MANAGEMENT ASSESSMENT

Strategic Planning

1. Does your organization’s strategic plan have specific financial and operational goals with clear measures of achievement? The University’s Comprehensive Plan was adopted by the Board of Trustees on February 25, 2015. Incorporating the key elements of the Academic Plan, the Campus Master Plan, the Capital Plan, recommendations from the Battelle report and input from key industry leaders who served on the NextGenCT advisory board, the University developed the NextGenCT Comprehensive Plan to guide the implementation of NextGenCT investments. This comprehensive plan meets the following four objectives as set forth in the Next Generation Connecticut Legislation:
   1. Develop preeminence in the University of Connecticut’s research and innovation programs;
   2. Hire and support outstanding faculty;
   3. Train and educate graduates to meet the future workforce needs of Connecticut; and
   4. Initiate collaborative partnerships that lead to scientific and technological breakthroughs.

The Comprehensive Plan has been guided by our efforts to enroll increasing numbers of outstanding students, recruit and retain the highest caliber of research and teaching faculty, meet regional campus needs, continue to make campus improvements, complete a campus master plan for our physical infrastructure, and leverage the UConn Tech Park as an economic development driver for the region. The Comprehensive Plan establishes a strategic roadmap for the University’s investments over the next decade for the Next Generation Connecticut Initiative.

--The Act provides that the University shall develop a comprehensive plan to guide Next Generation Connecticut investments. Progress reports regarding the University’s achievement of goals set out in the comprehensive plan are required by the Act to be submitted annually to the joint standing committees of the General Assembly having cognizance of matters relating to finance, revenue and bonding, commerce and higher education. The first such report was submitted by the University on January 13, 2016. The comprehensive plan was adopted by the Board of Trustees on February 25, 2015.

Campus Master Plan and Capital Program:

The University’s Master Plan provides a template for the development of the University’s physical plant and infrastructure. The 1998 Storrs Campus Master Plan was updated in 2006 to reflect the extensive physical changes on all the campuses resulting from the UCONN 2000 and 21st Century UConn initiatives. It should be noted that the Master Plan was modified throughout the project planning, design and construction process of UCONN 2000. As part of the Technology Park initiative, an update to the North Campus Master Plan was prepared to delineate various building sites, vehicular and pedestrian pathways, utility corridors, and landscape improvements to facilitate the future development of that part of campus. This work is incorporated in the comprehensive 2015 Master Plan for the campus.

The 2015 Master Plan reflects the impacts of the projects included in the Next Generation Connecticut program and guides the development of the Storrs campus for the twenty (20) year period between 2015 and 2035. The 2015 Master Plan documents the state of existing conditions on campus, and issues related to land use; space needs for academic, research, student life and administrative uses; recommended deferred maintenance and capital investments in the physical plant; environmental issues and sustainable design principles for future development; parking, circulation and transportation issues; and specific strategies to improve landscape quality and open spaces. The Master Plan references the programmatic ties to the Regional campuses, but does not include separate master plans for those locations.
Campus Master Plan Overview
The 2015 Campus Master Plan is a comprehensive summary of the current conditions of the campus as of 2015 and a guideline for the proposed development of the Storrs campus over the next 20 years. The first ten years of development (2015-2024) is driven by the recently adopted Academic Vision Plan and fueled by the Next Generation Connecticut funding program. The plan also forecasts development that may occur beyond the Next Generation Connecticut projects (2025-2035). This potential future development will require new funding sources and builds on the success of the first decade of growth. The total amount of development portrayed in the plan includes facilities that would be needed to grow the undergraduate student population, accommodate a substantially larger research enterprise, repair or replace obsolete facilities and meet the commitments of the Climate Action Plan for a sustainable campus. http://masterplan.uconn.edu/

In 2013, Board of Trustees (BOT) approved Academic Plan entitled “Creating our Future; UConn’s Path to Excellence,” which emphasizes creativity, innovation and entrepreneurship for faculty, undergraduates, and graduate students. http://academicvision.uconn.edu/

In 2015-2016, a STEM Space Needs Assessment was commissioned as an outgrowth to the master planning effort to provide a focused analysis of the STEM academic and research facilities on the Storrs campus. The study concentrated on current space needs while identifying the highest and best use of current facilities and the renovations and/or new construction needed to address high-priority needs. The scale of the STEM planning effort was vast including 44 buildings, totaling over 948,000 net assignable square feet and encompassing 50 departments. The resulting analysis provided direction to the University in formulating the projects included in the Next Generation Connecticut capital program.

2. How often is the strategic plan updated? The University’s Comprehensive Plan is a living document and updated periodically. The University tracks changes to the Campus Master Plan and reports on them annually, with the issuance of a Supplement to the Campus Master Plan scheduled for 2020.

Do you employ rigorous stress testing of your assumptions and/or scenario analysis? None at this time. If so, please describe at a high level.

3. Does management currently have tools to monitor the organization’s strategy and its implementation? Yes. If so, what are they? Several metric measurement and reporting functions. Various committee meetings, Board of Trustees actions, web site postings, approval processes in place that eventually go to the Board of Trustees, Town Hall meetings by senior management for entire UConn community. How is strategy communicated throughout the organization, including the Board and middle/lower management? Various committee meetings, Board of Trustees actions, web site postings, approval processes in place that eventually go to the Board of Trustees, Town Hall meetings by senior management for entire UConn community.

Risk and Financial Management
1. Is there an organization-wide risk structure in place with defined risk tolerances? There is no specific risk tolerance particularly addressed however there is a system of checks and balances including internal audit function, general counsel office, public auditors, athletics reporting oversite and Title IV and other reports. If so, what are they? Does the Board review the risk program and hold management accountable? The Board of Trustees holds management responsible. There is a management risk committee.

Operational Effectiveness
1. Do unexpected events or performance issues frequently or infrequently impact operational performance? Please elaborate why or why not

RESPONSE:
From time to time unexpected events or performance issues may occur, nevertheless none have materially impacted operational performance. However, UConn receives annual appropriations through the legislative process, and we are subject to state performance and legislative influences which can impact our budget and operational performance. From time to time unexpected events or performance issues may occur, nevertheless none have materially impacted operational performance. However, UConn receives annual appropriations through the legislative process, and we are subject to state fiscal performance and legislative influences which can impact our budget and operational performance. State appropriations decreased by $31.1 million due to State budget cuts implemented in fiscal year 2018. UConn has continued to manage its budget closely to account for these reductions in State Support as well as rising fringe benefit costs. To address the shortfalls, UConn has implemented strategic cuts to units across campuses,
made judicious hiring decisions, created operational efficiencies including reorganization of various administrative areas, raised tuition as part of our four-year tuition plan and implemented a new three-year rate plan on housing and dining. This additional revenue is necessary for UConn to balance our budget, but the increase in tuition, room and board rates affects our students and their families.

The University’s Board of Trustees annually approves separate Spending Plans for the University and UConn Health. The Fiscal Year 2019 Spending Plan was approved by the Board of Trustees on June 27, 2018. It is anticipated that the Fiscal Year 2020 Spending Plan will be presented to the Board of Trustees for approval on June 26, 2019.

The University Budget (Storrs and Regional Campuses) for Fiscal Year 2019 forecast includes $1,367.5 million in expenditures and $1,367.5 million of revenue, yielding a balanced budget.

UConn plans to continue to focus on protecting academic excellence, providing strong student support, and supporting the research mission of the University. To support our students, UConn continues, despite financial challenges, to increase our financial aid budget, with need-based aid at 18.0% of tuition and overall student financial aid of $183.9 million, or 15% of our operating budget.

UConn has made significant gains and improved academic quality as measurable by metrics, and expects to continue to push this momentum forward.

2. Has management demonstrated the willingness to make difficult decisions? Provide a recent example.

**RESPONSE:** Yes. **UConn has mitigated past possible spending plan deficits and balanced the budget for the last 5 years by taking the following actions:**

- Increased enrollment
- Increased online programs, certificate programs and fee based programs
- Deferred, delayed and/or cancelled some capital projects and deferred maintenance
- Elimination of positions vacated due to resignation, retirement, etc.
- Careful hiring - any new position must be approved by President
- Selective layoffs
- Reductions in faculty start-up
- Selected budget rescissions to administrative and academic department and programs
- Reduction in Merit Scholarships for specific programs

The FY19 spending plan/budget, demonstrates UConn’s continued willingness and ability to make difficult decisions to balance the budget while focusing on carrying out the Academic Plan and funding key academic priorities. Over the past several years, UConn has improved its educational quality. Students SAT scores and other indicators continue to rise while attracting new faculty and leading scholars to UConn. Despite years of varying State support, the FY19 spending plan/budget builds on these past successes by continuing to provide the required funds for improving the student experience, strengthening research and teaching, supporting economic development, increasing philanthropy and communicating the University’s commitment to excellence. From time to time the University has expanded revenues, including increasing tuition and fees and could do so again in the future.

**GOVERNANCE ASSESSMENT**

1. Describe your historical relationship with regulatory / accreditation authorities. **The University has a historically strong and productive relationship with regulatory and accreditation authorities.**

2. Has your organization had any recurring infractions that resulted in material losses or a material adverse effect on the enterprise’s reputation? **No.**

3. Have there been any material deficiencies in the internal control system? Have they been remedied or rendered immaterial? **None that we are aware of.**

4. Has your organization had restatements or delayed filings resulting from inadequate controls that impacted the validity/accuracy of data in the past five years? **No.**
FINANCIAL POLICIES

Please indicate if your organization has each of the following policies and provide copies of each policy (including the date of the most recent revision) with this completed form.

