UAF SPRING MANAGEMENT REPORT
FY19

1. FY19 UNRESERVED FUND BALANCE (UFB) ANALYSIS

For FY19 (using January 2019 information to date), UAF expects an unrestricted (F1) unreserved fund balance (UFB) at $7.7M (within UAF's target range of $6-9M). The projected F1 UFB represents 2.1 percent of UAF's total projected unrestricted and restricted revenues ($372.9M), not including recharge, leasing, and enterprise funds, CIP, UA Intra-Agency Transfers, and prior-year UFB. UAF estimates $13.6M for service center and leasing funds (F7, FE, FL). The overall balances on event (FM) and match funds (FC) are positive and in line with expectations.

Three factors constraining UFB and use are long-term decreases to state general fund (GF), large year-over-year decreases in student credit-hour enrollments, and substantial uncertainty relating to future GF resources. Fixed cost obligations, including facilities maintenance (DM/RR), shifted to the operating budget (via reallocation) squeeze UAF's funding streams and its ability to consider or bridge new initiatives.

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. Declining enrollment continues to contribute to a loss in tuition and fee revenues in FY19, and this reflects in slimmer margins within academic unit projections.

CABINET	FY17 Actual	FY18 Actual	**FY19 Jan Projection (1)**
Chancellor	42.8	93.2	**88.7**
Office of Information Technology	60.6	127.8	**96.9**
Provost (2)	1,850.6	444.2	**1,541.6**
VC for Rural, Community, and Native Education	1,258.9	1,018.4	**1,085.0**
VC for Research	1,281.9	1,920.8	**1,938.8**
VC for Student Affairs (3)	999.8	810.2	**824.8**
VC for Administrative Services	954.5	1,312.7	**1,157.2**
Central Support (Scholarships, Debt Service, Utilities, etc.)	1,636.1	1,753.9	**1,000.0**
Total	**8,085.1**	**7,481.2**	**7,732.9**

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

Notes: 1) This reflects January projections, which are early in the year, and may change in the April report.
2) The Provost area may reflect low figures as UAF works with Deans/Directors to address projected shortfall.
3) 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 remains with VCSA.

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

At each university, the percentage of tuition distributed to schools and colleges is an internal decision that considers the other types of revenue going to those units. The cost of university infrastructure is also a factor. As tuition revenue can vary due to fluctuations in enrollment, UAF provides a higher percentage of state GF to units to help provide some level of consistency when budgeting. It also encourages units to participate actively in strategies to increase enrollment and research activity to boost student revenue and indirect cost recovery (ICR). The decreases in GF since FY15 and enrollment every year since FY13 challenge the model by adding a new level of variability to these previously more predictable sources.

Tuition
UAF distributes Fairbanks Campus tuition on a 60/40 basis, wherein the generating school or college receives 60 percent and Central areas retain 40 percent to fund administrative and student services, student aid (e.g. scholarships and waivers), BOR mandated discounts/waivers, and tuition support for graduate teaching assistantships. Community campuses, including CTC, retain tuition revenue at 100 percent, as they historically bear costs related to instruction and facilities/utilities (O&M, R&R/DM); UAF may consider this further as Fairbanks Campus provides a significant amount of administration and student services in support of community and rural education. eCampus and Summer Sessions operate under slightly different models.

UAF is evaluating tuition sharing options/models that would serve to encourage units to develop/innovate academic programs that have a high participation potential. This includes consideration of student enrollment preferences (e.g. online learning and classroom instruction), and a balanced approach in terms of financial benefit (and risk) to the academic units and the institution. UAF is exploring adoption of a single university tuition model that might eliminate variance and encourage better use of offering modality.

Indirect Cost Recovery (ICR)
UAF distributes ICR revenue on a 60/40 basis with 60 percent dedicated to reinvestment in research including areas that directly manage or contribute to increased sponsored program activity. This includes the generating units (50 percent), the Vice Chancellor for Research (VCR) (1.5 percent), Debt Service (7.5 percent), and the Undergraduate Research and Scholarly Activity (URSA) program (1 percent). The remaining 40 percent is broken into two categories: 28 percent is applied to UAF facilities and administration (F&A) costs including facilities and maintenance, administrative services, and the library. Statewide receives 12 percent, partially returned in FY19, via a reallocation for research (committed for three years).

