

Accounting for Referendums and Bonds

March 20, 2024 | 2:00-2:50 PM

WASBO Accounting Conference

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Discover the *Baird Difference*



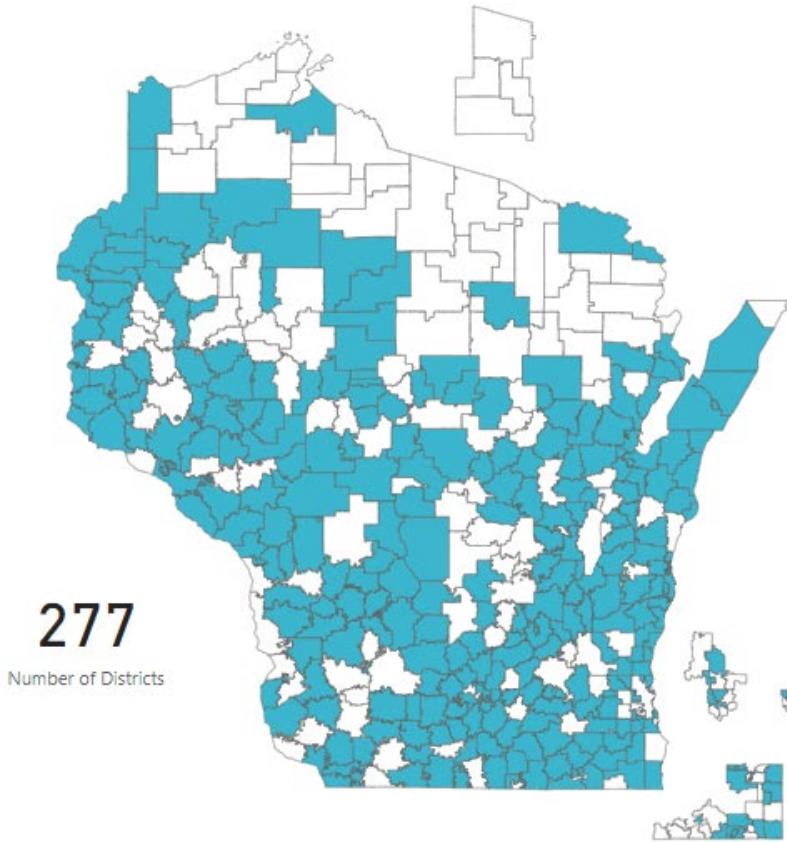
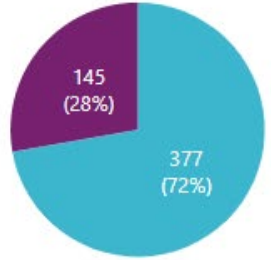
Explain referenda legal timelines and requirements

Present post-referendum accounting and processes

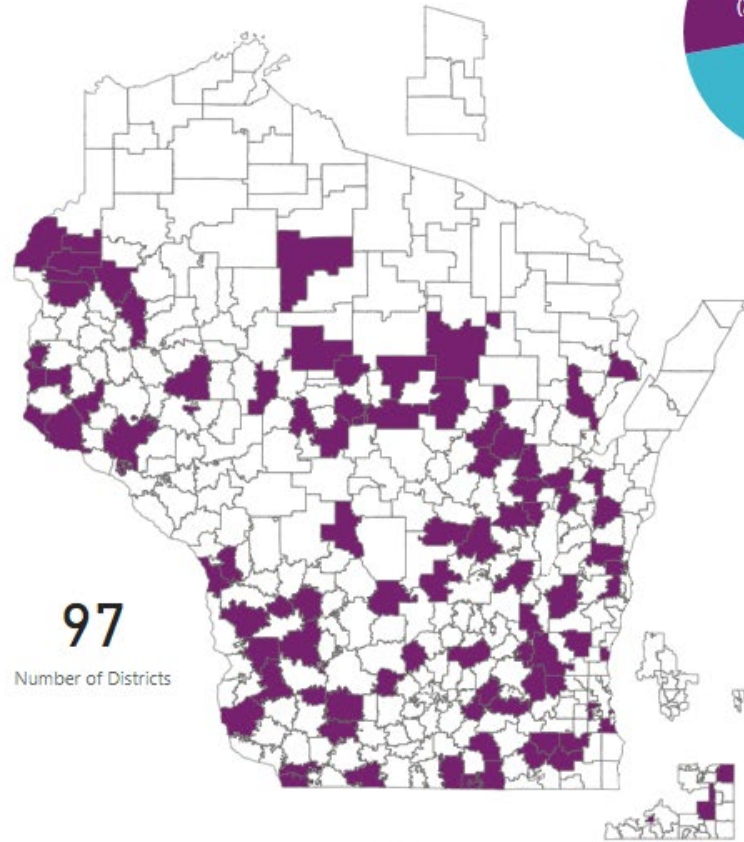
Clarify arbitrage and spending requirements

10 Year History - Debt Referenda

Questions Asked



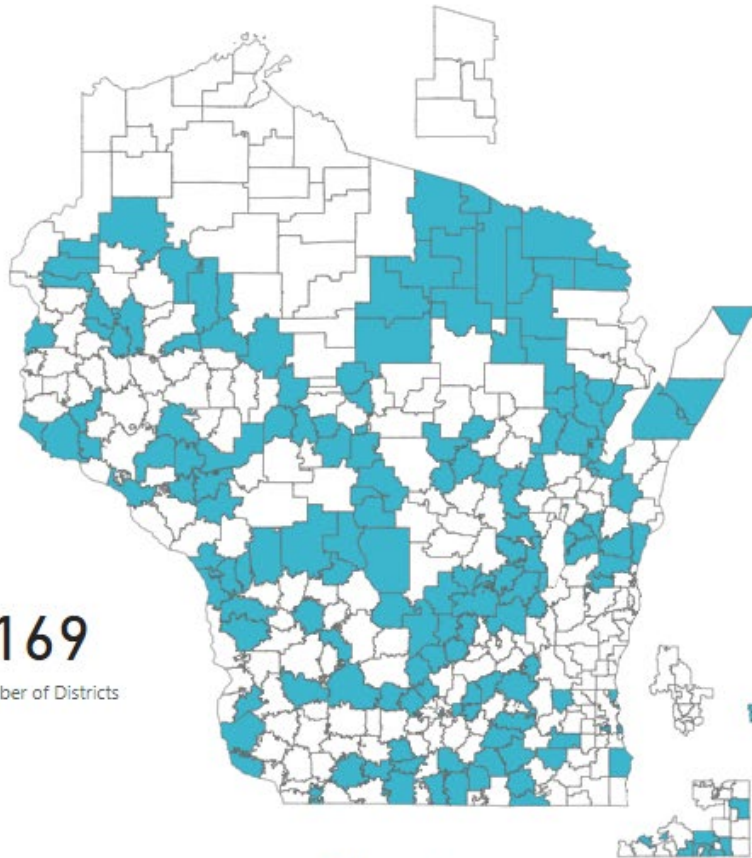
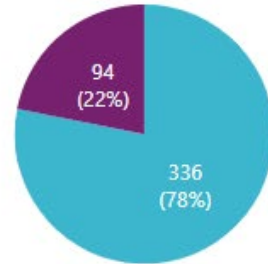
● Passed



