



Department of Administrative Services

Operations Division

Guide to

Certificate of Participation Financing

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DAS Operations Division Guide to COP Financing

Introduction

The purpose of this guide is to provide the Department of Administrative Services (DAS) divisions with guidelines for requesting Certificate of Participation (COP) financing through the Operations Division.

The Guide to COP Financing establishes procedures relating to DAS Operations (OPS), Financial Services Section, and is intended to ensure compliance with the requirements of the DAS Budget and Management Division, Capital Investment Section.

For specific information on the procedures and parties responsible for each step of the process see pages 27 and 28.

Use of Certificate of Participation (COP) Financing

COP financing within DAS is used to finance capital projects such as building acquisitions, major capital improvements, the purchase of major equipment, vehicles, and to finance major Information Technology projects.

One of the benefits of using COP financing is the ability to spread the start-up costs over the useful life of the project. However, the budgetary impact of debt on a Division's overall long term financial plan must be taken into consideration.

COP proceeds may be used to finance State employee labor provided the Division can meet the required criteria. For further details see "Qualified Use of COP Financing of State Employee Labor", Option One and Option Two on page 11.

Start-up costs may qualify to be paid with COP proceeds if the costs are in the approved COP project budget and are clearly one-time expenditures related to the project and would not otherwise be incurred if it were not for the project.

Limits to the use of COP Financing

COP proceeds cannot be used to finance ongoing operational or overhead expenses such as maintenance and rent.

It is recognized that at the time an initial budget is submitted for COP financing, the project is generally in the planning and design phase and there may be expenses incurred that were not necessarily planned but are none the less critical to the successful implementation of the project.

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The final approved project plan budget will define and limit the purpose for which proceeds can be used, and should include a "contingencies" line item in the project budget to finance unforeseen expenditures. This could be 5% to 7% of the total overall project budget.

Expenditures to be paid out of the contingencies line item are to be reviewed by the OPS COP Analyst and the OPS Fiscal Analyst prior to approval. These unforeseen expenditures will be tracked against the project budget just the same as other project expenditures.

If a significant change needs to be made to the final approved COP project budget, a written justification and revised budget plan will need to be submitted to the Operations COP Analyst. Any material change to the final approved project budget must be approved by BAM Capital Investment and the BAM Analyst. Please see "COP Project Budgets" on page 9 for additional information on how to initiate this process.

Since COP financing requires collateral, capitalization of debt service can only be considered for a building acquisition or building construction. For additional information see "Capitalization of Interest on a COP" on page 12 and hard assets vs. soft costs as described in the Definition section on page 25.

The Key Elements to Consider with COP Financing

- Identify the project needs
- Do a preliminary prioritization of all the Division's proposed projects and initiatives
- Determine if the project affects other Divisions in the agency or has a statewide impact
- Determine the scope of project and the outcomes
- Accurately estimate the project expenses
- Accurately estimate when you expect the expenses to occur
- Estimate savings the project may generate
- Identify and review the specific revenue source for debt repayment
- If the revenue source is to be from a charge-back model:
 - Identify the customer base
 - Develop a rate structure that aligns the revenue with the project debt service
 - Determine how this may affect your current overall rate structure
 - Ask: Will the customer have the revenue to pay this in the future?
 - If the customers do not have the revenue to pay this in the future, what revenue source will you use to repay the debt?
- Know what is considered to be soft costs of the project and hard assets which can be pledged as collateral for the COP

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- Identify additional program operating costs i.e. space needs, training, staff, maintenance, software upgrades
- Determine if the components of the project are best done by the state agency/division or by a private contractor/provider
- Determine whether expenses will need to be paid prior to the issuance of the COP funding. If they are, file a Declaration of Intent to Reimburse Expenditures letter
- Understand the impact of choosing the sale date and providing accurate project spending to minimize the cost of issuance and interest expenses
- Prepare a month by month biennial budget which is designed to track revenues and expenditures
- Prepare a draw schedule that is an estimated monthly spending plan

Project revisions which increase or decrease the amount of funds to be borrowed require additional financial feasibility review. Revisions to the existing budget or draw schedule should be submitted promptly to your OPS COP analyst for review.

Note: Identifying the revenue source for debt repayment is critical to the process of requesting COP financing. Savings expected to be realized from the project are not considered a revenue source for debt repayment.

Working with your OPS Fiscal Analyst and the OPS COP Analyst

Working with your DAS OPS, Financial Services Section, Fiscal Analyst is key in successfully preparing your budget and COP financing request. Your analyst will be able to prepare and provide you with the detailed, consistent, and accurate financial information you will need throughout the process.

Ideally, the process begins every two years during the rate development process which begins in October of odd numbered years. Divisions work with their fiscal analyst to prepare Project 1 and 2 forms. Project 1 forms are used to prepare an estimated budget (expenditures) for the following biennium which will include a preliminary policy option package for each proposed project. Project 2 will assist you in determining what adjustments are needed to align the revenue stream with the expenditures. This process is how DAS determines the rates to charge to ensure sufficient revenue to pay for all costs, including debt service.

A business case needs to be prepared for each project. It will include detailed information on the project, project scope and outcomes, cost, and funding source(s). The business case should be reviewed by your OPS Fiscal analyst to determine if the project is financially feasible.

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The use and financial feasibility of COP financing for a project is contingent on the Division's ability to provide a stable revenue source for debt repayment. A favorable financial feasibility determination is a requirement for a proposed project to be forwarded to the BAM Capital Investment Section for consideration.

Your OPS Fiscal Analyst will work closely with the OPS COP Analyst to assure that the BAM Analyst and the Capital Investment section have all the necessary information to make a determination of whether COP financing is the appropriate funding source for the project.