The model (applied in FY14) recognizes the need for reinvesting a portion of ICR into new research opportunities and facilities, particularly for supporting debt service obligations for research facilities. ICR revenue is down in FY19. FY20 will begin use of new F&A rates once ONR negotiations are complete. UAF will consider if adjustments to the revenue distribution model will be needed at that time. UAF Financial Services, in partnership with the Office of Grants & Contracts Administration (OGCA), is also developing a UAF policy to strategically consider and minimize voluntary F&A rate reductions (i.e. waivers) where they are less strategic.

3. CURRENT VERSUS INITIAL REVENUE PROJECTIONS

Figure 2 shows the dollar variance and percent variance between UAF's original revenue projections in July 2018 (based on allocated budget authority), and the January 2019 Management Report. The UA Receipts projection is net of prior year total F1 UFB ($7.5M for FY18), and both Auxiliary and Student revenue include the projected GASB tuition/fee allowance offset (-$1.5M and -$6.4M, respectively).

SBS BUDGET TITLE	FY18 Year-End	FY19 Original	FY19 Jan Projection	$ VAR	% VAR
Federal Receipts	83,768.5	85,126.3	86,972.8	1,846.5	2.17%
General Fund – Match Appropriation	4,739.3	4,739.3	4,739.3	-	0.00%
General Fund – State Appropriation	154,144.1	158,655.7	158,767.0	111.3	0.07%
Inter-Agency Receipts	2,567.3	2,796.8	2,550.8	(246.1)	-8.80%
Interest Income	193.2	15.0	38.5	23.5	156.64%
Dorm, Food, & Auxiliary Services	14,597.1	16,266.8	14,994.6	(1,272.2)	-7.82%
Student Tuition, Fees, & Services	43,192.5	44,435.2	42,641.7	(1,793.5)	-4.04%
Indirect Cost Recovery	25,357.3	27,520.8	23,010.5	(4,510.3)	-16.39%
U of A Receipts (net of UFB)	41,106.4	39,770.4	43,440.3	3,669.9	9.23%
CIP Receipts	1,665.5	1,747.0	1,388.2	(358.8)	-20.54%
General Fund - Mental Health Trust	50.0	50.0	50.0	-	0.00%
Technical-Vocational Education	1,266.5	1,235.4	1,235.4	-	0.00%
UA Intra-Agency Transfers	45,042.1	44,043.9	46,011.7	1,967.8	4.47%
Total	**417,689.7**	**426,402.6**	**425,840.7**	**(561.9)**	**-0.13%**

Figure 2 – FY19 UAF revenue comparison of current projection to original projection (based on allocated receipt authority), in thousands.

FY19 January overall revenue projections are 0.1 percent less than original estimates. State Inter-Agency Receipts are stable from last year at a level considerably smaller than historical levels, which reflects the reduced budget across state agencies.

With the five percent tuition increase for FY19, units budgeted at a level that was about 2.5 percent higher than FY18 actual tuition and fees, which represents an expected enrollment reduction of approximately the same rate. The overall FY19 enrollment decrease is closer to five percent, which continues to place budget pressure on academic units, especially those with a high number of general education requirements (GERs) (e.g. CNSM, CLA). A net decrease of up to 1.4 percent is likely for the year.

For FY19, UAF focused on unit budgeting practices for UA Receipts, including recharge centers that frequently budgeted revenues as intra-agency rather than coding revenue from external customers as UA Receipts. This resulted in a more accurate estimation of receipts. Actual expected UA Receipt activity for FY19 remains similar to FY18. UAF expects stable to declining auxiliary receipts, as demand for student housing and dining meal plans remain low compared to historical levels. In FY17, the DRAW (Department of Recreation, Adventure, and Wellness) auxiliary replaced the SRC fee with the Nanook Recreation fee. This fee provides students with open access to recreation facilities (SRC, ice arena, swimming, etc.) and funds the auxiliary's services and facilities R&R. For FY19, the fee will generate $800,000 and helps these self-support operations maintain services and mitigate declining revenues.

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 ($8.1M), and both Auxiliary and Student revenue include the GASB offset (-$1.5M and -$6.4M, respectively).