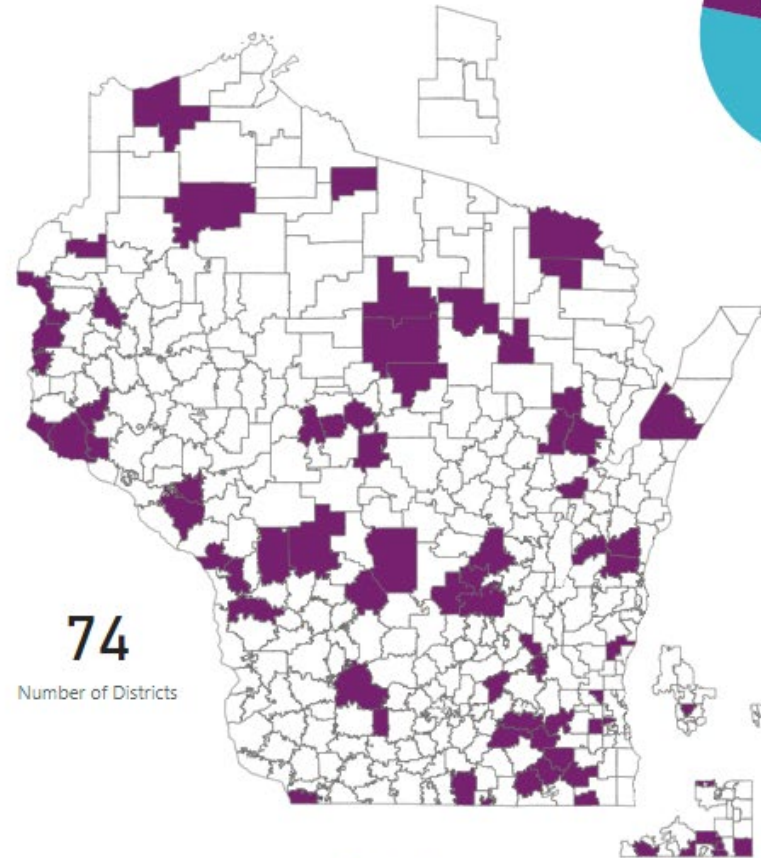
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10 Year History - Non-Recurring Referenda

Questions Asked



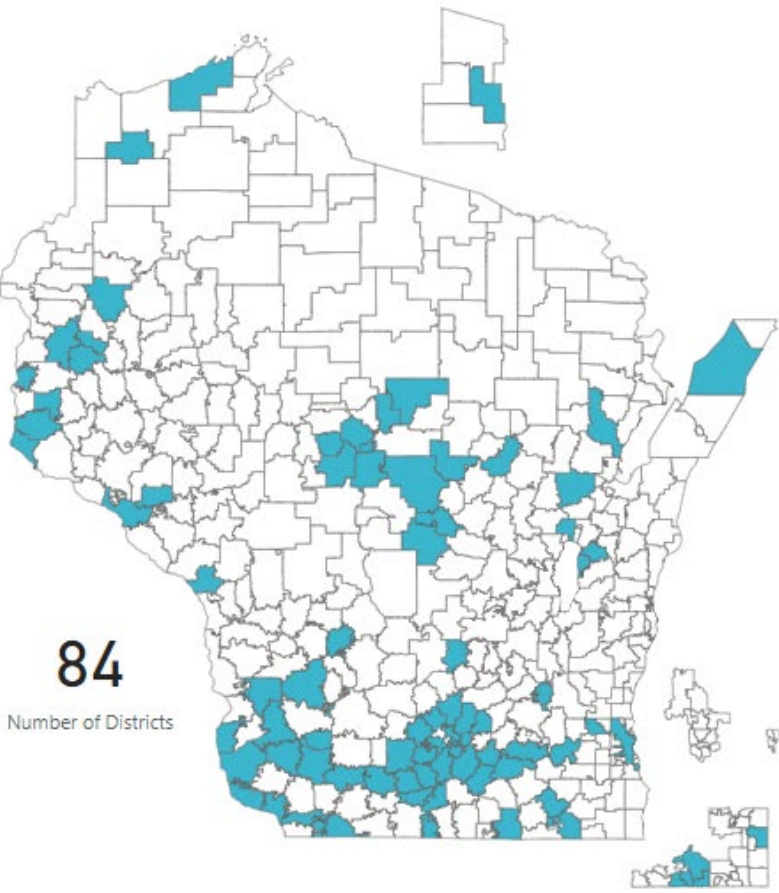
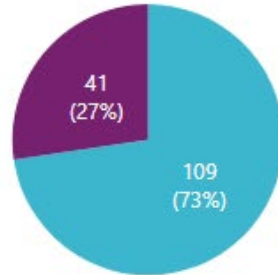
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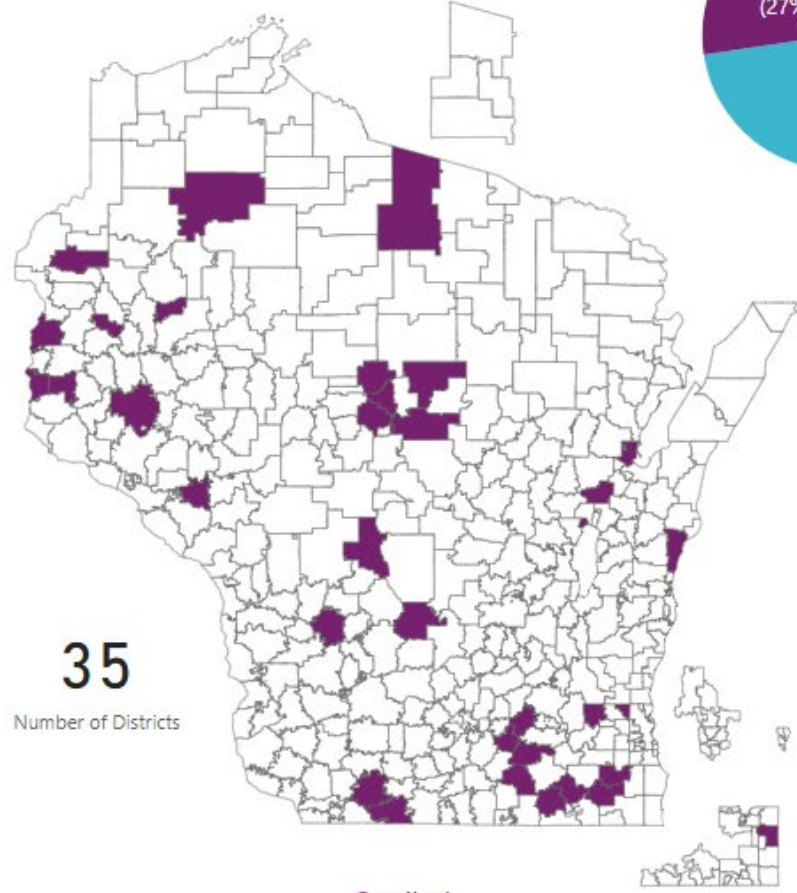
● Failed

