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UConn 2000

REBUILDING, RENEWING AND ENHANCING THE UNIVERSITY OF CONNECTICUT

OCTOBER 2005

The **Twenty-First**
in a series of reports to

Governor M. Jodi Rell
and the
Connecticut General Assembly

UNIVERSITY OF CONNECTICUT

UCONN 2000: THE UPDATE

This is the twenty-first in a series of semi-annual reports to the Governor and the General Assembly pursuant to the provisions of Sections 10a-109 through 10a-109y of the Connecticut General Statutes, originally An Act to Enhance the Infrastructure of the University of Connecticut, now known as UCONN 2000. These reports have been issued each October and April since passage of UCONN 2000 on June 7, 1995. The law also requires a four-year progress report, which was filed on January 15, 1999, as well as five-year performance reviews to be submitted January 15, 2006 and January 15, 2011.

UCONN 2000: EXECUTIVE AND LEGISLATIVE REVIEW

In the past year, problems in the construction program identified by the University became the subject of review by the Governor, the legislature and the University's Board of Trustees. In April, the Finance, Revenue and Bonding Committee of the General Assembly held an informational hearing on the program and invited testimony from the Auditors of Public Accounts and from the University. UConn President Philip E. Austin, accompanied by Vice President and Chief Operating Officer Linda Flaherty-Goldsmith and Vice President and Chief Financial Officer Lorraine M. Aronson, explained the problems and the Corrective Action Plan developed to prevent recurrence.

Also in April, Governor Rell announced the formation of a special panel to take an in-depth look at UConn's administration of contracts and oversight of on-campus construction. In order to ensure that the renewal and revitalization occurring at UConn continue in an efficient and appropriate manner, the Governor charged the Commission on UConn Review and Accountability to report to her by October 1, 2005, on any changes in laws, regulations, personnel or policies needed to ensure state resources are being used ethically and effectively. The Commission's final report was issued on September 1, 2005, and members of the Commission were invited to a meeting of the General Assembly's Higher Education and Employment Advancement Committee on September 21, 2005 to provide an overview of the report and respond to questions. The report, which has been made available to members of the General Assembly, contains a number of recommendations to improve the administration and oversight of the construction program. Almost all of the recommendations had previously been either partially or fully implemented as part of the University's Corrective Action Plan, which is described in detail below.

UCONN 2000: CORRECTIVE ACTION PLAN

Some of the problems identified in the construction program had their roots in an administrative, organization and oversight structure that the University's Board of Trustees had started to address a year before code compliance issues came to light in the autumn of 2004. Beginning in 2003, the President and Board moved to strengthen the University's administrative structure with the establishment of two new operational, administrative and financial positions, Chief Operating Officer (COO) and Chief Financial Officer (CFO), both reporting directly to the President. The Board further reinforced this initiative by creating the position of Chief Audit and Compliance Officer, who reports to the Board, and by taking other steps to strengthen the capacity and independence of the University's audit and compliance function.

Since the problems in recently constructed residence facilities surfaced in the fall of 2004, the administration has sought guidance from code experts, the State Fire Marshal, and the State Building Inspector in the development of building-specific corrective plans, as well as development of a comprehensive program to ensure that all newly constructed facilities are properly inspected for fire and building code compliance prior to occupancy. In other areas, the University administration sought guidance from external experts and the University's internal audit and compliance staff as it developed and modified processes to strengthen the contracting, budgeting, and financial reporting functions, and improve the general management of the construction operation. The audits performed by PriceWaterhouseCoopers and the University's Audit and Compliance Office are attached as Exhibits E and F.

The University's Corrective Action Plan developed over the last year has the following seven components.

- New University Office of Fire Marshal and Building Inspector
- Organizational Restructuring
- Personnel Actions
- Contract Approval and Administration
- Revised Project Budgeting and Reporting
- Strengthened Oversight: Audit, Compliance and Risk Management
- Financial Recovery: Legal Action

The elements of each component are discussed in this section. Changes have been made to the original plan to conform to the Governor's Commission's recommendations.

A. New University Office of Fire Marshal and Building Inspector (OFMBI)

In the fall of 2004, the University sought assistance from the State Department of Public Safety (DPS) in responding to the need for closer review of construction documents and inspection of new construction. It was the University's preference for the State DPS to assume responsibility for inspecting all newly constructed facilities. Unfortunately, DPS could not respond affirmatively to the University's request because it was not adequately staffed to meet the expanded demand. As a best alternative, a new University office was developed in conjunction with DPS, incorporating for non-threshold projects the procedures and documentation used by DPS for threshold projects.

The University's Office of Fire Marshal and Building Inspector (OFMBI) became operational on February 1, 2005, and was fully staffed by July 1, 2005 with eight (8) professionals. The OFMBI was made responsible for administering a clearly defined permitting, inspection and final occupancy program based on reviewing plans prior to construction, and on comprehensive inspections of all new construction and major renovation projects at all campuses of the University. Since it became operational in February, Certificates of Occupancy or Substantial Compliance letters have been issued from the OFMBI for UConn's non-threshold projects, and the State DPS has issued those documents to this Office for threshold projects (as defined by Section 29-276b. of the Connecticut General Statutes).

Ensuring the independence of this staff in conducting its investigations was a key consideration in its development, and resulted in having it report to the University's Director of Public Safety and

Chief of Police rather than Architectural and Engineering Services. The OFMBI has been supervised by UConn's Fire Department Captain/Fire Marshal. Through a memorandum of understanding (MOU) the University received the support of a fire marshal from DPS. Three additional fire code inspectors, and three building code inspectors completed the staffing required to perform inspections of non-threshold facilities. All inspection staff members hired through the OFMBI are appropriately certified and credentialed by the appropriate agencies to legally inspect and abate discrepancies in code. Inspectors are also required to maintain the necessary ongoing training to remain current and certified in their respective fields.

The effectiveness of the new process was demonstrated this summer as two residential complexes, Hilltop Apartments and Husky Village, underwent major repairs to correct code deficiencies, and as Charter Oak Apartments and Suites were undergoing what was envisioned to be minor repairs to correct code deficiencies. The OFMBI assigned inspectors to these complexes to review each correction as it was designed, and as construction proceeded, to ensure that each of the corrections met the requirements of the state's fire and building codes. The State DPS worked closely with the University's OFMBI throughout design to ensure that the plans met code and reviewed documentation at the conclusion of the work. On August 11 and August 18, DPS signed off on Hilltop Apartments and Husky Village, respectively, agreeing with the OFMBI's assessment that the facilities were ready for occupancy.

During the course of correcting the deficiencies outlined in the inspection reports, UConn's inspectors identified deficiencies in the stairwells at Hilltop Apartments that were not detectable until finishes were removed. These additional findings were immediately reported to the State DPS; UConn's OFMBI began a process of reviewing all similarly constructed buildings to determine if the problems existed elsewhere. A similar problem was discovered at Husky Village in sufficient time for Capstone Building Corporation (CBC) to correct the problem as part of their corrective work plan this summer. The OFMBI identified other problems at Charter Oak Apartments and Charter Oak Suites, which have been the subject of mediation discussions between the University and the contractor, JPI, for several weeks. JPI is developing plans for remediation of the agreed upon issues, which are being reviewed by DPS prior to work commencing.

The Governor's Commission recommends that State DPS conduct all inspections of UConn new construction including non-threshold facilities. In response to that recommendation, the University is working closely with DPS to ensure a smooth transition for this function. Of primary concern is ensuring that the resources that exist within UConn's OFMBI are incorporated into the DPS infrastructure in a manner that takes advantage of the OFMBI staff's expertise and that acknowledges the employment commitments to those inspectors who were recently hired through the use of an MOU between the University and the State DPS. The University will be responsible for reviewing plans for new construction to ensure that the plans are code compliant, and that the University's Fire Department will retain responsibility for monitoring the Storrs campus to ensure fire safety.

B. Organizational Restructuring

While recommendations within the Governor's Commission Report move much of the OFMBI's function to DPS, the Fire Marshal will play an increased role in monitoring for fire safety.

Until November 2004, the Executive Director for Architectural and Engineering Studies (A&ES), the department responsible for facilities planning, design and construction, reported through the VP for Operations to the VP & COO, and that position now reports to the VP & COO. The Executive Director's responsibilities have been performed on an interim basis by UConn's Director of Planning, Design and Construction Management while a nationwide search for a permanent replacement was undertaken. The search has discontinued, however, based on the recommendations of the Governor's Commission that the day-to-day management of construction be moved to report to a 7-member committee of the Board of Trustees.

