



Spring Management Report

March 20, 2017

1. FY17 UNRESERVED FUND BALANCE ANALYSIS

For FY17, due to the continued and constricting budget conditions at the state and UA level, this is the first year UAF projects an unrestricted (F1) unreserved fund balance (UFB) just below the target range of \$6-8M. The projected F1 UFB represents 1.6% of UAF's total projected unrestricted and restricted revenues (\$380.3M), not including recharge, leasing, and enterprise funds or UA Intra-Agency Transfers. UAF estimates \$26.9M for service center and leasing funds (F7, FE, FL) as of January 2017. The fund balance on event funds (FM) is expected at <\$0.2M>, and match funds (FC) should be close to \$60K.

CABINET	FY15 Actual	FY16 Actual	FY17 Jan Projection
Chancellor	91.8	32.8	173.2
Office of Information Technology	53.8	58.3	28.7
Provost	1,565.2	1,404.0	1,369.6
VC for Rural, Community, and Native Education	548.2	354.2	504.6
VC for Research	1,165.3	1,568.9	1,367.7
VC for University and Student Advancement	251.2	545.1	291.9
VC for Administrative Services	653.2	1,085.2	689.5
Central Support (Scholarships, Debt Service, Utilities, etc.)	2,221.5	1,590.5	1,500.0
Total	6,550.2	6,638.9	5,925.0

Figure 1 - Unrestricted (F1) unreserved fund balance for UAF.

UAF's UFB guidelines governing unreserved fund balances at the unit level take into account the need for flexibility and prudent fiscal management. UFB investments align with the strategic and accreditation themes: Educate, Research, Prepare, Connect, and Engage. There are currently no plans to draw accurately projected UFB from units to the centrally managed accounts, as it is important to encourage the best use of funds for the programs, although UAF leadership reserves the ability to adjust this plan based on changing budgetary conditions. Individual Vice Chancellors (VC) retain the option to redistribute UFB within their divisions in order to address critical shortfalls or one-time strategic investments in their areas.

While the \$5.9M UFB projection as of January 2017 is lower than in prior years, it remains close to the UAF target range as a result of a continuing and conservative management approach. However, this indicates that UAF F1 resources are much tighter in FY17 than in the recent past. As these funds are critical to ensure a glide path for academic programs, services, and operations that may require a bridge to help transition internal changes, it is essential that UAF maintain management authority over these funds. The primary factor influencing UFB projections outside of the centrally managed accounts is the uncertainty surrounding FY18 budget actions. Units are attempting to hold onto as much of their accumulated prior-year fund balances as possible because most areas are now critically thin on program and support staff, so it will be difficult to respond quickly to further general fund reductions. In this climate, where funding is not used to bridge critical areas, it is also used to seed strategic investments, as they arise.

2. CURRENT FISCAL YEAR PRACTICES FOR REVENUE DISTRIBUTION WITHIN THE CAMPUS

Indirect Cost Recovery (ICR)

UAF distributes ICR revenue on a 60/40 basis with 60% of the revenue dedicated to reinvestment in research and other areas that directly manage or contribute to increased sponsored program activity. This includes the generating units (50%), the Vice Chancellor for Research (1.5%), Debt Service (7.5%), and the Undergraduate Research and Scholarly Activity (URSA) program (1%). The remaining 40% is broken into two categories and is applied to UAF central facilities and administration costs including facilities and deferred maintenance, central support (administrative services) offices, and the library. Statewide administration additionally receives a 12% distribution.

The current model (applied in FY14) recognizes the need for reinvesting a portion of ICR into new research opportunities and toward new facilities and major renovations, particularly the need for supporting debt service obligations for new research facilities. As budgetary conditions reduce critical administrative support services, however; UAF is reevaluating this revenue distribution model to determine if it will be sustainable in the longer term. UAF Financial Services is also currently reviewing an adjustment to the voluntary rate reduction procedures that may have an impact on future revenue streams (i.e. voluntary waivers of F&A or sponsored activity that does not garner full F&A).

Tuition

UAF distributes Fairbanks Campus tuition on a 60/40 basis, wherein the generating school or college receives 60% and central accounts retain 40% to fund various administrative activities and costs that have broad institutional benefits, such as administrative offices, student services, student aid (e.g. scholarships and waivers) and tuition support for graduate teaching assistantships. All campus-based tuition for community campuses is retained within or across those campuses since nearly all related costs of instruction, aside from central administrative functions, are borne by those campuses.

In FY16, as part of an effort to increase consistency among tuition distribution models, UAF instituted a modified 60/40 model for eLearning courses where the 60% portion goes to the academic unit responsible for the course, and the administrative (40%) portion of the model operates such that 35% of the total tuition revenue is retained by central, and 5% is allocated to eLearning. For community campus offerings, 75% of the tuition is retained at the campus, 22% is allocated to central with the remaining 3% is retained at eLearning.

The only significant remaining program that does not have a tuition-sharing model is Summer Sessions and Lifelong Learning, although a tuition split in this area is under discussion. UAF does not have current plans to change the methodology for distribution of campus-based tuition revenue.

3. CURRENT VERSUS INITIAL REVENUE PROJECTIONS

The following chart shows the dollar variance and percent variance between UAF's original revenue projections in July 2016 (based on allocated budget authority), and the January 2017 Management Report. The UA Receipts projection is net of prior year total UFB (\$28.46M for FY16 - all funds), and both Auxiliary and Student Tuition, Fees, and Services revenue include the projected GASB tuition allowance offset (-\$1.1M and -\$6M, respectively).

