Spring Management Report Meeting

April 1

2013

Significant Administrative Efforts at UAF

Reorganization of Auxiliary and Contract Operations

As part of a larger vision for a one-stop student support services concept, UAF launched a review of various operations that have high touch points with students. The two primary drivers/objectives were:

- Determine how best to organize functions/offices to allow students to conduct business with UAF efficiently
- Optimally manage related financial resources generated by auxiliary and contract operations to allow for reinvestment into campus facilities

In September 2011, UAF Vice Chancellor for Administrative Services, Pat Pitney and UAF Vice Chancellor for University and Student Advancement, Mike Sfraga, charged a committee chaired by the AVC for Financial Services, Raaj Kurapati, to take on the above task and make recommendations.

In July 2012, the Committee provided its report to Vice Chancellors Pitney and Sfraga, which proposed a new organizational structure for several auxiliary and contract operations, provided recommendations for operational and programmatic adjustments that would allow for the above objectives and other objectives contained in the report to be achieved. Both Vice Chancellors accepted the report in its entirety and approved such for implementation.

The new organizational structure combines the programmatic aspects of residence life, dining services and the UAF bookstore, led by the Director of Residence Life and a Contracts Manager reporting to the Vice Chancellor for University and Student Advancement. Polar Express (UAF's ID card operation) and the business operations of Parking Services were merged with the UAF Business Office (Office of the Bursar). A joint business office, led by an Executive Officer, was created to oversee the finances of the combined housing and dining auxiliary operations. The Executive Officer of the joint business office reports to the AVC for Financial Services. An Executive Committee was created to approve and manage major strategic initiatives of the combined operation, such as the P3 Housing-Dining Project. The committee is comprised of the VC for University and Student Advancement, the VC for Administrative Services, the AVC for University and Student Advancement, the AVC for Financial Services and the Executive Officer for University and Student Advancement

Under this new organization, students are now able to conduct their business at the UAF Business Office (pay tuition and fees, obtain a polar express ID card, pay and obtain a parking decal, purchase a meal plan, etc.) and not have to visit several offices distributed across campus.

Process Improvement

UAF's administrative services process improvement initiative began as part of the Administrative and Support Review process that evolved from the 2010 Chancellor's Executive Leadership Workshop. One of the goals of the Administrative Support Review Committee was to identify common processes to streamline that would improve overall administrative effectiveness.

In FY12, UAF made significant progress in its review of highly used workflow processes, in an effort to make efficiency improvements in several key areas. In FY13, UAF continues to expand the process review and improvement efforts as detailed below.

- UAF made efforts in FY12 to institutionalize campus-wide process improvement efforts by creating the UAF Office of Management & Budget (OMB). To date, two high-priority projects have moved forward, each with its own campus-wide project team. Six staff members have also gone through extensive training to become qualified process improvement facilitators and are guiding these two project teams, with more efforts on the horizon.
- Grant Award Set-Up and Employee (Pre) Recruitment are the two primary high-priority projects in motion. These projects have been phased to encourage realistic and achievable outcomes. An executive level steering committee has also been created, to assist in the event that policy, regulation and information system issues need to be addressed. Recommendations to the steering committee from these groups are expected in March/April 2013.
- Future projects for Process Improvement efforts include Procurement and Travel processing at UAF. The Administrative and Support Review committee identified these areas as major areas of need in 2011. Facilitators expect to form work teams invested in Procurement and Travel process improvement efforts in April 2013. The travel management system is currently also being addressed by Statewide work teams. UAF intends to assist where necessary to ensure significant improvements to the travel process (where there is UAF customer impact) are included.
- UAF is expanding its current Process Improvement & Training (PIT) Crew membership. A new training session, conducted by Professional Growth Systems (PGS), the same consulting firm that brought the Dynamic Planning methodology to UAF in 2012, is planned for April 2013. Five to eight new facilitators will be added to the existing work group in order to take on new process improvement initiatives.

Travel Process Improvements and Travel Regulations Update

UAF has been actively working with the UA Banner Module Implementation Team on reviewing and testing the Travel program and identifying areas of concern/improvement prior to system implementation. Significant progress has been made in this effort and it is expected that beta testing at units across the three MAU's will begin in the coming weeks. The target date for system-wide rollout and implementation is slated for July 1, 2013. While there continue to be areas that will require further refining, it is expected that several currently manual processes will be automated creating some efficiency.

In preparation for the new travel module and due to some much needed updating, UAF, working with Statewide and the other MAU's, proposed several changes to the university regulations. Examples of some of the proposed changes include:

- For administrative ease, per diem calculation will change from the quarter day system to a half-day system. The requirement to be in travel status for a minimum of one hour will be eliminated. Per diem reimbursements for travel less than 12 hours will be eliminated to comply with IRS regulations.

