UNIVERSITY OF ALASKA FAIRBANKS

Spring Management Report Meeting

April 5

2012

Significant Administrative Efforts at UAF

Phase 2 – Administrative and Support Review Process

UAF's April 2010 Executive Leadership Workshop identified the need to conduct a review of the university's academic, research and administrative/support functions, in part to help inform future budget allocations. A committee with ELW participants, administrative services program leads and staff from several unit business offices conducted the first phase of the Administrative and Support Review, with a report finalized in January 2011 (available online at www.uaf.edu/adminsvc/admin-review-process).

The first phase of the review effort resulted in a comprehensive inventory of administrative and support staffing at UAF (measured in full-time equivalent (FTE) staff positions for benefitted staff) and identified four areas to target for process improvement: procurement, hiring and on-boarding, award processing and travel. This inventory provides a mechanism for annual updates to identify trends in staffing levels, using 2006 for historical perspective and fall 2010 as a baseline for active management of the A/S staffing.

The fall 2011 staffing data analyzed for this report identifies 881 FTEs with job titles that are administrative and support related and budgeted in administrative and support functions on unrestricted or recharge funding. This is a decline of 22 positions since the fall 2010 snapshot. However, because of the loss of federal funding for ASRC and other programmatic changes, A/S staffing as a percentage of UAF staff (2,130 FTEs) remained constant at 41%.

Using fall 2010 data, project staff developed a set of ratios for the staffing levels in each school/college, research unit, outreach/hybrid unit and administrative unit to compare A/S staffing and expenditures to overall staffing/expenditures for each unit. Project staff met with deans/directors and executive officers/fiscal managers from a sampling of units in each group to put the ratio data into context, identify best practices for administrative functions, solicit feedback on areas for improvement and shared services business models.

Work teams from procurement, human resources, grants and travel began efforts to identify and implement improvements. These efforts have resulted in improved Banner access for new employees, implementation of electronic travel authorizations, the elimination of the travel office (and beginning of transition to fast-track for travel reimbursement processing). Efforts to identify and implement process improvements in recruitment and award setup are on-going as part of an intensive effort (January 2012) with contractors with Professional Growth Systems.

In addition, Administrative Services sponsored three process mapping workshops in 2011 to help facilitate a culture of continuous process improvement. Processes from several administrative services functional areas were mapped during these workshops (with assistance from key partners in academic/research units); incremental steps have been taken to identify and implement improvements for these selected processes.

Process Improvement

In an effort to foster a culture of process improvement within the administrative service functions at UAF, the VCAS sponsored a series of process mapping workshops with University of Arizona trainer Leslie Porter. Approximately 50 staff members attended each of these workshops (held in February, June and September 2011), with staff from both administrative services departments and from schools/colleges and research institutes. For each session, workgroups (each including staff from unit business offices and central admin offices) mapped several UAF processes as the first step towards improving those processes. These hands-on "practice" processes included award close-out, Banner account setup, chemical purchases, restricted fund purchases, restricted fund journal vouchers, professional services procurement and representational allowance purchases.

By the fall of 2011 it was evident that using the "map and change" method of process improvement was not leading to the level of results desired considering the amount of effort applied to each project. In mid-February, ASD contracted with Professional Growth Systems (PGS) to provide training to a small group of employees who would become process improvement facilitators. The PGS process improvement method is a holistic approach that includes performance measurements, process mapping, redesign, and project implementation. The performance measures component is essential for understanding the impact of the process change while the project implementation component provides a detailed outline of task assignments and deadlines.

The training, which started in late February and is still in progress, is being conducted using the actual process improvement goals for Grant Award Setup and HR-Recruitment (redefined as pre-recruitment setup). The idea is to accomplish meaningful process improvements for these current projects while maximizing training experience of the facilitators. The facilitators will then fan-out and guide other UAF units through process improvement projects beginning in summer 2012.

Financial Services Reorganization

The need for UAF to be strategic in the use and management of its resources is critical given the current federal environment and the potential impact of significant reduction in federal grants going forward. While UAF's accreditation review was very positive, a key recommendation was to clearly link its budget and resource allocation process to the established core themes and objectives. UAF also launched the development of its strategic plan in January 2012 and UA continues its strategic planning effort (Vision 2017). The efforts/issues identified above call for active management of our resources and to do so, it was evident that a first step would be to create the necessary capacity. Additionally as part of the process improvement efforts noted above, it was also evident that some of our current approaches were antiquated and required adjustment.

Office of Management and Budget

The convergence of the travel manager's retirement, attrition and as result vacancies provided an opportunity to reorganize Financial Services. In January 2012 Financial Services effectuated a new structure which:

- Combined the Accounts Payable Office with Budget and Cost Records
- Eliminated the central Travel Office
- Created the Office of Management and Budget
- Renamed Budget and Cost Records to Office of Finance and Accounting

Our stated goal in this reorganization was to create the capacity noted above, realize process efficiencies and do so with no additional FTEs added and with minimal cost increases.

Travel Process Improvements

We shifted the processing of travel expense reimbursements (TERs) to Human Resources, where a mechanism for processing payments to employees was already in place. This is the first step in shifting the focus from an extensive audit of every single expense report (which delayed the reimbursement process unnecessarily) to a fast-track system for TER processing, with a focus on review of high-risk TERs.

Many units on campus have adopted the use of an enterable travel authorization (TA) PDF in lieu of the pre-printed, numbered TA. Along with the PDF form, Financial Services now accepts email and electronically-signed TAs. This has helped expedite the travel approval process, particularly in units with distributed staff or with supervisors that are frequently on travel status themselves.

Ongoing efforts include the development of a training program, better dissemination of information on changes to travel regulations/procedures and the certification of travel coordinators for the "fast track" program (based on knowledge of regulations and demonstrated proficiency in submitting clean travel expense reports for staff in their units).

