Massachusetts State College Building Authority

Debt Management Policy

1. Purpose/Use of Debt Proceeds

The purpose of this policy is to establish a framework for the issuance and effective management of debt in support of the Authority's core mission. This policy is consistent with the requirements of Section 2.04 of 976 CMR: State Finance and Governance Board Regulations (the Regulations).

The Massachusetts State College Building Authority was established pursuant to Chapter 703 of the Acts of 1963 of The Commonwealth of Massachusetts, as amended (the Enabling Act) as a public instrumentality for the general purpose of contributing to the performance of the nine state universities and fifteen community colleges (collectively, the state colleges) by providing residence halls, dining commons, parking, athletic, cultural, and other facilities primarily for use by students and staff of the state colleges. In 2010, legislation was enacted which permits the Authority to finance certain academic buildings on the state college campuses.

On-campus housing greatly enhances student recruitment by providing residential facilities sought by prospective students and their families. Retention and persistence rates among state college students who reside on campus tend to be higher than those of students who commute exclusively. Student activity facilities (dining, athletic, and parking projects) provide necessary support for students who reside on campus. Residence halls and student activity facilities financed by the Authority complement the academic and administrative facilities funded by the Commonwealth and reduce the bonding commitment of the Commonwealth that otherwise would be necessary if the Authority did not undertake these projects.

2. Internal Debt Management Responsibilities

The Authority's organizational structure and personnel responsibilities as they relate to debt management are summarized in Appendix A.

The Executive Director is responsible for strategic capital planning and overall financial and investment management. Under the guidance of the Executive Director, the following staff are responsible for developing borrowing plans and managing the issuance and servicing of debt:

The Deputy Director assists in the development of the Strategic Plan, directs the annual update to the Authority's Facility Renewal Plan, and develops a multi-year Integrated Capital Plan ("Capital Plan") which sets out the projects, total project costs, sources of funds, and schedules for capital spending.

Based upon the projects in the Capital Plan, the Chief Financial Officer develops/updates a financial plan utilizing the range of fund sources available including bond funds, capital improvement reserves, campus funds, etc. The Chief Financial Officer is also responsible for a range of activities associated with the issuance and servicing of Authority debt including the preparation of project approval documents and official statements; analysis of debt structure, market conditions and interest rate environment; setting of rates and charges required to cover all obligations; continuing disclosure requirements including reporting of material events; and compliance with applicable State and Federal laws and regulations regarding the issuance of debt and the management of outstanding debt.

The Chief Financial Officer is also responsible for all financial reporting and accounting, including the Authority's annual independent audit; maintaining internal control procedures; issuing and collecting campus assessments covering all obligations; managing arbitrage compliance; and executing the investment program for all operating, capital project, debt service, and reserve funds.

As described in this policy, the Authority's Board reviews the Capital Plan and approves all bond-funded capital projects; authorizes the issuance of debt; and participates in the selection of the external professionals utilized to support the financing program.

3. Legal Authorization and Debt Limits

Pursuant to the Enabling Act, the Authority may issue tax-exempt revenue bonds, taxable revenue bonds, bond and revenue anticipation notes (in the form of commercial paper and other short-term debt instruments). The Enabling Act does not prohibit the Authority from issuing variable rate notes or bonds. The Authority does not issue debt for working capital.

Prior to 1998, State University Program bonds issued by the Authority were guaranteed by the Commonwealth; these bonds are called the "Prior Bonds". The Enabling Act was amended in 1998 to require the issuance of bonds that were not guaranteed by the Commonwealth; these bonds are called the "Parity Bonds". The Commonwealth-guaranteed bonds were retired May 1, 2016.

The Community College Program was established by the Authority in 2013 as a stand-alone program with no financial connection to the State University Program. It is anticipated that all series of Community College Bonds will be parity bonds.

The Authority's outstanding debt is summarized in Appendix B.

All State University Program debt obligations are issued in accordance with the Enabling Act, the Authority's General and Supplemental Trust Agreements, the Contract for Financial Assistance between the Commonwealth of Massachusetts, acting by and through the Board of Higher Education, and the Authority (the "Contract"), and with all applicable state and federal laws regarding the issuance of debt. All outstanding Authority bonds are Parity Bonds and all debt service is supported by project revenues and reserves, including a debt service reserve fund with additional security provided by the pledge of certain campus trust funds and by the campus appropriations. The sources of payment for Authority bonds are summarized in Appendix C.