- The Alaska (Urban) per diem rate for Anchorage, Fairbanks and Juneau will be set by the UA President. The per diem rate for Alaska locations specifically identified in the federal per diem tables will use the maximum allowable per diem rate for that location or closest comparable location. This will help with the financial burden that is put on travelers going to remote locations.
- The approval process will be streamlined to require only the supervisor and the individual with the authority to expend funds to approve travel (in some situations this may be the same person). The requirement to have the Travel Administrator approval for lodging exceeding 1.5 times the allowable rate will be eliminated, however, a justification and department approval is still required.
- No longer will original receipts be required, scanned receipts will be allowed.
- It will be emphasized that cash advances for employees should be from the corporate travel card. Advances in the form of a university issued check are strongly discouraged and only available as a last resort. Travel advances will not be able to exceed the lesser of $2,500 or 80% of the estimated reimbursable expenses. Travelers will not be able to have more than two open advances at a time.
- Clarifies that valet parking is a non-reimbursable expense unless supporting documentation is provided that this is the only option. Also clarifies that tips incurred in connection with transportation are reimbursable and part of the transportation cost.

The proposed regulation changes are currently being distributed to appropriate UA governance groups and other parties and should be adopted shortly thereafter.

We continue to look for other ways to streamline the travel process without sacrificing the expected level of internal controls. Travel has been identified as one of the next process mapping/improvement efforts that will be undertaken by UAF as noted in the previous section on Process Improvement. This effort is expected to be launched in April 2013.

Financial Services Advisory Group

To facilitate a forum for discussion of issues important to the various unique and often geographically distributed units at UAF, we established the Financial Services Advisory Group (the Group) in February 2012. The Group is comprised of senior financial managers from academic schools/colleges, research institutes and blended academic/research/extension units from across UAF, and is chaired by the AVC for Financial Services. The group meets on a quarterly basis, with more frequent meetings called as issues warrant.

Stated goals/purposes of the group include:

- Providing a forum to discuss challenges/opportunities of mutual interest
- Identifying needs in automation or process improvement

- Discussing, proposing changes to and implementing financial policies and procedures
- Overseeing implementation of internal and external compliance mandates and expectations

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.

During continuation budget development for FY13, unit financial managers were instructed to consider vacant and reserved positions for FY13 based on whether their unit intended to recruit for the position during FY13. They were given three options for these positions: 1. Fully budget the position with the intent to recruit, 2. Reserve the position with a $100 budget within the unit, or 3. Allow Office of Finance & Accounting (OFA) to centrally reserve the position with a $100 budget. The managers were informed that any fully budgeted vacant positions that were not recruited in FY13 would be pulled from the unit and centrally reserved in FY14.

UAF is continuing to work with its units to increase the level of active position management. While expectations were clearly laid out in FY12, units continue to ask for new position numbers for many of their recruitments while positions already vacant and active within their units are left un-recruited. As of the end of February, the vacancy rate for positions sourced from unrestricted funds is 8.8%. UA's target vacancy rate is at or under 7%.

Office of Finance & Accounting has reiterated the expectation that all positions vacant prior to FY13 be recruited during FY13. UAF anticipates that these management expectations will result in a sharp decrease in the number of vacant positions at the start of FY14 once units have completed the FY14 continuation budget process. In order to keep vacancy rates from drawing upward during the course of the fiscal year, OFA will more closely scrutinize all requests for central position numbers from the reserved position pool.

UAF's total authorized positions for FY13 are 2,639. Of those, 2,130 are currently filled, 295 are currently vacant, and 214 are reserved.

Public Private Partnership (P3 Project)

UAF continues to push ahead with its Dining P3 Project. December 2012 saw significant progress on the Dining Addition project with the completion of the bond sale. The bond sale was very successful and resulted in a favorable effective interest rate. Final closing and signing of the closing documents took place in Seattle just before the holiday closure, including the construction contract with Ghemm Company. Final construction documents are complete, with construction slated to begin in April of this year. A groundbreaking ceremony was held on March 30, 2013. Completion date for the project is July 2014, in time for the beginning of the 2014 academic year.

Active Management of Outstanding Audit Issues

The UA Board of Regents expressed concern regarding UA's lack of timely follow through and resolution of issues and recommendations noted in Internal Audit reports. UAF Chancellor Rogers took this concern seriously and asked VC Pitney and AVC Kurapati to set up a mechanism for active review, management and resolution of outstanding audit recommendations. This resulted in AVC Kurapati being appointed as UAF's liaison on all audit matters effective April 2012. Since then, UAF has been working closely with Internal Audit Director Nikki Pittman on resolving and closing out long outstanding audit recommendations and coordinating UAF's responses and corrective action plans for current and planned audits. A quarterly update on the status of all internal audits, open recommendations, and audit recommendations addressed and closed is provided to the Chancellor and VC Pitney. This process has resulted in greater awareness across UAF on audit concerns and corrective action plans for audit findings being implemented in a timely manner.

Administrative and Support Review Process

UAF's administrative services process improvement initiative began as part of the Administrative and Support Review process that evolved from the 2010 Chancellor's Executive Leadership Workshop. One of the goals of the Administrative Support Review Committee was to identify common processes to streamline that would improve overall administrative effectiveness. Process improvement efforts and achievements are addressed below.