10 Year History - Recurring Referenda

Questions Asked

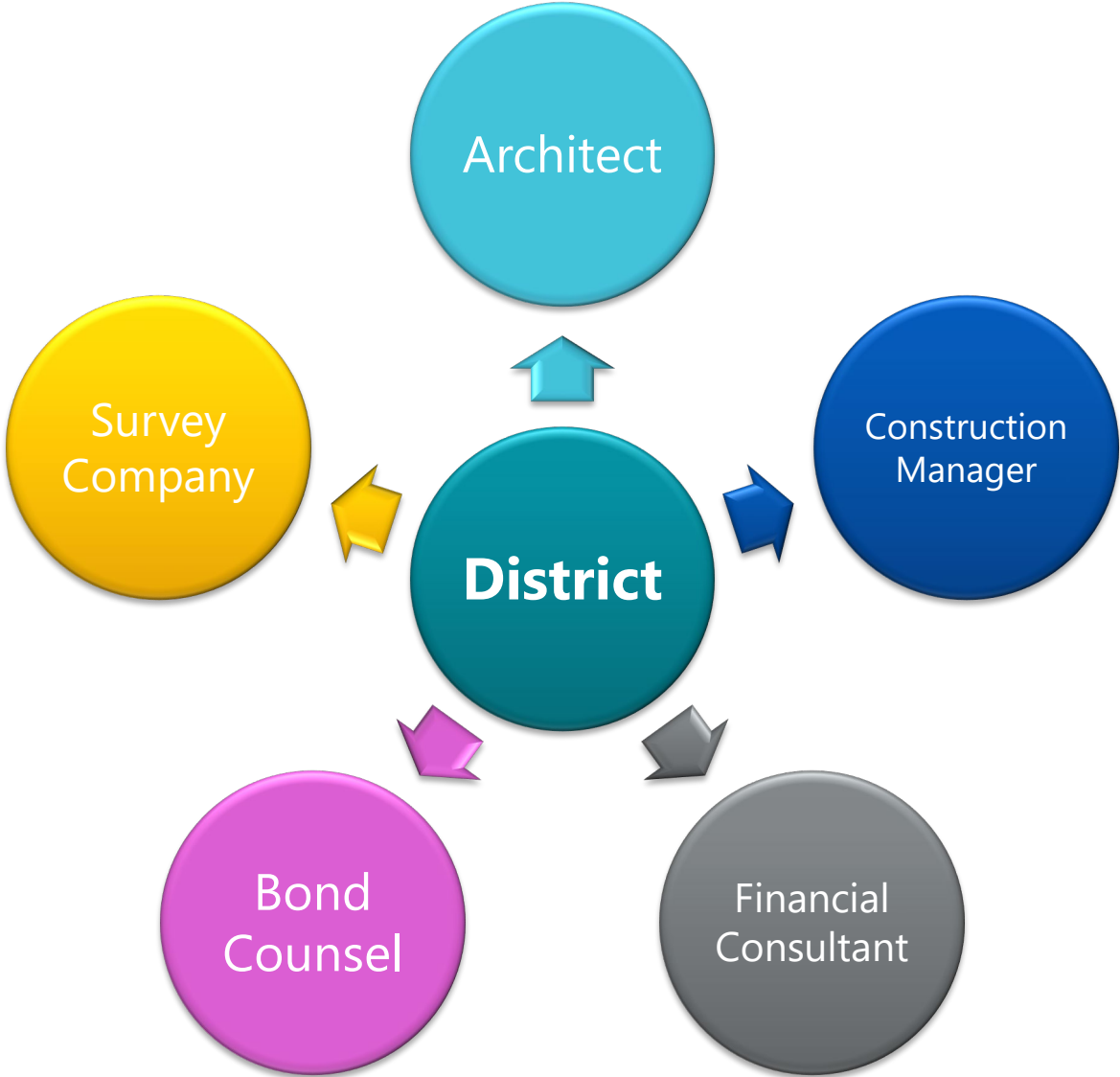


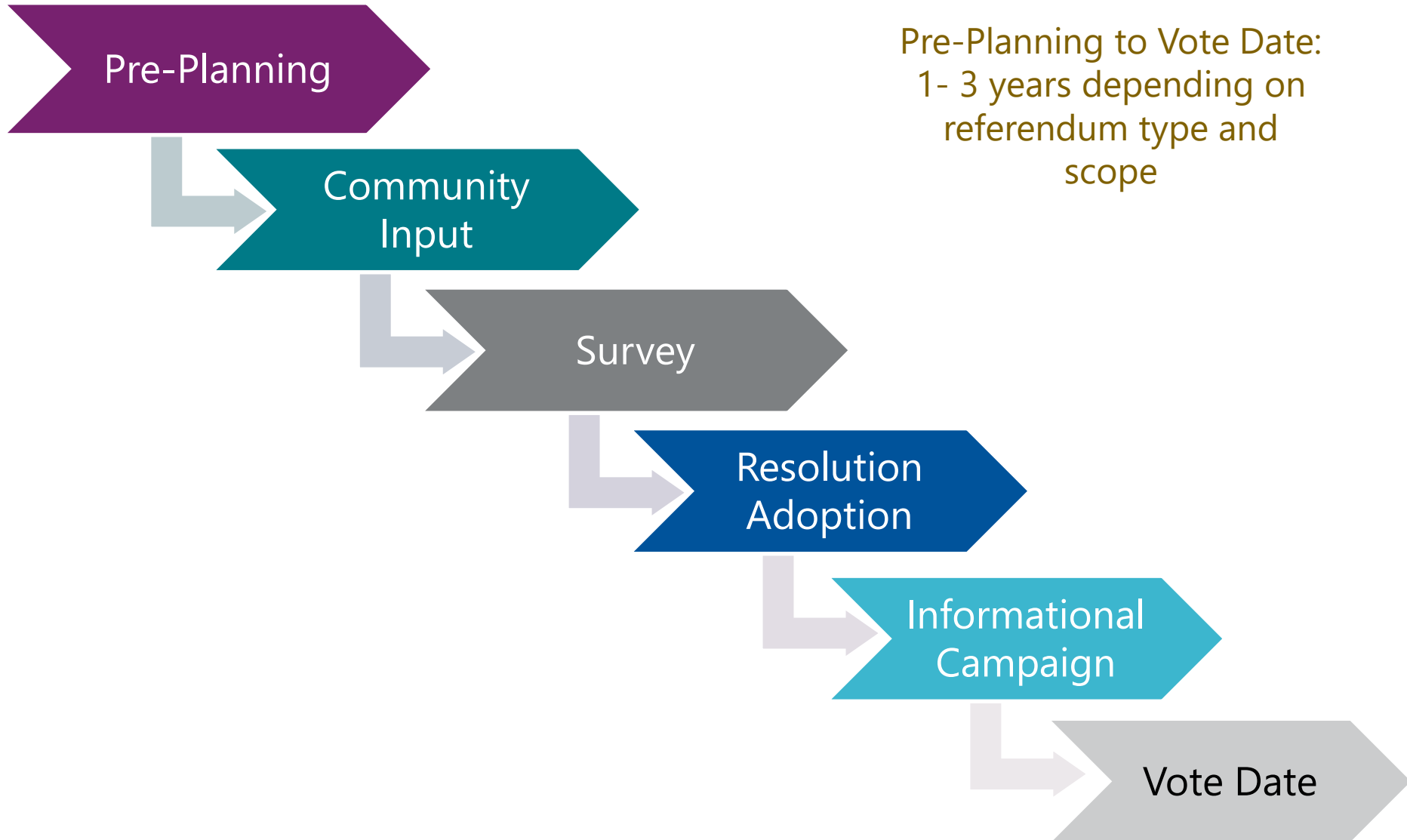
● Passed



● Failed

Source: Department of Public Instruction





Legal Timelines and Requirements

Timeline of Legal Requirements

Action	Timing	Notes
Adopt initial, revenue limit & referendum resolutions (as applicable)	At least 70 days prior to the election date	
File ballot with County Clerks	At least 70 days prior to the election date	
Publish first notice	Within 10 days of adoption of initial resolution	
Notify DPI	Within 10 days of adoption of the resolutions	
Informational campaign	Ongoing through election date	More to come later
Publish second notice	On the 4 th Tuesday prior to the election	Type A Notice
Publish third notice	On the day prior to the election	Type B, C & D Notice
Election day	April 2, 2024	
Report results to DPI	Within 10 days of referendum (report preliminary results once known)	
Board of canvassers meet	By 9:00 a.m. on April 9, 2024	Meeting must be noticed and open to the public

Election Dates	70 Day Ballot Filing Deadline
August 13, 2024	June 4, 2024
November 5, 2024	August 27, 2024
February 18, 2025	December 10, 2024
April 1, 2025	January 21, 2025
February 17, 2026	December 9, 2025
April 7, 2026	January 27, 2026
August 11, 2026	June 2, 2026
November 3, 2026	August 25, 2026
February 16, 2027	December 8, 2026
April 6, 2027	January 26, 2027

Resolution Adoption

Debt Issue

- **Initial Resolution** – authorizes debt issuance
 - Maximum amount
 - Purpose
- **Referendum Resolution**
 - Directs the District Clerk to call a referendum
 - Sets forth other procedural and notice requirements

Operational Limit

- **Revenue Limit Resolution** – authorizes operational revenue limit increase
 - Specifies excess amount(s)
 - Year(s)
 - Purpose
 - Whether recurring (permanent) or non-recurring (temporary)
- **Referendum Resolution**
 - Directs the District Clerk to call a referendum
 - Sets forth other procedural and notice requirements

Resolution
Adoption

Capital Borrowing/Debt Sample Ballot Question

"Shall the _____ School District, Wisconsin, be authorized to issue pursuant to Chapter 67 of the Wisconsin Statutes, general obligation bonds in an amount not to exceed \$_____ for the public purpose of paying the cost of a school building and facility improvement project consisting of: [*describe – for example 'construction of a new middle school on District-owned land' or 'renovations to District facilities consisting of...; and acquisition of furnishings, fixtures and equipment'*]?"



