

RESOLUTION

concerning

AUTHORIZATION TO BORROW FROM THE STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY, IN AN AMOUNT NECESSARY TO FINANCE THE REFUNDING OF ALL OR PORTIONS OF ANY CHEFA REVENUE BONDS AND RELATED EXPENSES AND FINANCING COSTS, AUTHORIZATION TO PLEDGE CERTAIN REVENUES AND THE ENTRY INTO VARIOUS AGREEMENTS WITH THE CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY TO SECURE SUCH LOAN AND THE BONDS

July 16, 2003

WHEREAS, The Board of Trustees for the Connecticut State University System (CSU) has requested the State of Connecticut Health and Educational Facilities Authority (CHEFA) to issue its revenue bonds pursuant to the provisions of the State of Connecticut Health and Educational Facilities Authority Act, being Chapter 187 of the General Statutes of Connecticut, as amended, including Public Act No. 95-270 (the CHEFA Act) to (i) accomplish the refunding by CHEFA of certain of its outstanding revenue bonds which were issued on behalf of CSU; (ii) to fund the Special Capital Reserve Fund in an amount equal to the Required Minimum Capital Reserve Requirement; and (iii) to fund the issuance costs; and

WHEREAS, CHEFA will submit to CSU for approval and execution in the name of and on behalf of CSU, various agreements, contracts, and other instruments, which may include, without limitation, a loan agreement, pursuant to which CSU will be obligated to make payments of the principal of, premium, if any, and interest on CHEFA's refunding revenue bonds, and will secure its repayment obligations by pledge of revenues of the University Fee, the Student Parking Fees at Southern Connecticut State University, Eastern Connecticut State University and Central Connecticut State University, Housing Fees at Southern Connecticut State University, Eastern Connecticut State University and Western Connecticut State University, and certain other charges of CSU; a tax compliance agreement pertaining to certain representations and agreements of CSU to preserve the tax exemption on CHEFA's refunding revenue bonds; a representation and indemnity agreement, pursuant to which CSU will make various representations and indemnifications in connection with the sale and issuance of CHEFA's refunding revenue bonds; a continuing disclosure agreement, pursuant to which CSU will agree to provide financial statements and other operating data to the secondary bond market; an environmental indemnity agreement, pursuant to which CSU will make various representations and indemnifications concerning environmental and related matters; an Official Statement pursuant to which CHEFA's refunding revenue bonds will be sold, and other documents and agreements requested by CHEFA which are necessary or ap-

propriate to effectuate the refinancing; and CSU will issue its note to secure its obligations under the loan agreement; and

WHEREAS, The Board of Trustees for the Connecticut State University System is requesting assistance from CHEFA in connection with the refunding; now therefore be it

RESOLVED, That the Board of Trustees for the Connecticut State University System approves the following provisions for authorization of CSU to borrow from CHEFA as described below, provided that the net savings of the refunding shall be at least 3.00% of the par amount of the refunded bonds and the aggregate net savings shall not be less than \$250,000 on a present value basis:

Section 1. That the action of the officers of CSU, in submitting a request to CHEFA in the name of and on behalf of CSU in connection with refunding certain portions of CHEFA's revenue bonds, be and the same is hereby ratified and approved.

Section 2. That CSU borrow a sum not to exceed the amount necessary from CHEFA to be used for the purpose of refunding certain portions of CHEFA's revenue bonds, funding of a Special Capital Reserve Fund and paying costs of the refinancing.

Section 3. That the Board hereby approves the pledge to CHEFA, in order to secure the refinancing, for the purposes and in accordance with the provisions of the State of Connecticut Health and Educational Facilities Authority Act and Public Act No. 95-270, of all or any part of CSU's right, title and interest in and to any revenues of the University Fee, the Student Parking Fees at Southern Connecticut State University, Eastern Connecticut State University and Central Connecticut State University, Housing Fees at Southern Connecticut State University, Eastern Connecticut State University and Western Connecticut State University, and certain other charges of CSU presently owned or hereafter acquired.

Section 4. That the Board hereby approves, as further security for the refinancing, that CHEFA's refunding revenue bonds are secured by a State Special Capital Reserve Fund (SCRF) as provided for in the CHEFA Act and, in particular, Section 10a-186a of the General Statutes, as amended, including Public Act No. 95-270, to be funded with proceeds of CHEFA's refunding revenue bonds or transferred funds in the SCRF for the refunded bonds.

Section 5. That the Board hereby authorizes the Chancellor, and in his absence, the Chief Financial Officer of CSU, for and in the name of and on behalf of CSU, to execute one or more loan agreements and notes in as many counterparts as may be necessary, said loan agreements and notes to be in such form as such officer shall approve, such approval to be conclusively evidenced by such execution.