<table>
<thead>
<tr>
<th>Financial Policies</th>
<th>Please provide answer in the space provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves and Liquidity</td>
<td>X (see BOT policy)</td>
</tr>
<tr>
<td>Investment management</td>
<td>X (see handbook)</td>
</tr>
<tr>
<td>Debt management</td>
<td>X (see policy &amp; handbook)</td>
</tr>
</tbody>
</table>

1. Transparency and disclosure: how frequently are full accrual financial reports published (annually, quarterly, and more frequently)? What limits the frequency of reports? **UConn Health** – Annually, Limited by time and personnel resources. **UConn** - Full accrual, audited financial reports are published annually. No external or state requirement exists for more frequent publication.

2. Reserves and Liquidity: is there a policy on maintaining a particular level of reserves? If so, what is the target level? Are reserve requirements linked to cash flow needs or is it less formal? The University endeavors to maintain unrestricted available funds in an amount equal to 25% or 3 months of its annual unrestricted current fund expenditure budget. The target level for the contingency (undesignated) reserve component of this fund balance will be 2 months that may vary as designated reserves increase or decrease in amount.

3. Reserves and Liquidity: has there been a deviation from the policy in the past five years? The University’s management policy has been to build up reserves when feasible. However, the GO-DSC bonds are paid for by the State and do not require University reserves to pay debt service. The SO-SFR coverage table shows healthy reserves. FY19 is projected to be over 5x coverage. In addition, during 2018 the University reserved $10m for Renewal & Replacement Fund at the trustee bank pursuant to the Indentures.

4. Reserves and Liquidity: are cash and debt management functions centralized? Please describe. **Yes, for debt and cash management such as debt issuance, bond proceed cash investment, spending and forecasted cash needs, and compliance such as indenture, state law, and IRS and SEC disclosure compliance, etc. these functions are centralized in the EVPA/CFO Office of Treasury Services. At closing Treasury Services directs the bond proceeds to be held at the Trustee Bank pursuant to the Indentures of Trust and policies in dedicated investment and Trustee accounts. For other cash purposes, such as State appropriations, the State Treasurer holds the cash on behalf of UConn. In regards to managing and paying debt service for the Student Fee Revenue Special Obligation bonds the University directly funds the debt service at the Trustee Bank pursuant to that Indenture. Other forms of UCONN2000 debt are paid directly by UCONN to the debt holders pursuant to the particular financing documents and amortization schedules. The State Treasurer funds the debt service from State resources for the UCONN2000 General Obligation Debt Service Commitment Bonds pursuant to the Indentures with the Trustee Bank and the paying agent bank.**

5. Long-term Planning: how often, and under what circumstances are multi-year financial and capital plans created? What is the basis of the assumptions that support the plans? **The University is charged with making several long-term financial and capital plans. For example, the University has produced a master plan for its infrastructure. The University also submits its capital plan in the form of Supplement Indentures to the BOT and Governor every fiscal year for approval. The University presents a comprehensive capital and financial plan in its budget that is submitted to the BOT and shared with the legislature. The University of Connecticut developed a comprehensive plan to guide Next Generation Connecticut investments pursuant to the Act. On the operating side, the State of Connecticut passes a 2 year budget and UConn submits a financial plan to accomplish this goal. While State Support is an important component of our operating budget, approximately 75% of the budget is from other sources providing a solid, stable base for the University.**

7. Debt Management: How is the policy monitored and implemented and have there been deviations from the policy during the past five years? The debt management policy is monitored by the EVPA/CFO, BOT, Governor’s Office, Office of State Treasurer, State Auditors, Office of Policy & Management and others all monitor the results. The policy is implemented by the University’s Office of Treasury Services working in conjunction with the Office of State Treasurer. There have been no deviations from the policy during the past 5 years. The University prepares biannual UCONN 2000 reports to the General Assembly and the Governor as required by law.

8. Debt Management: if derivatives are allowed, are there policies to limit their use? Have there been deviations from the policy in the past five years? For UConn no derivative securities have been authorized or issued. There are certain State law & Indenture requirements that govern their use additionally the university would work with the Office of State Treasurer should derivatives be deemed efficient.
TO: Members of the Board of Trustees

FROM: Mark A. Emmert

Wilbur R. Jones

SUBJECT: POLICY ON FINANCIAL RESERVES (REVISED)

RECOMMENDATION:

That the Board of Trustees approve the enclosed, revised policy on maintaining financial reserves for the University of Connecticut (excluding the Health Center).

BACKGROUND:

The revised policy sets parameters for a reasonable level of reserves to address unforeseen circumstances and establishes other approved purposes and amounts for which dedicated reserves may be designated. Attachments include the background and rationale for the development of this revised policy, a copy of the current reserve policy approved in January 1993, comparisons of the University's reserve level to other public universities, and a comparison of reserve levels in the four-year budget balancing plan to levels that would result from strict adherence to the recommended policy.

Attachments
University of Connecticut
Policy on Financial Reserves (Revised)

Definition of Terms:

- **Fund Balance** is an accounting term used to describe the difference between a non-profit entity’s assets and liabilities.

- **Reserves** are portions of the fund balance that are set aside for specific purposes.

- **Restricted Reserves** are funds that are restricted as to expenditure purpose by virtue of specific agreements between the University and the funds’ providers.

- **Unrestricted Reserves** are funds over which the Board has discretionary authority.

- **Unrestricted Designated Reserves** are tied to specified purposes designated by the University such as program start-up costs, program expansion, capital projects, and other major one-time projects.

- **Unrestricted Undesignated Reserves (Contingency Reserves)** are not dedicated to a specific purpose but are available to address unforeseen circumstances such as appropriation reductions, unexpected energy price increases, and costs related to extreme weather conditions.

- The **Available Funds Ratio** is a widely-used indicator of the appropriateness of fund balances. This ratio is computed by dividing the unrestricted fund balance by annual unrestricted current fund expenditures plus mandatory transfers. To convert this ratio into an easy-to-understand value, it must be multiplied by 12. That calculation provides the number of months of operations the fund balance could provide without any additional revenue. In effect, this indicates how long the institution could operate if, for some reason, all sources of revenue were cut off and the institution was forced to operate on its financial reserves.

Policy:

- The University of Connecticut will endeavor to maintain unrestricted available funds in an amount equal to 25 percent or 3 months of its annual unrestricted current fund expenditure budget. The target level for the contingency (undesignated) reserve component of this fund balance will be 2 months, that may vary as designated reserves increase or decrease in amount. These levels are commensurate with good business practices and are consistent with industry standards.

- Generally, unrestricted funds should be budgeted for expenditure in the year they are generated. Exceptions to this rule should be supported by specific program or spending plans, legal obligations, or relationship to succeeding fee or sales rates.
• The Vice Presidents and the Director of Athletics will recommend and justify to the Chancellor and President annually the level of designated reserves that exist and they deem prudent and necessary to the management of enterprise or auxiliary accounts and programs in their respective areas. Such reserves shall be justified as to amount and specific purpose and will be approved as a component of the budgeting process.

• The total University-wide unrestricted reserves and individual program reserves should be evaluated annually to ensure that the sum of individual program reserves are compatible with the institution’s reserve policy, immediate spending needs and priorities.

• Reserves designated for capital projects should be accounted for and reported as “unexpended plant funds”.

• Reserves designated for debt service commitment should be deposited in the State Treasurer’s accounts.

• The President shall recommend to the Board of Trustees, annually the level of all reserves including those to be held in accounts and programs under the jurisdiction of the Vice Presidents and the Director of Athletics.
Attachment A

Background and Rationale

Relationship to Current Policy:

The revised policy builds upon the current policy approved by the Board of Trustees in January 1993. When the current policy was approved, a recommendation was made that the Board of Trustees review this policy no later than January 1996 to assess the need for revision. The survey of other University’s policies presented at the March Board of Trustees meeting represented a first step in the process of reviewing the existing policy to assess the need for revision. Results of this survey indicated little or no reserve policy activity elsewhere.

The purpose of the existing policy (included as Attachment B) is to establish guidelines for determining how much of the University’s financial resources will be budgeted for annual expenditure during a given annual operating cycle versus being carried over across fiscal year boundaries for future expenditure. The policy requires that specific amounts budgeted for carry over will be reviewed annually as are the revenue and expenditure components of the operating budget.

The reserve policy applies to all funds which the Board of Trustees is statutorily responsible to administer. Since some funds are restricted as to expenditure purpose by virtue of specific agreements between the University and the funds’ providers, this policy does not apply to such funds. The Board does have discretionary authority over all unrestricted funds, however, and therefore, this policy applies to all unrestricted funds in the University of Connecticut operating fund.

Significant Revisions:

This policy promotes effective use of financial resources consistent with institutional priorities, provides incentives for self-help initiatives, and establishes policy guidance for internal and external financial reporting.

The revised policy incorporates the existing policy and adds to it by requiring that unrestricted designated reserves be specifically identified as to purpose and amount, calls for reserves designated for capital projects to be accounted for separately from operating reserves, calls for reserves designated for debt service commitment to be deposited in the State Treasurer’s accounts, and sets parameters for prudent levels of reserves.

The revised policy notes the distinction between designated and contingency (undesignated) reserves. Designated reserves are tied to specific purposes. Examples of these types of accounts are reserves for program expansion, major one-time projects, debt-service and program start-up costs. Contingency reserves are not dedicated to any specific purpose. They are maintained to address budget requirements associated with unforeseen circumstances such as unexpected energy
price increases, unanticipated loss of revenue due to enrollment declines, allotment or appropriation reductions, collective bargaining increases, and costs related to natural disasters such as extreme weather, for example. It should be noted that in the absence of any contingency reserves, the Board has the authority to reassign designated reserves for contingency purposes.

