



Agency Guide to Financing Capital Projects with Article XI-Q Bonds



Department of Administrative Services
Chief Financial Office
Capital Finance & Planning Section

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XI-Q BOND PROGRAM AGENCY GUIDE

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1. Introduction to XI-Q Bond Program

The XI-Q Bond program is administered by the Department of Administrative Services (DAS) Chief Financial Office, Capital Finance Section.

The State of Oregon has the authority to issue multiple types of bonds, including Article XI-Q bonds which are to be used for Real or Personal Property owned or operated by the State of Oregon. The State indebtedness for Article XI-Q bonds is not allowed to exceed one percent of the real market value of the real property in the state to provide funds to acquire, construct, remodel, repair, equip or furnish real or personal property.

To keep the State's cost of financing as low as possible, the bonds are primarily issued on a tax-exempt basis, which means the interest is excludable from gross income under the IRS federal tax code. To maintain the tax-exempt status, there are substantial restrictions with which the State must abide. Section 3.4 of this guide describes these restrictions.

1.1 Article XI-Q Bond Overview

Article XI-Q bonds were designated as "Article XI-P" by S.J.R. 48 in 2010 and then adopted by the voters during the November 2, 2010 general election as Article XI-Q. They are to be used to acquire, construct, remodel, repair, equip or furnish real or personal property that is owned or operated by the State of Oregon.

The Article XI-Q bond program replaced the Certificate of Participation (COP) financing program as a means of financing most state-owned property due to its superior credit ratings and lower cost of funds. Through June 30, 2023, the state has sold twenty separate issues of Article XI-Q bonds, some for new state capital projects, but also to refund several series of outstanding COPs, saving Oregon taxpayers more than \$100 million in interest costs on present value savings over the life of these bonds. As of June 30, 2023, the principal outstanding for Article XI-Q bonds totaled \$3.28 billion.

1.1.1 XI-Q Bond Issuance Overview & Timeline

1.1.1.1 Agency Request Budget - The life of an XI-Q bond starts at the beginning of the State's biennial budget process. Agencies should include all XI-Q bond requests when they are preparing their Agency Request Budgets for the following biennial budget. These requests are submitted to the DAS Chief Financial Office, Capital Finance Section, where they are analyzed and sized for a bond sale. Bond issuance and debt service cost estimates are prepared and sent back to the agency to be included in their budgets.

1.1.1.2 Governor's Budget - During the Governor's Budget process, the XI-Q bond requests are analyzed by the agency's Chief Financial Office Analyst, the Capital Finance Manager, and the Governor's Office. A determination is made as to whether the request should move forward, as part of the Governor's budget, be adjusted or removed.

1.1.1.3 Legislatively Adopted Budget - If the agency's bond requests are included in the Governor's Budget, the agency's Legislative Fiscal Office (LFO) Analyst and the Legislature will analyze them and determine whether the request should move forward as part of the agency's Legislatively Adopted Budget (LAB).

If a request moves forward, it will be added to the bond calendar maintained by the Oregon State Treasury, in collaboration with the Capital Finance Section. After the LAB is finalized, the Capital Finance Analyst (Analyst) will notify each agency who has an approved XI-Q bond funded project. The Analyst will provide them with bond sale details related their approved project, an overview of the rules related to bonding, and a request to submit a Declaration of Intent to Reimburse, if needed. This is a document that needs to be in place if the agency expects to spend their own source of funds on the project prior to the bond sale date and then get reimbursed for those costs with bond proceeds. Reimbursement can only happen if a Declaration of Intent to Reimburse is on file.

1.1.1.4 XI-Q Bond Sale Pre-Issuance - As the bond sale date approaches (approximately 3 months before the sale), the Analyst will start contacting the agencies to request information related to their project. Below are some of the questions the agencies can expect to receive.

- Is the agency ready for the bond proceeds?
- Will the agency be able to spend, or have a binding commitment to spend, at least 5% within 6 months of the bond issuance and the remaining proceeds within 36 months of the bond issuance?
- Agencies will be asked to provide a current spending plan.
- Agencies will be asked to provide an estimate of other funding sources that will be used and the amounts.
- How much, if any, of the proceeds are expected to be used to reimburse prior costs already paid?
- Is any of the bond-financed asset going to be used by a non-governmental entity?
- Will there be any lease, management, operation or other preferential use of the financed property by anyone other than the State or a local government?
- What is the useful life of the bond financed asset?
- Confirm that the proceeds will not be used to repay the principal or interest on any interim financing for the project and the proceeds will not be used to make loans.

About 4 weeks prior to the bond issuance closing date, the Capital Finance Coordinator (Coordinator) will establish state treasury accounts for each agency project. The Coordinator will provide the new account number to each agency so they can request new D23 funds in the Statewide Financial Management System.

This must happen before the closing date of the bond sale so the agency has the ability to receive the proceeds upon closing.

1.1.1.5 XI-Q Bond Sale Post-Issuance - Once the bonds are issued, several steps must be taken before agencies can start drawing on their bond proceeds.

- DAS will prepare an IAA for each project and send it to the applicable agency for review and signature.
- Agencies will reconcile and post accounting entries for the bond proceeds deposit received in their new treasury account.
- Agencies will post accounting entries for the bond's payable liability.
- DAS will prepare refunding documentation, if needed, for each agency that had refunded bonds.
- Agencies will post accounting entries for refunded bonds, if needed.

After the IAA's are signed and the accounting entries are completed, the agency may start submitting disbursement requests to DAS. The Coordinator will review the requests for federal tax code compliance and completeness, and then give the agency approval to draw down the funds from their treasury account.

When all the proceeds have been used or the project is complete (whichever comes first), there are several steps that must be taken.

- Submission of a "Completion Certificate" to memorialize that all funds have been used on the project in accordance with the terms and conditions in the IAA.
- Close out of the applicable treasury accounts.
- Determination between DAS, LFO and the agency on the best allowed use of the unspent proceeds remaining. Usually, these proceeds are used to pay debt service or are transferred to a different legislatively approved project.
- Submission of a "fund allocation" report within 18 months of project completion.

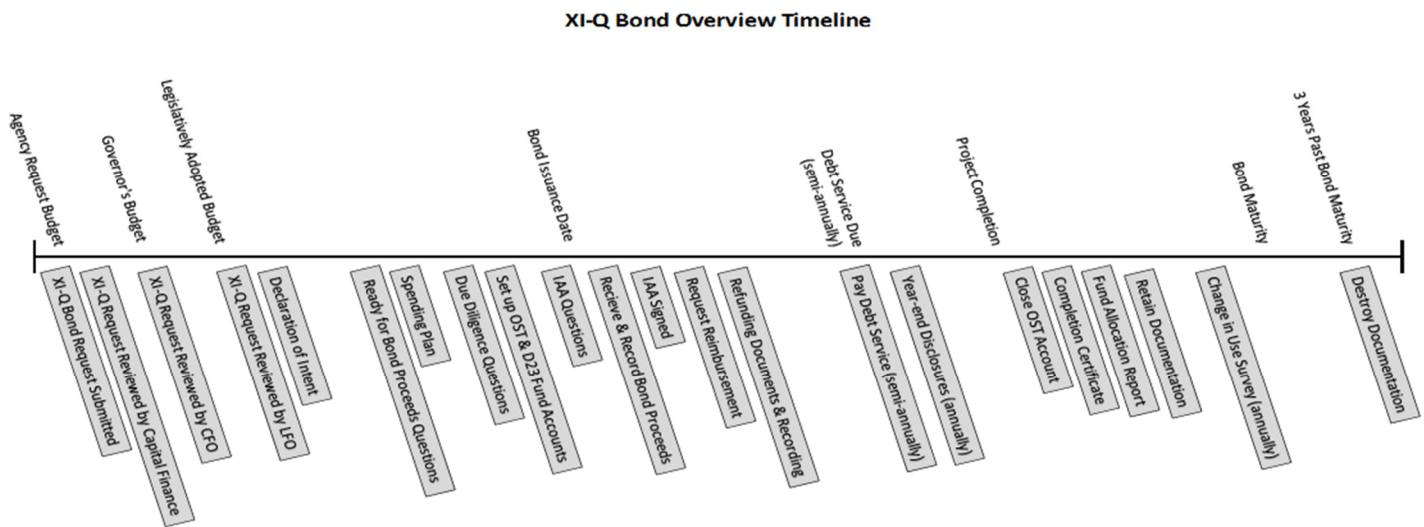
1.1.1.6 Debt Service - Every 6 months (February & August), for the life of the bonds, DAS will send a debt service worksheet to the agencies for review. If DAS and the agency are in agreement, an invoice will be created and sent to the agency to pay their portion of the semi-annual debt service by the 15th of April and October (the Universities & HECC have a slightly different timeline).

1.1.1.7 Post-Issuance Compliance - Over the life of the bond, there are several steps that must be taken.

- Agencies will complete annual "Change in Use" surveys to verify that there has not been a change in the use of the asset and there is no (or minimal) private business use.
- Agencies will retain all bond-related documents (invoices, construction contracts, management contracts, etc.) for 3 years past the final maturity date of the overall bond issuance.

- Agencies will pay DAS for various minimal costs over the life of the bond (trustee fees, treasury fees, arbitrage fees, fiscal agent fees, etc.).
- Agencies and DAS will ensure that the debt service funding for all issued bonds is included in the agencies' budget every biennium.
- Agencies will follow the fiscal year-end policies related to bonding. This includes accounting entries and debt disclosures.

1.1.1.8 XI-Q Bond Program Overview Timeline – Below is a high-level overview and example timeline for the XI-Q bond program.



XI-Q State of Oregon Capital Costs
Bond Program Timeline
Example: 2023-25 Budget, October 2023 Sale Date, Bond Maturity 5 years

	2022				2023				2024				2025				2026				2027				2028				2029				2030/2031			
	Quarter				Quarter				Quarter				Quarter				Quarter				Quarter				Quarter				Quarter							
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
Agency Request Budget																																				
Submit Budget Form 107BF15 to Capital Finance																																				
Request OF expenditure authority for bond proceeds																																				
Request GF expenditure authority for DS (Base & POP)																																				
Governor's Budget																																				
Bond Request Reviewed by CFO Analyst & CFP Mgr																																				
Bond Request Included in GRB																																				
Legislatively Adopted Budget																																				
Bond Request Reviewed by LFO & Legislature																																				
Bond Request Included in LAB																																				
Pre-Bond Issuance																																				
Is the Agency ready for the bond proceeds?																																				
Provide Spending Plan																																				
Due Diligence Questions																																				
Set up OST & D23 Fund Accounts																																				
Interagency Agreement Questions																																				
Post-Bond Issuance																																				
Interagency Agreement Signed																																				
Receive and Record Bond Proceeds in SFMS																																				
Request proceed reimbursement (36 months)																																				
Refunding Documents & Recording in SFMS																																				
Project Completion																																				
Close OST Account																																				
Submit Completion Certificate																																				
Submit Fund Allocation Report																																				
Debt Service																																				
Pay Debt Service (semi-annually)																																				
Adjust bonds payable GL account after DS payment																																				
Accounting																																				
Fiscal year end accounting and reporting																																				
Complete year end debt disclosures																																				
Post-Issuance Compliance																																				
Records Retention																																				
Complete Change in Use Survey																																				
Pay minimal costs through Bond life																																				

Note: The colored lines are only used to separate the rows. There is no color coding.

1.2 Constitutional and Statutory Framework

These bonds are governed by Article XI-Q of the Oregon Constitution. They are also statutorily governed by Oregon Revised Statutes Chapter (ORS) 286A.816 - 286A.826 and Oregon Administrative Rules 122-075-0100 through 122-075-0160.

1.3 Biennial Authorizations

Capital projects can include land, buildings, major facility renovations, additions or improvements, and large technology projects. Such projects change a use, function, or cost in such a magnitude that approval by the Governor and the Legislature is warranted.

For capital projects financed through borrowing, every biennium, approval, appropriation and/or limitation must be granted through the agency's budget, for capital costs and revenues, debt service, and costs of issuance.

1.4 General Requirements of Tax-Exempt Bonds

A tax-exempt municipal bond is a debt security issued by a state, municipality or other governmental entity to finance its capital expenditures, such as constructing or renovating buildings, building technology systems, and other infrastructure-related projects. In the United States, interest income received by holders of municipal bonds is often excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code, and may be exempt from state income tax as well, depending on the applicable state income tax laws.

To keep the tax-exempt status of the bonds, there are many federal regulations that must be followed. Some of the regulations include: limiting the amount of non-governmental use of the bond-financed property to no more than 10%, limiting the amount of arbitrage earned on the investment of the bond proceeds, allowing only qualifying costs to be paid with bond proceeds, and spending the proceeds in a timely manner.

Additional federal regulations required to maintain the tax-exempt status of bonds are described in the US Code of Federal Regulations, Title 26, Chapter 1, Part 1, Sections 141 through 150.

1.5 Roles and Responsibilities

After a tax-exempt bond has been issued, the State has an obligation to the Internal Revenue Service and the bondholders to follow the federal regulations set forth for such bonds. The regulations are often referred to as Post-Issuance Compliance.

Post-Issuance Compliance is a collaborative effort between DAS and the agency. Some of the regulations include paying bondholders their principal plus interest over the life of the bonds, disclosing bond information to bondholders, retaining records related to the use of the asset, performing timely arbitrage calculations, using the bond-financed asset for a governmental purpose, and limiting the amount of private business use. The roles and responsibilities are discussed throughout this agency guide, with a good portion of them included in Chapter 8. The IAA also helps delineate which items the agency is responsible for and which items are the responsibility of DAS.

2. XI-Q Bond Budget Process

Oregon law and the XI-Q bond program procedures provide a centralized structure to process requests by state agencies for financing capital projects. The XI-Q program is managed as a central service function by the Department of Administrative Services (DAS), Chief Financial Office (CFO), Capital Finance (CFN) Section. Centralized control assures that the XI-Q bonds are used only for projects approved by the Governor and the Legislature. XI-Q bonds can be used to finance real or personal property (including software) that is capitalizable under generally accepted accounting principles (with few exceptions) and will be owned or operated by the state. Therefore, any non-capital costs of a project will need to be funded through other sources (with few exceptions).

2.1 Request to Finance Capital Project with XI-Q Bonds

If an agency plans to use XI-Q bonds to finance a capital project, approval by DAS, the Governor and the Legislature is required. The agency's budget must include the revenue source (e.g., XI-Q bond proceeds) and necessary expenditure limitations, including project costs, debt service and cost of issuance (COI). Debt service and COI estimates must be obtained from the Capital Finance Analyst (Analyst) prior to the agency submitting their Agency Request Budget (see section 2.2 below).

2.1.1 Allowed Uses of XI-Q Bonds (Capital Assets Only)

Bond proceeds used to restore or acquire real property must meet the following criteria:

- The project will acquire, construct or improve the safe, economic operation of the property.
- The costs of the project to be funded with XI-Q bond proceeds are capitalizable under generally accepted accounting principles (as found in the Oregon Accounting Manual (OAM) policy number 15.60.10) with few exceptions, see below.
 - Exception: pollution remediation costs only if it is required to complete the project. If these costs are allowed, they will not be capitalized to the Project.
 - Exception: demolition costs only if it is required to complete the project and is not the entire project. If these costs are allowed, they will not be capitalized to the Project.
- The property will be essential to state services.
- The property will have a useful operating life at least commensurate with the term of financing.
- The property is free and clear of all liens and financial security claims.
- The amounts for restoration or renovation will substantially improve the property.
- The financing has specific, stable sources of repayment.

Bond proceeds used to finance equipment acquisition or system development projects must meet the following criteria:

- The equipment or system will contribute substantially to a more effective or cost-saving method of delivering state services.
- The costs of the project to be funded with XI-Q bond proceeds are capitalizable under generally accepted accounting principles (as found in OAM policy numbers 15.60.10 and 15.60.40).
- The equipment or system will be essential to priority state services.

- The equipment or system will have a useful operating life at least commensurate with the term of financing.
- The project components are free and clear of all liens and financial security claims.
- The financing has specific, stable sources of repayment.

Capital Asset Examples:

- Capitalized portion of constructing a new building (see section 2.1.1.1 below)
- Capitalized portion of renovating an existing building
- Capitalized portion of facility improvements of an existing building (see section 2.1.1.2 below)
- Capitalized portion of software programs and/or licenses (see section 2.1.1.3 below)
- Capitalized portion of internally generated software (see section 2.1.1.4 below)

2.1.1.1 Special Considerations for Building Construction

When constructing a new building, most of the planning and constructing costs can be capitalized to the asset (the building), and therefore bond proceeds can be used to finance the capitalizable costs of the project. Bond proceeds can be used for the planning phase of constructing a building only if the capitalized costs are directly identifiable with a specific asset. For example, do not capitalize the cost of a site assessment or feasibility study undertaken to determine the best location for constructing a new building, as the costs incurred are not identifiable to a specific property. Capitalize such costs only if incurred after acquisition of the related asset becomes probable (i.e., likely to occur) (OAM 15.60.10). In other words, if the location of the new building has not yet been determined and the planning costs are related to determining the best location, these costs cannot be capitalized or bond funded.

During the construction period, the cost of capital assets includes all the costs required to build the asset and get it ready for its intended use, such as architect fees, engineering fees, materials, labor, subcontractor charges, and other similar costs. The cost also includes the costs of fixtures that are attached to and forming a permanent part of the building. (OAM 15.60.10)

When the demolition of an existing building must be done before new construction on land owned by the State can begin, the costs of the demolition can be paid for with bond proceeds, even if they are not capitalizable. However, if there are no specific plans for a new building or other asset, the costs of demolition cannot be financed with bond proceeds since there is no asset replacing the old asset. If land is purchased for a building site, the demolition costs to remove existing buildings can be added to the capitalized cost of the land.

Also, note that the exceptions identified in section 2.1.2 below, are not allowed to be financed with bond funds, even if they are capitalizable costs.

2.1.1.2 Distinguishing a Repair from a Facility Improvement

When updating a facility, there are many factors to consider when deciding if the upgrade should be considered a repair or an improvement. An improvement provides additional value, enhances a capital asset's functionality (effectiveness or efficiency), or extends a capital asset's expected useful life. Projects that enhance a facility beyond maintaining or restoring proper operating condition such as remodeling, or building an addition, are considered capital projects and therefore could be financed with bond proceeds.

In contrast, repairs and maintenance only retain value. (See OAM 15.60.10) Generally, activities and projects that keep a facility operating without increasing asset value or operating life, such as minor repairs, maintenance, replacement of components, or adaptation, are not capital projects. Also, projects that reduce maintenance costs or only increase efficiency, are generally not considered capital projects. These costs cannot be financed with bond proceeds.

Also, note that the exceptions identified in section 2.1.2 below, are not allowed to be financed with bond funds, even if they are capitalizable costs.

2.1.1.3 Special Considerations for Software Licensing Agreement

Bond proceeds can be used to finance software license costs only if they can be capitalized and meet the following criteria. 1) The licenses must be either purchased or "licensed" under a Licensing Agreement where the state is granted a "right to use" the software license and pays the license fees for that right either periodically (monthly, yearly) or in a lump sum. 2) The agreement must be considered "noncancellable" which means it's only cancellable upon conditions that are considered remotely possible to occur. If there is a cancellation clause that allows the State to terminate at any time for any reason, then the agreement would not be considered noncancellable. (See OAM 15.60.40) DAS would like to review such agreements before providing consent to finance a licensing agreement with bond proceeds.

2.1.1.4 Special Considerations for Internally Generated Software

When an agency develops computer software in-house, by agency personnel or by a third-party contractor, it is considered internally generated. Commercially available software that requires more than minimal additional effort to put into operation is also internally generated. There are three stages that occur while developing and installing internally generated computer software. The three stages include: Preliminary Project Stage, Application Development Stage and Post-implementation/Operation Stage. Per generally accepted accounting principles, only costs incurred as part of the Application Development Stage can be capitalized; therefore, only this stage can be financed with bond proceeds.