The second goal of this review was to collect baseline data regarding UAF staffing levels in major categories (Administration, Support, Program and Faculty/Research) and increase awareness as to how staffing in these areas impacts decision-making and resource allocation. This data is intended for use as a management tool within each school, college, institute and unit.

The Phase 1 report resulted in a comprehensive inventory of administrative and support staffing at UAF (measured in full-time equivalent (FTE) staff positions for benefited staff). This baseline data from 2006 through fall 2010 is a mechanism for annual updates to identify trends in staffing levels. This data is currently being updated to include fall 2012. New data will allow UAF Deans, Directors and leadership to evaluate growth or change related to staffing, as well as any new or consistent trends since 2010.

To date, the data indicates there are some changes in staffing where Federal funding is declining (ARRA and other sources due to sequestration) and related positions are moved from restricted to unrestricted funding sources. Some organizational changes are reflected, such as the movement of UAF eLearning from the College of Rural & Community Development to the UAF Chancellor. Additionally, the UA System Office conducted an internal compliance review with respect to use of UA program codes within the past 12-24 months. This review may have changed the way departmental administration is coded, which will be noted and normalized in the updated trends. Additionally, an increase in support staff is expected in the student services area specifically due to the additional staff investments in academic advising and development.

As resource allocation decisions require the examination of both administrative and academic priorities and programs, in addition to process efficiencies, this data will help UAF leadership best understand the impact of staffing changes within this fiscal environment.

1. FY13 Unreserved Fund Balance Analysis

a) UAF is currently projecting an unrestricted (F1) unreserved fund balance of $6.2M and $17.7M for service center/leasing funds (F7, FE, FL). The projected F1 UFB falls within the target range of $6M to $8M and represents 1.5% of our total projected unrestricted and restricted revenues, not including recharge centers or UA Intra-Agency Transfers ($408.1M).

Cabinet	Projected F1 UFB
Chancellor	$55.2
OIT	$44.8
VC for Rural, Community & Native Education	$362.8
Provost	$2,149.9
Cooperative Extension Service	$310.4
VC for University and Student Advancement	$36.3
VC for Administrative Services	$603.9
VC for Research	$595.7
Central Support (Scholarships, Debt Service, Utilities, etc.)	$2,085.0
Total	**$6,244.0**

The guidelines governing unreserved fund balances at the unit level have taken into account the need for flexibility and prudent fiscal management. UFB investments are connected to the strategic themes of Educate, Research, Prepare, Connect and Engage.

Currently there are no plans to draw funding from units to the centrally managed accounts.

b) As noted earlier, projected F1 UFB ($6.2M) is 1.5% of total projected unrestricted and restricted revenues ($408.1M) (not including recharge centers or UA Intra-agency Transfers). While the projected amount is lower than prior years, it is necessary and prudent given the current and anticipated fiscal climate.

The primary factors influencing unreserved fund balances at UAF are the maximum and minimum UFB guidelines that 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. For FY13, units will evaluate the potential impacts that sequestration and limited tuition increases will have on their FY14 budgets to determine where UFB can be used to provide bridge funding to impacted programs. Examples of influences include the need for significant investments in new faculty to help UAF research prepare for what is expected to be a highly competitive grant funding environment and reserving faculty start-up packages for those recruited in FY13 and expected to be filled in FY14.

2. Current Fiscal Year Practice for Distributing Revenue Within the Campus

As in the prior years, ICR revenue is distributed on 60/40 basis with 60% of the ICR dedicated to research investment. Implemented in FY12, this distribution model recognizes the need for reinvesting a portion of the ICR toward new facilities, particularly the need for supporting debt service obligations. This applies to awards received after implementation of the new distribution model.

Tuition is also distributed on a 60/40 basis, with the generating school/college receiving 60% and 40% being retained centrally to fund various administrative activities and costs that have broad institutional benefits. UAF intends to continue the current methodology for distribution of tuition revenue.

Effective in FY13, the Center for Distance Education was retitled to UAF eLearning and Distance Education (EDE). Program reporting moved from College of Rural and Community Development to the Office of the Chancellor. This change was made to better serve a diverse student population and meet the demands of a changing academic marketplace. As part of this move, a proposed tuition split of 60% to the home academic unit and 40% to EDE to support course development and delivery is being evaluated.

3. Current Versus Initial Revenue Projections

The following chart shows the dollar variance and percent variance between our original revenue projections from June 2012 and January 2013 Management Report projections. The U of A Receipts projection is net of prior year unreserved fund balance ($26.8M) and Student Tuition/Fees/Serv revenue includes the projected tuition allowance offset (-$5.6M).