FY17 January revenue projections are 1.0% more than original estimates. The General Fund - State Appropriation variance of \$1.6M is due to Statewide Strategic Reallocation funding that was distributed to UAF after the start of the fiscal year. State Inter-Agency Receipts are returning to a more normalized level after a large spike in FY16. Federal receipts will be higher than last year due to Sikuliaq recharge activity.

While General Fund dropped by another ten million in FY17 (from the prior year), most other major receipt sources, including tuition and fees, ICR, auxiliary revenue, and Federal Receipts are fairly stable or grew in FY17. UA Intra-Agency Transfers are substantially higher than initial projections due to higher than anticipated realized receipts with the Sikuliaq Recharge, as well as the implementation of an intra-agency transfer methodology for funding Match funds. Projected ICR receipts may be down as much as 4% from original estimates, though the level of variation from prior years and the rate of accumulation suggests that UAF should expect this revenue source to be stable; therefore, this is not a concern at this time. Enrollments are down in FY17, offsetting tuition rate increases, such that tuition has not been a growing source of revenue for UAF this year.

SBS BUDGET TITLE	FY16 Year-End	FY17 Original	FY17 Jan Projection	\$ VAR	% VAR
Federal Receipts	89,461.5	99,988.9	94,238.2	(5,750.7)	-5.75%
General Fund - Match Appropriation	4,619.9	4,739.3	4,739.3	-	0.00%
General Fund - State Appropriation	167,863.6	156,584.9	158,188.4	1,603.5	1.02%
Inter-Agency Receipts	4,721.7	5,415.9	2,849.2	(2,566.7)	-47.39%
Interest Income	1.9	1.5	5.3	3.8	253.33%
Dorm, Food, & Auxiliary Services	16,395.3	17,406.4	16,163.8	(1,242.6)	-7.14%
Student Tuition, Fees, & Services	44,359.6	48,679.1	45,699.2	(2,979.9)	-6.12%
Indirect Cost Recovery	24,980.6	25,058.0	24,010.9	(1,047.1)	-4.18%
UA Receipts (net of UFB)	36,852.8	31,169.4	35,882.9	4,713.5	15.12%
CIP Receipts	3,941.5	5,827.3	3,420.6	(2,406.7)	-41.30%
General Fund - Mental Health Trust	50.0	50.0	50.0	-	0.00%
Technical-Vocational Education	1,244.3	1,145.1	1,499.2	354.1	30.92%
UA Intra-Agency Transfer	30,851.9	43,308.6	57,237.7	13,929.1	32.16%
Total	425,324.6	439,374.4	445,121.1	4,610.3	1.05%

Figure 2 - FY17 UAF revenue comparison of original projection (based on allocated receipt authority) to current projection.

4. PROJECTED REVENUE RELATIVE TO RECEIPT AUTHORITY

The following chart shows projected revenue compared to budget authority for each revenue source. As above, the UA Receipts projection is net of prior year total UFB (\$28.46M - all funds), and both Auxiliary and Student Tuition, Fees, and Services revenue include the projected GASB tuition allowance offset (-\$1.1M and -\$6M, respectively).

SBS BUDGET TITLE	FY17 Budget	FY17 Jan Projection	Projected Revenue (Over) Under Budget
Federal Receipts	107,624.10	94,238.2	13,385.90
General Fund - Match Appropriation	4,739.30	4,739.3	-
General Fund - State Appropriation	156,584.90	158,188.4	(1,603.50)
Inter-Agency Receipts	5,732.10	2,849.2	2,882.90
Interest Income	1.5	5.3	(3.80)
Dorm, Food, & Auxiliary Services	17,406.40	17,300.2	106.20
Student Tuition, Fees, & Services	50,379.10	45,699.2	4,679.90
Indirect Cost Recovery	27,893.00	24,010.9	3,882.10
UA Receipts (net of UFB)	56,932.00	35,882.9	21,049.10
CIP Receipts	7,349.40	3,420.6	3,928.80
General Fund - Mental Health Trust	50	50.0	-
Technical-Vocational Education Program	1,145.10	1,499.2	(354.10)
UA Intra-Agency Transfers	33,768.50	57,237.7	(23,469.20)
Total	469,605.4	445,121.10	24,484.30

Figure 3 - FY17 UAF budget (total receipt authority) to projected revenue comparison.

UAF currently expects all revenue sources except Intra-Agency Transfers (IAT) to fall within their authorized receipt levels. TVEP adjustments, which occurred in February, have already adjusted both budget and revenue to final expected levels for this year. Intra-Agency Transfer authority, which is currently projected to come in at \$23M over UAF's total budget authority, will require additional authority. This is due to two factors: Sikuliaq Recharge activity (~\$18M) and Match funds (~\$5M). This will be an ongoing concern for UAF and ask that consideration be made to increase base IAT authorization to accommodate this regular activity.

UAF's expected unused budget authority of \$24.5M, which is the combined result of additional capacity in federal receipts, reduced CIP receipt levels as a result of less construction activity (and the completion of Sikuliaq), and substantial capacity in UA Receipt generation. While UAF expects the current level of need for most receipt authority to remain similar in FY18, the continued need for additional intra-agency transfer authority remains.

Sikuliaq recharge activity is now fully ramped up, UA is now funding Match funds through an intra-agency transfer mechanism, and UAF would prefer to be able to adjust the utilities recharge to operate in the same fashion as the rest of UA recharge centers. Currently, uncaptured revenues (as IAT activity) for utilities are approximately \$16M per year.