Resolution Adoption

Non-Recurring Operational Referendum Sample Ballot Question

Shall the _____ School District, Wisconsin be authorized to exceed the revenue limit specified in Section 121.91, Wisconsin Statutes, by \$_____ per year beginning with the 2024-2025 school year and ending with the 2027-2028 school year, for non-recurring purposes consisting of operational and maintenance expenses?

Recurring Operational Referendum Sample Ballot Question

Shall the _____ School District, Wisconsin be authorized to exceed the revenue limit specified in Section 121.91, Wisconsin Statutes, by \$_____ beginning with the 2024-2025 school year, for recurring purposes consisting of operational and maintenance expenses?

Resolution Adoption

A Few Practical Tips for Ballot Questions:

- Certain Statutory requirements must be included (bond counsel makes sure these requirements are being met).
 - Bond counsel drafts ballot questions for review/comment.
- Have other members of your referendum team weigh-in on the ballot question(s).
- Be clear and concise.
- Provide some level of detail but not so much detail that the question becomes too cumbersome or confusing.
 - Use your informational campaign to explain the details to the community!

Informational Campaign

After the resolutions have been adopted, it is time to continue communicating with your stakeholders through the informational campaign.

Use of District Funds

- District funds can be used for informational materials (factual information).
- Expenditures may be made for public purposes.
- Inform voters of the facts so that voters can make an educated vote.
 - *Examples* – the date of the election, an explanation of the referendum question, the purpose of the referendum (in a factual manner), the estimated tax impact (cite sources and make clear when a projection)
- Neutral fact sheets are okay.
- Social media posts by the district that are meant to inform voters with factual information are generally okay.

Informational Campaign

Use of District Funds

- District funds cannot be used for "express advocacy" or political/promotional materials.
 - No "express advocacy" – phrases such as "vote for", "elect", "support", "cast your ballot for", "vote against", "defeat", "reject".
 - Avoid "puffery".
 - District computers/technology equipment should not be used for any political/promotional purpose.