Management's review of the A&ES Department led to another change in reporting. The two positions responsible for financial data entry and reporting for the construction management system now report to the Chief Financial Officer (CFO) rather than to the Executive Director of A&ES. This provides for a proper segregation of duties and appropriate checks and balances, previously missing from the organizational structure.

Another significant change relates to the operation of the University's Building and Grounds Committee (B&G), the group responsible for recommending policy to the President and the Board and for decision-making within the guidelines established by the Board of Trustees relative to changes and improvements to the physical infrastructure of the Storrs and Regional campuses. As of August 2005, the Committee is chaired by the Provost and VP&COO, with membership as follows: VP & CFO; Interim Director of A&ES; Vice Provost for Strategic Planning; VP for Student Affairs; Dean of the College of Liberal Arts and Sciences; Dean of Fine Arts (to be replaced at the end of his two-year term by the Dean of another school on the recommendation of the Deans' Council); and one faculty member appointed by the Executive Committee of the University Senate. To enhance transparency agendas are developed and circulated in advance of the meeting, and all agendas, materials and minutes are available on the B&G Website. Regular reports of B&G's activities are provided to the University Senate and in other forums throughout campus.

C. Personnel Actions

In the autumn of 2004, a number of fundamental management deficiencies within the UCONN 2000 program were identified. These included:

- An inadequate building inspection process
- Insufficient construction project budget monitoring to identify potential budget problems
- Insufficient and erroneous project information provided to senior management and the Board
- Damaged relationships with agencies that are key to the construction process, such as the State Department of Public Safety, the State Department of Public Health, and the Department of Environmental Protection

These deficiencies led to organizational restructuring and personnel action. One manager has resigned, and two others involved in the construction program are on administrative leave pending investigation of performance failures or deficiencies.

Additional personnel actions continue to be evaluated.

D. Contract and Expenditure Review and Administration:

A new comprehensive Capital Project Delivery Process Manual has been compiled, and the processes contained therein became effective July 11, 2005. The compilation and dissemination of this single manual for all components of the capital project delivery process correct a weakness identified by the Auditors of Public Accounts.

All elements of the project delivery process are addressed by the manual, including the revamped budgeting, contracting, and expenditure review processes. Added controls, recommended in audits are incorporated in the manual. The CFO, through the Plant Accountant, ensures that invoices from the contractor comport with the financial terms of the contract. All construction invoices are reviewed by the Accounting Department, the Project Manager, and the Executive Director of A&E prior to being approved for payment. Change orders are subject to increased review, which now includes the CFO's office, to assure budget adequacy prior to approval of the change.

Generally, the contract award process has operated effectively; however, weaknesses have been identified in audits relative to the proper documentation of contractor selection, and to the competitive selection of contractors and contracting procedures for exigent projects. The treatment of exigent projects was addressed in March 2004, when the Board approved a new policy. The contract award process has been recently strengthened by the requirement that all contracts be approved by the VP & COO, and that all change orders to a project once construction commences be approved by the CFO. Please note that aspects of the contracting process may undergo further revision as a result of the recommendations of the Governor's Commission.

The University's construction-related contracts developed by UCONN 2000 Counsel Gordon, Muir and Foley, have been reviewed as to form by the Attorney General's staff and were recently revised to reflect the AG's recommendations. In addition to the organizational change that places the contracting function closer to the VP & COO, the new procedures call for additional authorizations including the Accounting Department (reporting to the CFO and reviewing to ascertain the adequacy of project funds), review by the Executive Director of A&ES as a last project check, and approval by the VP & COO.

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E. Revised Project Budgeting and Reporting

The Capital Project Delivery Process Manual outlines the newly implemented budgeting process. The new policy and practice are to submit to the Board a project budget for any project estimated to cost \$500,000 or greater, regardless of the source of funds. Project Budgets will be presented to the President and the Board during the planning, design and construction processes:

Planning
Budget:

This budget will signal the beginning of the planning process for each new building or major renovation project. The contingency at this juncture will be at least 10% of the project cost to reflect the preliminary nature of the budget. However, approval will allow the University to proceed with design of the facility.

Design
Budget:

Once the project design has been completed, the University administration will submit a more definitive budget reflecting the architect's estimate of cost based on the design. The contingency balance at this juncture will be at least 8% of total project cost to reflect the potential for deviations as bids are received for the project's components.

Final
Budget:

When bids for the major components have been received and construction is ready to begin, the final construction budget will be presented to the Board. At this juncture, the contingency will be at least 5% of project cost to cover change orders during construction.

Revised
Budget:

Even though every effort will be made to construct facilities within the amount of the Final Budget, it is inevitable that there will be occasions when actual costs are projected to exceed these numbers. Increased focus on budgeting will allow the administration to predict these overages prior to the actual occurrence. When the expenditures are anticipated to exceed the budgeted level by 5% or greater, a revised budget will be presented for prior approval. (Board policy permits the administration to approve changes up to 5%, provided certain criteria are met, including a report to the Board.)

The new budget approval process is underway for all existing projects as well; by the end of this calendar year, the Board will have been provided budgets meeting the new criteria for every project planned or underway.

Project Tracking and Reporting:

The absence of an up to date comprehensive capital asset management system impeded efforts to timely track and monitor construction expenditures. The current CAPstat system was developed in-house approximately 20 years ago, and its capabilities are limited. The University's staff recognized this deficiency two years ago, and issued an RFP that began an extensive evaluation process to identify the best solution to be implemented for all projects including those at the Health Center. The University recently completed this evaluation, and the FAMIS (Fixed Asset Management Information System) system was purchased last spring to meet the construction tracking and reporting information needs, the facilities management work order tracking needs, and the space

tracking and reporting requirements associated with a research institution. FAMIS is now in the implementation phase. The system provides capabilities for project forecasting, which will greatly assist the efforts for the third phase of UCONN 2000 (also referred to as 21st Century UConn).

Project tracking will also be strengthened by the monthly reconciliation of CAPstat/FAMIS data with the data in the University's financial accounting system. In addition, new monthly management meetings including the COO and CFO to review project status will ensure better tracking. Finally, the projects' status will be reported quarterly to the University's Building and Grounds Committee. Project updates will be provided to the Board at each meeting of the Financial Affairs Committee.

F. Strengthened Oversight: Audit, Compliance and Risk Management

As a growing institution with complex financial relationships and multiple constituents, the University believes a strong audit function is critical to the University's long-term success. The Board and President filled the newly created position of Chief Audit and Compliance Officer (CA&CO) in January 2005 and resources designated for the internal audit function doubled to \$2,000,000 annually.

The construction program will be a significant focus of Internal Audit attention.

The CA&CO's Office was charged by the Trustees in February to conduct a fact-finding inquiry into a variety of issues reported to the Board at the February 3 meeting. In addition, PriceWaterhouseCoopers (PWC), in their contractual role of augmenting internal audit services, was commissioned by the Board's Joint Committee on Compliance and Audit last December to review and make recommendations relative to the budget process, budget oversight, staffing, adequacy of project information/documentation, project planning and design process, cost/benefit of role played by Bechtel/Fusco compared to other project administration methods, architect qualification and selection process and the building inspection process. Now that those assessments are complete, implementation of recommendations including organizational and staffing changes are underway. The ongoing relationship with the construction administration, Bechtel/Fusco, and the role they play in the construction program is being reassessed. Other recommendations now augmented by those of the Governor's Commission, formed the basis for specific actions that comprise much of this corrective action plan.

In addition to the internal audits and the Auditors of Public Accounts oversight, the University, through the CA&CO and Board's Joint Committee on Audit and Compliance, will retain an external audit firm to conduct an extensive annual audit of the UCONN 2000 program. Already, the CA&CO has met with the Auditors of Public Accounts and the University's senior administration to prepare a proposed audit plan for the construction program that were presented to the Board's Joint Committee on Compliance and Audit and the full Board of Trustees in September 2005.

G. Legal Recovery

The University is actively pursuing, from the responsible construction and design professionals, recovery of costs associated with the student housing corrections at Hilltop Apartments. The most substantive corrections at Husky Village were covered by the contractor. Similarly, the University is seeking remedy of the code deficiencies at Charter Oak Suites and Apartments through the contractor. A number of changes will produce better management of the legal process:

- Quarterly updates by UCONN 2000 counsel Gordon, Muir and Foley and the University's Assistant Attorneys General, to the University's senior team commenced this year, providing an opportunity to discuss all pending litigation and potential litigation. That group will make future decisions relative to appropriate legal actions beyond mediation.
- Representatives from outside counsel and the Attorney General's Office are available at each Board Meeting to brief the Board regarding the status of litigation and to seek the Board's advice on how to proceed.