5. SIGNIFICANT UNPLANNED OR CONTINGENT EXPENDITURES

One unplanned issue that UAF is addressing this year is the damage caused by the 2015 steam leak which damaged the utilidor, Walsh Hall, and the Whitaker Building. Walsh Hall has been closed for over two academic years and this has impacted Residence Life revenues. The repair and renovation for these facilities will be paid largely from insurance funding, as well as Residence Life balances to make upgrades to aging fixtures/amenities (e.g. kitchens, windows, bathrooms), and also with some supplemental funds from Facilities Services where funds could be reallocated from other projects where work was not imminent.

Another potential issue that UAF may have to address in FY19 is a cost over-run on the Combined Heat and Power Plant (CHPP) construction project. Bids for two of the six work packages have come in over budget and the project management team is also working to resolve claims related to significant delays in the steel delivery this last year. At this stage, there is potential for a cost overrun of \$4 to \$8 million. UAF Design and Construction, along with the Construction Manager @ Risk, Haskell-Davis, are working to identify ways to trim costs out of the project in order to complete the project within budget.

To date, the reductions in operating and capital funding leaves UAF with limited reserves in the event large-scale issues emerge. UAF actively manages one-time funding in order to address issues as they arise. Outside of emergency repairs, in the event an opportunity for investment develops, modest funding can be applied to seed initiatives or address the need. For example, in FY17, UAF research leadership requested an investment of roughly \$77K in research equipment to align with match commitments on research proposals that have a high likelihood of being funded by external sponsors. UAF was able to fund these high priority items to stay on the forefront of research technology. Committing to research equipment on a one-time basis may result in additional revenues/awards in the future, as UAF researchers can better compete for extramural funding.

6. DEBT STRATEGIES AND PLANS

UAF approaches long-term debt service as a tool that can support strategic capital investments in new and aging infrastructure in order to create and maintain a safe, efficient, and appealing campus. In pursuit of this goal, debt service obligations at UAF approximately doubled between FY15 and FY17 (from \$9.8M to \$22.3M in FY19). This increase includes payments on bond issues T, U, and V, and, while this increase represents a current maximum that will ramp up over the next three years (from \$15.2M in FY16 to \$18.6M in FY17, \$20M in FY18, and then \$22.3M for FY19).

UAF has fully repaid all internal UA working capital arrangements ahead of schedule except for the UAF engineering facility, which is expected to close out in early FY18.

This investment in UAF infrastructure creates some risk due to the long-term repayment commitments. Flat and falling revenue sources over the past several years add stress to all UAF units as institutional resources are being realigned to absorb state funding reductions. UAF actively monitors its finances by recognizing these fixed cost commitments as a critical part of institutional operations. As of FY17, UAF has all debt service commitments fully funded. When the opportunity to commit additional one-time funding to long-term debt

occurs, UAF strategically funds debt needs in order to reduce additional resource commitments in future years.

Please refer to the debt service schedule attached to this document for a complete list of all current and anticipated UAF debt obligations.

7. FY17 POSITION UPDATE AND ANALYSIS

Given the UA fiscal crisis, President Johnsen instituted a hiring suspension in January of 2016 that required Chancellor approval of benefited position recruitment. In late October 2016, he lifted this suspension and allowed UAF to implement its own management procedures. UAF requires a case-by-case review of all positions partially or fully funded on unrestricted funds with approval by the position's cognizant VC or Provost. This procedure exempts all temporary and fully restricted-fund recruitments.

The Office of Finance and Accounting (OFA) tracks position status in the following categories: filled, in recruitment status, vacant/hold unfilled, or in reserve. This process allows for consistent standards in the budgeting, expenditure, recruitment, and reservation of positions across the system.

OFA additionally tracks the overall UAF Position Control Number (PCN) count that is managed in conjunction with the UA System Office and State of Alaska. These are known as "authorized positions." Standardized and accurate management of these positions is crucial for the State of Alaska.

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY11-17 Change	FY11-17 Percent Change
Total UAF Authorized Positions	2622	2626	2639	2639	2469	2369	2107	-515	-19.6%
Change from Prior Year		4	13	0	-170	-100	-262		
Percent Change from Prior Year		0.2%	0.5%	0.0%	-6.4%	-4.1%	-11.1%		

Figure 4 - UAF Authorized Position History.

UA universities, with guidance from the UA System Office, have agreed that an authorized position count should be roughly 6% to 8% above the count of occupied PCNs or PCNs in active recruitment status. This "reserved" margin is necessary to accommodate swings in funding, as well as changes in organizational structure or transition of programs/services. UAF is within this recommended threshold, but has returned PCNs to the State over the last several years to meet declining budgetary conditions.

Since July 2016, UAF returned 262 authorized positions which leaves UAF with 2,107 moving into FY18. This is a 19.6 percent reduction since FY11, and a 20.2 percent reduction from UAF's maximum authorization count of 2,639 in FY14.

8. FY18 INITIAL BUDGET ANALYSIS

The State of Alaska Office of Management and Budget (OMB) provided initial budget development guidance for all State agencies, preparing for General Fund (GF) budget reductions in the five to ten percent range. As a result of this guidance, UAF initial projections for the impending budget gap are \$9.5 to \$15.3M in FY18. These figures include fixed costs, strategic reallocations, President's priorities and some funds to support Strategic Pathways implementations. Planning scenarios will be adjusted accordingly as discussions progress.

