UNIVERSITY OF ALASKA FAIRBANKS

Spring Management Meeting

April 10, 2014

Naturally Inspiring.

Significant Administrative Efforts at UAF

FY14 Budget Gap and Actions

UAF began its planning process to address the impact of net budget gap anticipated in FY14 in April 2013. The budget gap, resulting from unfunded annual fixed cost increases, anticipated effects of federal sequestration on competitive funds and indirect cost recovery, and flattening enrollment and tuition revenues, was projected to be in the range of $8-9M. UAF took several steps to address this budget gap including the following:

- Reducing off-campus lease obligations
- Realizing savings through energy management
- Delaying hiring actions to maximize vacancy savings
- Identifying specific reductions to programs and services
- Utilizing savings from staff benefit rate reductions
- Managing year-end reserves

As a result of the above actions, UAF expects to end FY14 financial year on stable footing and with appropriate reserves going to FY15. UAF anticipates a bigger budget gap for FY15 and is working to put a plan in place by the end of FY14 to address such. Discussions and actions taken by UAF on this are outlined further in this document.

Reorganizations and other staffing adjustments

Given the budget challenges in FY14, those anticipated in FY15, and our desire to continually examine our organization and processes, UAF periodically reviews its operations to make structural and process adjustments with an eye for efficiency and effectiveness. Summarized below are some actions taken in FY14 as a result of these efforts.

Office of Grants and Contacts Administration and Office of Sponsored Programs

Faculty, students and research staff are critically important players in the University's research and non-research enterprise. To assist these individuals and the challenges they face in developing and submitting proposals and managing external research grants and contracts, UAF committed to a major reorganization effort. The reorganization integrated the functions within the Office of Sponsored Projects (OSP), under the Vice Chancellor for Research, into the Office of Grants and Contracts Administration (OGCA) under the Vice Chancellor of Administrative Services. The reorganization occurred in January 2014. Rosemary Madnick leads the coordinated effort as the new Executive Director of the merged offices.

The newly integrated OGCA is designed to effectively serve development, regulatory compliance and the administrative needs of UAF. These efforts will be infused with a "can do" philosophy and service orientation, with an emphasis on enhancing opportunities for faculty, students and staff to develop external funding without encumbrances or bureaucratic entanglements.

The combined OGCA staffing and personnel development will include significant cross-training and functioning as teams to ensure system efficiencies and professional growth. The development and growth will also be centered around continual improvement of customer service.

The goal is to adopt an effective new business model that embraces efficiency, accountability and responsiveness to the needs of the research community and the external partners with which it does business. The focus will be to more closely align processes with the policies and procedures of the federal, state and local sponsors with whom UAF frequently interfaces.

UAF Office of Finance and Accounting

As a result of attrition, budgetary considerations and changing needs/expectations, an opportunity arose to rethink the functions within the Office and Finance and Accounting to optimize delivery of services to both internal and external clients. This review was also driven by several other factors including, but not limited, to the following:

- Attrition in the financial services area allowed for a review of positions and alignment of such to establish a more efficient and effective organization that is responsive to our changing environment and is conscientious and deliberate in strategically approaching support for budget, training, travel, management reporting and other transactional expectations of the Office of Finance and Accounting.
- The need for UAF to be more strategic financially is more critical than ever and there currently is minimal capacity to provide the necessary tools to drive strategic budgetary and financial discussions and decisions.
- The central travel function of audit, accounts payable and processing departed from this role to a substantive, detailed review function. The detailed review function also exists at the departmental level and should rightfully belong at that level. The focus of the central travel function should remain overall audit, training, business process development and refinement, and payment of travel reimbursements.
- Certain process functions report directly to the Associate Vice Chancellor for Financial Services that are best suited reporting along functional lines.
- The reorganization would result in some salary savings, allowing us to minimize total costs in the near term with administrative services and campus-wide efficiencies and savings gained in future years. The reporting structure is responsive to the evolving needs of the University of Alaska Fairbanks. The end result is a more nimble unit that is better positioned to serve the UAF community

The Office of Finance and Accounting is headed by a Director with direct reports (managers/staff) assigned to functional areas i.e. Transaction Team Manager, Budget Manager, Accounts Payable, etc. This unit encompasses functions that generally fall under the purview of a Controller or Finance director. This is the accounting arm of the MAU.

The reorganization entailed the following actions:

- The Travel Manager/Auditor position was eliminated and replaced by a Travel Auditor position

- The Travel Manager was reorganized into the Transaction Manager, which replaced a prior version of this role. The Transaction Manager position was rewritten to include Travel oversight responsibilities.
- One position is slated for elimination on retirement of an employee.
- The senior budget analyst position was upgraded
- Recruitment of the Director of Finance and Accounting

The reorganization will be complete on the hiring of the new director. This process is well underway and expected to be completed by the end of April 2014.

UAF Leasing Office

Linda Zanazzo, UAF Director of Administration and Leasing, announced her desire to retire this summer after a long, productive career with the University. Upon her retirement, Linda's responsibilities will be assumed with other areas with the leasing function moved under Financial Services and other responsibilities distributed within Facilities Services.

Arctic Region Supercomputing Center

Effective March 2014, the Arctic Region Supercomputing Center (ARSC) merged with the Geogphysical Institute with the aim of integrating this institutional asset into core research functions. Since losing direct funding from the Department of Defense, ARSC has struggled to garner adequate external funding to fully support its core operations.

School of Natural Resources and Agricultural Sciences (SNRAS) and Cooperative Extension Service (CES)

In February 2014, the Board of Regents officially approved the merger of the SNRAS and CES to form the School of Natural Resources and Extension (SNRE). In recent years, SNRAS had financial difficulties driven primarily by declining enrollment in its academic programs and loss of federal funding from earmarks. The process to determine the optimal structure for these two entities began about a year ago with the establishment of a reorganization committee comprised of representatives from SNRAS and CES. The new entity, SNRE, is positioned to strategically integrate activities in the interests of carrying out UAF's land grant mission, supported by formula funding received from the US Department of Agriculture and matched by the University.

Career Services

As part of the efforts to streamline and restructure operations, and to prepare for an environment of limited resources, Chancellor Rogers challenged each vice chancellor to identify vertical adjustments to reduce operations. In response to this expectation, the division of University and Student Advancement (USA) eliminated the Office of Career Services and distributed the related services among other entities within USA. This reorganization results in ongoing savings of approximately $250K a year.

