



Georgia State Financing & Investment Commission (GSFIC)

State of Georgia General Obligation Bond Authorizations

General Guidelines for Bond Recipients

(Eligible State Agencies and State Authorities)

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OVERVIEW

Purpose

The State of Georgia (“Georgia” or the “State”) funds the majority of its general obligation bond authorizations with tax-exempt bonds because that provides the lowest cost of funds to the State. Georgia’s strong track record for responsible financial management is a major factor contributing to its AAA bond rating. Georgia is one of only ten states which currently have a triple-A rating from each of the three major rating agencies and it is very important that we all do our part to preserve that status. There are certain responsibilities and obligations to which State agencies and authorities must adhere when they request and receive general obligation bond proceeds, many of which have a direct bearing on maintaining the tax-exempt status of the State's bonds. Although the tax-exempt status provides cost savings to the State, it also requires ongoing compliance with federal tax-exempt bond regulations *while the bonds are outstanding* (typically, projects are funded by either 5-year or 20-year bonds) as well as retention of certain records for a defined period of time after the final maturity of the bond issue which funded the project.

The purpose of this document is to provide essential information for agencies and authorities regarding both the bond sale process and the post-issuance compliance process (after the bonds are issued). Please note that “Agency” references throughout this document include both state agencies and authorities who are recipients of bond proceeds. Additionally, for when there are questions about the process, GSFIC contact information is provided with each of the procedures.

About GSFIC

GSFIC consists of two divisions: the Financing and Investment Division and the Construction Division.

The Financing and Investment Division performs all services related to the issuance of general obligation bonds, is responsible for the investment of all general obligation bond proceeds, and ensuring proper documentation is maintained regarding compliance with all tax-exempt bond regulations. The division also assists with state authority and other multi-year financing transactions.

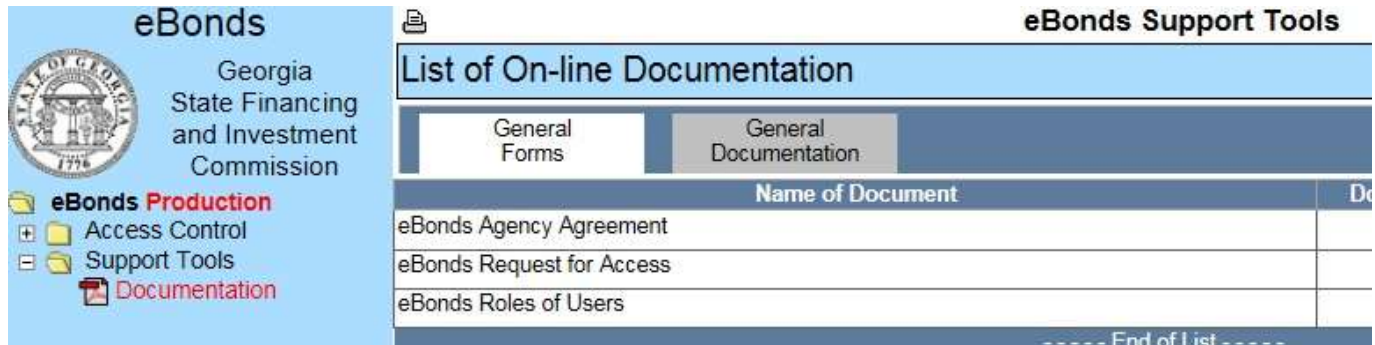
The Construction Division provides construction management services on all general obligation bond funded capital outlay projects for State agencies and applicable State authorities. The division’s management of projects involves receiving bids for the selection of a contractor to construct the facility, monitoring the progress of the projects, and providing the accounting services associated with disbursements of payments to contractors and reimbursements of eligible expenditures to Agencies.

Both divisions monitor Agency expenditures of bond proceeds and the on-going uses of assets funded by bond proceeds to ensure compliance with state law and federal tax regulations.

GSFIC's eBonds System

The first step to getting an authorized project funded is to register certain users in GSFIC's web-based eBonds system - the link is <https://ebonds.gsfc.ga.gov/new.aspx>. GSFIC developed and utilizes the eBonds system for the bond sale process and also to record project information and other required post issuance information.

To start the process, an *Agency Agreement* form needs to be submitted along with the *Request for Access* form. The form, along with other General Support documents, can be found on the eBonds website under Menu Item: Support Tools > Documentation.



To assist with completing the Request for Access form, there are four types of users in the eBonds system, each with the following access levels:

System Access	Look at Data	Change Data	Run Reports	Submit Bond Sale Requests
Viewer	✓			
Reporter	✓		✓	
Updater	✓	✓	✓	
Approver	✓	✓	✓	✓

The bond sale process requires at least two users for an Agency:

Updater

This user will be authorized to *enter* the Agency's request for authorizations to be included in a bond sale

Approver

This user will be authorized to *approve* the Agency's request for authorizations to be included in a bond sale

For User-Related or eBonds Access-Related questions, please contact Mary Garver at mary.garver@gsfc.ga.gov

BEFORE BONDS ARE SOLD

Agency Bond Sale Request Process

Agencies may request that bonds be issued for projects authorized by the General Assembly in the annual Appropriations Bill. This section describes the required procedures to enable agencies to complete the request process. GSFIC will review the requests and determine which items will be included in the next issue of bonds.