The planning process for FY18 is as follows:

- The Provost/Vice Chancellors will develop proposed budgets for FY18 in consultation with unit leaders.
- These budgets will be submitted to the Planning & Budget Committee (PBC) in March 2017.
- The PBC will assess proposals and their effects on UAF as a whole, and make recommendations to the Chancellor in April-May 2017.
- The Chancellor and leadership teams will work from April-June to make decisions for implementation in FY18.

UAF is currently working to develop plans to allow sufficient time to act prior to the beginning of the new fiscal year in July. Given the significant budget challenges in recent years, UAF is critical to help bridge the institution until actions taken to base reductions create tangible savings.

UAF has additionally commissioned five committees to examine the current enrollment, recruitment and retention strategies in use. Each team is charged with aligning enrollment plans with UAF's targets for increased enrollment, retention, and persistence and graduation rates. Recommendations from these teams are forthcoming in the spring/summer of 2017.

As part of the enrollment discussion, tuition rates must also be carefully considered. The UA President is currently advocating to bring UA rates in line with WICHE averages. UAF is optimistic that increasing the tuition rates to align with appropriate peers will help to increase revenue streams while state support is declining.

9. GRANTS AND CONTRACTS ACCOUNTS RECEIVABLE ANALYSIS

The Office of Grants and Contract Administration (OGCA) is responsible for management of extramural funding including restricted accounts receivables (A/R). The balance of the restricted A/R is the combination of both billed and unbilled expenditures and prepayments, and receivables are created at the time a cost accumulates on a restricted fund. Receivables may not yet be due; UAF has a right to collect on receivables when they come due.

The A/R aging is the starting point for the assessment of the collectability of A/R and often triggers appropriate actions to mitigate the potential for bad debt at UAF. The aging summarizes A/R by category: 0-30 days, 31-60 days, 61-90 days, 91-120 days, and over 120 days. The industry standard for collecting on accounts receivable for scientific research and development activities is 70.8 days; in FY16, 85% of OGCA A/R was collected within 90 days.

For the purpose of this report, OGCA utilized data starting from FY15 Q3 for 0-30 day receivables, focusing on FY16 data (Figure 5). OGCA continued the effort to reduce A/R via process improvements. One of the improvements included a revamp of the A/R reports to address inaccuracies. For FY16, the average A/R balance for billed and unbilled expenditures and prepayments was about \$10.8M.

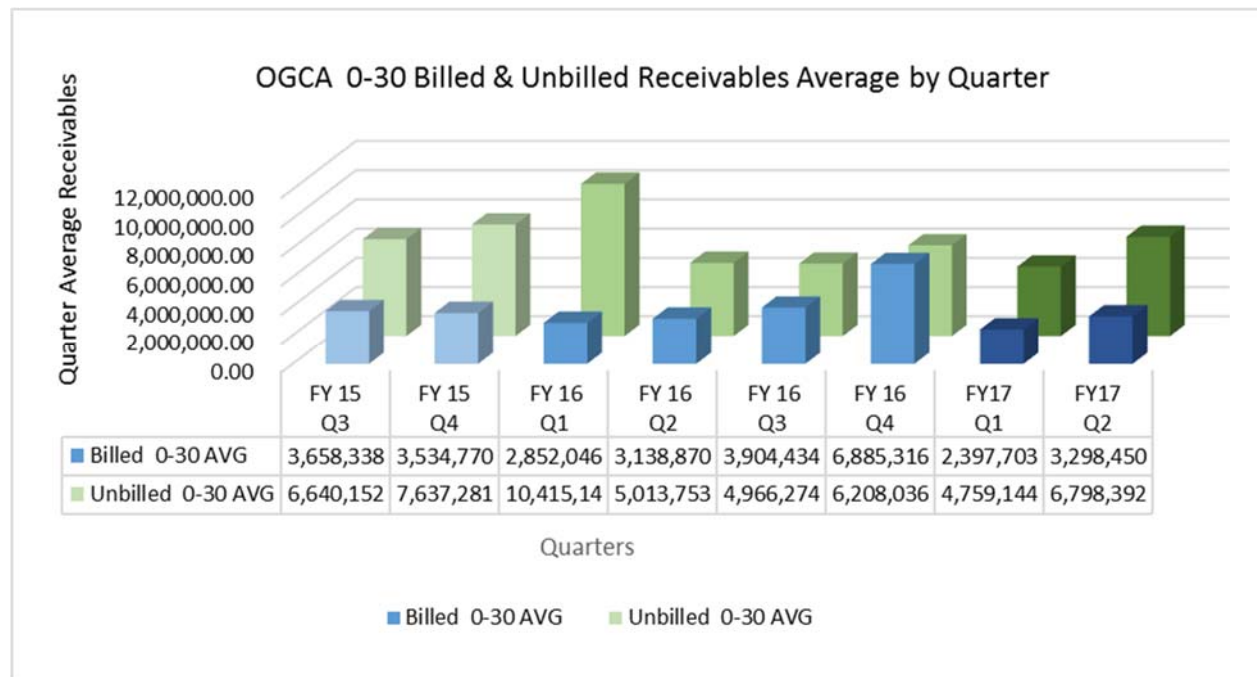


Figure 5 - OGCA 0-30 Billed & Unbilled Receivables Average by Quarter.