Informational Campaign

School Board members may

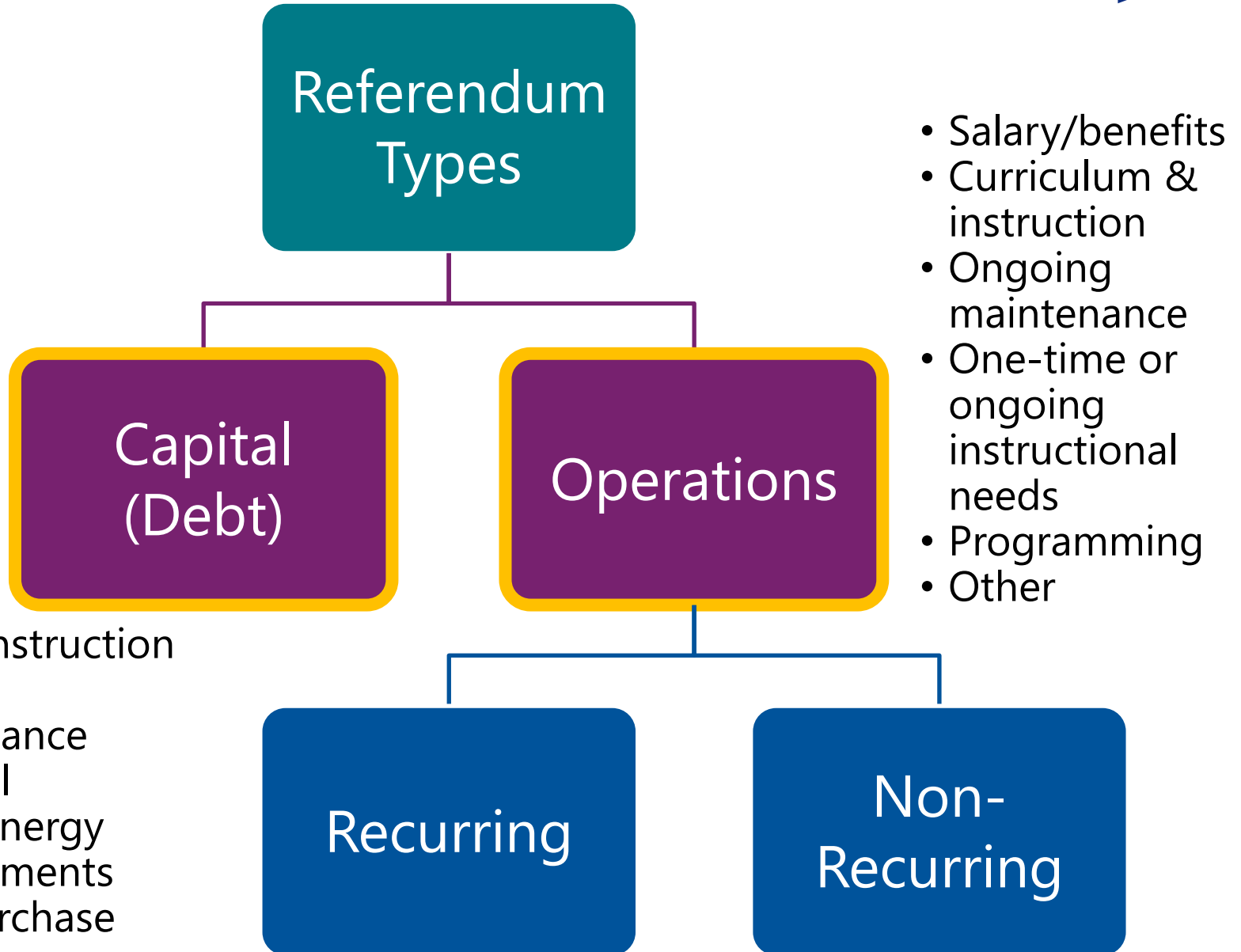
- School Board members are not school district employees and may speak freely in favor of or against a referendum as individual citizens of a district.
- School Board members may individually be involved in referendum committees (in compliance with applicable law – for example, campaign finance and open meeting laws).
- **School Board members should make clear when expressing their viewpoint that they are speaking as an individual citizen and not on behalf of the district, the board or in one's board member role.**

Informational Campaign

Role of School District Administration and Teachers and Staff

- As employees of the district, district administration, teachers and staff cannot engage in political/promotional activities during working hours or use district resources for that purpose.
 - No social media posts during working hours that involve advocacy.
 - No work on a referendum committee/campaign during working hours.
 - No use of district resources or technology at any time for advocacy purposes.
- More limited role for school district administration.
 - Can be a resource and provide and distribute information and facts.
 - May attend community meetings and discuss the referendum in a factual manner.

Post-Referendum Accounting and Processes



How the District Receives the Referendum Revenue



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Operational Referendums:



- Levy via the Revenue Limit Worksheet
- Included in Fund 10 tax levy

2023-2024 Revenue Limit Worksheet		
1. 2023-24 Base Revenue (Funds 10, 38, 41)	(from left)	3,063,321
2. Base Sept Membership Avg (2020+.4ss, 2021+.4ss, 2022+.4ss)/3	(from left)	245
3. 2023-24 Base Revenue Per Member (Ln 1 / Ln2)	(with cents)	12,503.35
4. 2023-24 Per Member Change (A+B)		325.00
2023-24 Low Revenue Ceiling per s.121.905(1):		
	11,000.00	
A. Allowed Per-Member Change for 23-24		325.00
B. Low Rev Incr ((Low Rev Ceiling-(3+4A))-4C) NOT<0		0.00
C. Value of the CCDEB (23-24 DPI Computed-CCDEB Dists only)		0.00
5. 2023-24 Maximum Revenue / Member (Ln 3 + Ln 4)		12,828.35
6. Current Membership Avg (2021+.4ss, 2022+.4ss, 2023+.4ss)/3	(from left)	253
7. 2023-24 Rev Limit, No Exemptions (Ln7A + Ln 7B)	(rounded)	3,245,573
A. Max Rev/Memb x Cur Memb Avg (Ln 5 x Ln 6)		3,245,573
B. Hold Harmless Non-Recurring Exemption		0
8. Total 2023-24 Recurring Exemptions (A+B+C+D+E)	(rounded)	0
A. Prior Year Carryover		0
B. Transfer of Service		0
C. Transfer of Territory/Other Reorg (if negative, include sign)		0
D. Federal Impact Aid Loss (2021-22 to 2022-23)		0
E. Recurring Referenda to Exceed (If 2023-24 is first year)		0
9. 2023-24 Limit with Recurring Exemptions (Ln 7 + Ln 8)		3,245,573
10. Total 2023-24 Non-Recurring Exemptions (A+B+C+D+E+F+G+H+I)		687,260
A. Non-Recurring Referenda to Exceed 2023-24 Limit		575,000
B. Declining Enrollment Exemption for 2023-24 (from left)		0
C. Energy Efficiency Net Exemption for 2023-24 (see pg 4 for details)		0
D. Adjustment for Refunded or Rescinded Taxes, 2023-24		0
E. Prior Year Open Enrollment (uncounted pupil[s])		5,848
F. Reduction for Ineligible Fund 80 Expenditures (enter as negative)		0
G. Other Adjustments (Fund 39 Bal Transfer)		0
H. WPCP and RPCP Private School Voucher Aid Deduction		106,412