UCONN 2000: ACTIVITIES COMPLETED OR UNDERWAY

PLANNING, DESIGN AND MANAGEMENT

The update of the University's 1998 Master Plan is significantly complete. In view of the extensive physical changes on all the campuses resulting from the UCONN 2000 investment and the 21st Century UConn initiative, it was necessary to update the plan so that the University can manage its capital resources most effectively. The plan adjusts the planning baseline to reflect the current physical plant, assesses current and projected space needs relative to available facilities, assesses the overall parking and transportation system including its financial and operational aspects, and refines the campus' physical composition to advance improvements already in place. The planning effort includes activities on the West Hartford, Torrington and Avery Point campuses.

Additionally, a plan is being developed for athletic facilities. The consultant for the Master Plan revision has been Smith Group/JJR of Ann Arbor, Michigan. It should be noted that, while the Master Plan provides an important planning template, it is by its nature a living document that will be modified throughout the construction process as new information is available to inform the University's planning effort.

- A new fixed asset management information system, called FAMIS, is being implemented and should be on-line by spring 2006. This system will provide more accurate project data that will be integrated into the University's Financial Reporting System. Among other capabilities will be the ability to better forecast cost into the future, a component that is lacking in the current information system.

- The Law School Library has experienced an on-going series of leaks since opening in 1996. The project's construction, which predates UCONN 2000, was managed by the Department of Public Works. Corrections undertaken did not resolve the situation, so the University hired its own

consultant (Simpson Gumpertz and Heger, Incorporated of Boston) to investigate, identify problems and design solutions. The University is working with the Office of the Attorney General to address the issue. Funding for repairs is in the State's FY 2005 Capital Budget with an expectation of recovery of funds as appropriate. The University has requested that the Bond Commission approve the funding for design on corrections to the defects. The testing and analysis necessary to preliminary design work is underway.

- The University continues standardizing building systems and system components within its overall building and renovation program, (e.g., electrical circuitry, panel boxes, etc.). This process will reduce the number of replacement parts UConn needs to inventory, speed repairs, improve the level of maintenance and lower overall costs.
- The Board of Trustees, at its June 21, 2005 meeting, approved the FY 2006 Capital Budget totaling \$79 million for system-wide capital improvements, equipment, telecommunications and library acquisitions as shown in Exhibit A. This amount reflects \$52.9 million for Storrs and Regional Campuses and \$26.1 million for the University of Connecticut Health Center. The following is a brief description of the named projects included in the FY 2006 Capital Budget. The budget can be found attached as Exhibit A of this report.

Storrs and Regional Campuses

Law School Renovations/Improvements

Installation of an elevator in Hartranft Building (renamed Chase Hall in August 2005) at the Law School Campus in Hartford is underway with completion expected in November 2005. This project also includes associated ADA modifications required to meet code requirements.

Stamford Campus Improvements

Design is complete for the repair of the interior ramps to the Stamford Campus Parking Garage. The University is currently soliciting bids for the project, and completion is planned for spring 2006.

West Hartford Campus Renovations/Improvements

Design is complete and bids are being solicited for the repair of the major parking lot at the West Hartford Campus. This project is partially funded by the Town of West Hartford, which uses the lots in conjunction with recreational use of athletic fields adjacent to the parking area. The completion of this project was delayed until summer 2006.

Farm Buildings Repairs/Replacements

Two projects are in progress for the upgrade of the various farm buildings. Demolition of two wings of the Yellow Barn is complete. The next phase, stabilization and exterior repairs, is currently in the planning stage and will proceed when funding is available. The second construction project, the Consolidated Poultry Facility, was recently completed.

Health Center

Research Tower

Planning and programming for the project began with a kick-off meeting on September 12, 2005. The architect, CUH2A, Architecture, Engineering and Planning of Princeton, New Jersey, met with the building committee to review programmatic goals and needs and to discuss the schedule and budget for the project. The project will include new research laboratories, offices and support space and will be constructed in the “research zone” of the campus as defined by the 2002 UHC Campus Master Plan.

Medical School Academic Building Renovation

Design for a portion of the Health Center’s Academic Building Renovations project is underway. The architectural firm Svigals + Partners, Architects and Planners, of New Haven is beginning the Schematic Design phase and design work is expected to be complete in January 2006. The project encompasses renovations to the two main teaching auditoria and will include upgrades to technology, seating and all finishes.

Dental School Renovation

The design for the School of Dental Medicine’s Pre-clinical Lab Renovations project is currently on hold. The school is investigating fundraising opportunities to supplement the currently available funds. Once the fund raising opportunities are defined, decisions will be made on the scope and schedule for the project. The project scope involves lab bench upgrades or replacement and mechanical/electrical upgrades to the labs to support the Dental School programs. This is the first phase of the Dental School Renovations which will occur over the next several years.

CONSTRUCTION

Construction activities are almost complete on the gas turbine Cogeneration/Central Chilled Water Facility that will produce electricity for the Storrs campus. Secondary waste heat will provide heating, hot water and cooling for a large segment of the Storrs campus as well. Independent analysis projected potential significant energy cost-savings, and data from the bid process informed a cost/benefit analysis that led the Board of Trustees to endorse proceeding with the project. A contract was awarded to Select Energy. The project is financed through Caterpillar Financial Services Corporation using a capital lease structure with an average interest rate of 4.5%. Cost-avoidance achieved through the construction of the facility will generate funds to pay the debt and debt service. The project is anticipated to be completed by November 2005. Construction manager for the project is O & G Industries of Torrington, CT, under contract with Select Energy, and the Project Manager is Derick Dahlen of Dahlen, Berg & Co. of Minneapolis, MN.



A VIEW OF THE ATRIUM
OF THE PHARMACY/
BIOLOGY BUILDING
FROM THE COURTYARD,
(LEFT).

THE STAIRCASE AND
ATRIUM OF THE
PHARMACY/BIOLOGY
BUILDING, (RIGHT).

PHOTO BY PETER MORENUS

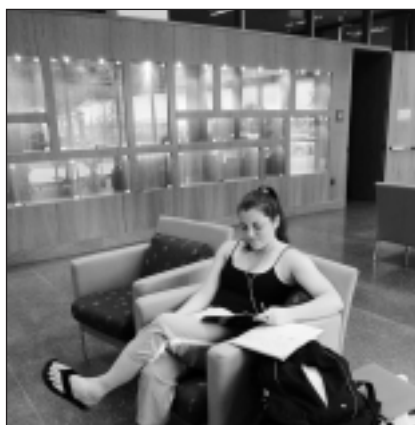
Construction was completed this summer on the new School of Pharmacy/Biology Building that includes 120,000 square feet of space for teaching and research for the Pharmacy program and 80,000 square feet of research space for Biology. Also included is a consolidated 26,000 square foot research animal care facility to support research programs in this area of campus. The architect for this construction project is Davis, Brody, Bond of New York City. Gilbane of Glastonbury, CT is the construction manager for the project.

MICHAEL PIKAL,
PROFESSOR OF
PHARMACEUTICAL
SCIENCES AND THE FIRST
PFIZER DISTINGUISHED
CHAIR IN PHARMACEUTICAL
TECHNOLOGY (RIGHT).



A CLASS IN THE LARGE
LECTURE HALL AT THE
PHARMACY/BIOLOGY
BUILDING.

PHOTO BY PETER MORENUS



LABS AT THE PHARMACY
BUILDING ARE SPACIOUS.
CARA MALATRAS,
(RIGHT), A JUNIOR,
STUDIES IN THE LOUNGE
OF THE NEW PHARMACY/
BIOLOGY BUILDING.

PHOTO BY PETER MORENUS



CONSTRUCTION IS AHEAD OF SCHEDULE AT THE BURTON FAMILY FOOTBALL COMPLEX AND THE MARK R. SHENKMAN TRAINING CENTER, WHICH WILL GIVE UCONN ONE OF THE FINEST TRAINING FACILITIES AMONG DIVISION I UNIVERSITIES.

PHOTOS BY JORDAN BENDER

A VIEW OF THE BURTON FAMILY FOOTBALL COMPLEX AND THE MARK R. SHENKMAN TRAINING CENTER FROM MEMORIAL STADIUM. THE FACILITY IS SCHEDULED TO OPEN NEXT SUMMER.

