Returning Excess Bond Proceeds

Section: Debt Financing and Management Number: 35.100
Title: Returning Excess Bond Proceeds

Index

POLICY

- .100 POLICY STATEMENT
- .110 POLICY RATIONALE
- .120 AUTHORITY
- .130 APPROVAL AND EFFECTIVE DATE OF POLICY
- .140 KNOWLEDGE OF THIS POLICY
- .150 DEFINITIONS
- .160 RESPONSIBILITIES
- .170 POLICY PROVISIONS
- .690 CONTACT INFORMATION
- .695 HISTORY

APPENDIX

- .700 PROCEDURES FOR RETURNING EXCESS BOND PROCEEDS
- .800 FORM

POLICY

.100 POLICY STATEMENT

The policy sets forth the policies and procedures for handling excess bond proceeds by project.

.110 POLICY RATIONALE

OUS seeks to ensure that the policies and procedures for handling excess bond proceeds are documented, communicated, clearly understood, and consistently applied.
.120 AUTHORITY

- ORS 351.085 - Duties and Powers of Chancellor
- ORS 351.170 - Charges for Use of Buildings; Student Building Fee; Disposition of Receipts.
- OAR 580-040-0005 - Delegation and Assignment of Responsibility
- IMD 6.001 - Finance and Business Affairs Accounting Policies - Assignment of Responsibility
- IMD 6.002 - Finance and Business Affairs Accounting Policies - Institutional Responsibility

.130 APPROVAL AND EFFECTIVE DATE OF POLICY

This policy was approved by the Controller on May 19, 2004, with an effective date of May 19, 2004.

.140 KNOWLEDGE OF THIS POLICY

All Chancellor's Office and institutional personnel with debt financing and management and related responsibilities should be knowledgeable of this policy.

.150 DEFINITIONS

Completed Project - A project is a "completed project" when all invoices related to the project have been paid.

Excess Proceeds - The amount of unspent bond proceeds remaining in the bond building fund assigned to the project after all invoices for the project have been paid.

Debt Paying Entity (DPE) - The institutional auxiliary enterprise responsible for the repayment of debt on a project.

Substantially Complete - A project is a "substantially complete" project when the institution has received an unconditional certificate of occupancy from the appropriate state and/or local building officials and the majority (i.e. 98%) of the expenditures related to the project have been paid.

Alternate Source of Funding - Funding source other than bond proceeds which are received after the proceeds have been allocated but which were not expected at the time of the allocation of bond proceeds.

.160 RESPONSIBILITIES

The Institution and Chancellor's Office responsibilities for returning excess bond proceeds are summarized below. For detailed procedures, see Appendix .700 - Procedures for Returning Excess Bond Proceeds.
A. Institution Responsibilities

- The Vice President for Finance and Administration (or designee) initiates written requests to return excess bond proceeds to the Chancellor's Office

B. Chancellor's Office Responsibilities

**Chancellor's Office Budget & Management Facilities Division**

- Approves/denies request to return excess bond proceeds to the Chancellor's Office

**Chancellor's Office Controller's Division**

- Determines disposition of excess bond proceeds
- Develops procedures for returning excess bond proceeds

.170 POLICY PROVISIONS

A. Provisions for Completed Projects

- Any excess proceeds will first be applied against the debt service due for the current fiscal year for that project. If there is a balance remaining, this balance will be returned to the pool for reallocation to other approved projects.
- The debt paying entity will be responsible for the debt service due on the portion of the excess proceeds that were applied to debt service until the bonds are paid off. The debt paying entity returning the excess proceeds will be responsible for the current year debt service on the portion of proceeds returned for reallocation to other projects.
- An attempt will be made to re-allocate any returned bond proceeds to another debt paying entity within the same institution as the original allocation during the fiscal year the proceeds were returned.

B. PROVISIONS FOR SUBSTANTIALLY COMPLETED PROJECTS

- Any estimated excess proceeds will first be applied against the debt service due for the current fiscal year for that project. If there is a balance remaining, this balance will be returned to the pool for reallocation to other approved projects.
- The debt paying entity will be responsible for the debt service due on the portion of the estimated excess proceeds that were applied to debt service until the bonds are paid off. The debt paying entity returning the estimated excess proceeds will be responsible for the current year debt service on the portion of proceeds returned for reallocation to other projects. If, however, the request to return estimated excess proceeds is
made in June, the debt paying entity will be required to pay the debt service for the next year, which is included in the current year debt service requirement.