Capital (Debt) Referendums:

- Issue debt
- Note/bond proceeds deposited into Fund 49

Placement on Revenue Limit Worksheet Non-Recurring

<u>Vote Date</u>	 <u>Amount</u>	 <u>Type</u>	<u>Yes</u>	<u>No</u>	<u>Result</u>	<u>Brief Description</u>
04/06/2021	2021-2022 \$675,000 2022-2023 \$775,000 Total: \$1,450,000	NR 2022-2023	251	188	Passed	

2021-2022 Revenue Limit Worksheet

10. Total 2021-22 Non-Recurring Exemptions (A+B+C+D+E+F+G+H+I)		823,000
A. Non-Recurring Referenda to Exceed 2021-22 Limit	675,000	
B. Declining Enrollment Exemption for 2021-22 (from left)	80,321	
C. Energy Efficiency Net Exemption for 2021-22 (see pg 4 for details)	61,487	


2022-2023 Revenue Limit Worksheet

10. Total 2022-23 Non-Recurring Exemptions (A+B+C+D+E+F+G+H+I)		868,922
A. Non-Recurring Referenda to Exceed 2022-23 Limit	775,000	
B. Declining Enrollment Exemption for 2022-23 (from left)	52,443	
C. Energy Efficiency Net Exemption for 2022-23 (see pg 4 for details)	61,487	

2023-2024 Revenue Limit Worksheet

10. Total 2023-24 Non-Recurring Exemptions (A+B+C+D+E+F+G+H+I)		0
A. Non-Recurring Referenda to Exceed 2023-24 Limit	0	
B. Declining Enrollment Exemption for 2023-24 (from left)	0	
C. Energy Efficiency Net Exemption for 2023-24 (see pg 4 for details)	0	

Placement on Revenue Limit Worksheet Recurring

<u>Vote Date</u>	<u>Amount</u>	 <u>Type</u>	<u>Yes</u>	<u>No</u>	<u>Result</u>	<u>Brief Description</u>
11/08/2022	2022 \$999,999	RR 2022	1,897	1,240	Passed	To exceed the revenue limit by \$999,999 beginning with the 2022-2023 school year, for recurring purposes consisting of operational and maintenance expenses.
	Total: \$999,999					

2022-2023 Revenue Limit Worksheet			
5.	2022-23 Maximum Revenue / Member (Ln 3 + Ln 4)		10,537.90
6.	Current Membership Avg (2020+.4ss, 2021+.4ss, 2022+.4ss)/3	(from left)	916
7.	2022-23 Rev Limit, No Exemptions (Ln 7A + Ln 7B)	(rounded)	9,705,406
A.	Max Rev/Memb x Cur Memb Avg (Ln 5 x Ln 6)		9,652,716
B.	Hold Harmless Non-Recurring Exemption		52,690
8.	Total 2022		
2023-2024 Revenue Limit Worksheet			
3.	2023-24 Base Revenue Per Member (Ln 1 / Ln2)		11,629.60
B.	2023-24 Per Member Change (A+B)		0.00
5.	2023-24 Maximum Revenue / Member (Ln 3 + Ln 4)		11,629.60
6.	Current Membership Avg (2021+.4ss, 2022+.4ss, 2023+.4ss)/3	(from left)	0
7.	2023-24 Rev Limit, No Exemptions (Ln7A + Ln 7B)	(rounded)	0
A.	Max Rev/Memb x Cur Memb Avg (Ln 5 x Ln 6)		0
B.	Hold Harmless Non-Recurring Exemption		0
8.	Total 2023-24 Recurring Exemptions (A+B+C+D+E)	(rounded)	0
A.	Prior Year Carryover		0
B.	Transfer of Service		0
C.	Transfer of Territory/Other Reorg (if negative, include sign)		0
D.	Federal Impact Aid Loss (2021-22 to 2022-23)		0
E.	Recurring Referenda to Exceed (If 2023-24 is first year)		0



Do we have to use the full authority granted? **No.**

If not, how do we adjust? **Revenue Limit Levy < Full Authority**

What are the long-term impacts?

- **Non-Recurring referendum: one-time levy opportunity for that year, not used and not available later**
- **Recurring referendum: carry into following year (use later)**

DISTRICTS MUST USE THE OCT 15 AID CERT WHEN SETTING THE DISTRICT LEVY.

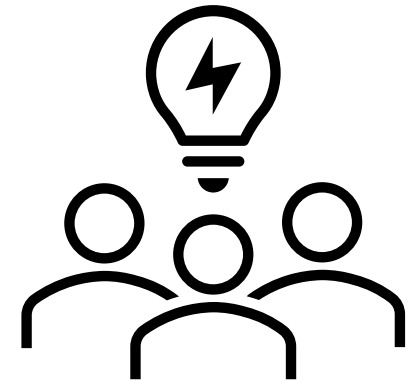
13. Allowable Limited Revenue: (Line 11 - Line 12) (10, 38, 41 Levies)		4,775,862	← allowed
14. Total Limited Revenue To Be Used (A+B+C)	Not >line 13	4,735,474	← levied
Entries Required Below: Enter amnts needed by purpose and fund:			
			= \$40,000 Underlevy

Operational Referendums:

- Revenue:
 - Levy via the Revenue Limit Worksheet
- Expenditures:
 - Typically, no coding changes as a result
 - No unique Fund
 - No unique Program/Project code required

Capital (Debt) Referendums:

- Issue debt
- Note/bond proceeds deposited into Fund 49
- Note/bond repayment via Fund 39



Note / Bond Issuance



Fund 49 Considerations:

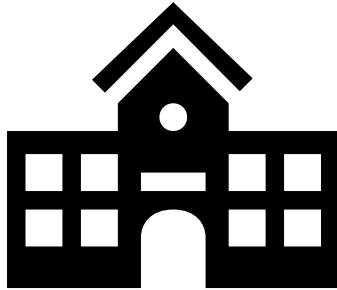
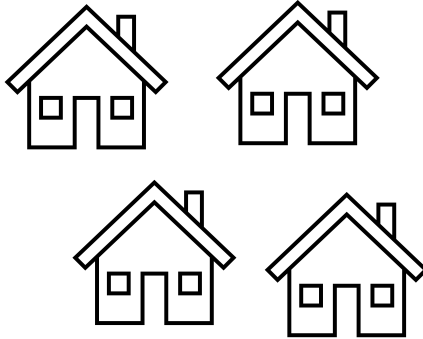
- Investment account
 - Collateralized
 - Use draw schedule to determine investment timing
- Distinguishing between projects not required. If desired, consider:
 - Location
 - Program/project code