As previously stated, there are certain responsibilities and obligations to which State agencies and authorities must adhere when they request and receive general obligation bond proceeds – compliance with the various federal regulations have a direct bearing on maintaining the tax-exempt status of the bonds; others ensure compliance with the State Constitution requirements for projects which are funded by general obligation bonds. GSFIC requires that Agency Boards adopt a resolution to: (1) officially request the projects, and (2) agree that the Agency will comply with federal regulations related to tax-exempt bonds. This action must be completed prior to the date that the State takes bids on the bonds. More information regarding the board resolutions is provided on page 11.

The following pages highlight three critically important items to consider during the request process:

1. Project Eligibility
2. Federal Spend-Down Rules
3. Federal Private Business Use Limitation

Note: All of the State's tax-exempt bond issues are subject to being audited by the Internal Revenue Service; Agency cooperation and support are necessary and vital to ensure compliance with all of the federal requirements.

Important Items to Consider During the Bond Sale Process

Project Eligibility

The State Constitution authorizes the issuance of general obligation bonds to fund capital projects of the State. The authorization of the bonds in the annual Appropriations Bill, including legislative and gubernatorial intent for each individual project authorization as reflected in the language in the “tracking document,” directs the use of bond proceeds to that project. GSFIC is responsible for determining if expenditures are reimbursable from general obligation bond proceeds for all projects, whether GSFIC manages the project or if it is managed by the Agency (allowed only if approved by the Construction Division).

Main Criteria

The following three items must be met for expenditures to be approved for funding from general obligation bond proceeds:

1. Capital Asset (an outlay must be capitalizable to be reimbursed from bond proceeds, but not every capitalizable outlay will be approved for reimbursement from bond proceeds) – this is a federal tax-exempt bond requirement and also a requirement of the State Constitution
2. Useful life of the capital asset should meet or exceed the term of the bonds
3. The State must be the owner of the capital asset (except for those certain instances [K-12 educational facilities, public libraries, etc.] as provided by the State Constitution)

Listed below are some examples of capital expenditures that ARE eligible for general obligation bond funding:

- Acquisition of land to be owned by the State
- Construction/Renovation of new/existing buildings to be owned by the State
- Capital Equipment with a useful life commensurate with the term of the bonds
- Fixed/Loose equipment directly associated with construction/renovation projects
- Professional services (design, engineering, facility commissioning, etc.)
- Initial landscaping
- Parking lots

Because the federal regulations do not permit the use of tax-exempt bond proceeds for working capital purposes, operational expenditures cannot be paid from tax-exempt bond proceeds; neither does the State Constitution allow such expenditures with general obligation bond proceeds.

Listed below are some examples of operational expenditures that ARE NOT eligible for general obligation bond reimbursement:

- Personal Services
- Depletable/Disposable items
- Lease Payments
- Office Supplies
- Maintenance agreements for copiers/computers

Questions? Please contact Alex Volodarsky at 404-463-5631 or alex.volodarsky@gsfic.ga.gov

Federal Spend-Down Requirements

Timely expenditure of tax-exempt bond proceeds is a federal requirement.

The tax provisions are applied in analyzing the total expenditures at the bond issue level; in order for the State to be able to comply with those tax provisions, GSFIC requires Agencies to meet the following three expenditure milestones at the project level:



Agencies should only request an authorization be included in a bond sale if the agency reasonably expects the project to meet the three milestones. For the first milestone, the regulations do allow for contractually obligated amounts as well as actual expenditures to apply towards the 5% required amount.

Projects should be at or nearing completion at the three year anniversary of the bond sale, with at least 85% of the proceeds actually expended, contractual obligations are not permitted to be included in this amount.

No bond proceeds are available to an Agency five years after the bonds are issued – GSFIC must use those funds to retire tax-exempt debt.

Past Agency performance in meeting the spend-down milestones is factored into the review and approval process for Agency requested items for a new bond issue.

To help with compliance, the eBonds system:

1. Notifies agencies when a bond issue is approaching a milestone date; and
2. Provides a mechanism for agencies to submit documentation explaining why a project may not be able to meet the targets.

These processes are further explained in detail on pages 18 and 19.

Reporting

An annual report to document compliance and non-compliance with the spend-down requirements is provided to GSFIC board members. Also, the Office of Planning and Budget, the Senate Budget Office, and the House Budget Office review spend-down performance as part of their budget process for the annual Appropriations Bill.

Private Business Use Limitations

Unless it has been determined to fund the project authorization with taxable bonds proceeds, agencies are required to certify that they will not use the bond proceeds OR the projects/facilities financed with bond proceeds for private business use while any of the tax-exempt bonds are outstanding.

Private business use means:

- Use (directly or indirectly)
 - of the project/facilities
 - in a trade or business
 - carried on by a “non-qualified user”(a user that is not a state or local governmental unit) (the federal government is considered a non-qualified user)

Private business uses matters because the “private business use” of facilities financed with tax-exempt bonds, above a very minimal level, may cause the interest on the tax-exempt bonds to be taxable to the holder of the bonds. This would directly and explicitly violate the covenant that the State enters into with the purchasers of the tax-exempt bonds and would cause them direct financial harm. It also could lead to additional Internal Revenue Service (“IRS”) audits of other state issued tax-exempt bonds to validate the tax-exempt status of those bonds. Either or both of these would lead to the State having to pay higher interest rates on future bond issues and probably loss of the coveted “triple-A” bond rating.