Additional changes to the travel process are expected with the implementation of the Banner travel module, which was purchased for UA system use in late 2011. UAF staff is working with a Statewide Financial Systems committee to test the module and develop protocols prior to its implementation.

Vacancy Management

As part of a larger, system–wide effort to standardize position management at the University of Alaska, and to allow for accurate reporting of vacant positions, UAF undertook a comprehensive review of all vacant positions with no recruitment activity.

UAF's Office of Finance & Accounting developed a Unit-level vacancy report that segregates vacant positions *without any recruitment activity* by length of vacancy. The report, along with a cover memo describing the purpose of the review, was sent to each unit with qualifying vacant positions. The units were instructed to review each position that has been vacant for greater than one year and determine whether recruitment will begin now or if there is no plan to immediately fill the position. If there is no plan to recruit for the vacant position this fiscal year, then that position is considered "reserved" and the budget reduced to $100 to identify it as such on the quarterly vacancy report prepared by Statewide.

Positions that are moved to reserved status, or are not recruited in the current fiscal year, will be revisited as part of the future year continuation budget process. Reserved positions can be returned to vacant status and vacant positions can be changed to reserve status at that time. This effort has greatly improved position management within UAF as well as providing a more accurate measure of the university's true vacancy rate.

Public-Private Partnership (P3 Project)

UAF completed the Request for Proposals (RFP) phase in the public-private partnership (P3) Campus Wide Student Housing and Dining project this past October. Two development teams were chosen to participate in a Request for Proposals design competition, which ran from October 10, 2011 to January 16, 2012. Proposals included pricing and conceptual designs. Lorig Associates, in cooperation with Perkins & Will, Design Alaska, and GHEMM Company, was announced as the selected developer on February 22. Negotiations with the selected developer are currently underway. This first phase of the campus revitalization of student housing and dining includes a new dining facility with expected completion in December 2014 and a new student housing facility with expected completion in December 2015.

1. FY12 Unreserved Fund Balance Analysis

UAF is currently projecting an unrestricted (F1) unreserved fund balance of $5.3M and $17.4M for service center/leasing funds (F7, FE, FL). The projected F1 UFB is slightly below the target range of $6M to $9M and represents 1.4% of our total projected unrestricted and restricted revenues not including recharge centers or UA Intra-Agency Receipts.

Cabinet	Projected F1 UFB
Chancellor	$123.3
OIT	$57.3
VC for Rural, Community & Native Education	$377.9
Provost	$1,183.3
Cooperative Extension Service	$157.7
VC for Students	$226.4
VC for University Advancement	-$331.4
VC for Administrative Services	$418.0
VC for Research	$1,057.0
Central Support (Scholarships, Debt Service, Utilities, etc.)	$2,058.5
Total	**$5,328.0**

The guidelines governing unreserved fund balances at the unit level were originally published in FY09 and are being updated for FY12 to allow for additional flexibility and connect investments to the strategic themes of Educate, Research, Prepare, Connect and Engage.

Currently there are no plans to draw funding from units to the centrally held accounts for the remainder of the fiscal year except in cases where reallocated funds are not fully expended or a sweep is calculated based on our UFB guidelines. Any future pull backs will be based on the fiscal realities at the time and the need will be communicated clearly to the university community.

2. F1 UFB as a percent of projected Unrestricted and Restricted Revenues

Projected F1 UFB ($5,328.0) is 1.4% of total projected unrestricted and restricted revenues ($375,483.2) (not including recharge centers and UA Intra-agency Receipts).

3. Primary factors influencing projected UFB

The primary factors influencing unreserved fund balances at UAF are the maximum and minimum UFB guidelines which help departments quantify prudent UFB levels. Other factors include fixed cost increases not funded by the State, position vacancy levels, actual revenues keeping pace with projections and identifying high priority needs.

4. **Current fiscal year practice for distributing revenue within the campus**

A new ICR distribution model was approved and implemented for FY12. The new 60/40 distribution allows for 60% of the ICR to be dedicated to research investment and 40% to be dedicated to UAF supporting units and Statewide. This change was necessary to allow for investments in research facilities and undergraduate research.

UAF intends to continue the established methodology governing distribution of tuition revenue. Tuition is distributed 60% to the delivering department and 40% to central at the point of registration. We believe this model maximizes the benefit of dollars received and there are no plans to change it for the remainder of FY12.

5. **Current versus initial revenue projections**

The following chart shows the dollar variance and percent variance between our original revenue projections from May 2011 and our January Management Report projections. The University Receipt projection is net of prior year unreserved fund balance ($22.7M) and Tuition and fee revenue includes the projected tuition allowance offset (-$5.5M).

SBS Budget Title	FY12 Original Projected Revenue	FY12 January Projected Revenue	$ VAR	% VAR
Federal Receipts	99,932.0	88,562.6	-11,369.4	-11.4%
General Fund - Match Appr	4,739.3	4,739.3	0.0	0.0%
General Fund - State Appr	157,157.0	160,091.0	2,934.0	1.9%
Inter-Agency Receipts	4,051.7	3,553.9	-497.8	-12.3%
Interest Income	0.0	-2.3	-2.3	0.0%
Dorm, Food & Auxil Serv	15,895.7	15,897.4	1.7	0.0%
Student Tuition/Fees/Serv	41,392.5	40,382.7	-1,009.8	-2.4%
Indirect Cost Recovery	26,579.2	23,901.9	-2,677.3	-10.1%
U of A Receipts	45,898.0	44,168.4	-1,729.6	-3.8%
CIP Receipts	7,500.0	6,061.4	-1,438.6	-19.2%
Mental Hlth Trust Auth Receipts	222.5	222.5	0.0	0.0%
Tech Voc Educ Progr Other	917.7	912.9	-4.8	-0.5%
UA Intra-Agency Transfers	30,885.3	31,277.2	391.9	1.3%
	435,170.9	**419,768.9**	**-15,402.0**	**-3.5%**

Federal receipts show a large variance between our original projections last May when a 2% increase was projected and our current projection. Current year-to-date revenues as of January are -9.9% (or $5.7M) lower than last year's revenues at this time. This is mostly attributed to the reduction in ARSC's federal activity. A corresponding variance from the projected indirect cost recovery revenue is also shown.

