

# UAF SPRING MANAGEMENT REPORT FY21

## 1. FY21 UNRESERVED FUND BALANCE (UFB) ANALYSIS

For FY21, UAF expects an unrestricted (F1) unreserved fund balance (UFB) at \$11.5M. The projected F1 UFB represents 3.2 percent of UAF's total projected unrestricted and restricted revenues (\$357.7M), not including recharge, leasing, and enterprise funds, CIP, UA Intra-Agency Transfers, and prior-year UFB, and this value reflects UAF's commitment to increase the annual fund balance per Statewide directive in FY20. UAF estimates \$7.8M for service center and leasing funds (F7, FE, FL), an increase of nearly \$1M over FY20. The overall balances on event (FM) and match funds (FC) are positive and in line with expectations. UAF actively moves charges from the "COVID-19 match fund" as it identifies sources of support, and it may transfer funds to the match to cover expenses that are unlikely to receive outside support.

Three factors constraining UFB are long-term decreases to general fund (GF), large year-over-year decreases in student credit-hour enrollments, and substantial uncertainty relating to future GF resources. As in prior years, UAF applied a substantial portion of FY20 UFB as one-time bridge funding for operational areas unable to immediately implement cost reductions. Fixed cost obligations, including facilities maintenance (DM/RR), shifted to the operating budget (via reallocation) squeezes UAF's funding streams. In FY21, UAF reduced facility DM/RR funding on the operating budget by \$2.5M as part of the GF reduction plan.

[UAF's UFB guidelines](#) take into account the need for flexibility and prudent fiscal management. UFB investments align with accreditation themes as well as the overarching UAF Strategic Goals and UA System strategic initiatives. Vice Chancellors (VC) retain the ability to redistribute UFB within their divisions in order to address critical shortfalls or one-time strategic investments in their areas. UAF has no plans to draw unit-level UFB to central accounts, and vice chancellors endeavor to return most, if not all, UFB to research, instruction, and public service units.

CABINET	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Jan Projection
Chancellor*	93.2	368.2	474.0	(66.3)
Provost	444.2	2,055.0	1,857.8	3,762.2
VC for Rural, Community, and Native Education	1,018.4	931.3	2,159.9	2,060.0
VC for Research	1,920.8	2,235.5	2,563.3	1,049.4
VC for Student Affairs*	810.2	(30.5)	(508.2)	65.8
VC for Administrative Services (includes OIT)	1,440.5	1,004.0	2,468.3	3,028.9
Central Support (Scholarships, Debt Service, Utilities, etc.)	1,753.9	2,389.7	1,152.2	1,600.0
<b>Total</b>	<b>7,481.2</b>	<b>8,953.2</b>	<b>10,167.2</b>	<b>11,500.0</b>

Figure

1 - Unrestricted (F1) unreserved fund balance for UAF, in thousands.

\*In FY18, UAF reorganized the VC for University and Student Advancement into "VC for Student Affairs," and moved "Advancement" activities to the Chancellor's division. Athletics moved to Chancellor for FY21.

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

UAF distributes tuition and indirect cost recovery (ICR) on a consistent basis at the campus level.

### ***Tuition***

Effective fall 2019 (fall 2020 for community campuses), UAF transitioned from variable tuition distribution plans to a “universal” 80/20 distribution plan. For all UAF courses, the generating school or college receives 80 percent of tuition revenue and support units retain 20 percent.

The Tuition and Fee Committee continues to review UAF’s fee structure and make recommendations on tuition rate-setting and strategy. For FY21, UAF implemented a consolidated fee structure for students taking traditional, online, and community campus courses. Rather than paying multiple mandatory fees with variable cost structures, students now pay a single, flat fee of \$50 or \$20 (at rural campuses) per credit hour.

### ***Indirect Cost Recovery (ICR)***

UAF made no FY21 changes to ICR distribution. The use of new F&A rates began in FY20 and are in place until June 30, 2022 (FY22), unless extended. The UA Statewide Office of Cost Analysis is in the process of requesting a four-year F&A rate extension through June 30, 2026. A decision from the Office of Naval Research (ONR) is forthcoming.

## **3. CURRENT VERSUS INITIAL REVENUE PROJECTIONS**

Figure 2 shows the dollar variance and percent variance between UAF’s original revenue projections in July 2020 (based on allocated budget authority), and the January 2021 management report. The UA Receipts projection is net of prior year total F1 UFB (\$10.2M for FY20), and both Auxiliary and Student revenue include the projected GASB tuition/fee allowance offset (-\$1.3M and -\$6.7M, respectively).