There is no statutory limit on borrowing nor do the Authority's bond covenants, as contained in the trust agreements, require an additional bonds test.

The Community College Program shares all of the same issuance provisions as the State University Program noted above, except that Community College Program Series 1 and Series 2 do not have a debt service reserve fund.

4. Process for Debt Issuance

Through competitive selection processes described in Section 5, the Authority will engage external professional resources as needed to assist in the issuance of debt.

The Authority will engage a firm as bond counsel to provide complete legal representation as to all matters of state and federal law, including tax matters, relating to the Authority's issuance. Tax matters include determination of the type of bonds to be issued (i.e., public governmental tax-exempt or taxable, or private 501(c)3 tax-exempt). Bond counsel's scope of responsibility includes providing structuring advice, preparing all closing documentation, serving as disclosure counsel (unless disclosure counsel is separately engaged) and coordinating with senior managing underwriters/financial advisor on the official statement, rendering its opinions with respect to disclosure information for which it is responsible, and coordinating the Commonwealth bond pricing approvals. The firm will also provide counsel on matters pertaining to investments, particularly for project fund and debt service reserves. In addition to supporting bond issuance, bond counsel is expected to provide counsel on all related matters as they arise. Bond counsel also assists in the preparation and posting of Event Notices (described in Section 12 of this policy) and assists the Authority in meeting its Continuing Disclosure commitments.

The Authority will require that its underwriters and financial advisors act in a manner consistent with the intent of the Dodd-Frank Act, the Securities Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB), as they relate to Municipal Advisor standards of conduct. For a competitive bond sale, the Authority will engage a financial advisor; for a negotiated sale, the Authority will engage senior managing underwriters and co-managing underwriters as well as a financial advisor. Depending upon the type of sale, these firms will be responsible for all relevant matters including structure and timing of bond issues, rating agency presentations, development of marketing and distribution plans, working closely with bond counsel, engaging a disclosure counsel (if services are otherwise not provided by bond counsel) to prepare the official statement, pricing and sale of bonds, investment of proceeds, and matters required for closing. In advance of bond issues, the firms would provide market updates, analyze refunding opportunities, and support the Authority's development of project and campus pro-formas.

Pre-Issuance Evaluation

Bi-annually, the Authority's Board adopts a strategic plan which includes information to determine the number, type and location of new or expanded facilities needed or desired to support the state colleges. Annually, the Authority updates a Facility

Renewal Plan which identifies all major components of each Authority facility, the year installed and expected useful life, and estimated cost to replace based upon current year pricing. Based upon information in the Strategic and Facility Renewal Plans, staff prepare the Capital Plan listing all proposed projects for the near-term horizon and the source of funding for each project (revenue bonds, capital reserves, campus funds, etc.). These plans are reviewed with the Board.

For projects requiring bond financing, Authority staff will prepare financial pro-formas which identify all revenue and expenses (including all operating expenses and contributions to reserves) associated with the design, construction, financing and operation of the proposed projects (both new facility and repair projects) over the maturity of the bonds. In determining financial feasibility of the campuses and of the residence hall trust funds, the following coverage ratios may be calculated, as applicable:

(i) Primary Reserve Ratio comparing unrestricted reserves to total operating expenses;
(ii) Return on Net Assets calculating the increase (decrease) in total net assets divided by total net assets at the beginning of the fiscal year;
(iii) Net Operating Revenue Ratio measuring the return on operations;
(iv) Viability Ratio comparing total net assets to total debt;
(v) Debt Service/Resources Coverage Ratio comparing Authority annual debt service with revenues, reserves and pledges available to pay Authority debt service;
(vi) Debt Service/Appropriations Coverage Ratio comparing Authority spring debt service with Commonwealth appropriations available in the last four and three months of the fiscal year; and
(vii) "Stress Test" Debt Service/Appropriations comparing the maximum spring debt service due over the life of the bonds for each new bond issue with Commonwealth appropriations available in the last three months of the first fiscal year.

These pro-formas and ratios will be reviewed with the Board's Committee on Finance and Audit prior to project approval by the full Board. Ratios will be reviewed annually following conclusion of the Authority's and campuses independent financial audits.

Approval: Projects and Bond Issue

Once financial feasibility has been confirmed, the Enabling Act provides that projects will be approved by the Authority's Board and subsequently by the Commonwealth's Board of Higher Education (including its Fiscal Affairs and Administrative Policy Committee) and the Commonwealth's Secretary of the Executive Office for Administration and Finance. Prior to bond closing, the Board of Higher Education will approve the final amended Contract.