Projected CIP Receipts as of January 2012 is significantly lower (-19%) than originally anticipated last May. However, recent analysis shows that CIP labor should exceed last year's total of $6.5M due to increased activity in both deferred maintenance and capital funded research projects. Anticipated UA Receipts are lower than originally projected by (-3.8%). This original projected may have been affected by the $4M one-time Risk Insurance refund UAF received in FY11.

6. Projected Revenue relative to receipt authority

The following chart shows projected revenue over/under budget for each revenue source. As above, the University Receipt projection is net of prior year unreserved fund balance ($22.7M) and Tuition and fee revenue includes the projected tuition allowance offset (-$5.5M).

SBS Budget Title	FY12 Budget	FY12 January Projected Revenue	Projected Revenue (Over) Under Budget
Federal Receipts	98,065.6	88,562.6	9,503.0
General Fund - Match Appr	4,739.3	4,739.3	0.0
General Fund - State Appr	158,391.0	160,091.0	-1,700.0
Inter-Agency Receipts	5,649.6	3,553.9	2,095.7
Interest Income	20.0	-2.3	22.3
Dorm, Food & Auxil Serv	16,639.7	15,897.4	742.3
Student Tuition/Fees/Serv	48,347.6	40,382.7	7,964.9
Indirect Cost Recovery	26,225.1	23,901.9	2,323.2
U of A Receipts	50,687.9	44,168.4	6,519.5
CIP Receipts	5,439.3	6,061.4	-622.1
Mental Hlth Trust Auth Receipts	222.5	222.5	0.0
Tech Voc Educ Progr Other	941.9	912.9	29.0
UA Intra-Agency Transfers	30,783.5	31,277.2	-493.7
	446,153.0	**419,768.9**	**26,384.1**

CIP Receipts are projected to exceed authority by approximately $622.1K. UAF will continue to monitor this activity to ensure that we request the full amount needed to cover FY12 receipts.

Although projected Tuition and Fee revenue appears to be within the overall receipt authority, at the appropriation level, the UAF Community Campus tuition revenue is expected to exceed authority by $1.7M. A request for additional receipt authority will be submitted to Statewide in the very near future.

Due to RSA activity between appropriations, UA Intra-Agency Receipts will again exceed authorized levels for both the Fairbanks Campus and UAF Community Colleges. A request for additional receipt authority will be submitted to Statewide within the coming weeks.

7. **Significant unplanned or contingent expenditures**

Due to staff benefit rate change during the FY12 budget process, UAF was required to reserve the $1.8M difference. These funds are available for one-time investments this fiscal year. These funds in addition with other central reserves may be used to address identified needs such as:

FY12 Identified Needs (not inclusive)	**Max Amt**
Deferred Maintenance Sinking Fund	$1,800.0
Accounts Receivable ADA	$150.0
Classroom Technology Refresh (2nd Tranche)	$500.0
Various One-time Items	$450.0
VoIP	$500.0
Identified Needs	$3,600.0

8. **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? What is the status of the projects funded by the deferred maintenance bond? Discuss need and timing for issuing the remaining portion of the $50 million bonding authority.**

UAF's current debt includes issues through Series Q funding of Deferred Maintenance and Life Sciences. Debt service peaks in FY14 at just over $8.5 million, up 57% from the $5.4 million expended in FY11. These amounts represent 2.0% of total unrestricted revenues in FY11 and 2.9% of estimated total unrestricted revenues in FY14 [see schedule on next page].

UAF currently has two projects with anticipated debt funding. One is the acquisition and improvements of an aircraft hangar at the Fairbanks International Airport for the CTC Aviation Program. The project cost is estimated at $2.4 million. Once the facility and move are completed the Automotive Technology program will vacate leased space and backfill into the current Aviation Program space at Hutchinson. The lease funding will then be reallocated to debt service on the hangar facility. The incremental increase from leasing cost to debt service will be covered by other CTC sources (increased tuition revenues and/or position savings). The second project is to provide additional administrative space at the Seward Marine Center. This project may involve renovations of existing University space, new construction, or purchasing an existing building. Project costs are estimated at $2.5 million. Debt service would be funded by ICR associated with the Sikuliaq operations.

Projects with potential debt funding include a second round of Deferred Maintenance and the Energy Technology facility. Debt service on Deferred Maintenance would require reallocations of existing funding, while debt service on the Energy Technology facility would be funded with a portion of the 7.5% buildings distribution of ICR assuming increasing research activity, private gifts, and additional reallocations.

UAF is also engaged in development of a public-private partnership to provide a new dining facility and new student housing on the Fairbanks campus. As currently envisioned the public-private partnership would own the new facilities and UAF would enter into a long-term lease supported by both current and incremental auxiliary revenues. These projects are anticipated to require funding in the neighborhood of $75 million. While not direct debt of the University, bonds associated with the projects will be secured by long-term lease payments from the University and therefore will be listed with University debt and have an impact on University debt ratings. See **Attachment A.**

Status of Series Q Bond-Funded Deferred Maintenance Projects

The table below summarizes the project funding and current status of deferred maintenance projects funded in the 2012 Series Q debt issue.