SBS BUDGET TITLE	FY20 Year-End	FY21 Original	FY21 Jan Projection	\$ VAR	% VAR
Federal Receipts	92,144.5	96,704.0	106,999.3	10,295.3	10.65%
General Fund - Match Appropriation	4,739.3	4,739.3	4,739.3	-	0.00%
General Fund - State Appropriation	143,990.4	131,640.1	131,707.6	67.5	0.05%
Inter-Agency Receipts	2,442.2	4,040.8	2,588.5	(1,452.3)	-35.94%
Interest Income	203.5	45.0	464.2	419.2	931.47%
Dorm, Food, & Auxiliary Services (net)	12,924.8	17,129.1	11,430.0	(5,699.1)	-33.27%
Student Tuition, Fees, & Services (net)	40,628.8	40,279.5	37,989.6	(2,289.9)	-5.69%
Indirect Cost Recovery	26,593.5	26,191.1	29,136.4	2,945.3	11.25%
U of A Receipts (net of UFB)	43,013.8	39,647.3	44,891.8	5,244.5	13.23%
CIP Receipts	841.0	1,209.2	844.5	(364.7)	-30.16%
General Fund - Mental Health Trust	50.0	50.0	50.0	-	0.00%
Technical-Vocational Education Program Other	1,484.1	1,335.3	1,405.6	70.3	5.26%
UA Intra-Agency Transfers	58,937.5	64,424.9	66,705.7	2,280.8	3.54%
<b>Total</b>	<b>427,993.4</b>	<b>427,435.6</b>	<b>438,952.4</b>	<b>11,516.8</b>	<b>2.69%</b>

Figure 2

2 - FY21 UAF revenue comparison of current projection to original projection (based on allocated receipt authority), in thousands.

FY21 January overall revenue projections are 2.7 percent more than original estimates. The projection is UAF's total budget authority without the inclusion of unallocated authority.

UAF expects federal receipts to land much higher than original estimates primarily due to additional tranches of Higher Education Emergency Relief Fund (HEERF) funding in December 2020 and March 2021. Likewise, this funding, which allows for the recovery of lost revenues due to the COVID-19 pandemic, also drives up intra-agency transfers.

UAF expects substantially lower auxiliary receipts in housing and dining, driven primarily by the distancing and closure requirements brought on by the COVID-19 pandemic. For FY21, UAF rolled Nanook Recreation's primary source of revenue, the Nanook Recreation Fee, into the consolidated fee. This change helped cushion the auxiliary from the direct effects of COVID-19 registrations (students substantially shifted their enrollment behavior to online course offerings). We expect the influence of COVID-19 to continue to affect these auxiliaries into the near future.

The effect of UAF's current indirect rate structure (10 percent higher than the prior rate), as well as increased federal receipt activity, serve to drive indirect cost recovery higher than originally anticipated.

#### 4. PROJECTED REVENUE RELATIVE TO RECEIPT AUTHORITY

Figure 3 shows projected revenue compared to budget authority for each revenue source. As above, the UA Receipts projection is net of prior year total F1 UFB (\$10.2M), and both Auxiliary and Student revenue include the GASB offset (-\$1.3M and -\$6.7M, respectively).

SBS BUDGET TITLE	FY21 Budget	FY21 Jan Projection	Projected Revenue (Over) Under Budget
Federal Receipts	101,540.0	106,999.3	(5,459.3)
General Fund - Match Appropriation	4,739.3	4,739.3	-
General Fund - State Appropriation	131,640.1	131,707.6	(67.5)
Inter-Agency Receipts	6,232.1	2,588.5	3,643.6
Interest Income	45.0	464.2	(419.2)
Dorm, Food, & Auxiliary Services	17,129.1	11,430.0	5,699.1
Student Tuition, Fees, & Services	48,679.1	37,989.6	10,689.5
Indirect Cost Recovery	26,393.0	29,136.4	(2,743.4)
U of A Receipts	44,570.5	44,891.8	(321.3)
CIP Receipts	7,349.4	844.5	6,504.9
General Fund - Mental Health Trust	50.0	50.0	-
Technical-Vocational Education Program (TVEP)Other	1,335.3	1,405.6	(70.3)
UA Intra-Agency Transfers	33,768.5	66,705.7	(32,937.2)
<b>Total</b>	<b>423,471.4</b>	<b>438,952.4</b>	<b>(15,481.0)</b>

Figure 3 - FY21 UAF comparison of projected revenue to budget (total receipt authority), in thousands.

UAF currently expects all revenue sources except Intra-Agency Transfers (IAT) and Federal Receipts to fall within authorized receipt levels. Intra-Agency Transfer authority, currently projected to come in at \$32.9M over UAF's total budget authority, will require additional authority. This is primarily due to Sikuliaq and Match activity, and it is a known issue. In addition, UAF converted the transfer process it used for utilities in prior years to the standard IAT process for recharge operations for FY20. This results in the increase of the IAT authority deficit by approximately \$15M from FY19 year. Recovering lost revenues due to the COVID-19 pandemic also increases IAT activity in the current year.