In general, costs to develop the software, such as coding, software configuration, installation of hardware and testing are capitalizable and bondable. Preliminary costs

to determine the best alternative and post implementation costs like training, training materials, user/operational manuals and maintenance are not capitalizable or bondable. See OAM 15.60.40 for more details on what costs can be included in the Application Development Stage of the project.

Also, note that the exceptions identified in section 2.1.2 below, are not allowed to be financed with bond funds, even if they are capitalizable costs in the Application Development Stage.

2.1.2 Un-allowed Uses of XI-Q Bonds

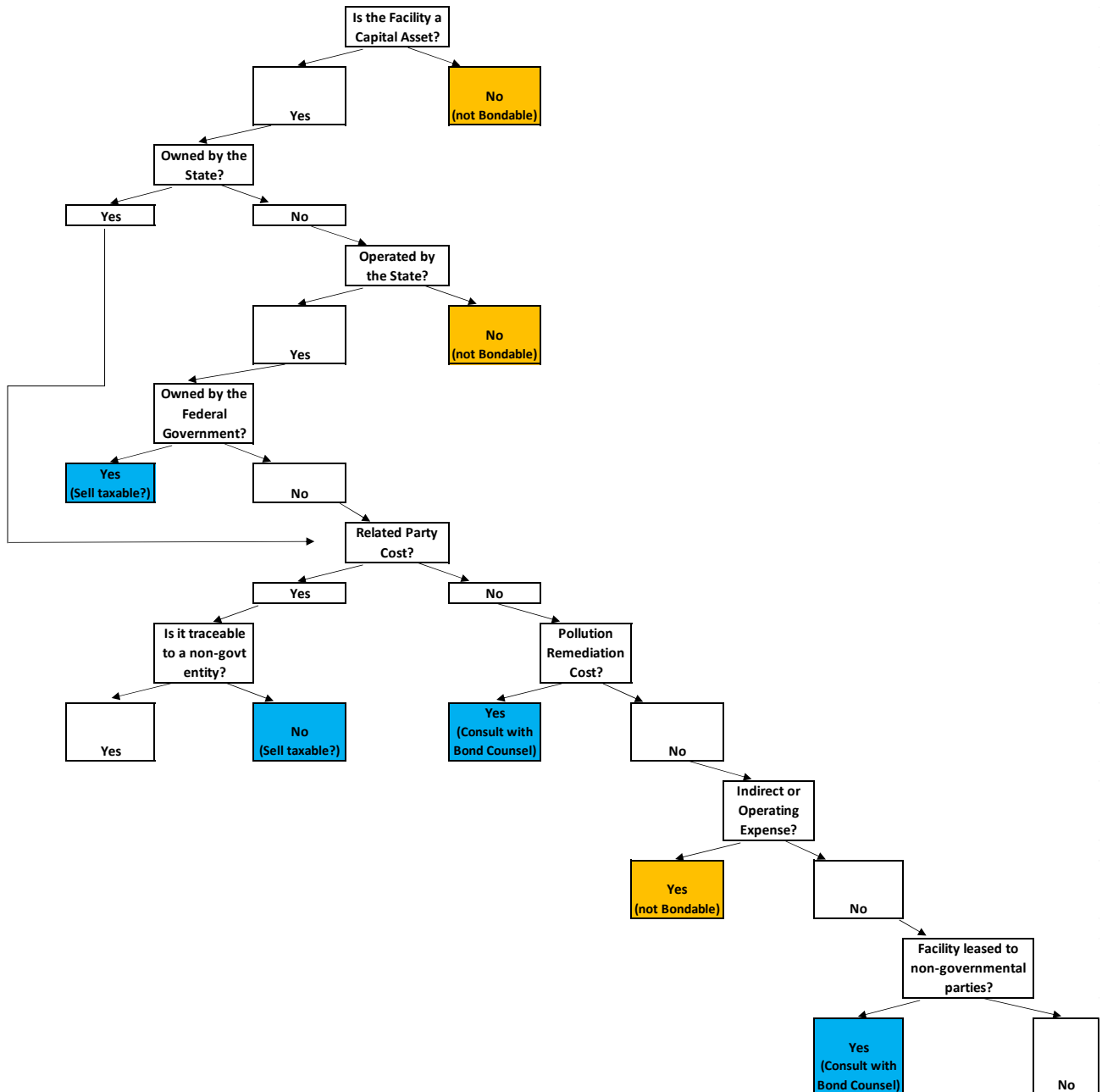
Bond proceeds cannot be used to finance certain expenditures, usually because they are not capitalizable, including, but not limited to:

- Pollution remediation costs that are not allowed to be capitalized per generally accepted accounting principles (GASB 49), unless the pollution remediation costs are required by law to complete the project. As previously noted, these costs must be capital expenditures under the federal tax code, even though not allowed to be capitalized by GASB 49.
- Demolition costs (unless the costs are required to complete the project and it is not the entire project)
- Payments made to Related Parties, which are costs paid from one State agency to another, except to the extent that those costs represent pass-through out-of-pocket payments to unrelated parties, such as a payment to a contractor passed through from one agency to another, as addressed in US Code of Federal Regulations, Title 26, Chapter 1, Part 1, Section 1.148-6 (d)(3)(iii)(7).
- Non-capital asset costs (i.e., operating costs or working capital; as addressed in US Code of Federal Regulations, Title 26, Chapter 1, Part 1, Sections 1.148 and 1.150)
- Indirect or Administrative costs that are not directly related to a capital project or a series of capital projects since these costs are not allowed to be capitalized under generally accepted accounting principles.
- Systems Furniture/Workstations (unless being capitalized as part of the cost of a newly constructed building and such capitalization is standard policy)
- Costs related to the Preliminary Project Stage for an Internally Generated Software (i.e., costs prior to the final selection of the product to be installed/built).
- Costs related to the Post-Implementation/Operation Stage for an Internally Generated Software (i.e., training, training materials, user/operational manuals, maintenance).

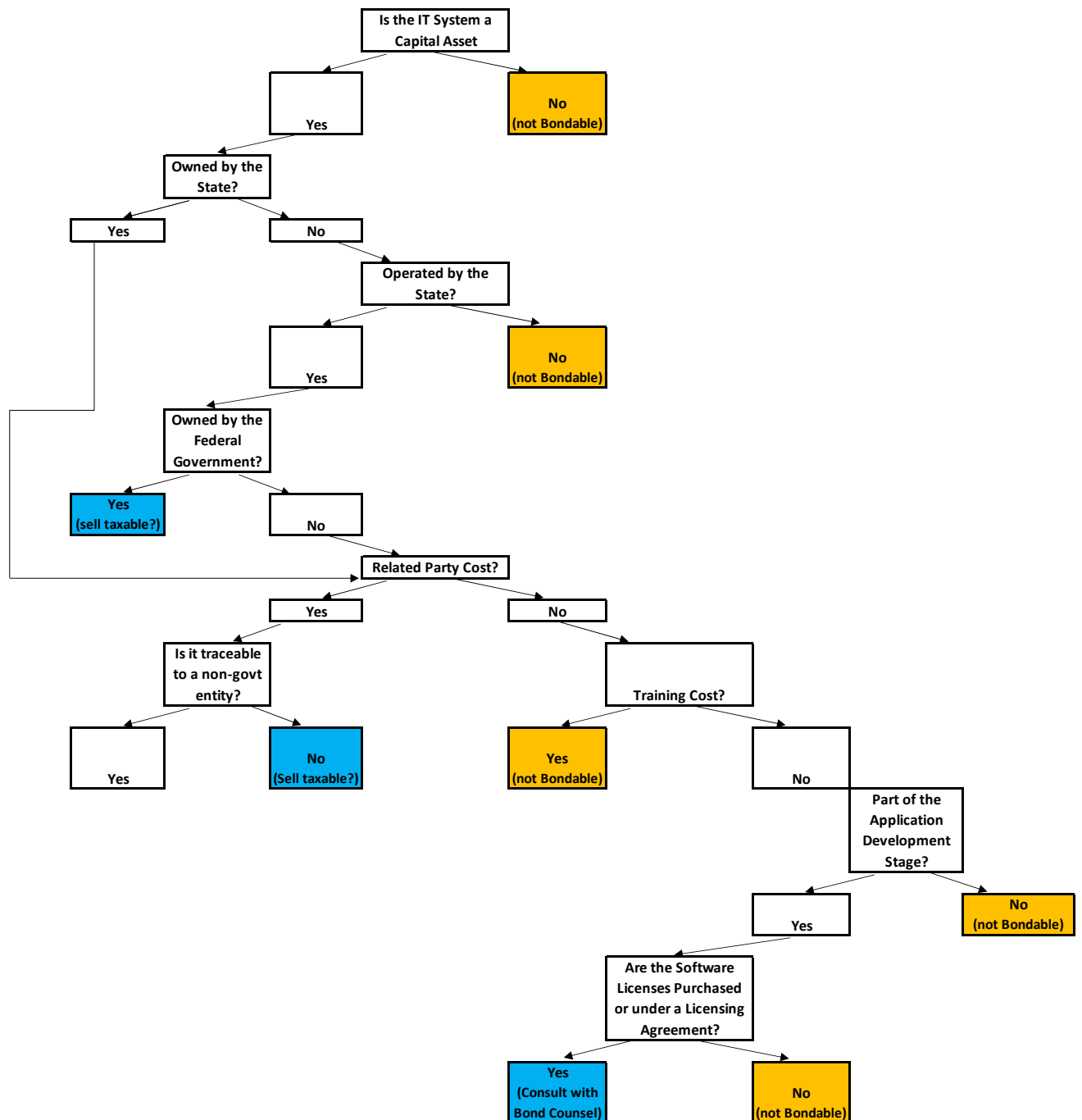
2.1.3 Allowable vs Un-allowable Decision Trees

To help determine if a cost of a project is an allowable cost, below are two decision trees. One tree is related to new or renovated facilities and the other is related to IT system projects.

XI-Q Tax Exempt Bond Project Decision Tree Financing costs for a facility (new or renovations)



XI-Q Tax Exempt Bond Project Decision Tree Financing an IT System Project



2.1.4 Useful Life of Capital Asset vs. Length of Bonds Outstanding

Included in the interagency agreement between DAS and the agency, is the determination of the expected useful life of the asset being financed. As described in section 2.1.5 below, the useful life is determined by the project agency and provided to DAS to help determine what the term of the bonds should be for each project. This useful life expectation is important as, per federal regulations, the weighted average maturity of any XI-Q bond issuance cannot exceed 120% of the average reasonably expected economic life of the financed projects.

The weighted average maturity is defined as average length of time that each dollar in the principal remains unpaid. For example, a 20-year bond cannot be issued for a 5-year capital asset because the bonds would remain outstanding far longer than the asset's useful life. Also, for prudent financial practices, the State does not want to continue paying debt on an asset long after it has reached the end of its useful life. Federal regulations also state that in addition to the weighted average maturity restriction, the term of the bonds should not be longer than is reasonably necessary for the governmental purpose of the issue.

2.1.5 Submitting Budget Form 107BF15

When requesting a project be financed with XI-Q bonds in the Agency Request Budget, complete the Article XI-Q Bond Financing and Financing Agreements Request Form (107BF15). Use this form for acquisition, construction or improvement of real property, equipment or IT system projects that will be owned or operated by the State and will be requested to begin or continue in the next biennium. The amount requested to be debt financed should include only those costs that are allowed to be financed with XI-Q bond proceeds (see Sections 2.1.1 through 2.1.2). Any un-allowed costs of a project will need to be funded with other sources. Include the following information in the 107BF15 form:

- **Project Description:** Provide a brief project name that describes the project and what will be done (e.g., new construction vs. renovation). Form 107BF11, Major Construction/Acquisition Project Narrative, should be used to provide a more detailed description of the project so that the Capital Finance Analyst has sufficient information to determine the tax status of the bonds.
- **Owned or Operated:** Provide information on whether the asset will be owned or operated by the State of Oregon. If operated only, provide additional details about who owns the asset or property the asset resides on and what the terms of the lease are. This information is important in determining the tax status of the bonds.
- **Estimated Useful Life of the Capital Asset:** Provide the estimated useful life that the agency will use when recording the asset in the Statewide Financial Management System (SFMS).
- **Total Estimated Cost of the Project:** Provide the total estimated cost of the entire project from start to finish, inclusive of all anticipated funding sources. The total cost should include the amount requested in the upcoming biennium as well as past and future biennia.

- **Amount Requested to be Financed in Upcoming Biennium:** Provide only the amount of bond financing being requested for the upcoming biennium. Do not include costs that cannot be financed with bonds (see Section 2.1.1 through 2.1.2).
- **Date Financing Needed:** Choose from the drop-down box one of the dates available to receive the financing during the biennium. The standard sale dates each biennium consist of the fall of the first year of the biennium, late spring of the first year of the biennium, and early spring of the second year of the biennium. Choose the date that makes the most sense for your project (i.e., if the project won't begin until the end of the biennium, you'll want to choose the last sale date of the biennium). If it makes sense to issue bonds in multiple sales, split up your request into multiple lines, one for each sale date. Please note that regardless of the date requested, the Legislature can elect to change the timing during the legislative review and approval process.
- **Debt Service Funding Source:** Select the appropriate funding source from the drop-down box that will pay for the debt service. Usually, it will be either General Fund or Other Funds.

Form 107BF15 should be submitted to the CFN Manager by the date indicated in the CFO biennial budget instructions, usually in mid-May of each even-numbered year. The form will provide the Analyst with the information needed to determine the size of the bonds and the costs of issuing the bonds. All bond-financed capital project requests are reviewed by the CFO and the Governor's office to determine which requests are included in the Governor's Budget. For a copy of form 107BF15, please see the current biennium budget instructions or request a copy from the Analyst.

2.2 Budgeting Proceeds and Cost of Issuance

Budgeting for projects using XI-Q bonds is done at the agency level. Each agency is responsible for recording revenues and expenses associated with issuance of these obligations. This information will be provided by the Analyst after receiving a completed 107BF15 form. The Analyst will use the 107BF15 form to size the bond and provide a summary document (see example below) which includes the following information that the agency will need to include in the Oregon Budget Information Tracking System (ORBITS).

- Bond proceeds (Project amount)
- Cost of issuance
- Debt service payments

Summary Document Example:

DEQ

Article XI General Obligation Bonds

Debt Service and Cost of Issuance Estimates

PROJECT NAME	BOND TYPE	TAX STATUS	SALE DATE	PAR AMOUNT	PROJECT AMOUNT	COSTS OF ISSUANCE
Environmental Data Management System	XI-Q	Tax-Exempt	Oct-17	7,685,000	7,550,000	135,000
TOTAL BONDS				7,685,000	7,550,000	135,000

PROJECT NAME	TAX	SALE	DEBT SERVICE 17-19		DEBT SERVICE 19-21		DEBT SERVICE	DEBT SERVICE	DEBT SERVICE	TOTAL DS	
DEBT SERVICE	STATUS	DATE	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	2021-23	2023-25	2025-27		
Environmental Data Management System	XI-Q	Tax-Exempt	Oct-17	650,000	436,701	1,370,000	480,975	1,846,069	1,847,192	1,850,140	9,409,140
				1,086,701		1,850,975		1,846,069	1,847,192	1,850,140	9,409,140

When requesting a capital project financed with XI-Q bonds, the funds should not be included in the agency's base budget. Each project needs to be addressed in one or more separate policy packages that discuss the use of XI-Q bond proceeds, interest income, acquisition or construction costs, and bond issuance costs. When recording the capital project in ORBITS, the project cost should be recorded in the appropriate Capital Outlay ORBITS account number series 5XXX. XI-Q bond issuance costs and the related fee expenditures are current biennium operating costs and are budgeted as Services and Supplies (4650) in ORBITS. XI-Q bond sale proceeds (revenue) are budgeted in ORBITS account number 0555 if debt service is expected to be paid primarily from the General Fund, or 0560 if debt service is expected to be paid primarily from non-General Fund sources (see the chart included in section 2.3 for a complete list of account codes and appropriated fund codes used to record these transactions).

For Capital Improvement and Capital Construction projects (see section 2.2.1 and 2.2.2 below), asset acquisition costs, as well as bond proceed revenues and interest income are budgeted in either the Capital Improvement or Capital Construction program units. For non-Capital Improvement or non-Capital Construction projects, the project costs, bond proceed revenues, and interest income are included in the appropriate operating budget program unit. All XI-Q bond issuance costs, revenues and interest income to cover those costs must always be budgeted in the appropriate operating budget program unit.

For Capital Construction projects that were given approval in the prior biennium, all expenditure authority (excluding position costs) should be eliminated as a Capital Construction adjustment during the Base Budget phase of Agency Request Budget process. If the project included limited duration position authority, the positions will automatically be phased out by the Position Information Control System (PICS) during the Personal Services calculations (see biennial budget instructions).

After the agency has submitted their budget, CFN will verify the above amounts were entered correctly into ORBITS with the Statewide Audit and Budget Reporting Section (SABRS) team during the audit of the agency's budget.

2.2.1 Capital Construction 6-year Limitation

During the biennial budget process, if an agency wants to request funding for a major construction or acquisition project, they must first submit project plans to the Capital Projects Advisory Board (CPAB) for review and approval prior to filling out forms 107BF11, 107BF12 & 107BF13 to be submitted with their Agency Request Budget (see biennial budget instructions).

A major construction or acquisition project must meet the following criteria:

- Costs will be capitalized as required by the OAM.
- The complete project cost will be \$1 million or more. Major projects normally follow a two-phase process. Phase one is planning and design; phase two is construction. This criterion applies to the combined total estimated costs of all phases of a project.
- It must build, acquire, adapt, replace or change the use or function of an information technology-related system(s), a facility or group of related facilities.

Major construction or acquisition project budget approvals have a life of six years from the effective date of the first approval of any element of the project. The limitation approved for six years will show in ORBITS as having been fully spent in the biennium in which it is appropriated, even if it is not fully spent. Unspent appropriation should not be included in beginning or ending balances in agency budgets. Though the appropriation appears as fully spent in ORBITS, charges can still be billed against it in subsequent biennia and are controlled through the allotment process.

For Capital Construction projects that are funding internal staff positions, the ORPICS system does not allow it to be funded for more than 24 months. Therefore, agencies desiring to use capital construction limitation to fund positions should establish those positions with a zero rate so they do not generate dollars in the budget but will provide position authority in both the budget and personnel systems (see biennial budget instructions).

For Capital Construction projects that are funded with XI-Q bonds, please note that the bond proceeds must be spent by the six-year capital construction spending deadline or within 36 months of the bond issuance date (see Section 3.2 Assessing Readiness for Project Funding for more information on bonding deadlines), whichever is sooner. If an agency is still within their 36-month proceed expenditure deadline and their six-year spending limitation is expected to expire before the project will be completed, the agency must request an extension via email to the CFN Manager as part of its capital project budget during the biennium it is set to expire. Any recommended extension is subject to legislative approval and the project expenditures cannot exceed amounts authorized for a specific capital construction limitation.

2.2.2 Capital Improvement Biennial Limitation

During the biennial budget process, if an agency wants to request funding for a capital improvement project, the project must meet the following criteria:

- The total project cost will be less than \$1 million including anticipated requests in future biennia, and
- Costs will be capitalized in accordance with OAM 15.60.10 (i.e., (a) the expenditure is for acquisition (including land) or construction of a new asset or (b) for existing assets, the expenditure significantly increases the value, extends the useful life, or makes it adaptable to a different use).

Land acquisition for a project that has total, complete project costs of less than \$1 million should be requested as a Capital Improvement policy package. Unlike Capital Construction, the limitation for Capital Improvement projects is only good for the biennium they are requested.

If an agency is still within their 36-month proceed expenditure deadline and their biennial spending limitation is expected to expire before the project will be completed, the agency must work with their CFO Analyst to request that the outstanding limitation be carried over into the next biennium.