UAF FY12 Bond-Funded Deferred Maintenance Projects (Series Q)

	Budget	Balance	Completion
UAF Fairbankis Campus			
Cogen Heating Plant Upgrade	$ 1,000,000	$ 796,949	Spring 2013
Critical Electrical Distribution	5,250,000	199,658	Spring 2013
Fairbanks Campus Main Wasteline Repairs	1,000,000	1,000,000	Spring 2013
Campus Wide Roof Replacement	175,000	126,312	Summer 2012
Lower Campus Backfill	500,000	500,000	Spring 2013
Salisbury Theater Renovation	500,000	327,573	Spring 2013
Upper Dorm Emergency Egress Code Corrections	1,550,000	1,550,000	Winter 2012
Palmer Center for Sustainable Living	500,000	498,451	Fall 2013
West Ridge Revitalization (AHRB Phase 3A of 5)	3,825,000	3,801,521	Spring 2013
ADA Compliance Campuswide	300,000	274,764	Winter 2012
Elevator Upgrades and Replacement	600,000	293,384	Winter 2012
Campus Roads, Sidewalks, Curbs	400,000	399,614	Spring 2013
Cutler Retaining Wall	1,100,000	1,099,984	Winter 2012
	$ 16,700,000	$ 10,868,210	
UAF Community Campus			
CTC Parking	$ 1,800,000	$ 1,690,771	Winter 2013
KuC Facility Critical Renewal Voc-Tech Phase 2	4,000,000	3,969,945	Winter 2013
	$ 5,800,000	$ 5,660,716	
	$ 22,500,000	$ 16,528,926	

Remaining Bonding Authority for Deferred Maintenance

UAF's remaining portion of the $50M bonding authority totals $11.5M and will be apportioned between four projects. First, the Critical Electrical Distribution project will receive $4.25M to complete the next phase of the project. Funding should be made available by Fall 2012 and will be encumbered shortly thereafter.

The Fine Arts Vapor Barrier project will receive $2.25M of the bond funding. The consultant's report on this project is due to UAF in late March. Once UAF determines the best method to correct the vapor barrier issues, we will contract for design. Construction will occur in Summer 2013. A Fall 2012 bond issuance would allow for a winter 2012 request for proposals with a contractor selected prior to the summer construction season.

The Salisbury Theater project will receive $2M in bond funding. The FY12 general fund allocation and bond issue funded planning and design. The FY13 proposed general fund allocation along with this bond funding will fund construction. A Fall 2012 bond issue would allow for construction during Summer 2013.

Finally, the bond issue balance of $3M will be allocated towards the West Ridge Research Revitalization project. In FY12, UAF allocated $510,000 towards preliminary planning. Currently, consultants have met with the user groups and verified program growth and personnel counts. The next steps will be to develop various construction and phasing plans based on the needed renovations and additional facility capacity among the West Ridge Research facilities. This multi-phased revitalization project will require Fall 2012 funding in order to move forward.

The following table summarizes the proposed FY13 capital distribution of deferred maintenance funding assuming $37M appropriated for the UA System.

UAF FY13 Deferred Maintenance Projects

	State	Bonds
UAF Fairbanks Campus		
Cogen Heating Plant Required Upgrades to Maintain Service	$ 1,000,000	$ -
Critical Electrical Distribution	4,325,000	4,250,000
Fairbanks Campus Main Waste Line Repairs	2,000,000	-
Fairbanks Main Campus Wide Roof Replacement	2,000,000	-
West Ridge Research Revitalization	4,500,000	2,984,000
Fine Arts Vapor Barrier	2,000,000	2,250,000
Salisbury Theater	500,000	2,000,000
ADA Compliance Campus Wide: Elevators, Ramps, Restrooms	1,000,000	-
Elevator Scheduled Upgrading and Replacement	500,000	-
Lower Campus Renovations to Accommodate Programmatic Change per 2010 Masterplan	1,500,000	-
Campus Roads, Sidewalks, Curbs, Gutters, and Ramps	1,000,000	-
Campus Wide Building Electrical Safety and Code Compliance	2,000,000	-
	$ 22,325,000	$ 11,484,000
UAF Community Campus		
KuC Facility Critical Renewal Voc-Tech Phase 2	$ 900,000	$ -
	$ 23,225,000	$ 11,484,000

9. FY13 Initial Budget Analysis

At this point we do not foresee any new and significant budgetary issues in FY13. Given that this is an election year the likelihood of a federal budget being passed this calendar year is not likely. We are however concerned about the possibility of significant reductions in the federal budget and its impact on federal funding opportunities. We do not anticipate material drops in federal expenditures in FY13, however, are mindful of the need to be strategic going forward to maintain our current level of funding and the impact any reductions would have on our ICR revenues.

We anticipate continued erosion of net purchasing power due to unfunded increases in fixed costs. Costs will be covered through reallocation or absorption. To move forward, UAF will continue to reallocate funding to high priorities and critical needs. Along these lines, we are currently exploring alternatives to the across the board pullback mechanism (PBB) which has been utilized for several years to pool the resources necessary to fund these needs.

We base our FY13 financial plan on the following broad assumptions:

- 3% salary increase
- 6% decrease in average staff benefit rates
- 3-5% tuition increase
- 1% increase in enrollment (pending increase in state financial aid)
- No significant increase ICR is expected
- 2% GF increase for Compensation and fixed costs plus program funding based on current actions in Senate & House Finance Sub-committees

10. Grants and Contracts Accounts Receivable (A/R) Analysis

Historically, total revenue from restricted grants and contracts has been greater during the first and second quarters, than during the third and fourth quarters. The size of the first two quarters is attributed primarily to increased expenditures during the summer research field season and an increase in funding tied to the start of the federal fiscal year on October 1. See **Attachment B,** *UAF-Accounts Receivable (Restricted Funds).*

The average Accounts Receivable balance decreased in FY12 and is projected to have a decrease in FY13. The average monthly balance of the receivables for FY12 is projected to be 3% less than FY10 and 7% less than FY11. The continued reduction in receivables is due to the Office of Grants and Contracts Administration (OGCA) ongoing collection and monitoring policy which was instituted the last two quarters of FY09.