Primary Purposes of The Policy:

Detailed information on the purposes and fund levels of unrestricted reserve accounts will enhance fund management. Also, the perception that the University possesses numerous pools of discretionary and non-discretionary money that are not put to good use will be allayed. Greater attention to the level of contingency reserves also will ensure that existing programs will not suffer unnecessarily when funds are available to address their needs during fiscal crises.

The reasons for careful attention to reserves are numerous. They were outlined effectively in the Texas Higher Education Coordinating Board study cited in the March report to the Board regarding our survey of University reserve policies. Institutions of higher education differ from other state agencies in several ways. They typically have more and different sources of revenue than other agencies, the legislature has given them more flexibility in the ways that they manage their financial resources, and they provide many services for which no state support is given.

Some people outside of higher education believe that institutions should be required to use unrestricted fund balances as an alternative to state appropriations. The higher education community has generally contended that fund balances are consistent with good business practice and that either reducing the balances or using the interest on the balances would seriously damage their operations.

One cannot by looking at fund balances alone, determine if specific fund balances are “too large” or “too small.” Small institutions, with lower operational costs, fewer auxiliary enterprises, and other demands for resources can operate effectively with much smaller fund balances than larger, more complex institutions.

In addition, it has long been customary for the rating agencies and the bond market to require bond issues be supported by reserve funds equal to the average annual debt service. Institutions that pay debt service from institutional fund balances require a higher ratio than institutions that only must meet operating costs.

Criteria for Establishing Reserve Levels:

One widely-used indicator of the appropriateness of fund balances is the “available funds ratio”. This ratio is computed by dividing the unrestricted fund balance by annual unrestricted current fund expenditures plus mandatory transfers. To convert this ratio into an easy-to-understand value, it must be multiplied by 12. That calculation provides the number of months of operations the fund balance could provide without any additional revenue. In effect, this indicates how long
the institution could operate if, for some reason, all sources of revenue were cut off and the institution was forced to operate on its financial reserves.

There is no firmly established number of months which, by definition, is too high or too low. Several sources, however, including the KPMG-Peat Marwick public accounting firm and the National Association of College and University Business Officers, indicate that an institution that has not run consistent deficits and maintains a value of between 2.4 and 6 months should be considered in good financial condition.

Attachment C summarizes available funds ratios for the University of Connecticut and ten other universities. The University of Connecticut ranked 8th among the 11 institutions in FY 1994-95 with 2.0 months of available funds. Six of the eleven institutions met the industry guidelines of 2.4 to 6 months.

The revised policy sets a target of a 3 month available funds ratio for the University of Connecticut which falls within the industry standards presented above. In addition, a target of 2 months is set for the contingency reserve component of available funds. If the designated portion of available funds declines to the point that total unrestricted available funds falls below 3 months, then contingency reserves should be increased accordingly.

Another stipulation in the revised policy is that recommendations and justifications should be made to the Chancellor, who is the Chief Operating Officer of the institution as well as the President. The current policy, which predates the recent reorganization has recommendations and justifications being made to the President.
Attachment B

Existing Policy

The Vice Presidents and the Director of Athletics will recommend and justify to the President annually the level of reserve they deem prudent and necessary to the management of accounts and programs in their areas. In arriving at the stipulation of any reserves, the following criteria will be employed:

1. Generally, unrestricted funds should be budgeted for expenditure in the year they are generated. Exceptions to this rule should be supported by specific program or spending plans, legal obligations, or relationship to succeeding fee or sales rates.

2. The total University-wide unrestricted reserves should be evaluated annually to ensure that the sum of individual program reserves are compatible with the institution’s immediate spending needs and priorities.

The President shall recommend to the Budget and Finance Committee of the Board of Trustees, the level of any reserves that should be held in accounts and programs under the jurisdiction of the Vice Presidents and the Director of Athletics.
## Attachment C
### Available Funds Ratios for Selected Universities
#### FY 1994-95

<table>
<thead>
<tr>
<th>University</th>
<th>Available Funds Ratio (months)</th>
<th>Unrestricted Fund Balance</th>
<th>Unrestricted Current Funds Expenditures and Mandatory Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Virginia</td>
<td>6.9</td>
<td>$400,205,000</td>
<td>$697,705,000</td>
</tr>
<tr>
<td>University of Pittsburgh</td>
<td>4.5</td>
<td>194,959,000</td>
<td>521,021,000</td>
</tr>
<tr>
<td>Rutgers University</td>
<td>3.6</td>
<td>191,268,000</td>
<td>636,622,000</td>
</tr>
<tr>
<td>Ohio State University</td>
<td>3.3</td>
<td>305,863,000</td>
<td>1,112,630,000</td>
</tr>
<tr>
<td>University of Iowa</td>
<td>2.9</td>
<td>233,624,402</td>
<td>952,100,253</td>
</tr>
<tr>
<td>Indiana University</td>
<td>2.7</td>
<td>167,064,271</td>
<td>747,234,341</td>
</tr>
<tr>
<td>University of Maine</td>
<td>2.2</td>
<td>49,489,331</td>
<td>270,350,024</td>
</tr>
<tr>
<td>University of Connecticut</td>
<td>2.0</td>
<td>53,516,034</td>
<td>313,345,673</td>
</tr>
<tr>
<td>University of New Hampshire</td>
<td>1.6</td>
<td>29,183,000</td>
<td>216,846,000</td>
</tr>
<tr>
<td>University of Massachusetts</td>
<td>1.4</td>
<td>43,317,000</td>
<td>361,355,000</td>
</tr>
<tr>
<td>University of Rhode Island</td>
<td>0.3</td>
<td>3,527,460</td>
<td>127,502,877</td>
</tr>
</tbody>
</table>
# Attachment D

**Available Funds Ratio**

**Comparison of Policy to 4-Year Plan**

<table>
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</thead>
<tbody>
<tr>
<td><strong>Unrestricted Funds - Balance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy</td>
<td>90,586,418</td>
<td>93,719,196</td>
<td>95,993,370</td>
<td>98,000,600</td>
<td>99,998,044</td>
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<tr>
<td>Expenditures</td>
<td>362,345,673</td>
<td>374,876,783</td>
<td>383,973,478</td>
<td>392,002,400</td>
<td>399,992,174</td>
</tr>
<tr>
<td><strong>Policy Funds Ratio</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Months</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
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<tr>
<td><strong>Budget Balancing Plan Ratio</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Months</td>
<td>1.8</td>
<td>1.3</td>
<td>1.0</td>
<td>0.8</td>
<td>0.8</td>
</tr>
</tbody>
</table>
On a motion by Mrs. Berry, seconded by Mr. Treibick, THE BOARD VOTED to approve a multi-year Budget Balancing Plan (Fiscal Years 1997-99), designed to bring the University's Unrestricted Operating Budget in balance by June 30, 1999. Background information listed as agenda Attachment T is attached to the file copy of the Board minutes.

2. On a motion by Mrs. Berry, seconded by Mr. Napolitano, THE BOARD VOTED to approve a $383,973,478 FY 1996-97 Unrestricted Operating Budget (expenditures and mandatory transfers of $382,498,478; non-mandatory transfers of $1,475,000) including State support of $194,134,016 and net Tuition and Fees revenue of $104,273,236. Background information listed as agenda Attachment U is attached to the file copy of the Board minutes.

3. Chairwoman Berry reminded the Board that the Policy on Financial Reserves was a goal not limited in terms of how reserves are used since there are occasions when reserves must be used to address the issue of a balanced budget. On a motion by Mrs. Berry, seconded by Ms. Bailey, THE BOARD VOTED to approve the Revised Policy on Maintaining Financial Reserves for the University of Connecticut (excluding the Health Center). Background information listed as Attachment V is attached to the file copy of the Board minutes.

4. Chairwoman Berry called upon Provost Emmert who introduced Dean Ross MacKinnon from the College of Liberal Arts and Sciences who commented on Option B in the Capital Budget Plan for UConn 2000. Dean MacKinnon also called upon Dr. Richard Cooper, Director of the Marine Science Program at Avery Point, to answer questions about Option B and to clarify the relationship between the Marine Science Technology Center and the Department of Marine Sciences.

On a motion by Mrs. Berry, seconded by Mr. Treibick, THE BOARD VOTED to approve the 1996-97 Capital Budget (with Option B). Background information listed as agenda Attachment W is attached to the file copy of the Board minutes.

5. On a motion by Mrs. Berry, seconded by Mr. Abromaitis, THE BOARD VOTED to approve the Second Supplemental Indenture Authorizing University of Connecticut General Obligation Bonds, 1996 series B. Background information listed as agenda Attachment XYZ is attached to the file copy of the Board minutes.

6. On a motion by Mrs. Berry, seconded by Mr. Treibick, THE BOARD VOTED to approve the State Appropriation Operating Budget Request for the Biennium 1997-1999 and FY 1997-98 Tuition Rates and the State
MINUTES OF THE MEETING
OF THE BOARD OF TRUSTEES

THE UNIVERSITY OF CONNECTICUT

Held at the University of Connecticut at Avery Point July 12, 1996
Branford House, Avery Point, Groton, Connecticut

The meeting was called to order at 1:20 p.m. by Vice-Chairman Berkley.
Trustees present were: Mmes. Bailey, Berry, Ferris, and Leonardi; Messrs. Abromaitis,
Bellafoire, Berkley, Cicchetti, Heist, Napolitano, Saslow, Stewart, and Treibick.
Governor Rowland was represented by Mr. David O’Leary. Trustees who participated by
phone were: Ms. Smith and Messrs. Downey and Jacobs.

Trustees absent were: Messrs. Jacobs and Sergi.