Process Improvement Efforts

In Spring of FY12, UAF launched two project teams to examine the grant awards setup and employee pre-recruitment processes. Working with UAF staff trained in process improvement facilitation, these teams collected extensive data from customers to identify specific problem areas and to make recommendations for more streamlined processes, including identifying any policy, regulation, training and technology issues to be addressed.

Those two teams made recommendations and UAF is now in the processes of implementing changes. Some are large changes, such as an expansion of UAF's investment and training in software for online proposal and award management (InfoEd). Others are small changes like publishing (online) each Vice Chancellor's or Provost's requirements for approval of recruitment efforts so approval hierarchy is known within each unit and consistency is improved. In FY13, UAF trained a new cadre of process improvement facilitators and launched process improvement efforts for procurement and travel.

The procurement team is working to find ways to reduce the time it takes to issue a purchase order once the department identifies a need. They are looking at ways to share best practices and tools developed by different units, improve training resources, improve workflow communication and reduce the complexity of the procurement process overall. Currently, some "early wins" are possible with better use of modules UA already owns and can access in Banner. UAF is collaborating with UA Financial Systems for Banner improvements and expects some preliminary results this summer, with a full business case from this project team by fall 2014.

The travel team is reviewing the current process from the time a travel request is made to the time a trip is complete and expenses are reimbursed to the traveler. They are gathering feedback and data from departments to better understand problem areas and determine the sources of delays. They are also looking to enhance training programs, review online booking and reimbursement technologies and gather expenditure data to explore volume discounts with key vendors (high use airlines, car rental vendors and hotels).

This effort is being done in parallel with the implementation of the online travel expense management (TEM) program managed by the UA System Office. UAF is committed to moving the majority of all travel requests and reimbursements into the TEM system by July 1, 2014 (see update on TEM). The process improvement effort identified some areas within TEM which, if addressed, would fully streamline the automated processes. A business case from the project team is expected by fall/winter 2014.

Several projects are currently underway to better integrate OnBase with other UA systems, including transcript processing, electronic signatures and Banner. Beginning in FY14, UAF is piloting the use of DocuSign to electronically route and sign forms, memos and other documents. Functions within Facilities Services now route and approve capital project documents using DocuSign. Integration between DocuSign, OnBase and Banner is a critical need that UAF hopes to explore further this fall in key areas.

The next major process improvement initiative at UAF is a campus-wide professional development and training initiative. UAF is currently forming a work team to address the concepts of training as part of employee development (built into an employee career development plan), basic and advanced training in functional areas (e.g. HR, Finance, Safety, Grants Administration), and consolidated and consistent training delivery. This team is expected to take shape in spring 2014.

Implementation of the Banner Travel Expense Module

While the original target implementation date for the Banner travel expense management module (TEM) was slated for FY14, beta testing of the product was met with significant delays due to various aspects of the process needing adjustments and additional programming to meet UA requirements. Active rollout of product for use by departments did not begin until the first quarter of FY14. Since then, UAF offered training for units at the Fairbanks campus and our rural campus sites. To date, 193 delegates/approvers are trained. UAF is actively pushing migration of travel from the manual process to TEM. While approximately 12% of all Travel Expense Reports processed in March were through TEM, we estimate that approximately 25% of all travel (TAs) is now through TEM. Our stated goal is to have all travel on TEM beginning FY15. No new travel authorizations for employees will be processed using the current manual process effective July 1, 2014.

We continue to look for ways to streamline the travel process without sacrificing the expected level of internal controls. As noted earlier, our travel process improvement effort, which was launched in FY14, is well underway and, as result of some their preliminary findings, we have already made adjustments to our current processes. The TRIP team expects to complete their effort in fall/winter FY15 and present their business case to UAF leadership for consideration and action.

Financial Watch/Probation

Beginning in FY12, UAF instituted a program whereby the Vice Chancellor for Administrative Services and Financial Services play an active role in early identification of units within UAF that are experiencing financial challenges or otherwise pose a level of institutional risk (i.e. a federal program under scrutiny, internally or externally) that warrants a greater level of oversight and monitoring. Working with the Chancellor and respective area Vice Chancellors, the Vice Chancellor for Administrative Services and the AVC for Financial Services group these entities into two buckets: Units on Financial Watch and Units on Financial Probation. Once this list is finalized (usually in July of each fiscal year), respective Deans/Directors are notified and meetings are held between the unit leadership and AVC for Financial Services to review the issues and monitor such throughout the financial year.

For FY14, UAF placed three academic units, two research units and four support/service units on financial watch list. As part of the monitoring effort the monthly institutional management report includes a more detailed analysis of the finances of the units based on discussions between the AVC for Financial Services and Unit Dean/Director and fiscal personnel. This analysis is provided to the Vice Chancellor for Administrative Services and shared with respective area Vice Chancellor and the Chancellor, as appropriate. This program allows UAF to proactively manage and address issues throughout the financial year and assists in ensuring overall institutional financial stability and accountability. No units were placed on financial probation in FY14.

Beginning in FY14, given the ongoing changes in the federal landscape and increased oversight and compliance expectations, this program is expanded to include major grants received by UAF. Examples of grants subject to this program include EPSCOR, INBRE and Sikuliaq.

Public-Private- Partnership (P3 Project)

UAF continues to push ahead with its Dining P3 Project. Construction began as planned in April 2013 and is progressing on schedule. Completion of the project is slated for July 2014 with the facility planned to be open to the campus community in Fall 2014.

As the construction of the facility was financed through tax-exempt bonds, this triggers certain IRS compliance expectations on the use of the facility, which are currently being reviewed by UA Controller Myron Dosch and AVC Kurapati. We expect that the IRS expectations will impact contractual expectations with our dining services provider, currently NANA Management Services, and are working to ensure that such expectations are in full compliance with applicable regulations. UAF expects to have a new contract governing dining services in place by July 1, 2014. It is also UAF's intention to solicit a formal RFP for dining services for FY2016 and forward.