Federal receipts are extremely likely to exceed available receipt authority, particularly at Fairbanks Campus (due to the split appropriation), mostly due to receipt of COVID-19 relief funds.

UAF continues to request that IAT either be excluded from State of Alaska reporting or UA request an increase to IAT authority in the State budget in future years.

## 5. SIGNIFICANT UNPLANNED OR CONTINGENT EXPENDITURES

UAF expects the COVID-19 pandemic to continue through FY21 and has worked diligently to adapt and remain nimble to best serve its students, faculty, staff, and the community. From a financial perspective, expense tracking and reporting mechanisms are in place with oversight. UAF continues to monitor expenses and seek reimbursement via relief funding at federal, state, and local levels. Revenue losses in tuition and fee revenue and auxiliary activities are actively monitored. This may be mitigated all or in part by COVID relief funds as a distribution methodology is developed.

## 6. DEBT STRATEGIES AND PLANS

Effective FY21, UA issued a general obligation bond dubbed “Series W” to refinance older debt obligations including Series O, P, and R. This issuance altered UAF’s near-term debt payments from \$22.2M annually to \$19.3M. This annual savings went directly toward reducing the effect of “compact” general fund reductions in FY20 and FY21 to operating units. However, with an annual general fund draw of nearly \$20M for debt service between FY21 and FY31, each year the legislature cuts UA general fund (and UAF receives an across-the-board reduction based on its total proportion of general fund) has a compounding effect on the budget reduction pressure on programs and administration.

UAF approaches long-term debt service (DS) as a tool that can support strategic capital investments in new or aging infrastructure in order to create and maintain a safe, efficient, and attractive campus. However, additional operating funding in support of UAF debt service will be helpful for meeting budget targets in FY22 and beyond. In the current budget climate, UAF cannot reasonably consider additional debt unless it has a dedicated revenue stream or is otherwise risk-sheltered.

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

## 7. FY22 INITIAL BUDGET ANALYSIS

The FY22 UA budget request is \$257M, a reduction of \$20M (7.2 percent) from FY21 levels. This reduction is the final year of the three-year “compact” agreement between the Governor and the UA Board of Regents.

UAF’s estimated FY22 GF reduction target is \$9.9M. UAF actions to address the budget target include exploring revenue generation activities, sale of power, tuition rate increases, reduction of facilities footprint, debt service relief, expedited academic and administrative program review and monetization of assets. The planning process for FY22 is as follows, but is subject to change between April and June based on contingency planning efforts and COVID-19 updates:

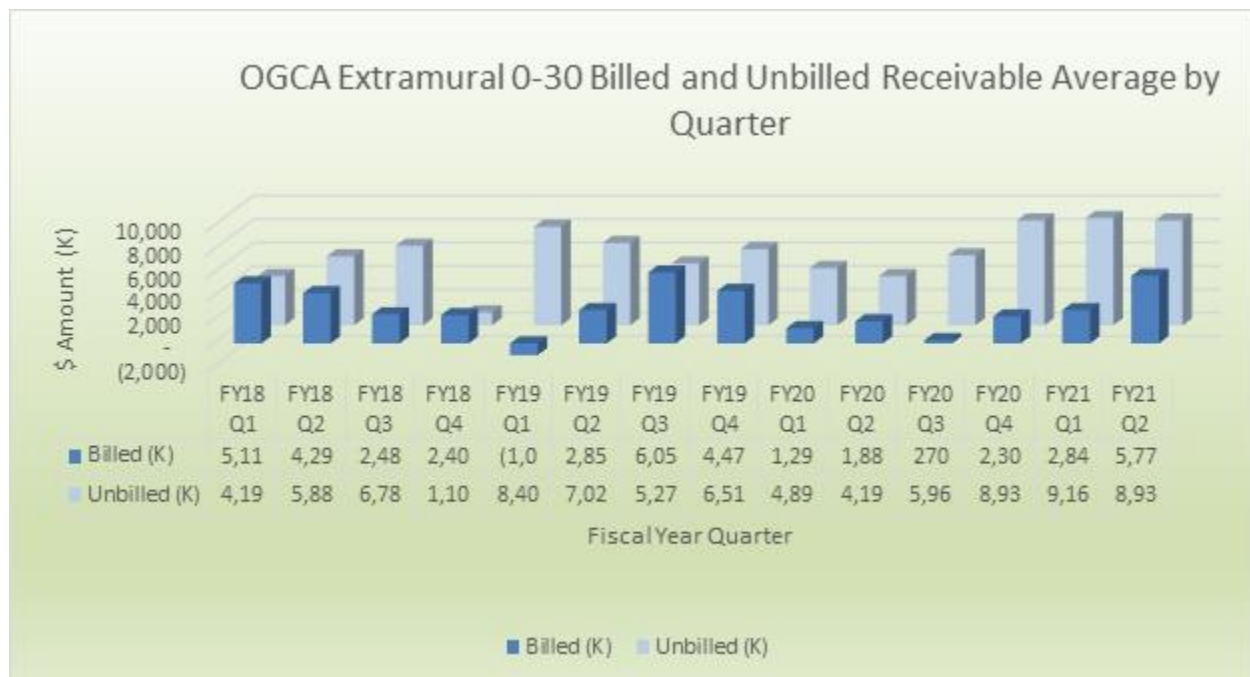
- Fall 2020: Chancellor White provided guidance to vice chancellors to plan for a 10 percent reduction to GF budgets and encouraged revenue increases to cover the balance of state reductions.
- Fall-Winter 2020/21: Expedited academic program reviews and administrative management reviews underway.
- December 2020-March 2021: Budget Options Task Force created to identify budget reduction and revenue generation ideas.
- March-May 2021: Tuition and Fee Committee develops tuition rate scenarios and recommendations for Chancellor review.
- April-May 2021: Planning and Budget Committee (PBC) convenes.
- April-June 2021: The Chancellor will make decisions for implementation in FY22+. UAF senior leadership and the PBC may also be engaged further for contingency planning.