Some examples of private business use:

- Management or Service Contracts
- Leases
- Research Contracts
- Use of space by a private citizen/company for operation of a business enterprise
- Naming rights for facilities
- Use by the Federal Government
- Parking contracts
- Land leased to a private entity

Common service providers that are considered private business use include food vendors and facilities managers. Service providers providing janitorial services or vending machines are not considered private business use.

GSFIC relies on agencies to provide as much information regarding general use of a facility and any potential private business use prior to the issuance of the bonds; this will allow GSFIC to determine if a project should be funded with taxable bonds rather than tax-exempt bonds. GSFIC’s goal is to have private business use updated on an annual basis.

GSFIC realizes that many agencies are redesigning their business models and that the use of facilities funded with tax-exempt bond proceeds does evolve over time. More information regarding what is required for an anticipated change in a facility’s use *after the bonds have been issued* is provided on page 21. It is important to notify GSFIC as early as possible in the planning process; we will work with an Agency to the maximum extent possible to enable the Agency to achieve its goals and still preserve the tax-exempt status of the State’s bonds which funded the facility.

eBonds Procedures (Bond Sale Request Process)

This section describes the procedures to be followed in GSFIC's eBonds system for requesting Agency bond authorizations for an upcoming bond issue. When a bond issue has been scheduled and GSFIC has opened eBonds to allow agencies to enter their requests, an email from eBonds will be distributed to all users who have existing authorizations.

When logged in eBonds, Agencies will find several support documents at Support Tools > Documentation. We reference these documents as "How to Guides" or "HTG."

Name of Document
000 - Agency Welcome Packet
114 - How to Enter Bond Sale Requests
116 - How to Submit Bond Sale Request
301 - How to Update Project Information Needed for Commitment Letter
303 - How to Provide Asset Tracking Information for New Bond Funding
305 - How to Submit Commitment Letter Request following a Bond Sale
412 - How to Update Spend Down Alerts with Agency Comments
414 - How to Enter Spend Down Encumbrance Transactions
416 - How to Request Spend Down Reports
418 - How to Upload Documents to Support Spend Down Encumbrances
----- End of List -----

There are two major steps in the bond sale request process.

Step 1 – Viewing Authorizations

Authorizations may be viewed on-line in the eBonds system at: Agency Activities > Bond Sale Activities > Pre-Sale Activities > Enter Request

Authorizations may be downloaded from the system into an excel file.

Select Export Number B-001 (All Unsold Bond Authorizations) at: Agency Activities > Bond Sale Activities > Outputs > Export Menu.

Step 2 – Entering Bond Sale Requests

The procedures in this second step provide guidance for requesting projects be included in the upcoming bond sale.

Follow the instructions in HTG #114.

It is not necessary to make all entries for a bond sale at the same time. The system will accept changes as long as the request has not been submitted. After requests are submitted, further changes, or additions, cannot be made.

Priorities are requested because there could be reasons such as market conditions that prevent funding all the requested projects for an upcoming bond issue. Entering in project comments helps to justify agency needs and allows GSFIC to determine the most crucial projects in the event we cannot meet the total amount of projects requested by agencies.

An electronic version of the Request data entry screen can be retrieved as an excel spreadsheet. Select Export Number B-003 (Bond Sale Request) at: Agency Activities > Bond Sale Activities > Outputs > Export Menu.

After an Agency has reviewed its bond sale requests, the next step is to submit the request to GSFIC.

For questions related to completing the bond sale request process in eBonds, please contact Mary Garver (mary.garver@gsfic.ga.gov).

Agency Bond Sale Submission Process

The procedures in this section require a user in the eBonds system to be classified as an “Approver.”

Follow the instructions in HTG #116.

After requests are submitted, further changes, or additions, cannot be made.

The majority of the procedures deal with verifying that the Agency understands and accepts the following five major conditions surrounding the management and use of bond-related funds and bond funded projects.

Certification Statement 1	
<i>I understand that the amount requested above is not the final amount for the current bond sale. There is a possibility that the amount sold could be less or more, or not sold at all.</i>	
What does this mean?	<p>This first certification is fairly simple – it simply means that although the Agency has requested the project (or a portion of it, such as the funds for the planning and design stage), the Agency understands that the requested amount may be incorporated in full, in part, or even not at all.</p> <p><u>A word to the wise:</u> Provide reasoning why the request needs to be funded and/or what the adverse consequences will be if the project is not funded in the upcoming bond issue.</p>

Certification Statement 2	
<i>I understand that the Georgia Constitution and state statutes establish general acceptable uses of the proceeds of general obligation bonds and that any such expenditures thereof will be for improvements or construction of capital assets and will follow the intent of the Legislature as indicated in the tracking document related to the appropriations bill authorizing the issuance of general obligation bonds for the requested funding. Accordingly, proceeds of general obligation bonds cannot be used for the following:</i>	
<ul style="list-style-type: none">• <i>Agency operating expenses (i.e. employee salaries and office supplies, ongoing operating expenses, etc);</i>• <i>Relocation of equipment, furniture, books, etc. before or after a facility undergoes renovation;</i>• <i>Payment of principal and interest on lease purchase or financing contracts;</i>• <i>Any other agency operating expense.</i>	
What does this mean?	<p>Here the Updater certifies that the Agency will properly expend the funds on eligible capital assets and not for operating expenses.</p> <p>If in doubt whether an expenditure is eligible, PLEASE ASK FIRST!!!</p> <p>In addition, the Updater certifies that the project is consistent with the Legislative Intent for the authorization as stated in the tracking document for the appropriations bill.</p>

Certification Statement 3

I understand that timely expenditure of federal tax-exempt bond proceeds is required by federal laws and regulation. These laws and regulations require that the State complies with the following three expenditure deadlines, and that Agencies and Authorities hereby accepts and assumes the responsibility of compliance with the deadlines on an individual project basis:

- *5% Expended within 6 months of the bond sale;*
- *85% Expended within 3 years of the bond sale;*
- *100% Expended within 5 years of the bond sale.*

To comply with GSFIC in this regard, I understand that Agencies and Authorities will be required to provide periodic project status updates to demonstrate compliance with these expenditure requirements and/or to provide explanation(s) why the requirement was not met.