Preparing a Business Case (copied from <http://www.ctg.albany.edu/>)

A complete business case is a package of information, analysis, and recommendations. It includes a plain language statement of the problem to be solved, with key data to illustrate its public policy significance, as well as its severity and complexity. It also identifies customers and other stakeholders and how they are affected by the problem. The case clearly states assumptions, estimates, and other weaknesses in your underlying data. It presents the options available to the decision maker, comparing features, costs and benefits, and stakeholder impacts for each option. The case concludes with a recommended course of action and a justification that presents its strengths and weaknesses.

The best analysis can be entirely misunderstood if the presentation is disorganized, overly technical, or too mired in detail. Decide what the key points are and build your presentation around them. You can always add detail in response to questions. A strong business case includes the following elements:

- A brief, compelling, service-oriented problem statement
- A mission statement or vision of the future that addresses the problem
- A description of the specific objectives to be achieved
- A description and rationale for your preferred approach
- A statement of the benefits that address the concerns of all relevant stakeholders
- Measures for gauging improved performance or progress toward each objective
- A statement of the likely risks of your initiative and how they will be addressed
- A basic plan of work with a timeline and key milestones
- A project management plan and names and roles of key managers
- Alternatives considered and how they would or would not work
- Cost estimates and potential sources of funding
- Opposing arguments and your responses to them

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COP Financing and the Budget Approval Process

The request for COP financing is an iterative process that requires project approval on several levels by the appropriate governing body and will ultimately require legislative approval.

The DAS Director's Approval

OAR 122-070-0030 states: All Financing Agreements whose Principal Portion Exceeds \$100,000 are to be Executed in Name of the Department of Administrative Services Director.

1. The Director of the Department of Administrative Services (Director) is the only party with the authority to enter into financing agreements under ORS 283.087 to 283.092.
2. In cases of financing agreements approved in writing by the Treasury and the Department of Administrative Services to acquire equipment being procured through the Department of Administrative Services, State Services Division in accordance with ORS Chapter 279, the Director's approval of the financing agreement will serve as direction to the State Services Division Administrator to sign the financing agreement under the Director's authority.

Thus all COP Financing Requests must be approved by the Director of DAS.

Obtaining Bond Limit Authority through the DAS Survey

The rate information will become part of the Price List of Goods and Services which is included in the published Budget Instructions. In April of each even numbered year the budget instructions are distributed to each agency's ORBITS/PICS Coordinator at the Bi-Annual Budget Kickoff meeting hosted by the DAS SABRS section. Included in the budget instructions is a Financing Request form (manual form 107BF15). This is used by DAS to survey each agency for potential projects which will require COP Financing.

The OPS COP Analyst will distribute the DAS survey to each OPS Fiscal Analyst. The OPS COP Analyst will then compile the results of the survey and submit it to the Capital Investment Section along with any supporting information such as the policy option package narrative, the preliminary fiscal impact form and any other related information. This occurs during the month of May in even numbered years as part of the Agency Requested budget preparation.

Failure to respond to the survey may result in a COP finance request being denied.

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For new projects proposed to be financed with COPs, you will need to create a policy option package request which includes:

- 1.) Project cost
- 2.) Cost of debt service
- 3.) Cost of issuance

The proposed projects listed on the survey are then reviewed by the Capital Investment Section to make a determination of which projects will be eligible for COP Financing.

DAS Operations Administrator Review and Approval Process

The OPS Administrator is charged with reviewing and coordinating DAS Agency Request budgets and making recommendations to the DAS Director. The OPS Administrator reviews major projects and their funding source(s) to assure that the funding source(s) is the best financing option available.

The OPS Administrator works with each DAS Division Administrator to finalize their budget proposals at Agency Request and throughout the Legislative process. Each budget proposal would include the finalized version of the policy option package related to the project that was developed during the rate development process.

The OPS Administrator and the DAS BAM Analyst work closely together throughout the budget process.

DAS Budget and Management (BAM) Analyst Review and Budget Approval Process

During the analyst recommended phase of the budget cycle, the BAM Analyst reviews the Agency Requested Budget. COP financing requests are evaluated in terms of the type of project and how essential it is to state operations. The project requests are then considered within the context of DAS' total budget and whether adequate revenue sources are available. This review will determine which requests are included in the Governor's Recommended Budget (GRB).

Legislative Review and Budget Approval Process

During the legislative review process, the projects and financing requests are presented in the form of policy option packages as part of each division's budget narrative. The Division's budget narrative should include a brief description of the project, the request for project funding, and expenditure limitation for debt repayment. Debt service authority for new debt that will be issued each biennium must be included in the policy package along with any related issuing and financing costs. Either the project or the financing request can be denied, modified or approved at this stage of the review.

The final step of this process provides the legislature a second look at the COP financing authority requests as part of the statewide debt limit bill (also known as the Bond Limit Bill) required by ORS 286.525. This review is usually scheduled late in the session to give

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Legislators the “big picture” view of the individual COP financings approved during the Ways and Means review process for individual agencies.

Capital Investment Section’s COP Approval and Issuance Phases

If a project is approved for COP financing, the Capital Investment Section will work with both the OPS COP Analyst and the Division to finalize the request prior to the next COP sale date. This will require the final detailed budget plan which outlines expenditures by category and a draw schedule that is in alignment with the approved business case.

Before the COP sale, Capital Investment will enter into an Interagency Agreement with the Department which outlines the permissible uses of the funds and includes a debt service payment schedule.

Note: You cannot deviate from the pre-determined use of the COP proceeds. The proceeds must be used for the purpose outlined in the interagency agreement. If payment for a good or service is in questions, please confer with your OPS Fiscal Analyst. Your analyst will be able to help you make a determination of whether or not this payment is permissible.