The average restricted revenue in relation to restricted receivables is projected to decrease by 4.7% from FY10 and 2.3% from FY11. The majority of outstanding Accounts Receivable balance is due to current uncollected revenue from private entities. Private entities included other universities, native corporations, non-profits and corporations. Because of the UAF ongoing collection policy OGCA believes the outstanding balance will have a steady decrease for FY12 and beyond. See **Attachment C**, *Annual Revenue by Fiscal Year.*

11. Student Accounts Receivable (A/R) Analysis

Below is an overview to the collections process within the UAF Business Office. In an attempt to collect student debt, the following process is utilized:

1) Collection Process
2) PFD garnishment (if PFD eligible)
3) Transfer to collection agency (PFD garnishment is still possible)

Over the past several years, the UAF Business Office has been actively focused on recovering money from past due accounts. Many procedural changes have been implemented to increase collection efforts. The initial focus of this effort has been both in receiving payment for delinquent accounts and analyzing accounts returned from a previously used collection agency. Beginning in December 2008, each student who had a balance with the University was mailed a student bill stamped "Remit to Avoid Further Collection Action". We continue to send out stamped notices each semester until we refer them to a collection agency and/or garnish their PFD.

In April 2010, UAF contracted with Cornerstone Credit as our "outside" collection agency. Approximately $22,544 in student account debt that had been unsuccessfully collected in the past was transferred to them for collection. As of December 1, 2011 none of this debt had been successfully collected by Cornerstone and all accounts were returned to UAF. In November 2011 we contracted with Williams and Fudge Collection Agency because they specialize in higher education collections and are licensed to collect in all 50 states and internationally. Approximately $175,686 in student account debt was transferred to them for collection. As of March 8, 2012 they have successfully collected $3,270, returned $3,765 as non-collectable and $1,010 was cleared by appeal. Several accounts are paid in full and others are in payment arrangements. Williams and Fudge allows a student 45 days to pay before they report to credit bureaus. When a student pays their account in full, the reporting is permanently removed from their account.

It is a practice of the UAF Business Office to send student accounts that are three years delinquent to an outside collection agency for collection, but we are striving for two year old debt. As a result, the UAF Business Office will be forwarding approximately another $100,000+ in debt from 2008-2010 to Williams and Fudge for collection within the next 60 days.

Collection Process

The day after the fee payment deadline an Accounts Receivable hold and late fee is applied to all delinquent accounts (account balance of $100 or more and not enrolled in a payment plan) to include Tuition Management Systems (TMS) accounts that are delinquent or $100 or more under budget.

Approximately one week after the fee payment deadline date, students who live on-campus and/or have meal plans and are delinquent, not in a payment plan or delinquent in their payment plan with TMS, receive a letter advising them of this delinquent status and, if applicable, their meal plan and SRC access are suspended. This letter is delivered by Residence Life staff to each delinquent student's dorm room. It is the University's practice that meal plans are only suspended Monday – Wednesday and students are able to eat in the Lola Tilly Commons in the evenings and on weekends. 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 to their room and the meal plan and SRC access, if applicable, remain suspended. It is important to note that any delinquent students who do not live 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 money as 98% of these students either pay their bill in full or make payment arrangements immediately.

At the end of each semester student schedule bills are mailed to all students whose accounts have a balance. TMS cancels any unpaid accounts and refers the debt back to UAF for collections. Schedule bills are also sent to those students from the Business Office. The schedule bills are stamped "Past Due". Delinquent student schedule bills are then sent out again approximately six months later.

The Business Office works closely with the programs at the UAF Community and Technical College (several are early/late start) to keep them informed of delinquent students and help with payment arrangements. These practices have helped with the reduction of debt at CTC.

In addition to these efforts, an electronic bill is generated on the 15th of each month and sent via email to each student who has a balance or has had activity on their account during that month.

PFD Garnishment

For students who are PFD eligible, the PFD garnishment process begins in March of each year for those who have a delinquent balance greater than $50 in the previous year. The first PFD garnishment letter – "Notice of Default" – is mailed out in early May and the second letter – "Intent to Claim" – is sent (certified mail) in mid-June.

Transfer to Collection Agency

Student schedule bills are sent every six to 12 months until the debt is three years delinquent. Our goal is reduce this from three years to two years. At that point, 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 the account being forwarded to collections. If no response is received within 30 days, the student's account is then forwarded to Williams and Fudge for collections. A student's PFD can still be garnished while their account is at the collection agency.

Write Offs

Previous Business Office management wrote off debt on an annual basis. In 2008, the Business Office elected to attempt to collect on past debt so the practice of writing debt off was discontinued. Cornerstone does not accept debt older than six years; while Williams and Fudge will take debt indefinitely but cannot litigate on debt older than six years. PFDs cannot be garnished after seven years. Currently Raaj Kurapati, Associate Vice Chancellor for Financial Services, approves all debt before it is written off. This is usually done once a year prior to fiscal year end, except for bankruptcies or deaths.

Allowance for doubtful accounts

It is evident that there has been a steady increase in accounts receivable and bad debts over the past five years in spite of a concerted effort by the Business Office to collect on them. While some of the increase is attributable to the annual increase in tuition and enrollment, the percentage increase is most likely a result of the change in policy to no longer drop for non-payment. It is also noted that our current procedure for ensuring the adequacy of our allowance for doubtful accounts has not been evaluated during this period. UAF is currently in the process of reviewing our allowance policy and expect that there will be some level of increase in bad debt expenses in FY12 and FY13 to compensate for the steady increase in receivables over the period, especially in the over 90 days past due category.