Active Management of Outstanding Audit Issues

UAF continues to actively manage audits (internal and external) and is working proactively to address, resolve and close outstanding audit findings and recommendations. Under a new structure established in FY12 by Chancellor Rogers, AVC Kurapati serves as UAF's liaison on all audit matters and works with Chief Audit Executive Nikki Pittman, members of Statewide management, and UAF units and departments to coordinate UAF's responses to internal and external audit issues.

In FY13 and FY14, we have seen a significant increase in the number of internal audits, both regularly scheduled and special audits. This has required UAF to devote substantive time and effort to support, respond to and address issues resulting from such reviews. Having an established structure to actively respond to these reviews allows UAF to respond to related requests in a timely manner and minimize disruption on regular work expectations. As a result of a concerted effort to address and close out audit findings, UAF is pleased to note a significant reduction in the number of outstanding audit findings.

Administrative & Support (A/S) Program Review

In April 2010, executive leadership identified the need to conduct a review of the university's academic, research and A/S functions, in part to help inform future budget allocations and to ensure alignment with core themes and objectives. A committee was appointed to oversee the project and membership included representatives from academic, research, CRCD, and administrative support functions. The committee was supported by staff from the Administrative Services division. The committee was charged with three primary goals:

1. **Develop a mechanism to inventory UAF's administrative and support capacity.**
The goal is to have an inventory of such capacity that is robust enough to provide insight, but simple enough to replicate on an annual basis. Measures include: a) current funding and staffing levels, b) trend information, and c) key indicators and benchmarks.
2. **Develop criteria for rating importance, efficiency, and effectiveness among functions.**
These criteria will consider operational effectiveness in light of organization risk, compliance and safety concerns.
3. **Identify common processes to streamline.**
Key processes were identified that, when streamlined, can improve overall administrative effectiveness. To date, major efforts are focused on grant award set-up, employee recruitment, procurement and travel processes. Achieving and documenting measurable costs savings or performance improvements is key to success in these areas.

The Administrative Review Phase I Report, completed in 2011, established baseline information and a comprehensive inventory of A/S capacity at UAF, focused primarily on the number of full-time equivalent benefitted employees (FTEs). The initial 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.

2013 A/S Update

Based on the FY15 outlook, new funds will be harder to attain. This means process management and prioritization will be key areas of focus for optimizing the resources UAF already has in alignment with core themes and strategic plans. These conditions increase the need to understand each service unit, its make-up including staffing levels and functions, and its associated costs. Analysis of services and how they are provided becomes more important in this climate.

This data will be used as a management tool so discussions regarding function and level of service can occur. This data was recently updated to show Administrative & Support (A/S) trends from Spring 2008 through Spring 2013. Spring 2014 FTE trend data will be updated after the April Human Resources (HR) snapshot occurs.

To date, UAF reduced FTEs in traditional administrative and support areas (administrative generalists/specialists, fiscal managers/technicians, humans resources, procurement, police, fire, environmental health & safety and facilities staff). UAF made several targeted investments in student services (advising and student service staff), marketing and communications (as part of the reinvigorated marketing campaign), and development staff (fundraising efforts) as part of the Board of Regents' budget and UAF strategic initiatives within the last five years.

UAF's administrative services process improvement initiative began as part of the A/S Review process that evolved from the 2010 Chancellor's Executive Leadership Workshop. One of the goals of the A/S Review Committee was to identify common processes to streamline that would improve overall administrative effectiveness. Since then, a full-scale process improvement methodology was adopted and a growing team of facilitators works to lead several institutional movements promoting change.
These efforts represent bottom-up change developed by the process owners and are supported at the highest levels of the organization.

Project details and recommendations from the process improvement teams can be found online: http://www.uaf.edu/finserv/omb/process-improvement/current-projects/

Strategic Reinvestment

The challenging federal and state fiscal climates make management of UAF's internal resources all the more important. UAF regularly reallocates internal resources to support priority areas. It is critical that UAF maintains a focus on strategic planning and investment, even in tight budget times.

For FY14, UAF invested in economic development through the Office of Intellectual Property and Commercialization (OIPC), development and branding efforts, marketing and alumni support, STEM success in general chemistry to alleviate course bottlenecks as an entry program to Engineering and Life Sciences, alleviated West Ridge Research Building (WRRB) rental obligations impacting several on-campus units, Arctic research initiatives and student centered sustainability/resource conservation efforts.

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.

Staff Changes

In FY14, UAF Administrative Services Division saw a few key staffing changes. Maggie Griscavage, the Director of the Office of Grants and Contracts Administration retired effective June 30, 2013. After a nationwide search, Rosemary Madnick was hired and assumed leadership of this office in December 2013.

Sean McGee, UAF Police Chief, also elected to leave UAF and join his family in Anchorage. After an extensive search, Keith Mallard was selected as the new Police Chief and assumed this role in March 2014.

Phill Harrington, the Director of the Office of Finance and Accounting resigned his position to join the Institute of Arctic Biology as the Executive Officer. Jason Theis was appointed as the Interim Director.

Recruitment for the position has entered the final interview stage and we expect to have a permanent director named in May 2014.

Pamm Hubbard was named Contracts Manager overseeing the Dining, Bookstore and Trademark functions at UAF. She replaced the Director of Contracts and Auxiliary Operations position previously held by Robert Holden, who moved to assume a similar position in California.

Greg Krier was appointed Executive Officer of the joint Auxiliary and Contract Operations business office. In his new role, Greg oversees the financial operations of housing, dining, the bookstore and other auxiliary operations. The joint business office reports directly to the AVC for Financial Services

Gary Johnson, Director of Design and Construction, resigned his position to pursue other employment opportunities. Jenny Campbell was named Interim Director of Design and Construction while a search for a permanent director is underway.

Linda Zanazzo, Director of Administration and Leasing, plans to retire in summer 2014. On Linda's retirement, her responsibilities will be distributed within Administrative Services in an effort to proactively manage the budget challenges expected in FY15.

UAF routinely has executive vacancies and actively works to minimize impact of such changes on the institution. In FY14 UAF lost one of its longtime employees, Bernice Joseph. Most recently serving the Vice Chancellor for Rural and Native Education (RCNE), Bernice passed away after a long battle with cancer. Peter Pinney is currently serving as the Interim Vice Chancellor for RCNE while recruitment for Bernice's replacement is underway.