SBS BUDGET TITLE	FY19 Budget	FY19 Jan Projection	Projected Revenue (Over) Under Budget
Federal Receipts	101,540.0	86,972.8	14,567.2
General Fund – Match Appropriation	4,739.3	4,739.3	-
General Fund – State Appropriation	158,655.7	158,767.0	(111.3)
Inter-Agency Receipts	6,232.1	2,550.8	3,681.4
Interest Income	15.0	38.5	(23.5)
Dorm, Food, & Auxiliary Services	17,063.2	14,994.6	2,068.6
Student Tuition, Fees, & Services	50,679.1	42,641.7	8,037.4
Indirect Cost Recovery	26,893.0	23,010.5	3,882.5
U of A Receipts	47,166.4	43,440.3	3,726.1
CIP Receipts	7,349.4	1,388.2	5,961.2
General Fund - Mental Health Trust	50.0	50.0	-
Technical-Vocational Education Program	1,266.5	1,235.4	31.1
UA Intra-Agency Transfers	33,713.3	46,011.7	(12,298.4)
Total	**455,363.0**	**425,840.7**	**29,522.3**

Figure 3 – FY19 UAF comparison of projected revenue to budget (total receipt authority), in thousands.

UAF currently expects all revenue sources except Intra-Agency Transfers (IAT) to fall within authorized receipt levels. Intra-Agency Transfer authority, currently projected to come in at $12.3M over UAF's total budget authority, will require additional authority. This is due to Sikuliaq and Match activity, and it is a known issue. UAF expects that removal of UA Intra-Agency Transfers from reported revenue authority pools will resolve this issue. A Statewide team is working on developing a process to deal with this need in FY20.

UAF's unused budget authority of $29.5M is the combined result of additional capacity in federal receipts, low CIP receipt levels, and substantial capacity in UA Receipt generation. UAF expects the need for most receipt authority to remain similar in FY20 and expects to begin to see gains in student and auxiliary revenue sources resulting from efforts to boost student enrollment numbers.

5. SIGNIFICANT UNPLANNED OR CONTINGENT EXPENDITURES

UAF is closely monitoring the Combined Heat and Power plant (CHP) construction project as the potential for a cost overrun exists. To date, unexpected items have been within budget; however, until the plant construction is completed, this is an outstanding item. Current project timelines are likely to be extended this spring. Management/engineering capacity may be needed as several key staff positions are retiring before likely plant completion. UAF also continues to explore ways to cover the gap in CHP debt service funding until fuel savings resulting from increased efficiency of the new plant materializes. O&M associated with operations of both plants will also need consideration in the near term and may need to be included in an FY21 budget request moving forward.

As student enrollment has declined in the last several years, UAF is monitoring auxiliary functions and balances. The housing/dining (P3) lease payment is currently a challenge for Residence Life to manage under these conditions, therefore UAF has contributed central funds for needed facilities maintenance where upgrades are critical. Some residence halls have also been closed as a cost saving measure. Examination of the auxiliary model will take place over the coming year and is addressed in more detail in Question 11.

FY20 budget uncertainty related to the UA state general fund (GF) budget also may require UAF to contingency plan at a steep level on short timeline. UAF is contributing to UA advocacy efforts and will work with UA and UAF leadership to plan accordingly as more information is known. UAF is taking steps to actively reduce off-campus leases and reduce the UAF footprint. These efforts will require modest funding in the short term to relocate employees, renovate or update space, or demolish aging facilities; however, this aligns with longer term strategy and plans to modernize campus space for students, staff and faculty. Where sale or lease of facilities can be accomplished, this may help generate revenue to offset some expense. As functions move onto campus, other larger renovations that contribute to a revitalized student life experience may also be planned incrementally.

6. DEBT STRATEGIES AND PLANS

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. The annual debt service obligation at UAF reached its peak in FY19, and is up 125% (annually) from FY15 (from $9.8M to $22.3M). UAF successfully closed out the Series O bond and SRC in FY18 (UAF refinanced some portions of Series N and O into Series S and V). Refinancing or early pay-offs for remaining DS obligations are more difficult as remaining issuances are larger dollar amounts best managed over time. At this time, UAF does not intend to seek additional debt for infrastructure needs.