What does this mean?

The federal spend-down requirements were introduced on page 5 and are explained in further detail on pages 18 and 19.

Basically, the Agency certifies here to comply with GSFIC policies to help ensure compliance with the federal regulations.

Certification Statement 4

I understand that there are certain responsibilities and obligations that Agencies and Authorities undertakes when requesting and receiving general obligation bond proceeds, which have a direct bearing on the tax-exempt status of the bonds. One is that Agencies and Authorities will not use the bond proceeds or the projects or facilities financed with bond proceeds for any non-governmental purpose or any purpose constituting a private activity as defined under the Internal Revenue Code of 1986. Any of the following arrangements with non-governmental entities for bond-funded facilities or projects may constitute a private business use, thus causing outstanding general obligation bonds to become 'private activity bonds' which could cause the State to incur additional expenses such as additional interest to the bondholders and/or penalties to the federal government via the Internal Revenue Service: outright transfers of ownership; leases; management contracts; output contracts; research agreements; or any other arrangement that convey special legal entitlements for beneficial use of bond financed projects that are comparable to those under any of the arrangements listed above.

Before Agencies and Authorities enters into any of the arrangements described above with respect to bond financed projects or facilities, the Agencies and Authorities will contact the Director of the Financing and Investment Division of GSFIC and receive written confirmation that the proposed transaction will not endanger the tax-exempt status of any outstanding bonds, including any refunding bonds that may have been issued with respect to the bond financed project.

Also, with respect to any Agencies and Authorities project previously financed with tax-exempt bonds issued by the State with the intent that (i) the interest on such bonds be excludable from gross income for federal income tax purposes pursuant to Section 103 of the Tax Code or (ii) such bonds at the time of their issuance were designated by the GSFIC on behalf of the State as Build America Bonds under section 54AA of the Tax Code, Recovery Zone Economic

Development Bonds, or Qualified School Construction Bonds, and where any of those bonds remain outstanding (including any refunding bonds), the governing Board or Commission of Agencies and Authorities will certify that such bond financed project is not now being used for any private business use within the meaning of pertinent provisions of the Tax Code, except for those specific instances in which the governing Board or Commission of Agencies and Authorities has identified to GSFIC a change in use of the previously finance project(s) and provision was made so as to properly retire, redeem or defease any and all of the then remaining outstanding bonds for the project(s) concurrent with such change in use so as to maintain the tax-exempt, Build America Bond, Recovery Zone Economic Development Bond, or Qualified School Construction Bond, as the case may be, status of such bonds or GSFIC has expressly consented to permit such change in use without the aforementioned retirement, redemption or defeasance of any then outstanding bonds use to finance the project, as applicable.

What does this mean?

This condition relates to the private business use requirements discussed on page 6, and also on page 21. Not only is it important to make an assessment during the bond sale planning stage, but Agencies certify that projects will not violate the private business use requirements while bonds are outstanding.

If at any time after bonds have been sold there is an anticipated change in use of the facility, please contact GSFIC immediately to discuss options so that we can ensure that we will be able to preserve the tax-exempt status of the bonds.

Certification Statement 5

I understand that before the Bond Sale Date, the governing Board or Commission of Agencies and Authorities must adopt and submit to GSFIC a Resolution in the form provided to it by the Law Department on behalf of GSFIC which formally requests the sale of bonds for the project(s) and in the amounts described in the request and specifically acknowledging each of the conditions contained in the preceding Four (4) certification statements. Should any of the requested bonds be issued as federally taxable bonds, these certifications will not be applicable, except that bond proceeds expenditure requirements as outlined in certification 3 above will be considered as appropriate guidelines to be followed and Agencies and Authorities will provide such expenditure updates as per the schedule in certification 3, above.

What does this mean?

This certification has to do with a formal request resolution that an Agency Board has to adopt prior to the actual sale of the bond issue that will fund the Agency's project(s). The Law Department prepares the resolution, which encompasses all of the certifications that you will have made by the time you submit your request. There will be a few blanks such as the date of the official action, etc., and signatures, but no changes to this document are allowed unless agreed to by the Law Department and GSFIC.

One final caution – this is a pass-fail event. If an Agency Board does not adopt the resolution prior to the sale of the bonds, the project will not be included in the bond issue.

This completes the agency bond sale request and submission procedures needed to be completed in the eBonds system. After all agencies have submitted their requests, GSFIC will work with OPB to finalize the project list for the upcoming bond issue. Agencies will be notified after the project list has been finalized.

Bond proceeds typically are available immediately after closing which usually occurs within 30 days of the date that bids to purchase the bonds are accepted. If an agency is ready to begin a project prior to a bond sale, or prior to funds being available, the Internal Revenue Code provides for a process called the *Declaration of Official Intent to Reimburse* which allows for an agency to begin a project and incur expenditures that will be eligible for reimbursement once the bond proceeds are available. The process is described in more detail on the following page, and begins with the agency submitting a request letter to GSFIC. (GSFIC has sample letters which it can provide to agencies to assist them with their request.)

