RESOLUTION

concerning

AUTHORIZED TO BORROW FROM THE STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY, IN AN AMOUNT NECESSARY FOR THE PURPOSE OF FINANCING FROM TIME TO TIME THE REFUNDING OF ALL OR PORTIONS OF ANY CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY 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 LOANS AND THE BONDS

May 6, 2005

WHEREAS, The Board of Trustees for the Connecticut State University System (CSU) has requested, and may request in the future, 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 now outstanding or hereinafter outstanding revenue bonds which were or may be 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, loan agreements, pursuant to which CSU will be obligated to make payments of the principal of, premium, if any, and interest on CHEFA's refunding bonds, and will secure its repayment obligations by pledge of revenues of the University Fee, and all or part of revenues from Student Parking Fees and Housing Fees at Southern Connecticut State University, Eastern Connecticut State University, Western Connecticut State University and Central Connecticut State University as are necessary to secure the refunding bonds, and certain other charges of CSU; tax compliance agreements pertaining to certain representations and agreements of CSU to preserve the tax exemption on CHEFA's refunding bonds; representation and indemnity agreements, pursuant to which CSU will make various representations and indemnifications in connection with the sale and issuance of CHEFA's refunding bonds; continuing disclosure agreements, pursuant to which CSU will agree to provide financial statements and other
operating data to the secondary bond market; environmental indemnity agreements, pursuant to which CSU will make various representations and indemnifications concerning environmental and related matters; official statements pursuant to which CHEFA's refunding bonds will be sold, and other documents and agreements requested by CHEFA which are necessary or appropriate to effectuate the refinancings; and CSU will issue its notes to secure its obligations under the loan agreements; and

WHEREAS, The Board of Trustees for the Connecticut State University System is requesting assistance from CHEFA in connection with the refundings; 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 from time to time as described below, provided that the net savings of any refunding issue 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 and any future similar request of officers of CSU is hereby authorized.

Section 2. That CSU borrow a sum not to exceed the amount necessary from CHEFA to be used for the purpose of refunding from time to time 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 CHEFA 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, any revenues of Student Parking Fees and Housing Fees at Southern Connecticut State University, Eastern Connecticut State University, Western Connecticut State University and Central Connecticut State University as are necessary to secure the refunding bonds, 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 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 bonds or transferred funds in the SSCR for the refunded bonds.

-2-
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 bonds, and a pledge of revenues from the University Fee, and all or part of revenues from Student Parking Fees and Housing Fees at Southern Connecticut State University, Eastern Connecticut State University, Western Connecticut State University and Central Connecticut State University as are necessary to secure the refunding bonds, as shall be determined by the Chancellor, and in his absence, the Chief Financial Officer of CSU, 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 letters for use in Official Statements of CHEFA, such letters 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 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 refunding Bonds; and to cooperate with CHEFA in the issuance and sale of CHEFA's refunding bonds and the investment and escrow of the proceeds of the refunding 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 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 and shall remain in effect until either amended or rescinded.

A Certified True Copy:

[Signature]

Lawrence D. McHugh
Chairman
ITEM

Authorization to borrow from the State of Connecticut Health and Educational Facilities Authority, in an amount necessary for the purpose of financing from time to time the refunding of all or portions of any Connecticut Health and Educational Facilities Authority 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 loans 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 System 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.

Board Resolution #03-47 authorized the Board of Trustees to borrow from the State of Connecticut Health and Facilities Authority, to advance refund select maturities of CHEFA bond issues, whenever cost savings opportunities are available. The resolution identified the minimal terms and conditions for which authorization is provided to move forward with an advanced refunding. These terms and conditions provide that 1) the net savings of the refunding shall be at least 3% of the refunded par amount, which is the industry benchmark for measuring whether or not the savings level of a refunding is high enough to pursue a refinancing, and 2) the aggregate net savings shall not be less than $250,000 on a present value basis. Subsequently, in February 2004, the Series F Bond Issue was completed to provide for the advanced refunding of select maturities of the Series A, Series B, Series C and Series D revenue bonds totaling $49,475,000. The refunding resulted in a net present value savings of $1,834,336.
ANALYSIS

Periodically, CHEFA's financial advisors, PFM Inc, complete an evaluation of refunding opportunities for the existing outstanding debt on bonds issued for CSU. A preliminary analysis of CSU's portfolio indicates that two maturities for the Series B Bond Issue valued at $3,725,000, five maturities of the CHEFA Series C Bond Issue valued at $5,785,000, and two maturities of the CHEFA Series E Bonds valued at $8,765,000, currently qualify for refinancing under the 3% of the par amount of savings benchmark. Refunding of these maturities is projected to result in net savings of $657,597. Although a similar analysis for the remaining two CHEFA Bond Issues did not support an advance refunding of maturities at this time, it is possible that additional opportunities will be afforded should interest rates decline in the future. Given that the Connecticut State University System wishes to proceed with its seventh bond issue in the next few months, CHEFA, PFM, Inc, and bond counsel (Day Berry and Howard) recommend that CSU take advantage of administrative cost savings that can be achieved by including the refunding of select maturities of existing CHEFA bond issues, at the same time we proceed with the CHEFA Series G Bond Issue.

In its review of Board Resolution #03-47, CHEFA bond counsel believes that it does not provide sufficient verbiage to permit Board staff to proceed with this or any future refunding of bond issues when opportunities arise. Therefore, CHEFA, PFM Inc., and bond counsel recommend that the Board of Trustees approve a resolution authorizing CSU staff to proceed with the refunding of all or any portion of existing and future CHEFA bond issues, at any and all times in the future, as opportunities for savings become available.

Refunding of outstanding bond maturities will require that CSU borrow from CHEFA additional funds to service the debt on identified maturities. These additional borrowings will take place in the form of future CHEFA Bond Issues. 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 each refunding shall be at least 3% of the refunded par amount, and the aggregate net savings of each refunding 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 CHEFA's revenue bonds, now and in the future, on the Board's behalf,
- approval to borrow funds, the sum of which does not exceed the amount necessary from CHEFA to be used to refund, from time to time, certain portions of CHEFA's revenue bonds, funding of a Special Capital Reserve Fund, and paying costs of the refinancing,
- approval of a pledge to CHEFA of revenues of the University Fee, and any revenues of Student Parking Fees and Housing Fees at Southern Connecticut State University, Eastern Connecticut State University, Western Connecticut State University and Central Connecticut State University, or other fees (if required) to finance debt service associated with the financing (this is identical to what is to be pledged under the CHEFA Series G Bond Issue),
• 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 all other financing documents and written agreements, including tax compliance agreements to preserve the tax exemption on CHEFA’s revenue bonds, representation and indemnity agreements which indemnify CHEFA regarding information provided by CSU and on environmental related matters, a continuing disclosure agreement pursuant to which CSU will agree to provide financial statements and other operating data to the secondary bond market, permission for CHEFA to use information provided by CSU in official statements issued by CHEFA, 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 from the State of Connecticut Health and Educational Facilities Authority, in an amount necessary for the purpose of financing from time to time the refunding of all or portions of any Connecticut Health and Educational Facilities Authority 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 loans and the bonds.