SBS Budget Title	FY13 Original Projected Revenue	FY13 January Projected Revenue	$ VAR	% VAR
Federal Receipts	91,458.3	91,764.7	306.4	0.3%
General Fund - Match Appr	4,739.3	4,739.3	0.0	0.0%
General Fund - State Appr	164,674.6	167,674.6	3,000.0	1.8%
Inter-Agency Receipts	4,037.8	3,369.3	-668.5	-16.7%
Interest Income	10.0	-21.3	-31.3	-313.0%
Dorm, Food & Auxil Serv	16,331.7	15,525.0	-806.7	-4.9%
Student Tuition/Fees/Serv	43,641.6	41,571.0	-2,070.6	-4.7%
Indirect Cost Recovery	24,500.0	23,979.9	-520.1	-2.1%
U of A Receipts	47,312.3	42,403.6	-4,908.7	-10.4%
CIP Receipts	7,206.6	7,098.2	-108.4	-1.5%
Mental Hlth Trust Auth Receipts	50.0	50.0	0.0	0.0%
Tech Voc Educ Progr Other	941.9	1,206.4	264.5	28.1%
UA Intra-Agency Transfers	33,884.0	30,995.3	-2,888.7	-8.5%
	438,788.1	**430,356.0**	**-8,432.1**	**-1.9%**

FY13 January revenue projections are 1.9% less than our original estimates. The General Fund variance of $3M is due to the anticipated trigger funding not included in the original projection. Projected Student Tuition/Fees/Serv are 4.7% lower than originally projected due to reduced enrollments. Inter-Agency Receipts are currently projected to be 16.7% ($669K) lower than originally planned due to several State funded research projects that ended in FY12. UA Intra-Agency Transfers are down over $2M from this time last year, however, we may see this increase throughout the remainder of the fiscal year, depending on the progress of the Alaska Satellite Facility in procuring their new $2.5M antenna.
Current year-to-date revenues as of January are 2.8% (or $9.8M) higher than last year's revenues at this time. This is mostly attributed to an increase in General Fund support ($6.2M) and U of A Receipts ($5.0M), which includes an increase in recharge center UFB and additional Foundation and PBS receipts for KUAC. Current Federal Receipts and Indirect Cost Recovery have both decreased less than one percent from FY12.

4. Projected Revenue Relative to Receipt Authority

The following chart shows projected revenue over/under budget for each revenue source. As above, the U of A Receipts projection is net of prior year unreserved fund balance ($26.8M) and Student Tuition/Fees/Serv revenue includes the projected tuition allowance offset (-$5.6M).

SBS Budget Title	FY13 Budget	FY13 January Projected Revenue	Projected Revenue (Over) Under Budget
Federal Receipts	99,556.2	91,764.7	7,791.5
General Fund - Match Appr	4,739.3	4,739.3	0.0
General Fund - State Appr	164,674.6	167,674.6	-3,000.0
Inter-Agency Receipts	5,649.6	3,369.3	2,280.3
Interest Income	1.0	-21.3	22.3
Dorm, Food & Auxil Serv	16,806.3	15,525.0	1,281.3
Student Tuition/Fees/Serv	54,104.0	41,571.0	12,533.0
Indirect Cost Recovery	25,368.9	23,979.9	1,389.0
U of A Receipts	52,723.3	42,403.6	10,319.7
CIP Receipts	7,223.6	7,098.2	125.4
Mental Hlth Trust Auth Receipts	50.0	50.0	0.0
Tech Voc Educ Progr Other	1,206.4	1,206.4	0.0
UA Intra-Agency Transfers	33,768.5	30,995.3	2,773.2
	465,871.7	**430,356.0**	**35,515.7**

All revenue sources are currently projected to fall within their authorized receipt levels. The additional needed General Fund receipt authority will accompany the fuel trigger funding (~$3M) as it is received.

UAF will continue to carefully monitor our CIP Receipts and UA Intra-Agency Transfers for year-end activity that may cause us to exceed our revenue authority.

5. Significant Unplanned or Contingent Expenditures

Due to changes in staff benefit rates during the FY13 budget process, UAF was required to reserve the $797.0K difference ($456.4K FC and $340.6K UACC). These funds will be used to support debt service obligations for deferred maintenance projects financed through the issue of bonds. UAF's debt obligations have increased dramatically as a result of the current approach to financing of deferred maintenance projects.

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? 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 schedule (**see Attachment A**) includes bond issues Series R and Series S. Series R is a refinancing package for Series K, L and M that provides an average yearly payment savings of $148.7K. Bond Series S provides $11.5M for Deferred Maintenance II projects and has an annual debt service of $940K being funded through internal reallocations.

Debt service peaks in FY16 at just over $9.3 million, up 51% from the $6.2 million in FY12. These amounts represent 2.0% of total unrestricted revenues in FY12 and 2.7% of estimated total unrestricted revenues in FY16.

UAF has made two recent acquisitions that required internal UA working capital arrangements. One is for the acquisition and improvements of an aircraft hangar at the Fairbanks International Airport for the CTC Aviation Program. The project cost is $2.9 million. Once the facility move and renovations 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 the $195K annual debt service on the hangar facility. The incremental increase from leasing cost to debt service will be covered by other CTC unrestricted sources.

The second project is the purchase of the ORCA Building in Seward, Alaska for $2.0M. This acquisition will provide support facilities for SIKULIAQ operations. Annual debt service of $168K will be funded by ICR associated with the SIKULIAQ operations and current rental revenue. Debt service payments for both facilities will begin in FY14.