UFB remains a critical resource to bridge the institution for academic program teach-out requirements, or until actions taken to base create savings. Throughout the budget planning process, UAF will continue to serve its students and use strategic planning goals and NWCCU accreditation themes to guide actions.

## 8. GRANTS AND CONTRACTS ACCOUNTS RECEIVABLE ANALYSIS

The Office of Grants and Contract Administration (OGCA) is responsible for management of extramural funding including restricted accounts receivable. The balance of the restricted accounts receivable is the combination of both billed, unbilled expenditures and prepayments.

For the purpose of this report, OGCA is using 0-30 day receivable data starting in FY18 and ending with FY21 Q2 (*Figure 4*). At this time, OGCA continues to reduce, monitor and analyze accounts receivable and to address inaccuracies.



**Figure 4 - OGCA 0-30 Billed and Unbilled Receivables Average by Quarter**

A combination of internal and external factors influence UAF's restricted accounts receivable. Internally, OGCA has to work within the parameters of the UA's financial system. The system has a specific time frame when billing is allowed. Externally, some funding agencies' terms and conditions require quarterly billing instead of monthly billing. Also, COVID-19 caused a delay in billing patterns. While the data was not required for this report, OGCA has noted in FY21 Q3 unbilled expenditures have decreased by \$1.5M. This characterizes the cyclical patterns observed in previous years.

Although it appears there is an increase in the unbilled expenditures, year to year comparisons for FY19 Q1 and FY21 Q1 show unbilled expenditures have increased by less than 10 percent. In addition,

the billed expenditures in FY21 Q2 have more than doubled since FY19 Q2. Other funding agencies provide initial or quarterly prepayment funding. Prepayment funding is when a sponsor pays for deliverables before the expenditures have occurred. The effect of this, in our current system, is to lower the accounts receivable balance.

UAF has made significant strides to reduce the outstanding accounts receivables over the past three fiscal years but there are still areas of improvement that are needed in our financial system. Prepayment funding is an example.

The day to day operations of OGCA are not impacted by the treatment of prepayment funding, but the accuracy of the accounts receivable are affected. Handling the prepayment correctly would provide a better understanding of extramural funding and the accounts receivable balance.

OGCA continues to recommend a new *differed revenue liability account* to record prepayments balances so the billing can demonstrate the process of generating receivables and reconciling the liability to the asset.

OGCA plays an essential role in research administration and accounts receivable collections for sponsored projects. OGCA has continued with enhancements to the research accounting module of the Ellucian (Banner) system. In addition, monthly collaboration meetings with UAA and UAS offices of sponsored projects, with UAF taking the lead on system updates in collaboration with SW Financial Systems. This shared commitment to sponsored projects and research administration continues to streamline extramural funding management and keeps the UA System at the forefront of regulatory compliance (administrative and financial) requirements that are mandated by external funding sources.

## 9. STUDENT ACCOUNTS RECEIVABLE ANALYSIS

The UAF Office of the Bursar (Bursar) collects on outstanding student receivables in the following ways:

- 1) Internal collection process
- 2) Transfer to collection agency (PFD garnishment is still possible)
- 3) Permanent Fund Dividend (PFD) garnishment (if student is PFD eligible)
- 4) Write Offs
- 5) Allowance for doubtful accounts

The Bursar has continued to actively increase the focus on student outreach for recovering funds from past due accounts. The office continues to implement procedural changes to increase collection efforts and encourage payment.