1. FY13 UNRESERVED FUND BALANCE ANALYSIS

UAF currently projects an unrestricted (F1) unreserved fund balance (UFB) of $6.77M and $19.45M for service center and leasing funds (F7, FE, FL). The projected F1 UFB falls within UAF's target range of $6M to $8M and represents 1.6% of our total projected unrestricted and restricted revenues ($415.7M), not including recharge, leasing, and enterprise funds or UA Intra-Agency Transfers.

UAF Unrestricted Unreserved Fund Balance

CABINET	FY12 Actual	FY13 Actual	**FY14 Jan Projection**
Chancellor	69,788	17,043	**28,664**
eLearning	4,337	(202,107)	**(18,938)**
Office of Information Technology	384,193	120,646	**41,718**
Provost	2,190,267	2,112,634	**1,659,671**
Cooperative Extension Service	78,885	55,844	**73,618**
VC for Rural, Community, and Native Education	1,124,853	1,286,730	**451,572**
VC for Research	1,720,389	1,462,829	**1,584,356**
VC for University and Student Advancement	(108,150)	390,910	**196,546**
VC for Administrative Services	544,485	540,572	**497,760**
Central Support (Scholarships, Debt Service, Utilities, etc.)	2,672,994	2,734,543	**2,250,274**
Total	**8,682,041**	**8,519,642**	**6,765,241**

UAF's UFB guidelines governing unreserved fund balances at the unit level take into account the need for flexibility and prudent fiscal management. UFB investments connect to the strategic themes of Educate, Research, Prepare, Connect, and Engage. Currently, there are no plans to draw UFB from units to the centrally managed accounts.

As noted earlier, the F1 UFB projection for FY14 is $6.77M. While this is lower than in prior years, it is necessary given the current fiscal climate. A primary factor influencing UFB projections outside of the centrally managed accounts is the vacancy pullback process initiated for FY14. This process targets $3M in one-time vacancy savings, realized on the first ninety days of vacancy, with 66% ($2M) drawn centrally and the other 33% ($1M) collected at the cabinet level for reinvestment. The effective result of this change is that there is $2M less in UFB anticipated outside of centrally-managed accounts, with the central portion targeted to cover fixed-cost increases and revenue shortfalls such as debt service and indirect cost recovery (ICR).

As with unit-level UFB considerations last fiscal year, units will evaluate the potential impacts that the current federal, student, and state fiscal environments will have on their FY15 budgets to determine prudent UFB this year and how this may be used to provide bridge funding for affected programs. A primary example is the need to invest in new faculty to help UAF research continue to compete in a highly competitive funding environment, which includes new and continuing start-up packages for recent and upcoming recruitments.

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

As in the prior two fiscal years, UAF distributes ICR revenue on a 60/40 basis with 60% of the revenue dedicated to reinvestment in areas considered as direct to sponsored program activity. This includes the generating units (50%), Office of Sponsored Programs and the Vice Chancellor for Research office (1.5%), Debt Service (7.5%), and the Undergraduate Research and Scholarly Activity (URSA) program (1%). The remaining 40% covers central facilities and administration costs including deferred maintenance, central support offices, debt service, and the library.

This model recognizes the need for reinvesting a portion of ICR toward new facilities and major renovations, particularly the need for supporting debt service obligations for new research facilities. In FY14, UAF applied the 60/40 funding model to all current sponsored program activity.
UAF also distributes tuition on a 60/40 basis, wherein the generating school or college receives 60% and central retains 40% to fund various administrative activities and costs that have broad institutional benefits, such as tuition support for graduate teaching assistantships. UAF intends to continue the current methodology for distribution of tuition revenue.

In addition, UAF altered the eLearning tuition distribution model in FY14 to a 60/40 model with 60% of the tuition being distributed to the academic unit responsible for the course and eLearning retaining 40% to support its services (an exception to this overall model is a 75/25 distribution for CRCD and CTC offerings). We are currently evaluating units that have distribution models outside of the one noted above to determine if such should be applied uniformly to all programs. Consistent application of this model presents the added advantage of streamlining administrative processes associated with faculty and student support activities within and between the various program delivery methods.

3. CURRENT VERSUS INITIAL REVENUE PROJECTIONS

The following chart shows the dollar variance and percent variance between our original revenue projections in July 2013 and January 2014 Management Report. The U of A Receipts projection is net of prior year UFB ($26.55M), and Student Tuition, Fees, and Services revenue includes the projected GASB tuition allowance offset (-$4.98M).

FY14 January revenue projections are 1.3% more than our original estimates. The General Fund – State Appropriation variance of $2.9M is due to the anticipated one-time utility trigger funding not included in the original projection, net various one-time transfers of general fund to other MAUs. State Inter-Agency Receipts are much higher than originally anticipated due to project agreements that took effect for FY14. Current year-to-date revenues as of January are 1.2% ($4M) higher than last year's revenues at this time. General Fund ($7M) and Federal Receipts ($0.7M) account for all of this increase, net of decreases in nearly all other revenue sources. Original UA Intra-Agency Transfers projections included a part of a year's activity within the Sikuliaq recharge center ($8M), but that activity is not anticipated to begin until Fall of FY15. Realized Indirect Cost Recovery is down 1.9% from January 2013, while the year-end projection anticipates a drop of five percent.

SBS BUDGET TITLE	FY14 Original	FY14 Jan Projection	$ VAR	% VAR
Federal Receipts	89,000.0	93,771.5	4,771.5	5.36%
General Fund – Match Appropriation	4,739.3	4,640.3	-99.0	-2.09%

General Fund – State Appropriation	171,811.3	174,715.9	2,904.6	1.69%
Inter-Agency Receipts	2,700.0	3,960.7	1,260.7	46.69%
Interest Income	2.0	-31.3	-33.3	-
Dorm, Food, & Auxiliary Services	16,000.0	16,394.8	394.8	2.47%
Student Tuition, Fees, & Services	42,000.0	42,155.5	155.5	0.37%
Indirect Cost Recovery	23,600.0	22,758.5	-841.5	-3.57%
U of A Receipts	45,450.0	46,511.1	1,061.1	2.33%
CIP Receipts	7,500.0	7,147.4	-352.6	-4.70%
General Fund - Mental Health Trust	50.0	50.0	0	0.00%
Technical-Vocational Education Program	1,206.4	1,186.6	-19.8	-1.64%
UA Intra-Agency Transfers	38,400.0	30,093.9	-8,306.1	-21.63%
Total	**442,459.0**	**448,334.7**	**5,875.7**	**1.33%**

4. PROJECTED REVENUE RELATIVE TO RECEIPT AUTHORITY

The following chart shows projected revenue compared to budget authority for each revenue source. As above, the U of A Receipts projection is net of prior year unreserved fund balance ($26.55M) and Student Tuition, Fees, and Services revenue includes the projected GASB tuition allowance offset (-$4.98M).