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

7. FY20 INITIAL BUDGET ANALYSIS

In February 2019, Governor Dunleavy released the FY20 budget to include a drastic 41 percent UA GF reduction from FY18 levels ($134 million). Due to the sheer magnitude of the proposed reduction, the Chancellor is not providing budget targets to deans and directors. Instead, UAF leadership is examining high level priorities, collaboratively looking at new models and "big ideas" that may allow for revenue growth or garner significant savings, and is actively looking at ways where UAF can manage its budget that is consistent with future goals. Throughout the budget planning process, UAF will continue to serve its students and use strategic planning goals and NWCCU accreditation themes to guide actions. Advocacy efforts are underway. UAF will develop specific planning scenarios as budget discussions progress.

The planning process for FY20 is as follows, but is subject to change between March and June 2019 based on contingency planning efforts:

- February 2019: UAF call for proposals for increasing enrollment and research to the Planning & Budget Committee (PBC).

- April 2019: The PBC will assess proposals and make recommendations about which proposals to fund in FY20 and/or include in the FY21 budget request.
- April-June 2019: The Chancellor will make decisions for implementation in FY20. UAF senior leadership and the PBC may also be engaged further for contingency planning.

Given the significant budget challenges in recent years, UFB remains a critical resource to bridge the institution for academic program teach-out requirements, or until actions taken to base create tangible savings.

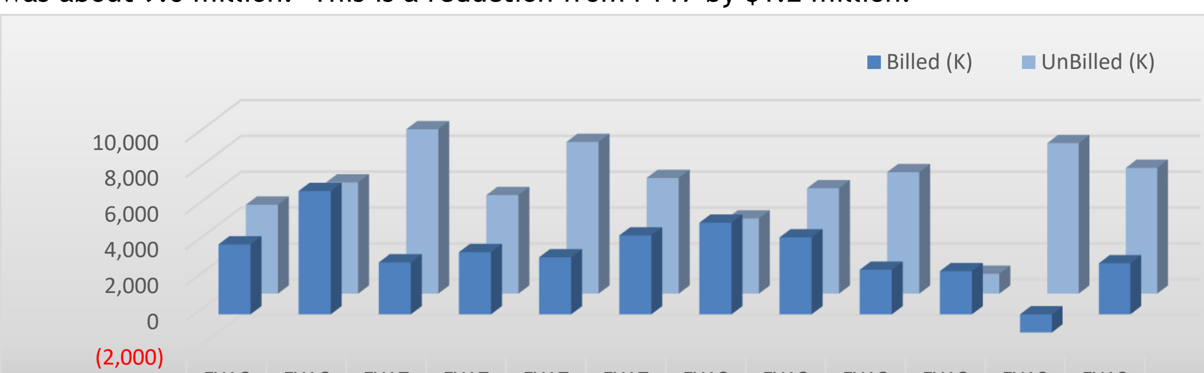
In order to respond to a request from the UA President, the UAF Chancellor formed a series of Task Forces to inform FY20 strategic actions. Task Forces are working to provide recommendations in the following areas: administratively burdensome policies/procedures, class sizes, adjunct instruction, eCampus integration, non-credit credentials, and research repositioning. Outcomes are expected this spring.

Declining enrollment and modest increases in the UA tuition rate are also challenging factors. Enrollment initiatives are in development by the UAF Strategic Enrollment Planning (SEP) committee. SEP is a university-wide planning process with the goal to increase enrollment at UAF by creating action plans in several key areas including but not limited to: workforce academic programs, student success, finance and financial aid, online programs, undergraduate and graduate programs, and marketing and recruitment. UAF is optimistic that tuition rates will eventually align with appropriate peers and as enrollment stabilizes and increases, new revenues will follow.

8. GRANTS AND CONTRACTS ACCOUNTS RECEIVABLE ANALYSIS

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

For this report, OGCA is using data starting in FY16. OGCA continues the effort to reduce A/R by streamlining the billing process and improving reports to address inaccuracies. For FY18, the average receivable balance for prepayments and billed and unbilled expenditures was about 9.6 million. This is a reduction from FY17 by $1.2 million.