- An attempt will be made to re-allocate any returned bond proceeds to another debt paying entity within the same institution as the original allocation during the fiscal year the proceeds were returned.
- Should additional expenses for the project arise once the estimated amount of excess proceeds have been returned to the pool, an additional allocation will only be made if there are any unallocated and unreserved proceeds available. No new bonds will be sold to cover the additional expenses. If the limitation for the project has expired, additional bond proceeds cannot be used to cover the additional expenses.

C. PROVISIONS FOR ALTERNATE SOURCE OF FUNDING

- If full amount of bonding was allocated for the project and an unexpected source of other revenue funding was received, bond proceeds equal to the amount of unexpected other revenue will be returned to the pool for reallocation to other approved projects.
- The debt paying entity will be responsible for debt service on the returned portion of bonds through the fiscal year the allocation was returned. If the bond proceeds are returned in the same year as the original allocation, no debt service will be due from the debt paying entity on the returned portion of bond proceeds.
- The limitation for other revenue for the project will increase by an amount equal to the amount of the unexpected revenue received. The limitation for the bonds will be reduced by the same amount.
- If bond proceeds are not returned in the same fiscal year as the original allocation, an attempt will be made to re-allocate any returned bond proceeds to another debt paying entity within the same institution as the original allocation during the fiscal year the proceeds were returned.

.690 CONTACT INFORMATION

Direct questions about this policy to the following offices:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>General questions from institutional personnel</td>
<td>Institution Office of Business Affairs</td>
</tr>
<tr>
<td>General questions from institutional central administration and Chancellor's Office personnel</td>
<td>Chancellor's Office Controller's Division</td>
</tr>
</tbody>
</table>

.695 HISTORY

5/19/04 Approved
.700 PROCEDURES FOR RETURNING EXCESS BOND PROCEEDS

A. PROCEDURES FOR COMPLETED PROJECTS

1. The Vice President for Finance & Administration (or designee) will submit to the Controller's Division a written request to return excess bond proceeds. The written request must include the following:

   o Name of the project
   o Statement that the project is complete
   o Statement that all invoices related to the project have been paid
   o Amount of bond proceeds that are considered excess to the project

Submission of a FIS Request to Close Plant Fund form will meet the requirement for a written request.

2. The Controller's Division will determine the disposition of the excess bond proceeds and process the transactions, according to policy provisions that appear in section .170 above.

B. PROCEDURES FOR SUBSTANTIALLY COMPLETED PROJECTS

1. The Vice President for Finance & Administration (or designee) will submit to the Chancellor's Office Budget and Management Facilities Division a written request to return excess bond proceeds to the Chancellor's Office. The written request must include the following:

   o Name of the project
   o Reason for the request
   o Statement that the project is substantially complete
   o Statement that the capitalized costs of the project will begin to be depreciated during the fiscal year in which the request is being made
   o Amount that has been retained to cover any remaining invoices
2. The Chancellor's Office Budget and Management Facilities Division will review the request, verify that the project is substantially complete, and that the capitalized costs of the project will begin to be depreciated in the fiscal year of the request. Approved requests will be forwarded to the Controller's Division for processing. Denied requests will be returned to the Institution with an explanation.

3. The Controller's Division will determine the disposition of the excess bond proceeds and process the transactions, according to policy provisions that appear in section .170 above.

C. PROCEDURES FOR ALTERNATE SOURCE OF FUNDING

1. The Vice President for Finance and Administration (or designee) will submit to the Chancellor's Office Budget and Management Facilities Division a written request to return excess bond proceeds to the Chancellor's Office. The written request must include the following:

   o Name of the project
   o Reason for the request
   o Amount of the alternate other funds
   o Source of the alternate other funds
   o Fund number that the alternate other funds were deposited
   o When the alternate other funds were received

2. The Chancellor's Office Budget and Management Facilities Division will review the request. Approved requests will be forwarded to the Controller's Division for processing. Denied requests will be returned to the Institution with an explanation.

3. The Controller's Division will determine the disposition of the excess bond proceeds and process the transactions, according to policy provisions that appear in section .170 above.

.800 FORM

FIS Request to Close Plant Fund form

Appendix Last Updated: 5/19/04