2.3 Budgeting Debt Service

Debt service requirements for XI-Q bonds can be requested in agency budgets as limited or non-limited, depending on the funding source. Repayment from General Fund appropriations and Lottery Funds must be budgeted as limited debt service. Repayment from Other Fund or Federal Fund revenues may be budgeted as non-limited debt service; your CFO Analyst should confirm this. If repayment is from multiple fund types and General Fund or Lottery Funds are involved, the entire repayment expenditure limitation must be requested as limited debt service.

Limited and non-limited debt service are budgeted in ORBITS using unique appropriated fund types and accounts (see chart below, or Example M of Appendix A, for a comprehensive list). Debt service from XI-Q bonds issued in previous biennia should be included in the base budget, while debt service on future bond issuances should be budgeted in the policy package that requests the capital project expenditures and revenues, except for Capital Improvement and Capital Construction packages. The debt service for these packages must be requested in a policy package in their operational program unit.

Revenues to pay debt service may be budgeted in a variety of ways. Agencies might record Other Fund and Federal Fund revenues, that are already on hand, in the debt service policy package as account code 1010 - Transfer In – Intrafund, with an off-setting entry to account code 2010 - Transfer Out – Intrafund, in the budget unit from which the revenue is being transferred. In the case of General Fund appropriation, Lottery Funds, or new Other Fund or Federal Fund revenues, these are to be recorded directly in the debt service policy package using specific ORBITS appropriated fund types and revenue accounts (see chart below, or Example M of Appendix A, for a comprehensive list).

Capital Finance - ORBITS Bonding Codes						
			Debt Type			
Expense Type	Fund Type	Description	Lottery Bonds	GO Bonds	COPs	Other Revenue Bonds
Debt Service						
Debt Service	General Fund	Debt Service - Principal		7100	7200	
	General Fund	Debt Service - Interest		7150	7250	
	Lottery Funds	Debt Service - Principal	7100			
	Lottery Funds	Debt Service - Interest	7150			
	Lottery Funds	Transfer In Lottery Proceeds (Agency to use this code at ARB when requesting Lottery Bonds to pay Debt Service)	1040			
	Other Funds	Debt Service - Principal		7100	7200	7100
	Other Funds	Debt Service - Interest		7150	7250	7150
	Federal Funds	Debt Service - Principal		7100	7200	7100
	Federal Funds	Debt Service - Interest		7150	7250	7150
Bond Revenue						
Bond Revenue (All Bond Revenue should be coded as Other Funds)	Other Funds	Bond Sales (COPs)			0580	
	Other Funds	GF Obligation Bonds (All GO Bonds where Debt Service is paid with GF)		0555		
	Other Funds	Dedicated Fund Obligation Bonds (All GO Bonds where Debt Service is paid with OF)		0560		0560
	Other Funds	Revenue Bonds (Non-DAS Revenue Bonds; Housing Bonds, SELP Bonds, etc.)				0570
	Other Funds	Lottery Bonds	0565			
Cost of Issuance						
Cost of Issuance (All COI should be coded as Other Funds)	Other Funds	Other Services & Supplies (suggested code, not mandatory)	4650	4650		4650
	Other Funds	Other COP Costs			4625	
Appropriated Funds						
Appropriated Fund - Revenue, COI, Expenditure	Other Funds	Other Funds Cap Improvement	3010	3010	3010	3010
	Other Funds	Other Funds Cap Construction	3020	3020	3020	3020
	Other Funds	Other Funds Non-Limited	3200	3200	3200	3200
	Other Funds	Other Funds Limited	3400	3400	3400	3400
Appropriated Fund - Debt Service	General Fund	General Fund Debt Service		8030	8030	
	Lottery Funds	Lottery Funds Debt Service Limited	4430			
	Other Funds	Other Funds Debt Service Non-Limited	3230	3230	3230	3230
	Other Funds	Other Funds Debt Service Limited	3430	3430	3430	3430
	Federal Funds	Federal Funds Debt Service Non-Limited		6230	6230	6230

Note: These accounts are different than SFMS or agency account classifications for accounting entries.

3. XI-Q Bond Pre-Issuance Activities

In order for the Department of Administrative Services (DAS) to keep the financing as low as possible, bonds are issued with a tax-exempt status. This means the bond interest is excludable from gross income under the federal tax code. To maintain the tax-exempt status of the bonds, the project and its use must meet substantial restrictions both before and after the bonds are issued.

Prior to the issuance of a tax-exempt XI-Q bond, DAS and the agency will complete various steps to ensure that the tax-exempt status of the bonds is maintained throughout the life of the bonds. The sections in this chapter will provide more details on each pre-issuance activity. Here is a high-level list of the activities.

- Intent to Reimburse Expenditures with Bond Proceeds
- Assessing Readiness for Project Funding
- Federal Tax Compliance Review

3.1 Intent to Reimburse Expenditures with Bond Proceeds

Prior to issuing tax-exempt bonds, agencies have the option of spending their own funds on the project and being reimbursed for those costs with bond proceeds after the bonds have been issued. The following items need to be in place for the reimbursement to be acceptable to the Internal Revenue Service (IRS).

- Agency must have received bond approval in their budget.
- An Official Declaration of Intent must be signed (see section 3.1.1), the costs were paid within 60 days of the issuance date, or the expenses must be considered Preliminary Expenses (see section 3.1.2).
- The issuer (DAS) must reasonably expect to make the reimbursement.
- The costs must be qualifying capital expenditures.
- The expenditures must be paid during a specific period of time prior to the bond issuance (see section 3.1.1).
- The expenditures must be reimbursed within the reimbursement period after the bonds are issued (see section 3.1.1)

If all of these requirements have been met, the agency may request reimbursement with bond proceeds.

3.1.1 Intent Declaration

When an agency reasonably expects to request reimbursement of expenditures with bond proceeds, the agency should submit a letter (Example B of Appendix A) to the Capital Finance (CFN) Manager to request CFN prepare and execute a Declaration of Official Intent to Reimburse Capital Costs with Oregon Article XI-Q General Obligation Bonds (IAA Exhibit E of Appendix A). Requests for CFN to execute a Declaration must be made with the full intent of the State and DAS issuing bonds and not as a matter of course.

Ideally, CFN should receive and approve the request prior to the agency incurring any project expenditures; however, project costs can be reimbursed if paid no more than 60

days prior to the date that CFN executes a Declaration. The request letter must include the following:

- a. The title and description of the project that was authorized by the Legislature.
 - i. The project title should reflect what was included in the bond bill.
 - ii. The project description should be similar to what was included in the Budget Report of the bond bill that provides authorization for the project.
- b. A citation of the legislation that authorized the bonds to be issued for the project.
- c. The maximum bond amount authorized to be issued for the project (not the amount that is expected to be reimbursed).

The CFN Analyst reviews, prepares a Declaration using the applicable template, and obtains the signature of the CFN Manager. A copy of the signed Declaration will be provided to the agency and will be included in the interagency agreement. Once the Declaration is complete, there is a specific timeframe in which the bond proceeds can be used to reimburse expenditures.

The reimbursement of bond proceeds cannot be used for expenditures that were paid more than 60 days before the earlier of the following two dates:

- a. The date of issuance of the bonds; or
- b. The date on which the Declaration was executed by CFN.

Also, the reimbursement must be made no later than 18 months after the later of:

- a. The date the original expenditure was paid; or
- b. The date the project was placed into service. Also;
- c. In NO event may the reimbursement be made more than 3 years after the date the original expenditure was paid.

3.1.2 Preliminary Expenditures

The use of bond proceeds to reimburse the agency for expenditures that are Preliminary Expenditures are not subject to the limitations described in this Section 3.1.1 above. Preliminary Expenditures are costs such as architectural, engineering, surveying, soil testing, and similar costs that, in the aggregate, are not more than 20% of the project issuance amount and must have been incurred prior to acquisition, construction or rehabilitation of the project. Costs of land acquisition, site preparation and similar costs incidental to commencement of construction are not Preliminary Expenditures.

3.2 Assessing Readiness for Project Funding

As a bond sale approaches, the DAS Capital Finance Analyst (Analyst) needs to start analyzing the size of the bond issuance. The Analyst will contact each agency scheduled to receive bond proceeds to find out if they will be ready for the funding. To assess readiness, DAS will need to know if the agency expects to spend, or have a binding commitment to spend, at least 5% of the proceeds within 6 months of the issuance date, and the remaining proceeds within 36 months of the issuance date. The Analyst will also need to obtain from the agency a spending plan as backup for the 36-month spending expectation.

3.2.1 Spending within 36 months

About 3 months prior to a bond sale, the Analyst will contact each project agency to find out if their project will be ready for bond proceeds at the time of bond closing, if they will be able to spend, or have a binding commitment to spend, at least 5% within 6 months of the issuance date, and if they will be able to spend the remaining proceeds within 36 months of the issuance date. If the agency believes they are ready, then a spending plan (as described in section 3.2.2 below) needs to be submitted to the Analyst. If the agency is not ready for all or a portion of the bond proceeds, a decision will be made between the Analyst and agency, and possibly the Chief Financial Office and Legislative Fiscal Office analysts, as to whether the agency should; 1) wait for the next bond sale, if it is within the same biennium, or request that the project be reauthorized during the next biennium if there isn't another sale during the current biennium, 2) move forward with the current sale and only issue what the agency is ready for, 3) cancel the bond sale for this agency, or 4) some combination thereof.

3.2.2 Developing a Spending Plan (Example C of Appendix A)

If the agency believes they will be ready for all or a portion of the bond proceeds at the sale closing date, then a spending plan needs to be submitted to the Analyst. The spending plan is the anticipated rate of spending of the bond proceeds. This document should tell the Analyst when expenditures will most likely be incurred, and when the agency anticipates drawing down the bond proceeds to pay for the expenditures. It should also tell the Analyst if other funding sources will be used for the project and if the agency has enough limitation to cover all of the currently anticipated expenses.

The Analyst will review the spending plan to verify that the full amount of bond proceeds is expected to be spent within 36 months, and to help determine if the proceeds are being issued at the right time for when the agency is expecting to need them. Issuing XI-Q bonds too soon, means the proceeds are held longer, allowing additional interest to be earned. The more interest that is earned, the more likely the State will end up owing arbitrage rebate to the IRS.

3.3 Federal Tax Compliance Review

As the bond sale approaches 2 months, the Analyst will start asking questions regarding due diligence, private business use and reimbursement costs to verify that the State will not be out of compliance with federal tax codes by issuing tax-exempt bonds for the agency's project. This is extremely important information when it comes to staying in compliance with the federal tax code.

3.3.1 Due Diligence Questions

The Analyst will contact each agency with a series of questions that are needed for DAS' Bond Counsel to review for federal tax purposes. The questions will be similar to the following:

- Will any of the bond proceeds be used to reimburse project costs paid prior to closing? If yes, how much and what types of costs are they (labor, engineering, construction...)?
- Will any proceeds be requested for reimbursement for costs paid prior to 60 days before your Declaration of Official Intent was signed? If yes, please provide a description of the costs so that our Bond Counsel can verify that the costs can be considered Preliminary Expenditures.
- If the proceeds are to be used for a capital asset that is operated by the State of Oregon instead of owned, who will own the asset or the property where the asset resides. Please provide a copy of the lease information related to the operated asset.
- If the proceeds are to be used for a capital asset that is owned by the State of Oregon, will there be any lease, management, operation, or other preferential use of the financed project by anyone other than the State or a local government? If yes, please provide additional information. This is used to determine if there could be any private business use.
- Does your agency expect to (i) spend, or have a binding commitment to spend, at least 5% of the proceeds to be received for the project within 6 months, and (ii) spend the remainder of such proceeds on the projects within 3 years?
- Please confirm that (i) none of the proceeds will be used to repay the principal or interest on any interim financing for the project, and (ii) no proceeds will be used to make loans.

3.3.2 Private Business Use Questionnaire (Universities Only)

For public universities, the Analyst will also send an information gathering questionnaire related to private business use. The questionnaire is designed to document any known or anticipated private business use related to the university's bond-financed project, so the State can ensure compliance with the federal tax regulations prior to issuing tax-exempt bonds. The Questionnaire asks multiple questions related to contracts, leases and other such agreements. If any of these apply, a copy of the agreement will need to be provided to the State for Bond Counsel to review for federal tax compliance.

The Analyst will use the questionnaire template available in Appendix A - Example D for the bond-funded project. When the completed questionnaire is received back from the public university, the Analyst sends it to CFN's Bond Counsel for federal tax compliance review. The Analyst works with the public university if additional information is required by Bond Counsel.

As defined by the IRS, private business use means, the use of a portion or all of the bond-financed project by a private person (any person or entity other than a state or local governmental unit or an individual not acting in a trade or business, including the federal government, a for-profit organization, a non-profit organization, and individuals who are acting in a trade or business capacity) if such use is other than as a member of the general public. Private business use can include ownership of the property by the private person as well as other arrangements that transfer to the private person the actual or beneficial use of the property (such as a lease, management contract, service or incentive payment contract,

output contract, naming rights contract or other special arrangement) in such a manner as to set the private person apart from the general public. Use by employees of the Public University solely in their capacity as employees ordinarily will not be considered private business use.

3.4 Project Agency Responsibilities per Interagency Agreement

Prior to the bond sale, the agency should know the bond restrictions and their responsibilities for the proceeds. Per the “Restrictions on Use of Proceeds and the Project” section of the interagency agreement, in order for the State to maintain the tax-exempt status of the bonds, the project and its use will be subject to substantial restrictions, including, but not limited to:

- Proceeds Usage – The bond proceeds will only be used to pay for the costs of the project.
- Project Changes – The agency shall not change the use of the project, or alter its design, structure, or configuration in any way inconsistent with the project agency’s currently approved plan, without first requesting and receiving the written consent of DAS.
- Project Ownership – The project will not be leased, subleased, sold or otherwise transferred without the prior written consent of DAS.
- Private Use – The agency will not permit any of the project to be used for private business use (as defined in section 3.3.2 above) by a private person. The project will only be used by the State of Oregon, and its agents for authorized government purposes, unless it obtains the prior written consent of DAS.
- Compliance – The agency will comply with all requirements subsequently imposed by DAS on the use of the project in order to protect the tax-exempt status of the financing.
- Completion Certificate – The completion certificate (IAA Exhibit G of Appendix A) shall be completed by the agency within 30 days after 36 months from the issuance date or upon substantial completion or acquisition of the project, whichever comes first.
- Allocation Report – The agency may adjust its funding allocation in relation to the costs of the project for up to 18 months after the completion of the project. The agency shall submit a report of the final project funding allocation to DAS no later than 90 days after the 18 month deadline.
- Compliance with Post Issuance Compliance Procedures – The agency acknowledges that DAS has adopted certain post issuance compliance procedures to further compliance with the federal tax requirements applicable to the bonds. The agency will comply with all questionnaires or other requests from DAS for information regarding the project, including the uses of the project during the term of the bonds.

3.4.1 Sample Interagency Agreement

The Interagency Agreement template is included as Example A in Appendix A.

4. Accounting for XI-Q Bond Issuance

Accounting for projects using XI-Q bonds is done at the agency level. Each agency is responsible for recording revenues and expenses associated with the issuance of these obligations. After issuance, XI-Q bond proceeds are held in an Oregon State Treasury (Treasury) account controlled by the agency, with oversight and secondary ownership by the Department of Administrative Services (DAS), Capital Finance (CFN) Section.

The bond transaction information that each agency needs to record in the Statewide Financial Management System (SFMS) will be included in the interagency agreement (IAA) provided by the Capital Finance Analyst after the closing of the bond sale. See section 4.1.3.1 below for an example of bond transaction information (also see IAA Exhibit C in Appendix A).

4.1 Bond Issuance Recording Process

When XI-Q bonds are included in a bond sale, new treasury accounts and D23 funds need to be set up in anticipation of incoming bond proceeds. Once the bond sale has closed, it is the agencies responsibility to record the revenue, expenses and liabilities associated with the bond transaction, including any refunding bonds that occurred during the sale. Below is the accounting process to be used to setup and record the bond sale.

4.1.1 Treasury Account Setup

About a month prior to closing the bond sale, CFN will work with Treasury to set up a new account for each project to deposit the bond proceeds into. The treasury account will be set up as an agency account with CFN as a secondary owner. The secondary ownership gives CFN view access only. This allows CFN to review transactions and be able to provide information to its arbitrage rebate consultant and the Internal Revenue Service (IRS) as needed.

4.1.2 Accounting Structure Setup

After the treasury accounts have been set up, CFN will provide this information to the agencies to set up new D23 funds in SFMS. Two D23 funds will be needed, one for the project proceeds and one for the cost of issuance (COI) proceeds. The reason for the two different D23 funds, is because the costs in the project fund are often Capital Construction related while the COI are Services & Supplies related. Often the GAAP fund and the appropriated fund will be different between these two types of costs. There are times when the GAAP fund and appropriated fund will be the same, however, for IRS reporting purposes, it is still preferable to keep the COI and project proceeds separated.

Due to Treasury switching banks from US Bank to Key Bank, bond proceeds will no longer be deposited directly into agencies project accounts. Instead, they will initially be deposited at DAS on the date that the bond sale closes. DAS accounting will then transfer the funds from this initial account to the agencies project accounts. In order for this to happen, agencies will need to provide CFN with the following accounting information prior to the

bond sale close date: PCA, Agency Object, Comp Object and the project number, if using one.

4.1.3 Recording Initial Bond Issuance Transaction

Once a bond sale has closed, it will take approximately 5 business days before the cash will be deposited into the agency's new treasury account. When the deposit is made, the agency will need to reconcile it in SFMS to receive the cash. The deposit received will be net of the underwriter's discount, but the expense for the underwriter's discount still needs to be recorded in SFMS. Below are the steps that need to be taken, in a very specific order, for the transaction to be recorded properly.

4.1.3.1 Example accounting transactions in SFMS when sold at a Premium

Bond Transaction Example:

Bond Transaction Information		
XI-Q Bonds Payable		5,495,000.00
Original Issue Premium		1,025,204.00
Project Funds	6,500,000.00	
Underwriter's Discount	17,333.01	
Costs of Issuance	2,870.99	
Total	6,520,204.00	6,520,204.00

XI-Q Bonds Series A Project Account Fund - Agency Projects (Funds held at OST)		
Project Fund		6,500,000.00
Total		6,500,000.00

Costs of Issuance Funds (Funds held at OST)		
Underwriter's Discount		17,333.01
Costs of Issuance		2,870.99
Total		20,204.00

True Interest Cost		2.677%
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Recording the Bond Proceed Deposit (DAS Only):

TC 713R: To clear DAS Deposit Liability.

DR 1551 Deposit Liability	6,502,870.99	
CR 0070 Cash w/Treasury		6,502,870.99

TC 712R: To transfer the deposit to the correct agency.

DR 0070 Cash w/Treasury	6,502,870.99	
CR 3100 Revenue Control – Cash (c/o 1120)		6,502,870.99

Reclassing the Bond Proceed Deposit (Agency)

TC 407: To reclass Bonds Payable Revenue in the project fund.

(Project Cost + Cost of Issuance)		
DR 3100 Revenue Control – Cash (c/o 1120)		6,502,870.99
CR 0070 Cash w/Treasury		6,502,870.99

TC 408: To record the face amount of Bond Revenue in the project fund.

DR 0070 Cash w/Treasury		5,495,000.00
CR 3100 Revenue Control – Cash (c/o 1501)		5,495,000.00

TC 408: To record Bond Premium Revenue in the project fund.

(Project Costs + Cost of Issuance - Face Amount of Bond)		
DR 0070 Cash w/Treasury		1,007,870.99
CR 3100 Revenue Control – Cash (c/o 1510)		1,007,870.99

Recording the Cost of Issuance Bond Proceeds:

TC 407: To move Cost of Issuance Revenue out of the project fund.

DR 3100 Revenue Control – Cash (c/o 1501)		2,870.99
CR 0070 Cash w/Treasury		2,870.99

TC 408: To record Cost of Issuance Revenue in the COI fund.