The Capital Investment Section oversees all statewide projects requiring COP financing. Their key responsibilities include:

- Investing proceeds during project implementation to maximize earnings;
- Tracking, calculating, and documenting earnings and the use of funds to comply with federal arbitrage regulations and other provisions of the Internal Revenue code;
- Continuing disclosure of certain financial information annually;
- Timely disclosure of certain material events specified by the Securities and Exchange Commission;
- Complete and timely COP payments as approved by the Legislature;
- Retaining adequate property loss insurance on the assets pledged.

Budget Confirmation on All Financing Requests

The OPS Fiscal Analyst will notify the OPS COP Analyst of each request for COP financing. The notification will indicate the division making the request and the amount of principal requested.

The OPS Fiscal Services Manager will ask the OPS Fiscal Analyst to confirm that the requesting division has the budget authority to make acquisitions and pay for services. The division also needs to have the budget authority and revenue to make debt repayment for the duration of the loan.

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Other Approval - Operations, Contracts Section

All contract service requests must conform to the procedures set in place by the DAS Operations, Contracts Section. Contracts being paid by COP proceeds require additional review by the OPS Fiscal Analyst and OPS COP Analyst to assure the amount of the contract is within the Division's budget and expenditure limitation and that the expenditures are allowable uses of COP funds. For additional information, please see the Contract Service Request form on page 16.

Mid-Biennium COP Financing Requests

Although mid-biennium COP financing requests are possible, it is the policy of DAS not to encourage these types of requests as it will necessitate an appearance before the Emergency Board, and will require available COP issuance authority.

Proposing a new project during budget execution does not have the same advantages of a project that has been approved by the legislative process.

Some of the disadvantages include not having:

- Pre-approved COP budget authority – COP budget authority may or may not be available during budget execution
- Legislative approval to go forward with the project
- Built into the rates a method of generating sufficient revenue to repay the debt or sustain the project – Where is the revenue going to come from?
- Dedicated operating funds to cover the soft costs or salary and wages associated with a project – How are you going to pay the employees or contractors working on the project?
- Approved expenditure limitation – Even if you are able to find the funds, do you have the expenditure limitation to spend them or to pay the debt service?

All mid-biennium requests for COP financing will be carefully considered. You will need to provide a detailed written justification as to why this project needs to occur this biennium as opposed to the next. The justification must include the methodology of how and when you expect to generate revenue. If it is through an assessment or a fee for service, you will most likely need to fund the project with your current operating budget until the following rate development cycle. You will need to determine if you have enough funds in your base budget to cover your start-up costs or one-time expenditures prior to the issuance of COP funds.

You will need a detailed business plan, scope and outcomes, timelines, a budget, and expected draw schedule. You will need to clearly identify the revenue source for debt repayment. As stated earlier, expected savings realized are not considered a revenue source for debt repayment. Operations Division will analyze the request and make a recommendation to the DAS Director. The DAS Director will make the final decision on all mid-biennium COP financing requests.

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Provided you have met all the criteria and are approved for COP funding, the Department Director and Division Administrator will be required to enter into an Interagency Agreement with DAS Capital Investment. The interagency agreement will outline the permissible uses of the COP proceeds and include a debt service payment schedule.

COP Project Budgets

Projects recommended for COP financing must be documented with a preliminary budget. Project budgets will be the basis of project and financing evaluation by the requesting Department and DAS/BAM. Prior to preparing the COP financing of projects approved by the legislature, a final project budget must be provided to Budget and Management.

The final project budget will serve the following purposes:

- It will be included in the Interagency Agreement required between the Department and BAM, Capital Investment Section as an exhibit.
- It will serve as the definition of "Approved Project Costs" as used in Exhibit D of the Interagency Agreement required between the Department and BAM. Exhibit D is the "Payment Request Form" that every Division must use to access the Division's share of the COP proceeds which were raised for the approved project. The Payment Request Form must be signed by authorized representatives of the Division. By signing the exhibit D request form the representative is certifying that:

"Each amount is an expense appropriately incurred by the Department of Administrative Services of the State of Oregon for approved project costs."- The final project budget will define and limit the purpose for which all project spending requests will be evaluated by DAS Operations Division as part of processing the requests.
- The final project budget will be used as a source of information for public finance disclosure purposes in preparing the issuance of the relevant COPs.

Any material change to the final project budget must be approved by BAM, Capital Investment Section. The use of any excess COP proceeds or earnings on COP proceeds will also require approval from the Capital Investment Section.

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Excess COP Proceeds

All COP projects are required to be financed based on an approved budget. The project budget is included as an exhibit to the COP Interagency Agreement. Any material changes to that budget must be approved by the DAS Capital Investment Section Manager. In the case of DAS projects any material changes to that budget must be approved by DAS Operations, the BAM Budget Analyst assigned to DAS, and the Capital Investment Section Manager.

Excess COP Funds

If a COP financed project is completed and there are remaining COP proceeds those proceeds can be used for the following purposes:

- Pay any estimated arbitrage rebate and costs due on the COPs as computed by Capital Investment Section.
- Pay debt service on that particular COP series as scheduled.
- Use to finance the costs of a separate project that has been approved for financing by the Legislature. This option requires the prior written approval of the Capital Investment Section Manager.

Procedure

As per the COP Interagency Agreement, upon project completion a Completion Certificate (see page 15) must be completed and provided to DAS Operations who will forward it to the Capital Investment Section.

If excess COP proceeds exist, the COP User (Division) can submit a written request to use the remaining funds for an alternative purpose. For DAS projects, DAS Division project managers must route that request through DAS Operations for approval.

Every request must be approved in writing by DAS Operations and the Capital Investment Section Manager prior to using any excess COP proceeds for any alternative purpose.