Debt Proceeds
Fund 49



Revenue = Debt Proceeds (+ others)
Expenditures = Project Costs

Note / Bond Issuance



Note / Bond Repayment: **Fund 39**

Revenue = Tax Levy (+ others)
Expenditures = Debt Payments

District Levies

District Pays
Note/Bond Principal
and Interest



Taxpayers Pay their
Portion to District
via Municipalities

Placement on Revenue Limit Worksheet Capital (Debt) Referendum



BAIRD

FUND 39 TOTAL DEBT SERVICE

PRINCIPAL	INTEREST	TOTAL	FISCAL YEAR TOTAL	CALENDAR YEAR TOTAL	PAYMENT PERIOD
\$2,585,000	\$934,172	\$3,519,172	Jan-June Only \$3,519,172		Jan-June 2024
	\$886,247	\$886,247		\$4,405,419	July-Dec 2024
\$2,790,000	\$886,247	\$3,676,247	\$4,562,494		Jan-June 2025

2023-2024 Revenue Limit Worksheet		
14. Total Limited Revenue To Be Used (A+B+C)	Not >line 13	13,337,901
Entries Required Below: Enter amnts needed by purpose and fund:		
A. Gen Operations: Fnd 10 Src 211	13,088,901	(Proposed Fund 10)
B. Non-Referendum Debt (inside limit) Fund 38 Src 211	0	(to Budget Rpt)
C. Capital Exp, Annual Meeting Approved: Fund 41 Src 211	249,000	(to Budget Rpt)
15. Total Revenue from Other Levies (A+B+C+D)		4,937,821
A. Referendum Approved Debt (Fund 39 Debt-Src 211)	4,405,419	
B. Community Services (Fund 80 Src 211)	532,402	(to Budget Rpt)
C. Prior Year Levy Chargeback for Uncollectible Taxes (Src 212)	0	(to Budget Rpt)
D. Other Levy Revenue - Milwaukee & Kenosha Only	0	(to Budget Rpt)
16. Total Fall, 2023 REPORTED All Fund Tax Levy (14A + 14B + 14C + 15)		18,275,722
<i>Line 16 is the total levy to be apportioned in the PI-401.</i>	Levy Rate =	0.00793357

SFS Debt Schedules Module

[Home](#) [Manage Debt Schedules](#) [Reports](#)

--- Manage Debt Schedules Page ---

Instructions

Use the grid below to add new district debt schedules or edit/manage existing debt schedules.

You can also view your district's' [annual debt service summary](#) to see what Fund 38 and Fund 39 principal, interest and totals are due each calendar year.

Note: The Debt Schedules list is not affected by the fiscal year list above.

Check

[Export to Excel](#) [Export to PDF](#) Debt Type: Bonds + To Add New Record, first select the Debt Type.

Debt Schedule Name	Debt Schedule Typ	WUFAR Fund	WUFAR Function	Maturity Date	Start Date	Principal Before Start	Original Amount	Current Balance [RO]	
GO School Improvement Bonds, Series 2018A	Bonds	Fund 39	Function 281	04/01/2038	01/01/1900	\$0	\$18,000,000	\$12,845,000	Edit Delete
GO School Improvement Bonds, Series 2017A	Bonds	Fund 39	Function 281	04/01/2037	01/01/2018	\$0	\$41,000,000	\$36,800,000	Edit Delete

10 items per page

New

Edit



Within 10 days, enter in the SFS WiSFIP portal under "Debt Schedules"

Entering Debt into the Debt Portal

Create New [Debt Schedule] Form ×

Complete ALL Fields Below!

Schedule Name

GO School Improvement Bonds

Issue Date

03/05/2024

Debt Schedule Type

Bonds

Start Date

03/05/2024

WUFAR Fund

Fund 39

Maturity Date

03/05/2024

WUFAR Function

Function 281

Principle Before Start

\$0

Original Amount

\$0

Notes: the **Current Balance** is read-only/RO; live-computed upon access

- 670 Principal
 - 673 Long-Term Note Principal
 - 674 State Trust Fund Loan Principal
 - 675 Long-Term Bond Principal
 - 676 TEACH Loan Principal
 - 677 Land Contract Principal
 - 678 Capital Lease Principal

- 680 Interest
 - 682 Temporary Note Interest
 - 683 Long-Term Note Interest
 - 684 State Trust Fund Loan interest
 - 685 Long-Term Bond Interest
 - 686 TEACH Loan interest
 - 687 Land Contract Interest
 - 688 Capital Lease Interest



The portal detail determines how to code annual expenditures

Correctly Coded:

39 E 800 675 281000 000
39 E 800 685 281000 000

DPI Coding Guide



**Debt Proceeds
Fund 49**



**Debt Repayment
Fund 38 or 39**

Journal Entries for Debt Issuance and Subsequent Interest and Principal Payments
 Below are the anticipated journal entries to record the various debt issuance by a school district.
 Also included below are the debt anticipated journal entries to record the debt interest and principal payments.
 Debt is recorded in Fund 38 if non-referendum related or in Fund 39 if referendum related.

General Obligation Bonds			
To Record Bond Issuance			
Dr. 49 B 000 000 711000 000	Cash	-	
Cr. 49 R 000 875 500000 000	Long-Term Bond Proceeds	-	JE IN BALANCE
To Record Bond Premium, if applicable			
Dr. 38/39 B 000 000 711000 000	Cash	-	
Dr. 38/39 E 000 690 281000 000	Other Debt Payment-Closing Costs	-	
Dr. 38/39 E 000 690 281000 000	Other Debt Payment-Discount	-	
Cr. 38/39 R 000 968 500000 000	Debt Premium-Non-Refinancing Debt	-	JE IN BALANCE
Debt Service Interest and Principal Payments			
Dr. 38/39 E 000 675 281000 000	Long-Term Bond Principal	-	
Dr. 38/39 E 000 685 281000 000	Long-Term Bond Interest	-	
Cr. 38/39 B 000 000 711000 000	Cash	-	JE IN BALANCE
General Obligation Notes			
To Record Note Issuance			
Dr. 49 B 000 000 711000 000	Cash	-	
Cr. 49 R 000 873 500000 000	Long-Term Notes Proceeds	-	JE IN BALANCE
To Record Note Premium, if applicable			
Dr. 38/39 B 000 000 711000 000	Cash	-	
Dr. 38/39 E 000 690 281000 000	Other Debt Payment-Closing Costs	-	
Dr. 38/39 E 000 690 281000 000	Other Debt Payment-Discount	-	
Cr. 38/39 R 000 968 500000 000	Debt Premium-Non-Refinancing Debt	-	JE IN BALANCE
Debt Service Payments			
Dr. 38/39 E 000 673 281000 000	Long-Term Notes Principal	-	