SBS BUDGET TITLE	FY14 Budget	FY14 Jan Projection	Projected Revenue (Over) Under Budget
Federal Receipts	101,914.6	93,771.5	8143.1
General Fund – Match Appropriation	4,640.3	4,640.3	0.0
General Fund – State Appropriation	171,715.9	174,715.9	-3,000.0
Inter-Agency Receipts	5,649.6	3,960.7	1,688.9
Interest Income	1.0	-31.3	-30.3
Dorm, Food, & Auxiliary Services	16,688.1	16,394.8	293.3
Student Tuition, Fees, & Services	48,902.2	42,155.5	6,746.7
Indirect Cost Recovery	25,162.8	22,758.5	2,404.3
U of A Receipts	48,761.3	46,511.1	2,250.2
CIP Receipts	7,223.8	7,147.4	76.4
General Fund - Mental Health Trust	50.0	50.0	0.0
Technical-Vocational Education Program Other	1,186.6	1,186.6	0.0
UA Intra-Agency Transfers	33,768.5	30,093.9	3,674.6
Total	**465,664.7**	**448,334.7**	**22,309.8**

UAF currently projects all revenue sources to fall within their authorized receipt levels. The additional needed General Fund – State Appropriation will accompany the final authorized fuel trigger funding. CIP Receipts may require additional receipt authority if current projections prove low. At this time, UAF does not anticipate needing additional authority and will remain in contact with Statewide Budget regarding this receipt category.

UAF's expected unused budget authority of $22.3M is the combined result of declining federal receipts (and associated indirect cost recovery) over the last several fiscal years, variability in State inter-agency funding levels, the GASB adjustment for student tuition and fees, and a lower than anticipated level of UA Receipt generation. While UAF expects the current level of need for receipt authority to remain similar in

FY15, of particular note is the need for additional intra-agency transfer authority, and the potential for additional federal receipt authority, in FY15 as the research vessel (R/V) Sikuliaq comes online. UAF expects recharge activity on the order of $12-15 million annually related to Sikuliaq activity, with the majority of funding coming from federal sources.

5. SIGNIFICANT UNPLANNED OR CONTINGENT EXPENDITURES

We do not anticipate any significant unplanned or contingent expenditures at this time.

6. DEBT STRATEGIES AND PLANS

UAF approaches long-term debt service as a tool to maximize strategic capital investments in new and aging infrastructure in order to create and maintain a safe, efficient, and appealing campus. In pursuit of this goal, debt service payments at UAF increased more than three million dollars since FY12 (from $6.2M to $9.7M in unrestricted debt service obligations). This increase includes payments on bond issues R and S, as well as internal UA working capital arrangements that allowed for the acquisition of the CTC Hangar to support the Aviation Technology program and the Orca Building in Seward to support upcoming Sikuliaq operations.

The student dining facility upgrade, which is currently on-schedule for completion in July of 2014, represents a unique financing approach at UA wherein UAF entered into the project with a private partner to fund the project by agreeing to long-term lease payments of approximately $1.5M annually. The source of these payments is revenue from the student housing and dining auxiliary enterprises.

This critical and rapid investment in UAF infrastructure creates some risk, however, due to the long-term repayment commitments. Flat or falling revenue sources since FY12, such as tuition and indirect cost recovery, create added stress on other unrestricted funding sources to cover, on an ongoing basis, the debt service committed by UAF. In FY13, UAF committed $1M from staff benefit rate savings to long-term debt service and will commit another $1M to debt service from this source in FY14. UAF is aggressively monitoring its finances by recognizing these fixed cost commitments and working to shore up resources to fully fund these obligations in the out years. We are comfortable that the resources already dedicated for this purpose and those identified for future reallocation, as appropriate, allow us ample flexibility in spite of the financial challenges ahead.

There currently is a commitment to fund a portion of the engineering facility through debt service. Other projects under consideration, including the combined heat and power plant replacement, may have the potential to include debt service funding. UAF leadership is considering various projects and will thoroughly vet the options given the current fiscal environment. Please refer to Attachment A to this document for a complete listing of all UAF debt obligations as of March 31, 2014.

7. FY15 INITIAL BUDGET ANALYSIS

The Governor's strategy over the past few fiscal years through FY14 has been to "hold-the-line" on budget requests from state agencies, including the University. However, in FY15, the Governor promoted a significant operating budget reduction with emphasis on only "mission critical" items.

The budget gap initially projected for FY14 is being actively managed to mitigate its impact, yet this gap is expected to widen in FY15 with the new reductions proposed by the State. UAF expects to balance its budget by increasing non-state revenue and decreasing spending. Based on state and national economic conditions, tuition and research funding will likely not increase enough to offset rising costs and the significant decrease in state funding.

In December 2013, Governor Parnell announced his 2015 budget proposal for the State of Alaska. The Governor proposed some support for fixed cost increases and minimal additional support for new programs, but also includes a $14.9M general fund reduction to the University of Alaska system from the FY14 budget level. To date, the House recommendations put the reduction amount at $15.9M; there are several steps left in the legislative process before final numbers are known. This proposed reduction from the baseline budget could translate to an estimated $7-8M cut for UAF. This proposed cut, coupled with expected annual fixed cost increases and funding required for strategic reinvestments, could leave UAF with an FY15 budget gap in the range of $12-$14M.

The budget outlook is not likely to change when the Legislature adopts a final budget in the spring. UAF began contingency planning in January 2014 with a commitment to careful planning, good stewardship of resources and investment in key areas. Additionally, UAF is planning for this budget climate over a multi-year term, and all budgetary or programmatic changes are being carefully considered.