The Authority's Board will authorize each bond issue by delegating authority to issue the bonds to the Executive Director. The Board authorizing vote will specify the method of sale, the names of the senior and co-managing underwriters if the sale is negotiated, the outside date for issuance, the aggregate deposit to the Project Fund, the final maturity of the bonds and whether the interest rate is fixed or variable. When a negotiated issue is recommended, Board approval is required to seek from the State Finance and Governance Board (formerly the Finance Advisory Board) a waiver from the presumption of a competitively-bid financing. The Board delegates to the Executive Director the authorization to execute and deliver documents required for the bond issue.

As provided for in the Enabling Act, the Authority will obtain approval of bond price and structure from the Commonwealth's Secretary of the Executive Office for Administration and Finance and the State Treasurer on the day of a bond sale.

Method of Sale Determination

Based on market conditions, the Authority will consider whether a competitive or negotiated sale would be more advantageous. The Authority will analyze the complexity of the transaction and any issues which may impact the pricing; the stability of bond prices and investor demand; yields and credit spreads; the structure of the transaction; the relative affordability of taxable bonds as compared to tax-exempt; and the importance of flexibility to adjust sizing and structuring to respond to the market.

As a condition precedent to the sale of bonds on a negotiated basis, the Authority will seek from the Commonwealth's State Finance and Governance Board a waiver from the presumption of a competitively bid transaction.

Refunding Transactions

The Authority will monitor its debt portfolio to identify and evaluate possible refunding opportunities. The Tax Cuts and Jobs Act that was signed into law on December 22, 2017, precludes the issuance of advance refunding bonds after December 31, 2017. Current refunding bonds or structures that achieve similar outcomes may generally be considered when aggregate present value savings of the refunding bonds as compared to the refunded bonds are at least 4%, or when blending a new money issue with a refunding would achieve a lower cost of capital to fund new projects. In addition, a refunding could be considered in order to modify legal provisions or reduce administrative costs by eliminating an outstanding issue.

In addition to the approvals cited above, in accordance with the Enabling Act, the Authority will (i) obtain approval for refunding from the Commonwealth's Board of Higher Education, and (ii) notify all qualified managing underwriters based in the Commonwealth of the Authority's intention to issue refunding bonds and give such underwriters an equal opportunity to submit proposals.

5. <u>Professional Services – Selection Process</u>

In accordance with its procurement procedures, the Authority periodically issues Requests for Qualification/Proposal for professional services including the following: bond counsel, rebate calculation services, external financial auditors, financial advisors and underwriters. For refunding issues, the Authority is required to solicit all firms licensed to serve as underwriters in Massachusetts. The Board may approve the final selections.

6. Debt Affordability/Borrowing Capacity

The Authority's policies and procedures require that all bond-funded projects be secured by sufficient new pledged revenue to support new obligations of debt service, projected operating costs, and deposits to reserves for operations and capital renewal as may be prescribed in the Trust Agreement and the Contract. The borrowing capacity is thus limited by the project's revenue stream. There is no statutory limit on borrowing nor do the Authority's bond covenants require an additional bonds test.

An important criterion of the public higher education mission is to maintain affordability of student costs. Cash flows of Authority projects are carefully examined to ensure that they are sufficient to fund all project costs, as required by statute, and that they remain affordable to students and families. One measure of affordability is the maintenance of modest annual increases in rent and fees; revenue must be sufficient to cover costs of increasing residence hall operations, balanced with affordability to students. The maturity of bonds and predictability in future debt service costs are of prime importance in determining sustained project affordability. Long term debt previously issued by the Authority is fixed-rate with generally level debt service.

7. Risk Controls/Monitoring

The Authority will generally issue fixed rate bonds to maximize certainty for budget and rate setting and to optimize future debt capacity. Short-term debt may be issued to obtain interim financing or to fund short-lived assets. To reduce rollover risk, principal will generally be fully amortized during the term of the bonds. Principal amortization will be scheduled to minimize annual rent increases while maintaining affordable rents and fees. As part of its Strategic Plan update, the Authority carefully monitors trends in college-age population, student enrollment, the cost of comparable private off-campus housing near each institution, and the cost of on-campus housing at peer New England public and private institutions. The Authority employs conservative assumptions of future campus enrollment and the percentage of full-time undergraduate students to be housed on each campus.

8. Debt Structuring Practices

Amount of Outstanding Debt

As described above, the debt capacity is directly tied to available revenue sources. The Authority's outstanding debt is summarized in Appendix B.