	FY16 Q3	FY16 Q4	FY17 Q1	FY17 Q2	FY17 Q3	FY17 Q4	FY18 Q1	FY18 Q2	FY18 Q3	FY18 Q4	FY19 Q1	FY19 Q2
Billed (K)	3,904	6,885	2,899	3,473	3,181	4,402	5,118	4,298	2,487	2,409	(1,014)	2,851
UnBilled (K)	4,966	6,208	9,178	5,505	8,473	6,458	4,196	5,884	6,780	1,107	8,404	7,020

Figure 5 - OGCA 0-30 Billed & Unbilled Receivables Average by Quarter, GL account 0292.

A combination of internal and external factors influence OGCA A/R. Internally, OGCA must work within the parameters of the UA accounting system, which has specific timeframe for allowed billing. For example, the spike of FY19 Q1 unbilled receivables was a result of timing issues in the UA accounting system.

The terms and conditions of some funding agencies require quarterly billing instead of monthly. Other agencies provide initial or quarterly prepayment funding. Prepayment funding occurs when a sponsor pays for deliverables before the expenditures occur. The Banner system classifies these payments as negative accounts receivable rather than as unearned revenue, and the effect of this is to lower the accounts receivable balance. The treatment of prepayment funding does not adversely affect day-to-day operations of OGCA, but it does damage the accuracy of the A/R balance. OGCA recommends a new revenue liability account to record prepayments such that billing activities will demonstrate the process of generating receivables and reconciling the liability to the asset.

9. STUDENT ACCOUNTS RECEIVABLE ANALYSIS

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

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

Since the spring of 2017, the Bursar has actively increased 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. The Bursar sends a monthly billing statement by email (preferred address in UAOnline) to all students with an outstanding balance on the 15th of each month. The Bursar mails past-due notices over the course of six months (180 days) before referring the student account to a collection agency and/or a PFD garnishment.

As of June 30, 2018, there was $2.2M in past due receivables at the Fairbanks Campus, of which $1.7M was 91+ days, and there was $602K in past due receivables for the community campuses, of which $411K is 91+ days. The 91+ balance includes the unpaid balance from spring 2012 through spring 2018. The Bursar writes off balances older than six years quarterly.

There was $190K in third-party receivables, including Veteran Affairs (VA) accounts, which account for $80K of the amount (e.g., Post 911 GI Bill and Disabled Vocational Rehabilitation). 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

The Bursar applies a late fee to all delinquent accounts after the fee payment deadline (account balance of $300 or more and not enrolled in a payment plan). Students are able to enroll in payment plans through the drop for non-payment internal deadline. Each individual campus makes the decision on which students to drop for non-payment. The Bursar places AR holds on all delinquent student accounts. Payment plans are available for an additional 8-10 weeks after the fee payment deadline, which gives students another payment option for those who cannot afford to pay in full, registered for a late start class, or the Bursar reinstated after dropping for non-payment.

Students have the option to sign up for a payment plan in-person or through their UAOnline account. Students receive a confirmation email at time of plan enrollment and a notification email 14 days prior to an upcoming payment due date. If a student is delinquent on their payment plan, the system sends an email two days after a missed payment. The Bursar assesses the account a $50 late fee and places an AR on the account. During the 2018 academic year, 2,156 students enrolled in a payment plan. The default rate for payment plans averaged about 12% (246 students) for the year.

Approximately five days after the fee payment deadline, students who are delinquent and live on-campus and/or have meal plans receive a letter advising them of their delinquent status and of future consequences. Approximately 99% of these students either pay their bill in full or make payment arrangements immediately. Beginning spring 2018, the Bursar began reconciling Residence Life's monthly rent accounts, which are due on the first of each month. Prior to 2018, Residence Life had difficulty determining if the student was paying rent or their tuition and fee balance. As a result, some tenants would become late on their rent for multiple months before Residence Life was fully aware. The Bursar made this an efficient process by quickly reviewing the accounts and applying late rent fees and AR holds to all delinquent accounts the day after rent is due.

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. This faster turn-around time (180 days) results in an increase in student responses and payments. The mailing address is often current, the debt is more recent, and the student is more likely to pay. If no response within 30 days, the account is sent to collections. UAF can garnish a student's PFD while the account is at collections.

The Bursar divides all first placement accounts equally and sends them to the following collection agencies: Williams and Fudge (WF) and ConServe (CS). With the faster turnover, UAF anticipates an increase in the historical rate of recovery from both collection agencies for future years.