Budget Options Group and Planning & Budget Committee

Last spring, UAF established a website to collect budget saving ideas from the campus community. To generate new ideas for further consideration, Chancellor Rogers appointed an executive level Budget Options Group in December 2013, chaired by Executive Officer Kari Burrell, to identify and assess both budget reduction and revenue enhancement options.

The Budget Options Group (BOG) and the Planning & Budget Committee (P&BC) chaired by Provost Henrichs, will actively engage with the Chancellor's Cabinet to make recommendations for reducing expenses and generating new revenues this spring and summer. The target is to implement new ideas in FY15, although it is likely some concepts will extend into future years depending on the degree of change to any particular program, service area or physical space. Estimated target dates for budget planning processes are listed below.

Est. Dates	Task
Jan-2014	Budget Options Group (BOG) Convenes
Feb-2014	BOG submits its recommendations to Planning & Budget Committee (P&BC)
Apr-2014	P&BC submits its recommendations to Cabinet
Apr/May 2014	Executive Leadership Workshop (UAF Deans, Directors & Leadership)

As of March 2014, the BOG identified areas unique to UAF's mission and competitive strengths that should be maintained and/or enhanced. The BOG then reviewed and analyzed a range of budget ideas submitted from a variety of sources and forwarded a list of options to the UAF P&BC for its consideration. The options identified by the BOG are not yet recommendations. The UAF Budget Options Group initial report and analysis can be found online at: http://www.uaf.edu/finserv/omb/budget-planning/

The P&BC will accept and consider additional options and analysis. To date, this committee has broken into several topic-based subcommittees to thoroughly evaluate the options and provide possible alternatives where necessary. Next steps include reports to the Vice Chancellors before submitting recommendations to Chancellor's Cabinet for final consideration.

UAF Enrollment

The student headcount for UA Fairbanks as a whole decreased -2.7 percent (-239 students) from spring 2013 to spring 2014. The headcount decrease since spring 2010 was similar, -2.8 percent. The student credit hour (SCH) decrease was smaller (-2.4 percent since 2013, +0.6 percent since 2010), and as expected, was similar to the SCH decrease from fall 2012 to fall 2013 (-2.7 percent).

There is a long-term trend toward a greater proportion of degree-seeking students at UA Fairbanks, which is continuing this academic year and is driven, in part, by financial aid availability. This trend, along with efforts to encourage degree-seeking students to enroll in more credits, is keeping SCH enrollments greater relative to headcount enrollments.

In Spring 2014, first-time freshman headcount was up +21.7 percent (+35 students), but this was due to a very low number of entering freshmen in spring 2013. Continuing freshman enrollment was up (+2.4 percent), a favorable trend attributable to good retention of fall-entering freshmen to spring. Retention was 94 percent for baccalaureate-seeking freshmen and 81 percent for associate level freshmen (including certificate, associate, and baccalaureate-intended (BI) students).

New transfer student headcount was up +5.3 percent from last year according to the UA Fairbanks Admissions Summary Report (February 10, 2014), indicating that revised communications with potential transfer students have been effective. Transfer student enrollment made up a large proportion of new enrollments in spring 2014, and exceeded first-time freshman enrollment (277 transfers versus 212 first-time freshmen).

First-time graduate student enrollment was down -19.7 percent (-12 students) from last spring semester. That traces directly to increasing challenges in securing the federal research grants that support many of UA Fairbanks' graduate students as research assistants; at the UA system as a whole, the proportion of graduate students supported by external research grants has declined sharply over the last couple of years, going from 10.4 percent in FY11 down to 8.1 percent in FY13, and now provisionally expected to meet a target of 7.0 percent in FY14.

Enrollment in eLearning courses continues to grow at a steady pace. As of January 28, 2014, student credit hours in eLearning courses were up 12 percent from the same time last year and represented 16 percent of total student credit hours at UA Fairbanks. In response to student demand for flexible options, UA Fairbanks continues to develop or convert additional course content for online delivery. Eighteen new courses are being offered online for the first time this spring among the many already offered.

FY13 Tuition and Fee Revenue		
Lower Division	$ 20,991,692	50%
Upper Division	$ 7,846,912	19%
Graduate	$ 6,897,703	17%
Non-resident Surcharge	$ 4,648,283	11%
Contra-tuition accounts (Pell/discounts)	$ (5,701,712)	-14%
Fees	$ 6,958,971	17%
Total	**$ 41,641,847**	**100%**

Tuition Revenue Scenarios FY14-FY16

Enrollment in the following scenarios assumes a proportional rise in student credit hours. It is possible for headcount to increase while credit hours decrease. Fiscal year projections are based on the academic year (Fall-Spring-Summer) that begins during that fiscal year.

Projections for FY15 and FY16 are based on the $6/$12 increase approved by the Board of Regents at the November 2013 meeting. Approximately 84% of UAF undergraduate students are in-state and 65% of graduate students are in-state.

Considering the scenarios that follow, if UAF were to maintain the $6/$12 tuition increase through FY16 (flat enrollment) the increase in revenue is estimated at $1.5M. Enrollment is critical in these scenarios. If enrollment drops between 1-3%, UAF can maintain existing levels of tuition revenue with the $6/$12 model. Students should expect a consistent level of service and instructional program quality year to year; a significant drop in tuition revenue leaves little margin for reliable management of these expectations.

Normative: Flat enrollment. While UAF saw a rise in student enrollment in terms of headcount for Fall FY14, student credit hours remained flat.

Projected Revenues	FY14	FY15	FY16
Lower Division	$ 21,403,375	$ 22,167,781	$ 22,932,187
Upper Division	$ 7,904,786	$ 8,137,280	$ 8,369,773
Graduate	$ 6,905,062	$ 7,116,982	$ 7,328,902
Non-resident Surcharge	$ 4,794,880	$ 4,921,138	$ 5,235,496
Contra-tuition accounts	$ (5,741,134)	$ (5,928,045)	$ (6,141,290)
Fees	$ 7,053,394	$ 7,283,027	$ 7,545,014
Total	**$ 42,320,362**	**$ 43,698,162**	**$ 45,270,082**
Annual change	***$ 678,514***	***$ 1,377,801***	***$ 1,571,920***
Annual change, %	***1.6%***	***3.3%***	***3.6%***

Negative: Enrollment down 3%, annually. If UAF were to see a decline in SCH at this level, overall revenue may be maintained; however, this decline limits the ability of each school and college to invest in academic programs and is not enough to cover rising fixed costs.

