MEMORANDUM

TO: Finance Committee

FROM: Michael A. Bownes

RE: Finance Committee Minutes, November 1, 2012

The attached draft of minutes from the November 1, 2012, Finance Committee meeting is forwarded after review of Vice Chancellor Ray Hayes and will be submitted for approval at a future meeting of this Committee.

Please call with questions or corrections.

cc: Other Trustees
Chancellor Robert E. Witt
Presidents Bonner and Altenkirch
Interim President Marchase
Dr. William Femiany
Provosts Lucas and Karbhari
Interim Provost Benson
Financial Vice Presidents Gilbert, Margison and Pinner
Vice Chancellor Hayes

Attachment
MINUTES OF THE NOVEMBER 1, 2012 MEETING
OF THE FINANCE COMMITTEE OF
THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ALABAMA

The Finance Committee of The Board of Trustees of The University of Alabama met on Thursday, November 1, 2012, in Sellers Auditorium in the Bryant Conference Center at The University of Alabama. Trustee William Britt Sexton chaired the meeting. Michael A. Bownes served as Secretary.

On roll call, the following Committee members were present:

The Honorable W. Davis Malone III, Trustee from the Second Congressional District

The Honorable James Wilson III, Trustee from the Third Congressional District

The Honorable William Britt Sexton, Trustee from the Fifth Congressional District

The Honorable Vanessa Leonard, Trustee from the Sixth Congressional District

The Honorable John J. McMahon, Jr., Trustee from the Sixth Congressional District

The Honorable John H. England, Jr., Trustee from the Seventh Congressional District

Other Trustees in attendance:

The Honorable Marietta M. Urquhart, Trustee from the First Congressional District

The Honorable Joseph C. Espy III, Trustee from the Second Congressional District

The Honorable Paul W. Bryant, Jr., President pro tempore and Trustee from the Fourth Congressional District

The Honorable Finis E. St. John IV, Trustee from the Fourth Congressional District
The Honorable Ronald Gray, Trustee from the Fifth Congressional District

The Honorable Karen P. Brooks, Trustee from the Seventh Congressional District

The Honorable Andria Scott Hurst, Trustee from the Seventh Congressional District

The meeting was also attended by Chancellor Robert E. Witt, Vice Chancellor for Financial Affairs Ray Hayes, UA President Judy Bonner, UAB Interim President Richard Marchase, and UAHuntsville President Robert Altenkirch, as well as support staff from the UA System Office, UA, UAB, and UAHuntsville.

Kellee Reinhart introduced the press: Kim Eaton from The Tuscaloosa News; Ben Flanagan from Al.com; Melissa Brown from The Crimson White; and Kelvin Reynolds from Fox 6.

Chairman Sexton called for a motion to approve the minutes of the September 14, 2012, meeting. On motion of Trustee England, seconded by Trustee Malone, the minutes were approved.

Chairman Sexton called on Vice Chancellor Ray Hayes to introduce the resolution approving the FY 2013-2014 Request for State Appropriations for The University of Alabama System.

Mr. Hayes said this is the same resolution that we have proposed since 2009. Our State appropriations were $611 million in 2008 and $442 million for FY 2013. Although our request is the reinstatement of our 2008 funding and, given the State budget we know that is not fiscally feasible, we believe it is prudent to keep this request consistent. This information is sent to the Executive Budget Office, Legislative Fiscal Office, and the Alabama Commission on Higher Education. Mr. Hayes recommended approval.

Chairman Sexton called for a motion to approve the resolution. On motion of Trustee Wilson, seconded by Trustee Malone, the resolution was approved.

RESOLUTION

WHEREAS, The Board of Trustees of The University of Alabama has reviewed the proposed FY 2013/2014 Request for State Appropriations for The University of Alabama System; and
WHEREAS, this request proposes a state appropriation for FY 2013/2014 equivalent to the actual state appropriation for FY 2007/2008;

NOW, THEREFORE, BE IT RESOLVED by The Board of Trustees of The University of Alabama that the proposed FY 2013/2014 Request for State Appropriations for Operations and Maintenance and Other Programs for The University of Alabama System is hereby adopted.