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Qualified Use of COP Financing of State Employee Labor

The Division must clearly document the benefits of using State employee labor versus contracted labor and why State employee labor should be financed rather than paid with operating funds. The Division must meet all the criteria listed below under option one or option two to be considered for COP financing. The request must be submitted to DAS Operations and be pre-approved prior to the use of COP funds to pay for State employee labor.

Option One: A limited duration position was created specifically for the purpose of performing direct work on a project approved for financing by COPs and one hundred percent (100%) of the State employee's time must be devoted solely to working on the specific capital project being financed.

Option Two: The Division purchases a service from another state agency or division to perform specific tasks of implementing components of a project approved for financing by COPs. In this case the requesting Division must provide the DAS Operations COP Analyst with the following:

- a project budget that itemizes the number of service hours estimated to be provided and their cost;
 - the process by which the service provider will track the service employee's work time on the project.
- ✓ The work performed by a State employee must be a directly required part of implementing the capital project authorized.
 - ✓ The work performed by a State employee must be work that would otherwise need to be contracted to a private contractor.
 - ✓ Once the specific work requirement on the capital project is completed the employee must be reassigned or terminated.

COPs can only be used to finance capital projects and COPs cannot be used to finance State operating costs.

- ✓ In rare instances an exception may be requested from the Capital Investments Section if circumstances require the use of an operations position to perform project-related work. Extensive documentation will be required for consideration.
- ✓ The Capital Finance Manager will determine the criteria for documentation that must be provided in order to meet the requirements of the Bond Counsel and the Internal Revenue Service.

Capitalization of Interest on a COP

Finance Market Factors

COPs are "appropriation bonds". That means that the authority to make each budget period's debt payments is subject to Legislative approval.

As appropriation bonds the public finance market requires COPs be collateralized as security in the event future legislatures fail to appropriate funds for COP debt service.

The value of the COP collateral is a big factor in market acceptance of the COP's. The extent that any asset being financing is composed of "soft costs" such as planning, design, and project management reduces the collateral value of the project.

The policy of the State of Oregon is to only finance capitalized interest for "real property assets" for example office buildings. For the most part Oregon has used capitalized interest for financing buildings that will be part of the Uniform Rent Program. These facilities will begin to generate revenue to pay for the COP debt service once they are brought into service.

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Declarations of Official Intent to Reimburse Capital Costs with Oregon Cop's, Bonds, or other Financing Agreements

Generally: Divisions which will be making project expenditures prior to the issuance of "Bonds, Certificates of Participation or Other Financing Agreements (Bonds)" need to take the following steps if they want the expenditures reimbursed after the bonds are issued.

The Division must draft a letter to the Capital Investment Section (CIS) of BAM (see sample letter next page) with enough information so that CIS can prepare and file a Declaration of Intent to Reimburse. The letter must first be submitted to the OPS COP Analyst for review and approval by the Operations Division Administrator. If the request meets with all of CIS' requirements, the letter will then be forwarded to CIS. CIS must receive the request prior to the expenditure of the money. The BAM Finance Manager will execute a Declaration of Official Intent to Reimburse Capital Costs once the request has been approved. Failure to follow this procedure will mean the State will be unable to issue "Reimbursement Cop's, Bonds, or Other Financing Agreements" for the purpose of reimbursing the Division's costs paid prior to the time of financing.

Steps/Rules Necessary to Comply with the Federal Requirements:

1. Before making any project expenditures (or within sixty days afterwards), the Division must obtain an approved Declaration of Official Intent to Reimburse Capital Costs. To achieve this, the Division must provide the CIS with a description of the project for which the expenditures are being paid and state the maximum principal amount of bonds to be issued for the purpose of reimbursement. The description must include the amount of expenditures summarized by expenditure type (Personal Services, Services and Supplies, Capital Outlay). Project substitution will not be made without the prior written approval of the DAS Director/Deputy Director.
2. The Division must expect that the reimbursement will be required to successfully implement the project.
3. The expenditure must be a capital expenditure, not working capital or operating costs.
4. The State must issue the bonds to make the reimbursement for prior expenditures within eighteen months after the date the expenditure was paid or, if later, eighteen months after the property resulting from the expenditure was placed into service. In any event, the bonds must be sold to make the reimbursement within three years after the date the expenditure was paid.
5. The financing must not be motivated by arbitrage considerations.
6. The Division must identify the treasury cash account(s) from which the expenditures will be made and reimbursed.
7. Requests for reimbursement must be made with the full intent of issuing bonds and not as a matter of course.
8. The request must not be in amounts substantially in excess of expected amounts to be reimbursed.

DAS DEPARTMENT OF
ADMINISTRATIVE
SERVICES

BUDGET AND MANAGEMENT

Date

Department of Administrative Services
Capital Investment Section
155 Cottage St., NE
Salem, OR 97301

DECLARATION OF INTENT TO INCUR COSTS AND EXPEND FUNDS

The letter should cover the following items:

1. Describe generally the authorization under which the expenditure authority is granted. This should also include a brief description of the project and the total amount authorized for the project.
2. A general description of project expenditures and amounts expected to be paid prior to the issuance of the bonds. If a sale date is delayed for any reason, an amendment to the declaration may be necessary to maintain compliance with the Federal rules. (Contact CIS if you are not sure of the scheduled sale date)
3. Identify by name and purpose the fund or account from which the expenditure is to be paid.
4. Note, in brief, the extent the project has been approved as part of the Division's budget.

Finally, have the letter signed by an authorized agency official and send to the Operation's COP Analyst.

SIGNATURE

_____ Operations Division Administrator

_____ Requesting Division's Administrator

(This sample is available in electronic format if you desire. Please contact the OPS COP Analyst and ask to have it e-mailed to you.)

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COMPLETION CERTIFICATE

On behalf of the _____, I hereby certify that the project funded with the Certificate of Participation (2005 Series A, etc.) proceeds and described in the Interagency Agreement between the Department of Administrative Services and the _____ has been completely acquired, constructed, and installed substantially in conformity with the specifications thereof.