Projected Revenues	FY14	FY15	FY16
Lower Division	$ 20,761,273	$ 20,857,665	$ 20,929,588
Upper Division	$ 7,667,642	$ 7,656,366	$ 7,638,866
Graduate	$ 6,697,910	$ 6,696,368	$ 6,688,891
Non-resident Surcharge	$ 4,651,034	$ 4,630,299	$ 4,778,296
Contra-tuition accounts	$ (5,568,900)	$ (5,577,698)	$ (5,604,990)
Fees	$ 6,841,792	$ 6,852,600	$ 6,886,130
Total	**$ 41,050,751**	**$ 41,115,601**	**$ 41,316,782**
Annual change	***$ (591,096)***	***$ 64,850***	***$ 201,181***
Annual change, %	***-1.4%***	***0.2%***	***0.5%***

As tuition and fee revenue makes up approximately 9% of total UAF revenue, this source is one that UA has the ability to increase on an annual basis, and is more critical as other state and federal sources decline.

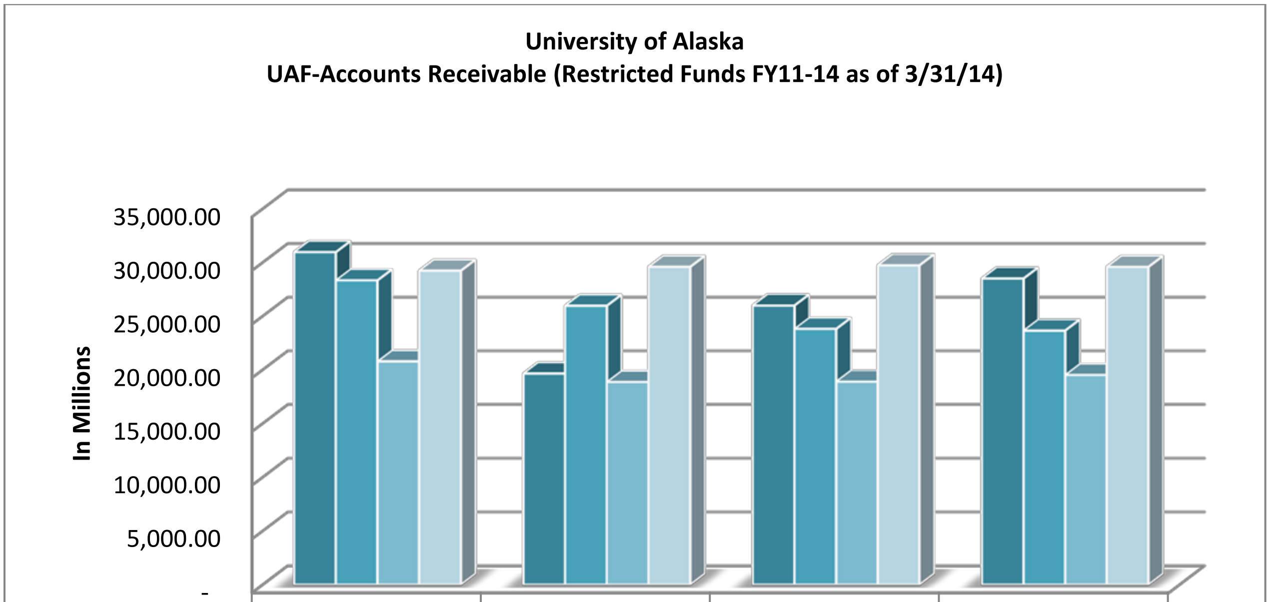
8. GRANTS AND CONTRACTS ACCOUNTS RECEIVABLE (A/R) ANALYSIS

Historically, total revenue from restricted sponsored projects is 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 1st.

The average outstanding accounts receivable balances remained fairly constant since FY12. The average monthly balance in FY12 was $23.3M. In FY13, the average balance was $24.6M, and in FY14, the average projected balance is $24.4M. In FY14 the average balance went down slightly from the FY13 average. UAF projects reductions in the average accounts receivables in FY15. The Office of Grants and Contracts

Administration (OGCA) anticipates being fully staffed, which will reduce the outstanding accounts receivable as collection activity that slowed down during periods of staff shortages regains pace.

The ratio of outstanding sponsored project revenue to accounts receivable has had about a 4% variance throughout the last 3 years (see chart below). The FY12 ratio of receivables to revenue was 10.22%, in FY13, the ratio of receivables to revenue was 12.33%; in FY14, the ratio is projected to be 14.21%. Projected revenue for FY14 decreased from actual revenue in FY12 and FY13. An overall reduction of federal funding and ARRA stimulus funding since FY12 led to the reduction in the revenue stream. As the construction of the R/V Sikuliaq nears completion, we expect a further drop in overall federal grant expenditures and related revenues.



	11	12	13	14
1st Qtr	30,947.17	19,636.90	25,979.85	28,493.12
2nd Qtr	28,321.12	25,952.50	23,796.79	23,642.49
3rd Qtr	20,765.14	18,845.98	18,891.65	19,496.74
4th Qtr	29,221.41	29,577.91	29,725.02	29,570.94

9. STUDENT RECEIVABLES AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS

Described below is an overview of the collections process at UAF. The following is the process employed by the Office of the Bursar to manage outstanding student receivables:

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

Over the past several years, UAF actively focused on recovering funds from past due accounts. Many procedural changes were implemented to increase collection efforts. We continue to send students "past due" notices each semester until we refer them to a collection agency and/or garnish their PFD.

In spite of these efforts, UAF saw 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 creates a receivable from the student.
- Parking citations, health center fees, judicial charges, etc. are now added to student accounts.
- Past due travel accounts are now managed by the Office of the Bursar ($22,922 @ 6/30/13)

When comparing total receivables to 91+ day receivables, the Fairbanks campus delinquency rate is 65% and the outlying campus rate is 79%. As of June 30, 2013, there was $361,135.37 in third party receivables. Included in third party receivables are VA accounts, which account for $248,319 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. As of June 30, 2012 there were 81 students at collections for a total amount of $144,961. As part of efforts to actively manage collections on long outstanding accounts, we expect to see a significant increase in the number of accounts forwarded to collection as evident in the fact that, as of February 28, 2014, there are 369 students at collections for $508,319. While there remains an opportunity to recoup some of these balances, we anticipate a higher level of allowance for doubtful accounts as of June 30, 2014 to ensure an adequate reserve for these balances.