University staff present were: President Hartley, Chancellor and Provost for
University Affairs Emmert, Chancellor and Provost for Health Affairs Cutler, Vice
Presidents Wiggins, Allenby, and Jones, Attorney Shapiro, and Mr. McFadden.

All actions taken were by unanimous vote of the Trustees present, except as
otherwise noted.

Several members of the public addressed the Board regarding the Marine Sciences
& Technology Center and the Department of Marine Sciences at the Avery Point
Campus. They were: Senators Cathy Cook and Melodie Peters, and Representatives
Robert Simmons, Lenny Winkler, Andrea Stillman, and Nancy DeMarinus.

Other members of the public addressed the Board regarding the closure of the
Printing Services Department. They were: Jennifer Shaw, Beverly Bessette, Lori Nye,
David Estell, and Steven Perruccio.

On a motion by Mr. Treibick, seconded by Mr. Napolitano, THE BOARD
VOTED to go into Executive Session at 1:20 p.m. for the purpose of discussing matters
of personnel, pending litigation, and collective bargaining. The Chairman noted that on
the advice of counsel only the staff members whose presence was necessary to provide
their opinion would be permitted to attend Executive Session.

All members of the Board noted above were present at this time.

1. Personnel matters were discussed. Executive Secretary Peter McFadden, Richard
Bachoo, and Irene Conlon were present for this discussion.

There being no further business proper to Executive Session, the Board
reconvened in Open Session at 3:30 p.m.

Chairman Rome welcomed new Student Trustee Michael Bellafoire to his first
meeting of the Board.
University of Connecticut Office of Treasury Services  
Debt Management Policy

Overview:

The Office of Treasury Services ("OTS") serves as UConn's Treasury for bond funds and as UConn’s public finance department. OTS professionally and prudently issues, invests and disburses UCONN 2000 bond funds, and also acts as the compliance department for UCONN 2000 and other tax-exempt debt pursuant to the financing documents, indentures state law, and the rules and regulations of the Internal Revenue Service, the Securities and Exchange Commission, the Municipal Securities Rulemaking Board, State Law, and other entities. OTS has a staff of 2 people reporting to the Office of the Executive Vice President for Administration and Chief Financial Officer. OTS’ clients include the University, the State Government, Connecticut taxpayers and UConn’s students, faculty and staff. OTS strives to promote public confidence in the University's Treasury Operations and the UCONN 2000 bonds through effective management of resources, high standards of professionalism and integrity, and skillfully acting on opportunity for the University’s debt, cash, compliance and other programs in the public and private markets. The State Debt Service Commitment secures part of the university's bonds up to $4.3 billion (cumulative to 2024), phased in by fiscal year. UCONN 2000 debt is “construction” type debt used primarily for capital expenditures on buildings, infrastructure and equipment. Additionally the university may issue in conjunction with the Office of State Treasurer Special Obligation Student Fee Revenue (“SO-SFR”) and other UCONN 2000 debt pursuant to the conditions, requirements, and limits the projects listed in Conn. Gen. Stat 10a-109 and amounts limited by the university’s Board of Trustees and subject to the Governor’s approval as well as certain requirements of the Office of State Treasurer.

The Debt Management Policy goal is to permit the University to operate and maintain itself as an institution dedicated to excellence in higher education to operate and maintain the physical plant in sound operating condition and to maintain its investments in these revenue producing assets and for contributing to the economy of the State of Connecticut.

Status:

Debt management policies are pending approval by the issuers governing body, they are intended to provide credibility, transparency and to ensure that there is a common understanding among the University’s staff regarding the approach to debt financing. They also help the University meet various ongoing regulatory requirements.

Purpose:

This debt management policies comprises written guidelines, allowances, and restrictions that guide the debt issuance practices and related investments of the University of Connecticut, including the issuance process, management of a debt portfolio, and adherence to various laws and regulations. The intention of this debt management policy is to improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning. These management policies are written for UConn’s specific needs and available financing options and these are corresponding operating procedures.
Benefits:
The benefits of debt management policy signals to rating agencies and the capital markets that a government is well managed and therefore is likely to meet its debt obligations in a timely manner.

Recommendation:
These policies reflect University, state, and federal laws and regulations and indenture requirements. To assist with the development of these policies the Debt Management Policy is reviewed periodically and updated as required.

Debt Limits:
UCONN 2000 Debt Management Policy sets specific limits or acceptable ranges for each type of debt considering legal, public policy, and financial reasons.

A. **Legal restrictions and types of debt as determined by C.G.S 10a-109a to 10a-109y are listed below:**

   - **Connecticut General Statute:** The University of Connecticut is statutorily enabled to issue debt for UCONN2000 Projects pursuant to the UCONN 2000 Act (Sections 10a-109a to 10a-109y, inclusive, of the Connecticut General Statutes, as amended). Public policy limits the use of the funds to UCONN 2000 projects and UConn’s financial resources determine the amount of non-GO-DSC debt which can be issued.

   1. **General Obligation Bonds Secured by the State’s Debt Service Commitment (“GO-DSC”):** The UCONN 2000 Act provides that the University may issue up to $4,282,400,000.00 of debt service commitment debt that the state pays for the debt service.

      - **GO-DSC Indenture:** General Obligation Debt Service Commitment Bonds (“GO-DSC”) are issued pursuant to the General Obligation Master Indenture of Trust, dated as of November 1, 1995, between the University of Connecticut, as Issuer, and Fleet National Bank of Connecticut as Trustee (now U.S. Bank N.A.). The University’s Board of Trustees on November 10, 1995, and the State Bond Commission on December 21, 1995 approved the Master Indenture of Trust. The Master Indenture was subsequently amended and approved by the University’s Board of Trustees on September 26, 2003 and the State Bond Commission on December 19, 2003. The Board of Trustees and the Governor approve the subsequent Supplemental Indentures for each bond issue. The University and the Office of the State Treasurer, working in conjunction, manage the Debt Service Commitment Bond sale process.

   2. **Special Obligation Student Fee Revenue Bonds Secured by Pledged Revenues:** The UCONN 2000 Act also authorizes the University to issue Special Obligation Revenue Bonds. Unlike the UCONN 2000 General Obligation Debt Service Commitment Bonds (“GO-DSC”) that are paid from the State’s General Fund, debt on the Special Obligation Bonds (“SO”) are paid from certain pledged revenues of the University as defined in the particular bond series indenture. Unlike the GO-DSC the limit on this debt’s flexible and considers the indenture pledged revenues coverage ratio at 1.25x, governor authorizations, self-sufficiency refunding savings and other functions.
• **SO-SFR Indenture:** Special Obligation Student Fee Revenue Bonds ("SO-SFR") are issued pursuant to the Special Obligation Supplemental Indenture of Trust, dated as of January 1, 1997, between the University as Issuer and U.S. Bank N.A. as successor to State Street Bank & Trust as Trustee ("the Special Obligation Master Indenture"). The Board of Trustees approved the Master Indenture on November 8, 1996. The University’s Board of Trustees and the Governor approve the subsequent Supplemental Indentures for each Special Obligation bond issue. The University of Connecticut, as issuer and State Street Bank and Trust Company, as trustee Special Obligation Indenture of Trust Student Fee Revenue Bonds dated as of January 1, 1997.

3. **Other UCONN 2000 Debt**

• **Heating Plant Upgrade Cogeneration Facility Tax-Exempt Governmental Lease Purchase Agreement was subject to financing documents as permitted in the UCONN 2000 Act:** which authorizes the University to issue other debt for UCONN 2000 projects in conjunction with the Office of the State Treasurer and subject to credit rating agency, the governing body authorization, and state and federal regulation requirements with the consideration of the existing UConn debt financing documents including existing covenants and debt. Unlike GO-DSC debt, there is no absolute upper limit restrictions on such debt. The Board of Trustees authorized $81,900,000 of UCONN 2000 debt in the form of a Tax-Exempt Governmental Lease Purchase Agreement secured by the University’s general obligation for the Cogeneration facility portion of the UConn 2000 Heating Plant Upgrade project entered into under separate financing documents.

This $81,900,000 of UConn 2000 debt was not issued under the UConn 2000 General Obligation or Special Obligation Indentures of Trust, but was entered into under certain separately negotiated documents and agreements in two parts. On December 18, 2003, the University entered into a privately placed $75,000,000 Tax-Exempt Governmental Lease Purchase Agreement at a nominal interest rate of 4.42% compounded monthly for a term of 240 months to finance the design and construction of a combined heat and power plant. On August 15, 2005, the University amended the Lease for an additional amount of $6,900,000 at a 5.09% interest rate compounded monthly. In August 2013, the University amended the Leases to lower the interest rate to 3.22% for the full outstanding amount of the Lease, as amended, effective as of the August 2013 monthly payment which lowered the University’s monthly payments from $517,135 to $482,448. In November 2016, the University amended the Leases to lower the interest rate to 2.22% for the full outstanding amount of the Lease, as amended, effective as of the January 2017 monthly payment which lowered the University’s monthly payment from $482,448 to $461,645.

The Heating Plant Upgrade project is a named project under UConn 2000. The cogeneration facility is a linchpin of the University’s commitment to energy efficiency and generates much of the needs for electrical power, heating and cooling on the Storrs campus. Cost avoidance achieved through the construction and operation of the facility is expected to provide funds to pay the debt service. An earlier phase of the Heating Plant Upgrade project was funded with UConn 2000 General Obligation DSC bonds as listed above. Payments of both tranches
are combined in one monthly payment. The Tax-Exempt Governmental Lease Purchase Agreement is not rated by the credit rating agencies but, as UConn 2000 debt, it is weighted in their credit rating analysis of the UConn 2000 General Obligation and Special Obligation programs.