Maturity Structure/Principal Repayment

Bond maturities are generally matched to the useful life of the assets being financed. New building projects are typically financed for 30 years; facility capital renewal and adaption projects are typically financed for 20 years. Principal is fully amortized on a gradual basis during the term of the bonds. The debt service schedule generally provides for level debt service in order to retain maximum certainty for budget and rate setting. Capitalized interest (the payment of interest from bond proceeds during construction period) should be limited to no more than eighteen months unless the project construction schedule specifically calls for a longer time period. The Authority evaluates call options by considering the relative value of the Authority's future financing flexibility and the cost of any premium associated with a call. To date, Authority debt has incorporated the generally accepted call options in the bond market.

Credit Enhancement/Insurance/Liquidity/Debt Service Reserve Fund

Bond insurance will only be used when the present value of anticipated savings (i.e., reduced interest expense) exceeds the cost of the enhancement. Other credit enhancement, such as a letter or line of credit, will only be used if it is a requirement of the market (for variable rate demand notes, for example) or if it provides cost efficient alternative financing, whether permanent or interim.

For State University Program bond issues through Series 2017D, the Authority has ensured that a combined debt service reserve fund equals or exceeds the Debt Service Reserve Fund Requirement as defined in the Trust Agreement, i.e., the least of (1) 10% of the original net proceeds from the sale of a series of bonds, (2) 125% of the average annual debt services for the series, and (3) the maximum annual debt service in any future fiscal year. The Debt Service Reserve Fund Requirement may be funded with bond proceeds, cash and/or a surety or similar credit facility. As required by the Authority's investment policy, the Authority maintains liquidity in its debt service reserve portfolio by investing in highly liquid securities regularly traded in the open market and easily converted to cash.

The Supplemental Trust Agreement for bonds issued after Series 2014A provides for an amendment to the Trust Agreement to eliminate the Debt Service Reserve Fund Reserve Requirement by reducing the amount of the Requirement to zero. The Authority is seeking to acquire consent of bondholders to this amendment and once 51% consent is achieved, the amendment will become effective.

Variable Rate Debt

Variable rate debt can be a valuable tool for the Authority to use in the management of its debt portfolio. The Authority's primary objective in using variable rate debt is to reduce borrowing costs. The Authority will analyze the expected savings over the life of the issue, including fees and other costs, and anticipate what circumstances could occur to reach the breakeven point prior to determining the appropriateness of issuing variable rate debt. In addition to lowering costs, other objectives may include asset/liability management (match debt to investment portfolio), flexibility in principal amortization and/or prepayment, diversification of investors, diversification of liabilities, and to achieve refunding savings not otherwise achievable.

Variable rate exposure carries risks not present in traditional fixed-rate transactions. The primary risk is interest rate risk – interest rates could rise above, and stay above, fixed rates. Also, inherent in most variable rate structure is risk related to a bank facility. For example, if the bank providing liquidity takes the variable rate bonds into their own inventory (in event of a failed remarketing) the bank will charge much higher rates than the market. Related risks also exist if the bank is downgraded which causes investors to demand a higher rate of interest, and if unable to obtain a competitively priced bank facility if the bank is downgraded, exits the business, and/or there is a general and major dislocation in the market.

Generally, industry standard and rating agency guidelines, suggest limiting exposure to variable rate debt to about 25% of the total portfolio. Since the Authority assesses the state colleges for their proportionate share of debt service, the Authority will work with each state college to gauge their ability and appetite for assuming variable rate risk.

Variable rate debt may take the form of commercial paper, floating rate notes, variable rate demand bonds, or fixed rate notes or bonds with put (or repricing) set prior to final maturity. The variable rate instrument may require an underwriter, a remarketing agent, underwriter's counsel, a bank facility and bank counsel. All services will be competitively procured and periodically reviewed for performance. The instrument will be selected after considering cost and availability of bank facilities, cost to implement and ongoing program management costs, market demand, degree of risk exposure and options to mitigate such risks.

As a condition precedent to the sale of variable rate bonds, the Authority will seek a review and conclusion from the State Finance and Governance Board, as provided for in the Regulations.

9. Credit Rating Agency Management and Communication

The Authority seeks to manage its operations and finances to maintain the highest credit rating possible. As part of each bond issuance and upon request during the year, the Authority will provide updated statistical, project, and financial information to the rating agencies.

