

ACS RESERVE FEE GUIDELINES

PURPOSE

The ACS Reserve Fee Advisory Council shall receive revenues generated by the Reserve Fee and provide for the effective investment of funds consistent with the fiduciary responsibility to the citizens of Alabama. The ACS Reserve Fee Advisory Council shall establish guidelines for the appropriate use of the funds and shall provide periodic reports to the State Board of Education (SBE) and to System presidents.

FISCAL AGENT

Gadsden State Community College

The president of the Fiscal Agent institution shall serve in an ex-officio capacity on the Advisory Council (without vote).

INVESTMENT GUIDELINES

Revenues received from collection of the Reserve Fee from each college shall be invested on a daily or longer-term basis to secure the maximum investment return which is consistent with investment management policy. Permissible investments include those outlined in SBE Policy 308.01 (1.33, 1.34 and 1.35).

Financial services (to include investments) shall be evaluated and selected based upon services rendered by the financial institutions. The Advisory Council shall determine the primary financial institutions, or banks, where funds are deposited through recommendation by the Fiscal Agent. Financial institutions must be insured by FDIC/FSLIC and must be designated in the SAFE program.

Investment income shall be reported to the Chancellor quarterly.

A complete financial report shall be made to the Advisory Council annually by the Fiscal Agent. The Chancellor shall provide the report to the SBE.

USES OF REVENUE

Fee collections shall constitute the BSF Fund. Investment income shall be retained as part of the Fund.

Funds shall be used at the direction of the Chancellor, with the approval of the Council, as follows:

1. Payment of periodic debt service (principal and interest) on behalf of a member institution in the event the college is unable to meet the payment schedule. The BSF shall be reimbursed by such college for any amount paid on its behalf for periodic debt service plus a penalty amount which may be levied by the Chancellor. Reimbursement shall be made within 60 days.
2. Short-term loan to a System college if necessary to meet payroll. Repayment must be made within 30 days.
3. No more than 10 percent for statewide professional development activities.
4. No more than 10 percent for statewide public relations.
5. Expenses associated with the review of proposed college renovation and new construction projects.
6. Expenses associated with construction management of ongoing college renovations and new construction projects.
7. Short-term loan to a System college if necessary to address new facility project startup costs in advance of processing long-term financing. Repayment must be made within six months following the receipt of bond issue proceeds.
8. Economic development projects.
9. Provision of Alabama College System headquarters facilities.

In the event the ACS Reserve Fee shall be dissolved, each college shall receive a prorata amount of any remaining balance, to be based on the most recently completed fall term's credit hour production.

ACS Reserve Fee Advisory Council
AGENDA
September 17, 2007

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| 1. Financial report | Dr. Renee Culverhouse, fiscal agent |
| 2. Consideration of Guideline revision | Mr. Bradley Byrne, chair |

Proposed Guideline Revision

USES OF REVENUE

Add additional language to #1:

The fund balance shall at all times be maintained so as to equal at least one-half of the highest individual annual debt service payment due by any college.

Example: 2007-08 projected debt service is highest at Jefferson State Community College at \$4,692,431. One-half=\$2,345,216