DR 0070 Cash w/Treasury		2,870.99
CR 3100 Revenue Control – Cash (c/o 1501)		2,870.99

Recording the Underwriter's Discount:

(This entry must wait until the revenue deposit above has cleared the 13 screen in SFMS. Usually an overnight process)

TC 410: To record Underwriter's Discount in the COI fund.

DR 0070 Cash on Deposit w/Treasury		17,333.01
CR 3100 Revenue Control – Cash (c/o 1510)		17,333.01

TC 409: To record Underwriter's Discount in the COI fund.

DR 3500 Expenditure Control-Cash (c/o 4050)		17,333.01
CR 0070 Cash w/Treasury		17,333.01

Recording the Bond Liability:

TC 504: To record Bond Par Value Liability in the government-wide reporting fund (linked to appropriated fund 9998).

DR 3200 GAAP Revenue Offset (c/o 1501)		5,495,000
CR 1714 Bonds Payable - Noncurrent		5,495,000

TC 504: To record Original Issue Premium in the government-wide reporting fund.

DR 3200 GAAP Revenue Offset (c/o 1510)		1,025,204
CR 1713 Premium on Bonds Sold		1,025,204

Payment of the Cost of Issuance Invoice:

(Pay as soon as it is received from the Capital Finance Coordinator)

TC 760: To record agency side of the COI payment to DAS in the COI fund.

DR 3500 Expenditure Control-Cash (c/o 4050)	2,870.99
CR 0070 Cash w/Treasury	2,870.99

TC 761: To record the DAS side of the COI payment to DAS in the COI fund.

DR 0070 Cash w/Treasury	2,870.99
CR 0501 Accounts Receivable – Other Billed	2,870.99

Note: The remaining balance in the agency's treasury account should equal the project amount of \$6,500,000.

For a complete list of bonding comptroller codes and appropriated funds, see Example M in Appendix A. For a complete list of bonding transaction codes, see Example N in Appendix A.

4.2 Debt Refunding

During the course of a bond sale, Bond Counsel, Municipal Advisors, Underwriters and CFN analyze past bond issuances to determine if they would make good refunding candidates. To be a good candidate, they must realize a significant amount of debt service savings. If it is determined that they are good candidates, DAS will contact the agencies that would be affected by a refunding to let them know of the possible refunding. If the bond sale date comes and the bonds are still good candidates (depending on the market interest rates) they will be included as refunded bonds in the bond sale.

Once a bond sale has closed, the refunding deposit will be sent to the escrow agent to pay off the bondholders and the old bonds will be considered defeased. The Capital Finance Coordinator will prepare documents for each bond that was refunded. The following documents are sent to each agency with a refunded bond (see Examples G-K of Appendix A) so it can record the required refunding-related transactions in SFMS.

- Interagency Memo – A high level overview of the refunding that occurred. The memo will provide the agency with some of the year-end disclosure information needed in Debt Disclosure 8 (see section 9.2.4 for more information).
- Source & Use Statement – Transaction information needed to record the refunding bonds in SFMS (see section 4.2.3 below).
- Savings Summary – Summary of the refunding savings for the year-end disclosure information needed in Debt Disclosure 8 (see section 9.2.4 for more information).
- Debt Service Schedules – The original debt service schedule prior to refunding, as well as the new schedules for the refunding and un-refunded debt.
- SABRS Summary – This provides the agency with the Fund Number and Comp Object for recording in ORBITS and SFMS.

4.2.1 Current vs Advance Refunding

Refunding bonds are characterized as either current or advance. A current refunding is one in which the outstanding (refunded) bonds are redeemed within 90 days of their stated call date. In an advance refunding, the refunded bonds remain outstanding for a period of more than 90 days from their stated call date, and the proceeds are held in escrow to make the future payments.

4.2.2 Preparing to Record a Refunding Transaction

Once an agency knows that some of their bonds have been refunded, there are a few helpful things they should do prior to recording the refunding transaction.

- Reconcile General Ledger (GL) accounts related to the debt.
- Using an amortization schedule, amortize related debt accounts for old debt up to the settlement date.
- Verify the balances in amortized GL accounts.
- Calculate the percentage of refunded debt by dividing principal amount that is refunded by the balance of the old debt prior to the sale.

4.2.3 Recording a Refunding Transaction

Per the Oregon Accounting Manual (OAM) Policy 15.65.30, when accounting for a refunding of general government debt, report the proceeds of the new debt and the payment of funds to the escrow agent for the old debt in the applicable governmental fund. For example, if an XI-Q general obligation bond refunds a certificate of participation (COP), the accounting for the XI-Q bond, including future payments, should occur in GAAP Fund 2003 General Obligation Bond Fund rather than GAAP Fund 2002 Certificates of Participation Fund. Report the debt, itself, in the government-wide reporting fund.

For more information regarding the recording of a refunding transaction, see the OAM on the Statewide Accounting & Reporting Services (SARS) website (<http://www.oregon.gov/das/Financial/Acctng/Pages/OAM.aspx>) or contact your SARS analyst.

For a complete list of bonding comptroller codes and appropriated funds, see Example N in Appendix A. For a complete list of bonding transaction codes, see Example O in Appendix A.

4.2.3.1 Issuance of Refunding Debt

Accounting for a debt refunding closely parallels the accounting for original issue debt. The following entries record the issuance of refunding bonds and the payment of the proceeds to the escrow agent. Transaction information comes from Example H & I of Appendix A. (Note: TC = transaction code; C/O = comptroller object)

Debt Service Fund

TC 567: To record face value of bonds sold in a governmental fund.

DR 0077 Cash in Bank	468,700.00
CR 3100 Rev Cntrl-Cash (C/O 1505)	468,700.00

TC 567: To record refunding bond premium in a governmental fund.

DR 0077 Cash in Bank	64,183.97
CR 3100 Rev Cntrl-Cash (C/O 1510)	64,183.97

If bonds are refunded at a discount, use TC 567R and C/O 1508.

TC 568: To record bond issuance costs (\$344.97) and underwriter's discount (\$1,310.61).

DR 3500 Expenditure Control-Cash (C/O 4050)	1,655.58
CR 0077 Cash in Bank	1,655.58

TC 568: To record payment to escrow agent from refunding bond proceeds.

DR 3500 Expend Cntrl Cash (C/O 7050)	531,228.39
CR 0077 Cash in Bank	531,228.39

Use C/O 7050, *Refund Payment to Escrow Agent*, to report proceeds from a refunding debt issue that are paid to an escrow agent to refund the old debt. Use this comptroller object even if the actual payment is made directly by the counterparty to the escrow agent.

Use C/O 4051, *Bond Refund Debt Payment* (or 4056 for COPS), if an agency pays funds to an escrow agent from sources other than the refunding debt proceeds (such as from other agency resources). In this situation, the payment to the escrow agent is recorded as a debt service expenditure rather than other financing use.

4.2.3.2 Recording Liability for Refunding Debt

For general government debt, record the new refunding debt liability in the government-wide reporting fund. Record the bonds payable at face value unless they are zero coupon or deep discount bonds. Note that this entry also uses the same comptroller objects as the ones used to record the debt issuance above. In effect, the other financing source in the governmental fund is offset when the governmental funds are combined with the government-wide reporting fund to prepare the government-wide financial statements.

Government-wide Reporting Fund

TC 504: To record liability for new bonds in the government-wide reporting fund.

DR 3200 GAAP Rev Offset (C/O 1505)	468,700.00
CR 1714 Bonds Payable-Noncurrent	468,700.00

TC 504: To record original issue premium in government-wide reporting fund.

DR 3200 GAAP Rev Offset (C/O 1510)	64,183.97
CR 1713 Premium on Bonds Sold	64,183.97

If the refunding bond is sold at a discount, use TC 504R, C/O 1508 and GL 1712.

4.2.3.3 Removal of Old (Refunded) Debt

In addition to recording the new debt, the agency must remove the old debt from the accounting records, including any unamortized discount/premium or deferred inflows/outflows from gain/loss on refunding related to the old debt. Note that the comptroller objects used in these entries must exactly offset the comptroller objects used in the entries to record payments to the escrow agent. Some of the entries use C/O 7050 Refund Payment to Escrow, while other entries use C/O 4051 Bond Refund Debt Payment (see section 4.2.3.1 above).

Government-wide Reporting Fund

TC 528: To eliminate defeased debt from government-wide reporting fund.

DR 1714 Bonds Payable - Noncurrent	494,000.00
CR 3600 GAAP Expend Offset (C/O 7050)	494,000.00

DR 1714 Bonds Payable-Noncurrent	0.00
CR 3600 GAAP Expend Offset (C/O 4051)	0.00

If debt being refunded are COPs, use GL 1704.

TC 514: To eliminate premium related to defeased bonds from government-wide reporting fund. (Note: information comes from agency amortization schedule)

DR 1713 Premium on Bonds Sold	17,476.14
CR 3600 GAAP Expend Offset (C/O 7050)	17,476.14

If debt being refunded are COPs, use GL 1703.

TC 514R: To eliminate discount related to defeased bonds from government-wide reporting fund.

DR 3600 GAAP Expend Offset (C/O 7050)	17,476.14
CR 1712 Discount on Bonds Sold	17,476.14

If debt being refunded are COPs, use GL 1702.

4.2.3.4 Deferred Gain or Deferred Loss on Refunding

Agencies must also record the deferred gain or deferred loss on the refunding. This is the difference between the net proceeds to escrow and the net carrying amount. Calculate the deferral as follows:

Face value of refunded debt	494,000.00
Unamortized Premium	<u>17,476.14</u>
Net carrying amount	<u>511,476.14 (a)</u>
Net proceeds to escrow agent	468,700.00
Original Issue Premium	64,183.97

Underwriter's Discount	(1,310.61)
Cost of Issuance	<u>(344.97)</u>
Net proceeds to escrow agent	<u>531,228.39 (b)</u>
Deferred Loss on Refunding (b-a)	<u><u>19,752.25</u></u>

Government-wide Reporting Fund

TC 514: To record deferred loss on refunding.

DR 1000 Deferred Outflow-Loss on Debt Refunding 19,752.25

CR 3600 GAAP Expend Offset (C/O 7050) 19,752.25

If the refunding resulted in a deferred gain on refunding it would be recorded with TC 523, GL 1851, and C/O 7470.

Amortize discounts and premiums on new refunding debt issues the same as for any other debt issue, see OAM 15.60.20 for amortization coding. Amortize the deferred gain or deferred loss, together with any unamortized balances from prior refundings, over the shorter of the life of the new debt or the remaining life of the old debt. Amortize all balances in a systematic and rational manner.

5. Accounting for XI-Q Bond Project Costs

Accounting for projects using XI-Q bonds is done at the agency level. Each agency is responsible for recording revenues and expenses associated with issuance of these obligations. XI-Q proceeds are held in an Oregon State Treasury (Treasury) account controlled by the agency, with oversight and secondary ownership by the Department of Administrative Services (DAS), Capital Finance (CFN) Section.

When XI-Q bonds are issued, the agency will work diligently to complete the project and request reimbursement of all the proceeds within 36 months and in accordance with their spending plan, per the interagency agreement (IAA). If the agency is unable to meet the 36-month timeline, they will work with CFN to revise the timeline and spending plan. While the proceeds from the bond sale are awaiting disbursement, they will continue to earn interest. Agencies will need to record this interest in the Statewide Financial Management System (SFMS) in the project account every month and keep track of it for arbitrage reporting purposes.

The agency will account for capital expenditures against the appropriation that was approved in their Legislatively Approved Budget for their project. This could be a Capital Construction or Capital Improvement appropriation. The agency will also track the expenditures separately from expenditures not being paid for with XI-Q bond proceeds for future allocation reporting.

The agency will keep track of the total expenditures related to the project even if they are not paid for with XI-Q bond proceeds. At the completion of the project, the agency is required to provide an allocation report to CFN that states how much funding was used and from what sources for the entire project. This report may be provided to the Internal Revenue Service (IRS) if requested.

5.1 Disbursement Request Process

When an agency has incurred capital costs related to the project, a disbursement request must be submitted electronically to the DAS Capital Finance Coordinator (Coordinator), at das.capitalfinance@das.oregon.gov, prior to drawing down funds from the project account.

The disbursement request should include the following information and be submitted in PDF form:

- XI-Q Bond Project Payment Request form (see IAA Exhibit F in Appendix A)
- Invoice Summary Form summarizing the invoices included for reimbursement (see Example E of Appendix A). The form should include:
 - Invoice Date
 - Invoice Number
 - Vendor Name
 - General Description (Engineering, Equipment, Labor...)
 - Payment Date
 - Payment Document Number (VP, BT...)
 - Amount
- Backup documentation to support the Invoice Summary Form.
 - Only the actual invoices need to be submitted, not all of the backup detail. For example, if the item was purchased with a SPOTS card, only the pages of the

invoices that pertain to the purchase need to be sent. Or, if a contractor submits an invoice with the deliverables attached, only the invoice needs to be included in the request.

- The invoices should be organized according to the Invoice Summary Form.

For the quickest turnaround, the disbursement requests should be submitted to the Coordinator in smaller, quicker-to-review bundles. This could be achieved by sending in requests once (or a few times) a month rather than one large request every 3 months. For the first reimbursement request, which is usually larger than most requests due to pre-issuance reimbursement costs, it would be best if it can be broken down into smaller groups to make it quicker to process. Please limit requests to no more than 100 pages.

Before the disbursement request can be approved, there are a few conditions that will need to be met:

- The bonds have been issued;
- The IAA has been signed by all parties; and
- CFN is satisfied that all items listed in the disbursement request are reasonable, the costs for labor and materials were incurred, and the costs were eligible to be reimbursed or paid under the terms of the IAA, in accordance with the federal tax laws, State laws and statutes.

Upon receipt of the disbursement request and when the conditions above are met, CFN will make every effort to approve the request within 5 business days. If the request is extremely large, it may take longer, so smaller requests are easier to process. If the conditions above are not met, CFN will communicate with the agency to resolve any issues before approving the request.

Once the agency receives approval from CFN, they may draw the proceeds out of their treasury account to pay for, or be reimbursed for, the capital expenditures that were submitted for approval. If the draw is to reimburse the agency, then a transfer in/transfer out transaction in SFMS, using T-Codes 415 and 416, should move the funds out of the project account and into the account that is being reimbursed.

5.1.1 Examples of Allowed Bond Costs (see decision tree in section 2.1.3)

(Costs must be related directly to the capital asset)

- Pre-construction costs (so long as the site has been identified)
- Construction Costs
- Engineering Costs
- Architectural Costs
- Development Contractor Costs
- Personnel or Labor Costs for staff dedicated to the project
- Pollution Remediation Costs (if required by law to complete the project and the costs are capital expenditures under the federal tax code. Costs will be reviewed by Bond Counsel at the Project Agency's expense.)
- Demolition Costs (if required to complete the project, and is not the entire project, and the costs are capital expenditures under the federal tax code)
- Capitalized portion of Software Programs and/or Licenses

- Ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition such as freight and transportation charges, site preparation costs, and professional fees.

5.1.2 Examples of Un-allowed Bond Costs (see decision tree in section 2.1.3)

(Mostly because they are not capitalizable costs under the OAM and GAAP as established by GASB. Please contact the Coordinator with questions, as every project is difference and costs should be reviewed on a case-by-case basis)

- Related Party Costs (agency to agency payments that are not traceable to an outside party)
- Pollution Remediation Costs (if not required by law or not capital expenditures)
- Demolition Costs (if not required to complete project, is entire project, or is not federal capital expenditures)
- Moving costs (moving furnishings out of a building in order to renovate the building)
- Rent costs (providing temporary office space for employees to work while a building is vacated for renovation, regardless of whether the building being renovated is owned or rented by the agency)
- Operating Costs (office supplies, training, meals...)
- Indirect or Administrative Costs (accounting staff, director's staff, cost allocation costs...)
- Professional Membership Dues
- Systems Furniture/Work Stations

5.2 Recording Interest Income on Project Account Balance

While the bond proceeds are sitting in the treasury account, they will continue to earn interest. This interest income becomes known as "investment proceeds" to the IRS. Once a project completion certificate is submitted to CFN, the interest income can be used in a number of ways:

1. Interest income is most commonly used to offset a future General Fund debt service payment for the project. The agency would need to work with CFN to request additional Other Fund Debt Service limitation to use the interest income on a debt service payment.
2. Interest income can be used to pay arbitrage rebate owed to the IRS. If the percent of interest earned on the bond proceeds is higher than the arbitrage yield of the bonds, it may lead to an arbitrage rebate payment being made to the IRS. If a rebate payment is due to the IRS, the agencies will need to pay it. Interest on the project should not be used until the project is complete so that it's available to use for the rebate payment.
3. Under special circumstances the legislature can approve the interest income to be used as additional Costs of the Project. Interest income must follow the same rules in the IAA as the bond proceeds. The agency would need to request additional Other Fund limitation to use the interest income on the project.

6. Accounting for XI-Q Bond Debt Service and Outstanding Debt

Accounting for debt service of XI-Q bonds is done at the agency level. Each agency is responsible for recording both principal and interest expenditures associated with the repayment of the bond obligations that were issued. During the biennial budget process, each agency that requested XI-Q bonds be issued to finance a project, should receive either General Fund appropriation or limitation to spend Other or Federal Funds to pay back the debt (principal and interest) owed to bondholders.

On a semi-annual basis, agencies will send the Department of Administrative Services (DAS), Capital Finance (CFN) Section, their portion of debt service owed on outstanding bonds 15 days prior to the day that the payment is due to the bondholders (due date is May 1 and November 1). This will provide CFN with enough time to verify the full amount of funds are available, send them to the Oregon State Treasury (OST), and for OST to send the funds to the State's fiscal agent, who will pay the bondholders. Along with sending the debt service to CFN, the agency will need to record any bond adjustments and the reduction of bonds payable in the Statewide Financial Management System (SFMS).

6.1 Semi-annual Invoice Process

After bonds are issued, every 6 months (February & August) for the life of the bond, DAS will send each agency a debt service spreadsheet to review. The spreadsheet will include all bonds that have been issued for that agency and will consist of the current amount of principal (paid annually) and interest (paid semi-annually) due to the bondholders, as well as any adjustments available to use against the debt service payment. Adjustments could include, but are not limited to, interest earned, unspent project funds, unspent cost of issuance and federal subsidy. If there are adjustments included, the spreadsheet will identify what treasury account the adjustments should be paid from. When the agency has an adjustment available, they must also have the appropriate Other or Federal Fund limitation available to use the adjustment. If limitation is not available, the agency must work with the Capital Finance Coordinator (Coordinator) to have it requested at the next legislative session.

If DAS and the agency agree on the amounts in the spreadsheet, and the agency has the appropriate Other or Federal Fund debt service limitation to use the adjustments, an invoice will be created and sent to them to pay their portion of the semi-annual debt service by the 15th of April & October (the Public Universities & HECC have a slightly different timeline). The debt service payment is due to the fiscal agent by May 1 and November 1. If the agency does not agree with the amounts on the spreadsheet, they will contact the Coordinator to resolve any discrepancies.

6.2 Recording of Debt Service Expenditures

When an agency is ready to make their debt service payment, they will send the gross amount owed to DAS from the appropriate treasury account(s) and fund type, via a transfer in SFMS using transaction code (TC) 760 and 761. The agency will also reduce the bond payable liability by the amount of the principal payment.

For more information regarding the recording of a debt service payment, see the Oregon Accounting Manual OAM) on the Statewide Accounting and Reporting Services (SARS) website (<http://www.oregon.gov/das/Financial/Acctng/Pages/OAM.aspx>) or contact your SARS analyst.

For a complete list of bonding comptroller codes and appropriated funds, see Example N in Appendix A. For a complete list of bonding transaction codes, see Example O in Appendix A.

6.2.1 Recording Debt Service Payment

To record the debt service payment to DAS, the agency will use TC 760 and 761. The correct appropriation number should be used depending on whether the agency is paying with General Fund, Other Funds or Federal Funds. The principal amount should be paid with comptroller object (c/o) code 7100 and the interest should be paid with c/o code 7250.

