ Lower Total Cost\* (no borrowing costs)

\*Without consideration of time value of money

# *Big Picture Policy Question – Pay-as-you-Go or Finance (Pay-as-you-Use)?*

- **Pay-As-You-Use (financing)**
- Reduced current payments – higher overall costs
- Distributes costs between current & future users
- Time value of money – borrowing costs vs. construction inflation
- Ability to take advantage of unique buying opportunities
- Ability to “lock in” current prices

# *Introduction to financing using Certificates of Participation*

- Financing in Oregon State Government is generally done with Certificates of Participation (COPs)
- Under Oregon Revised Statutes 283.085, the Department of Administrative Services (DAS) is authorized to issue COPs approved by the Legislature for property, equipment and system development projects
- Every two years, agencies can request COP financing for property or equipment projects that are essential to priority state services, as part of their Agency Request Budget
- Projects must meet various program requirements, some restrictions apply

# *Requirements for Tax-Exempt COPs – Financing of Real Property*

- Project will acquire, construct, restore or substantially improve the property
- Property is essential to priority state services
- Property is free & clear of all liens & claims
- Financing has specific, stable sources of repayment

# *Requirements for Tax-Exempt COPs - Financing of Equipment & Major Systems*

- Equipment or system will contribute substantially to a more effective or cost-saving method of delivering state services
- The equipment or system will be essential to priority state services
- The useful life of the equipment or system is commensurate with its financing term
- The project components are free and clear of all liens and financial security claims
- The financing has specific, stable sources of repayment

# *Restrictions on COP financed projects*

- Operating costs are not allowable – COPs are for capital costs only
- Costs of state employee labor are generally not allowable (exceptions if agency can satisfactorily document that position is essential in constructing or developing a capital asset)
- Allowable Services and Supply expenditures are limited to consultant costs, legal fees for project contracts and costs of issuance

*If all requirements & restrictions are satisfied, agencies should complete Manual Form 107BF15 and return it to the CIS by May 15, 2008*

# *2009-11 Budget Instructions*

## *Certificate of Participation Financing Request – Real Property or Restoration Financing*

- Real Property Acquisition or Restoration Financing – Manual Form 107BF15
  - Specify the real property or construction projects which you expect to finance through a COP issuance or Other Financing Agreement in the biennium beginning July 1, 2009
  - Indicate the estimated amount needed for each project and when you need those funds
  - [View a completed sample form from the previous biennium](#)

# *2009-11 Budget Instructions*

## *Certificate of Participation Financing Request – Equipment Financing*

- Equipment Acquisition Financing
  - Specify the equipment items you plan to acquire using COPs or Other Financing Agreements
  - On each line, indicate the type of equipment needed and when you need the funds to acquire the equipment
  - List by type, amount needed, and when you will need the funds
  - [View a completed sample form from the previous biennium](#)

# *Memo from Capital Investment Section for Capital Construction Projects*

- The following information is provided in the memo from the Capital Investment Section:
  - Requirement for a policy package for project costs
  - Requirement for a policy package for financing costs and debt service
  - Agency responsibility for on-going financing costs over the term of repayment
  - [View a sample memo and a sample debt service schedule from the previous biennium](#)

# *Memo from Capital Investment Section for Equipment Projects*

- The following information is provided in the memo from the Capital Investment Section:
  - Requirement for a policy package for project costs, financing costs and debt service
  - Agency responsibility for on-going financing costs over the term of repayment
  - [View a sample memo and a sample debt service schedule from the previous biennium](#)

## *Policy Decision:*

### *Pay-as-you-go vs. pay-as-you-use*

- Agency evaluates pros and cons of outright purchase vs. financing
- If financing the acquisition of real property or equipment purchase is most cost-effective, agencies may incorporate the financial and budgetary information that they received from the CIS into their Agency Request Budget

*For more information...*

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