Section 6. That the Chancellor, and in his absence, the Chief Financial Officer of CSU, are further authorized for and in the name of and on behalf of CSU, to execute and deliver, in the manner provided in Section 5 of this resolution, any and all other financing documents and written agreements, contracts, evidences of indebtedness, certifications and other instruments to which CSU may be or become a party or which may be required to be executed and delivered in the name of and on behalf of CSU, including but not limited to the establishment of one or more accounts dedicated to make the payments required to be made to CHEFA or to secure CHEFA's refunding revenue bonds, and a pledge of revenues from the University Fee, the Student Parking Fees at Southern Connecticut State University, Eastern Connecticut State University and Central Connecticut State University, the Housing Fees at Southern Connecticut State University, Eastern Connecticut State University and Western Connecticut State University, and certain other charges of CSU, all such agreements, contracts and other instruments to be in such form as such officers may approve, such approval to be conclusively evidenced by such execution.

Section 7. That the Board hereby authorizes the Chancellor, and in his absence, the Chief Financial Officer of CSU, to approve, for and in the name of and on behalf of CSU, the use in Official Statements of CHEFA of information with respect to CSU, and to execute and deliver to CHEFA a letter for use in Official Statements of CHEFA, such letter to be in such form as such officer may approve, such approval to be conclusively evidenced by such execution.

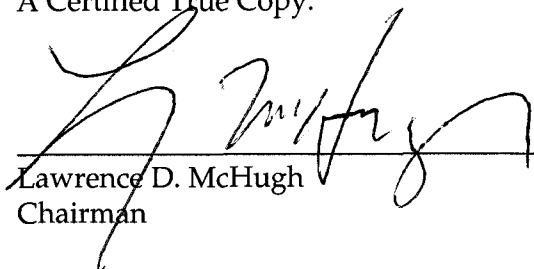
Section 8. That the Chancellor, and in his absence the Chief Financial Officer of CSU, is further hereby authorized, for and in the name of and on behalf of CSU, to approve or to execute, as appropriate, any or all instruments in connection with CHEFA's refunding revenue bonds to be issued for the purposes herein approved; and any Trust Indenture between CHEFA and the Trustee to be selected by CHEFA; and any Escrow Agreement between CHEFA and the Trustee; and any other agreement, instrument or document necessary or useful to consummate the refinancing through CHEFA and the investment and escrow of the proceeds of the revenue bonds; and to cooperate with CHEFA in the issuance and sale of CHEFA's refunding revenue bonds and the investment and escrow of the proceeds of the refunding revenue bonds.

Section 9. It is the intention of the Board by this resolution to authorize the officers of CSU hereinabove named without further action by the Board, to approve all of the terms of CHEFA's refunding revenue bonds, the terms of the loan from CHEFA, including the date, amount, interest rates, interest periods, maturities and financial and other covenants.

Section 10. The officers of CSU are, and each of them hereby is, authorized and directed to perform and take such other actions as may be desirable, necessary, proper or convenient to accomplish the intent and purposes expressed herein, and the performance thereof by such officer shall be conclusive as to the approval by such officer of the terms thereof; and be it further

RESOLVED, That the resolution shall take effect immediately upon its adoption.

A Certified True Copy:



Lawrence D. McHugh  
Chairman



Rebecca Amberg

07/22/03 11:09 AM

To: Board of Trustees

cc: Pamela Kedderis/Finance/CSUSO, Bill Cibes

cc:

Subject: Revised CHEFA Resolution

Attached is a revised CHEFA Refunding resolution based on the motion presented and approved at the July 16th Board meeting. The revised resolution allows for the refunding of any existing or future CHEFA bond issue or portion thereof, as long as it meets the established parameters. There is no sunset date; the permission is in perpetuity until rescinded.

The resolution has been reviewed by Ted See (Bond counsel) and Holly Bray (AG's office) and CHEFA and no objections were raised.

We believe this resolution reflects the intent of the motion and no further action is required by the Board..



Revised Reso for CHEFA Refunding.d

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3. Establishing what scores on standardized pre-admission tests constitutes proficiency in Mathematics and English

and be it further

RESOLVED, That each university and the CSU System will gather and analyze relevant data so the Board can assess whether required courses are unavailable and program completion is delayed as a result of resources being diverted to support students who are underprepared for rigorous academic work, and be it further

RESOLVED, That each university and the System as a whole shall develop action plans to increase the percentage of entering students who are sufficiently proficient in English and Mathematics to be able to do college-level work in those fields, so as to enable a reduction in the number of proficiency courses that must be offered, and be it further

RESOLVED, That such action plans shall be presented to the Committee on Academic Affairs at its first meeting in calendar 2004, and be it further

RESOLVED, That the Chancellor of the CSU System will work with the Department of Education and the Community-Technical College System to align the Mathematics and English curricula and communicate proficiency requirements for admission to a university in the CSU system

RESOLVED, That the Chancellor is authorized to develop guidelines to implement this policy.