Chairman Sexton called on Vice Chancellor Hayes to introduce the resolution approving the Proposed FY 2013-2014 Request for State Funds for Capital Improvements for The University of Alabama System.

Mr. Hayes said that this request comes from the campuses. As a part of the budget request process each year, the campuses are asked to request funds for capital improvements. He recommended approval.

Chairman Sexton called for a motion to approve the resolution. On motion of Trustee England, seconded by Trustee Malone, the item was approved.

RESOLUTION

WHEREAS, The Board of Trustees of The University of Alabama has reviewed the proposed FY 2013/2014 Request for State Funds for Capital Improvements for The University of Alabama System; and

WHEREAS, this request proposes the following for FY 2013/2014:

Summary of Request for State Funds for Capital Improvements (in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>New Projects</th>
<th>Renovation Projects</th>
<th>Major Equipment</th>
<th>Deferred Maintenance</th>
<th>Total</th>
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<tbody>
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<td>$8,000</td>
<td>$0</td>
<td>$5,000</td>
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<td>UAB</td>
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<td>3,000</td>
<td>10,000</td>
<td>7,000</td>
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<tr>
<td>UAH</td>
<td>43,200</td>
<td>1,200</td>
<td>15,150</td>
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<td>62,390</td>
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<tr>
<td>Total</td>
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<td>$12,200</td>
<td>$25,150</td>
<td>$14,840</td>
<td>$177,174</td>
</tr>
</tbody>
</table>
NOW, THEREFORE, BE IT RESOLVED by The Board of Trustees of The University of Alabama that the proposed FY 2013/2014 Request for State Funds for Capital Improvements for The University of Alabama System is hereby adopted.

In the absence of UAB Vice President for Financial Affairs and Administration Richard Margison, whose arrival was delayed, Chairman Sexton called on Vice Chancellor Hayes to introduce the resolution authorizing UAB to proceed with planning for a Bond Issue.

Mr. Hayes said this resolution is the beginning of a planning process for UAB on several capital projects. The resolution authorizes UAB to plan to present a bond proposal at the February meeting while UAB is looking at refinancing and analyzing some debt. Mr. Hayes recommended approval.

Chairman Sexton called for a motion to approve the resolution. On motion of Trustee Malone, seconded by Trustee Wilson, the resolution was approved.

RESOLUTION

WHEREAS, The University of Alabama at Birmingham (UAB) has several capital projects and property acquisitions that it anticipates funding through the issuance of tax-exempt revenue obligations (the "Bonds") to be issued by The Board of Trustees of The University of Alabama on behalf of UAB; and

WHEREAS, it is the Board’s intention to fund the Projects with the Bonds in the principle amount (net of issuance expenses) of approximately $91,000,000; and

WHEREAS, UAB currently has outstanding Series 2003A, which has a first call date of October 1, 2013, for which a refunding may produce significant savings (the "Refunding Bonds"); and

WHEREAS, the Board will incur certain costs in connection with the Project prior to the issuance of the Bonds, and the Board intends to allocate a portion of the proceeds of the bonds to reimburse the Board for certain of the costs incurred in connection with the Project paid prior to the issuance of the Bonds;
NOW, THEREFORE, BE IT RESOLVED that The Board of Trustees of The University of Alabama hereby authorizes UAB to:

1. Proceed with planning for the Bonds;
2. Proceed with analysis of potential savings from the Refunding Bonds;
3. Return to a future Board meeting with recommendations for bond sizing and a final list of projects to be funded for the Bonds;
4. Return to a future Board meeting with recommendations on whether savings are sufficient for the Refunding Bonds.

BE IT FURTHER RESOLVED that the Board of Trustees does hereby declare that it intends to allocate a portion of the proceeds of the Bonds to reimburse the Board for expenses incurred after the date that is no more than 60 days prior to the date of the adoption of this resolution, but prior to the issuance of the Bonds in connection with this Project. This resolution is adopted pursuant to the requirements of Treasury Regulations Section 1.150-2(e).

Chairman Sexton called on Vice President for Finance and Administration Ray Pinner to introduce the resolution authorizing UAHuntsville to proceed with planning for Bond Issues and negotiation of an agreement with a Financial Advisor.