PHOTO BY PETER MORENUS ON LEFT, AND PHOTO BY JORDAN BENDER ON RIGHT



Construction continues on the Intramural, Recreational & Intercollegiate Facilities Project. This facility will house the football program including offices, training rooms, locker rooms, dining facilities, lounge, strength and conditioning room and an indoor practice field. When not used by athletic teams, the indoor field will be used by the recreational programs. The building will have 170,000 square feet of space. Funding for this project includes \$31 million from Phase III of UCONN 2000, and the remainder from private fundraising and Division of Athletics funds. Architects for the project are Jeter Cook Jepson of Hartford, CT and HOK of St. Louis, MO. Dimeo Construction of New Haven, CT is the construction manager for the project. Project completion is expected in July 2006.



CONSTRUCTION ON
PHASE II OF THE
STUDENT UNION IS ON
TRACK FOR COMPLETION
IN SUMMER 2006.

PHOTOS BY PETER MORENUS

THE STUDENT UNION
ADDITION INCLUDES
CULTURAL CENTER
FACILITIES, A LARGE
BALLROOM AND A FOOD
COURT.

PHOTOS BY PETER MORENUS



Construction continues on the second phase of the Student Union Addition Project. This phase of the work includes the demolition of the south end of the building and the construction of a new facility, which includes a food court, retail space, cultural center facilities and a ballroom with occupancy capacity of 300. The project is scheduled for completion in June 2006. The first phase of the project, now complete, included a 500-seat theater, student activity offices and meeting spaces, cultural centers and offices for student organizations. It also included space for the student-run radio and TV stations. This project was designed as a complete rehabilitation and addition to the Student Union to make it a focal point for student life on campus. When Phase II is complete, the combined project will double the amount of space available for student use. The architect for the project is Cannon Associates of Boston, MA. The construction manager for the project is Konover Construction of West Hartford, CT.

Renovation projects in facilities on the Avery Point Campus have been completed, or are in the construction or design phase. This year's projects include classroom renovations and interior work on several facilities. Work for this will be complete by January 2006.

The Hilltop Apartments Code Correction Project was completed over the summer of 2005. The purpose of this project was to correct fire and building code violations discovered after project completion. The major corrective action was the complete replacement of the heat and hot water furnaces by the construction of four (4) central boiler plants. Other work included work on the dryer vents, replacement of light fixtures and installation of detection devices. Additional discrepancies found during this summer's construction relating to the central stairwells will necessitate further corrective action to take place next summer. The architect for this summer's work was URS Corp., Rocky Hill, CT. The construction manager was Dimeo Construction, New Haven, CT.

As a result of the code violations identified in the Hilltop Complex, the University's Office of Fire Marshall and Building Inspection (OFMBI) inspected the Greek Housing Complex (Husky Village) and found similar violations involving problems with shaft fire-ratings and stairwells. Capstone Building Corporation, the developer of the project, performed the corrective repairs, at the company's expense, under their contract during the summer of 2005. The buildings were opened for students on time in August 2005.

On-going inspections by the University's OFMBI of student residences resulted in discovery of code violations in the Charter Oak Suites and Apartments. The University is working with the developer, JPI, to correct the deficiencies as quickly as possible. JPI had already been performing warranty work over the past summer.

The Health Center's Lyman Maynard Stowe Library renovations, funded by previously authorized bond funds, are scheduled for completion in November 2005. The funds allocated under UCONN 2000 were committed for the hazardous material component of the project.

UCONN 2000: SET-ASIDE CONTRACTOR SUMMARY

Public Act 99-241 called for, among other things, information regarding use of Connecticut-owned businesses on UCONN 2000 program projects, including those owned by women and minorities ("set-aside" contractors). Since Fiscal Year 1996, construction and related contracts for the UCONN 2000 program totaled \$1.218 billion. As of September 1, 2005, Connecticut businesses have accounted for \$1.071 billion, or 88%, of the total contracted dollars. There have been \$1.150 billion of projects completed to date. 23% of this total, or \$262 million, has gone to "set-aside" general contractors and subcontractors. Overall, small business participation has amounted to \$154.4 million, minority business participation has amounted to \$34.3 million, and women-owned business participation has amounted to \$73.5 million.

UConn 2000: FINANCE

Pursuant to Connecticut General Statute Sec. 10a-109x, the Semiannual Report to the General Assembly is to provide, among other things, information on the number of projects and securities authorized, approved and issued; the payment of debt service requirements, and the payment of principal and interest on the UConn 2000 securities; and the amount of investment earnings. This section provides that information.

University of Connecticut General Obligation Bonds Secured by the State's Debt Service Commitment – Bond Issues Completed

Section 10a-109 of the Connecticut General Statutes empowers the University to issue General Obligation Bonds secured by the State's Debt Service Commitment (sometimes referred to as "General Obligation Debt Service Commitment Bonds" or "GO-DSC Bonds"). These 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 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. UConn's Board of Trustees and the Governor approve the subsequent Supplemental Indentures for each bond issue. The University and Office of the State Treasurer, working in conjunction, manage the Debt Service Commitment Bond sale process.

Pursuant to Connecticut General Statute Sec. 10a-109x the University General Obligation Debt Service Commitment Bonds authorized, approved and issued to date are listed below:

A.) GO-DSC Bonds: Project Fund

Date of Issue	Par Amount	TIC (1)	General Obligation Bond Issue
Phase I			
February 21, 1996	\$ 83,929,714.85	4.94%	1996 Series A
April 24, 1997	124,392,431.65	5.48%	1997 Series A
June 24, 1998	99,520,000.00	4.78%	1998 Series A
April 8, 1999	79,735,000.00	4.46%	1999 Series A
Phase II & III			
March 29, 2000	\$130,850,000.00	5.42%	2000 Series A
April 11, 2001	100,000,000.00	4.54%	2001 Series A
April 18, 2002	100,000,000.00	4.74%	2002 Series A ⁽²⁾
March 26, 2003	96,210,000.00	3.97%	2003 Series A ⁽³⁾
January 22, 2004	97,845,000.00	3.76%	2004 Series A ⁽⁴⁾
March 16, 2005 (includes Phase III)	98, 110, 000.00	4.20%	2005 Series A ⁽⁵⁾
Sub-Total Phase I, II & III	\$1,010,592,146.50		

B.) Refunding GO-DSC Bonds

Date of Issue	Par Amount	TIC (1)	General Obligation Bond Issue
January 29, 2004	\$216,950,000.00	3.55%	2004 Series A Refunding (4)

(1) TIC is the true interest cost reflecting the interest rate for the time value of money across an entire bond issue.

(2) The GO-DSC 2002A bonds provided \$994,688.03 directly to the Office of the State Treasurer.

(3) The GO-DSC 2003 bonds par amount of \$96,210,000 plus \$3,790,000 of the original issue premium, totaled \$100,000,000 available for projects.

(4) The GO-DSC 2004A New Money and GO-DSC 2004A Refunding Bonds were issued under a single Official Statement. The GO-DSC 2004 new money bonds totaled \$100,000,000 for projects, funded by the \$97,845,000 par amount plus \$2,155,000 of the original issue premium.

(5) The GO-DSC 2005 bonds totaled \$100,000,000 available for projects funded by the \$98,110,000 par amount plus \$1,890,000 of the original issue premium. Phase II authorizations accounted for \$50 million and Phase III for \$50 million.

The ten series of UConn General Obligation DSC bonds issued to fund projects total \$1,010,592,146.50 in face value and provided \$1,012,000,000 for UCONN 2000 project spending. (Excluding the \$216,950,000 UConn General Obligation DSC Refunding Bonds Series 2004A issued to refund \$223,160,000 of prior bonds.) The remaining balance, together with accrued interest and net original issue premium, funded the costs of issuance and deposits to the State Treasurer.

On March 16, 2005 the University issued \$98,110,000 face amount of the University of Connecticut General Obligation Debt Service Commitment Bonds 2005 Series A, at a true interest cost of 4.20%, with a 10.3 Year Average Life and with favorable call redemption terms of 2015 @ Par. Selected maturities on and after February 15, 2011 carried FSA bond insurance.

In addition, on April 12, 2005, the Board of Trustees approved the Twelfth Supplemental General Obligation Indenture which was submitted to the Office of the Governor on June 22, 2005, and deemed approved, pursuant to the Act, 30 days later. During Fiscal Year 2006, the University plans to issue the eleventh series of UConn General Obligation DSC bonds for up to \$79,000,000.00 for UCONN 2000 projects, as authorized by the Twelfth Supplemental Indenture, as shown in Exhibit A of this report.

UCONN 2000 Phase III - Financing Initiated

The GO-DSC2005A bond issue completed the \$962,000,000 of Phase I and Phase II of UCONN 2000 project authorizations under the original UCONN 2000 Act that may be secured with the State's Debt Service Commitment. The GO-DSC2005A \$100 million represented the last \$50 million of Phase II and the initial \$50 million of Phase III UCONN 2000 project authorizations.

