



# **ISSUANCE AND RETIREMENT OF BONDS, NOTES AND OTHER OBLIGATIONS OF THE CONNECTICUT RESOURCES RECOVERY AUTHORITY**

## **BOARD OF DIRECTORS POLICY AND PROCEDURE No. 015**

### **1. POLICY**

It is the policy of the Connecticut Resources Recovery Authority (“CRRA”) to define the procedure on how to issue and retire bonds, notes and other obligations of CRRA for the purposes defined for CRRA in the Solid Waste Management Services Act Chapter 446e of the *Connecticut General Statutes* (the “Act”). Any bonds or notes issued by CRRA shall be special obligations of CRRA payable out of any revenues or other receipts, funds or moneys of CRRA that are pledged for the purpose of the bonds or notes so issued. Bonds or notes may be further secured by the State of Connecticut’s Special Capital Reserve Fund (as further described herein) or by other credit enhancements as are available to be purchased in the municipal marketplace.

Each project that CRRA owns or operates shall cause a Bond Resolution or Trust Indenture to be created upon the issuance of any series of bond or note indebtedness for such project. Such Bond Resolution shall be adopted or such Trust Indenture shall be executed between CRRA and the Bond Trustee (currently U.S. Bank). Any additional bonds or notes may be issued under a Supplemental Bond Resolution or Trust Indenture for the respective project.

Pursuant to Section 22a-268d of the *Connecticut General Statutes*, CRRA may borrow temporarily from the State for the purposes of supporting the repayment of debt issued by CRRA on behalf of the Mid-Connecticut Project. (See Section 4.1 herein regarding available loan amounts.)

### **2. PROCEDURES REGARDING BONDS**

#### **2.1 Issuance of Bonds**

- (a) CRRA may issue bonds from time to time subject to the affirmative vote of a majority of the Directors and Ad Hoc Members eligible to vote (the

“Directors”). CRRA’s Chairman or its Finance Committee must recommend such bonds to the Directors upon advice of the President or Chief Financial Officer of CRRA, bond counsel or such other advisors as the Chairman or Finance Committee deems appropriate.

- (b) The issuance of all bonds of CRRA shall be, to the extent required by law, subject to the approval of Treasurer of the State of Connecticut (the “State Treasurer”).
- (c) Bonds of CRRA may be issued in any form as authorized under the Act and as provided in the Board resolution authorizing the issuance of the bonds.
- (d) Bonds may have maturities not exceeding 40 (forty) years.
- (e) Upon approval by the Board of Directors, CRRA may enter into an underwriting agreement(s) with a nationally-recognized bond dealer(s) (Red Book listed), upon satisfaction of a Request for Proposal process to select such underwriter(s) for the purpose of a negotiated bond underwriting. Alternatively, CRRA may recommend a competitive bond sale or private placement of bonds to the Board of Directors should circumstances so warrant.
- (f) Proceeds of bond sales must be invested according to CRRA’s current Investment Policy.
- (g) All bonds issued by CRRA will be in book-entry only form.
- (h) A fully executed original set of bond closing documents shall be maintained by CRRA at its offices for each bond issuance.

## **2.2 Debt Service Reserve Fund and Special Capital Reserve Fund (SCRF)**

- (a) Bonds issued by CRRA may have a Debt Service Reserve Fund established consistent with standards in the municipal marketplace to ensure the highest possible bond rating and subject to the approval of nationally-recognized bond counsel.
- (b) Pursuant to Section 22a-272b of the *Connecticut General Statutes*, no bonds secured by a Special Capital Reserve Fund shall be issued by CRRA to pay project costs unless CRRA is of the opinion and determines that the revenues to be derived from the project shall be sufficient:
  - (1) To pay the principal of and interest on the bonds issued to finance the project,
  - (2) to establish, increase and maintain any reserves deemed by CRRA to be advisable to secure the payment of the principal and interest on such bonds,

- (3) To pay the costs of maintaining the project in good repair and keeping it properly insured and
- (4) To pay such other costs of the project as may be required.

In making such determination, CRRA may seek the advice of bond counsel retained by CRRA or such other advisors, as it deems appropriate.

- (c) Upon determination of project sufficiency, CRRA (or bond counsel) may apply to the State Treasurer for Special Capital Reserve Fund designation.

### **2.3 Retirement of Bonds**

The Directors, with the advice of the President or the Chief Financial Officer of CRRA, bond counsel and such other advisors, may approve an early retirement or defeasance of Authority bonds, as they deem appropriate.