10. Investor Relations Management

The Authority's Official Statements and audited annual financial statements are posted on the Authority's web site (www.mscba.org). The Authority also submits annual filings to the Electronic Municipal Market Access ("EMMA") system operated by the MSRB (http://emma.msrb.org) as required by SEC Rule 15c2-12. The EMMA filings are available to any interested party. The Authority participates in annual Commonwealth investor conferences. In addition, the Authority participates in a Commonwealth-sponsored Open Checkbook (aka C-Thru) platform which provides spending information on a searchable database on Mass.gov. Periodically and at least in connection with each bond issue, the Authority will conduct an investor outreach effort, as appropriate. Authority staff will provide responses to ad hoc requests as appropriate and engage in ongoing dialogue with investors.

11. <u>Derivative Transactions</u>

The Authority currently has no derivatives exposure and does not anticipate entering into derivative transactions in the future. Prior to entering into derivative transactions, the Authority will amend this Policy to include parameters to guide this type of transaction.

12. <u>Post-sale Monitoring, Management, Compliance</u>

Compliance

The Authority will maintain an adequate system of internal controls to provide compliance with applicable laws, rules, regulations, and covenants associated with outstanding debt. Annual calendars are maintained identifying due dates for key financial activities including, but not limited to, schedules for debt service payments; certifications of revenue sufficiency and maintenance of property and liability insurance; arbitrage calculations; and continuing disclosure commitments.

Annually as part of the budget and rate setting process, the Authority will compile information regarding any private activity occurring in state campus facilities which have received financing support from the Authority's revenue bonds.

Reporting of Events

Whenever the Authority obtains knowledge of the occurrence of any event requiring notice under applicable Federal securities law, the Authority will promptly file a notice of such occurrence with EMMA. Events to be reported within ten (10) business days, regardless of materiality, are:

A. Principal and interest payment delinquencies
B. Unscheduled draws on debt service reserve reflecting financial difficulties
C. Unscheduled draws on credit enhancements reflecting financial difficulties
D. Substitution of credit or liquidity providers, or their failure to perform
E. Defeasance of any series or portion of a bond series
F. Rating changes
G. Tender offers
H. Bankruptcy, insolvency, receivership or similar event of an "obligated person" as defined in the Security and Exchange Commission Exchange Act Rule 15c2-12

Events to be reported promptly if material are:

I. Receipt by the Authority of an adverse tax opinion or the occurrence of an event affecting the tax-exempt status of its bonds
J. Modifications to the rights of any bond owners
K. Bond Calls

L. Release, substitution or sale of property securing repayment of any bonds
M. Appointment of a successor or additional trustee or the change of the name of a trustee
N. Consummation of a merger, consolidation, or acquisition of an obligated person as defined in Rule 15c2-12.

Investment of Proceeds and Debt Service Reserve Funds; Arbitrage Regulations

The Authority will invest bond proceeds in a manner consistent with its Investment Policy as adopted by the Board from time to time, such policy to be consistent with the Trust Agreement and the Enabling Act. Security of the principal amount is the highest priority. The Authority also seeks to limit negative arbitrage.

The Authority will engage an Arbitrage Rebate Consultant to calculate the rebate liability annually for each issue of bonds and instruct the Authority as to the amount to be paid, if any, to the U.S. Treasury Department on each fifth anniversary of the bond issuance. Any rebate issues identified by the Consultant will be raised with Bond Counsel.

13. Continuing Disclosure

The Authority will provide continuing disclosure pursuant to its Disclosure Agreement (see Appendix D), including providing information pursuant to the requirements of SEC Rule 15c2-12 as described above.

14. Other Reporting Requirements

In accordance with its Enabling Act, the Authority files semi-annual certification with the Commonwealth's Comptroller and the Board of Higher Education as to sufficiency of funds available for debt service and files its annual report with the Commonwealth's Governor, State Auditor, Secretary of the Executive Office for Administration and Finance, and the Board of Higher Education.

15. Procedures for Changes to this Policy

This policy may be changed only by a vote of the Board. The Executive Director shall report to the Finance and Audit Committee and the Board on an "as needed" basis regarding the desirability of modifying this Policy, however, notwithstanding, the Policy shall be reviewed by the Board annually.

This policy was approved at a duly noticed public meeting of the Authority on April 4, 2018.