UAF conducted two samplings for FY11 debt, one included the 50 highest balance accounts as of June 30, 2011 and one included statistical sampling of 50 accounts taken from the same report. For the statistical sampling a random number generator was used to obtain the sample (the original list was sorted by ID, not account balance). Each account was reviewed to determine if the June 30 balance had been paid. Accounts were then separated by balances in 31-60, 61-90, 91+ and future and extrapolated against the population.

Based on this analysis it is our opinion that approximately 4% of the outstanding balance at June 30, 2012 should be reserved as doubtful. We will be making appropriate adjustments over the course of the next two fiscal years to bring the allowance balance to this level. A similar analysis will be made as of June 30, 2012 and additional actions taken if warranted.

Conclusion

Multiple attempts are made at the campus-level to collect on debt prior to referral to either a collection agency or PFD garnishment. The UAF Business Office contacts the student multiple times during the semester in an attempt to collect this debt. With the elimination of mailed monthly statements, the need to actively attempt to reach students about their debt is imperative. Between the suspensions of meal plans, notification under dorm room doors, and the six and twelve month mailings, the UAF Business Office potentially contacts the student as many as four times prior to beginning the PFD garnishment process or turning over to collections. All mailings and contacts are recorded in Banner for future reference.

A/R Fiscal Year-end comparison

Fiscal Year	Gross Tuition/Fees	Allowance (0291) Balance	*Actual FY End Balance	Current FY Balance	% to Gross Tuition/Fees
2011	$43,950,800	231,289	$5,117,547	$2,040,849	4.64%
2010	$39,078,200	322,076	$2,890,333	$1,994,550	5.10%
2009	$34,940,500	299,764	$2,792,214	$1,669,920	4.78%
2008	$32,130,800	171,598	$2,166,586	$1,472,836	4.58%
2007	$29,689,300	138,850	$2,518,183	$1,034,775	3.49%

**This analysis is calculated with figures as reported at the end of each fiscal year.*

• $793,387 for 1,669 students was at collections when the contract was canceled in Feb. 2009 - these figures were written off when sent to collections.

• No JV has been made to the Allowance for Doubtful account since 2007.

• There is currently $167,640.84 for 98 students at collections and the debt is not written off when turned over.

12. Discuss status of energy audits. Discuss plans, including financing thereof, to implement audit recommendations.

UAF contracted with Siemens Building Technologies Inc. for Energy Performance Contracting Services in order to accomplish energy efficient retrofits at the UAF Fairbanks and Rural Campus Facilities. The initial phase of the project includes investment grade energy audits on several UAF facilities. Ultimately, the project will include: Investment grade energy audits and comprehensive energy services, design, installation, modification, and commissioning of new and existing energy systems, verification and reporting of energy savings.

Facilities under review:

- Fairbanks Campus
    - Wood Center
    - Student Recreation Center
    - Patty Ice Arena
    - Patty Center
    - Fine Arts Music
    - Fine Arts Theater
    - Bunnell Building
    - Stevens Hall
    - Duckering Building
    - Gruening Building
    - Elvey Building
    - O'Neill Building
    - Irving I Building
    - Irving II Building
- Community Campuses and Research Sites
    - Chukchi Campus
        - Admin/Classroom Building (CC101)
    - Seward Marine Center
        - Machine Shop (SE101)
        - Yellow Lab (SE102)
        - Marine Sciences (SE103)
        - Four-Plex Apartment (SE104)
        - Hood Building (SE105)
        - KM Rae Marine Educations Center (SE106)
    - Kuskokwim Campus
        - Yup'ik Language Center (KU101)
        - Phase 1 Building (KU102)
        - Lind Building (KU103)
        - Voc-Tech Building (KU104)
        - Sackett Hall (KU105)
        - Yup'ik Museum, Library & Cultural Center (KU106)

Siemens' initial contract to complete the investment grade energy audits is scheduled for a late April completion date. Early estimated costs of energy upgrades are approximately $8M for the Fairbanks campus buildings and approximately $1.2M for the Community Campus and Rural Site Facilities. The approximately $9.2M investment in energy systems has a 10-year payback.

There are currently three options under consideration for financing the energy upgrades. The first option is to use existing UA DM/R&R Revenue Bond authority. For the second option the Alaska Housing Finance Corporation offers a Revolving Loan Fund available for energy efficiency improvements. The guaranteed savings from the improvements are used to pay the debt service. The third option is to contract with Siemens to finance and manage the improvement projects. Again, the energy savings are used to pay the contract obligation. In addition to these options, Kit Duke, Associate Vice President for Facilities and Land Management, has noted the possibility of using the SW $1.4M community campus appropriation to follow up on the community campus energy audit recommendation. This would allow the community campuses to immediately realize the energy savings rather than pay debt service.

13. Discussion regarding Maintenance and Repair (M&R) Funding

See **Attachment D**, *Projected Maintenance and Repair (M&R)*.