I also certify that all costs of acquiring, constructing, and installing the project and all expenses incidental thereto have been determined and paid, or provision has been made for payment.

Hence all of the remaining funds in the (2005 Series A, etc.), Acquisition Account related to the _____ project are available to pay the following:

1. Any rebate due to the federal government in order to comply with the federal Tax Code. That rebate amount will be determined by DAS or its agent for the Treasurer of State.
2. Any remaining allocable share of the costs to DAS to carry out the responsibilities of the Interagency Agreement.
3. Transferred to the (2005 Series A etc.) Certificate Account which is dedicated to pay debt service on the remaining (2005 Series A etc.) principal.

This Certificate authorizes and instructs DAS to transfer that portion of the (2005 Series A, etc.) Acquisition Account and apply the funds in the manner described above.

The _____ also understands and will take all necessary steps to provide funds and budget authority to pay annual Trustee and Fiscal Agent fees and an assessment from Oregon State Treasury (OST) Debt Management Division through the remaining term of the Interagency Agreement. Those fees will be billed to the DAS division (Division name here). The Trustee and Fiscal Agent fees are estimated to amount to approximately (enter dollar amount) per year and refer to the Price List for OST assessments when developing future biennial budgets.

Dated: _____

State of Oregon, _____

By: _____
Authorized Officer

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	<input type="checkbox"/> An independent or unbiased opinion is necessary <input type="checkbox"/> Other (provide detail):
If this will be a PSK contract, does the contract trigger any of the requirements of the contracting out language in the collective bargaining agreement? (OAR 125-246-0335 (4)(a) & (6))	<input type="checkbox"/> Yes (attach required feasibility study and union notification) <input type="checkbox"/> No <input type="checkbox"/> N/A
Was there legislative involvement or direction in the decision to contract?	<input type="checkbox"/> Yes (attach an explanation) <input type="checkbox"/> No

PURCHASE ORDER INFORMATION SECTION:

Purchase Order
 SPOTS Card Purchase
 Rush (must be received by _____)

VENDOR NAME		CONTACT			
FEDERAL ID#		PHONE			
VENDOR ADDRESS		FAX			
CITY, STATE, ZIP					
PRICE AGREEMENT #		EXPIRATION			
ITEM	DESCRIPTION	QTY	UNIT	UNIT PRICE	TOTAL
1					
2					
3					
4					
SHIPPING CHARGES					
TOTAL					
BRIEF DESCRIPTION OF PURCHASE (IN NON-TECHNICAL TERMS): (attach additional sheet if needed)					

PO#		PCA		AOBJ		COMMODITY CODE	
PROJECT/PHASE		RENEWAL (Y/N)		BUDGETED (Y/N)			

DIVISION INTERNAL APPROVALS:

Section Manager Question: What is the dollar amount of your approved Signature Authority?	\$
Section Manager Question: Is this item/cost built into the current expenditure projection?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A If "No", attach written justification.
Section Manager Signature:	Date
Division Contract Coordinator Signature:	Date
Authorized Division Administration Approval:	Date

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OPERATIONS DIVISION INTERNAL USE ONLY – Fiscal Analyst Review (for contracts/agreements exceeding \$ 25,000 for the term of the contract, including renewal/extension options)			
Division Section has Budgetary Authority for Expenditure?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	INITIAL _____
Cost built into current Division Section expenditure projection?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	INITIAL _____
Division Section has sufficient revenue to cover cost?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	INITIAL _____
Division Fiscal Analyst signature _____		Date _____	
IF THE ANSWER IS "YES" TO ALL QUESTIONS ABOVE, THIS REQUEST MAY PROCEED. IF THE ANSWER IS "NO" TO ANY QUESTION ABOVE, THIS REQUEST MUST BE REVIEWED FOR APPROVAL CONSIDERATION BY THE DAS OPERATIONS DIVISION (OPS) ADMINISTRATOR.			
APPROVED: _____ YES _____ NO			
OPS Administrator's Comments: _____ _____			
OPS ADMINISTRATOR SIGNATURE: _____		Date _____	
If the answer to any of the Fiscal Analyst Review questions was "NO" and the request was approved by the Operations Division (OPS) Administrator, a copy of the approval and subsequent contract will be forwarded to the Fiscal Analyst above.			

CONTACT INFORMATION:

All division contracting/procurement activities are coordinated through the DAS Division Contracts Coordinator to DAS Contract Services, Operations Division. Contact the DAS Contract Services – Contracts Manager at (503) 378-2631 or the DAS Contract Services - Contract Coordinator at (503) 378-2468, or contact the DAS Contract Services office by e-mail at DASCONTRACT.SERVICES@das.state.or.us.

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EXHIBIT D

PAYMENT REQUEST FORM

00001*
Number

TO: Oregon Department of Administrative Services, as Issuer of Certificates of Participation, 2005 Series B.

You are hereby directed to draw checks on the Wells Fargo Acquisition Account #18550803 in the following amounts to the following payees, and send them to the address indicated below:

<u>Amount</u>	<u>Payee</u>	<u>Address</u>	<u>Purpose or Type of Expense</u>
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Each amount is an expense appropriately incurred by the DAS Information Resource Management Division, of the State of Oregon for approved Project Costs.

On behalf of the DAS Information Resource Management Division, I hereby certify that all property to be paid for is free and clear of all liens and encumbrances, or that any liens and encumbrances will be satisfied and released and all property will be free and clear of all liens and encumbrances upon payment therefore as herein requested.

Dated this _____ day of _____ 200__.

STATE OF OREGON acting by and through its DAS Information Resource Management Division

By: _____
Authorized Signature

*All requests should be numbered sequentially for proper recording.