The UAF public private partnership (P3) for student dining facility upgrades issued $26M in bonds to fund the student dining revitalization project. While not direct debt of the University, bonds associated with the projects will be secured by long-term lease payments of $1.5M from the University. Ground breaking for the dining facility is scheduled for Spring 2013, with completion anticipated in time for the Fall 2014 semester.

Projects with potential debt funding include the Energy Technology Facility, Engineering and additional public private partnerships to fund student housing. Decisions on funding these projects through debt service will be thoroughly vetted by University leadership given the current fiscal environment.

7. FY14 Initial Budget Analysis

The Governor's strategy over the past few fiscal years, which continues in FY14, has been to "hold-the-line" on budget requests from state entities, including the University. UAF ended FY12 in good fiscal standing and expects fiscal stability for the remainder of FY13. Given the general fiscal climate both locally and nationally, FY14 is expected to be a bit more challenging.

UAF expects a decline in Federal funding as ARRA projects come to an end, and will be compounded by Federal sequestration. Sequestration will impact and be interpreted by each agency differently, but UAF may see as much as a 5-8% decline in new Federal awards. UAF is anticipating flat Federal funding in FY14 as a best-case scenario and a 5% decline in Federal funding in FY14 as a worst-case scenario. This, of course, will additionally impact ICR in alignment with Federal receipts.

UAF relies on tuition and indirect cost recovery from grants and contracts, primarily Federal, to cover portions of its annual fixed costs increases. In recent years, UAF has had to rely on debt service and revenue bonds to fund deferred maintenance needs and facility upgrades. Use of debt service puts additional pressure on UAF resources, as historically investments of this nature were funded through direct State support. This approach is a fundamental shift in facility improvement to manage required maintenance and infrastructural needs. The lack of comparable growth in revenue streams within the control of UAF makes managing these additional pressures difficult.

The challenging federal and state fiscal climates will make management of UAF's internal resources all the more important. UAF regularly reallocates internal resources to support priority areas. For FY13, UAF invested in the Office of Undergraduate Research and Scholarly Activity, the Honors Program, the Center for Alaska Native Health Research, a UAF branding and marketing campaign, International student recruitment strategies, research initiatives, Alaska INBRE and UA Press, among other investments. Factors that contribute to funding are the requests' alignment with the UAF mission, strategic plan, and accreditation core themes. Additionally, funded efforts typically have alignment with performance outcomes such as increasing the number of UAF graduates, graduating students in high demand job areas that meet the needs of the Alaskan economy (Engineering, Fisheries, Mining, Teacher Education, Health/Biomedical, Workforce Development, and Research), contributions to competitive research, and other student attainment and achievement areas.

Some overarching assumptions made to effectively plan for FY14 include, but are not limited to:

- 2% tuition increase
- 3% compensation increase
- Flat to a 1% increase in enrollment
- Flat to a -5% decrease in Federal funding (proportional change in ICR)
- 15% debt service increase (approximately $2.5M in FY14) for Life Sciences and Deferred Maintenance
- $2.5M utilities increase

Although several of these assumptions are not favorable, UAF continues to monitor the fiscal climate in efforts to anticipate and prepare for the financial challenges ahead.

8. 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.

The average accounts receivable balance decreased in FY12 and is projected to decrease in FY13 as well. The average monthly balance of the receivables for FY13 is projected to be 12% less than FY11 and 3% less than FY12. The continued reduction in receivables is largely due to the Office of Grants and Contracts Administration (OGCA) ongoing collection and monitoring policy which was instituted in FY09.

As a result of active management measures instituted by OGCA, the average outstanding grant and contracts receivable balance has decreased significantly since FY11. In FY11 the outstanding receivable balance was $27.3M vs. total grant and contracts revenue of $196.7M, a ratio of 13.84%. In FY12 the average receivable balance was $29.2K, while the average grants and contracts revenue was $229.8M, a ratio of 10.22%. We are projecting this to be reduced further in FY13.

The majority of the outstanding account receivable balance is due to current uncollected revenue from private entities. Private entities include other universities, native corporations, non-profits and corporations. Because of UAF's ongoing collection policy, OGCA believes the outstanding balance will have a steady decrease for FY13 and beyond.

Please refer to **Attachment B** for details on the outstanding quarterly accounts receivable balances and related allowance for doubtful accounts. UAF does not anticipate a need for a significant increase in the allowance for Grants and Contracts accounts receivable balance for FY13 based on the trends identified in **Attachment B**. An analysis will be conducted on yearend balances to confirm this expectation and we will reevaluate our position if warranted.

9. Student Accounts Receivable (A/R) Analysis

Described below is an overview of the collections process within the UAF Business Office. In an attempt to collect all outstanding student receivables, the following process is utilized:

1) Collection process
2) Permanent Fund Dividend (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 funds from past due accounts. Many procedural changes have been implemented to increase collection efforts. The initial focus of this effort has been in receiving payment for delinquent accounts and analyzing accounts returned from a previously used collections 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, after an extensive notification period.