Past due receivables as of June 30, 2020 are as follows:

- Fairbanks Campus - \$2.68M
  - \$1.8M (91+ days)
- Community Campuses - \$293K

- \$227K (91+ days)

The 91+ day balance includes the unpaid balance from spring 2013 through spring 2019. The Bursar writes off balances older than six years quarterly.

- Third Party Receivables - \$187K
  - \$53K Veteran Affairs Accounts

Each fiscal year, the VA certifies approximately 1,200 students for funding and it can take 90 days or more before UAF receives payment.

### ***Collection Process***

Late fees are assessed to all delinquent accounts after the fee payment deadline and an A/R hold is applied to accounts with a balance greater than \$300 (not enrolled in a payment plan).

2020 payment plan enrollment:

- 2055 students
- 4 percent default rate (81 students)

### ***Transfer to Collection Agency***

Once an account balance is at least 180 days delinquent, Bursar moves the account to the collections process. To initiate the process, Bursar mails a 30-day collections notice letter to the student, advising them to pay in full or enroll in a prior term payment plan to avoid having the account balance sent to a third-party collection agency. UAF can garnish a student's PFD while the account is in collections. The Bursar divides all first placement accounts equally and sends them to the following collection agencies: Williams and Fudge (WF) and ConServe (CS). Accounts currently at collections:

Williams and Fudge

- 427 UAF accounts
- \$624.3K
- 13 percent historical rate of recovery (as of FY20)

Conserve

- 355 UAF accounts
- \$397K
- 10.12 percent historical rate of recovery (as of FY20)

The Bursar places accounts returned from the first placement agency (after a 12-month collection period with no activity) with the alternate collection agency (second placement), WF or CS, for an additional year. UAF now has a higher chance of the student paying on a second placement. In the past, with slow turnover, UAF often wrote off these accounts before they could go to a second placement because they were beyond the statute of limitations for collections and PFD garnishment.

### ***PFD Garnishment***



The PFD garnishment process begins in April of each year. Students with delinquent balances greater than 180 days and \$50 are eligible to have their PFDs garnished. UAF receives PFD garnishment payments in batches beginning in October of each year.

**Please Note:** PFD garnishment was down because there were limitations on how much of the July PFD could be garnished. UAF could only garnish that which was not garnished last year (not new debt) because debtors/PFD recipients had not been through the Notice/Appeals process - the early dividend compressed the normal timeline thus due process could not be accomplished.

PFD Year	MAU	NOD Adjusted	ITC Adjusted	PFD Received	% Received
2020	F	\$656,517.54	\$653,214.76	\$33,627.11	5%
2019	F	\$640,121.32	\$632,574.70	\$316,485.42	49%
2018	F	\$677,549.10	\$660,478.06	\$324,216.82	49%
2017	F	\$666,809.63	\$657,969.56	\$265,845.70	40%

**Figure 5 - PFD Garnishment Comparison by year.** *Note: This analysis includes figures as reported from PFD garnishments collected for that PFD year.*

### **Write Offs**

After exhausting collection efforts, and when the account balance is beyond the six-year statute of limitations, UAF writes off the debt (WO). Staff place a WO hold on the student's account, which prevents access to registration, transcripts, and graduation. The Associate Vice Chancellor for Financial Services approves all WO balances greater than \$200. Bursar processes WO activity quarterly, with the exception of bankruptcies or deaths, which occur immediately upon notification. UAF expects WO amounts to stabilize and decrease in the coming years due to the improved collections process, which includes a faster turnover and improved reports, payment plans, and student outreach.

### **Allowance for Doubtful Accounts (ADA)**

In FY18, UAF refined its method for funding its allowance for doubtful accounts (ADA) using a calculated percent of total by campus, and distributes the ADA adjustment in a prorated fashion. This manages the university's liability while creating a direct campus connection to the decision process related to retention of students with delinquent accounts.

Fiscal Year	Gross Tuition & Fees	Total Accounts Receivable	Allowance (0291) Balance	Net Accounts Receivable	% to Gross Tuition & Fees	Write off Amounts
2020	\$42,248,922	\$ 3,072,620	\$ 421,686	\$ 2,650,934	6.27%	\$197,123
2019	\$49,676,878	\$ 3,479,004	\$ 339,031	\$ 3,136,973	6.31%	\$237,077
2018	\$50,458,893	\$ 3,577,876	\$ 226,270	\$ 3,351,606	6.64%	362,918
2017	\$51,617,656	\$ 3,502,299	\$ 207,177	\$ 3,295,122	6.38%	262,406
2016	\$51,072,974	\$ 3,450,008	\$ 241,954	\$ 3,208,054	6.28%	363,368
2015	\$48,239,121	\$ 3,552,362	\$ 460,408	\$ 3,091,954	6.41%	89,623
2014	\$45,786,034	\$ 3,830,208	\$ 481,466	\$ 3,348,742	7.31%	36,660

**Figure 6 - AR Fiscal Year-End Comparison.** Notes: Balances are as reported at the end of each fiscal year. The 0291 is the general ledger account for doubtful account allowance.