- **UConn 2000 Residential Life Facilities – Nathan Hale Inn Promissory Taxable Note:**

On April 29, 2015, the Board of Trustees authorized the University to assume existing indebtedness of the seller of the Nathan Hale Inn on the Storrs Campus (the “Inn”) in the form of a promissory note (the “Note”) to Webster Bank in the maximum principal amount of $5,500,000. The Governor approved the financing on May 19, 2015. On July 1, 2015, the University entered into with Webster Bank a privately placed $5,376,712.73 6.84% UConn 2000 Residential Life Facilities (Nathan Hale Inn) Promissory Note (Taxable) secured by the general obligation of the University with an approximate 18 month maturity (August 1, 2015 to until December 1, 2016). The note’s debt service payments were $44,989.20 monthly with a balloon payment due on 12-1-2016. The note was not issued pursuant to the UConn 2000 General Obligation or Special Obligation Indentures of Trust but was issued subject to separate financing documents as permitted in the UCONN 2000 Act. The Note matured and was retired on December 1, 2016.

B. **Public Policies Internal Standards and Considerations Including:**

- **Public Policy Purpose:** The UCONN 2000 Act is to promote the welfare and prosperity of the people of the State and the continuation and improvement of their educational opportunities by approving a special capital improvement program for the University and enabling the University to borrow money by issuing Bonds and enter into financing transactions in its own name, on behalf of the State, to expand the authority of the University to construct Projects and to assure State support for the financing of the acquisition, construction, reconstruction, improvement and equipping of facilities, structures and related systems for the benefit of the educational and economic development needs of the State and the University, all to the public benefit and good, and the exercise of the powers, to the extent and in the manner provided in the Act, which the Act declared to be for a public purpose and to be the exercise of an essential governmental function.

- **Empowerment:** The University is empowered by the Act pursuant to a resolution adopted by a majority of its Board of Trustees to borrow money and issue securities to finance the acquisition, construction, reconstruction, improvement or equipping of any one project, or more than one, or any combination of projects, or to refund securities issued after the effective date of the Act, or to refund any such refunding Securities for any one, or more than one, or all of those purposes, or any combination of those purposes, and to provide for the security and payment of those securities.

- **Policy goals:** UCONN 2000 debt is to permit the University to operate and maintain itself as an institution dedicated to excellence in higher education to operate and maintain the physical plant in sound operating condition and to maintain its investments in these revenue producing assets and for contributing to the economy of the State of Connecticut.
• **Public Private Partnerships:** In order to foster research and advancement to enhance the economy of the state the University may engage in public private partnerships as appropriate subject to proper approvals.

C. **Financial Restrictions or Planning:** Consideration for debt issues generally reflect University and State public policy and other financial resources constraints, such as reduced use of a particular type of debt due to changing financial conditions; appropriate debt limits impact on bond ratings, etc. Financial limits often are expressed as ratios customarily used by the credit rating agencies and impact the University’s credit ratings. Different financial limits are used for different types of debt.

• **Other Debt Funding:** The Foundation and UConn Financing Corp. from time to time have issued debt for buildings to be located on UConn’s Campuses.

• **Short-Term Debt Issuance** is possible for the University, however it has not been efficient or necessary to use to date, and nothing is authorized to date.

• **Variable Rate Debt** possible, however not efficient to date based on all-inclusive costs, term of the projects, market conditions, debt portfolio structuring purposes, credit rating and other considerations. There are no authorizations at this time.

D. **Debt Structuring Practices:** The Policy follows guidelines regarding the debt structuring practices for each type of bond, including:

• Maximum term and debt service structure Average maturity, GO-DSC 20 year level principal; Other debt varies however usually level debt service; SO-SFR debt usually is configured for up to 30 years level debt service.

• Use of optional redemption features that reflect market conditions and/or needs of the government is determined at time of issuance upon with consultations with Financial Advisors & State Treasurer.

• Considerations for taxable, tax-exempt, use of variable or fixed-rate debt, credit enhancements, derivatives, short-term debt, and limitations are determined at the time of issuance as to when, and to what extent, each can be used and other factors.

  - Current status of fixed rate debt issued to date and very efficient historical rates,
  - No swaps or variable rate debt used to date,
  - While legal ability to do so there are no authorizations to issue variable rate and/or swaps at this time.

• From time to time UConn management practices capitalizing interest for SO-SFR debt during the construction of the project and deferral of principal, and/or other internal credit support, including general obligation pledges.

• Other structuring practices maybe used as appropriate.

E. **Debt Issuance Practices:** The Policy provides guidance regarding the issuance process, which may differ for each type of debt. These practices include:

• UConn selects and uses of professional service providers in conjunction with the Office of the State Treasurer, including independent financial advisors, bond counsels, verification agents,
and others to assist with determining the method of sale and the selection of other financing team members pursuant to the State Treasurer Request for Proposal process.

- Criteria for determining the sale method (competitive, negotiated, private placement) and investment of proceeds made in consultation with State Treasurer, financial advisors and bound counsel for each financing.
- Uses of comparative bond pricing as advised by financial advisors and market information often use comparable financing or market indices as a benchmark in negotiated transactions, as well as to evaluate final bond pricing results.
- UConn’s criteria for issuance of advance refunding and current refunding bonds is flexible depending on needs, and consideration such as current and projected interest rates and the market environment and we generally follow State Treasurer criteria and rule of thumbs for refunding candidates and for GO-DSC debt.
- Use of credit ratings, minimum bond ratings, determination of the number of ratings, and selection of rating services are made in consultation with the State Treasurer and financial advisors.
- Work in conjunction with State Treasurer’s Office with advice of Bond Counsel.

F. **Debt Management Practices:** The Treasury Services policy guidance provides ongoing administrative activities including:

- Investment of bond proceeds – Construction funds invested in Short Term Investment Funds.
- Primary and secondary market disclosure practices, including annual due diligence meeting as required. - Treasury Services EMMA filings made with bond counsel advice.
- Arbitrage rebate monitoring and filing – Treasury Services does for all non-GO-DSC debt.
- Federal and state law compliance practices, with advice of bond counsel ongoing market and investor relations efforts. Office of Treasury Services works with State Treasurer & UConn Public Relationships Offices and Underwriters.
- Other debt including leases allows subject to Conn. Gen. Statute 3-20d.

G. **Use of Derivatives:** Legislation allows UConn debt management policies to use derivatives. However, UConn’s policy is not to do so unless it proves cost effective, which it has not done so far.
The University of Connecticut’s Bond Related Mission, Authority, Responsibilities, Processes and Operations

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I. GENERAL INTRODUCTION AND MISSION

The tremendous renewal of the University of Connecticut’s infrastructure is paralleled by its growth as a world-renowned institution of higher education. As part of this coming of age, the University has become a large issuer of tax-exempt bonds. While the University enjoys the privileged benefits of the use of tax-exempt bond proceeds, it also must shoulder the imposing tax-exempt bond related responsibilities it never had before. In the perspective of the financial markets, the reputation of the University is intertwined with that of the State of Connecticut. Therefore, it is in the interest of the people of the State of Connecticut, and the University, to prudently manage the UCONN 2000 Bond program.

The University has summarized its overall accountability in its mission statement as follows: “the University must accept responsibility for estimating the resources required to achieve and maintain its mission, and for accounting to the public funding sources and the community at large for the use of those resources.”

In support of the University, it is the mission of Treasury Services to professionally and prudently manage the bond issuance process, the investment and disposition of bond funds, and to efficiently manage the other financial resources of the University of Connecticut, and to promote public confidence in the University's Treasury Operations.

II. AUTHORITY TO ISSUE BONDS

A. Statutory Authority

The broad authority for UCONN to issue tax-exempt or taxable bonds began with the passage of P.A. 95-230 by the General Assembly. The UCONN 2000 bonding program, as now codified in Connecticut General Statutes Section 10a-109 through 10a-109y, enables the University to issue General Obligation and Special Obligation Bonds. The law allowed the University to enter Bond Indentures to establish the details of the bond issues.

It is important to understand that under the law the University, not the State, is the issuer of the Bonds. The Statute authorizes two types of bonds: the University’s General Obligation Bonds and Special Obligation Bonds. The General Obligation Bonds are backed by the full faith and credit of the University, and in the case of those carrying the State’s Debt Service Commitment Bonds, are paid for out of the State's General Fund. The Special Obligation Bonds are paid for out of certain, pledged revenues of the University as defined in the particular bond series indentures.

The Statute authorizes projects estimated to cost $1,250,000,000 of which $962,000,000 may be financed by General Obligation bonds of the University secured by the State’s Debt Service Commitment (“DSC” Bonds). An additional $18,000,000 of UCONN 2000 projects have been funded by State General Obligation Bonds. The balance of $240,000,000 may be financed by gifts, other revenue, or borrowing resources, including
Special Obligation Bonds, of the University, or through the deferring of projects or achieved savings.

**B. Bonds Issued Pursuant to Indentures**

The Indentures are signed legal agreements with bondholders, represented by the Trustee Bank, that define the bond funds and accounts, the flow of bond proceeds, and the responsibility and obligations of the parties. Bonds are issued under the Master and Supplemental Indentures. The University increases its liability to lawsuits if it does not follow the Indentures. Additionally, because bonds are issued in the Public Markets the University falls under the regulations and requirements of the U.S. Securities and Exchange Commission and other Regulatory bodies with civil and other enforcement jurisdiction.