We have seen an increase in outstanding receivables this year. Some reasons for the increase include:

- A steady increase in the number of students withdrawing or dropping from courses after receiving refunds. This results in their grants/loans being sent back to the lenders, which in return we must collect on.
- Parking citations, health center fees, judicial charges, etc. are now added to a student's account.
- As of June 30, 2012 there are balances for past due travel accounts in the amount of $41.7K. Two of these accounts have been in garnishment for the last several years and one is at the collection agency. We will be transferring the remaining accounts to collections and none are employed with the university at this time.

When comparing total receivables to 91+ day receivables the Fairbanks campus delinquency rate is 38% and the outlying campus rate is 70%. As of June 30, 2012 there was $240.6K in third party receivables. Included in third party receivables are VA accounts, which account for $186.1K of the amount. Each fiscal year, approximately 1,500 students are certified for VA funding and the VA can take up to 180 days to send payment.

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 $229.2K in student account receivables balances was transferred to them. As of June 30, 2012 they have successfully collected $16.2K and $12.4K has been cleared (appeal/bankruptcy/write off/deceased). The rate of return as of June 30, 2012 is 5%, however, by February 29, 2013 that has increased to 10%. The accounts that have been turned over to a collection agency are 3-7 years old. 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 has been a practice of the UAF Business Office to send student accounts that are three years delinquent to an outside collection agency for collection. We have changed this practice and will begin sending two year old receivables to an outside collection agency this year.

Collection Process

The business 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). As of Fall 2012 we are no longer using Tuition Management System (TMS) and we now have an in house payment plan in place. We will be utilizing TouchNet payment plans beginning Summer 2013.

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, receive a letter advising them of their delinquent status and, if applicable, their meal plan and SRC access are suspended. Residence Life staff 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 to their room and the meal plan and SRC access, if applicable, remain suspended. It is important to note that 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 balances as 99% 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 unpaid balance 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 receivables at CTC. We are currently working on a process to identify employees with past due balances and will step up collection proceedings.

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

Transfer to Collection Agency

Periodic statements are sent to students with outstanding balances until the balance is three years delinquent at which point, they are turned over to the collection agency. Our goal is reduce this from three years to two years. Once moved to the collection agency, 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.

PFD Garnishment

For students who are PFD eligible, the 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. The amount and number of claims have been reduced each year. In 2009 we received 48% of the amount we requested compared to 38% for 2011 and 37% for 2012.

Write Offs

The previous practice was to write off balances as soon as they were turned over to collections. In 2008, the Business Office implemented a program to actively manage receivables and to attempt to collect on past balances. The practice of writing accounts sent to collections was suspended. Cornerstone (previous collection agency) did not accept debt older than six years; while Williams and Fudge will take debt indefinitely but cannot litigate on debt older than six years. PFD's cannot be garnished after seven years. Currently, Associate Vice Chancellor for Financial Services approves all balances proposed for write-off before such are written off and balances are not written off until advised by the collection agency that all efforts have been exhausted. This is usually done once a year prior to fiscal yearend, except for bankruptcies or deaths.

Allowance for Doubtful Accounts

It is evident that there has been a steady increase in the total outstanding accounts receivable balance and bad debts over the past five years in spite of a concerted effort by the Business Office to collect. While some of the increase is attributable to the annual increase in tuition and enrollment, the percentage increase is attributed to a change in policy to no longer drop for non-payment instituted in 2007. It is also noted that our current procedure for ensuring the adequacy of our allowance for doubtful accounts was not evaluated during this period. UAF began periodic analysis of the allowance for doubtful accounts beginning in FY11. This resulted in an upward adjustment to the allowance as of June 30, 2012. A similar analysis and adjustment is expected to occur at June 30, 2013.

Conclusion

Multiple attempts are made at the campus level to collect on outstanding receivables 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 referring 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
2012	$40,672,468	332,081	$3,951,381	2,865,965	7.05%
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%

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

As of June 30, 2012 $200.6K for 147 students was at collections. Debt is not written off when accounts are referred to the collection agency.

10. M&R Target for FY13

UAF expects to meet its Maintenance and Repair target for FY13. Please refer to **Attachment C**, Projected Maintenance and Repair (M&R) for details.

11. FY12 Tuition and Fee waivers by Type and Amount

FY12 unrestricted tuition and fee waivers totaled $7.3M. Most academic and research units provide some portion of waivers to students, however, the vast majority of the waivers ($4.7M) are funded using centrally distributed tuition. The following chart shows FY12 unrestricted tuition and fee waivers by type. Not included is the UA Scholars program ($1.4M), Housing Auxiliary Scholarships ($363.0K), the WUE Exchange program ($1.8M) and Dependent/Spouse/Adjunct waivers ($1.5m).

