

CHANCELLOR'S PROCEDURE FOR POLICY
307.02: Reserve Fund

The purpose of the Fund is to provide a reserve for use and benefit of Alabama Community College System institutions, including advances of short term loans for payroll, capital projects, construction management, and debt service support.

1. Council:

The Alabama Community College System Reserve Fund Advisory Council shall oversee the collection, investment and use of Reserve Fund deposits consistent with the fiduciary responsibility to the citizens of Alabama.

The Advisory Council shall consist of the Chancellor, one president from each Board district, and, as ex-officio member, the president of the fiscal agent institution. Members shall be appointed by the Chancellor and will remain on the Council until removed by the Chancellor. The Chancellor shall report any changes in Council membership to the Board of Trustees.

The Chancellor shall serve as chair of the Advisory Council and shall provide the annual report to the Board of Trustees.

The duties of the Council shall consist of meeting at least annually to review and approve the required reports, authorizing use of funds, and making recommendations to the Chancellor on needed policy changes.

2. Source of Funds:

Each institution shall deposit the Reserve Fund Fee in the amount indicted in Board Policy 326.01 with the approved fiscal agent in accordance with the following schedule:

Fall term due by January 15
Spring term due by June 15
Summer term due by September 15

3. Use of Funds:

a. Allowed Uses:

Use of funds deposited by System institutions shall only be expended for such purposes as:

- 1) Payment of periodic debt service (principal and interest) on behalf of a member institution in the event a System institution is unable to meet the payment schedule. The Reserve Fund shall be reimbursed by such institution for any amount paid on

its behalf for periodic debt service plus a penalty amount which may be levied at the discretion of the Chancellor. Reimbursement shall be made by the institution within ninety (90) days.

- 2) Short-term loan to a System institution if necessary to meet payroll. Repayment must be made by the institution within sixty (60) days.
- 3) Short-term loan to a System institution if necessary for expenses associated with the review of proposed System institution renovation and new construction projects. Reimbursement shall be made by the institution within ninety (90) days.
- 4) Short-term loan to a System institution if necessary for expenses associated with the construction management of ongoing System renovations and new construction projects. Reimbursement shall be made by the institution within ninety (90) days.
- 5) Short-term loan to a System institution, if necessary, to address new facility project startup costs in advance of processing long-term financing. Repayment must be made by the institution within six (6) months following the receipt of bond issue proceeds.
- 6) Expenses associated with provision of Alabama Community College System headquarters facilities.

b. Required Approval:

Funds may be disbursed only at the written direction of the Chancellor upon written approval of a majority of the Council. The Chancellor shall report all disbursements to the Board of Trustees.

4. Investments and Financial Management:

Receipts from collection of the Reserve Fund Fee from each institution shall be invested on a daily or longer-term basis to secure the maximum investment return which is consistent with Board of Trustees Policy 308.01 Procedures. 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 retained as part of the fund.

5. Required Balance:

The Fund balance shall at all times be maintained so as to equal at least the total annual debt service payments due by the System institutions for the current fiscal year as determined by the institution's annual budget as submitted to the Chancellor. At any time the Fund balance exceeds the required amount, the Chancellor may suspend payment to

the Fiscal Agent of the current fee amount until until such time as the Fund balance falls below the required amount. Institutions shall continue to collect the fee even though it may not be remitted to the Reserve Fund, but shall remain a part of the institutions' operational funds.

6. Fiscal Agent:

The fiscal agent institution shall be appointed by the Chancellor. The appointment shall remain in effect until the Chancellor revokes the appointment in writing. The Chancellor shall report any changes in the fiscal agent institution to the Board of Trustees.

The president of the fiscal agent institution shall serve in an ex-officio non-voting capacity on the Advisory Council.

The fiscal agent shall submit an investment income report to the Chancellor on a quarterly basis. A complete financial report shall be made to the Advisory Council annually by the fiscal agent. The Chancellor shall make an annual report to the Board of Trustees.

7. Dissolution:

In the event the Alabama Community College System Reserve Fund shall be dissolved, each institution shall receive a pro-rata amount of any remaining balance based on each individual college's contribution as a percentage of the overall contributions.