EXHIBIT E

**CERTIFICATE OF PARTICIPATION
ATTESTATION
Series (2005 A, etc.), Account xxxxxxx**

Date:

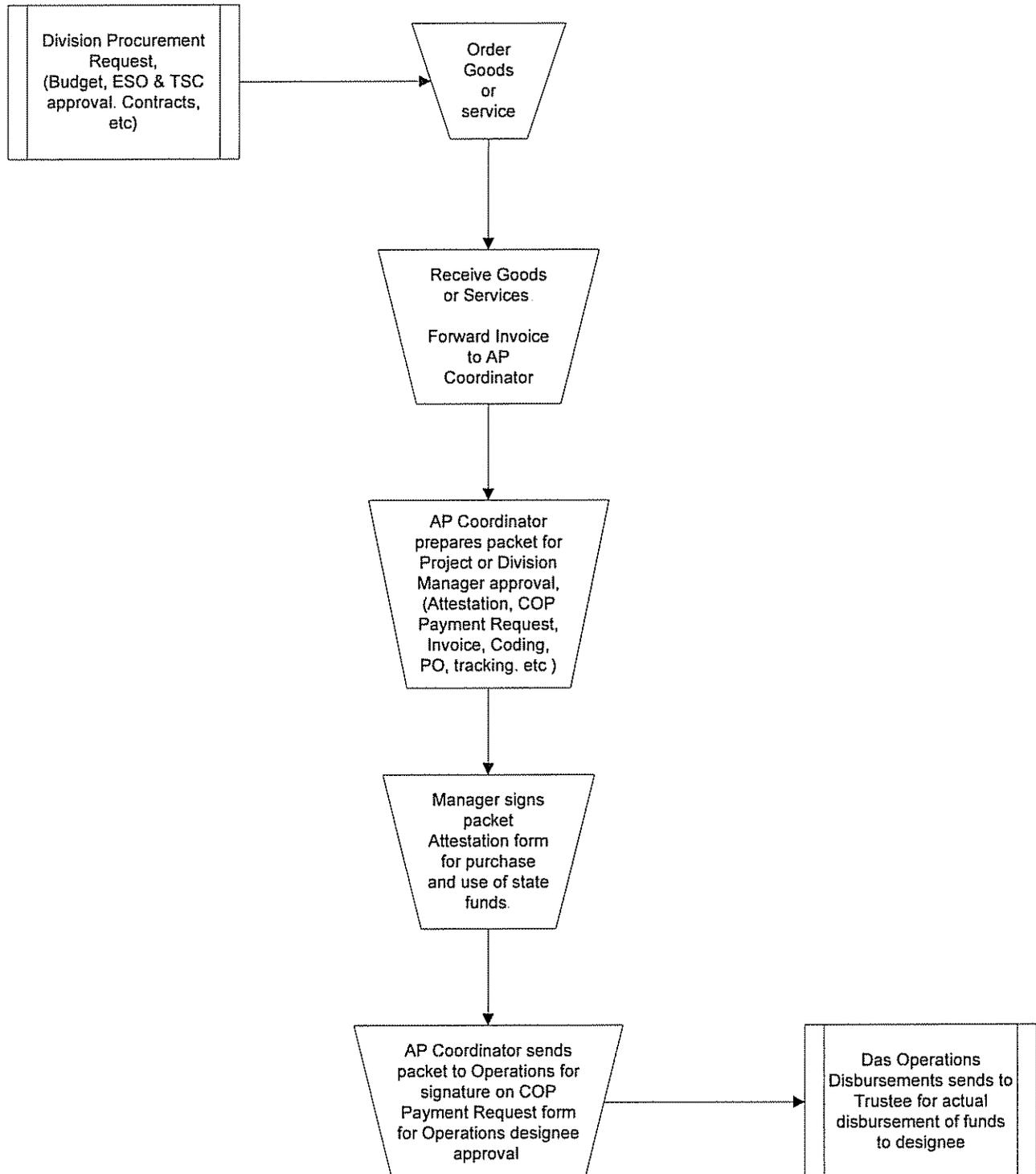
I hereby certify that the () was authorized to be purchased by me on (Date).

This purchase was made for_____. This expenditure was made with the expectation of reimbursement or direct vendor payment from revenue from Certificates of Participation issued to the Department of Administrative Services for the project COP Series (2005 A, etc.). This expenditure was made pursuant to the budget plan for the project. Prior to authorizing this purchase, I confirmed with the Department's Operations Division that sufficient authority and revenue would be on hand to cover or otherwise reimburse this expenditure.

Authorized Signer, Title
Department of Administrative Services

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COP Purchase payment process overview



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DAS Authority

Oregon Administrative Rule (OAR) 122-070-0000 states "The Director of the Department of Administrative Services is authorized by ORS 283.085 to 283.092 to enter into financing agreements to acquire real property or personal property for state agencies. Oregon Revised Statutes (ORS) 184.340 Rules. "The department, with the approval of the Governor, may make reasonable rules and regulations that are necessary or proper for the administration of the laws that the department is charged with administering. [Formerly 291.013]."