Debt Service Payment Example:

TC 760: To record agency side of debt service payment in a governmental fund.

DR 3500 Exp Control – Cash (c/o 7100 Principal)	2,775,000
CR 0070 Cash w/Treasury	2,775,000
DR 3500 Exp Control – Cash (c/o 7250 Interest)	203,650
CR 0070 Cash w/Treasury	203,650

TC 761: To record DAS' side of debt service payment in a governmental fund.

DR 0070 Cash w/Treasury	2,775,000
CR 0501 A/R – Billed	2,775,000
DR 0070 Cash w/Treasury	203,650
CR 0501 A/R – Billed	203,650

6.2.2 Reducing Debt for Principal Paid

After the debt service payment has been made to DAS, the agency will need to reduce its bond payable liability by the principal amount paid. To record the liability reduction, the agency will use TC 528.

Reducing Bond Liability Example:

TC 528: To record the bond liability reduction in a government-wide reporting fund.

DR GL 1714 Bonds Payable NC	2,775,000
CR GL 3600 GAAP Expend Offset (c/o 7100 Principal)	2,775,000

6.2.3 Amortization of Original Issue Premium and Discount

Agencies must amortize original issue premiums and discounts over the life of the debt issue using a systematic and rational method. Agencies record amortization in the same fund that reports the discount or premium. See OAM 15.65.10 for additional information.

Amortizing Original Issue Premium Example:

TC 523: To amortize original issue premium.

DR GL 1713 Premium on Bonds Sold	2,500	
CR GL 3600 GAAP Expend Offset (c/o 7450 Amort Disc/Prem on Bonds)		2,500

7. XI-Q Bond Project Closeout Activities

When an agency has used all their bond proceeds or has completed their project, whichever comes first, there are several steps that should occur shortly thereafter. This chapter discusses each of the activities below.

- Completion Certificate
- Excess Unspent Project Bond Proceeds Usage
- Closing Treasury Accounts
- Fund Allocation Reporting

7.1 Completion Certificate

Within 30 days after project completion, or when all bond proceeds have been used, even if the project isn't complete, a Completion Certificate (IAA Exhibit G in Appendix A) needs to be completed and submitted to the Department of Administrative Services Capital Finance (CFN) Section Analyst (Analyst). The Completion Certificate certifies that the agency has used all the XI-Q Bond proceeds needed to pay for the costs of the project and in accordance with the terms and conditions of the interagency agreement (IAA). If there are unspent proceeds remaining in the project account, the Analyst will collaborate with Bond Counsel, the agency, and possibly the Legislative Fiscal Office, to determine the most appropriate use of the excess proceeds, as described in the Completion Certificate.

The Completion Certificate also provides the agency with an estimate of what the bond fees (i.e., fiscal agent fees, trustee fees and Treasury fees) will be throughout the remaining term of the IAA. These fees are estimated at \$3,000/year per bond issuance. The agency will want to make sure these fees are included in their budgets at the beginning of each biennium.

7.2 Excess Unspent Project Bond Proceeds Usage

After project completion, if there are bond proceeds remaining in the project account, the agency needs to let the Analyst know so they can collaboratively work with Bond Counsel, the agency, and possibly the Legislative Fiscal Office, to determine the most appropriate use of the excess proceeds. Per the IAA and ORS 286A.818 (5), below are the options to which the excess bond proceeds may be used.

- Allocate and transfer to other project funds to be used for another legislatively authorized XI-Q bond funded project,
- Transfer to the applicable Bond Fund, which is dedicated to pay principal and interest on the bonds for that issuance, or
- Transfer to the Bond Administration Fund, which is used to cover additional costs incurred by CFN, including but not limited to, rebate due to the federal government or fees related to the bonds.

Once a decision is made on how the excess funds will be spent, the Analyst and the agency will work together to transfer the funds to the applicable treasury account, or set up a new account, as appropriate.

7.3 Closing Treasury Accounts

After the bond proceeds for the project have been spent, or the unspent proceeds have been transferred to another account, the agency should close down the treasury project account. This will save them \$11 per month for the account and avoid additional earned interest. CFN cannot shut down these accounts because they are owned by the agency. CFN is only a secondary owner, which allows view access only.

7.4 Fund Allocation Reporting

After a tax-exempt project is completed, and the treasury account has been closed, the Analyst will send the agency a copy of the Fund Allocation Report (Example F in Appendix A). The report provides information on how much tax-exempt bond funding was used on the project, as well as other funding sources. The agency may adjust its funding allocation in relation to the costs of the project for up to 18 months after the completion of the project. The agency needs to complete the Fund Allocation Report and submit it to the Analyst no later than 90 days after the 18-month deadline (Universities also provide this information to the Analyst through a Bond Funding Report within the 18-month deadline).

The allocation report should show if the project was a mixed-use project (financed with multiple funding sources, including tax-exempt bonds), includes qualified equity (monies other than tax-exempt bond proceeds), and was part of a common plan of finance (all the financing must fall within the Equity Envelope). The Equity Envelope is the timeframe in which the financing must be paid within to be considered part of a common plan of finance. The timing requirements include: 18 months from the expenditure date; 18 months from the placed in-service date of the project; and subject to an overall time limit that expenditures paid more than 3 years from the date of the bond issue are not eligible for reimbursement.

The allocation report will be used to help determine how much qualified equity is included in the bond-financed asset, as well as for future IRS audits, should they occur. Qualified equity in a project is the amount of other funding sources used to pay for the project. The more qualified equity there is, the more Private Business Use (PBU) (see PBU definition in section 8.3) can be allowed for the asset. When determining PBU for tax-exempt bonds, the amount of PBU is offset by the amount of qualified equity first and then the remaining PBU is calculated against the bond proceeds used to finance the asset.

8. On-going Agency XI-Q Bond-Related Responsibilities

After a tax-exempt bond has been issued, the State has an obligation to the Internal Revenue Service (IRS) and the bondholders to comply with Post-Issuance Compliance Regulations. Some of the compliance tasks that the agencies are responsible for include: making timely debt service payments to the Department of Administrative Services (DAS) so the bondholders can be paid by the due date, using the asset for government purposes as intended, minimizing Private Business Use of the asset, retaining all bond-related records, and ensuring payment of various fees as they are incurred throughout the life of the bond. Each of these tasks are described in more detail below.

8.1 Debt Service Payments

After bonds are issued, the State must pay the bondholders interest on the bonds on a semi-annual basis, as well as a portion of the principal on an annual basis. During the budget process in chapter 2, the legislature will give the agencies either General Fund Appropriation or limitation to spend Federal or Other Funds to pay for the debt service owed to the bondholders during the current biennium.

Every 6 months (February & August), for the life of the bond, the Capital Finance (CFN) Section Coordinator (Coordinator) will send each agency a debt service spreadsheet, including all bonds that have been issued for the agency's projects, for review. If the Coordinator and the agency are in agreement, an invoice will be created and sent to them to pay for their portion of the semi-annual debt service due by the 15th of April & October (the Public Universities & HECC have a slightly different timeline). See chapter 6 for more detail on how to make a debt service payment.

8.2 Annual Changes in Use Survey

As outlined in the interagency agreement, no change in use, sale, lease or other transfer of a bond-financed asset should occur while bonds are outstanding without prior authorization. The Change in Use survey is designed to document any changes in use to the asset since the bonds were sold.

The survey will be used by CFN to gather information from each agency with tax-exempt bond-financed assets. The survey is a set of questions related to how the asset is being used, if that use is different than how it was originally intended to be used, and if any Private Business Use (see definition in section 8.3 below), such as leases or contracts of the asset with non-governmental entities, is occurring. The Internal Revenue Code restricts use of assets financed with tax-exempt bonds to governmental purposes only, with minimal amounts of allowed Private Business Use. The information from this survey will help CFN ensure that the State is in compliance with the Internal Revenue Code and the bonds can retain their tax-exempt status.

8.3 Definition of "Private Business Use" & "Private Person"

Per IRS regulations (US Code of Federal Regulations, Title 26, Chapter 1, Part 1, Section 1.141), 90 to 95% of Government Bond proceeds must be used for governmental purposes and only 5 to 10% can be used for Private Business Use.

Private Business Use is the use of a portion or all the bond-financed asset by a Private Person (see definition below) if such use is other than as a member of the general public. Private Business Use can include ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management contract, operating agreement, service or incentive payment contract, output contract, research contract, naming rights contract or other special arrangements) in such a manner as to set the Private Person apart from the general public. Use by employees of the State solely in their capacity as employees ordinarily will not be considered Private Business Use.

A Private Person is any person or entity other than a state or local governmental unit or an individual not acting in a trade or business, including the Federal Government, for-profit and non-profit organizations, and individuals who are acting in a trade or business capacity.

8.4 Record Retention Requirements

For all tax-exempt bond-financed assets, the agency needs to maintain copies of invoices, contracts, leases and any other records demonstrating the expenditure of the bond proceeds and the uses of the project for a period ending not earlier than three years after the final maturity date of the original bonds or refunding bonds. These documents will be needed if an IRS audit is conducted on the bonds.

Examples of documents to retain:

- Bond reimbursement requests
- Requisitions, draw schedules, draw requests, invoices, bills and documents that relate to how the bond proceeds were spent
- Leases that relate to the use of the financed assets
- Management Contracts that relate to the use of the financed assets
- Service Contracts that relate to the use of the financed assets
- Construction Contracts that relate to the use of the financed assets
- Sponsored Research agreements that relate to the use of the financed assets
- Any other contracts that relate to the use of the financed assets
- Private Business Use that relates to the use of the financed assets
- Records regarding the purchases or sales of bond financed assets

8.5 Costs to Expect in Future Years

After bonds are issued, there are various fees that occur over the life of the bonds. The fees are related to the bonding of agency assets, so they will be paid by CFN as part of the program administrator duties and then an allocable share of the costs will be billed back to the agencies with assets related to the bonds. These fees will be billed to the agencies as they are received. The agencies will take all necessary steps to provide funds and budget authority to pay for bond related fees, including, but not limited to, fiscal agent fees, arbitrage calculation fees and an assessment from the Oregon State Treasury (OST) Debt Management Division throughout the life of the bonds. For purposes of developing future biennial budget requests, the bond related fees (excluding OST fees) are estimated

at approximately \$3,000/year per bond issuance. OST fees will be based on the price list for OST assessments.

9. XI-Q Bond Fiscal Year End Entries and Disclosure Considerations

At the end of each State fiscal year (June 30) every agency that has outstanding general obligation bonds will need to record year-end entries into the Statewide Financial Management System (SFMS) and disclose several items for inclusion in the State's Annual Comprehensive Financial Report (ACFR). Below is a detailed list of the year-end entries and disclosures each agency will need to complete related to general obligation bonds.

9.1 Year-End Entries

At fiscal year-end, each agency must record XI-Q bond information in SFMS, so the information can be properly contained within the State's audited ACFR. The fiscal year information needing to be recorded includes: Interest Payable, Current Principal, and Arbitrage Rebate Liability and Payments.

For detailed information regarding year-end entries, see the Oregon Accounting Manual (OAM) 15.65.10 and 15.65.20 on the Statewide Accounting and Reporting Services (SARS) website (<http://www.oregon.gov/das/Financial/Acctng/Pages/OAM.aspx>) or contact your SARS analyst.

For a complete list of bonding comptroller codes and appropriated funds, see Example M in Appendix A. For a complete list of bonding transaction codes, see Example N in Appendix A.

9.1.1 Interest Payable Accrual

Per OAM 15.65.10, agencies must record an accrual for interest payable as of June 30. This interest payable is equal to the amount of interest attributable to the period beginning the day after the last interest payment through June 30.

9.1.2 Principal Noncurrent vs Current

Per OAM 15.65.10, for financial reporting purposes, agencies must report the principal due within one year separately from the long-term debt in both the government-wide reporting fund and proprietary funds.

9.1.3 Arbitrage Liability

Per OAM 15.65.20, agencies must record arbitrage rebate liabilities and payments made to the Internal Revenue Service (IRS) as of June 30, if they have not done so throughout the year. If an arbitrage rebate payment is paid during the year, the Department of Administrative Services (DAS) Capital Finance (CFN) Section will work with the agencies that owe the rebate to determine the amount that needs to be transferred to CFN. Also, after June 30th, but before year end closing, CFN will provide agencies with the arbitrage rebate liability information, if there is any, that needs to be recorded.

9.2 Year-End Disclosures

At fiscal year-end, each agency must provide XI-Q bond information to the SARS unit within DAS, so the information can be disclosed in the State's audited ACFR. The fiscal year-end information needed by SARS includes: Arbitrage Rebate Liability amounts, Changes to Outstanding Debt, Debt Repayment Schedules, Debt Refunding information, Defeased Debt balances, Restricted Cash and Cash Equivalent balances, and Outstanding Debt Related to Capital Assets. Below is information related to each required disclosure.

Disclosure forms can be found on the SARS website (<http://www.oregon.gov/das/Financial/Acctng/Pages/Disc.aspx>).

For more information regarding disclosures, see the disclosure examples and Long-Term Debt training PDF on the SARS website (<http://www.oregon.gov/das/Financial/Acctng/Pages/Yr-end-clc.aspx> and <http://www.oregon.gov/das/Financial/Acctng/Pages/Training.aspx>) or contact your SARS analyst.

9.2.1 Debt Disclosure A-D (D. Arbitrage Rebate Liability)

Complete Debt Disclosure D if any arbitrage rebate has been paid or if there is any rebate amounts that are due but not yet payable to the IRS during the current fiscal year. The information needed for this disclosure includes: who performed the rebate calculations, how much rebate was paid during the fiscal year and how much rebate will be due within the next fiscal year. This information will be provided by the CFN Analyst during year-end closing.

9.2.2 Debt Disclosure 2a (General Obligation Bonds – Changes in Outstanding Debt)

Complete Debt Disclosure Form 2 (General Obligation Bonds), section 2a (General Obligation Bonds – Changes in Outstanding Debt), if there have been any changes to the agency's outstanding XI-Q bonds, such as new bonds sold or debt service payments made, during the fiscal year. The information needed for this disclosure includes: fund type, project description(s), and principal amount adjustments. The principal balance at the end of the fiscal year should match to the principal balance showing in the Debt Repayment Schedule on Debt Disclosure 2b (see section 9.2.3 below).

9.2.3 Debt Disclosure 2b (General Obligation Bonds – Debt Repayment Schedule)

Debt Disclosure Form 2b requires the agency to report their XI-Q debt repayment schedules by fund type (Government-wide Reporting Fund, Enterprise Fund, Internal Service Fund, or Pension and Other Employee Benefit Trust Fund). The information needed for this disclosure includes the fund type and debt repayment schedule. The principal balance should match the ending principal balance on Debt Disclosure 2a (see section 9.2.2 above).

9.2.4 Debt Disclosure 8 (Advance or Current Refundings of Debt)

At fiscal year-end, each agency that had an advance or current refunding during the fiscal year must disclose information related to the refunding on Debt Disclosure 8. When an XI-Q refunding occurs, the CFN Coordinator (Coordinator) will send each agency affected a packet of documents that should answer the questions in Debt Disclosure 8. The information needed for this disclosure includes: GAAP fund, new debt information, and refunded debt information. See Example G & I in Appendix A for an example of the refunding memo and savings summary provided by the Coordinator.

9.2.5 Debt Disclosure 9 (Defeased Debt)

If an agency has any outstanding defeased XI-Q debt as of June 30, they are required to fill out Debt Disclosure 9. The information needed for this disclosure includes: New refunding series, old refunded series, type of debt refunded, redemption date and outstanding principal amount. This information will be provided by the Coordinator during year end closing. See Example K in Appendix A for an example of the defeased debt summary provided by the Coordinator.

9.2.6 General Disclosure 2 (Restricted Cash and Cash Equivalent)

Restricted cash and investments result when the use of specific cash and investments is subject to externally imposed constraints that change the nature or normal understanding of the availability of those assets. Normally, restricted cash and investments consist of amounts set aside as part of a long-term debt agreement (i.e. bond indenture, COP financing agreement) or customer deposits. Generally Accepted Accounting Principles (GAAP) require that restricted cash and investments be reported separately on the government-wide statement of net position or proprietary funds statement of net position.

Complete year-end General Disclosure Form 2 (Restricted Cash and Investments), per OAM 15.10.00, if your agency has XI-Q restricted cash and cash equivalents that are in the State Treasury. Restricted cash should remain classified under general ledger account 0070, Cash in State Treasury, to ensure proper cash control. SARS will reclassify these amounts to restricted cash and cash equivalents during the compilation process.

9.2.7 General Disclosure 8 (Outstanding Debt Related to Capital Assets)

General Disclosure Form 8 requires the agency to report all of their outstanding debt related to capital assets as of June 30. This disclosure will be used by SARS to determine the amount of debt issued to purchase or construct capital assets. The information needed for this disclosure includes: GAAP fund, GL account, type of debt, capital-related debt outstanding, and the amount capitalized to-date for a partially completed project. Do not include any outstanding debt for projects with no capital expenditures to-date (construction has not yet begun).

9.3 Reporting Due From and Advances to Component Units

Under the Debt Management Agreement and loan agreements, public universities owe repayments on XI-Q bonds to the State. For financial reporting purposes, the public universities are reported as “component units” of the State. Therefore, the State needs to report a receivable for the amount public universities owe to the State, and public universities need to report a corresponding payable.

Under GAAP, the short-term portion (due within one year) is reported by HECC as Due from Component Units, and the long-term portion is reported as Advances to Component Units. If HECC has not been adjusting the balance in these accounts during the year, the balances should be adjusted and reported accurately at fiscal year-end. In order to ensure that public universities report the same amount, HECC should coordinate with each public university to confirm the outstanding balance at June 30 of each year.

The GAAP requirements for accounting and financial reporting, including example transactions, are outlined in OAM policy 15.51.00, Outstanding Balances with Component Units. HECC should use this guidance to ensure the amounts owed by component units are properly reported.

OHSU is also a component unit of the State; therefore, the requirements noted above also apply to amounts OHSU owes in relation to XI-Q bonds.

ARTICLE XI-Q GENERAL OBLIGATION BONDS

FINANCING CAPITAL ASSETS

APPENDIX A

<u>Example A:</u>	Tax-Exempt Interagency Agreement Template
<u>IAA Exhibit A:</u>	Project Description/Budget
<u>IAA Exhibit B:</u>	Project Spending Plan
<u>IAA Exhibit C:</u>	Bond Transaction Information
<u>IAA Exhibit D:</u>	Debt Service Schedule
<u>IAA Exhibit E:</u>	Declaration of Intent to Reimburse
<u>IAA Exhibit F:</u>	Payment Request Form
<u>IAA Exhibit G:</u>	Completion Certificate
<u>Example B:</u>	Agency Intent Declaration Sample Letter
<u>Example C:</u>	Spending Plan Template
<u>Example D:</u>	Private Business Use Questionnaire
<u>Example E:</u>	Disbursement Invoice Summary
<u>Example F:</u>	Fund Allocation Report
<u>Example G:</u>	Refunding Documents – Interagency Memo
<u>Example H:</u>	Refunding Documents – Source & Use Statement
<u>Example I:</u>	Refunding Documents – Savings Summary
<u>Example J:</u>	Refunding Documents – New Debt Service Schedules
<u>Example K:</u>	Refunding Documents – SABRS Summary
<u>Example L:</u>	Defeased Debt Disclosure Summary
<u>Example M:</u>	ORBITS Budget Bonding Codes
<u>Example N:</u>	SFMS Bonding Codes
<u>Example O:</u>	SFMS Transaction Codes

EXAMPLE A

Tax-Exempt Interagency Agreement Template

INTERAGENCY AGREEMENT RELATING TO FINANCING CAPITAL ASSETS THROUGH THE DEPARTMENT OF ADMINISTRATIVE SERVICES (Article XI-Q General Obligation Bonds)

This Interagency Agreement is entered into between the Oregon Department of Administrative Services (DAS) and the «Project_Agency» (the “Project Agency”) and shall be effective on the date executed by both parties. This Agreement includes the following exhibits, incorporated into and made a part of this Agreement:

[Exhibit A](#): Project Description & Budget

[Exhibit B](#): Spending Plan

[Exhibit C](#): Bond Transaction Information

[Exhibit D](#): Debt Service Schedule

[Exhibit E](#): Declaration of Intent to Reimburse (if applicable)

[Exhibit F](#): Payment Request Form

[Exhibit G](#): Completion Certificate Form

SECTION 1 - DEFINITIONS

Capitalized terms used in this Agreement shall have the meanings defined for such terms in this section, unless the context clearly requires otherwise.