1. **The UCONN General Obligation Bonds Are Issued Pursuant to the Master and Supplemental Indentures of Trust**

The University’s General Obligation Bonds are issued pursuant to the General Obligation Master Indenture of Trust, dated as of November 1, 1995, between the University of Connecticut, as Issuer, and, Fleet National Bank of Connecticut, as Trustee (now State Street Bank & Trust).

The Master Indenture of Trust was approved by the University’s Board of Trustees on November 10, 1995, and the State Bond Commission on December 21, 1995. The Master Indenture allows several series of bonds to be subsequently issued through Supplemental Indentures that do not need to go to Bond Commission if they follow the Master Indenture of Trust.

The University’s Board of Trustees and the Office of the Governor approve the subsequent Supplemental Indentures for each bond issue. The Indentures are signed legal agreements with bondholders, via the Trustee Bank, that define the bond funds and accounts, the flow of bond proceeds, and the responsibility and obligations of the parties.

2. **UCONN Special Obligation Bonds Are Issued Pursuant to the Master and Supplemental Indentures of Trust**

UCONN 2000, as codified in Connecticut General Statutes Section 10a-109 through 10a-109y, also authorizes the University to issue Special Obligation Revenue bonds. The Special Obligation Indenture of Trust and the Student Fee Revenue Bonds Supplemental Indenture was approved by the University’s Board of Trustees, as to form, on November 8, 1996.

On February 4, 1998, the University issued $33,560,000.00 of Student Fee Revenue Bonds 1998 Series A to fund $30 million of the South Campus...
Residence and Dining Hall UCONN 2000 Project. The balance was used to fund a Special Capital Reserve Fund and to pay costs of issuance. The Student Fee Revenue Bonds were issued pursuant to the Special Obligation Indenture of Trust, dated as of January 1, 1997, between the University of Connecticut, as Issuer, and, State Street Bank & Trust, as Trustee.

On June 1, 2000, the University issued $89,570,000.00 of the University of Connecticut Student Fee Revenue Bonds 2000 Series A pursuant to the Special Obligation Master Indenture and the Special Obligation Student Fee Revenue Bonds Second Supplemental Indenture, dated as of May 1, 2000. The Second Supplemental Indenture authorized the issuance of bonds up to a principal amount not exceeding $90,000,000 for construction of the Hilltop Dormitory; Hilltop Student Rental Apartments; and the Parking Garage South Projects and to provide for capitalized interest and costs of issuance. The Special Obligation Student Fee Revenue Bonds 2000 Series A does not have a Special Capital Reserve Fund ("SCRF").

a. State’s Special Capital Reserve Fund Authority

The University can issue bonds secured by the State’s Special Capital Reserve Fund following a determination of the Board of Trustees of the University that the Special Obligation bond issue is self-sufficient as defined in the act. The self-sufficiency finding by the University is then submitted to and confirmed as not unreasonable or arbitrary by the Treasurer of the State, prior to the issuance of the bonds.

The Special Capital Reserve Fund is funded at issuance by the University to meet the minimum capital reserve requirement. However, subject to notification by the University on or before December first annually, if this amount falls below the required minimum capital reserve, there is deemed to be appropriated from the state General Fund the sums necessary to restore each such Special Capital Reserve Fund to the required minimum capital reserve.

III. TREASURY SERVICES’ DEBT MANAGEMENT MISSION, RESPONSIBILITIES, OPERATIONS, AND PROCEDURES

A. Debt Management Mission

The University’s debt management mission is to manage the University's debt programs effectively and efficiently to minimize the cost of the debt to Connecticut taxpayers; to ensure the University has efficient access to the capital markets; to ensure compliance with the various Federal, State, University and other regulations and constraints involving tax-exempt debt so that the University’s may continue to issue tax-exempt debt; and to
provide essential bond related information to the University’s Board of Trustees, and State and Federal agencies, and other entities. Debt Management’s clients include the University, the State Government, and Connecticut taxpayers.

B. Treasury Services Debt Management Responsibilities

As the public finance department for the University of Connecticut, the Treasury Services’ debt management function responsibilities include issuing and managing the University’s debt in a prudent and cost-effective manner. Treasury Services manages the issuance of tax-exempt debt, in conjunction with the Office of the State Treasurer, to finance University capital projects as approved by the Board of Trustees. It also administers the debt service payments for Special Obligation bonds; manages any cash flow borrowing; administers the bond funds; and maintains the University's rating agency relationships. The efficiency with which debt management performs directly affects the amount of interest ultimately paid for by Connecticut taxpayers or the University.

Treasury Services is also responsible for the tax-exempt arbitrage compliance following the Internal Revenue Service rules and regulations relative to the University's issuance of tax-exempt debt. Additionally, the debt management function works with the University's Purchasing Department, as well as the Office of the State Treasurer, on the tax compliance of any UCONN tax exempt lease financings, pursuant to Connecticut General Statutes 3-20d, including IRS filings.

C. The Bond Issuance Process

The power to issue tax-exempt is both a powerful privilege and a weighty responsibility. The Bond issuance process is long and arduous with many required steps. The consent of several State officials and agencies are required. There is a designed bureaucracy inherent in the processing of the essential state power to enter into debt on behalf of the people of the State and that is too large extent unavoidable.

1. Bond Proceed Needs & Authorization

The issuance process begins with the determination of what projects will be financed with the next fiscal year’s allotment of bond authorizations. There is an annual ceiling for each fiscal year in the legislation. Then a Supplemental Indenture is drafted. Once approved by the Board of Trustees and the Office of the Governor (or deemed approved if 30 days elapse), the Supplemental Indenture becomes the “Authorization” for issuing bonds. The Supplemental Indenture basically sets broad guidelines for the types of bonds to be issued, defines certain terms, delegates certain responsibilities, and establishes the total amount of dollars to be bonded by Project.
2. Schedule and Working Group

The next step is to develop a draft issuance schedule for when the money is required and the steps in the issuance process in between, and to schedule a window for the issue with the State Treasurer.

A working group is then assigned. For a negotiated bond issue (such as UCONN has been), this usually comprises: UCONN’s CFO and Treasury Services; usually a representative of the State Treasurer’s Debt Management Department; a representative of the State Treasurer’s Public Relations Department; and often the Deputy Treasurer (the 1999 bond issue was headed by the State Treasurer herself; UCONN’s bond counsel; the State’s Bond Counsel; UCONN’s financial advisors; the bookrunning Underwriters (this changes by issue) and their counsel; the Trustee Bank and their counsel, and often times others. Sometimes a negotiated bond issue is well underway before the underwriters are involved. Other involved entities are the rating agencies, the bond insurers, the printers, and others.

The working group moves step by step together through the issuance schedule. While there are one or two face to face meetings, besides investor presentations, much of the work is done by phone, fax, and conference calls. The issuer is responsible and always has a role. The other working group members’ contributions wax and wane along with their respective responsibilities. All members have a role and can influence the final product of the working group, whether attending the due diligence meetings, the investor meetings, working on obtaining the ratings for the bonds, producing the Preliminary Official Statement, or the sale of the bonds, or producing the Bond Purchase Agreement, or the Official Statement, or the Tax Regulatory Certificate or other closing documents.

The actual amounts bonded for will vary up to the time of issuance and then must be sized for a twelve month period of expected spending on each authorized project, plus 20% if required up to the maximum authorization, plus cost of issuance.

Treasury Services prepares many of the technical closing documents and records.

3. Bond Issuance Schedule Operational Example

A typical UCONN negotiated bond Issue would have the following abbreviated steps:

(a) Kick Off Meeting – Members introduced and begin preliminary discussion of bond issue including comments to draft schedule
(b) Fax and calls to update Preliminary Official Statement pages.
(c) UCONN Mailing to Board of Trustees for approval of revised Supplemental Indenture (to reflect budgets shifting bond proceeds between projects)
(d) Rating Agencies contacted  
(e) Governor’s Budget Addresses comes out and UCONN & State discloses respective possible impacts  
(f) UCONN Board of Trustees approval of revised Supplemental Indenture (to reflect budgets shifting bond proceeds between projects)  
(g) Preliminary Official Statement almost finished  
(h) Marketing - UCONN & OTT Public Relations review materials  
(i) Marketing program begins – radio, newsprint, TV, mailings, possible Internet site, etc.  
(j) Preliminary Official Statement goes to Printer  
(k) Bonds receive ratings  
(l) Investor Seminars – State Treasurer and UCONN CFO make presentations to Investors at Stamford Campus  
(m) Financial Advisors get indications of Bond insurance  
(n) Final sizing of bonds-UCONN Construction  
(o) Bonds Sold to Retail Customers (approx. 2-3 days)  
(p) Bonds sold to Institutional Customers (approx. 1 day)  
(q) Bonds Priced & Bond Purchase Agreement signed  
(r) Closing Documents drawn up  
(s) Closing Memo Written  
(t) Preclosing  
(u) Closing – Money in Bank

D. On-Going Debt Management Operations

Once the bonds are issued, a new operational cycle begins for debt management. The investments, deposits, disbursement of bonds proceed all need to be monitored. New and remaining Authorizations are monitored. The Supplemental Indentures, and other information is prepared for the Board of Trustees. Rating agency and investor information request and relationships are addressed. The tax-exempt lease compliance continues. Major and minor problems arise from external and internal sources that must be addressed.

Filings are made with the Trustee, the State Treasurer, NRMSIRS, and others. Questions and requests for information answered from other State Agencies or entities. Special request or projects touching on bond issues are addressed (e.g. private use of Banquet Hall by a possible hotel financing). The University participates in interviewing and selecting underwriters, bond counsel, financial advisors and other professionals at the State Treasurer’s Office. Tax-Regulatory Compliance takes up a lot of resources. Spreadsheets are maintained and created for the vast detail of information needed for the bonding process. Then the bonding cycle begins again.