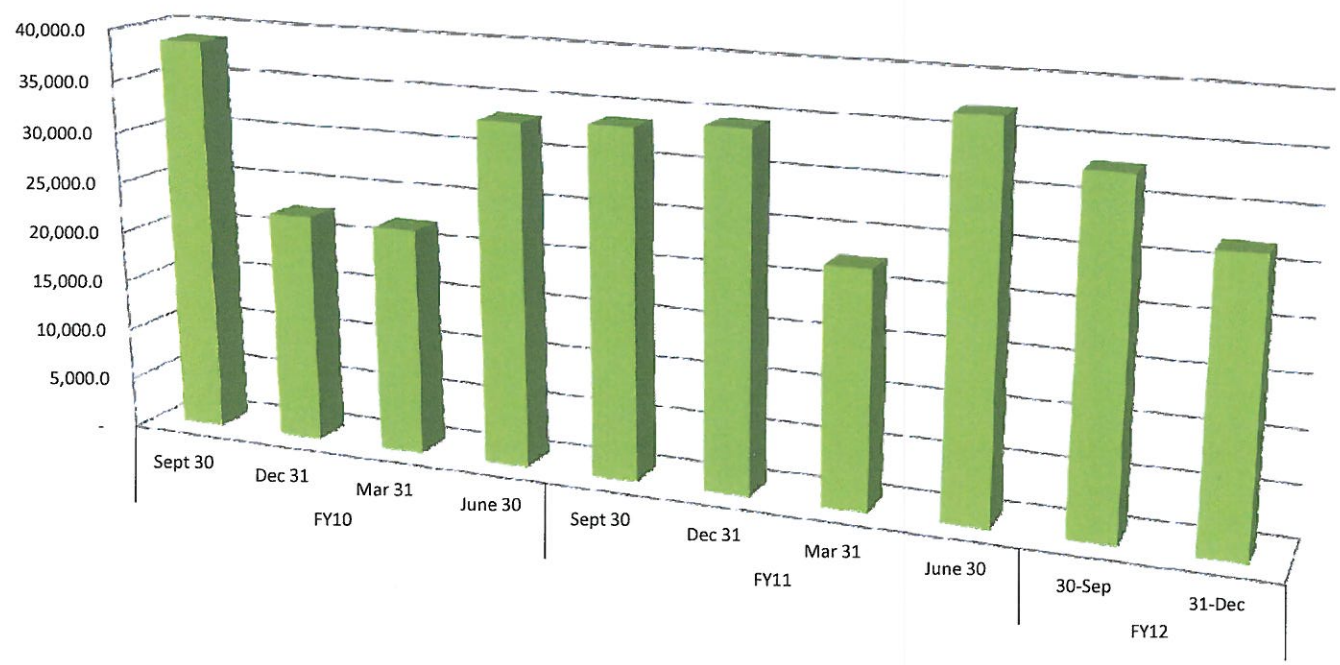
Category / Description	Debt Amount	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Current Debt												
SERIES K - WRRB, Refinance C & I		$ 1,042	$ 1,042	$ 1,041	$ 656	$ 653	$ 654	$ 654	$ 657	$ 655	$ 656	$ 656
SERIES L - WRRB, Athletics, CRA, Electric Line		540	542	538	534	406	405	404	403	671	672	672
SERIES M - Hutchison Upgrade, IAB (Reallocated)		63	63	63	63	63	63	63	63	323	321	319
SERIES N - Intertie, Chiller, BiRD, Patty Ice, Aurora, Elvey		1,613	1,617	1,609	1,614	1,613	1,722	1,671	1,668	1,341	1,340	1,354
SERIES O - Lena Point, Museum, Arctic Health, Virology		947	935	942	948	948	952	945	951	278	281	273
SERIES P - Refinancing Series H & J		1,248	1,242	1,251	1,249	1,248	1,246	1,244	1,245	779	775	775
SERIES Q - Life Sciences and Deferred Maintenance I		-	721	2,794	3,484	3,482	3,485	3,485	3,484	3,485	3,482	3,485
Sub-Total: Debt Service on Current Debt Issues		**$ 5,453**	**$ 6,162**	**$ 8,238**	**$ 8,548**	**$ 8,413**	**$ 8,527**	**$ 8,467**	**$ 8,472**	**$ 7,530**	**$ 7,526**	**$ 7,534**
Percent of Unrestricted Revenue		2.0%	2.2%	2.9%	2.9%	2.8%	2.7%	2.6%	2.6%	2.2%	2.2%	2.1%
Projects with Anticipated Debt Funding												
CTC Aviation Program Hangar [1]	$ 2,544	$ -	$ -	$ 229	$ 229	$ 229	$ 229	$ 229	$ 229	$ 229	$ 229	$ 229
Seward Marine Center Admin Space [1]	$ 2,650	-	-	-	238	238	238	238	238	238	238	238
Sub-Total: Debt Service on Anticipated Debt Issues		**$ -**	**$ -**	**$ 229**	**$ 467**	**$ 467**	**$ 467**	**$ 467**	**$ 467**	**$ 467**	**$ 467**	**$ 467**
Projects with Potential Debt Funding												
Deferred Maintenance II [1]	$11,484	$ -	$ -	$ 230	$ 1,095	$ 1,095	$ 1,095	$ 1,095	$ 1,095	$ 1,095	$ 1,095	$ 1,095
Energy Technology Facility (TPC $24.9M) [1]	$10,700	-	-	-	-	400	801	801	801	801	801	801
Sub-Total: Debt Service on Potential Debt Issues		**$ -**	**$ -**	**$ 230**	**$ 1,095**	**$ 1,495**	**$ 1,896**	**$ 1,896**	**$ 1,896**	**$ 1,896**	**$ 1,896**	**$ 1,896**
TOTAL Debt Service												
Total: Debt Service on All Debt Issues		**$ 5,453**	**$ 6,162**	**$ 8,697**	**$10,110**	**$10,375**	**$10,891**	**$10,831**	**$10,835**	**$ 9,894**	**$ 9,889**	**$ 9,897**
Percent of Unrestricted Revenue		2.0%	2.2%	3.1%	3.5%	3.4%	3.5%	3.4%	3.3%	2.9%	2.8%	2.8%
Total Unrestricted Revenue (*Forecast with 3% Growth*)		$267,656	*$275,686*	*$283,956*	*$292,475*	*$301,249*	*$310,287*	*$319,595*	*$329,183*	*$339,059*	*$349,231*	*$359,707*

[1] CTC, SMC, and Deferrend Maintenance II financed for 15 years at 4.0% with 6% financing costs; Energy Technology facility financed for 20 years at 4.2% with 7% financing costs. The CTC hangar would be funded by the existing AutoTech lease payments and other CTC sources. The SMC facility would be funded by ICR associated with the Sikuliaq operations. Deferred Maintenance II funding would require reallocations from exisiting funding, and the Energy Technology facility would be funded within the 7.5% buildings distribution of ICR and additional reallocations.