WF specializes in higher education collections, collects in all fifty states, and reports to the credit bureaus for accounts with a minimum balance of $250. There are currently 534 UAF accounts totaling $434.6K at WF. As of FY18, WF's historical rate of recovery for accounts sent to collections is 14%.

CS specializes in higher education debt and reports to the credit bureaus. CS has a minimum balance of $25. There are currently 460 UAF accounts totaling $491.8K at CS. CS's historical rate of recovery for accounts as of 2019 (YTD) is approximately 9% (compared to 5% in 2018). Prior to December 2017, the Bursar submitted first placements to WF and second placements to CS. By dividing first placements between CS and WF, UAF expects that the historical rate of recovery for CS will continue to increase.

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. Mailing to the address provided on the student's annual PFD application, UAF mails the first garnishment letter, "Notice of Default", in early May and the second letter, "Intent to Claim," in mid-June. UAF receives PFD garnishment payments in batches beginning in October of each year.

PFD Year	MAU	NOD Adjusted	ITC Adjusted	PFD Received	% Received
2018	F	$677,549.10	$660,478.06	$324,216.82	49%
2017	F	$666,809.63	$657,969.56	$265,845.70	40%
2016	F	$660,069.83	$641,442.43	$213,594.73	33%
2015	F	$682,624.25	$677,882.06	$354,858.58	52%

Figure 6 – PFD Garnishment Comparison by year. *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 (meaning UAF can no longer garnish a PFD and our collection agencies cannot litigate or report the debt to a credit bureau), 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
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
2013	46,523,806	3,727,069	313,371	3,413,698	7.34%	113,738
2012	40,672,468	4,079,930	332,081	3,747,849	9.21%	4,799

Figure 7 – AR Fiscal Year-End Comparison. *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 FY18 actual operating and capital expenditures for M&R and R&R support totaled $30,127,344. The FY19 annual calculated need for M&R, based on the Kraft formula, is $28,765,988, and UAF expects to meet this target. UAF Facilities Services manages the bulk of the funding for the annual support effort, budgeted in FY19 at $19,025,700. The balance of the support comes from across UAF, including auxiliary, recharge, general unrestricted, and grants.

UAF does not specifically budget for M&R and R&R support outside of the Facilities Services maintenance budget, the central M&R reserve (established in FY17 through statewide reallocation), and capital appropriations. UAF budgets and funds capital projects over the course of the project and not specifically by fiscal year.

UAF's current estimate of accumulated deferred renewal is $694,409,645. The following projects are in progress:

- Kuskokwim Campus Maggie Lind HVAC Renovation, total project cost (TPC) $1,959,900. This project is out to bid, with an estimated completion date of November 2019.
- Irving 1 Canopy Demolition, TPC $1,060,000. This project is under construction, with an estimated completion date of October 2019.
- Campus-wide Interior Hardware upgrade, TPC $1,280,000. This project is in implementation, with an estimated completion date of August 2020 for Phase 1.
- Elvey Deferred Maintenance Phase 1 Server Relocation, TPC $1,773,000. This project is in construction, with an estimated completion date of December 2019.
- Constitution Hall Storefront Upgrade, TPC $2,800,000. This project is in design.

- UA CTC Barnette Restroom Renovation, TPC $1,530,000. This project is in construction, with an estimated completion date of September 2019.

- Cold Climate Housing Research Center EOC, TPC $110,000. This project is in design, with an estimated completion date of July 2019.

- Bunnell Parking Light Installation, TPC $176,000. This project is in construction, with an estimated completion date of September 2019.

- Campus-wide Exterior Building Entry Upgrades, TPC $1,000,000. This project is in construction, with an estimated completion date of October 2019 for Phase 1.

- Cutler Apartments Roof Replacement – 500 Block, TPC $819,000. This project is in construction, with an estimated completion date of October 2019.

Acknowledging the current budget climate, UAF prioritizes capital spending to focus on life safety, code corrections, modernization of student spaces, and gaining energy efficiencies. Reducing footprint and demolition of aging facilities are also a priority as funds for new construction are expected to be limited.