IV. TREASURY SERVICES TAX-EXEMPT COMPLIANCE RELATED MISSION, RESPONSIBILITIES, OPERATIONS AND PROCEDURES
A. Tax-Exempt Compliance Mission

Treasury Services tax-exempt compliance mission is to manage the University's tax-exempt debt programs and tax-exempt bond proceeds cash management effectively and efficiently to minimize the non-compliance liability to the University, the State, and Connecticut taxpayers; and to provide investment earnings to the University or State within the regulations where possible. A main goal is to ensure the University has continued access to the tax-exempt markets.

B. Tax-Exempt Compliance Responsibilities

Tax-exempt compliance is an important, highly complex and time intensive responsibility that covers both the debt management and cash management areas. As the issuer of tax-exempt bonds it is the University’s responsibility to meet the Internal Revenue Service regulations. The University’s tax-exempt compliance responsibility is tied hand to hand with the University’s ability to issue and use UCONN2000 bond proceeds to design, award, and construct UCONN2000 programs. One of the State of Connecticut’s largest UCONN2000 concerns about the University is it does nothing to jeopardize the tax-exempt status of its bonds, and by extension, the reputation of the State of Connecticut with the security markets, bondholders, and regulatory entities.

Tax-exempt compliance has downside risks and some upside potential. The downside of failing to meet the heavily regulated and complex Internal Revenue Service regulations is that the University could lose its federal privilege to issue debt tax-exempt; would be exposed to bondholder lawsuits; and would lose its efficient access to the capital markets. Additionally, if the University does not have a well managed tax-exempt compliance process in place that meets the State standards, it is likely that the State will take action to move the entire UCONN2000 program, including construction, over to State management. This is because the tax-exempt compliance responsibility is tied hand to hand with the ability to use bond proceeds.

An upside potential is that the University or State has the potential to keep investment earnings above the arbitrage yield for certain time periods if certain spending and other requirements are met by the University.

The University’s Chef Financial Officer is responsible for the Tax Regulatory Certificate entered into and filed with the Internal Revenue Service for each bond issue.

C. Tax-Exempt Compliance Operations

Tax-exempt compliance operations are time intensive. The information has to be continually updated for new projects that are added, prior projects that have a change of use, or new information that comes to light. The synthesis of the information into a cohesive tax-exempt compliance program is complex. A major product of the tax-exempt compliance operations is the Tax Regulatory Certificate, which is part of the closing documents.
The Tax Regulatory Certificate is the backbone of bond counsel’s opinion (bond counsel and tax counsel are the same for the University) that the University’s bonds can be issued in the tax-exempt market. Bond Counsel relies on representations made by the University for the tax-exempt information upon which they base their opinion. If the tax-exempt opinion is wrong the issuer could get sued by bondholders and in turn can sue the bond counsel. This has happened to the State. The issuer also faces possible civil and other enforcement action by certain regulatory bodies. Bond counsel is therefore a somewhat independent role.

Operationally, UCONN gathers the tax-exempt information via a tax-exempt questionnaire for each Project listed in the approved Supplemental Indentures. It is important that Project information can be traced to Board of Trustee authorizations. The tax-exempt questionnaire is circulated to the persons designated by the Chancellor to have responsibility for the particular Project.

Much operational time is spent in finding and educating the responsible people, gathering the information, reading supporting documents such as leases, making calculations, trying to find safe harbors, updating the information, and keeping track of it. It is a continual process and stays in place until all the bonds are paid off (about the Year 2025 for the DSC bonds).

The tax-exempt information must be filed with bond counsel before a bond issue can take place. Additionally, it must be filed with the State Treasurer’s Office annually.

The information is ultimately condensed by bond counsel into the Tax Regulatory Certificate. This is an agreement between the University and the State with the Internal Revenue Service whereby, the University discloses certain public-private use detailed information on each Project to be financed with the tax-exempt bonds, and makes certain representations that it will spend the bond proceeds pursuant to certain IRS regulations. The Tax Regulatory Certificate is signed by the Chief Financial Officer of the University, as issuer, and the State Treasurer, and is filed with the Internal Revenue Service.

The Tax-Regulatory Certificate is a very important, complex, and essential document. Without it the University cannot issue bonds tax-exempt.

**D. Treasury Service’s Tax-Exempt Compliance Procedures**

Generally, the tax-exempt compliance process would encompass the following steps:

1) Develop Questionnaires for each BOT Authorized Project  
2) Meet with and Make educational Tax-exempt presentations to UCONN Community  
3) Assist with questions, etc.  
4) Obtain and review any additional information like Leases, Management Contracts for
5) Private Use
6) Private Research
7) Recommend IRS Safe Harbors where possible
8) Update Questionnaires and follow up on missing or partial information
9) Work with bond counsel if tax law question
10) Forward completed questionnaires to bond counsel
12) Monitor tax-exempt application of Bond Proceeds to ensure compliance with Tax Regulatory Certificate, etc.
13) Liaison with Bond Counsel on tax-exempt related matters
14) Track Bond Proceeds Drawdowns against Arbitrage Spending Requirements
15) For DSC Bonds try to meet the elections into the IRS percentages
16) For Revenue Bonds: Perform IRS Required Rebate Computations
17) For Revenue Bonds: Budget Liability and Supervise any payments to IRS
18) Manage IRS and OTT filings of all UCONN Tax-exempt debt including Leases
19) General Advisor to UCONN on tax-exempt Financing Matters
20) Analyze Special Projects or proposed financings as requested
21) Keep Records

V. TREASURY SERVICES’ CASH MANAGEMENT MISSION, RESPONSIBILITIES, OPERATIONS AND DISBURSEMENT AND INVESTMENT PROCEDURES FOR BOND PROCEEDS

A. Cash Management Mission

Treasury Services Cash Management mission is to manage prudently and productively the deposit, investment, and disbursement of bond proceeds under the various Federal, State, University, and other regulations. Managing bond proceeds as efficiently as possible while meeting while the constraints imposed by the Indentures and the Internal Revenue Service regulations is a prime concern.

B. Cash Management Operations

The University’s Treasury Services operations act as the clearinghouse for all of the bond fund inflows and outflows totaling several hundreds of millions of dollars. The Cash Management responsibilities include banking relationships and long and short-term bond proceed investments.

The bond proceed treasury management responsibilities include the administration and investment of bond funds, managing the University’s cash transactions as they relate to bond proceeds, the investment of bond proceeds in both long and short-term suitable instruments, the management of the University's banking relationships, and the
coordination of banking and cash management activities with the State Treasurer’s Office.

Cash Management activities include cash accounting and reporting for bond proceeds as they relate to the Authorized Officer Certificates, cash positioning and forecasting, investing, and bank account administration, especially with the Trustee Bank holding the bond funds, and any bond related checking accounts.

C. DSC Indenture Interpretation: Trustee-Held Construction Fund

To better understand the disbursement process as it is now, it is important to understand the evolution of bond proceeds to the University’s Trustee Bank.

Prior to June 1998, all of the Debt Service Commitment Bond proceeds were deposited with the Office of the State Treasurer, and treated similar to State bond proceeds. Subsequently, the Office of the Attorney General determined that the UCONN 2000 bonds are issued by the University and not by the State. Accordingly, upon the advice of bond counsel and in order to conform to the Master Indenture of Trust, the Debt Service Commitment Bond construction fund proceeds were deposited to the Trustee Bank. The bond proceeds for cost of issuance are still deposited with, and disbursed by, the Office of the State Treasurer.

The Indenture of Trust provides that the University is authorized and directed to order each disbursement from the Construction Account held by the Trustee upon a certification filed with the Treasurer and the Trustee. The Indenture provides that an Authorized Officer of the University shall sign such certification, and that it provides certain disbursement information. Once the Authorized Officer certification filings are made, the University can directly disburse the payments.

D. Cash Management Procedures for Disbursement of Bond Proceeds

The following Procedures are for the Debt Service Commitment Bonds. The University’s Special Obligation Bonds follow similar procedures.

The Indenture of Trust provides that the University is authorized and directed to order each disbursement from the Construction Account held by the Trustee upon a certification filed with the Treasurer and the Trustee. The Indenture provides that an Authorized Officer of the University shall sign such certification, and that it provides certain disbursement information. Once the Authorized Officer certification filings are made, the University can directly disburse the payments.
E. Bond Proceeds Construction Account Disbursement Procedures

Generally, the disbursement of bond proceeds encompass the following steps which were developed with input from the UCONN’s Comptroller’s Department, Facilities Department, the Bond Counsel, Trustee Bank and others. While this refers to DSC bond proceeds the steps for the disbursement of Special Obligation bond proceeds are similar.

1. The originating department (e.g. Facilities Management) receives invoices from Contractors.

2. The originating department (e.g. Facilities Management) stamps and approves the invoices as correct, properly due, and authorized to be paid from bond proceeds, and batches the invoices, and prepares to send them to Accounts Payable. The invoices are certified by the originating department as bonafide evidences of indebtedness to be paid by Bond proceeds as approved by the Board of Trustees project spending authorizations. The originating department represents that the invoices were made pursuant to contracts and/or purchase orders entered into with the proper authority.

3. The originating department submits the batched invoices to Accounts Payable.

4. Accounts Payable enters the invoices into the FRS system.

5. Schedule A is produced and reviewed by Accounts Payable in conformity with Section 603(c) of the General Obligation Master Indenture of Trust for the Debt Service Commitment Bonds or Section 604(f) of the Special Obligation Indenture of Trust for the Student Fee Revenue Bonds.

6. The disbursement request with the certifications and the Schedule A, are reviewed and signed by the Director of Accounts Payable. The Authorized Officer’s Certificate for Disbursements relies upon the certifications that are part of the Controller’s request to draw from bond proceeds.