ATTACHMENT A

Table 1 - UAF Debt Service Schedule

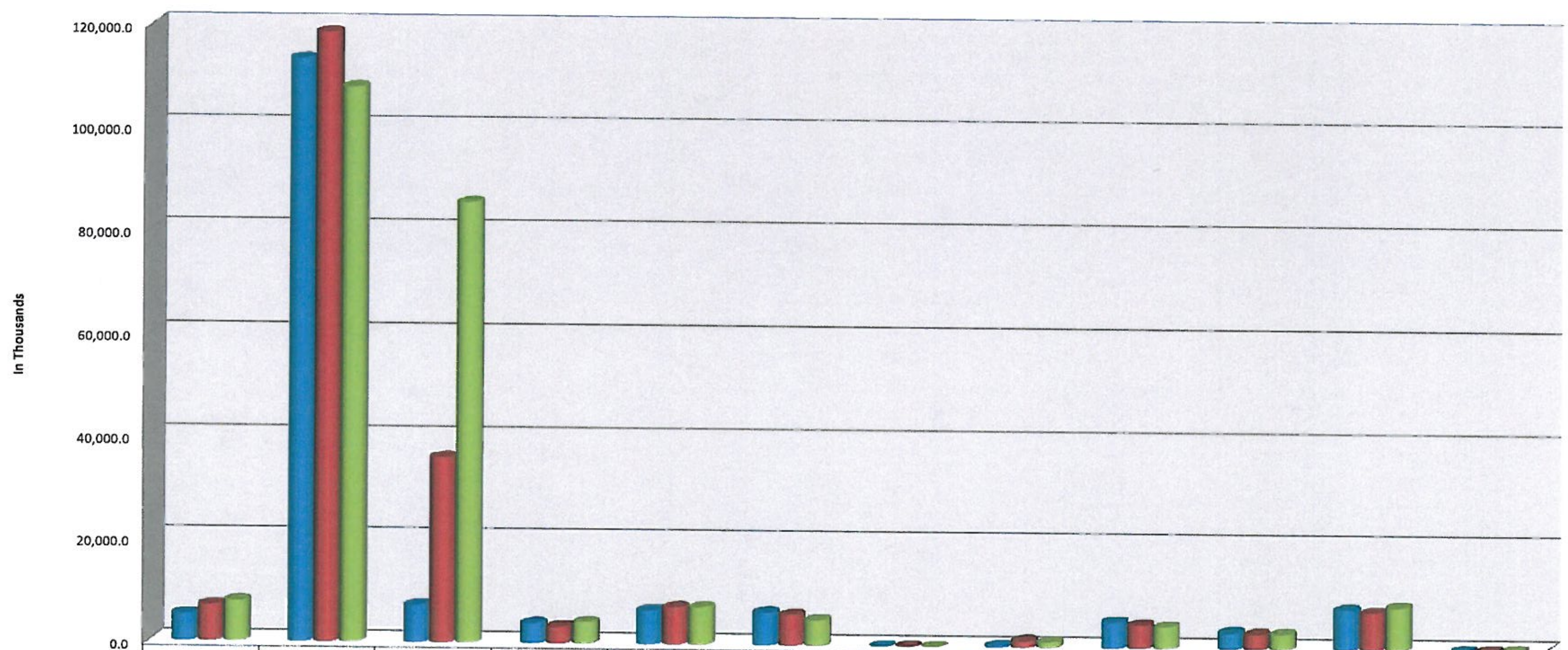
University of Alaska
UAF-Accounts Receivable (Restricted Funds FY 09-10 as of 3/7/12) in Millions



	FY10				FY11				FY12	
	Sept 30	Dec 31	Mar 31	June 30	Sept 30	Dec 31	Mar 31	June 30	30-Sep	31-Dec
Accounts Receivable	38,696.4	22,451.1	22,074.4	33,334.0	33,766.6	34,466.5	22,626.1	37,150.7	33,070.8	27,113.0

ATTACHMENT B

Annual Revuenue by Fiscal Year in Millions



	Corporate	Federal	Foreign Government	Foundation	Non-Profit	Other	Other Stimulus Funding	Other Universities	Private	State and Local	State and Local Stimulus Funding	Federal Stimulus Funding
June 30 2010	5,215.4	113,553.5	7,206.5	3,843.4	6,504.9	6,299.3	1.3	363.3	4,995.7	3,137.8	7,757.0	0.0
June 30 2011	6,975.9	118,719.1	36,159.1	3,172.4	7,140.7	5,871.8	1.0	1,304.4	4,464.3	2,868.5	7,230.8	2.9
June 30 2012 Proj	7,786.8	107,975.1	85,642.9	4,073.4	7,196.6	4,902.6	3.3	1,051.8	4,135.8	2,916.1	8,230.9	144.9

Projected Maintenance and Repair (M&R)	Routine Mtc	Scheduled Mtc	Reinvestment	Response Mtc	FY12 Total Projected Mtc Expenditures
Fairbanks Campus Research/Academic/Admin	$10,579,405	$1,216,005	$3,240,531	$535,339	$15,571,281
Fairbanks Campus Residence Life	1,248,000	176,000	401,000	80,000	1,905,000
Total Fairbanks Campus (Note 1)	11,827,405	1,392,005	3,641,531	615,339	17,476,281
FY12 M&R Target Fairbanks Campus					15,861,200
Over/(under) Target					1,615,081
UAF CRCD Total	$853,333	$177,371	$116,968	$60,404	$1,208,075
FY12 M&R Target CRCD					855,800
Over/(under) Target					352,275
Total UAF FY12 Projected Maintenance and Repair					$18,684,356
Total UAF FY12 Target					$16,717,000
Total UAF FY12 Over/ (Under) Target					1,967,356

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.

ATTACHMENT D