A combination of internal and external factors influence OGCA restricted A/R. Internally, OGCA has to work within the parameters of the UA accounting system. UAF's accounting system has a specific time frame when billing is allowed. For example, the spike of FY16 Q1 unbilled receivables was a result of timing issues due to the UA accounting system.

Externally, some funding agencies' terms and conditions require quarterly billing instead of monthly billing. Other funding agencies provide initial or quarterly prepayment funding. Prepayment funding is when a sponsor pays for deliverables before the expenditures have occurred. The effect of this, in the current system, causes a reduction in the A/R balance.

Even though UAF has made significant strides to reduce the outstanding A/R over the past two fiscal years, there are still areas of improvement that are needed in the UA financial accounting system. The proper treatment of prepayment funding would be to account for the prepayments as a liability and reduce the liability as expenses are recorded against the extramural funding. The current system does not treat prepayments from funding agencies as liabilities. Instead, prepayments are netted against the outstanding A/R balance. This, in effect, reduces the actual amount of receivables and does not denote a liability to the university. The accounting for prepayment funding should be corrected to accurately reflect A/R.

Efficient and effective collection of past-due accounts is a high priority for UAF. While most sponsors pay invoices reliably, occasionally a sponsor is unable to fund an award made to UAF. When that occurs, the write-off process is initiated which includes a review of the age of the

receivable, responsiveness of the agency and likelihood of payment, and timeframe of the scope of work.

10. STUDENT ACCOUNTS RECEIVABLE ANALYSIS

Described below is an overview of the collections process utilized by the UAF Bursar's Office to collect on outstanding student receivables:

- 1) Collection process
- 2) Permanent Fund Dividend (PFD) garnishment (if PFD eligible)
- 3) Transfer to collection agency (PFD garnishment is still possible)

The UAF Bursar's Office has actively focused on recovering funds from past due accounts. Procedural changes continue to be implemented to increase collection efforts and encourage payment. Internal past due notices are sent each semester until student accounts are referred to a collection agency and/or a PFD is garnished.

Outstanding receivables continue to increase annually. Some reasons for the increase include:

- A steady increase in the number of students withdrawing or dropping from courses after receiving grant or loan funds (this results in grants/loans being sent back to the lender, which in turn creates a receivable for the student).
- An increase in students being dropped for non-payment, then reinstating in courses and not paying.

As of June 30, 2016 there was \$2.6M in past due receivables at the Fairbanks campus, of which \$1.8M is 91+ days and \$1.3M is for the community campuses, of which \$680K is 91+ days. There was \$283K in third party receivables. Included in third party receivables are Veteran Affairs (VA) accounts, which account for \$259K of the amount (e.g., Active Duty Military and Chapter 31-disabled veterans). Each fiscal year, approximately 1,700 students are certified for VA funding and it can take 180 days or more before payment is sent/or received.

Collection Process

The first business day after the fee payment deadline passes, a late fee is applied to all delinquent accounts (account balance of \$300 or more and not enrolled in a payment plan). Students are allowed to continue to enroll in payment plans for a higher enrollment fee through the Drop for Non-Payment deadline. Accounts receivable holds are then placed on student accounts. Students are allowed to continue to enroll in payment plans for an additional 4-6 weeks.

TouchNet payment plans have given students the option to sign up in-person or online via UAOnline. Plans are available for up to five installments and have made school more affordable for students that do not have enough aid. Students have the ability to assign another email address to their account and receive multiple email messages during the semester. Students receive emails at time of enrollment, fourteen days prior to an upcoming payment due date and two days after a missed payment. If a student is delinquent on their plan, a hold is placed on the account that prevents registration, viewing grades, receiving transcripts, and graduation. More than 2,540 students enrolled in payment plans for FY16. The default rate for payment plans is averaging around 2% (66) for the year.

Approximately one week after the fee payment deadline date, students who are delinquent and live on-campus and/or have meal plans receive a letter advising them of their delinquent status and of future consequences. Residence Life staff hand deliver this notice to each delinquent student's dorm room. If the student fails to pay his/her account in full or enroll in a payment plan within one week of letter delivery, a second letter is delivered and, if applicable, the meal plan is suspended. It is important to note that delinquent students not living on-campus do not receive this letter. Suspension of meal plans and notices placed under the door of student dorm rooms has been a successful method of collecting delinquent balances. Approximately 99% of these students either pay their bill in full or make payment arrangements immediately.

An electronic bill is generated on the 15th of each month for student accounts with an outstanding balance. The Bursar's Office works closely with other departments including Rural Student Services, Housing, Dining, International Programs, and Financial Aid to help identify students that have not paid, and these departments assist in the collection process.

Transfer to Collection Agency

Periodic statements are sent to students with outstanding balances. If the balance remaining is at least 180 days delinquent, the account is moved to the collection process. To initiate the collection process, a 30-day collection letter is sent to the student advising them to pay in full or make acceptable payment arrangements to UAF to avoid having the account referred for collection. If no response is received within 30 days, the account is forwarded for collections. A student's PFD can still be garnished while the account is at the collection agency.

All first placement accounts are sent to Williams and Fudge (WF) Collection Agency. WF specializes in higher education collections and is licensed to collect in all fifty states and internationally. WF no longer reports accounts to the credit bureaus when a student pays or the account is returned to UAF. With a minimum balance of \$20, WF accepts receivables regardless of age. There are currently 311 UAF accounts, totaling \$461.5K, at WF. WF's historical rate of recovery for accounts sent to collections is between 14-20%.