## **3. PROCEDURES REGARDING NOTES**

### **3.1 Issuance of Notes**

- (a) From time to time CRRA may, upon an affirmative vote of a majority of the Directors and Ad Hoc Members eligible to vote, issue, renew or refinance short-term notes. Such notes shall be bid competitively unless the Directors determine that it is not in the best interest of CRRA to do so.
- (b) The issuance of all notes of CRRA shall be, to the extent required by law, subject to the approval of State Treasurer.
- (c) Notes issued by CRRA will usually mature within one year of issuance. However, this requirement will not preclude renewing any notes for subsequent periods, so long as the term or renewal thereof shall not exceed a period equal to five years from the date of issuance of such note.
- (d) A fully executed original set of closing documents shall be maintained by CRRA at its offices for each note issuance.

## **4. PROCEDURES REGARDING THE MID-CONNECTICUT PROJECT STATE LOAN**

### **4.1 History**

Pursuant to Section 22a-268d of the *Connecticut General Statutes*, CRRA received authorization to borrow up to \$115 million in State Loans for the purposes of debt repayment on the Mid-Connecticut project bonds. The Statute allowed CRRA to borrow up to \$22 million for fiscal years ended June 30, 2003 and June 30, 2004. For subsequent fiscal years, CRRA may borrow up to \$93 million in accordance with the provisions of the aforementioned Statute.

## 4.2 Drawdowns Under the State Loan

- (a) CRRA may, with the approval of two-thirds of the appointed directors of CRRA at a duly called meeting, request an annual State Loan amount for the ensuing fiscal year. Pursuant to Section 22a-268d of the *Connecticut General Statutes*, the annual State Loan amount requires subsequent approval by the State Treasurer and the Secretary of the Office of Policy and Management. CRRA's Chairman or its Finance Committee must recommend a borrowing amount to the Directors upon advice of the President or Chief Financial Officer of CRRA, bond counsel or such other advisors as the Chairman or Finance Committee deems appropriate.
- (b) Upon approval by the Directors, and prior to any such drawdown under the State Loan, CRRA will submit its financial mitigation plan, as required by Section 22a-268d of the *Connecticut General Statutes*, to the State Treasurer and the Secretary of the Office of Policy and Management.
- (c) Pursuant to and as set forth in Section 22a-268d(b) of the *Connecticut General Statutes*, CRRA must provide annual and quarterly reports to the State Treasurer, the Secretary of the Office of Policy and Management and the Joint Standing Committee of the General Assembly on Finance, Revenue and Bonding.
- (d) Upon approval of the State Loan by the State Treasurer and the Secretary of the Office of Policy and Management, CRRA will enter into a Master Loan Agreement between the State and CRRA.
- (e) Drawdowns under the State Loan shall occur monthly, if necessary, and will be by written requisition, submitted five business days prior to the date CRRA desires deposit of the same with the Bond Trustee, to the State Treasurer's Office, accompanied by two signatures of any of the following: The Chairman, Finance Committee Chairman, President or Chief Financial Officer.
- (f) Following the requisition, the State Treasurer's Office will wire funds directly to the Bond Trustee not less than two business days prior to the end of that calendar month for further credit to the Mid-Connecticut Project debt service accounts.

## 4.3 Pre-Payments and Retirement of the State Loan

- (a) The Directors, with the advice of the President or the Chief Financial Officer of CRRA, bond counsel and such other advisors, may pre-pay State Loan advances in whole or in part, at any time.
- (b) CRRA shall consult with the State Treasurer and the Secretary of the Office of Policy and Management regarding the utilization of proceeds received in connection with any claims or recoveries arising from the Enron litigation, as more fully detailed in the respective Master Loan Agreements. Such proceeds or

recoveries may be used to prepay State Loan advances, mitigate the need for anticipated future advances under the State Loan and/or to mitigate the Mid-Connecticut Project service payments.

## **5. MISCELLANEOUS**

### **5.1 Approval of Procedural Deviation**

Any deviation from the above procedures must be approved by two-thirds of the appointed directors of CRRA at a duly called meeting.

### **5.2 History**

Statutory References: C.G.S. Sections 1-121; 22a-261, as amended; 22a-265(15); 22a-268a; 22a-268d; 22a-269; and 22a-272

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### **ORIGINAL**

Approved By: Board of Directors  
Effective Date: November 20, 1990

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### **REVISION 1**

Approved By: Board of Directors  
Effective Date: November 18, 2004