7. Accounts Payable then submits the disbursement request and accompanying certificate to the Office of Treasury Services.

8. Upon receipt of the above paperwork, the Office of Treasury Services prepares the “Authorized Officer’s Certificate” as required by the relevant Indenture, for the Vice President of Financial Planning and Management’s signature.

9. The Authorized Officer’s Certificate is submitted for the Vice President of Financial Planning and Management’s signature, or in her absence, the
Manager of Treasury Services. Attached to it for his review is Director of Accounts Payable’s disbursement request certification and the Schedule A.

10. Upon signing of the Authorized Officer’s Certificate by the Vice President of Financial Planning and Management, the Manager of Treasury Services prepares a cover letter instructing the Trustee to sell the appropriate investment and deposit the funds in the appropriate UCONN checking account at Fleet Bank.

11. Duplicate filings are then submitted to the Trustee Bank and the Office of the State Treasurer, pursuant to the Indenture(s).

12. A copy of the filing is also sent to Accounts Payable. This serves to notify Accounts Payable that the Trustee has moved the cash to the proper checking account, and the checks may be released.

F. Bond Proceeds Cost of Issuance Account Disbursement Procedures

The Bond Proceeds Fund Cost of Issuance Account is held by the State Treasurer and it has taken on the responsibility for all of the State accounting and reporting, and the payment of costs of issuance associated with the University’s General Obligation Bond issues. However, since the University issues the bonds under its tax identification number the federal regulatory agencies hold the University responsible. The Office of Treasury Services has requested that copies of the Bond Counsel, Financial Advisors, and other bills be forwarded to the Office of Treasury Services for review prior to payment. However, at times the State Treasurer’s Office has disbursed funds from this account without the review of the University.

The UCONN costs of issuance disbursement procedures are:

1.) Review invoices and bills 
2.) Make recommendations for adjustments, if any 
3.) Forward bill or invoice to the State Treasurer’s Office for payment, along with a cover letter requesting disbursement.

For Special Obligation bonds, the University disburses proceeds through the filing of Authorized Officer Certificates with the Trustee Bank, similar to the construction fund disbursement procedures above.

G. Treasury Services’ Investment Policy for Tax-Exempt Bond Proceeds

The University’s Treasury Services Department has directed the Trustee Bank to invest the Debt Service Commitment construction fund proceeds in the State Treasurer’s Short Term Investment Fund, which is “AAA,” rated and offers daily liquidity and historically
attractive risk-adjusted yields. The Special Obligation Bonds other funds are similarly invested, except for the Special Capital Reserve Fund which is invested in suitable longer term government securities.

A major responsibility of the treasury operations for bond proceeds is to invest funds, not immediately needed for payment to bondholders, project construction, and/or the operations of the University, in order to enhance the University's investment income. Permissible investment obligations are consistent with Connecticut State Law, and in the case of bond proceeds, are defined in the Indentures. In keeping with these fiduciary responsibilities, all investment decisions made by the Manager of Treasury Services consider the risk adjusted return, and are subject to the following constraints: safety, liquidity, indenture and legal requirements, tax considerations, and other constraints.

1. Safety

The single most important objective of this investment program is the preservation of the principal of those funds within the portfolio.

2. Maintenance of Liquidity

The portfolio shall remain sufficiently liquid to enable it to meet all debt service and project spending requirements, which might be reasonably anticipated. Individual funds and accounts are invested upon consideration of each fund's permissible horizon relative to the slope of risk adjusted return.

3. Return

The portfolio is managed in such a fashion as to generate an efficient risk adjusted return subject to the above constraints through budgetary and economic cycles.

4. Arbitrage Management

Tax-exempt bond funds will be invested subject to the applicable arbitrage considerations including the Tax Regulatory Certificates. It is important to preserve exceptions where permissible. The Office of Treasury Services will calculate any arbitrage rebate on the revenue bonds resulting from such an investment.

VI. Regulatory Oversight and Requirements
Tax-exempt debt is heavily regulated. As a large issuer of tax-exempt bonds the University falls under the regulations and reporting requirements of the Federal Government, the Securities Industry, and the State.

A. State Reporting Requirements

In theory the University answers to the State Bond Commission since the Master Indenture was approved by it. However, as long as the University obeys the Indenture and other requirements the Bond Commission probably will leave us alone.

The University is subject to the General Assembly may choose to make, and is required to make a report semi-annually.

The University is subject to having each of its Supplemental Indentures approved by the Office of the Governor.

The University is subject to the requirement of having each of its Supplemental Indentures and any Reallocation of Bond Proceeds among Projects approved by the UCONN’s Board of Trustees.

University is subject to the Indenture requirements (e.g. Any DSC Bond Proceed Disbursement Filings must be made through an Authorized Officer Certificate files with the Trustee Bank & State Treasurer).

The University is required to make an annual tax-exempt filing with the Treasurer’s Office concerning the bonds.

B. Municipal Security Industry and Federal Requirements

Municipal securities generally are defined as direct obligations issued by a state, county, city, or any of their political subdivisions, such as a school district or a housing authority.

1. Municipal Services Rule Board (“MSRB”)

As an issuer of municipal securities, the University is indirectly under the requirements of the Municipal Services Rule Board. The Municipal Securities Rulemaking Board was established in 1975 by Congress to develop rules regulating securities firms and banks involved in underwriting, trading, and selling municipal securities bonds and notes issued by states, cities, and counties or their agencies to help finance public projects. The Board, which is composed of members from the municipal securities dealer community and the public, sets standards for all municipal securities dealers. Like the New York Stock Exchange or the National Association of Securities Dealers, Inc., the Board is a self-regulatory organization that is subject to oversight by the Securities and Exchange
Commission (SEC). An example, of an MSRB indirect requirement to the university is that the MSRB requires that dealers must provide a purchaser of a new issue municipal security with a copy of the official statement if the issuer prepares one. The University thus must make sufficient Official Statement copies available within the MSRB deadline.

2. U.S. Securities and Exchange Commission (“SEC”)

The Securities and Exchange Commission is an agency of the United States created from the Securities Acts of 1933 and 1934. The SEC regulates the securities markets so that potential investors receive the benefits of a fair and level playing field. The SEC is concerned with the adequacy of initial and ongoing disclosure, or the lack thereof, provided by issuers and others. For many years, the SEC did not directly regulate the municipal market. In 1975, the Securities Acts Amendments provided for an expanded definition of the term “person” to include issuers of municipal securities. This change clarified that all municipal participants, including issuers, fall under the anti-fraud provisions of Section 10(b) of the 1934 Act.

Whether directly or indirectly, other SEC requirements do apply to the University. For example, the SEC was instrumental in creating, the Government Accounting Standards Board which in turn create the standards which the State and University must meet in their financial reports. Additionally, the University must make periodic informational filings with a Nationally Recognized Municipal Securities Information Repository (NRMSIR). The NRMSIR program was established under Rule 15c2-12 of the SEC secondary market disclosure rules and initiated July 1, 1995. In General, Rule 15c2-12 requires dealers, before underwriting municipal securities, to have a reasonable basis for believing in the accuracy of the information in the offering document. In addition, long standing antifraud provisions, including 10b-5, of the securities laws prohibit issuers, underwriters and other municipal market participants from making false or misleading material statements. SEC officials have warned that anyone who helped prepare an official statement has a responsibility to investigate when “red flags” are raised suggesting that certain key information may be false or misleading.


The University falls under the scope of the Internal Revenue Service regulations and requirements for tax-exempt issuers. The University must make certain filings including the 8038-G form; filings that may be applicable to the arbitrage rebate requirements for Special Obligation bonds; and the detailed Tax Regulatory Certificate for each bond issue. Additionally, the University is required to keep certain records and perform certain computations regarding bond proceeds.
The University established processes to meet all of the above restrictions and requirements. The issuance of tax-exempt bonds and the treatment of bond proceeds is a highly regulated, complex task that has considerable downside risk if not properly addressed. It is important to note that balancing all of the requirements of the debt management and cash management functions with the State and Federal and other regulations and requirements is a difficult process. It is often the case that one particular area cannot be optimized without falling out of compliance entirely in another. The State and Federal governments view the use of tax-exempt proceeds as a privilege. For example, the IRS has recently stated that it will audit some college student housing 501(c)(3) tax-exempt bond issues to see if they are actually a taxable use of proceeds. For non-sophisticated entities sometimes the only simple solution is not to use tax-exempt proceeds.

VII. SUMMARY

The University’s institutional growth relies largely on the renewal of its infrastructure. The infrastructure renewal in turn relies on the tax-exempt bond proceeds. Tax-exempt bonds are highly regulated. The tax-exempt debt field is highly complex and subject to change. The Federal and State Governments view access to the tax-exempt markets as a privilege that can be revoked for various reasons, including non-compliance with the tax-exempt regulations or Indentures. In the perspective of the financial markets, the reputation of the University is intertwined with that of the State of Connecticut. Therefore, it is in the interest of the people of the State of Connecticut, and the University, to prudently manage the UCONN 2000 Bond program.

The ability to issue tax-exempt bonds depends on the University’s continued commitment and expert professional ability to responsibly manage the debt management, cash management, and regulatory compliance processes for tax-exempt debt. It is in the University’s best interest to do so.

It is the mission of Treasury Services to professionally and prudently manage the bond issuance process; the investment and disbursement of bond proceeds; to administer the compliance process; to efficiently manage other assigned financial resources; and to promote public confidence in the University's Treasury Operations and Tax-exempt debt programs. This handbook represents Treasury Services mission to accomplish these tasks for the University.