Accounts returned from WF (after a 12-month collection period) are then placed with Conserve Collection (CC) Agency (second placement) for an additional year. CC reports to the credit bureaus for seven years against an account and only accepts receivables that are less than five years old with a minimum balance of \$25. UAF has seen some movement on these accounts, which were previously written off with no additional collection effort. There are currently 112 UAF accounts totaling \$194K at CC. CC's historical rate of recovery for accounts are estimated at less than 5%.

PFD Garnishment

The garnishment process begins in April of each year for those with delinquent balances greater than \$50 in the previous year and eligible to receive the PFD. The first PFD garnishment letter "Notice of Default" is mailed out in early May and the second letter "Intent to Claim" is sent (via certified mail) in mid-June. In 2016, UAF received 50% of the amount requested compared to 52% for 2015, 49% for 2014, 32 % for 2013. PFDs can be garnished for up to six years from date of default.

Write Offs

After collection efforts have been exhausted and are beyond the statute of limitations for collections and PFD garnishment, they are written off. A hold is placed on the student's account that prevents them from future registration, transcripts and graduation. The Associate Vice Chancellor for Financial Services approves all balances in excess of \$200 proposed for write-off before such action is taken. This is done at least semi-annually, prior to fiscal year end, except in the event of bankruptcies or deaths. The total amount written off for FY16 was \$363.4K compared to \$89.6K for FY15. UAF expects write-offs to stabilize in the coming years as this increase is a result of a process change in an effort to turn more accounts over to collections when UAF internal attempts are exhausted. Over time, UAF anticipates the rate of return will increase as well, helping to manage this increase in write-offs.

Allowance for Doubtful Accounts

It is evident that there has been a steady increase in the total outstanding A/R balances over the past several years despite a concerted collection effort by the Bursar's Office. While some of the increase is primarily attributable to the annual increase in tuition and enrollment, the most of the increase is attributable to aid reversals. Drop for non-payment has helped minimally with past due accounts as students are allowed to get reinstated without having payment arrangements in place. Each individual campus makes the decision on which students are dropped for non-payment.

Multiple attempts are made at the campus level to collect on outstanding receivables prior to the referral to a collection agency or PFD garnishment. The UAF Bursar's Office contacts the student repeatedly during the semester in an attempt to collect on the balance. Between the suspensions of meal plans, notification under residence hall doors, and the monthly emails, a student is notified multiple times prior to beginning the PFD garnishment process or referral to collections. Several years ago, UAF eliminated mailed semester statements in an effort to reduce costs and utilize UA e-mail as electronic notification; however, UAF has seen a noticeable decrease in payments being received. All mailings and contacts are recorded in Banner for future reference. UAF will examine this process change in the future to determine the best

Fiscal Year	Gross Tuition & Fees	Accounts Rec	Allowance (0291) Balance	Net Accounts Receivable	% to Gross Tuition & Fees	Write off Amounts
2016	51,072,974	3,450,008	241,954	3,408,054	6.67%	363,368
2015	48,239,121	3,552,362	460,408	3,091,954	6.41%	89,623
2014	45,786,034	3,830,208	481,466	3,348,742	7.31%	36,660
2013	46,523,806	3,727,069	313,371	3,413,698	7.34%	113,738
2012	40,672,468	4,079,930	332,081	3,747,849	9.21%	4,799

Figure 6 - AR Fiscal Year-End Comparison. *This analysis is calculated with figures as reported at the end of each fiscal year. The 0291 is the general ledger account for doubtful account allowance.*

11. FACILITIES MAINTENANCE, REPAIR, AND REPLACEMENT

The attached tables demonstrate FY17 projected M&R and R&R commitments. The total FY17 M&R expenditure target is \$26.3M, and UAF expects to exceed this target by \$1.4M.

The Asset Reinvestment (AR) Need represents the one-time catch up costs that UA would generally fund with capital investment. Per Sightlines definition, AR is the accumulation of repair and modernization needs and the definition of the resource capacity to correct them. The AR backlog is the sum of the annual reinvestment requirements with which UAF has not been able to keep pace due to dropping operating dollars (for maintenance), or is unable to address with the lack of one-time capital (for modernization and major repair projects).

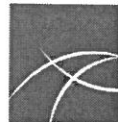
Generally, when annual investment to ensure buildings will properly perform and reach their useful life is falling short, this deferral adds to the AR need in the form of deferred maintenance (DM). The AR also captures major system renewal at the end of useful life, such as roof replacements, that would not typically be funded via annual maintenance. UAF's total renewal cost is roughly \$850M, see attached chart.

Due to the current budget climate, UAF has adjusted the priority of spending to focus on life safety, code corrections, and gaining energy efficiency within its facilities. In addition to the Walsh Hall repairs described above, UAF has two other large projects and a series of smaller projects slated for construction over the summer of 2017 that will use the majority of UAF's remaining capital appropriation funding. Facilities anticipates expending 90% of any remaining balance by October 2017.

The copper roof on Wood Center is over fifty years old and has developed an annual pattern of leaks from rain and melting snow. The roof does not have a proper vapor retarder and melting frost build-up causes additional problems. The construction contract for this project will be awarded by March 2017 and is expected to use approximately \$1.7M of UAF's remaining balance.

The Great Hall was built in 1970. The sprinkler system is part of the original construction and has failed in some areas. Due to asbestos-containing material on the lathe and plaster ceiling, the entire ceiling and lighting systems must be abated and removed to replace the fire sprinkler system. The UAF fire marshal is requiring that the entire system be replaced summer of 2017. This project will require an estimated \$705K of the remaining balance to complete.