The accounts that were sent to collection in the past were 3-7 years old. We changed this practice and now work diligently to send accounts before they reach two years. As of March 24, 2014, 90% of all past due accounts are with collections, including the Fall 2012 semester.

In December 2013, UAF contracted with ConServe Collection Agency for second placement of accounts. They report for seven years against an account and only accept receivables that are less than six years old with a minimum balance of $25.00. We placed 28 accounts for a total amount of $35,698.97 in December 2013. As a result, we saw movement in these accounts, which previously would have been written off with no additional collection effort.

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, UAF is no longer using Tuition Management System (TMS) and now manages all student payment plans in-house using TouchNet.

UAF began using TouchNet payment plans in the Fall 2013 semester. This gave us the ability to reach students with past due balances sooner. Students have the ability to assign another email address to their account and they receive multiple email messages during the semester. Emails are sent at the time of enrollment, fourteen days prior to an upcoming payment due date and two days after they miss their payments. We also put holds on student accounts that prevent them from future registration, viewing grades, receiving transcripts and graduation. UAF enrolled 898 students in payment plans for Fall 2013 semester and, of those, only 6% are delinquent. While using TMS, our delinquency rate was as high as 25% and, at the end of the semester, these accounts were returned to us. At this point, the balances were usually over 90 days old.

Approximately one week after the fee payment deadline date, students who live on-campus and/or have meal plans and are delinquent, are not in a payment plan or are delinquent in their payment plan, receivea letter advising them of their delinquent status and, if applicable, their meal plan is suspended. Residence Life staff deliver this notice to each delinquent student's dorm room. If the student fails to pay the 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, if applicable, remains suspended. Suspension of meal plans and notices placed under the door of student dorm rooms is 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, schedule bills are mailed to all students whose accounts have an outstanding balance. The schedule bills are stamped "Past Due". Delinquent student schedule bills are then sent out again approximately three months later until they are picked up for PFD garnishment or sent to collections. UAF works closely with other departments including Rural Student Services, Housing, Dining, and Financial Aid to help identify students that cannot pay and they assist in the collection process. 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 those who have activity on their account during that month.

Transfer to Collection Agency

Periodic statements are sent to students with outstanding balances until the balance is delinquent two years, at which point they are turned over to the collection agency. Once an account is moved to the collection process, a 30-day collection letter is sent to the student advising them to pay in full or make acceptable payment arrangements to UAF to avoid 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). Williams and Fudge attempts collection for 12 months. If they are not able to collect, the account is returned to UAF. UAF then forwards these accounts to ConServe who attempts to collect for an additional 12 months.

PFD Garnishment

For students who are PFD eligible, the garnishment process begins in April of each year for those with delinquent balances 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 (via certified mail) in mid-June. The amount and number of claims is steadily decreasing but, in 2013, the number of claims rose. In 2012, UAF received 37% of the amount requested compared to 38% for 2011 and 45% for 2010.

Write Offs

The previous practice was to write off balances as soon as they were turned over to collections. In 2008, the UAF implemented a program to actively manage receivables and to attempt to collect on all past balances. The practice of writing off accounts sent to collections was suspended. Williams and Fudge will take receivables indefinitely but cannot litigate on receivables older than six years, while ConServe (second placement) does not accept receivables older than six years. PFD's cannot be garnished after seven years. Currently, the 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 are exhausted. This is usually done once a year prior to fiscal year end, except in the event of bankruptcies or deaths. The total amount written off for FY 13 was $113,738.

Allowance for Doubtful Accounts

It is evident that there has been a steady increase in the total outstanding accounts receivable balances over the past five years in spite of a concerted effort by UAF 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. In Fall 2012, UAF changed the policy back to dropping for non-payment and, as with any new process, the details are still being refined. Each individual campus makes the decision on which students are dropped for non-payment.

It is also noted that the procedure for determining the adequacy of our allowance for doubtful accounts was not evaluated for many years. Beginning in FY12 UAF instituted a process of periodic analysis of the allowance for doubtful accounts. This resulted in an upward adjustment to the allowance in FY12 and FY13. A similar analysis and adjustment is expected to occur at the end of FY14.

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 Bursar's Office contacts students multiple times during the semester to proactively manage outstanding receivables. With the elimination of mailed monthly statements, the need to actively attempt to reach students about their balance is imperative. Between the suspensions of meal plans, notification under dorm room doors, and the three to six month mailings, the Bursar's Office reaches out to students up to 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	Allowance as a % of YE Balance
2013	$46,623,806	$313,371	$4,079,930	7.68%
2012	$40,672,468	$332,081	$3,951,381	8.40%
2011	$43,950,800	$231,289	$5,117,547	4.52%
2010	$39,078,200	$322,076	$2,890,333	11.14%
2009	$34,940,500	$299,764	$2,792,214	10.74%

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

10. M&R TARGET FOR FY14

UAF expects to meet its Maintenance and Repair target for FY14. Please see table below for the break of the M&R among the requested categories.

Projected Maintenance and Repair (M&R)	Routine Maintenance	Scheduled Maintenance	Reinvestment	Response Maintenance	FY14 Total Projected Expenditures
Fairbanks Campus Research/Academic/Admin	$12,110,786	$1,389,233	$2,224,823	$452,260	$16,177,103
Fairbanks Campus Residence Life	$1,162,000	$154,000	$103,000	$56,000	1,475,000
Total Fairbanks Campus (Note 1)	13,272,786	1,543,233	2,327,823	508,260	17,652,103
FY14 M&R Target Fairbanks Campus					17,000,000
Over/(under) Target					652,103
UAF CRCD Total	$1,136,332	$186,819	$79,996	$65,057	$1,468,205
FY14 M&R Target CRCD					1,300,000
Over/(under) Target					168,205
Total UAF FY14 Projected Maintenance and Repair					$19,120,308
Total UAF FY14 Target					$18,300,000
Total UAF FY14 Over/ (Under) Target					820,308