UCONN 2000 General Obligation Debt Service Commitment Bonded Projects

To date, seventy-three projects, totaling \$1,091,000,000 have been authorized to receive General Obligation Debt Service Commitment bond proceeds, as follows:

UCONN 2000 GENERAL OBLIGATION BONDS SECURED BY THE DEBT SERVICE COMMITMENT OF THE STATE

Phase I & II Project-Name	Indenture Authorizations
Agricultural Biotechnology Facility Completion	\$ 3,000,000.00
Agricultural Biotechnology Facility	9,400,000.00
Alumni Quadrant Renovations	11,500,000.00
Avery Point Marine Science Research Center-Phase I	30,000,000.00
Avery Point Marine Science Research Center-Phase II	7,341,000.00
Avery Point Renovation	5,323,000.00
Benton State Art Museum Addition	700,000.00
Business School Renovation-Phase II	8,000,000.00
Central Warehouse New *	6,933,751.77
Chemistry Building	53,062,000.00
Deferred Maintenance & Renovation Lumpsum-Phase I	40,792,000.00
Deferred Maintenance & Renovation Lumpsum Balance-Phase II	117,805,360.13
East Campus North Renovations	7,710,000.00
Equipment, Library Collections & Telecommunications-Phase I	60,500,000.00
Equipment, Library Collections & Telecommunications Completion-Phase II	105,812,000.00
Gant Plaza Deck	7,287,174.10
Gentry Renovation	10,000,000.00
Grad Dorm Renovations	3,000,000.00
Heating Plant Upgrade	9,969,000.00
Hilltop Dormitory Renovations	8,700,000.00
Ice Rink Enclosure	3,280,000.00
International House Conversion (a.k.a. Museum of Natural History)	800,000.00
Litchfield Agricultural Center-Phase I	1,000,000.00
Mansfield Apartments Renovation	2,071,000.00
Mansfield Training School Improvements	3,500,000.00
Monteith Renovation	444,348.00
Music Drama Addition *	7,400,000.00
North Campus Renovation	11,866,000.00
North Superblock Site & Utilities	7,668,000.00

Northwest Quadrant Renovation-Phase I	2,001,000.00
Northwest Quadrant Renovation-Phase II	30,000,000.00
Parking Garage-North	9,658,000.00
Pedestrian Walkways/(a.k.a. Fairfield Road Pedestrian Mall)	6,074,000.00
School of Business	25,652,366.00
School of Pharmacy	88,609,000.00
Shippee/Buckley Renovations	7,000,000.00
South Campus Complex	12,251,000.00
Stamford Downtown Relocation-Phase I	55,785,000.00
Student Union Addition	39,820,000.00
Technology Quadrant-Phase IA	39,993,000.00
Technology Quadrant-Phase II	34,120,000.00
Torrey Life Science Renovation	2,181,000.00
Towers Renovation	20,000,000.00
Underground Steam & Water Upgrade-Phase I	6,000,000.00
Underground Steam & Water Upgrade Completion - Phase II	6,000,000.00
Waring Building Conversion	11,452,000.00
Waterbury Property Purchase	200,000.00
West Campus Renovations	500,000.00
White Building Renovation	2,430,000.00
Wilbur Cross Building Renovation	<u>\$17,409,000.00</u>
TOTAL PHASE I & II PROJECTS	\$962,000,000.00

Phase III	Indenture
Project-Name	Authorizations
Arjona and Monteith (new classroom buildings)	\$1,400,000.00
Deferred Maintenance/Code/ADA Renovation Lumpsum	27,560,000.00
Equipment, Library Collections & Telecommunications	6,100,000.00
Farm Buildings Repairs/Replacement	2,600,000.00
Intramural, Recreational and Intercollegiate Facilities	22,800,000.00
Lakeside Renovation	3,800,000.00
Law School Renovations/Improvements	1,000,000.00
Natural History Museum Completion	500,000.00
North Hillside Road Completion	1,000,000.00
Residential Life Facilities	750,000.00
School of Pharmacy/Biology Completion	6,000,000.00
Stamford Campus Improvements	500,000.00
Student Union Addition	11,000,000.00
Torrey Renovation Completion and Biology Expansion	1,000,000.00
West Hartford Campus Renovations/Improvements	<u>\$500,000.00</u>
Total - Storrs and Regional Campus Project List	\$86,510,000.00

Health Center

CLAC Renovation Biosafety Level 3 Lab	\$ 30,000.00
Deferred Maintenance/Code/ADA Renovation Sum - Health Center	5,850,000.00
Dental School Renovation	500,000.00
Equipment, Library Collections and Telecommunications - Health Center	15,480,000.00
Library/Student Computer Center Renovation	150,000.00
Main Building Renovation	75,000.00
Medical School Academic Building Renovation	3,400,000.00
Research Tower	<u>\$17,005,000.00</u>

Total - Health Center Project List **\$42,490,000.00**

TOTAL PHASE III PROJECTS **\$129,000,000.00**

TOTAL PHASE I, II & III: GO-DSC BOND AUTHORIZATIONS **\$1,091,000,000.00**

* Board of Trustees Added Project 2/22/2001 (Pre-UCONN 2000 Bond Authorization)

University Refunding Provides Debt Service Savings to State

UConn achieved \$15.2 million in debt service savings for Connecticut taxpayers, on January 29, 2004 when the University closed on \$216,950,000.00 of UCONN 2000 General Obligation DSC Refunding Bonds Series 2004-A. Institutions garnered most of the bonds. Proceeds pre-refunded \$223,160,000 of the portions of the 1996, 1997, 1998, 2000, 2001, and 2002 UCONN 2000 General Obligation Debt Service Commitment Bonds. Debt Service savings amounted to \$15,215,582.84 million on a gross cash debt service savings basis, or \$10,117,718.77 on a net present value basis (4.53% savings of refunded bonds), spread across fiscal years 2004 to 2020. These are real dollar savings for Connecticut taxpayers.

University's Financial Statements

The University's financial statements reflect the UCONN 2000 program. The General Obligation and Special Obligation bonds and other debt are shown as liabilities on the University's financial statements. The financed UCONN 2000 projects and any unspent debt proceeds are shown as assets. The State's Debt Service Commitment to pay for the University's General Obligation Bonds is also shown as an asset on the University's financial statements.

Trustee Bank

The proceeds of the sale by the University of any bonds are part of the Trust Estate established under the General Obligation Master Indenture of Trust with the Trustee Bank as security for bondholders. Consequently, the University holds all of the bond proceeds at the Trustee Bank, with this exception: the Costs of Issuance account funded by the University's General Obligation Bonds Debt Service Commitment bonds may be held and invested by the State Treasurer's Office in a segregated account. The Special Obligation Master Indenture has similar Trust Estate provisions. The Trustee Bank holds all of the Special Obligation bond proceeds received at issuance including the Costs of Issuance account.

Prior to June 1998, all University General Obligation Debt Service Commitment Bond proceeds were deposited with the Office of the State Treasurer and treated like State bond proceeds, including payments made to vendors through the Office of the State Comptroller. Subsequently, the Office of the Attorney General opined that the University, and not the State, issues UCONN 2000 bonds. Accordingly, upon advice of bond counsel and in conformity with the Master Indenture of Trust, Debt Service Commitment Bond construction fund proceeds were deposited to the Trustee Bank and disbursed as directed by the University pursuant to the Indenture. Per the State's preference, the University General Obligation Debt Service Commitment Bond proceeds for costs of issuance are still treated like State bond proceeds and deposited with the Office of the State Treasurer and disbursed through the Office of the State Comptroller.

The Indentures of Trust provide 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 Trustee bank and, in the case of the Debt Service Commitment bonds, the State Treasurer. The Indentures provide that such certification shall be signed by an Authorized Officer of the University and include certain disbursement information. Once the Authorized Officer certification filings are made, the University can directly disburse payments.

University Special Obligation Revenue Bonds Secured by Pledged Revenues

UCONN 2000 also authorizes the University to issue Special Obligation Revenue bonds. Unlike the University's General Obligation Debt Service Commitment Bonds that are paid from the State's General Fund, debt on the Special Obligation Bonds are paid from certain pledged revenues of the University as defined in the particular bond series indenture.

A Special Capital Reserve Fund may be established for University Special Obligation bond issues only if the Board of Trustees determines that the Special Obligation bond issue is self-sufficient as defined in the Act. The self-sufficiency finding by the University must be submitted to and confirmed as not unreasonable or arbitrary by the State Treasurer prior to issuance of the bonds. Once approved, 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 1, annually, if this amount falls below the required minimum capital reserve, there is deemed to be appropriated, from the state General Fund, sums necessary to restore each Special Capital Reserve Fund to the required minimum capital reserve.