## 10. FACILITIES MAINTENANCE, REPAIR, AND REPLACEMENT

UAF's FY20 actual operating and capital expenditures for M&R and R&R support totaled \$21.9M. UAF Facilities Services manages the bulk of the funding for the annual operating support effort, budgeted in FY21 at \$15.9M. The balance of the support comes from across UAF, including auxiliary, recharge, operating, and grant funding. No single funding source, besides the Facilities Services maintenance budget and capital appropriations, are specifically budgeted for M&R and R&R support. The annual capital support effort budgeted in FY21 is \$3.7M.

## 11. AUXILIARY FUND BALANCES, CHALLENGES, AND STRATEGIES

Auxiliary	FY20 Fund Balance	FY21 Jan Projected Balance	FY20 Year-End Revenue	FY21 Jan Revenue Projection	Revenue Change	Fund Balance Change
Residence Life	2,716.7	3,041.5	7,340.7	6,026.1	-17.9%	12.0%
Residence Life Capital	(1,736.3)	-	-	1,736.3	-	-
KUC Bookstore	7.5	8.0	1.4	0.5	-60.6%	7.2%
KU Dormitory-Food Service	396.4	146.7	208.9	199.8	-4.3%	-63.0%
NWC Bookstore	23.5	23.7	3.6	0.3	-91.7%	1.2%
RC Residence Life - MacLean	3.8	4.1	84.5	90.3	6.8%	7.7%
UAF Wood Center	363.1	329.1	221.7	13.7	-93.8%	-9.4%
UAF Bookstore	453.3	452.5	82.1	160.4	95.4%	-0.2%
UAF Parking	1,590.4	1,593.5	1,561.2	1,468.6	-5.9%	0.2%
UAF Nanook Recreation	494.9	684.1	1,329.3	1,360.5	2.3%	38.2%
UAF University of Alaska Press	(160.3)	(160.3)	378.3	168.0	-55.6%	0.0%
UAF Dining Services	208.5	(364.7)	3,146.2	2,961.3	-5.9%	-274.9%
<b>Total</b>	<b>4,361.5</b>	<b>5,758.3</b>	<b>14,357.9</b>	<b>14,185.9</b>	<b>-1.2%</b>	<b>32.0%</b>

**Figure 7 - UAF Auxiliary fund balances with comparative change from FY20 balance and revenue, in thousands.**

UAF's auxiliary services are in the midst of a period of disruption and change. Residence Life and Dining Services are both experiencing declines in customer numbers due to COVID-19. Dining recently (July 2020) modified its contract with service provider Chartwells to shelter the contractor from the risk of a loss due to trending sales declines. With the change, the contractor receives the guarantee of having its operating costs covered, will receive a small guaranteed profit, and will also receive profit sharing if revenue performance allows. Dining was already challenged to pay a small part of the capital lease expense associated with the Wood Center dining facility, and now the organization is under further pressure.

As part of a larger effort at UAF to identify long-term R&R needs, Residence Life updated its budget practices to separate funding needs for M&R activity from operations, programming, and maintenance. This change allows the critical need for regular M&R contributions, which may vary

considerably from M&R expenditures on an annual basis, to be more visible and separate from those expenditures connected directly with the operating cycle. This process began in FY19 through the creation of the “Residence Life Capital” fund. However, the intended transfer to offset capital expenditures that year did not occur due to staff turnover, so it carried a deficit fund balance. This also happened in FY20 due to confusion over the correct process to use for recovering the M&R fund balance. UAF intends to transfer that funding from the associated R&R fund (703010) in FY21, which will erase that budget deficit, and it needs support from UA Statewide to ensure that future year transfers can occur on a regular basis.

In addition, Residence Life operations are at risk as enrollment declines. Aside from the tremendous pressure the COVID-19 pandemic placed on the operation (both in terms of revenue and shift in perceptions about acceptable housing accommodations), the long-term health of the organization faces threats from declining demand and aging infrastructure. Public private partnership opportunities are being considered as part of modernizing the UAF residential facilities. The operation’s fund balance declined by substantial margins (>20 percent) in each of FY19 and FY20 notwithstanding debt relief actions taken by UAF. UAF expects the fund balance to recover slightly (12 percent) in FY21, though these gains are one-time in nature. It is a strong possibility that UAF may need to further subsidize this operation until it can modernize and increase demand for housing.