For questions related to the Bond Sale Process or the actions required to complete the process in eBonds, please contact Mary Garver (mary.garver@gsfic.ga.gov).

Declaration of Official Intent to Reimburse

As stated on the previous page, if an Agency has a project that needs to start prior to the bond sale, the Agency may submit a request to GSFIC that a Declaration of Official Intent to Reimburse (“DOIR”) be issued for that project. (The IRS requires this process to prevent entities from issuing so-called “pyramid bonds,” that is bonds issued purportedly to “reimburse” for expenditures “as old as the pyramids”, but in reality would be for working capital purposes which is not permissible under federal tax-exempt bond regulations). The DOIR becomes the Agency’s authorization for reimbursement for eligible project related expenses out of proceeds from future bond issues. The DOIR does not bind GSFIC in any way to issue bonds or to reimburse any expenses which are deemed ineligible. When the bond proceeds are available, a copy of the DOIR must be attached to the reimbursement request by the agency and the reimbursement amount identified. As the bond issuer, GSFIC is responsible for providing the IRS with information regarding actual reimbursement expenditures paid pursuant to a DOIR.

The Federal Regulations require the following:

Official Intent must be issued timely

The DOIR must be issued *within 60 days* after payment of the original expenditure.

Official Intent must include the following:

- A general description of the project for which the original capital expenditure is paid; and
- The maximum amount of bond proceeds expected to be necessary for reimbursement of eligible expenditures for the project which will be paid prior to the bond proceeds being available. Care should be exercised to request that the DOIR be issued at a sufficient level for the reimbursement as that becomes a not-to-exceed amount, but not an excessive level that never actually would be necessary. For example, if a \$1 million project is authorized, the DOIR request should not be for the entire \$1 million if the actual expenditures expected to be paid prior to the bond proceeds actually being available will be only \$50,000.

Reimbursement Rules

The Reimbursement must be made not later than 18 months after the later of:

- The date the original expenditure is paid; or
- The date the project is placed in service.

In no event, however, may the reimbursement be made more than 3 years after the date the original expenditure is paid.

Reasonableness of Official Intent

On the date that an issuer declares its official intent to reimburse an original capital expenditure, the issuer must have a reasonable expectation that it will in fact reimburse that expenditure with proceeds of a future bond...(continued on Page 14)

A declaration of official intent is NOT reasonable if it is made either simply as a matter of course or in a substantially excessive amount relative to the described project. Likewise, an historical pattern of failure to reimburse actual original expenditures covered by official intents is evidence of unreasonableness.

For more information on the DOIR process, please contact Lee McElhannon at
lee.mcelhannon@gsfic.ga.gov

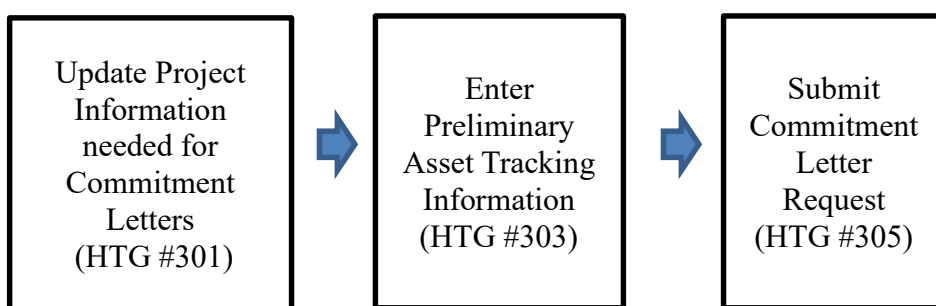
AFTER BONDS ARE SOLD (POST-ISSUANCE)

Bond proceeds are kept and managed at GSFIC, where proceeds are allocated to each Agency's project(s). Funds are transferred to Agencies upon the submission of properly documented reimbursement requests for eligible expenditures of agency-managed projects.

This section of the guide will highlight post-issuance items as it relates to the bond funds sold for Agency projects and the management of those projects.

Agencies will use *eBonds* to review and update project information.

After Agencies have been notified that a bond sale has been “finalized”, the procedures in the How To Guides for Commitment Letters and entering in Asset Tracking Information are required prior to the release of bond proceeds for reimbursement of expenditures:



Commitment Letter Request Process

The Commitment Letter provides GSFIC's official offer to the Agency to commit construction management services for a GSFIC-managed project. For agency-managed projects, the commitment letter provides GSFIC's offer to reimburse the Agency for project expenditures, and references policies that the agency must follow. Funds are made available upon receipt of the executed copy of the Commitment Letter and the submission of preliminary asset tracking information in *eBonds*.

The request for Commitment Letters is performed in *eBonds* by the Agency. HTG's #301 and HTG #303 outline the procedures for updating project information in *eBonds* needed for the request. To complete the Commitment Letter request process, follow the steps in HTG #305. This final process notifies GSFIC's Construction Division that there is sufficient project information in the *eBonds* system to generate an accurate Commitment Letter for the project.

For questions related to the Commitment Letter process, please contact Junier Perez at junier.perez@gsfic.ga.gov

Asset Tracking

The purpose of Asset Tracking is to provide information needed to assist GSFIC with putting together a response to a potential IRS request. A typical IRS audit may request GSFIC to describe the specific projects financed with a particular bond issue, along with a request to provide a listing of the facilities and assets acquired or financed with bond proceeds, including the date acquired or placed in service and the total cost of each item listed. As previously discussed, preliminary asset information is required prior to issuing a commitment letter and releasing bond proceeds to fund project expenditures.