“Act” means Article XI-Q of the Oregon Constitution and Oregon Revised Statutes Chapter 286A, together with «Enacting_Legislation».

“Arbitrage Rebate” means any profit gained from investing bond proceeds at a yield above the bond yield will be returned to the Federal Government. The arbitrage earning limit for this Project is «arbitrage_rate»%.

“Bond Counsel” means a law firm that serves as bond counsel to DAS and that is selected by DAS because it has knowledge and expertise in the field of municipal law and issues opinions that are generally accepted by purchasers of municipal bonds.

“Bonds” means the State of Oregon General Obligation Bonds (Article XI-Q State Projects) «Bond_Year_Series» Bonds (Tax-Exempt) issued pursuant to the Act for real or personal property that is or will be owned or operated by the State of Oregon, and any bonds or other obligations subsequently issued by the State of Oregon to refinance such bonds.

“Code” means the Internal Revenue Code of 1986, as amended, including any implementing regulations and any administrative or judicial interpretations.

“Costs of the Project” means Project Agency’s actual costs of the Project to the extent those costs comply with each of (a) through (f), below. Costs of the Project must be:

- (a) reasonable, necessary and directly related to the Project;
- (b) one of the following:
 - (i) costs permitted by generally accepted accounting principles established by the Governmental Accounting Standards Board, as reasonably interpreted by DAS, to be capitalized to an asset that is part of the Project;
 - (ii) costs for abatement and pollution remediation to the extent required by law, as reviewed and approved by Bond Counsel, to complete the Project even though such costs may or may not be permitted by generally accepted accounting principles to be capitalized to an asset; or
 - (iii) costs for demolition of facilities to the extent required to complete the Project, but is not the entire Project, even though such costs may or may not be permitted by generally accepted accounting principles to be capitalized to an asset;
- (c) capital expenditures for federal income tax purposes within the meaning of Section 1.150-1(b) of the Code;
- (d) eligible or permitted uses under the Act and this Agreement, including Section 7;
- (e) not Project Agency Indirect Costs or administrative costs incurred in connection with the Project if such costs are not allowed by generally accepted accounting principles to be capitalized to the asset being financed; and
- (f) not internal costs charged to the Project by the Project Agency or payments made to Related Parties, including State agencies, except to the extent that those costs represent out-of-pocket payments to or for the benefit of unrelated parties, such as employees of the State, made or to be made no later than five business days after the date on which proceeds of Bonds are allocated to such expenditures.

“Date of Issuance” means the date the State Treasurer, at the request of DAS, issued the Bonds. For the purposes of this Agreement, this date was «Bond_issuance_date».

“Indirect Costs” means costs that cannot be directly attributable to the Project as they benefit multiple projects.

“Official Declaration of Intent” means an issuer’s declaration of intent to reimburse an Original Expenditure with proceeds of an obligation.

“Original Expenditure” means an expenditure for a governmental purpose that is originally paid from a source other than proceeds of the Bonds and before the Date of Issuance.

“Preliminary Expenditures” means, in relation to Section 7 (Reimbursement of Pre-Issuance Expenditures), costs such as architectural, engineering, surveying, soil testing, and similar costs that, in the aggregate, are not in excess of 20% of the project issuance amount. Costs of land acquisition, site preparation and similar costs incident to commencement of construction are not Preliminary Expenditures.

“Private Person” means any person or entity other than a state or local governmental unit or an individual not acting in a trade or business. Accordingly, a Private Person would include the federal government, for-profit organizations, non-profit organizations, and individuals who are acting in a trade or business capacity.

“Private Use” means, subject to certain exceptions, the use of a portion or all of the Project by a Private Person if such use is other than as a member of the general public. Private Use can include ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management contract, service or incentive payment contract, output contract, naming rights contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use by employees of the Project Agency solely in their capacity as employees ordinarily will not be considered Private Use.

“Project” means the project described in Exhibit A.

“Project Agency” means the agency authorized by the Legislature to acquire or construct the Project.

“Proceed Expenditure Deadline” means 36 months after the Date of Issuance of the Bonds issued to fund the Costs of the Project.

“Related Parties” means, in reference to governmental units or 501(c)(3) organizations, members of the same controlled group within the meaning of Section 1.150-1(e) of the Code, and in reference to any person that is not a governmental unit or a 501(c)(3) organization, a related person as defined in Section 144(a)(3) of the Code.

“Spending Plan” means the anticipated rate of spending of the Bond proceeds as described in Exhibit B.

SECTION 2 - RECITALS

- A. Bond Issuance. The Act authorizes DAS to request the State Treasurer to issue general obligation bonds to finance the costs of acquiring, constructing, remodeling, repairing, equipping or furnishing real or personal property that is or will be owned or operated by the State of Oregon and infrastructure related to such real or personal property.
- B. Project Agency Financing. Under ORS 286A.816 through 286A.826 and OAR Chapter 122, Division 075, DAS has established procedures under which state agencies may request projects to be financed with Article XI-Q bonds, and DAS may bill those agencies for the costs of financing the project(s), including debt service payments.

SECTION 3 – REPRESENTATIONS OF PROJECT AGENCY

The Project Agency represents and warrants to DAS the following matters:

- A. Project Cost. A reasonable estimate of the Costs of the Project, and any sources of funding in addition to the Bond proceeds expected to be used to pay Costs of the Project, are shown in Exhibit A.
- B. Spending Plan. The Project Agency represents that the Spending Plan summarized in Exhibit B is an accurate and realistic estimate of the Agency’s expectations regarding spending the

proceeds of the Bonds. As demonstrated by the Spending Plan, the Project Agency reasonably expects to spend all bond proceeds by the Proceed Expenditure Deadline.

- C. Current Budget Authority. Project Agency has been granted authority by the Legislature to acquire or construct the Project. The agency certifies the budget authority amount given is sufficient for the payment of costs associated with financing the Project and will permit it to pay the debt service and other costs related to the Bonds during the current biennium.
- D. Future Budget Authority. For all subsequent biennia, the Project Agency will take all steps necessary to ensure that its budget request contains a line item for debt service and other charges associated with the financing. These steps shall include all reasonable assistance to DAS to ensure such amounts are included in the Governor's budget request to the Legislative Assembly pursuant to ORS 286A.826.
- E. Useful Life. The Project has an estimated useful life of at least «useful_life» and is for an essential governmental purpose.
- F. Records Retention. DAS expects the tax-exempt bonds financing some of the various projects in this financing to be outstanding until the maturity date of «maturity_date». The Project Agency will maintain copies of invoices, construction contracts and any other records demonstrating the expenditure of the Bond proceeds and the uses of the Project for a period ending not earlier than three years after the maturity date of the Bonds and any refunding bonds.
- G. Public Bidding Procurements. As of the date of this Agreement, with respect to those components of the Project for which all competitive contractor selection procedures have been completed, all public bidding requirements applicable to the Project have been complied with, and all time periods in which a challenge to the contractor selection process reasonably could be asserted have expired. With respect to those components of the Project for which the contractor selection procedures have not been completed, the Project Agency will use its best good faith efforts to conduct the respective procurement processes in compliance with all applicable public bidding requirements.
- H. Reporting Requirements. Project Agency will comply with Internal Revenue Service requirements for Form 1099-MISC reporting. Project Agency is responsible for maintaining procedures to meet its federal information return requirements for payments made using proceeds from the sale of the Bonds. The 1099-MISC reporting OAM policy 50.50.00.PO can be reviewed on the DAS, Chief Financial Office webpage at <http://www.oregon.gov/das/Financial/Acctng/Documents/50.50.00.po.pdf>.
- I. Working Capital. None of the proceeds of the Bonds will be used to pay working capital expenditures. Working capital expenditures include current operating expenses and other expenditures which would not be treated as capital expenditures for federal income tax purposes within the meaning of Section 1.150-1(b) of the Code, but do not include the costs of issuance of the Bonds.

SECTION 4 – RESTRICTIONS ON USE OF PROCEEDS AND THE PROJECT

In order to finance the Project at the lowest possible interest rate, DAS intends to finance the Project through the issuance of the Bonds, the interest on which is excludable from gross income under the Code. In order to maintain the tax-exempt status of the Bonds, the Project and its use will be subject to substantial restrictions. The Project Agency represents and agrees that:

- A. Proceeds Usage. The Bond proceeds will only be used to pay the Costs of the Project (i.e. costs will be capitalized to the project as permitted by GAAP, excluding the exceptions noted in the definition of Costs of the Project, and are not Related Party or Indirect Costs).
- B. Project Changes. The Project Agency shall not change the use of the Project, or alter its design, structure, or configuration in any way inconsistent with the Project Agency's currently approved plan, without first requesting and receiving the written consent of DAS.
- C. Project Ownership. The Project will not be leased, subleased, sold, or otherwise transferred without the prior written consent of DAS.
- D. Private Use. The Project Agency will not permit any of the Project to be used for Private Use by a Private Person. The Project will only be used by the State of Oregon, and its agents for authorized government purposes, unless it obtains the prior written consent of DAS.
- E. Compliance. The Project Agency will comply with all requirements subsequently imposed by DAS on the use of the Project in order to protect the tax-exempt, subsidy or other low cost status of the financing.
- F. Completion Certificate. The Completion Certificate included as Exhibit G hereto shall be executed by the Project Agency by the Proceed Expenditure Deadline or upon substantial completion or acquisition of all the Project, whichever occurs first.
- G. Allocation Report. The Project Agency may adjust its funding allocation in relation to the Costs of the Project for up to 18 months after the completion of the Project. The Project Agency shall submit a report of the final Project funding allocation to DAS no later than 90 days after the 18 month deadline. A template of the allocation report will be made available to the Project Agency upon the completion of the Project.
- H. Compliance with Post Issuance Compliance Procedures. The Project Agency acknowledges that DAS has adopted certain post issuance compliance procedures to further compliance with the federal tax requirements applicable to the Bonds. The Project Agency will comply with all questionnaires or other requests from DAS for information regarding the Project, including the uses of the Project during the term of the Bonds.

SECTION 5 – BOND RELATED PAYMENTS

The Project Agency will abide by the following payment requirements:

- A. Debt Service Payments. Project Agency will make payments to DAS through periodic invoices sent to the Project Agency by DAS for payment of debt service in accordance with the Debt Service Schedule in Exhibit D.
- B. Other Costs. Project Agency will pay an allocable share of the on-going costs of DAS in carrying out its administrative responsibilities under the Act which include, but are not limited to, disbursement agent fees, fiscal agent fees, arbitrage rebate computation fees and other costs in connection with the bonds.
- C. Arbitrage Rebate. The Project Agency will pay any Arbitrage Rebate determined to be due and payable to the IRS as calculated by DAS or its designee.

SECTION 6 – MANAGEMENT OF BOND PROCEEDS

After the Date of Issuance, DAS and Project Agency will manage the Bond proceeds. Below are the responsibilities of each agency.

- A. DAS Responsibilities:
 - a. Deposit. DAS will ensure the bond sale proceeds are deposited into a segregated project account at Oregon State Treasury (OST).
 - b. Disbursement. Upon review and approval of the Project Agency's Payment Request Form and supporting documentation for the Costs of the Project, DAS will provide an official approval to the Project Agency to draw down funds from their OST account #«acct_» to pay their vendor(s) or reimburse themselves for payments previously made with other funding sources.
 - c. Management. DAS and the Project Agency will jointly manage the Bond proceeds until they are disbursed to pay the Costs of the Project.
 - d. Arbitrage. DAS, or its designee, will calculate the Arbitrage Rebate while the proceeds are held pending disbursement.
- B. Project Agency Responsibilities:
 - a. Cost of Issuance. The cost of issuance amount included in Exhibit C will be deposited into the Project Agency's project account #«acct_» at OST. DAS will send an invoice to the Project Agency shortly after the Bond sale has closed to request the cost of issuance funds, as these costs will be paid by DAS.
 - b. Bond Transaction. Project Agency will record the Bond transaction amounts associated with the Bond issuance as provided in Exhibit C. The costs of issuance expenditures will be recorded when the invoice in section 6(B)(a) is paid.
 - c. Bond Proceeds. Project Agency will work diligently to complete the Project and spend all bond proceeds by the Proceed Expenditure Deadline. Project Agency will make diligent efforts to spend the bond proceeds in accordance with the Spending Plan. In the event Project Agency fails to spend all bond proceeds by the Proceed Expenditure

- Deadline, the Project Agency may request an extension of such deadline from DAS. Such request must be made in writing and include (i) an explanation of the facts or circumstances that changed after the date of this Agreement such that the Project Agency was unable to fully spend the bond proceeds in accordance with its Spending Plan, and (ii) a revised Spending Plan demonstrating the expected expenditure of the remaining bond proceeds.
- d. Disbursement. Disbursement requests for approved Costs of the Project must be requested to be approved using the Payment Request Form provided in Exhibit F.
 - e. Access to Records. The Project Agency agrees to provide DAS access to data regarding account transactions, including treasury statements, to ensure DAS or its designee has adequate data to compute yield restriction and/or arbitrage rebate liability.
 - f. Management. DAS and the Project Agency will jointly manage the Bond proceeds until they are disbursed to pay the Costs of the Project.

SECTION 7 – REIMBURSEMENT OF PRE-ISSUANCE EXPENDITURES

- A. Authorized Reimbursement. Proceeds of the Bonds cannot be used for Costs of the Project that were paid more than 60 days before the earlier of the following two dates:
 - a. The Date of Issuance of the Bonds; or
 - b. The date on which an Official Declaration of Intent was executed by DAS.
- B. Reimbursement Period. Reimbursement must be made no later than 18 months after the later of:
 - a. The date the Original Expenditure is paid; or
 - b. The date the Project is placed into service. Also;
 - c. In NO event may the reimbursement be made more than 3 years after the date the Original Expenditure was paid.
- C. Official Declaration of Intent. If the Project Agency requested and DAS executed an Official Declaration of Intent prior to the Date of Issuance, a copy of the “Declaration of Official Intent to Reimburse Capital Costs” is attached as Exhibit E.
- D. Preliminary Expenditures. The use of proceeds of the Bonds to reimburse the Project Agency for Costs of the Project that are Preliminary Expenditures are not subject to the limitations described in this Section 7.

SECTION 8 – LIQUIDATED DAMAGES, PERFORMANCE BOND OR INSURANCE PAYMENTS

- A. The Project Agency will notify DAS of any moneys received pursuant to the terms of any agreement with a contractor which are intended to compensate for failures or defects in construction of the Project, including, but not limited to, liquidated damages or payments under a performance bond, or other acquisition or construction related guarantees. The Project Agency acknowledges that the uses of such moneys may be restricted by Oregon State law or federal tax law. The Project Agency will use any such moneys only as directed by DAS in writing.

- B. Project Agency may apply the proceeds of insurance received in the event of loss or damage to the Project to the repair or replacement of the Project. If the insurance proceeds are not used to repair or replace the Project, the proceeds must be submitted to DAS to be deposited in the Article XI-Q Bond Fund established in ORS 286A.820 and used for the payment of debt service.

SECTION 9 – TERMINATION

This Agreement shall remain in effect until the later of (1) the date that the Bonds, including any refunding bonds, are no longer outstanding; or (2) if there is any claim from the federal government for rebate or other amounts in connection with the Bonds, the date such claim is finally resolved or paid.

DATED this _____ day of _____ «Year».

Department of Administrative Services
Chief Financial Office

«Project_Agency»

By: _____

By: _____

Name: Rhonda Nelson

Name: _____

Title: Capital Finance Manager

Title: _____

IAA EXHIBIT A

Project Description

The «Project_Agency» will use the Bond proceeds to implement the «Project_Name» project, which is a «Project_Description»

Project Budget

«Project_Title» Project Budget - \$«Project_Budget»

IAA EXHIBIT B

Spending Plan

Reimbursement	-
Oct – Dec 2023	241,785
Jan – Mar 2024	267,898
Apr – Jun 2024	216,000
Jul – Sep 2024	548,304
Oct – Dec 2024	732,864
Jan – Mar 2025	909,696
Apr – Jun 2025	548,304
Jul – Sep 2025	548,304
Oct – Dec 2025	162,000
Jan – Mar 2026	209,472
Apr – Jun 2026	209,472
Jul – Sep 2026	779,136
Total	5,373,235

IAA EXHIBIT C

Bond Transaction Information

XI-Q Bonds Payable	4,685,000.00
Original Issue Premium	709,334.70

Project Funds	5,373,235.00
Underwriter's Discount	14,047.26
Costs of Issuance	7,052.44

Total	5,394,334.70	5,394,334.70
-------	--------------	--------------

XI-Q Bonds Series A Project Account Fund - Agency Projects (Funds held at OST)

Project Fund	5,373,235.00
--------------	--------------

Total	5,373,235.00
-------	--------------

Costs of Issuance Funds (Funds held at OST)

Underwriter's Discount	14,047.26
Costs of Issuance	7,052.44

Total	21,099.70
-------	-----------

True Interest Cost 3.050%

IAA EXHIBIT D

Debt Service Schedule				
Semi-annual Payments				
Date	Principal	Interest	Debt Service	Remaining Balance
11/01/2023	-	141,851.39	141,851.39	4,685,000.00
05/01/2024	215,000.00	117,125.00	332,125.00	4,470,000.00
11/01/2024	-	111,750.00	111,750.00	4,470,000.00
05/01/2025	230,000.00	111,750.00	341,750.00	4,240,000.00
11/01/2025	-	106,000.00	106,000.00	4,240,000.00
05/01/2026	240,000.00	106,000.00	346,000.00	4,000,000.00
11/01/2026	-	100,000.00	100,000.00	4,000,000.00
05/01/2027	250,000.00	100,000.00	350,000.00	3,750,000.00
11/01/2027	-	93,750.00	93,750.00	3,750,000.00
05/01/2028	265,000.00	93,750.00	358,750.00	3,485,000.00
11/01/2028	-	87,125.00	87,125.00	3,485,000.00
05/01/2029	280,000.00	87,125.00	367,125.00	3,205,000.00
11/01/2029	-	80,125.00	80,125.00	3,205,000.00
05/01/2030	290,000.00	80,125.00	370,125.00	2,915,000.00
11/01/2030	-	72,875.00	72,875.00	2,915,000.00
05/01/2031	305,000.00	72,875.00	377,875.00	2,610,000.00
11/01/2031	-	65,250.00	65,250.00	2,610,000.00
05/01/2032	320,000.00	65,250.00	385,250.00	2,290,000.00
11/01/2032	-	57,250.00	57,250.00	2,290,000.00
05/01/2033	335,000.00	57,250.00	392,250.00	1,955,000.00
11/01/2033	-	48,875.00	48,875.00	1,955,000.00
05/01/2034	355,000.00	48,875.00	403,875.00	1,600,000.00
11/01/2034	-	40,000.00	40,000.00	1,600,000.00
05/01/2035	370,000.00	40,000.00	410,000.00	1,230,000.00
11/01/2035	-	30,750.00	30,750.00	1,230,000.00
05/01/2036	390,000.00	30,750.00	420,750.00	840,000.00
11/01/2036	-	21,000.00	21,000.00	840,000.00
05/01/2037	410,000.00	21,000.00	431,000.00	430,000.00
11/01/2037	-	10,750.00	10,750.00	430,000.00
05/01/2038	430,000.00	10,750.00	440,750.00	-
Total	4,685,000.00	2,109,976.39	6,794,976.39	

IAA EXHIBIT E

Declaration of Intent to Reimburse

Declaration of Official Intent to Reimburse Capital Costs with Oregon Article XI-Q General Obligation Bonds

Declaration ###

2023-25 Biennium

Section 1. The Oregon Department of Administrative Services, Capital Finance & Planning Section (“DAS”) reasonably expects to issue Article XI-Q Bonds, by and through the Oregon State Treasury (the “Issuer”), authorized by ORS 286A.816 – 286A.826 and Oregon Laws Chapter 596, Section 1 (6)(d) (2023), on behalf of the [Agency Name] (the “Agency”) to finance expenditures related to capital costs of the [Project Title] project (the “Project”).