## 12. RECHARGE, ENTERPRISE, LEASE, & CAPITAL FUND DEFICITS GREATER THAN -\$100K

### *Recharge and Enterprise Funds*

	CFOS Ocean Gliders	CFOS Small Coastal Vessels	ACEP Test Facility	IAB Toolik Field Station	GI HAARP
<b>FY21</b>					
<b>Beg Fund Balance</b>	(258.8)	(71.7)	(736.3)	25.7	(2,991.0)
Revenue	-	65.4	175.2	200.3	102.1
Expenditures	45.0	75.2	84.2	395.7	1,212.1
<b>Net Operations</b>	(45.0)	(9.9)	91.0	(195.4)	(1,110.0)
Transfers	-	-	3.5	-	590.0
<b>End Fund Balance</b>	(303.8)	(81.5)	(641.8)	(169.6)	(3,511.1)
Depr Reserve Fund Bal	194.4	(75.0)	(71.2)	49.2	(37.4)
<b>Total Fund Balance</b>	(109.4)	(156.5)	(713.0)	(120.5)	(3,548.5)

Figure 8 - UAF Recharge and Enterprise projected fund balances greater than negative \$100K.

The following recharge and enterprise funds are expected to have deficit fund balances greater than negative \$100K at June 30, 2021: CFOS Ocean Gliders, CFOS Small Coastal Vessels (SCV), IAB Toolik Field Station (TFS), Alaska Center for Energy and Power (ACEP) Test Facility, and GI’s High-frequency Active Auroral Research Program (HAARP).

The College of Fisheries and Ocean Sciences operates several recharge centers. The Ocean Gliders center started in 2014 as an effort to provide a standard mechanism to fund and maintain the increasingly crucial subsurface gliders owned by UAF. Researchers who use this equipment have found that the recharge process is difficult for them to manage within the context of the few grants

that support and use the equipment, and they decided to shut down the center. The net balance of the center is approximately \$110,000, and CFOS will subsidize the fund to close it out by the end of FY22.

The CFOS SCV center is a recent startup that gained significant demand through the 2019 field season. COVID-19 restrictions during the 2020 field season eliminated most revenue opportunities, and UAF is considering options to recover revenue for the center. CFOS expects to resume normal operations when UAF moves into later stages of pandemic recovery.

The IAB TFS deficit is largely due to COVID-19. During the pandemic, TFS is operating with minimal staff on site due to limited use of the site, and UAF hopes to recover some fixed costs through lost revenue. In addition, the center operates on a calendar year business model: the bulk of expenses occur at the beginning of the field season (April/May) and TFS invoices users throughout the summer and fall. As such, a deficit often exists each June 30. If NSF decided to shut down Toolik, demobilization efforts could occur during the final field season to ensure that the center covers all expenses internally. TFS is a low-risk funding model for UAF and IAB.

The Alaska Center for Energy and Power (ACEP) test facility experienced startup deficits early in its development. In recent years, it operates on a breakeven (or near-breakeven) basis; ACEP is developing a working capital loan repayment plan with UAF leadership to eliminate the deficit by FY25; this is currently in progress.

As noted in the FY20 report, GI Chaparral Physics intended to cease operations during FY21, and they completed this effort. GI provided a subsidy to cover the remaining deficit fund balance, and this operation is now closed out.

The GI HAARP facility is relatively new and UAF recently received significant annual operating funding from NSF for the next five years. This funding will allow GI to eliminate the operational deficit going forward, and GI will reduce the deficit fund balance over time through a combination of increased ICR reinvestment and subsidies. Currently, the university reinvests into the center all ICR that HAARP generates.

### ***Lease and Capital Funds***

UAF leasing funds are, overall, healthy. The only leasing operation with a deficit fund balance is the Orca Building in Seward (fund 173517, part of the R/V Sikuliaq support operations). This fund balance has a projected deficit of \$300,000 to end FY21 (down \$50,000 from FY20), incurred to perform facility upgrades for tenants in late 2013 shortly after UAF purchased the building. UAF's intent is to recover the cost of these upgrades (original cost of \$561,000) through tenant leases over approximately fifteen years, or through the sale of the facility.

FUND	FUND TITLE	FUND BALANCE	REVENUE	EXPEND	RSRV-ENC	TRANSFERS	AVAILABLE BALANCE
515272	UAF Sustainable Native Arts Studio	-	101,182	101,182	296,195	-	(296,195)
571403	UAF FY18 Bldg Interior/Systems	-	273,472	273,472	409,875	-	(409,875)
571423	UAF FY20 Regulatory Compliance	-	210,602	210,602	158,084	-	(158,084)
571424	UAF FY20 Exter Infrastructure/Signs	-	309,457	309,457	285,497	-	(285,497)
590133	Bragaw Office Complet Purchase	(10,661,750)	-	-	-	(315,939)	(10,345,811)
590168	UAF Steam Line Rupture Repair	(140,895)	-	-	-	-	(140,895)
590281	UAF ELIF-Duckering Renovations	(59,310)	-	16,255	69,767	-	(145,333)

**Figure 9 - UAF Capital fund balances greater than negative \$100K.**

As all capital funds use the fund type '91' systemwide and there is not a standard, logical fund rollup structure in place, it is difficult to separate funds as belonging to each university. For this exercise, UAF filtered funds by available balance (including encumbrances and transfers), then limited the list to those with a bank code of 'FC'.