Acct Code	Waiver Description	FY12 Actuals
6105	Scholarships[1]	669,601
6110	Talent Grant Waivers[2]	1,640,407
6113	Needs - Based Waivers	327,430
6115	Senior Citizen Fee Waiver	68,462
6118	Military Memorial Waiver	7,586
6210	Grad Assistantship Waiver	2,696,730
6211	Undergraduate Assistantship Waivers	51,611
6221	Fellowships	1,258,280
6331	Other Student Aid[3]	580,348
6441	Matching Funds-SSSP G6579	10,000
	Unrestricted Waivers	**7,310,454**

1. Athletic Scholarships = $493,513
2. Athletic Waivers = $701,862, Chancellor Waivers = $598,895, Int'l = $330,290
3. National Guard = $328,500, National Exchange = $104,494,
   UACC Director Waivers = $141,526

Category / Description	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Current Debt												
SERIES K - WRRB, Refinance C & I	$ 1,042	$ 694	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SERIES L - WRRB, Athletics, CRA, Electric Line	542	296	291	164	163	-	-	-	-	-	-	-
SERIES M - Hutchison Upgrade, IAB (Reallocated)	63	-	-	-	-	-	-	-	-	-	-	-
SERIES N - Intertie, Chiller, BiRD, Patty Ice, Aurora, Elvey	1,617	1,609	1,614	1,613	1,722	1,671	1,668	1,341	1,340	1,354	1,230	1,236
SERIES O - Lena Point, Museum, Arctic Health, Virology	935	942	948	948	952	945	951	278	281	273	319	319
SERIES P - Refinancing Series H & J	1,242	1,251	1,249	1,248	1,246	1,244	1,245	779	775	775	777	779
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	3,485	3,478
SERIES R - Refinance Series K, L, and M	-	552	838	835	835	992	993	1,462	1,460	1,460	1,458	1,463
Sub-Total: Debt Service on Current Debt Issues	**$ 6,162**	**$ 8,137**	**$ 8,425**	**$ 8,289**	**$ 8,402**	**$ 8,338**	**$ 8,342**	**$ 7,344**	**$ 7,337**	**$ 7,347**	**$ 7,269**	**$ 7,276**
SERIES S - Deferred Maintenance II		-	937	938	941	938	941	937	937	941	940	939
Total Debt Service		**$ 8,137**	**$ 9,361**	**$ 9,227**	**$ 9,344**	**$ 9,276**	**$ 9,283**	**$ 8,281**	**$ 8,274**	**$ 8,287**	**$ 8,208**	**$ 8,215**
Non-Central Debt Service Funding												
WRRB / LifeSciences		$ 1,725	$ 2,389	$ 2,393	$ 2,391	$ 2,388	$ 2,389	$ 2,404	$ 2,403	$ 2,404	$ 2,402	$ 2,399
Patty Ice, Elvey, and Athletics Reserve Funds		196	200	194	197	86	84	149	156	151	84	82
Other Debt Funding		1,059	1,063	1,062	1,170	1,229	1,225	598	592	605	596	604
Sub-Total: Non-Central Debt Service Funding		**$ 2,981**	**$ 3,652**	**$ 3,648**	**$ 3,758**	**$ 3,703**	**$ 3,697**	**$ 3,151**	**$ 3,150**	**$ 3,159**	**$ 3,081**	**$ 3,085**
Central Debt Service												
Total 50127 Debt Service		$ 5,156	$ 5,709	$ 5,578	$ 5,586	$ 5,573	$ 5,586	$ 5,130	$ 5,124	$ 5,128	$ 5,127	$ 5,130
FY13 Authorized Budget		3,184	3,184	3,184	3,184	3,184	3,184	3,184	3,184	3,184	3,184	3,184
Reallocated Working Capital Funds		350	1,050	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
IARC Collections		540	541	541	540	540	541	540	540	542	540	541
UFB Reserved for CRCD Pre-Paid Debt Service		41	41	-	-	-	-	-	-	-	-	-
Deferred Maintenance Reserve - 603347		1,369	355	-	-	-	-	-	-	-	-	-
Budget Adjustments (CRCD DM changes)		400	-	-	-	-	-	-	-	-	-	-
Required Funding (or Deposit into Reserve Fund)		**$ (728)**	**$ 539**	**$ 453**	**$ 462**	**$ 449**	**$ 460**	**$ 6**	**$ (0)**	**$ 3**	**$ 3**	**$ 5**
Working Capital Agreements												
ORCA Building ($2M - 15 year payback 7/2014-7/2028)			$ 168	$ 168	$ 168	$ 168	$ 168	$ 168	$ 168	$ 168	$ 168	$ 168
CTC Aviation Hangar ($2.9M - 20 year payback 7/2014-7/2033)			195	195	195	195	195	195	195	195	195	195
Total Working Capital Agreements			**$ 362**	**$ 363**	**$ 363**	**$ 363**	**$ 363**	**$ 363**	**$ 363**	**$ 363**	**$ 363**	**$ 363**