Special Obligation Student Fee Revenue Bond Issues

Pursuant to Connecticut General Statute Sec. 10a-109x the University Special Obligation Student Fee Revenue Securities authorized, approved and issued to date are listed below.

Student Fee Revenue Bonds have been issued pursuant to the Special Obligation 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.

UConn's Board of Trustees and the Governor approve the subsequent Supplemental Indentures for each Special Obligation bond issue. The University and Office of the State Treasurer, working in conjunction, manage the Special Obligation Bond sale process. University Special Obligation Student Fee Revenue Bonds issued to date are summarized below:

Date of Issue	Par Amount	TIC (1)	Special Obligation Student Fee Revenue Bond Issue
February 4, 1998	\$ 33,560,000.00	5.08%	1998 Series A
June 1, 2000	\$ 89,570,000.00	6.02%	2000 Series A ⁽²⁾
February 14, 2002	\$ 75,430,000.00	4.94%	New Money 2002 Series A
February 27, 2002	\$ 96,130,000.00	4.89%	Refunding 2002 Series A

(1) TIC is the true interest cost reflecting the interest rate for the time value of money across an entire bond issue. The University Special Obligation Bonds are generally issued for an approximate 30-year final maturity, compared to a 20-year final maturity for the General Obligation DSC Bonds; hence the TIC may appear relatively higher for Special Obligation Bonds.

(2) The Series 2000-A bonds were refunded on February 27, 2002.

On February 4, 1998, the University issued \$33,560,000 of University of Connecticut Student Fee Revenue Bonds 1998 Series A ("SFR 1998-A Bonds") with a final maturity of November 15, 2027. The Special Obligation First Supplemental Indenture was also dated January 1, 1997 and authorized the issuance of bonds up to a principal amount not to exceed \$30,000,000 for construction of the South Campus Residence and Dining Hall, plus amounts necessary to fund a Special Capital Reserve Fund ("SCRF") and provide for costs of issuance. The University managed the issuance and sale of these bonds and realized a favorable true interest cost over the term. Debt service for these bonds is paid from the student Infrastructure Maintenance Fee, instituted in 1997, and other pledged revenues as further defined in the Indenture of Trust. Such pledged revenues also help support future operation and maintenance costs for facilities built or expanded through UCONN 2000.

On June 1, 2000, the University issued \$89,570,000 of the University of Connecticut Student Fee Revenue Bonds 2000 Series A ("SFR 2000-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. Bond proceeds funded \$87,000,000 of construction for the Hilltop Dormitory, Hilltop Student Rental Apartments, and Parking Garage South. They also provided for capitalized interest and costs of issuance. The \$89,570,000 SFR 2000 Bonds were defeased in substance on February 27, 2002, as further described below, and are no longer reflected as outstanding debt on the University's financial statements.

On February 14, 2002, the University issued \$75,430,000 of the University of Connecticut Student Fee Revenue Bonds 2002 Series A pursuant to the Special Obligation Master Indenture and the Special Obligation Student Fee Revenue Bonds Fourth Supplemental Indenture dated as of November 16, 2001. Bond proceeds funded \$72,180,000 of construction for the Alumni Quadrant Renovations, Shippee/Buckley Renovations, East Campus North Renovations, Towers Renovations (including Greek Housing), and North Campus Renovations (including North Campus Student Suites and Apartments).

On February 27, 2002, the University issued \$96,130,000 of the University of Connecticut Student Fee Revenue Bonds 2002 Refunding Series A pursuant to the Special Obligation Master Indenture and the Special Obligation Student Fee Revenue Bonds Third Supplemental Indenture, dated as of February 1, 2002. Bond proceeds were used to take advantage of favorable market conditions to advance refund and defease in substance all of the \$89,570,000 of Student Fee Revenue Bonds 2000 Series A bonds outstanding. Proceeds were deposited with the Trustee bank in an irrevocable escrow fund sufficient to satisfy future debt service and call premiums on the prior issue.

UCONN 2000 Special Obligation Student Fee Revenue Projects

To date, nine projects have been authorized to receive \$189,180,000 of the University's Special Obligation Student Fee Revenue bond proceeds. Some of these projects were also supported by General Obligation or other funding, as follows:

UCONN 2000 SPECIAL OBLIGATION STUDENT FEE REVENUE BOND FUNDED PROJECTS

Projects	Special Obligation Authorized and Issued
Alumni Quadrant Renovations ⁽¹⁾	\$7,000,000
East Campus North Renovations ⁽¹⁾	1,000,000
Hilltop Dormitory New	21,000,000
Hilltop Student Rental Apartments	42,000,000
North Campus Renovation (including North Campus Student Suites and Apartments) ⁽¹⁾	45,000,000
Parking Garage-South ⁽¹⁾	24,000,000
Shippee/Buckley Renovations	5,000,000
South Campus Complex	30,000,000
Towers Renovations (including Greek Housing) ⁽¹⁾	<u>14,180,000</u>
Total	\$189,180,000

⁽¹⁾ Also partially funded with proceeds of the University's General Obligation bonds.

UCONN 2000 Other Debt Financing – Heating Plant Upgrade Tax-Exempt Lease Purchase Agreement

To date, the UCONN 2000 Heating Plant Upgrade project has also been authorized to receive \$81,900,000 of tax-exempt lease purchase funding secured by the University's general obligation.

On December 18, 2003 the University entered into a privately placed \$75,000,000 Governmental Tax-Exempt Lease Purchase Agreement with a reported nominal interest rate of 4.42% compounded monthly to finance the design and construction of a combined heat and power plant. On August 15, 2005 the University amended the agreement for an additional borrowing of up to \$6,900,000 at a 5.09% interest rate compounded monthly (resulting in a combined interest rate of

4.5%). The financing is part of the UCONN 2000 Heating Plant Upgrade project, as defined under the UCONN 2000 Act, and is expected to generate substantially all of the needs for electrical power, heating and cooling on the main campus at Storrs. This tax-exempt lease purchase financing 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. Nonetheless, it is considered a \$81,900,000 debt issuance of the University for a named project falling under UCONN 2000. The Heating Plant Upgrade has also been partially funded with UCONN 2000 General Obligation DSC bonds as listed above.

The lease is not rated by the credit rating agencies but weighs in their credit rating of the University's bond programs.

Current Credit Ratings

Since the inception of UCONN 2000, the University's bond issues have experienced a favorable credit rating history, including several credit rating upgrades. For example, as of September 15, 2005 Moody's assigned an "Aa3" rating to both the University's General Obligation Bonds secured by the State's Debt Service Commitment and the University's Special Obligation Student Fee Revenue Bonds. It is a strong vote of confidence in the University that both these ratings are ranked the same as the State's General Obligation Bond "Aa3" credit rating.

The capital markets have recognized the tangible benefits to the State's economy of meeting the infrastructure and educational goals of the program, as well as the University's success in implementing them. A high quality credit rating not only provides the State and the University with less expensive access to the capital markets but also supports the State's quality reputation among investors. A University milestone occurred in 2002 with the achievement of the high-grade "double A" credit-rating category from Moody's Investors Service for both its General Obligation and Special Obligation bonds.

Current Credit Ratings as of September 15, 2005

As of September 15, 2005, the UCONN 2000 General Obligation Debt Service Commitment bonds were rated "AA" by Standard & Poor's; "Aa3" by Moody's Investors Service; and "AA-" by Fitch Investors Service. Also the University's Special Obligation Bonds not secured by SCRF were rated "AA-" by Standard & Poor's and "Aa3" by Moody's Investors Service. Fitch Investors Service does not rate the Special Obligation bonds not secured by SCRF. The Special Obligation Bonds Series 1998-A carry a Special Capital Reserve Fund and are rated "AA" by Standard & Poor's, "Aa3" by Moody's, and "AA-" by Fitch. In addition to the underlying credit ratings, "AAA" rated municipal bond insurance secures certain maturities of several of the above bond issues.

Credit Rating History

February 1996: the first issue of the University's General Obligation Bonds secured by the State's Debt Service Commitment carried underlying ratings of "A1" by Moody's Investors Service, "AA-" by Standard & Poor's and "AA-" by Fitch.

February 1998: the first issue of UCONN 2000 Special Obligation bonds depended upon the State's SCRF credit rating. An underlying "stand-alone" credit rating was not available for this nascent program. At the time of issuance, the State SCRF enhancement allowed the bonds to obtain an "AA-" rating from Standard & Poor's, "AA-" from Fitch Investors Service, and "A-1"

from Moody's Investors Service. The bonds were subsequently covered by municipal bond insurance and upgraded to "AAA" at Fitch and Standard & Poor's and "Aaa" at Moody's Investors Service.