/s/ John J. Burns

Secretary-Treasurer

Appendix A

Massachusetts State College Building Authority
Debt Issuance and Management Policy

Organizational Structure, Personnel Qualifications

Board of Directors	
Executive Director	
Deputy Director	Chief Financial Officer

Edward H. Adelman, F.A.I.A., Executive Director and Assistant Secretary-Treasurer. Mr. Adelman joined the Authority as its Director of Capital Projects in 2002; in 2005, he was promoted to the position of Executive Director, where he is responsible for managing the real estate portfolio of 55 residence halls that house 17,000 students on nine campuses, coordinating strategic and other planning to ensure future capacity and occupancy, overseeing assessments and disbursements to service $1.3 billion of debt, and directing the issuance of new money and refunding bonds. Since 1979, Mr. Adelman has managed capital project planning, design and construction for public agencies and academic institutions, including Babson College, Brandeis University and Salem State University. Mr. Adelman is a registered architect in Massachusetts and a member of the American Institute of Architects. He received a Bachelor of Architecture degree from Cornell University and a Master of Architecture degree from Kent State University.

Janet L. Chrisos, Deputy Director. Ms. Chrisos joined the Authority in 2005 as Capital Projects Coordinator having worked for the Authority as a consultant since 2003. In 2007, she was promoted to Director of Capital Projects and then to Deputy Director in 2013. Ms. Chrisos manages the Authority's project management staff and all design and construction activities of the Authority from project planning through delivery. She is also responsible for development of the multi-year integrated capital plan incorporating projected housing needs of the nine state universities, anticipated facility renewal requirements and university capital improvement requests. Ms. Chrisos has 30 years of construction project management experience as an employee for General Electric and as a consultant to manufacturing, construction and higher educational clients, including Hewlett Packard and Salem State University. She has a Bachelor of Science degree in mechanical engineering from the University of Massachusetts.

Karol D. Ostberg, *Chief Financial Officer*. Ms. Ostberg joined the Authority in November 2011. As Chief Financial Officer, Ms. Ostberg is responsible for managing the Authority's financial controls, accounting, reporting, debt and rate-setting process and providing oversight and direction for the financial operations of the Authority. Ms. Ostberg has over 30 years' experience in the public finance field, most recently serving as the Commonwealth's Director of Capital Finance. Previously, she was the Director of Financial Planning at the San Francisco Public Utilities Commission and Vice President in the public finance division at two investment banking firms. Ms. Ostberg received a Bachelor of Arts degree from Denison University and a Master of Business Administration degree from New York University.

Appendix B

Massachusetts State College Building Authority
Debt Issuance and Management Policy

Outstanding Indebtedness
As of December 31, 2017

($000s)

State University Program Debt Outstanding	$1,239,000
Community College Program Debt Outstanding	$5,765
Total Debt Outstanding	$1,244,765
Maximum Annual Debt Service	$102,900
Average Annual Debt Service	$62,317
Weighted Average Life of Debt	12.8 years

Appendix C

Massachusetts State College Building Authority
Debt Management Policy

Sources of Payment for Authority State University Program Bonds

- In priority order, sources of payment for the Authority's State University Program bonds are as follows:
  - Revenues (including rents and fees, etc.)
  - Residence Hall Trust Fund Operating Reserve Funds
  - Multi-Purpose Reserve Fund and Supplemental Reserve Fund
  - Capital Improvement Reserve Funds
  - Pledged Trust Funds, including college-retained tuition
  - Commonwealth Appropriation Intercept
  - Debt Service Reserve Fund
- The Authority has the discretion to utilize its own reserve funds to pay bond debt service, if necessary
- If project revenues and Pledged Trust Funds should not be sufficient to cover debt service on bonds issued on behalf of a State University, the insufficiency will be satisfied from "intercepted funds" appropriated by the Legislature.

Sources of Payment for Authority Community College Program Bonds

- In priority order, sources of payment for the Authority's Community College Program bonds are as follows:
  - Revenues (including rents, if any, and fees, etc.)
    - Revenues are applied to payment of all Parity Bonds
  - Residence Hall Trust Fund Operating Reserve Funds, if applicable
  - Multi-Purpose Reserve Fund and Supplemental Reserve Fund, if applicable
  - Capital Improvement Reserve Funds, if applicable
  - Pledged Trust Funds
  - Commonwealth Appropriation Intercept
  - Debt Service Reserve Fund, if applicable
- The Authority has the discretion to utilize its own reserve funds to pay bond debt service, if necessary
- If project revenues and Pledged Trust Funds should not be sufficient to cover debt service on bonds issued on behalf of a Community College, the insufficiency will be satisfied from "intercepted funds" appropriated by the Legislature.