For each bond issue, GSFIC (as Issuer of the bonds) must keep records documenting the:

- Actual assets financed with bond proceeds (*Facility/Building*)
- Location of the Asset (*City/County and street (or other) address information*)
- Expected/Actual Placed in Service Dates
- Expected Economic Life of the Asset
- Any other supporting documentation (*notes on the project, description*)

Agencies must update eBonds with asset tracking information throughout the life of the project. Once a project is completed, final asset tracking needs to be provided; the information should reconcile to the total amount of project expenditures. GSFIC and the Agencies are required to maintain documentation of the asset(s) for the life of the bonds, plus an additional 5 years in order to be able to meet any IRS requests for information in the event of an audit.

Vehicle & Equipment Asset Tracking

When tax-exempt bonds are used to purchase cars or buses, those vehicles must be used only for governmental purposes during the period the bonds are outstanding. GSFIC requires tracking for Vehicle Identification Numbers (VIN) is provided in addition to other supporting vehicle (or bus) information. Tractors and Trailers are identified as vehicles and should be properly documented according to their VIN or serial number.

The Agency must maintain records for the amounts received pursuant to any disposition of the vehicles and the expenditures made with those funds during the period any of the bonds which provided the proceeds to purchase the vehicles remain outstanding. The agency also must maintain and provide GSFIC with records for any secondary equipment purchased (through the final maturity of the bonds financing the initial vehicle purchase). An example of Secondary Equipment for the asset is equipment for a vehicle (strobe lights, computers, sirens, towing mechanisms, etc.)

For Agencies that have purchased vehicles with tax-exempt bonds, there will be a special asset tracking form to use in eBonds. GSFIC will work with these agencies individually to go over the eBonds requirements and procedures.

Recommended Best Practices to update Asset Tracking:

GSFIC recommends the following:

- Quarterly updates to asset tracking information to reflect actual expenditures. A good time to review the information is when the spend-down alert email is received.
- Upon project completion, begin updating “final” asset information. This may be helpful prior to the close-out of the project. This includes a reconciliation of total expenditures for the project to individual assets and finalizing placed in service dates
- For projects with multiple assets, the Agency may want to request an excel template to provide asset tracking information (versus entering the data directly into the eBonds system). GSFIC will use the excel file to perform an upload of the data into eBonds.

For Asset Tracking questions, to request Fixed or Vehicle & Equipment asset tracking templates or excel templates to help upload data, please contact Mary Garver, mary.garver@gsfic.ga.gov

Request for Reimbursement of Project Expenditures

As highlighted under the section Project Eligibility on page 4, only certain expenditures are eligible for reimbursement from bond proceeds.

After a Commitment Letter has been executed and preliminary Asset Tracking information has been provided, GSFIC's Construction Division will authorize the release of bond proceeds for reimbursement of eligible expenditures. If a project consists of multiple funding sources, GSFIC will first draw down from the *oldest* issue of bond proceeds to fund the expenditure.

For agency-managed projects, agencies will submit a reimbursement request form, along with invoices to support the expenditures to: Alex Volodarsky, 270 Washington Street, Atlanta GA 30334

Georgia State Financing and Investment Commission Construction Division Request for Reimbursement	
Name of Requesting Agency / Department / Authority: _____	
Project Number	_____
Project Name	_____
Bond Issue	_____
Reimbursement Period Covered: From	_____ to _____
Amount Authorized - Commitment Amount	\$ _____
Amount Previously Disbursed	\$ _____
Balance of Commitment Amount	\$ _____
Amount to be Reimbursed per this Request	\$ _____
To the best of my knowledge and belief, I hereby certify that all items, units, quantities, price and material shown on this Reimbursement Request are correct; all work has been performed in full accordance with the terms and conditions of the applicable contract; all material supplied in full accordance with the terms and conditions of the applicable contract has been accepted by our agency and all invoices for which our agency is requesting payment have been paid. I further certify, to the best of my knowledge and belief, the payment(s) here is a proper expenditure of general obligation debt proceeds.	
Authorized Signature: _____	
Date: _____	
Remit Payment to:	Agency Contact for this Request
_____	_____

The link to the Reimbursement request form:
<http://gsfic.georgia.gov/documents/request-reimbursement-form-0>

GSFIC's Construction Division will review the invoices to ensure that the expenditures are eligible for reimbursement.

This includes: (1) verifying that the date of the original expenditures were incurred after the bonds were issued (unless accompanied by a copy of the Declaration of Official Intent to Reimburse), (2) that the expenditures are for a capital asset owned by the State, (3) that the expenditures meet the useful life test, and (4) that the expenditures are not considered operating expenditures (as discussed on page 4).

Requests for reimbursements should be sent on a periodic basis, preferably monthly, but at a minimum quarterly. Requests for reimbursement that are not received timely, or contain invoices over one hundred twenty (120) days old, are subject to denial by GSFIC.

For additional information, reference GSFIC's reimbursement policy at:

<http://gsfic.georgia.gov/documents/request-reimbursement-go-bond-proceeds-policy>

For questions regarding GSFIC's reimbursement process, policies and procedures, please contact Junier Perez at junier.perez@gsfic.ga.gov

Other Post Issuance Items

Spend Down

To help GSFIC monitor compliance with the IRS spend-down requirements, eBonds has been programmed to send agencies two types of email alerts for projects that have not yet reached a spend-down percent as they approach one of the three milestone dates.