October 1998: Standard & Poor's upgraded the UCONN 2000 General Obligation DSC Bonds and the UCONN 2000 SFR 1998-A (SCRF) bonds to "AA" from "AA-".

March 2000: Moody's upgraded UCONN 2000 General Obligation DSC Bonds to "Aa3" from "A1".

June 2000: the University achieved a milestone with its first underlying Special Obligation Bond "stand alone" credit rating of "AA-" Standard & Poor's and an "A1" Moody's.

February 2001: Moody's upgraded UCONN 2000 General Obligation DSC Bonds to "Aa2" from "Aa3". In April 2001, the General Obligation DSC 2001 Series A bonds were sold without any bond insurance security enhancement on any maturity, another successful first-time accomplishment for the UCONN 2000 bond program. Moody's upgraded UConn's SFR 1998-A Bonds, which are secured by the State SCRF, at this time to "Aa3" from "A1".

January 2002: UCONN 2000 Special Obligation Bonds (Non-SCRF) were upgraded to "Aa3" from "A1" by Moody's. This graduated UConn's Special Obligation bonds to Moody's "high-grade" bond category and impacted the underlying credit on all outstanding Special Obligation Student Fee Revenue Bonds. (The \$33.6 million Special Obligation Student Fee Revenue Series 1998-A bonds, additionally secured by the State's SCRF, already carried the "Aa3" rating.) This high rating was assigned a stable outlook and represented a positive judgment by the capital markets regarding UConn's financial strength, real and potential growth as an institution, and management.

August 2002: Reflecting the outlook changes for the State's General Obligation Bonds, Moody's and Standard and Poor's both moved their outlook from "stable" to "negative" for UCONN 2000 General Obligation DSC Bonds while retaining their respective credit rating levels at "Aa2" and "AA". Fitch took no action. In a sign of confidence in the University's management and growth potential, Moody's and Standard & Poor's kept UConn's Special Obligation Bond ratings levels and stable outlook unchanged.

March 2003: During tougher economic times, the rating agencies confirmed the University's General Obligation DSC bond ratings as follows: Fitch "AA-"; Standard & Poor's "AA"; and Moody's "Aa2". Moody's also confirmed UConn's Special Obligation and Foundation bond ratings at "Aa3". Holding the credit ratings was a good sign in light of Moody's February 2003 move of the State General Obligation bonds and consequently the University's DSC and SCRF security bonds to watch list for possible downgrade.

July 2003: On July 2, 2003, citing State budget problems, Moody's downgraded the University's General Obligation DSC bond ratings to "Aa3" from "Aa2" consistent with its action on the State General Obligation bond rating. The good news was that Moody's confirmed UConn's Special Obligation (non-SCRF) bond ratings at "Aa3". Moody's also briefly downgraded the University's 1998 Special Obligation Bonds secured by the State's SCRF to "A-1" following a general downgrade of any bonds backed by the State's SCRF but then upgraded the University's 1998 Special Obligation Bonds back to "Aa-3" on July 14, 2003.

January 2004: We were successful in confirming the credit ratings for the UCONN 2000 General Obligation Debt Service Commitment bonds at a time of State budget deficits and negative press reports. The unenhanced ratings for the UCONN 2000 GO DSC 2004 new money and refunding bond issues were as follows: Moody's Investors Service "Aa3", Standard & Poor's "AA" and Fitch IBCA "AA-". Several maturities also carried "AAA" rated MBIA bond insurance.

Debt Service

Pursuant to Connecticut General Statute Sec. 10a-109x, the Semiannual Report to the General Assembly is to list the payment of debt service requirements.

UCONN 2000 General Obligation Debt Service Commitment Bonds

– Debt Service

The State General Fund pays the debt service on the University's General Obligation Debt Service Commitment Bonds. The University pays the debt service on the Special Obligation Student Fee Revenue Bonds from its own resources. For all the UCONN 2000 General Obligation Debt Service Commitment securities issued since the program's inception in 1996 to October 1, 2005 (including the GO-DSC2005 Refunding Bonds but net of refunded debt) debt service totals \$1,490.9 million, representing \$1,004.4 million of principal and \$486.5 million of interest (including capital appreciation bonds).

As of October 1, 2005 there will be total debt service remaining of \$1,064 million representing \$767.8 million of principal and \$296.2 million of interest (including capital appreciation bonds).

For the Fiscal Year Ending June 30, 2005, the Debt Service Commitment paid for the University's General Obligation Bonds amounted to \$79.9 million (representing \$48.2 million of principal and \$31.7 million of interest).

UCONN 2000 Special Obligation Student Fee Revenue Bonds – Debt Service

For all of the UCONN 2000 Special Obligation Student Fee Revenue securities issued since the program's inception in 1996 to October 1, 2005 total debt service amounts to \$392.6 million, representing \$205.1 million of principal and \$187.5 million of interest, net of pre-refunded and defeased bonds. As of October 1, 2005 debt service remaining totals \$332.3 million comprising \$189.9 million of principal and \$142.4 million of interest (including capital appreciation bonds).

All other things equal, the Special Obligation bonds incur proportionally more interest expense because they are generally issued for terms of up to approximately thirty years compared to twenty years for the Debt Service Commitment bonds.

For the Fiscal Year Ending June 30, 2005 the University paid from its own resources Special Obligation Bond debt service of \$13.2 million (representing \$3.9 million of principal and \$9.3 million of interest).

UCONN 2000 Other Debt Financing - Heating Plant Upgrade Tax-Exempt Lease Purchase Agreement – Debt Service

On a pro forma basis the two combined amortization schedules amount to debt service of \$517,135.10 to be paid in 240 monthly installment, amounting to total debt service of approximately \$124,112,424 comprising \$42,212,424 of interest and \$81,900,000 of principal.

UCONN 2000 Bond Proceed Investments

The investment of tax-exempt bond proceeds is heavily regulated by the Internal Revenue Service, the relevant Indentures of Trust with bondholders, Connecticut law, and other regulatory restrictions. In addition to meeting those requirements, the University's general investment policy is to balance an appropriate risk-return level, heavily weighted towards safety of assets, with estimated cash flow needs and liquidity requirements. The University is also mindful that the rating agencies, bond buyers, and bond insurers often weigh the quality of an issuer's investment portfolio.

Bond Proceeds form part of the Trust Estate established with the Trustee Bank as security for bondholders. To date, the University has directed the Trustee Bank to invest any Debt Service Commitment construction fund proceeds in the State Treasurer's Short Term Investment Fund ("STIF") which is "AAA" rated and offers daily liquidity and historically attractive risk-adjusted yields. The State Treasurer's Office wishes to hold and invest the University's General Obligation Bonds Debt Service Commitment funded Costs of Issuance account, a much smaller account.

The General Obligation Debt Service Commitment Refunding Series 2004-A proceeds, other than the costs of issuance, are held by the Trustee Bank in an irrevocable escrow fund, which is invested in U.S. Treasury State and Local Government Securities ("SLGS") and cash pursuant to the Escrow Agreement.

The University has directed the Trustee Bank to invest all the Special Obligation new money bond proceeds in dedicated STIF accounts, with the exception of the 1998 Special Obligation Special Capital Reserve Fund which is invested in longer term "AAA" rated federal agencies' fixed income Investment Obligations as defined in the Special Obligation Indenture of Trust.

The Special Obligation Student Fee Revenue Refunding Series 2002-A proceeds, other than the costs of issuance and debt service accounts that are invested in STIF, are held by the Trustee Bank in an irrevocable escrow fund, which is invested in U.S. Treasury State and Local Government Securities ("SLGS"), and cash pursuant to the Escrow Agreement.

UCONN 2000 Bond Proceed Investment Earnings

Pursuant to Connecticut General Statute Sec. 10a-109x, the Semiannual Report to the General Assembly is to specify the amount of investment earnings from the funds.

The University's General Obligation Debt Service Commitment bond proceeds investment earnings are retained by the State Treasurer's Office and do not flow to the University or to the Trustee Bank.

The University's Special Obligation bond investment earnings are part of the pledged revenues and are directly retained by the Trustee Bank to pay debt service on the bonds, and may also be used to flow to other Trustee bond accounts, if necessary, pursuant to the Indenture of Trust.

Fiscal Year End June 30, 2005, UCONN 2000 Special Obligation Student Fee Revenue Bonds investment earnings amounted to approximately \$136,091 (cash basis). This does not include investment earnings on the Special Obligation Student Fee Revenue Series 2002-A Refunding Escrow Account which flow to the irrevocable escrow and are used by the Trustee Bank to meet debt service payments on the defeased bonds.