Mr. Pinner said at the September 2012 meeting, the Board granted approval for planning for a revenue bond issue for the Charger Union. Current plans are to issue bonds for both the Charger Union and the Nursing Building’s renovation and expansion.

The Charger Union construction is currently underway and the Nursing Building project is in the design phase, with construction expected to begin in 2013. The current debt total is $81.4 million with annual debt payments of $6.2 million or about 3% of the total budget. All of UAHuntsville’s debt is fixed rate with ratings of A+ from Standard & Poor’s and Aa3 from Moody’s. The Charger Union will be fully funded through this bond issue, while the Nursing Building will be funded through a combination of the bond issue, gifts, and University plant funds. Their Financial Advisor is Public Financial Management, Inc., and the Bond Counsel is Balch and Bingham, LLP. The resolution seeks Board authorization to continue planning for this bond issue in accordance with provisions of Board Rule 419. They plan to bring final documents to the Board in February for approval.
Chairman Sexton called for a motion to approve the resolution. On motion of Trustee Wilson seconded by Trustee Malone, the resolution was approved.

RESOLUTION

WHEREAS, The Board of Trustees of The University of Alabama granted Stage IV approval to UAH for the construction of a new Student Life Center at its meeting on June 15, 2012, and approved a Project Budget of $25,000,000, with funding designated from a future University bond issue; and

WHEREAS, the Board of Trustees granted approval to UAH at its meeting on September 14, 2012, to proceed with planning for a $25,000,000 bond issue to fund the Student Life Center, including the selection of a financial advisor in accordance with the provisions of Board Rule 419; and

WHEREAS, the Board of Trustees also granted Stage II approval for the renovation and expansion of the Nursing Building at its meeting on September 14, 2012, and approved a revised Project Budget of $17,200,000, with funding designated from a future University bond issue, gifts, and plant funds; and

WHEREAS, a $10,000,000 revenue bond issue for the Nursing Building renovation and expansion is planned for early 2013; and

WHEREAS, UAH needs to secure a financial advisor and bond counsel to assist with the determination of the timing and amounts of the bond issues for the aforementioned projects; and

WHEREAS, UAH issued a Request for Proposals (RFP) in accordance with procedures outlined in Board Rule 419, and received proposals from three firms; and

WHEREAS, a campus committee evaluated the written proposals in accordance with the criteria outlined in the RFP and ranked Public Financial Management, Inc. as the top firm submitting a proposal; and

WHEREAS, the Chairman of the Board’s Finance Committee and the Vice Chancellor for Financial Affairs have approved the University’s ranking; and
WHEREAS, System General Counsel solicited and evaluated proposals for Bond Counsel through the procedures outlined in Board Rule 419, and the firm of Balch & Bingham, LLP was selected as UAH Bond Counsel; and

WHEREAS, the Board will incur certain costs in connection with the Student Life Center and Nursing Building Projects prior to the issuance of the bonds, and the Board intends to allocate a portion of the proceeds of the bonds to reimburse the Board for certain costs incurred in connection with the Projects paid prior to the issuance of the bonds;

NOW, THEREFORE, BE IT RESOLVED by The Board of Trustees of The University of Alabama that it hereby authorizes UAH to:

1. Proceed with planning for the bonds;
2. Negotiate an agreement with Public Financial Management for a period of up to three years;
3. Return to a future meeting of the Board of Trustees or the Executive Committee for final approval for the bond issues.

BE IT FURTHER RESOLVED that the Board of Trustees does hereby declare that it intends to allocate a portion of the proceeds of the bonds for the Student Life Center and Nursing Building Projects to reimburse the Board for expenses incurred after the date that is no more than 60 days prior to the date of the adoption of this Resolution, but prior to the issuance of the bonds in connection with these Projects. This resolution is adopted pursuant to the requirements of Treasury Regulations Section 1.150-2(e).

Chairman Sexton commended Dr. Lynda Gilbert and staff on their recent successful bond offering.

There being no further business to come before the Committee, the meeting was adjourned.

C. Ray Hayes
Vice Chancellor for Financial Affairs

Michael A. Bownes
Secretary of the Board of Trustees