1. Spend- Down Inactivity Alert (sent Quarterly):

Inactivity occurs when a project has had no reimbursement activity within the past 3 months. Agencies are requested to provide comments within the eBonds system to explain inactivity. If a project is having material set-backs, GSFIC will work with the agency to help with compliance.



2. Spend-Down Milestone Alert approaching non-compliance (sent per the schedule in the table below):

As discussed earlier on page 5, there are three spend-down milestones for tax-exempt general obligation bonds. These milestones were established to ensure that projects are progressing toward completion at a rate that will totally exhaust the funds within 5 years (sixty months) after the bonds were issued. If an issuer consistently misses these milestones, bond counsel may have reason to question the issuer's "reasonable expectations" and thus hinder or totally preclude the issuance of the bonds on a tax-exempt basis.

To help monitor project spend-down activity, eBonds will send emails to agencies with any projects that have not yet met the spend-down target according to the following schedule:

Approaching Spend-Down Milestone:	Email Alert Sent at:
6 months (5% spent/obligated)	3 months
3 years (or 36 months) (85% spent)	30 months
5 years (60 months) (100% spent)	48 months

The emails will begin as described above, and will continue on a periodic basis until the project meets the spend-down percent.

If a project is not in compliance with spend-down requirements, comments must be entered into eBonds, describing the Agency's plan for bringing the project into compliance, or explaining the issues. Follow the procedures in HTG# 412. The comments entered in eBonds will be reflected in the Annual Report submitted to GSFIC's Board Members.

Working with Encumbrances

To meet the Spend-Down requirements, funds have to be spent from bond proceeds; however, the IRS allows for contractually obligated items to help meet the six month (or 5%) milestone date. HTG #414 explains how to enter encumbrance transactions to meet the first 5% spent milestone at the 6-months timeframe.

In order for an encumbrance to be accepted by GSFIC, the contract or purchase order for the expenditure has to be dated within the first six months of the bond issue. An electronic document must be uploaded to the system. eBonds HTG #418 explains how to upload supporting documentation for an encumbrance. The full contract is not required; please only provide key pages from the document which include the following 6 critical elements:

1. The cover page,
2. Project Description (name or project number),
3. Full name of the vendor or supplier,
4. Amount of the contract,
5. The effective date of the contract (refer to first statement),
6. The execution of the contract (signature page).

For questions related to Spend Down, please contact Kim Site, kim.site@gsfic.ga.gov

Redirection Procedures

Projects funded by bond proceeds may require additional funds to complete as originally authorized and approved, while other projects may be completed with unexpended bond proceeds remaining. GSFIC policy allows for a redirection of bond proceeds from one project within an agency to another project within the same agency.

To request a redirection of bond proceeds, the Agency must submit a GSFIC Bond Redirect Form to GSFIC's Construction Division via email to alex.volodarsky@gsfic.ga.gov

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION BOND PROCEEDS REDIRECTION REQUEST FORM	
1. Department Information	
Dept./Agency _____	Date: _____
Contact Person: _____	Title: _____
Phone: _____	E-mail: _____
SOURCE OF AVAILABLE BOND PROCEEDS ("From" Project)	
Note - Only one "From" project per each request form	
Project # _____	Redirection Amount _____
Does the "From" amount above equal or exceed \$250,000? If "Yes" requires Commission approval Yes <input type="checkbox"/> No <input type="checkbox"/>	
Is additional information attached providing complete scope and cost information supporting this request? Yes <input type="checkbox"/> No <input type="checkbox"/>	
"From" project - What was original purpose and funding; why is approved funding no longer needed? <div style="border: 1px solid black; height: 80px; width: 100%;"></div>	
PROPOSED RECEIVING PROJECT ("To" Project)	
Note - Only one "To" project per each request form	
Project Name _____	
Project Number (if known): _____	
Current Total Project Funding _____	
This Redirection Request _____	
Revised Total Project Funding \$ _____	
<u>This redirection request (check as applicable):</u>	
Initiates New Project <input type="checkbox"/>	
Adds funding to existing scope <input type="checkbox"/>	
Clarifies scope within existing funding <input type="checkbox"/>	
Adds additional scope and additional funding <input type="checkbox"/>	
Completes project funding <input type="checkbox"/>	
Partially funds project <input type="checkbox"/>	
Were funds previously requested for this project? When and how? If adding to or clarifying scope of the project, please explain. <div style="border: 1px solid black; height: 60px; width: 100%;"></div>	
Requested Redirection Description and Justification: (Explain why this request is the best use of these available bond proceeds.) NOTE: Must attach supporting current and proposed Total Project Budget	

The form may be obtained at <http://gsfic.georgia.gov/documents/bond-redirection-request-form> and must include the following items:

- Agency Contact Information
- Source and amount of bond funds requested to be redirected
- Project information to *receive* redirected funds
- Justification and rationale for redirection

GSFIC and the Office of Planning and Budget perform the review and approve or deny the request. If the request is approved, the funds will be redirected, subject to Commission approval, if necessary (GSFIC board approval is required for any redirection requests that are over \$250,000).