Similarly, investment earnings on the General Obligation Debt Service Commitment Series 2004-A Refunding Escrow Account flow to an irrevocable escrow and are used by the Trustee Bank to meet debt service payments on the defeased bonds.

Future UCONN 2000 Debt Issuance

The passage of 21st Century UConn provides for \$1.3 billion of University General Obligation bonds backed by the State's Debt Service Commitment to be issued during Phase III. The first \$50 million of Phase III, along with the last \$50 million of Phase I&II was issued on March 16, 2005. The University anticipates offering a Debt Service Commitment Bond issue during Fiscal Year 2006 to fund an expected \$79 million of UCONN 2000 Projects.

Also, the University could issue Special Obligation Revenue bonds for certain projects that have a financial self-sufficiency capacity and/or if aggregate pledged revenues are sufficient to meet requirements of the Special Obligation Indenture. Market conditions and other factors might also lead to issuance of either General Obligation or Special Obligation refunding bonds in the future.

Finally, the University may enter into other types of tax-exempt or taxable debt pursuant to the UCONN 2000 Act.

UCONN 2000: PRIVATE FINANCIAL SUPPORT

The \$55.8 million in new gifts and commitments raised during Fiscal Year 2005 represents the third highest yearly total in the University's history. Of this total, cash basis gift receipts were \$56.2 million, including current year payments on new pledges as well as those made on outstanding pledges from previous years. Nearly 36,000 donor households made gifts during the year. Alumni contributed 38 percent of the amount raised in 2005, while corporations provided 24.6 percent and private foundations another 16.6 percent.

State Endowment Matching Funds

As of June 30, the dollar value of endowment gifts eligible for state matching grants was \$16.5 million, an increase of 51 percent over 2004. This represents 82 percent of the \$20 million goal for 2005. Earlier this year, the Connecticut General Assembly amended the terms of the state matching program to provide a one-to-four match (one state dollar for every four dollars raised) for gifts and pledges to endowment made after December 31, 2004.

Significant Commitments

Samuel Altschuler, Jr. '50 and Nancy Altschuler contributed \$100,000 to the Altschuler Family Scholarship Fund in the School of Engineering.

Anthony T. Bianca, Sr. pledged \$150,000 for the Burton Family Football Complex.

Charles J. Burstone contributed \$100,000 towards the Dr. Charles J. Burstone Endowed Professorship in Orthodontics.

Robert G. '00 and Paula Burton contributed \$100,000 to support the Burton Family Football Complex.

Stuart D. Bear and Cheryl A. Chase '78 made a \$750,000 pledge through their family foundation in support of the UConn School of Law.

William R. '55 and Doris M. Davis made a \$100,000 pledge payment towards the Civil Clinical Programs Endowment at the UConn School of Law.

J. Robert '41 and Mary Jane Donnelly made a \$500,000 pledge to support the Burton Family Football Complex.

Barbara L. Flynn committed \$160,000 to The Flynn-Martin Fund for Excellence at the UConn Law School.

Mark E. Freitas '81 donated \$262,000 to support the Burton Family Football Complex.

Helen D. Fyler pledged \$252,000 to establish the Helen D. Fyler Charitable Remainder Unitrust, with proceeds to establish the "George W. Fyler Endowment for Medical Research

Evelyn S. Gilman '47 made pledge payments totaling \$348,000 to support the Evelyn Simon Gilman Gallery at the William Benton Museum of Art.

The estate of Dr. Susan A. Goldstein contributed \$100,000 to the Susan A. Goldstein Trust at the UConn Health Center

Yuji Hayashi contributed \$100,000 toward the Yuji Hayashi Endowment Fund.

Fred M. Hollfelder committed \$142,500 to the Charlotte Johnson Hollfelder Fund at the UConn Health Center.

John W. Kluge '03H contributed \$250,000 toward the Thomas J. Dodd Prize in International Human Rights.

Dominick A. '68 and Betty J. '68 Pagano donated \$100,000 to establish the Dominick A. Pagano Endowed Scholarship in the School of Engineering.

Rodney R. and Janice B. Reynolds contributed \$297,000 toward the Janice and Rodney Reynolds Chair in Neurobiology at the UConn Health Center.

Laurence D. '61 and Paula Runsdorf pledged \$100,000 to the UConn Hillel Fund.

Mark R. '65 and Rosalind E. Shenkman made pledge payments totaling \$950,000 to support The Mark R. Shenkman Training Center.

William H. Trachsel '71 committed \$101,000 to establish the Nancy and Bill Trachsel Scholarship Fund, which benefits the School of Law

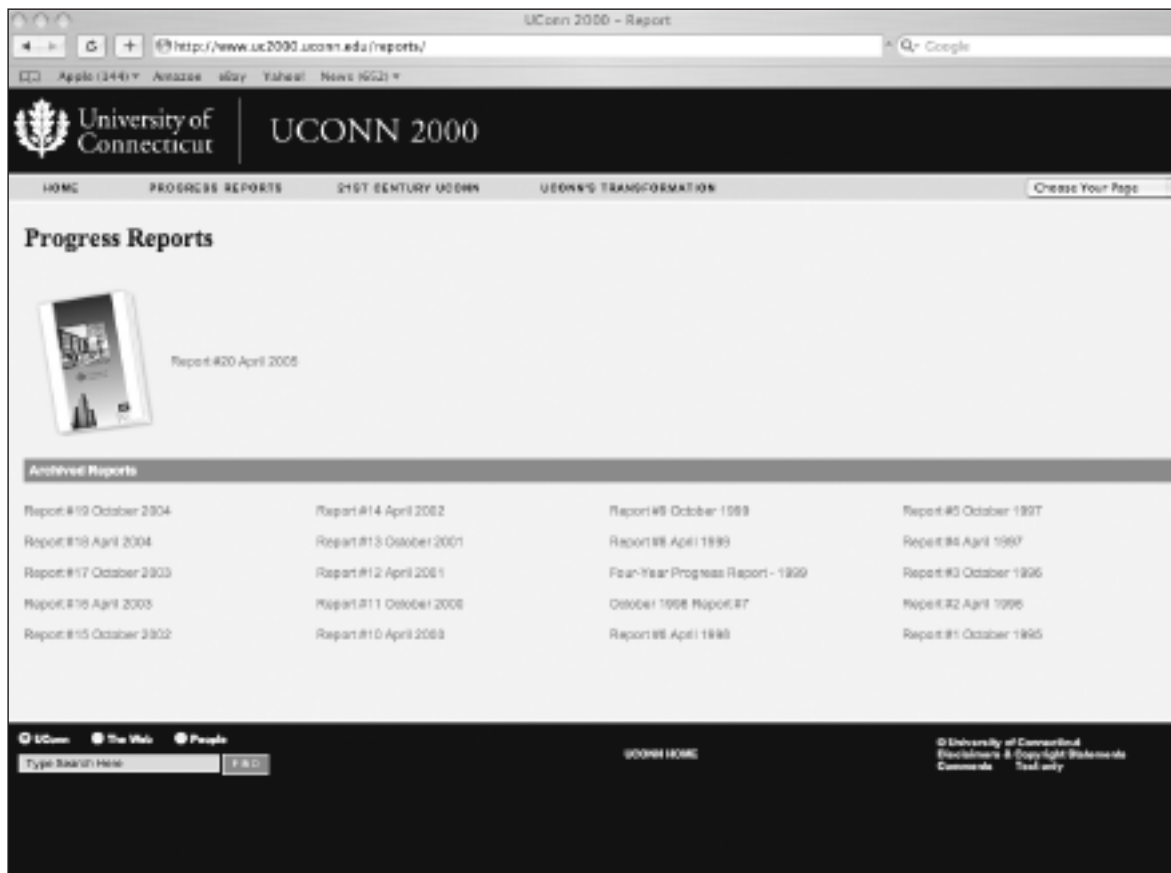
The estate of Wilda E. van Dusen contributed \$535,000 to the Albert and Wilda van Dusen Chair in Academic Medicine at the UConn Health Center.

George W. Whelen, IV and Kathleen O. Whelen contributed \$402,000 to support the Burton Family Football Complex.



UConn 2000 IN CYBERSPACE

Information about UCONN 2000 is available on the World Wide Web via the UCONN 2000 homepage. The address is: www.uc2000.uconn.edu/



The website contains all previous legislative updates to the Governor and the General Assembly, the four year progress report, the original UCONN 2000 proposal and UCONN 2000 project updates from the homepages of the University's Facilities Management Department.