Section 2. The Issuer reasonably expects that the Agency may make certain expenditures on the Project prior to the issuance of the Article XI-Q Bonds and therefore makes this Declaration of Official Intent to Reimburse to preserve the ability of DAS to reimburse the Agency for such expenditures from the proceeds of the Article XI-Q Bonds.

Section 3. This Declaration of Official Intent to Reimburse is made pursuant to Section 1.150-2 of the Income Tax Regulations promulgated by the United States Department of the Treasury.

Section 4. The maximum principal amount of Article XI-Q Bonds expected to be issued for the Project is \$[total project PAR].

Adopted this [date] day of [month], [year]

Issuer: Oregon Department of Administrative Services
Capital Finance & Planning Section (CFPS)

CFPS Manager

IAA EXHIBIT F

Payment Request Form

Request Number 001*

TO: Oregon Department of Administrative Services, as Issuer of XI-Q Bonds 2023 Series A.

Please review and approve the disbursement(s) specified below along with the attached supporting documentation. Indicate in the DAS approval box below if the disbursement(s) are approved for payment.

Amount: \$

Project: «Project_Name»

Payee:

On behalf of the «Project_Agency», I hereby certify that all amounts listed above are allowed Costs of the Project as defined in the applicable Interagency Agreement (i.e. costs will be capitalized to the project as permitted by GAAP, excluding the exceptions noted in the definition of Costs of the Project, and are not Related Party or Indirect Costs) and are for the approved Project. I also certify that property to be paid for is free and clear of all liens and encumbrances.

If any of the request involves reimbursement of Original Expenditures as defined in the applicable Interagency Agreement, I certify this request is in compliance with the IRS timing requirements described in Section 7 of the applicable Interagency Agreement.

Dated this _____ day of _____ 20__.

STATE OF OREGON acting by and through its «Project_Agency»

By: _____
Authorized Signature

*All requests should be numbered sequentially for proper recording.

DAS Disbursement Approval:

☐ The payment request and related documentation has been reviewed by DAS Capital Finance and is approved for disbursement to vendor(s) or for agency reimbursement from account #10700-0####.

Reviewed and Approved by: _____ (Initials) **Date:** _____

IAA EXHIBIT G

Completion Certificate

On behalf of the «Project_Agency», I hereby certify that the XI-Q 2023 Series A Bond proceeds, as described in the Interagency Agreement between the Department of Administrative Services (DAS) and the «Project_Agency», were used to pay for all or a portion of the «Project_Name» Project in accordance with the terms and conditions in the Interagency Agreement and have now been either fully expended or are available for DAS to use as described below.

I also certify that all costs of acquiring, constructing, and installing the Project with the XI-Q 2023 Series A Bond proceeds have been determined and paid, or provisions have been made for payment.

Hence all of the remaining unspent funds in the 2023 Series A Project 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 requirements applicable to the Bonds. That rebate amount will be determined by DAS or its agent.
2. Any remaining allocable share of the costs to DAS to carry out the responsibilities of the Interagency Agreement.
3. Transferred to the 2023 Series A Debt Service Account which is dedicated to pay principal and interest on the remaining 2023 Series A Bonds.
4. Transferred to another project fund for use on another project that is authorized to be funded with XI-Q bond proceeds, as appropriate.

This certificate authorizes DAS to, at its discretion, use the unspent funds of the 2023 Series A project account in the most appropriate way under the current circumstances, within the four possible alternatives described above.

The «Project_Agency» also understands and will take all necessary steps to provide funds and budget authority to pay annual disbursement agent fees, fiscal agent fees, arbitrage calculation 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 «Project_Agency» as they are received. For purposes of developing future biennial budget requests, the disbursement agent fees, fiscal agent fees, and arbitrage calculation fees are estimated at approximately \$3,000 per year. OST fees will be based on the Price List for OST assessments.

Dated: _____

State of Oregon, _____

By: _____
Authorized Official

EXAMPLE B

Intent Declaration Intent Sample Letter

Use Agency Letterhead

[Date]

Department of Administrative Services
Chief Financial Office
Capital Finance & Planning Manager
155 Cottage Street NE
Salem, OR 97301

Re: Request for Declaration of Official Intent to Reimburse Capital Costs with XI-Q Bonds

Dear [Capital Finance & Planning Manager]:

The Department of [agency name] requests that Capital Finance and Planning prepare and execute a *Declaration of Official Intent to Reimburse Capital Costs with Oregon Article XI-Q General Obligation Bonds* for the agency's project [project name].

Based on the planned timing of bond sales to finance this project, the agency would like to begin the project prior to the time bond proceeds are expected to be available. Therefore, the agency would like to pay for project costs using its own resources and then reimburse itself for the expenditures after the bonds are issued. The agency understands that Article XI-Q bond proceeds can only be used for capital expenditures; that is, costs that are capitalized to an asset.

This project has been authorized for bond financing by the Legislature through [cite the chapter law or bill number for the Bond Bill]. The total amount of bonds authorized for the project is [\$ amount]. As authorized in the agency's budget bill, the project description and scope includes [describe the project nature and scope]. This budget bill [cite bill/section number of agency budget bill] authorizes expenditure of the proceeds for the project.

If you have any questions about this request, please feel free to contact [name of primary contact].

Sincerely,

Signature of Authorized Agency Official

EXAMPLE C

Spending Plan Template

	2023-2025								
Project Spend Plan	Jul - Sep 23 1st Quarter	Oct - Dec 23 2nd Quarter	Jan - Mar 24 3rd Quarter	Apr - Jun 24 4th Quarter	Jul - Sep 24 5th Quarter	Oct - Dec 24 6th Quarter	Jan - Mar 25 7th Quarter	Apr - Jun 25 8th Quarter	2023-25 Total
Beginning Bond Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Sale (February 23)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Sale (October 23)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Sale (May 24)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Sale (March 25)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Funds Available	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project Funding									
Federal Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
General Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reimburse fm Bond Proceeds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Additional Funding Needed	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Bond Fund Balance				\$0	\$0	\$0	\$0	\$0	\$0
Limitation									
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
General Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Limitation Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add'l Limitation Needed									
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
General Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add'l Limitation Needed	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

EXAMPLE D

Private Business Use Questionnaire

QUESTIONNAIRE (Please fill out in its entirety)

Public University Name: _____

Capital Construction Project Name: _____

	Yes	No	N/A
1. The project consists of (select only <u>one</u> to answer yes):			
a. Building a new building - if yes, move to question 2			
b. Expanding an existing building - if yes, skip to question 3			
c. Remodeling an existing building - if yes, skip to question 4			
d. Combination expansion and remodel - if yes, skip to question 5			
e. Other - equipment or other capital asset			
2. If the project is a new building , provide the following information regarding the capital construction project:			
a. Approximate square footage of the facility: _____			
b. Approximate square footage of the common area for the building: _____			
3. If the project is an expansion of an existing building, provide the following information only as it relates to the expansion:			
a. Approximate square footage of the facility: _____			
b. Approximate square footage of the common area for the building: _____			
4. If the project is a remodeling of an existing building, provide the following information regarding the capital improvement project:			
a. Approximate square footage of the facility: _____			
b. Approximate square footage of the common area for the building: _____			
c. Provide an allocation of anticipated expenditures between common space and dedicated space by square foot and cost.			
Common Space: square foot _____ Dedicated Space: square foot _____			
Common Space: estimated cost \$ _____ Dedicated Space: estimated cost \$ _____			
d. Are the improvements being made to space that the university leases from another party (i.e., tenant improvements)?			
5. If the project is a combination of an expansion and remodeling of an existing building, provide the following information:			
a. Approximate square footage of the facility: _____			
b. Approximate square footage of the common area for the building: _____			
c. Provide an allocation of anticipated expenditures between common space and dedicated space by square foot and cost.			
Common Space: square foot _____ Dedicated Space: square foot _____			
Common Space: estimated cost \$ _____ Dedicated Space: estimated cost \$ _____			
d. Are the improvements being made to space that the university leases from another party (i.e., tenant improvements)?			
e. Provide a breakout of estimated costs between expansion and remodeling.			
Expansion Estimated Cost \$ _____ Remodeling Estimated Cost \$ _____			
6. Provide the location of the project: _____			
7. Provide a brief summary of the capital construction or improvement project.			
8. Does this project have any real estate leases related to it? Exclude residential leases such as facility, staff or student housing. If yes, please describe below:			
9. Other Use Arrangements:			
a. Are there any leases, contracts or agreements for long or short-term use of athletic facilities, field houses, auditorium or other sports or performing arts venue? If yes, please describe below:			
b. Are there any leases, contracts or agreements for long or short-term use of athletic facilities by persons other than students, faculty and staff, e.g. private sports camps? If yes, please describe below:			
c. Are there any leases, contracts or agreements for long or short-term use of classrooms or dormitories for privately sponsored seminars, business meetings, etc.? If yes, please describe below:			

10. Does the building or facility have any Management Contracts (including, but not limited to):

a. Food service, catering and/or concessions. If yes, please describe below:

b. Bookstore management or operations. If yes, please describe below:

c. Clinical facilities staffing. If yes, please describe below:

11. Are there any research agreements, including any agreements to perform research or development for a private company, a nonprofit corporation or the federal government? If yes, please describe below:

12. Does this facility or building have any joint ventures for the development or production of products or the delivery of services? If yes, please describe below:

13. Are there any special entitlement arrangements including:

a. Naming Rights, i.e., payments from donors in return for agreements to name facilities for the donor. If yes, please describe below:

b. Pouring Rights or similar arrangements in which a private party pays an upfront fee to be the exclusive vendor. If yes, please describe below:

14. Are there any parking arrangements involving use by persons other than students, faculty, staff, visitors or members of the general public? If yes, please describe below:

15. Are there any equipment leases in which the university will be the lessor of the bond financed equipment? If yes, please describe below:

16. Are there any arrangements in which the university contracts with a private party to provide services that require the use of bond financed computers and software or non-bond financed computers or software located in bond-financed buildings? If yes, please describe below:

17. Are there any output contracts, e.g., contracts for the purchase of excess energy or steam produced by public university facilities? If yes, please describe below:

18. Are there any incidental use contracts such as Kiosks, vending carts, newsstands, vending machines, telephone booths, cell phone transmission towers, or satellite or microwave dishes? (The approximate square footage allocable to these types of uses can be aggregated in your response.) If yes, please describe below:

19. Are there any other non-possessory use arrangements such as franchise agreements or preferred provider arrangements including cable or satellite television services or wireless communication services? If yes, please describe below:

20. Does the project include improvements to a central utilities plant? If yes, and that plant serves any building on campus in which there is private business use (whether or not of a bond-financed building), then it is possible that building private business use could be treated as use of the central plant improvements. Thus, if the answer to this question is yes, additional follow up may be needed.

EXAMPLE E

Disbursement Invoice Summary

Agency:
Bond/Series:
Project:
Disbursement #:

Invoice Date	Invoice Number	Vendor Name	Description	Payment Date	Payment Document Number	Amount
Total						\$

EXAMPLE F

Fund Allocation Report

XI-Q Bond Final Project Allocation Report

Project Agency: Agency Name
XI-Q Bond Series: 2021 K
XI-Q Bond Project: Agency Project
Project Completion Date: January 1, 2024
Project Allocation Report Due Date: July 1, 2025

Total Bond Project Proceeds Issued:	4,250,000	
Plus: Interest Earned on Project Account:	55,000	
TOTAL AVAILABLE BOND PROJECT FUNDING:	4,305,000	
Less: Federal Arbitrage Rebate Payments:		
Less: Proceeds Transferred to Debt Service:		
Less: Proceeds Transferred to Another Project Account:	\$55,000	
Total Bond Project Proceeds Allocated to the Project:	4,250,000	81%
Total Other Funding Allocated to the Project*:	\$1,000,000	19%
General Fund:	\$1,000,000	
Lottery Funds:		
Federal Funds:		
Total Project Cost Allocation:	\$5,250,000	**

*Qualified Equity contributed as a Common Plan of Finance within the Equity Envelope.

**Final Allocation should show Mixed Use, Qualified Equity and a Common Plan of Finance.

After completing the report above, please sign to acknowledge that to the best of your knowledge, the allocation report is complete and accurate.

Authorized Signature

Date

Printed Name & Title

EXAMPLE G

Refunding Documents – Interagency Memo

STATE OF OREGON

INTEROFFICE MEMO

DEPARTMENT OF ADMINISTRATIVE SERVICES

DATE: June 27, 2016
TO: «Project_Agency»
FROM: Sandra Rosier, Chief Financial Office
SUBJECT: 20XX Series F & G Article XI-Q Refunding Bonds

As we prepared for the 20XX Series Article XI-Q Bond sale, an opportunity to achieve debt service savings was identified. As a result, portions of your agency's outstanding COPs were refunded. The following table provides the information on which COPs were affected by the refunding.

COP Series Refunded	Refunding XI-Q Bonds	Type	Partial or Entire Refunding
2008 Series A	2016 Series F	Advance	Partial
2009 Series A	2016 Series F	Advance	Partial
2009 Series D	2016 Series G	Advance	Partial

This transaction closed May 25, 20XX as an advanced refunding. Your debt service requirements for the current biennium are reduced. Your agency will be required to make accounting entries to record the new bond series and eliminate the refunded COPs.

Please contact Karlene Hancock in SFMS Operations to establish a new D23 fund and other accounting structures relative to the new 20XX Refunding Bonds. In addition, accounting entries are required to record the disposition of the refunding proceeds, gain, or loss on the transaction, establishment of the new liabilities, payments to the escrow agent, and to record the cost of issuance payments.

I am attaching several documents which provide all the information necessary to record this transaction in your accounting records: A) Source and Use Statements for the 20XX Article XI-Q Bonds, B) Savings Summaries, and C) a debt service schedule for the 20XX Series Refunding Bonds. I will notify the SABRS section of the need to increase administrative limitations relative to the refunding.

EXAMPLE H

Refunding Documents – Source & Use Statement

Sources and Uses of Funds		
XI-Q 2016F Refunding Bonds Refunding 2008A COPs «Project_Name» «Project_Agency»		
Bond Payable:		\$ 468,700.00
Original Issue Premium		\$ 64,183.97
Funds on Hand		\$ -
Underwriters Discount:	\$ 1,310.61	
Escrow Account Funds:	\$ 531,228.39	
Reserve Account:	\$ -	
Costs of Issuance:	\$ 344.97	
Totals	\$ 532,883.97	\$ 532,883.97
Escrow Account Funds (Total Deposit)		
(Funds Held at Union Bank)		
Payment to Escrow Agent from Bond Proceeds -Comptroller Object 7050		\$ 531,228.39
Bond Refunding-Debt Payment ot Escrow Agent-Agency Cash-Comptroller Object 4051		\$ -
Totals	\$ -	\$ 531,228.39
Cost of Issuance Summary		
Underwriter's Discount		\$ 1,310.61
Reserve Deposit Transfer Out to DAS		\$ -
Costs of Issuance		\$ 344.97
Total Bond Costs-Comptroller Object 4050	\$ -	\$ 1,655.58
Total		\$ 532,883.97
All-In TIC: 2.56%		

EXAMPLE I

Refunding Documents – Savings Summary

Refunding Savings Summary Disclosure Statement as of May 25, 2016		
Refunded Bond 2008A COP Refunding Bond 2016F XI-Q Project: «Project_Name» Agency: «Project_Agency»		
Principal Savings Summary		
	Date	Amount
COP 2008A Original Principal	on 5/25/2016	1,145,000.00
COP 2008A Unrefunded Principal	on 5/25/2016	651,000.00
COP 2008A Principal Refunded	on 5/25/2016	494,000.00
XI-Q 2016F Refunding Principal	on 5/25/2016	468,700.00
Savings on Principal	on 5/25/2016	25,300.00
Debt Service(P+) Savings Summary		
	Date	Amount
COP 2008A Original Debt Service	2015-17	638,040.00
COP 2008A Unrefunded Debt Service	2015-17	615,853.24
COP 2008A Debt Service Savings	2015-17	22,186.76
XI-Q 2016F Refunding Debt Service	2015-17	10,942.40
Debt Service Savings	2015-17	11,244.36
Debt Service Savings	11/1/2017 - 5/1/2020	49,843.52
Total Savings		61,087.88
Net PV Savings (based on "all-in TIC") \$ 58,220.06 Average coupon of refunded bonds 4.708195% Average coupon of the Series replacement coupons 4.706730% All-In TIC 2.564937%		

EXAMPLE J

Refunding Documents – New Debt Service Schedules

Original Debt Service				
«Project_Name»				
2008 Series A COP, 15 Year				
Debt Service Schedule / Semi-annual payments				
Date	Principal	Interest	Debt Service	Remaining Balance
11/01/2012		67,621.88	67,621.88	3,110,000.00
01/15/2013			-	3,110,000.00
03/01/2013			-	3,110,000.00
05/01/2013	230,000.00	67,621.88	297,621.88	2,880,000.00
07/15/2013			-	2,880,000.00
09/01/2013			-	2,880,000.00
11/01/2013		62,596.88	62,596.88	2,880,000.00
01/15/2014		-	-	2,880,000.00
03/01/2014	-	-	-	2,880,000.00
05/01/2014	235,000.00	62,596.88	297,596.88	2,645,000.00
07/15/2014	-	-	-	2,645,000.00
09/01/2014	-	-	-	2,645,000.00
11/01/2014	-	57,896.88	57,896.88	2,645,000.00
01/15/2015		-	-	2,645,000.00
03/01/2015		-	-	2,645,000.00
05/01/2015	245,000.00	36,347.50	281,347.50	1,400,000.00
07/15/2015		-	-	1,400,000.00
09/01/2015		-	-	1,400,000.00
11/01/2015	-	31,447.50	31,447.50	1,400,000.00
05/01/2016	255,000.00	31,447.50	286,447.50	1,145,000.00
11/01/2016	-	25,072.50	25,072.50	1,145,000.00
05/01/2017	270,000.00	25,072.50	295,072.50	875,000.00
11/01/2017	-	19,372.50	19,372.50	875,000.00
05/01/2018	280,000.00	19,372.50	299,372.50	595,000.00
11/01/2018	-	13,772.50	13,772.50	595,000.00
05/01/2019	290,000.00	13,772.50	303,772.50	305,000.00
11/01/2019	-	6,785.00	6,785.00	305,000.00
05/01/2020	305,000.00	6,785.00	311,785.00	-
Totals:	1,145,000.00	130,005.00	1,275,005.00	
Principal Refunded	595,000.00			

EXAMPLE J (cont.)