Facilities Services Design and Construction (DDC) closely manages capital funds and meets with the Vice Chancellor for Administrative Services regularly to ensure a sound funding plan is in place for all projects. All '571' projects are fully balanced aside from outstanding encumbrances. At such time these encumbrances post as expenses, DDC will move revenue from related funds to balance.

The Bragaw Office purchase is an Anchorage activity associated with the 'FC' bank code. However, this fund balance is intentional and will slowly rise to zero as scheduled annual payments from operating funds occur.

UAF has two '590' projects, ELIF Duckering Renovations and Steam Line Rupture Repair with a deficit balance. Insurance should cover incurred costs for the steam line. DDC continues work on finalizing coverage for those projects, and UAF will cover any remaining expense from operating funds, as needed. The Duckering renovations related to ELIF construction will receive funding support from UAF Central as part of closing out the bond funding for the ELIF project.

# UAF Debt Service Schedule Appendix 1

Category / Description	Debt Principal Amount <sup>[1]</sup>	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
<b>Current Debt</b>											
SERIES P - Refinancing Series H & J	\$ 3,525	775	775	777	779	775	-	-	-	-	-
SERIES Q - Life Sciences and Deferred Maintenance I	\$ 29,120	3,482	3,485	3,485	3,478	3,483	3,481	3,477	3,477	1,515	1,515
SERIES R - Refinance Series K, L, and M	\$ 10,285	1,460	1,460	1,458	1,463	875	877	878	877	880	880
SERIES S - Deferred Maint 2 & Multiple Refinancings	\$ 14,015	1,687	1,694	1,577	1,571	1,706	1,708	1,579	1,577	1,579	631
SERIES T - Central Heating and Power Plant (CHPP)	\$ 63,680	4,900	4,900	4,900	4,895	4,896	4,896	4,900	4,898	4,895	4,896
SERIES U - Central Heating and Power Plant (CHPP)	\$ 84,525	5,590	5,586	5,588	5,590	5,588	5,590	5,588	5,590	5,586	5,586
SERIES V - Engineering Building and Series N/O Refinanc	\$ 35,630	2,899	2,895	2,939	2,935	2,417	2,413	2,412	2,413	2,416	2,123
<b>Sub-Total: Debt Service on Current Debt Issues</b>	<b>\$ 240,780</b>	<b>\$ 20,791</b>	<b>\$ 20,795</b>	<b>\$ 20,724</b>	<b>\$ 20,712</b>	<b>\$ 19,740</b>	<b>\$ 18,966</b>	<b>\$ 18,834</b>	<b>\$ 18,832</b>	<b>\$ 16,871</b>	<b>\$ 15,630</b>
<b>Capital Lease</b>											
UAF Student Dining Facility Base Rent Payments <sup>[2]</sup>	\$ 23,120	1,384	1,383	1,385	1,382	1,384	1,382	1,382	1,379	1,375	1,375
<b>Sub-Total: Current Debt and Capital Lease Payments</b>	<b>\$ 263,900</b>	<b>\$ 22,176</b>	<b>\$ 22,177</b>	<b>\$ 22,109</b>	<b>\$ 22,094</b>	<b>\$ 21,124</b>	<b>\$ 20,348</b>	<b>\$ 20,216</b>	<b>\$ 20,212</b>	<b>\$ 18,247</b>	<b>\$ 17,005</b>
<b>Projects with Anticipated Debt Funding</b>											
<b>Sub-Total: Debt Service on Anticipated Debt Issues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL Debt Service and Long-Term Leases</b>	<b>\$ 263,900</b>	<b>\$ 22,176</b>	<b>\$ 22,177</b>	<b>\$ 22,109</b>	<b>\$ 22,094</b>	<b>\$ 21,124</b>	<b>\$ 20,348</b>	<b>\$ 20,216</b>	<b>\$ 20,212</b>	<b>\$ 18,247</b>	<b>\$ 17,005</b>

<sup>[1]</sup> Debt Principal Amount reflects principal balance of all series as of July 1, 2018 (FY19). All amounts in thousands.

<sup>[2]</sup> Per the terms of the lease agreement, the Student Dining Facility includes "Base Rent" to cover debt service and "Additional Rent" to cover leaseholder costs. This table does not include the additional rents portion, which is considered a contractual service.