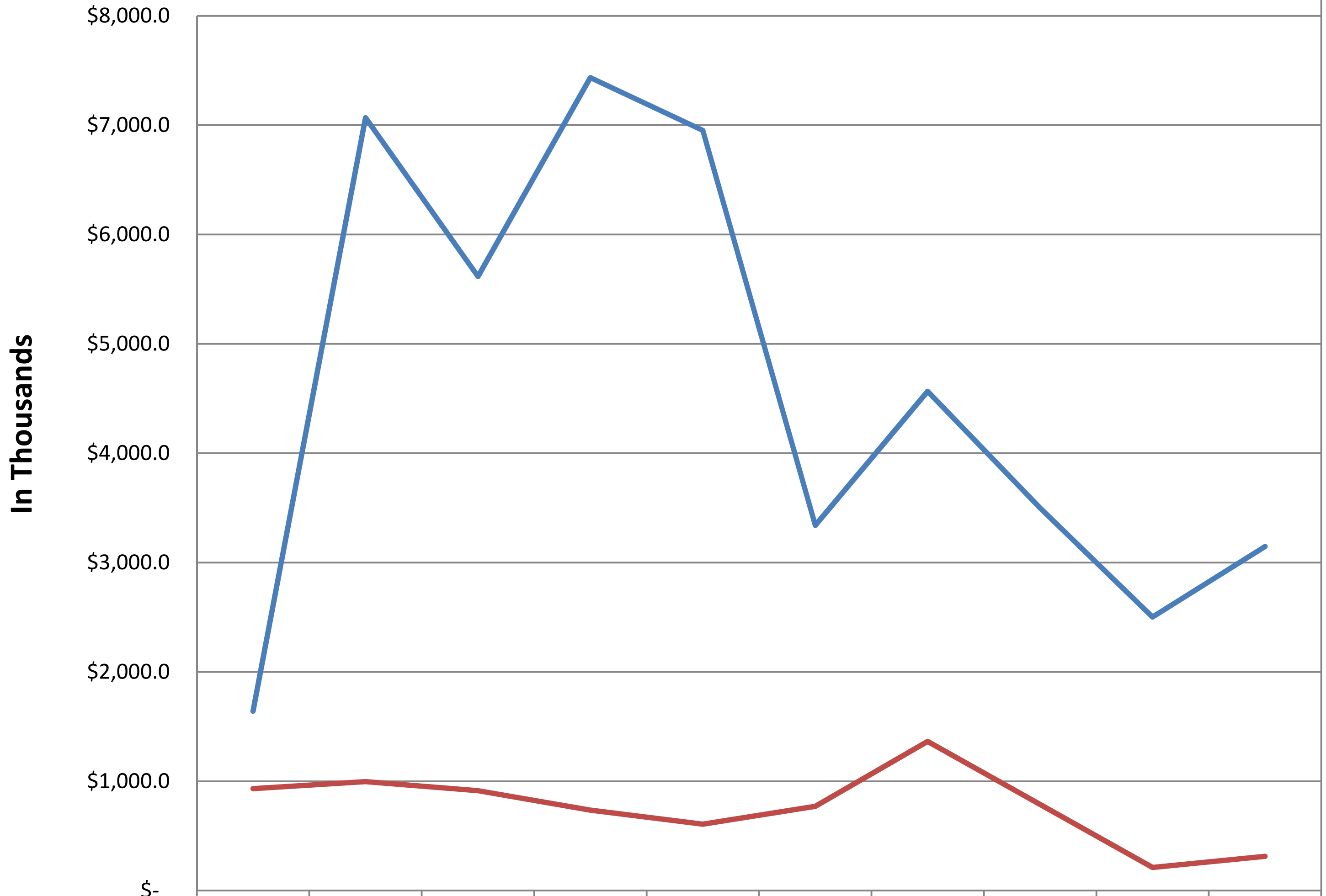
Note [1]: Any excess funding in FY13 can be deposited into the DM reserve debt service fund

Attachment A

UAF Debt Service Schedule

3/29/2013

Delinquent Receivable vs. Reserve for Doubtful Accounts
As of December 31, 2012



	30-Sep-2010	31-Dec-2010	31-Mar-2011	30-Jun-2011	30-Sep-2011	31-Dec-2011	31-Mar-2012	30-Jun-2012	30-Sep-2012	31-Dec-2012
Delinquent Receivable	$1,641.6	$7,069.0	$5,617.0	$7,435.6	$6,952.0	$3,340.7	$4,566.2	$3,499.4	$2,503.3	$3,147.0
Reserve of Doubtful Accounts	$934.0	$997.0	$915.0	$737.0	$609.0	$771.0	$1,365.0	$789.0	$213.0	$314.0

Attachment B

Projected Maintenance and Repair (M&R)	Routine Mtc	Scheduled Mtc	Reinvestment	Response Mtc	FY13 Total Projected Mtc Expenditures
Fairbanks Campus Research/Academic/Admin	$10,366,745	$1,221,528	$3,081,363	$501,865	$15,171,502
Fairbanks Campus Residence Life	$1,055,964	$148,918	$141,512	$67,690	1,414,084
Total Fairbanks Campus (Note 1)	11,422,709	1,370,446	3,222,875	569,555	16,585,586
FY13 M&R Target Fairbanks Campus					16,388,300
Over/(under) Target					197,286
UAF CRCD Total	$765,521	$158,555	$104,423	$54,132	$1,082,631
FY13 M&R Target CRCD					1,049,700
Over/(under) Target					32,931
Total UAF FY13 Projected Maintenance and Repair					$17,668,216
Total UAF FY13 Target					$17,438,000
Total UAF FY13 Over/ (Under) Target					230,216

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 C

Projected FY13 M&R (UAF)