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UNIVERSITY
of ALASKA
Many Traditions One Alaska

February 3, 2017

To: Vice Chancellors Burrell, Shier, and Ciri

From: Myron Dosch, Chief Finance Officer 

Subject: FY17 Spring Management Report Questions

The management report process is designed to monitor and report on fiscal status at a high level. To that end, as in prior years, I request responses to the questions below. Please provide written responses by March 20th. At this time, I'm planning on having a meeting that is a more strategic discussion, rather than simply present the responses to these questions. I'll work with you to determine an agenda and time to meet.

A healthy internal control structure embodies a periodic review and monitoring of fiscal status and activity. Accordingly, these are the broad objectives of the management report process:

1. To monitor and understand current fiscal status
2. To identify areas of concern, e.g. projected deficit, insufficient receipt authority
3. To project year end fund balance
4. To examine next year's budget
5. To monitor major balance sheet trends and plans, such as receivables and debt
6. To identify risks and conditions that may impact fiscal condition

Using the management reports submitted for the period ended January 31, 2017, please cover the following questions:

1. What is the anticipated unreserved fund balance (UFB) (carryforward) for FY17? What is the balance by unit, including centrally-held? What policies are in place regarding UFB levels at the units? What plans, if any, are there to draw funds from the units to centrally held accounts?
 - a) What is the UFB (not including Recharges) as a percent of projected unrestricted and restricted (combined) revenues? (Do not include UA Intra-Agency Revenue)
 - b) What are the primary factors influencing the projected UFB?
2. Describe current fiscal year practices and future plans for distributing revenue within the campus, as applicable. For example, how is tuition revenue distributed and have there been any changes to this model? Will there be? Or, are there planned changes for indirect cost recovery distribution?

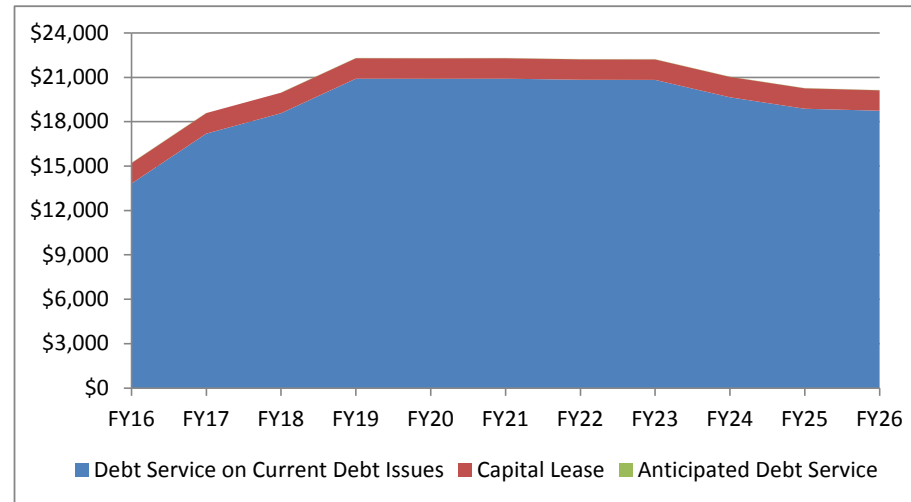
3. Discuss each revenue source commenting on the projected balance relative to the balance anticipated at the beginning of the year. What are the major factors that are contributing to the variance?
4. Discuss each revenue source relative to budget receipt authority. Comment on any sources that are expected to exceed authority or that need to be watched with caution as year-end approaches.
5. Discuss any significant unplanned or contingent expenditures and how they were, or will be, funded.
6. Specify debt strategies and plans – What projects are you anticipating needing debt financing? When would debt service payments begin? What would be the source for paying debt service?
7. Provide an updated position analysis to include total authorized positions, vacant positions, and total anticipated change (for any reason) in authorized positions from July 1, 2016 to July 1, 2017.
8. FY18 initial budget analysis – Discuss status of FY18 budget analysis. What major revenue and expenditure changes are you anticipating? Discuss enrollment trends and impact on tuition outlook. (Discuss budget reduction plans as applicable and appropriate)
9. Grants and Contracts Accounts Receivable (A/R) analysis - For purposes of this question, A/R includes those from grants and contracts only. Please report the trend of these A/R balances for the three years ending December 31, 2016. Use quarterly data points, or more frequent if you desire. What caused changes in the balances? How has the grants and contracts A/R balance changed for the last three fiscal years as a percent of total grant and contract revenue (federal, state, local and private)? What efforts have been taken to reduce receivables?
10. Provide a status report and analysis on student accounts receivable and related allowance for doubtful accounts. The analysis should address aging, write-off history, collection efforts, and adequacy of the allowance. At June 30, 2016, what is total net (meaning less allowance for doubtful accounts) student accounts receivable as a percent of gross student tuition and fees revenue? How does this compare to the prior four years? How much was written off each year?
11. As per Regents Policy P05.12.080 C., report on: 1) FY16 actual operating and capital expenditures for M&R and R&R support, 2) FY17 budgeted operating and capital commitment for M&R and R&R, 3) the annual calculated need for M&R and R&R, 4) current estimate of accumulated deferred renewal, and 5) the status of ongoing deferred renewal projects.