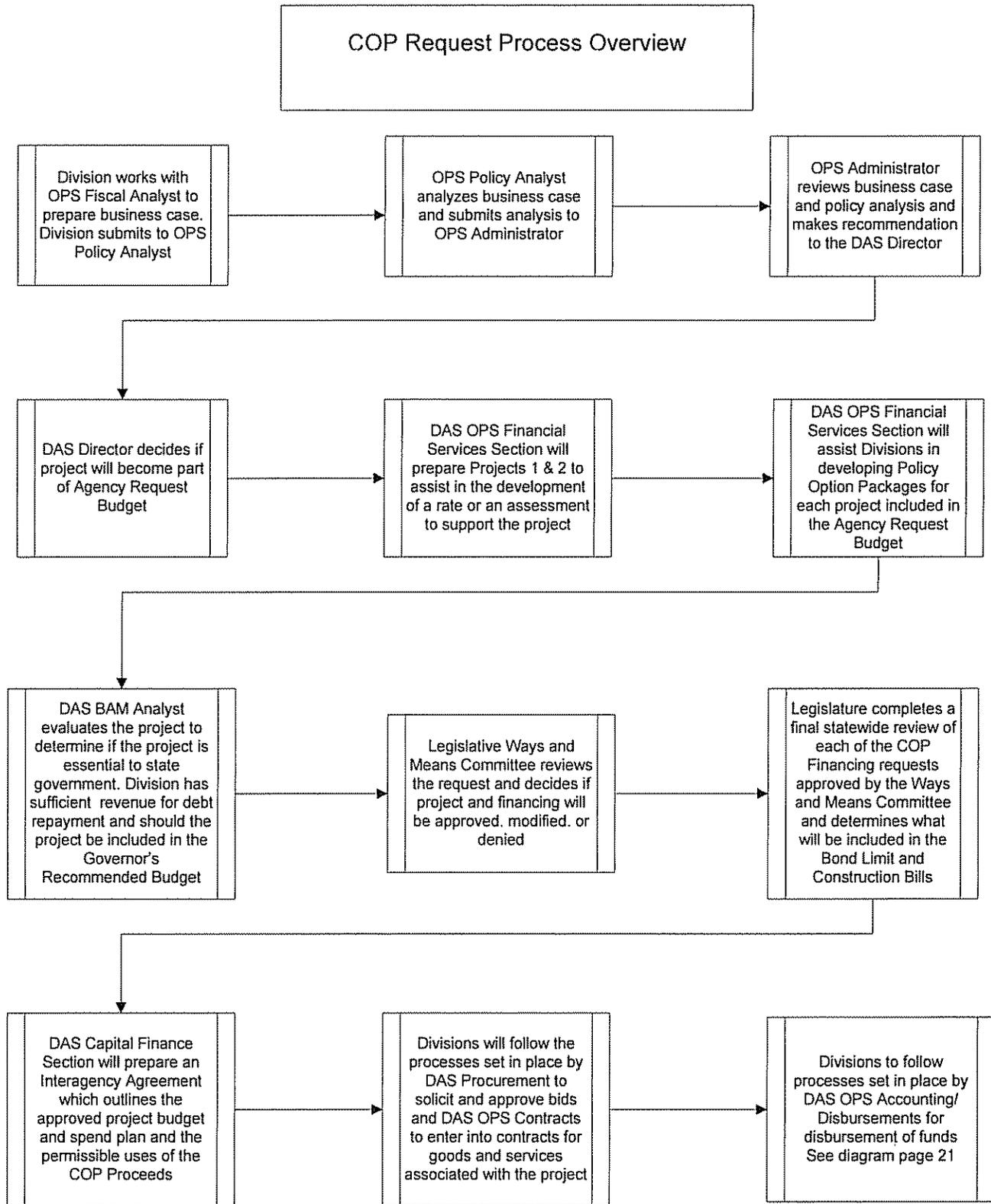
ORS Chapter 279 Public Contracts; ORS 283.085 to 283.092 Interagency Services; ORS Chapter 286 State Bonds and OAR 122-070-0000 – 122-070-0080 State of Oregon Financing Agreements.

Capital Projects must conform to the "Oregon Accounting Manual" (OAM) of the DAS State Controller's Division as it applies to capitalization of fixed assets.

You can view online: the ORS Chapter Laws from the Oregon Legislative web page (bills and laws) and the OARs from the Oregon Secretary of State, Archives web page. See ORS Chapter 279 Public Contracts; ORS 283.085 to 283.092 Interagency Services; ORS Chapter 286 State Bonds and OAR 122-070-0000 – 122-070-0080 State of Oregon Financing Agreements.

You can view the following OAMs online from the State Controller's Division's web page: 10.10.10 Internal Control – Management's Responsibility; 10.50.00 Internal Control – Capital and Non-Capital Assets; 15.55.00 Non-Capital Assets; 15.60.10 Capital Assets – Classification and Capitalization; 15.60.20 Capital Assets – Depreciation and Amortization; 15.60.30; Capital Assets – Capital Leases 15.60.40 Capital Assets – Computer Software; 15.65.10 Bonds and Certifications of Participation (COPs); 15.65.20 Arbitrage; 15.65.30 Debt Refunding.

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Definitions

Agency Request Budget: A state agency's proposed budget for staffing, revenue, and expenditures for the next biennium. By law, it is given to the Governor to approve or change. After changes it becomes the Governor's Recommended Budget for the legislature to approve or change.

Arbitrage: The difference between the interest on obligations exempt from federal tax under the Internal Revenue Code and the yield on securities and obligations that are not exempt from federal tax, in which the proceeds of the tax-exempt financing are invested. The Internal Revenue Code imposes strict limits on arbitrage.

Arbitrage Rebate: The rebate branch of arbitrage rules requires generally that the issuer rebate its arbitrage to the federal government by making payments to the federal government in amounts equal to the total arbitrage earned.

Capital Outlay: An expenditure category limited to items that: (i) are not consumed in the usual course of agency operations; (ii) can normally be used more than once; (iii) have a useful life of more than two years; and, (iv) have an initial value of \$5,000 or more.

Capitalized Interest: Interest that is paid with COP proceeds during the construction period.

Certificate of Participation (COP): Is a certificate showing participation through ownership of a "share" of lease payments or lease-purchase agreement.

It is a method of financing a capital project whereby a tax-exempt corporation is formed, sells interests (certificates of participation) in the capital project, leases the project to a local government or state agency, and repays the certificates with the lease payments.