11. AUXILIARY FUND BALANCES, CHALLENGES, AND STRATEGIES

Auxiliary	FY18 Fund Balance	FY19 Jan Projected Balance	FY18 Year-End Revenue	FY19 Jan Revenue Projection	Revenue Change	Fund Balance Change
Residence Life	3,746	2,907	7,500	8,172	9.0%	-22.4%
Residence Life Capital	-	-	-	812	-	-
KUC Bookstore	6	7	3	2	-20.4%	25.2%
KU Dormitory-Food Service	625	633	484	437	-9.7%	1.2%
NWC Bookstore	20	20	3	1	-82.6%	2.2%
RC Bookstores	(24)	-	189	76	-59.7%	-100.0%
RC Residence Life - MacLean	56	54	110	101	-8.1%	-4.2%
UAF Wood Center	278	294	333	304	-8.8%	5.8%
UAF Bookstore	376	436	117	113	-3.2%	15.9%
UAF Parking	1,302	1,424	1,804	1,746	-3.2%	9.4%
UAF DRAW Auxiliary Programs	345	198	1,058	1,218	15.1%	-42.5%
UAF University of Alaska Press	42	(16)	503	451	-10.3%	-136.5%
UAF Dining Services	417	321	4,093	3,931	-4.0%	-23.1%
Total	**7,188**	**6,278**	**16,197**	**17,364**	**7.2%**	**-12.7%**

Figure 8 – UAF Auxiliary fund balances with comparative change from FY18 balance and revenue, in thousands.

Several auxiliary activities at UAF are likely to undergo changes as models, revenues, and student demand for services are being examined. Residence Life and Dining Services are both experiencing declines in customer numbers. Dining, which transfers about 90 percent of revenues to Chartwells, the food service contractor, is challenged to pay part of the capital lease expense associated with the Wood Center dining facility. As part of a larger effort at UAF to identify long-term R&R needs, Residence Life is working to transition its operating budget to maintaining an operational fund balance, separating capital expenditures into a separate fund to manage capital projects with a “housing” R&R fund. This fiscal year should be the last one in which there are R&R activities on the operating fund (193010).

Rural bookstore operations transitioned to Follett in FY18, and these operations are now working to close out fund balances. In FY19, UA Press experienced a drop in revenue and expects a small fund deficit to close the year; this falls within the normal range of variability for this operation.

12. CAREER AND TECHNICAL EDUCATION (CTE) PROGRAM DISCOUNT ANALYSIS

The UA system established a 25 percent Occupational Endorsement & Certificate (OEC) tuition discount effective fall of 2018 (FY19). The goal of this change is to promote new enrollment by making specified courses more affordable for the target audience. The system office provided a subsidy to cover any drop in tuition revenue before any enrollment increases take place.

CAMPUS	FY19 SCH	FY18 SCH	FY17 SCH	TOTAL DISCOUNT	FY19 SCH Δ	FY18 SCH Δ
UAF - Bristol Bay Campus	256	214	256	(13,568)	19.6%	-16.4%
UAF - Chukchi Campus	65			(3,445)	100.0%	100.0%
UAF - CTC (Fairbanks)	2,883	2,590	2,703	(150,891)	11.3%	-4.2%
UAF - eCampus	3,668	3,435	2,923	(193,026)	6.8%	17.5%
UAF - Interior Alaska	1,008	1,057	830	(53,742)	-4.6%	27.3%
UAF - Kuskokwim Campus	328		153	(17,384)	100.0%	-100.0%
UAF - Northwest Campus	219	102	73	(11,342)	114.7%	39.7%
UAF - Rural College	710	556	465	(28,249)	27.7%	19.6%
TOTAL	**9,137**	**7,954**	**7,403**	**(471,647)**	**14.9%**	**7.4%**

Figure 9 – UAF OEC course credit hours with comparative change from prior years and total discount.

FY19 enrollments appear to have increased by fifteen percent over FY18, although it is difficult to tell if enrollments are new or if they represent students moving from other enrolled programs where the discount does not apply. The total applied discount, to date, is approximately $500,000 for FY19. UAF applied the subsidy at the campus level based on year-over-year course enrollments using the prior-year enrollment level as a baseline. Subsidy funds will also be utilized for promotion of the discount to boost enrollment numbers in future years. This discount will require further monitoring to understand the price sensitivity of the target market, and whether the discount is increasing enrollment.