Please let me know if you have questions or comments. Thanks for your help.

cc:

Debbie Carlson, Sandra Culver, Julie Vigil, Roxanna Felkl, Alesia Kruckenburg, Julie Queen,
Michelle Rizk, Kelly Thorngren, Jason Theis

Fiscal Year	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Debt Service on Current Debt Issues	13,819	17,193	18,573	20,907	20,902	20,907	20,833	20,824	19,648	18,874	18,742
Capital Lease	1,389	1,390	1,389	1,385	1,384	1,384	1,383	1,386	1,382	1,384	1,382
Anticipated Debt Service	-	-	-	-	-	-	-	-	-	-	-
Combined Debt Service and Long-Term Leases	15,208	18,583	19,962	22,293	22,286	22,291	22,216	22,210	21,030	20,259	20,124



UAF Debt Service Schedule
Appendix

Category / Description	Debt Principal Amount	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Current Debt												
SERIES N - Intertie, Chiller, BiRD, Patty Ice, Aurora, Elvey	\$ 5,254	1,347	1,221	-	-	-	-	-	-	-	-	-
SERIES O - Lena Point, Museum, Arctic Health, Virology	\$ 4,930	952	894	850	-	-	-	-	-	-	-	-
SERIES P - Refinancing Series H & J	\$ 7,220	1,246	1,244	1,245	779	775	775	777	779	775	-	-
SERIES Q - Life Sciences and Deferred Maintenance I	\$ 37,310	3,485	3,485	3,484	3,485	3,482	3,485	3,485	3,478	3,483	3,481	3,477
SERIES R - Refinance Series K, L, and M	\$ 12,396	835	946	947	1,573	1,570	1,572	1,567	1,576	784	785	786
SERIES S - Def Maint & Multiple Refinancings	\$ 17,760	1,432	1,271	1,977	1,687	1,687	1,694	1,577	1,571	1,706	1,708	1,579
SERIES T - Central Heating and Power Plant (CHPP)	\$ 65,350	2,324	3,268	3,268	4,896	4,900	4,900	4,900	4,895	4,896	4,896	4,900
SERIES U - Central Heating and Power Plant (CHPP)	\$ 86,085	2,198	4,058	4,058	5,587	5,590	5,586	5,588	5,590	5,588	5,590	5,588
SERIES V - Engineering Building and Series N/O Refinance	\$ 37,895	-	805	2,745	2,901	2,899	2,895	2,939	2,935	2,417	2,413	2,412
Sub-Total: Debt Service on Current Debt Issues		\$ 13,819	\$ 17,193	\$ 18,573	\$ 20,907	\$ 20,902	\$ 20,907	\$ 20,833	\$ 20,824	\$ 19,648	\$ 18,874	\$ 18,742
Capital Lease												
UAF Student Dining Facility Base Rent Payments ^[1]	\$ 25,070	1,389	1,390	1,389	1,385	1,384	1,384	1,383	1,386	1,382	1,384	1,382
Sub-Total: Current Debt and Capital Lease Pmts		\$ 15,208	\$ 18,583	\$ 19,962	\$ 22,293	\$ 22,286	\$ 22,291	\$ 22,216	\$ 22,210	\$ 21,030	\$ 20,259	\$ 20,124
Projects with Anticipated Debt Funding												
Sub-Total: Debt Service on Anticipated Debt Issues		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL Debt Service and Long-Term Leases		\$ 15,208	\$ 18,583	\$ 19,962	\$ 22,293	\$ 22,286	\$ 22,291	\$ 22,216	\$ 22,210	\$ 21,030	\$ 20,259	\$ 20,124

^[1] Student Dining Facility estimated Lease payment includes "Base Rent" portion to cover debt service and "Additional Rent" portion to cover leaseholder costs, estimated at \$150,000 in FY15 plus 3% increase thereafter. The additional rents portion is considered a contractual service, not debt service, and is therefore not included in this table.

UAF Facility Maintenance
FY17 Projection

Projected Facility Maintenance	Routine Maintenance	Preventative Maintenance	Reinvestment	FY17 Total Projected Expenditures	<u>FY17 Targets</u>	<u>Over/(Under) Target</u>
Fairbanks Campus Research/Academic/Admin	15,305,015	1,481,369	595,912	17,382,297		
Fairbanks Campus Residence Life	2,392,028	108,913	65,568	2,566,509		
Total Fairbanks Campus (Note 1)				19,948,806		
FY17 Facility Maintenance Target Fairbanks Campus					18,658,000	
Over(under) Target						1,290,806
UAF CRCD	1,083,236	309,496	14,068	1,406,800		
TIII Rehabilitation	-	-	1,424,987	1,424,987		
				2,831,787		
FY17 Facility Maintenance Target CRCD					1,384,000	
Over(under) Target						1,447,787
President's DM Funding - Fairbanks Campus			4,825,000	4,825,000		
President's DM Funding - CRCD			114,000	114,000		
				4,939,000		
President's DM Funding					6,247,600	
						(1,308,600)
Total UAF FY17 Projected Facility Maintenance				27,719,593		
Total UAF FY17 Target					26,289,600	
Total UAF FY17 Over/(Under) Target						1,429,993

Note-1. Maintenance expenditures that are recorded in the Facilities Services (FS) work order system are coded by to the above categories. Those maintenance expenditures that are managed by other departements or that are performed by contractors may not be recorded in the FS work order system and therefore will not be coded by category. Much of those costs have been categorized in this report to the greatest extent possible.

UAF Total Asset Reinvestment (AR) Need – Sightlines
Management Report – March 2017