For more information on the Redirection Process or questions regarding redirection procedures and policies, please contact Alex Volodarsky at 404-463-5631 or alex.volodarsky@gsfic.ga.gov

Disposition of Assets/Change in Use of Property

As issuer of the bonds, GSFIC certifies that no actions will be taken that will jeopardize the tax-exempt status of the bonds. Since a single bond issue often funds over 100 projects, and many projects are funded by 20-year bonds, GSFIC must rely upon the agencies to keep information regarding the use of bond-financed facilities on an up-to-date basis.

Please notify GSFIC as soon as the Agency is contemplating any transactions that may involve private business use. GSFIC must be notified before decisions are made to execute any potential private business use transactions.

As briefly discussed on page 6, there are common items that are considered private business use.

GSFIC would need information regarding any of the following:

Management or service contracts – This would include any kind of contract (including food contracts) involving control or operation of any substantial or distinct portion of the project. The IRS allows for contracts that are incidental to the operation of the project (i.e. janitorial services, office equipment repair, vending machines, etc.).

Leases – To third parties including space for study courses, book shops, gift shops, banking services, food services.

Research Contracts – For the advancement of scientific knowledge and research conducted for specific commercial objectives (i.e. drug studies for FDA approval or product testing contracts). Please include a description of the nature of the research and any arrangement regarding patents and royalties from such research. Also identify sponsoring agency, foundation, or corporation and dollar amounts.

Arrangements with the federal government – By its own definition, the federal government must be considered private business use until and unless it is absolutely determined otherwise.

Sale of property – These transactions also require compliance with state law requirements and policies. In analyzing the impact of the sale on the tax-exempt status of the bonds, GSFIC will determine the amount of bonds that are outstanding on the project, assess the extent of private activity with the bonds associated with the project, and obtain information from the Agency regarding the potential purchaser (state agency, local government agency, or a private party) to determine the exact process to be followed with the disposition or payment for the property.

For more information on the Disposition of Assets or Change in Use of Property, please contact Lee McElhannon at lee.mcelhannon@gsfic.ga.gov

Construction in Progress

Construction in Progress (CIP) is a long-term asset account in which the costs of constructing long-term assets are recorded. A CIP item is not depreciated until the asset has been placed in service. Normally, upon completion, a CIP item is reclassified as a fixed (or capital) asset, and the reclassified asset is capitalized and depreciated.

As discussed earlier, projects are either managed by the Agency or by GSFIC. This has an effect upon who will record the CIP on its financial statements.

GSFIC Managed projects

While the project is being managed by GSFIC, the CIP entry is maintained on GSFIC books; this continues until the time the property is placed in service and the insurance letter is sent to the Agency. At that time the asset will be considered transferred and the expenditures that have occurred will be shown as “Transfers to Agency” on the CIP report. As/if future expenditures on the project occur, the payment will be noted as “Transfers to Agency.”

Agency Managed projects

For projects managed by the Agency, the asset will be considered “Transfers to Agency” as the expenditures occur.

CIP Report

GSFIC issues CIP reports to help agencies reconcile amounts recorded for CIP. The report will be emailed during the fiscal year, according to the following schedule:

- As of December 31
- As of May 30
- As of June 30 (Preliminary)
- As of June 30 (Final)

A CIP report can be sent at any other time during the fiscal year upon request.

GSFIC CONTACTS

Financing and Investment Division

General eBonds Help

Email – eBonds@gsfic.ga.gov

Mary Garver, Analyst – mary.garver@gsfic.ga.gov

Bond Sale, Declaration of Official Intent to Reimburse, Disposition or Change in Use of Property, Private Business Use

Lee McElhannon, Director of Bond Finance – lee.mcelhannon@gsfic.ga.gov

Asset Tracking

Mary Garver – mary.garver@gsfic.ga.gov

Spend Down, G/L Reporting, Construction in Progress (CIP)

Kim Site, Director of Accounting – kim.site@gsfic.ga.gov

Construction Division

Commitment Letters, Reimbursement Requests, Redirection Requests

Junier Perez, Accounting Program Manager – junier.perez@gsfic.ga.gov

Alex Volodarsky, Accounting Director – alex.volodarsky@gsfic.ga.gov

OTHER USEFUL INFORMATION/LINKS

GSFIC

<http://gsfic.georgia.gov/>

GSFIC Policies

<http://gsfic.georgia.gov/documents/go-bond-proceeds-redirection-request-policy>

<http://gsfic.georgia.gov/documents/request-reimbursement-go-bond-proceeds-policy>

Use of G.O. Bond Proceeds to Pay Certain Construction Costs (Dept of Law Memo)

<http://gsfic.georgia.gov/documents/use-general-obligation-bond-proceeds-pay-certain-construction-costs-department-law-memo-0>

SAO Policy – Eligible Expenditures from Bond Proceeds

http://sao.georgia.gov/sites/sao.georgia.gov/files/imported/vgn/images/portal/cit_1210/15/25/173188982AM_GSFIC_Reformatted.pdf

SAO Policy – GSFIC Reimbursements for Bond Funded Information Technology Projects

https://sao.georgia.gov/sites/sao.georgia.gov/files/related_files/site_page/BP_Bond_Reimb_Intangible_Assets_Final.pdf

SAO Policy – Capital Assets - General

http://sao.georgia.gov/sites/sao.georgia.gov/files/imported/vgn/images/portal/cit_1210/15/29/173188970AM_CapitalAssetsGeneral_Reformatted.pdf

SAO Policy – Construction in Progress

http://sao.georgia.gov/sites/sao.georgia.gov/files/imported/vgn/images/portal/cit_1210/27/41/173188563AM_CapitalAssetsCIP_20110621%20_2_.pdf