Coding Debt Transactions – Defeasance / Prepayment

DPI Coding Guide

Journal Entries for Debt Issuance and Subsequent Interest and Principal Payments			
Below is the anticipated journal entry to record the defeasance of debt by a school district. Defeasance uses levied cash on hand to make prepayment of debt principal and interest. It removes a portion of the remaining debt as a legal liability of the District once the escrow closes.			
Debt is recorded in Fund 38 if non-referendum related or in Fund 39 if referendum related.			
Bond Defeasance			
Dr. 38/39 E 000 675 281000 000	Long-Term Bond Principal	-	
Dr. 38/39 E 000 685 281000 000	Long-Term Bond Interest	-	
Dr. 38/39 E 000 690 281000 000	Other Debt Retirement-Closing Costs	-	
Cr. 38/39 R 000 968 500000 000	Debt Premium-Non-Refinancing Debt		-
Cr. 38/39 B 000 000 711000 000	Cash		-
		-	-
			JE IN BALANCE
Debt Schedule Adjustments			
The principal payment defeased should be included in the "Principal Payments Scheduled" column in SAFR debt schedule.			
The interest payment defeased should be included in the "Interest Payments Scheduled" column in SAFR debt schedule.			
Remember to adjust future payments per the new debt schedule provided during defeasance.			
Debt schedule should equal 0 at end.			



DPI Coding Guide

Journal Entries for Refinancing of Debt and Subsequent Principal and Interest Payments

Below are the anticipated journal entries to record various debt refinancing transactions by a school district and subsequent debt service payments. Debt is recorded in Fund 38 if non-referendum related or in Fund 39 if referendum related.

SEE EXAMPLES OF REFINANCING TRANSACTIONS AND CORRESPONDING CLOSING MEMOS AT <https://dpi.wi.gov/sfs/finances/wufar/accounting-issues-examples>

General Obligation Bond Refinancing Transaction			
New Bond Issuance			
	Cash	-	
Dr. 38/39 E 000 690 282000 000	Other Debt Retirement-Closing Costs	-	
Dr. 38/39 E 000 690 282000 000	Other Debt Retirement-Discount	-	
Cr. 38/39 R 000 875 500000 000	Long-Term Bond Proceeds		-
Cr. 38/39 R 000 879 500000 000	Premium on Debt Refinancing		-
		-	-
			JE IN BALANCE
Payoff of Refinanced Bond			
Dr. 38/39 E 000 675 282000 000	Long-Term Bond Principal	-	
Dr. 38/39 E 000 685 282000 000	Long-Term Bond Interest	-	
Cr. 38/39 B 000 000 711000 000	Cash		-
		-	-
			JE IN BALANCE
Totals			
		-	-
			JE IN BALANCE
Function 282000 Test:			
Proceeds		-	
Plus Premium		-	
Less Principal Paid Off		-	
Less Interest Paid Off		-	
Less Discount		-	
Less Fees		-	
Must Equal Zero or Cash Received		-	TEST WORKS

If principal and interest payments occur in the same fiscal year as the refinancing, the cash received as calculated above must be applied to principal or interest payments for this issue using Function 282000. See "Debt Service Payments on New GO Bond Issuance" with cash received from refinancing included in example. If no principal and interest payments occur in the same fiscal year as the refinancing, the cash received as calculated above must be coded to Fund Balance Restricted for Refinancing – 936310 at year end.

In the subsequent fiscal year, the balance in 936310 must be applied to principal or interest payments as a 282000 function. For example, if the total interest payments are \$50,000 but a balance of \$5,000 was remaining in 936310, \$45,000 would be coded to Function 281000 and \$5,000 would be coded to Function 282000.



DPI and Baird Resources to support transaction entry



Debt Proceeds
Fund 49

Revenue = Debt Proceeds (+ others)
Expenditures = Project Costs



Debt Repayment
Fund 38 or 39

Revenue = Tax Levy (+ others)
Expenditures = Debt Payments

Arbitrage and Spend down Requirements

Arbitrage & Rebate

- Arbitrage
 - Applies to tax-exempt debt issues
 - Earning a materially higher rate of return on investment of tax-exempt bond/note proceeds than the interest rate (arbitrage yield) on that debt (for example, earning 4.00% when bond yield is 3.00%)
- IRS Purpose
 - Removes incentive to issue more tax-exempt debt than necessary or earlier or for longer than necessary
- Yield Restriction
 - Restriction on the investment yield that can be earned
- Arbitrage rebate
 - When arbitrage must be paid back to the IRS

Temporary Periods

- Period of time where investment of proceeds may earn more than the arbitrage yield on the tax-exempt debt

- Capital project (new money) issues
 - Reasonable expectation that 85% of proceeds spent within **3 years**
 - If not spent within three years, must yield restrict to bond/note arbitrage yield
 - Must incur a binding obligation to spend at least 5% of the net sale proceeds on the project within 6 months of the debt issuance
 - Proceed with due diligence to complete the project

- Current Refunding Issues
 - **90 days**

Temporary Periods

- Bona Fide Debt Service Fund
 - **13 months**
 - Debt service fund accounts on tax-exempt issues are supposed to be swept out annually except for a de minimis carryover amount
 - De minimis carryover = the greater of 1/12 of the principal and interest payments on the bonds/notes for the immediately preceding bond year or the earnings on that debt service fund account in the preceding bond year
 - Must otherwise yield restrict other amounts in the debt service fund account to the arbitrage yield on the bonds/notes

Rebate Exceptions

- Unless a rebate exception is met, any positive arbitrage on the investment of the bond proceeds must be rebated to the IRS.

Rebate Exceptions For Capital Project (New Money) Issues

- Small Issuer Exception
 - \$15MM debt limit in calendar year with \$5MM limit for equipment/tax-exempt cash flow borrowings (non-construction)
 - Current refunding issues typically do not count against this limit
- 18 Month Spending Exception
 - 15% within 6 months, 60% within 1 year, 100% within 18 months
- 2 Year Spending Exception
 - For construction issues only – 75% or more of the proceeds to finance construction expenditures
 - 10% within 6 months, 45% within 1 year, 75% within 18 months, 100% within 2 years

Rebate Exception For Current Refunding Issues

- 6 month rebate exception

Remaining Project Proceeds

- If there are remaining project proceeds (Fund 49):
 - 1) Use remaining funds for other eligible project expenditures, or
 - 2) If project has been completed, deposit any remaining funds in the debt service fund (Fund 39 or Fund 38, as applicable) to be used to pay down the debt service on the bonds/notes
 - defease debt if not currently callable, or
 - debt prepayment if currently callable

Questions?



Important Disclosures

Quarles

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