Mr. Doyle remarked that over the past year the committee began to meet informally with university faculty after meetings held at a university campus. During this academic year, there were discussions with Western, Central and Eastern faculty. The committee will meet with the faculty at Southern after the September meeting.

**FINANCE AND ADMINISTRATION COMMITTEE**

Mr. Krapek reported that the Finance and Administration Committee met on July 3, 2003 and he had been prepared to bring two resolutions forward for approval today. However, he explained that the resolution to borrow \$32,000,000 from the Connecticut Health and Educational Facilities Authority (CHEFA) for refinancing of the portions of Series A and/or Series B revenue bonds to take advantage of lower interest rates cannot be presented at this time since interest rates have risen to a point where the criteria for refinancing cannot be met.

Mr. Krapek indicated he would prefer that the Board instead approve a shelf authorization and offered a motion to permit the Chancellor to take advantage of savings whenever it is advantageous to do so based on advise from professional financial managers, CHEFA, and the CSU Chief Financial Officer. Mr. Mengacci seconded the motion and it was approved unanimously.

Chancellor Cibes indicated that a new resolution would be prepared to reflect the motion and circulated to the Board for their information. Mr. Krapek agreed.

(NOTE: The revised resolution is included with the minutes as Attachment A.)

Mr. Krapek reported that the second resolution regarding approval of a least of a portion of the radio tower and equipment shelter at Eastern Connecticut State University was recommended for approval by the committee subject to confirmation by the State Treasurer that the lease complied with all applicable conditions concerning tax-exempt bonding. Because that confirmation had not been received as of today's meeting, Mr. Krapek did not present the resolution. He noted that the lease itself is a good opportunity and benchmarked well with other rentals.

#### **AD HOC COMMITTEE ON INFORMATION TECHNOLOGY**

Mr. Krapek reported that the ad hoc Committee on Information Technology was formed to address information technology as a strategic initiative of the Board with a focus on cost efficiency. The Committee spent a great deal of time reviewing the proposed Information Technology Strategic Plan, as developed with input from the university Chief Information Officers, the Council of Presidents, and refined by Chancellor Cibes.

Mr. Krapek indicated that he believes the plan provides consistency throughout the system while recognizing that each university has different goals and expectations. In reviewing the strategic plan, the committee made some major decisions involving some issues that had come up thanks to some compromises made by Presidents Adanti and Carter who represented the universities on the committee. Specifically, this final version of the plan reflects the committee's recommendations to:

1. Standardize hardware and software, and develop a protocol to ensure compatibility of new products with the existing base;
2. Encourage exploration of new technology through pilots funded by an account in the System Office IT budget of \$200,000 in operating funds and \$50,000 in capital funds;
3. Integrate the systemwide WAN-LAN network, following national "best practices," with System Office IT to provide supervision, monitoring, and management "end-to-end" of the integrated network;
4. Review all aspects of IT security, and implement recommendations for improvement;

**ITEM**

Authorization to borrow from the State of Connecticut Health and Educational Facilities Authority, in an amount not to exceed \$32,000,000 for the purpose of financing the refunding of portions of the Series A and/or Series B Revenue Bonds and related expenses and financing costs, authorization to pledge certain revenues and the entry into various agreements with the Connecticut Health and Educational Facilities Authority to secure such loan and the bonds.

**BACKGROUND**

Public Act No. 95-270 authorizes the Board of Trustees for the Connecticut State University System to borrow money from the Connecticut Health and Educational Facilities Authority (CHEFA) to finance dormitories, residential facilities, student centers, food service facilities and other auxiliary service facilities and related buildings and improvements. Prior to Public Act 95-270, funding for auxiliary service projects was obtained through action by the legislature as self-liquidating bonds authorized under the State's general obligation bond program. All funds issued under the State's general obligation bond program are managed by the State of Connecticut Treasurer's Office.

In November 1995, the Board of Trustees for the Connecticut State University secured \$44,580,000 in bonds through CHEFA to finance a variety of auxiliary service capital projects at the four universities. This Series A Bond Issue was CSU's first opportunity to obtain funding for auxiliary service capital projects without seeking General Assembly approval. In March 1997, the Series B Bond Issue was implemented to secure \$38,995,000 for capital projects. Subsequent fundings included the Series C Bond Issue, completed in November 1999 in the amount of \$23,000,000, the Series D Bond Issue, completed in March 2002 in the amount of \$76,150,000, and the Series E Bond Issue, completed in May 2003 in the amount of \$142,090,000.