Refunding Documents – New Debt Service Schedules

Refunding Bond Debt Service					
XI-Q 2016F Refunding Debt Service Allocations for DAS					
«Project_Name»(«Project_Agency»)					
Dated Date 5/25/2016					
Delivery					
Date 5/25/2016					
Period					
Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
11/1/2016			5,080.40	5,080.40	
5/1/2017			5,862.00	5,862.00	
6/30/2017					10,942.40
11/1/2017			5,862.00	5,862.00	
5/1/2018			5,862.00	5,862.00	
6/30/2018					11,724.00
11/1/2018			5,862.00	5,862.00	
5/1/2019	233,700	2.000%	5,862.00	239,562.00	
6/30/2019					245,424.00
11/1/2019			3,525.00	3,525.00	
5/1/2020	235,000	3.000%	3,525.00	238,525.00	
6/30/2020					242,050.00
	468,700		41,440.40	510,140.40	510,140.40

EXAMPLE K

Description: SABRS Limitation Report

Program: XI-Q

Series: 2019 MNPQ Refunding

Date: 11/5/2019

				New N/L Limitation Appn. Fund - 3230 Refunding Debt Payment to Escrow Agent	New N/L Limitation Appn. Fund - 3200 Bond Refunding - Debt Payment to Escrow Agent Agency Cash	New N/L Limitation Appn. Fund - 3200 Costs of Issuance - Bond Costs		
Agency No	Agency Name	Project Refunded	New bond	Comp Object - 7050	Comp Object - 4051	Comp Object - 4050	Total	
xxx	xxx	Project A	XI-Q 2019M	\$ 19,485,820.44	\$ -	\$ 67,132.06	\$	19,552,952.50
xxx	xxx	Project B	XI-Q 2019N	\$ 11,239.65	\$ 527,715.35	\$ 2,039.85	\$	540,994.85
xxx	xxx	Project C	XI-Q 2019N	\$ 515,567.36	\$ 24,813,535.14	\$ 83,885.91	\$	25,412,988.41
xxx	xxx	Project D	XI-Q 2019P	\$ 59,607,732.68	\$ -	\$ 237,267.32	\$	59,845,000.00
Total				\$ 19,497,060.09	\$ 527,715.35	\$ 69,171.91	\$	\$ 20,093,947.35

EXAMPLE L

CAFR DEBT DISCLOSURES - DEFEASED DEBT						
For Debt Programs Administered by DAS Capital Finance						
Article XI-Q, XI-M, XI-N, XI-F(1) & XI-G Bonds, & Lottery Revenue Bonds						
As of Fiscal Year Ended June 30, 2023						
Agency Number	Agency Name	Refunding Series	Refunded or Defeased Series	Type of Debt Refunded	Redemption Date or Date Callable	Sum of Principal Refunded & Defeased
107	DAS	2020H	2013G	General Obligation Bonds	11/1/2023	6,183,224
107	DAS Total					6,183,224
156	LAC	2019Q	2013L	General Obligation Bonds	11/1/2023	5,655,000
156	LAC	2020G	2014A	General Obligation Bonds	5/1/2024	9,770,000
156	LAC Total					15,425,000
248	OMD	2019Q	2013L	General Obligation Bonds	11/1/2023	35,000
248	OMD Total					35,000
291	DOC	2020H	2013G	General Obligation Bonds	11/1/2023	63,731,776
291	DOC Total					63,731,776
443	OHA	2019Q	2013L	General Obligation Bonds	11/1/2023	40,350,000
443	OHA	2020G	2014A	General Obligation Bonds	5/1/2024	10,840,000
443	OHA Total					51,190,000
525	HECC	2020O	2013N	General Obligation Bonds	8/1/2023	89,330,000
525	HECC	2020O	2014C	General Obligation Bonds	8/1/2023	1,685,000
525	HECC	2020O	2014C	General Obligation Bonds	8/1/2024	49,680,000
525	HECC	2020Q	2013D	General Obligation Bonds	8/1/2023	7,325,000
525	HECC	2021G	2015J	General Obligation Bonds	8/1/2025	41,330,000
525	HECC	2021G	2015O	General Obligation Bonds	8/1/2025	66,770,000
525	HECC	2021H	2013B	General Obligation Bonds	8/1/2023	32,279,400
525	HECC	2021I	2013A	General Obligation Bonds	8/1/2023	64,585,000
525	HECC	2021I	2013B	General Obligation Bonds	8/1/2023	8,580,600
525	HECC	2021I	2013O	General Obligation Bonds	8/1/2023	3,940,000
525	HECC	2021I	2014D	General Obligation Bonds	8/1/2024	2,050,000
525	HECC	2021I	2015M	General Obligation Bonds	8/1/2023	7,150,000
525	HECC Total					374,705,000
Grand Total						511,270,000

EXAMPLE M

ORBITS Budget Bonding Codes

Capital Finance - ORBITS Bonding Codes						
			Debt Type			
Expense Type	Fund Type	Description	Lottery Bonds	GO Bonds	COPs	Other Revenue Bonds
Debt Service						
Debt Service	General Fund	Debt Service - Principal		7100	7200	
	General Fund	Debt Service - Interest		7150	7250	
	Lottery Funds	Debt Service - Principal	7100			
	Lottery Funds	Debt Service - Interest	7150			
	Lottery Funds	Transfer In Lottery Proceeds (Agency to use this code at ARB when requesting Lottery Bonds to pay Debt Service)	1040			
	Other Funds	Debt Service - Principal		7100	7200	7100
	Other Funds	Debt Service - Interest		7150	7250	7150
	Federal Funds	Debt Service - Principal		7100	7200	7100
	Federal Funds	Debt Service - Interest		7150	7250	7150
Bond Revenue						
Bond Revenue (All Bond Revenue should be coded as Other Funds)	Other Funds	Bond Sales (COPs)			0580	
	Other Funds	GF Obligation Bonds (All GO Bonds where Debt Service is paid with GF)		0555		
	Other Funds	Dedicated Fund Obligation Bonds (All GO Bonds where Debt Service is paid with OF)		0560		0560
	Other Funds	Revenue Bonds (Non-DAS Revenue Bonds; Housing Bonds, SELP Bonds, etc.)				0570
	Other Funds	Lottery Bonds	0565			
Cost of Issuance						
Cost of Issuance (All COI should be coded as Other Funds)	Other Funds	Other Services & Supplies (suggested code, not mandatory)	4650	4650		4650
	Other Funds	Other COP Costs			4625	
Appropriated Funds						
Appropriated Fund - Revenue, COI, Expenditure	Other Funds	Other Funds Cap Improvement	3010	3010	3010	3010
	Other Funds	Other Funds Cap Construction	3020	3020	3020	3020
	Other Funds	Other Funds Non-Limited	3200	3200	3200	3200
	Other Funds	Other Funds Limited	3400	3400	3400	3400
Appropriated Fund - Debt Service	General Fund	General Fund Debt Service		8030	8030	
	Lottery Funds	Lottery Funds Debt Service Limited	4430			
	Other Funds	Other Funds Debt Service Non-Limited	3230	3230	3230	3230
	Other Funds	Other Funds Debt Service Limited	3430	3430	3430	3430
	Federal Funds	Federal Funds Debt Service Non-Limited		6230	6230	6230

EXAMPLE N

SFMS Bonding Codes

Capital Finance - SFMS Bonding Codes						
			Debt Type/Compt Object Codes			
Expense Type	Fund Type	Description	Lottery Bonds	GO Bonds	COPs	Other Revenue Bonds
Debt Service						
Debt Service	General Fund	Debt Service - Principal		7100	7150	
	General Fund	Debt Service - Interest		7250	7300	
	Lottery Funds	Debt Service - Principal	7100			
	Lottery Funds	Debt Service - Interest	7250			
	Lottery Funds	Transfer In from DAS (Receive Lottery Funds to pay Debt Service)	1306			
	Other Funds	Debt Service - Principal		7100	7150	7100
	Other Funds	Debt Service - Interest		7250	7300	7250
	Other Funds	Debt Service - Refunding Payment to Escrow		7050	7050	7050
	Federal Funds	Debt Service - Principal		7100	7150	7100
	Federal Funds	Debt Service - Interest		7250	7300	7250
Bond Revenue						
Bond Revenue (All Bond Revenue should be coded as Other Funds)	Other Funds	Bond Sales (COPs)			1506	
	Other Funds	GF Obligation Bonds (All GO Bonds where Debt Service is paid with GF)		1501		
	Other Funds	Bond Proceeds from Refunding GO Bonds or COP Debt		1505		
	Other Funds	Dedicated Fund Obligation Bonds (All GO Bonds where Debt Service is paid with OF)		1500		
	Other Funds	Revenue Bonds (Non-DAS Revenue Bonds; Housing Bonds, SELP Bonds, etc.)				1503
	Other Funds	Lottery Bonds	1502			
	Other Funds	Original Issue Discount Proceeds (COP)			1507	
	Other Funds	Original Issue Discount Proceeds (Bonds)		1508		
	Other Funds	Original Issue Premium Proceeds (COP)			1509	
	Other Funds	Original Issue Premium Proceeds (Bonds)		1510		
Cost of Issuance						
Cost of Issuance (All COI should be coded as Other Funds)	Other Funds	Other Services & Supplies (suggested code, not mandatory)	4050	4050		4050
	Other Funds	Other COP Costs			4055	
Appropriated Funds						
Appropriated Fund - Revenue, COI, Expenditure Limitation	Other Funds	Other Funds Cap Improvement	3010	3010	3010	3010
	Other Funds	Other Funds Cap Construction	3020	3020	3020	3020
	Other Funds	Other Funds Non-Limited	3200	3200	3200	3200
	Other Funds	Other Funds Limited	3400	3400	3400	3400
Appropriated Fund - Debt Service	General Fund	General Fund Debt Service		8030	8030	
	Lottery Funds	Lottery Funds Debt Service Limited	4430			
	Other Funds	Other Funds Debt Service Non-Limited	3230	3230	3230	3230
	Other Funds	Other Funds Debt Service Limited	3430	3430	3430	3430
	Federal Funds	Federal Funds Debt Service Non-Limited		6230	6230	6230

EXAMPLE O

SFMS Transaction Codes (T-Codes)

Capital Finance - SFMS Bond Transaction Codes (T-Codes) (Included in OAM 15.65.10)		
Fund Type	Transaction Code (T-Code or TC)	Description
Cash Transactions		
Governmental/ Proprietary/Fiduciary Fund	567	Record cash received on sale of COPs, interest income - Cash in Bank
	567R	Record negative revenue for original issue discount - Cash in Bank
	568	Record expenditure for issuance costs, interest payment - Cash in Bank
	190	Record cash received on sale of Bonds - Cash in Treasury
	167R	Record expenditure (ACH or wire transfer) for issuance costs - Cash in Treasury
	760/761	Remit principal and interest payment to DAS CFO - Cash in Treasury
	186	Recognize wire transfer or ACH transfer in - Cash in Bank
	479	Record transfer out - Cash in Bank
Issuance of Debt		
Governmental Fund	191	Establish accrued interest on Bond/COP sold - Cash in Treasury
	507	Establish accrued interest on Bond/COP sold
	512	Establish/adjust matured Bond/COP coupon payable
	513	Payment of accrued interest on Bond/COP
Proprietary/Fiduciary Fund	191	Establish accrued interest on Bond/COP sold - Cash in Treasury
	504	Establish/adjust payable/original issue premium for Bond/COP
	504R	Establish/adjust payable/original issue discount for Bond/COP
	507	Establish accrued interest on Bond/COP sold
	511	Original discount/premium/prepaid insurance for Bonds/COP
	512	Establish/adjust matured Bond/COP coupon payable
	513	Payment of accrued interest on Bond/COP
	514	Record prepaid insurance/deferred outflows for Bond/COP
	516	Write-off Deferred Out/Inflows and discount on Bonds (advanced refundings/calls)
	517	Write-off original issue premium on Bond/COP (advanced refundings/calls)
Government-Wide Fund	504	Establish/adjust payable/original issue premium for Bond/COP
	504R	Establish/adjust payable/original issue discount for Bond/COP
	514	Record prepaid insurance for Bond/COP
	516	Write-off various Bond/COP costs (advanced refundings/calls)
	517	Write-off original issue premium on Bond/COP (advanced refundings/calls)
Accreted Interest		
Proprietary/Fiduciary Fund/Government-Wide	524	Establish/adjust accreted interest payable
Debt Service Principal and Interest		
Proprietary/Fiduciary Fund/Government-Wide	528	Reduce liability for amount of principal paid for Bond/COP
Call or Refunding Related Transactions		
Proprietary/Fiduciary Fund/Government-Wide	516	Write-off various Bond/COP costs
	517	Write-off Bond/COP premium

EXAMPLE O (cont.)

SFMS Transaction Codes (TCodes)

Capital Finance - SFMS Bond Transaction Codes (T-Codes) (Included in OAM 15.65.10)		
Fund Type	Transaction Code (T-Code or TC)	Description
Amortization		
Proprietary/Fiduciary	520	Amortize prepaid insurance/original discount/deferred outflows
Fund/Government-Wide	523	Amortize original issue premium
Arbitrage Liability		
Proprietary/Fiduciary		
Fund/Government-Wide	526	Establish/adjust arbitrage payable
Accrued Interest Payable		
Proprietary/Fiduciary		
Fund/Government-Wide	437	Accrue interest payable at June 30
Reclassify Portion of Bond/COP Liability to Current Liability		
Proprietary/Fiduciary	475	Set up current liability
Fund/Government-Wide	475R	Reduce noncurrent liability
Reclassify Restricted Assets		
Governmental/	474	Report restricted assets
Proprietary/Fiduciary	474R	Reduce unrestricted asset account

11. Definitions of Bond Related Terms

When talking about bond financing, there are various terms that are used. Below are the definitions of some of the common bond-related terms.

Advance Refunding – The refinancing of outstanding bonds by the issuance of a new issue of bonds prior to the date on which the outstanding bonds become due or are callable. In an advance refunding, the refunded bonds remain outstanding for a period of more than 90 days from the call date. New bonds are issued, and the proceeds of the new bonds are invested and held in escrow until the call date, at which time the old bonds are paid off.

Arbitrage – Arbitrage is the technique of simultaneously buying at a lower price in one market and selling at a higher price in another market to make a profit on the spread between the prices.

Article XI-Q Bond Program - In the manner provided by law and notwithstanding the limitations contained in section 7, Article XI of the Oregon Constitution, the credit of the State of Oregon may be loaned and indebtedness incurred to finance the costs of:

- (a) Acquiring, constructing, remodeling, repairing, equipping or furnishing real or personal property that is or will be owned or operated by the State of Oregon, including, without limitation, facilities and systems;
- (b) Infrastructure related to the real or personal property; or
- (c) Indebtedness incurred for XI-Q bonds.

Bond – Bonds are an instrument of indebtedness of the bond issuer to the holders. It is a debt security, under which the issuer owes the holders a debt and is obligated to pay them principal and interest at specified dates and pay in full at a later date, termed the maturity date.

Bond Counsel – An attorney (or firm of attorneys) retained by the issuer to give a legal opinion that the issuer is authorized to issue proposed securities, the issuer has met all legal requirements necessary for issuance, and interest on the proposed securities will be exempt from federal income taxation and, where applicable, from state and local taxation.

Bond Sizing – The determination of what structure and size a bond issuance should be sold at. This includes determining how many maturities to sell, for what price, and what coupon (interest) rates to use for a specific bond issuance.

Callable Bonds – A callable bond means that the issuer and the purchasers have agreed that, at some specified future date(s) prior to maturity, the issuer can “call” the bonds by paying the principal amount. Most bond issues are set up so that bonds maturing in the earliest years are not callable, while bonds maturing in later years are callable.

Certificates of Participation (COPs) – A form of borrowing that permits the investor to participate in a stream of lease payments, installment payments or loan payments relating to the acquisition or construction of specific equipment, land or facilities. COPs are not viewed legally as “debt” but are classified as a type of appropriation credit because payment is subject to an annual appropriation by the

government body. As a result, COPs are seen by investors as providing weaker security and often carry credit ratings that are a notch or two below an issuer's general obligation bond rating.

Cost of Issuance – The expenses associated with the sale of a new issue of municipal securities, including such items as printing, legal and rating agency fees, underwriters' discount and others.

Current Refunding - The refinancing of outstanding bonds by the issuance of a new issue of bonds prior to the date on which the outstanding bonds become due or are callable. A current refunding is one in which the outstanding (refunded) bonds are redeemed within 90 days of their call date. New bonds are issued and the proceeds of the new issue are used to pay off the refunded bonds.

Debt Service – Payment required of a municipality for interest on and retirement of principal amount on a bond issue. The amount of money necessary to pay interest on an outstanding debt, the principal of maturing serial bonds and the required contributions to a sinking fund for term bonds. Debt service on bonds may be calculated on a calendar year, fiscal year, or bond fiscal year basis.

Declaration of Intent to Reimburse – The Internal Revenue Service states that the proceeds of bonds may be allocated to a prior capital expenditure for a period of time after the expenditure is made, but only if a formal declaration of intention to reimburse the expenditure with the proceeds of a borrowing (a "declaration of official intent") had been properly made within sixty (60) days after the date the expenditure was paid.

Defeasance - A defeasance relates to methods by which an outstanding bond issue can be made void, both legally and financially. A defeasance is generally the outcome of a refunding transaction, but can also be accomplished with cash rather than the issuance of any bonds.

Discount Bonds – A discount bond sells below its issuance price. (i.e., A bond issued with a \$1,000 par value that sells at \$900.)

Escrow Fund – A fund that contains monies held in escrow that can only be used to pay debt service, generally under the terms and conditions of an escrow deposit agreement.

Fiscal Agent – Also known as the Paying Agent, the bank, designated by the issuer, to pay interest and principal to the bondholders.

Interest – The amount paid by a borrower as compensation for the use of borrowed money. This amount is generally an annual percentage of the principal amount.

Interagency Agreement – An agreement between the Department of Administrative Services and the Project Agency receiving bond funding. The agreement provides guidance related to the bond funding as well as roles and responsibilities for DAS and the Agency.

Municipal bond - A debt security issued by a municipality such as the State of Oregon to finance its capital expenditures, such as constructing or renovating buildings, building technology systems, and other infrastructure-related projects. In the United States, interest income received by holders of municipal bonds is often excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code, and is usually exempt from state income tax for those filing taxes in Oregon.

Official Statement (OS) – Statement prepared by the issuer to inform the public about the security of a particular issuance. A document published by the issuer which generally discloses material information on a new issue of municipal securities including the purposes of the issue, how the securities will be repaid, and the financial and economic characteristics of the borrower.

Par – The face value of a bond.

Premium Bonds - A premium bond sells above its issuance price. (i.e., A bond issued with a \$1,000 par value that sells at \$1,100.)

Principal – The face amount of a bond not including interest.

Private Business Use - Private business use means, the use of a portion or all of the bond-financed project by a private person if such use is other than as a member of the general public. Private business use can include ownership of the property by the private person as well as other arrangements that transfer to the private person the actual or beneficial use of the property (such as a lease, management contract, etc.) in such a manner as to set the private person apart from the general public.

Private Person - Any person or entity other than a state or local governmental unit or an individual not acting in a trade or business, including the federal government, a for-profit or non-profit organization, and individuals who are acting in a trade or business capacity.

Refunded Bonds – A procedure whereby an issuer refinances an outstanding bond issue by issuing new bonds. There are generally two major reasons for refunding: to reduce the issuer’s interest costs or to remove a burdensome or restrictive covenant imposed by the terms of the bonds being refinanced. The proceeds of the new bonds are either deposited in escrow to pay the debt service on the outstanding obligations, when due, or they are used to immediately retire the outstanding obligations. The new obligations are referred to as the “refunding bonds” and the outstanding obligations being refinanced are referred to as the “refunded bonds”.

Refunding Bonds – A procedure whereby an issuer refinances an outstanding bond issue by issuing new bonds. There are generally two major reasons for refunding: to reduce the issuer’s interest costs or to remove a burdensome or restrictive covenant imposed by the terms of the bonds being refinanced. The proceeds of the new bonds are either deposited in escrow to pay the debt service on the outstanding obligations, when due, or they are used to immediately retire the outstanding obligations. The new obligations are referred to as the “refunding bonds” and the outstanding obligations being refinanced are referred to as the “refunded bonds”.

Related Party Costs – Costs that get paid from one State agency to another, except to the extent that those costs represent pass-through out-of-pocket payments to unrelated parties, such as a payment to a contractor passed through from one agency to another, as addressed in US Code of Federal Regulations, Title 26, Chapter 1, Part 1, Section 1.148-6 (d)(3)(iii)(7).