After the certificates have been repaid, the local government typically has the option to purchase the capital project it has been leasing.

The State's obligation to make loan payments is subject to legislative appropriation.

Construction Projects: New construction (including site work and utilities), substantial alterations, extension or improvement of existing structures (including related fixed and movable equipment).

COP Funding: Borrowed funds scheduled to be repaid over one or more future fiscal periods.

Debt Service: The amount of principal and interest payable on borrowed funds.

Department or DAS: The Oregon Department of Administrative Services.

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Director: The Director of the Oregon Department of Administrative Services.

Equipment Projects: The purchase and/or installation of major items of equipment that are not part of a capital construction project and are not routine replacement-in-kind of existing equipment (see definition of Non-Capital Projects below).

Expenditure Limitation: The maximum amount of Lottery Funds, Other Funds, or Federal Funds an agency may spend as defined in an agency's budget.

Hard Assets (Costs): Tangible property, including durable goods, equipment, buildings, installations, and land which increase the collateral value of the project.

Non-Capital Projects: Those projects that increase the usefulness, efficiency, or prolong the life of existing property but do not result in significant alterations or renovations.

Operating Expenses: Expenses incurred in conducting normal business operations. Operating expenses may include rent, maintenance, wages, and salaries.

Real Property Project: A project for the purchase of land (with or without improvements), including related costs such as condemnation, court costs, legal fees, and title reports (irrespective of amount).

Soft Costs: Costs such as planning, design, and project management.

Working Capital: The difference between current assets and current liabilities. Used to evaluate the liquidity of a division and how well it is positioned to fund operations in the short-term using cash and other assets convertible to cash.

Working Capital = Current Assets – Current Liabilities.

DAS Operations Division Guide to COP Financing

Summary of Responsible Parties

Responsible Party

Initial Planning Process

Division

Works with their assigned OPS Fiscal Analyst to develop a detailed business case which justifies the proposed project, outlines the project scope, timeline, and cost. Develops a complete project spending plan. The Division will submit this information to their OPS Policy Analyst.

OPS Policy Analyst

The OPS Policy Analyst analyzes the business case and submits that analysis with the business case and project spending plan to the OPS Administrator.

OPS Administrator

The OPS Administrator will review the business case, project spending plan, and policy analysis and make a recommendation to the DAS Director.

Budget Development Process

DAS Director

Decides if project will become part of Agency Request Budget.

OPS COP Analyst

Each biennium upon receipt of the budget instructions, the OPS COP Analyst will circulate the DAS Survey to the OPS Fiscal Analysts for each division within the department. The "DAS Survey" specifies Real Property and Equipment expected to be acquired using Financing Agreements over the next biennium.

Division

Works with their OPS Fiscal Analyst to complete the DAS Survey for any project requesting COP financing and prepare the Policy Option Package fiscal impact form relating to the project. Reviews and updates the business case. OPS Fiscal Analyst submits information to OPS COP Analyst.

OPS COP Analyst

Compiles the results from the department-wide survey and provides copies of policy option packages requiring COP financing and any other related information (business case, etc.) to the Capital Investment Manager.

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DAS BAM Analyst, Capital
Investment Manager

Evaluate the project to determine if it is essential to state government and if the division is able to provide a stable revenue source for debt repayment. Determine if the request should be included in the Governor's Recommended Budget.

Legislative Ways & Means

Reviews the request for project funding, project spending authority, and expenditure limitation for debt repayment. May approve, modify, or deny any part or the entire request.

Legislature

In late session completes a final statewide review of each of the COP financing requests approved by the Ways and Means Committee and determines what will be included in the bond limit and capital construction bills.

Division

If the project funding, financing, and expenditure limitation is approved, the Division will provide the Capital Investment Section with a monthly biennial budget and a draw schedule by project.

Budget Execution Process

Capital Investment Section

Requests from OPS Fiscal Analyst, prior to each COP sale, confirmation that there have been no project changes that would affect the amount of COP financing being requested. Any material changes must be approved by the Capital Investment Section.

Division

Works closely with their OPS Fiscal Analyst to assure expenditures remain in line with the approved financial plan for the project. If the plan changes, the Division will inform their OPS Fiscal Analyst of these changes. Material changes to the approved financial plan will require the Division to submit a written justification of those changes, a new budget reflecting the changes, and a new monthly draw/spend schedule indicating when the proceeds will be drawn.

OPS Fiscal Analyst

The OPS Fiscal Analyst will notify in writing the OPS COP Analyst that a change has occurred and analyze the fiscal impact these changes will have on the Division's overall budget and financial plan.

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OPS COP Analyst	The OPS COP Analyst will then inform Capital Investment in writing of these changes and submit an updated budget and draw schedule to Capital Investment for consideration.
Capital Investment Section	Once the sale has occurred, the proceeds will go to the Trustee and the Capital Investment Section will enter into an interagency agreement with the DAS Director and Division Administrator that stipulates the permissible use of the funds and the ongoing responsibilities of the Division which includes the debt repayment responsibilities.
OPS Accounting Section	The OPS Accounting Section will coordinate the budget and accounting structures with Financial services and notify the OPS Fiscal Analyst when the funds are available.
Division	If the Division filed an "Intent to Reimburse Expenditures" letter prior to the availability of COP proceeds, the Division will prepare a payment request form, sign the attestation form, and forward the payment request to the OPS COP Analyst.
OPS COP Analyst	The OPS COP Analyst will review and verify the payment request against the approved letter of "Intent" and if everything is in order the OPS COP Analyst will then forward the payment request form to the OPS Accounting, Disbursements Section for processing.
Division	For invoice payments to be paid directly out of the COP fund, the Division will sign the attestation form and prepare a payment request which is then forwarded to DAS Accounting, Disbursements Section for processing.