**ANALYSIS**

CHEFA has indicated that bond interest rates have declined since completion of the Series E Bond Issue, which yielded the lowest True Interest Cost (4.22%) of the five CHEFA Bond Issues. The True Interest Cost for the Series A and Series B Bond Issues were 5.21% and 5.35%, respectively, and the Series C and Series D Bond Issues yielded True Interest Costs of 5.28% and 4.68%, respectively. Periodically, CHEFA's financial advisors complete an evaluation of refunding opportunities for the existing outstanding debt on bonds issued for CSU. A preliminary analysis of CSU's portfolio indicates the potential for debt service savings if an advance refunding were to be completed for select maturities of the CHEFA Series A Bonds. The industry benchmark for measuring whether or not the savings level of a refunding are high enough to pursue a refinancing is 3% of the par amount of the bonds refunded.

The analysis completed by CHEFA's financial advisor, PFM Inc., indicates that eight maturities for the Series A Bond Issue valued at \$17,950,000, currently qualify for refinancing under the 3% of the par amount of savings benchmark. Refunding of the



Series A Bond Issue is projected to result in net savings of \$647,242. Similar analyses for the remaining four CHEFA Bond Issues did not support an advance refunding of other maturities at this time. However, it did identify the possibility of debt service savings under an advance refunding of maturities in the Series B Bond Issue should interest rates decline again over the next several months.

In order for CSU to take advantage of the favorable interest rates afforded by a refunding of maturities in any of the five CHEFA Bond Issues, the Board of Trustees must approve a resolution authorizing CHEFA to proceed with the advance refunding. Given that interest rates continue to fluctuate, it is recommended that the authorization extend for an indefinite period of time, thereby permitting CHEFA to move forward with the refunding when market conditions are optimal. It is possible that if interest rates continue to decline, additional maturities in the Series A Bond Issue, and some maturities in the Series B Bond Issue may qualify for inclusion in the advance refunding, thereby achieving additional savings. As a result, CHEFA, PFM Inc., and bond counsel recommend that CSU seek authorization to borrow up to \$32 million to finance potential refunding opportunities.

Refunding of certain outstanding bond maturities will require that CSU borrow from CHEFA additional funds to service the debt on identified maturities. This additional borrowing will take place in the form of a Series F Bond Issue. CHEFA's bond counsel has provided the terms and conditions required for acceptance by the Board. This resolution incorporates the following terms and conditions, provided that the net savings of the refunding shall be at least 3% of the refunded par amount, and the aggregate net savings shall not be less than \$250,000 on a present value basis:

- confirmation that CSU is authorized to submit a request for refunding certain portions of the Series A Bonds and/or Series B Bonds on the Board's behalf,
- approval to borrow funds necessary to refund certain portions of the Series A Bonds and/or Series B Bonds, not to exceed \$32 million,
- approval of a pledge to CHEFA of revenues of the University Fee, the Student Parking Fees at Southern Connecticut State University, Eastern Connecticut State University and Central Connecticut State University, Housing Fees at Southern Connecticut State University, Eastern Connecticut State University and Western Connecticut State University, or other fees (if required) to finance debt service associated with the financing (this is identical to what is currently pledged),
- confirmation that the Board approves a State Special Capital Reserve Fund (SCRF), as further security for CHEFA's revenue bonds which was provided for in the CHEFA legislation (this is identical to what exists currently),
- authorization of the Chancellor of CSU, and in his absence, the Chief Financial Officer of CSU to execute a series of legal documents on behalf of the Board including one or more loan agreements and notes, and approval of any trust indenture between CHEFA and the Trustee to be selected by CHEFA and any escrow agreement between CHEFA and the Trustee in order to consummate the refinancing through CHEFA and the investment and escrow of the proceeds of the bonds, and

- authorization to permit designated system officers to move forward with all actions necessary to accomplish the refinancing of the CHEFA bonds, including approval of the terms of CHEFA's revenue bonds.

**CHANCELLOR'S RECOMMENDATION**

Approve the authorization to borrow funds from the Connecticut Health and Educational Facilities Authority, in an amount not to exceed \$32 million, for the purpose of financing the refunding of portions of the Series A and/or Series B Revenue Bonds and related expenses and financing costs, authorization to pledge certain revenues from the University Fee, various housing fees and various parking fees to finance debt service associated with this refunding; and authorization to enter into various agreements with the Connecticut Health and Educational Facilities in order to secure the loan and the bonds.