

CABINET	FY16 Actual	FY17 Actual	FY18 Jan Projection (1)
Chancellor	32.8	42.8	37.1
Office of Information Technology	58.3	60.6	76.8
Provost (2)	1,404.0	1,850.6	330.8
VC for Rural, Community, and Native Education	354.2	1,258.9	855.0
VC for Research (3)	1,568.9	1,281.9	2,428.8
VC for Student Affairs (4)			

## 2. CURRENT FISCAL YEAR PRACTICES FOR REVENUE



#### 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).

To date, the reductions in operating and capital funding leave UAF with limited reserves in the event large-scale issues emerge. UAF is hopeful there will be a DM/RR facilities maintenance increment from the state in FY19 that will restore critical operational funding to programs and services.

## **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 appealing campus. In pursuit of this goal, DS obligations at UAF approximately doubled between FY15 and FY17, and it will reach peak current commitment in FY19 (from \$9.8M to \$22.3M). At the same time, UAF successfully closed out the Series N bond in FY17 and will close out Series O 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.

UAF has fully repaid all internal UA working capital arrangements ahead of schedule.

This investment in UAF infrastructure creates some risk due to the long-term repayment commitments. Flat and falling revenue sources over the past several years add stress to all units as UAF realigns institutional resources to absorb state funding reductions.

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

## **7. FY19 INITIAL BUDGET ANALYSIS**

Governor Walker's initial budget (December 2017) includes a flat operating budget for the university from FY18 levels. Using this as a guide, UAF's initial projection for a budget gap is roughly \$7.0M in FY19. This includes fixed costs, strategic reallocations, continuing investments from FY18, and possible reallocation for additional UA System initiatives. To date, the UA internal reallocation is the most significant unknown; final determination of this figure will affect UAF's budget gap. UAF will adjust planning scenarios accordingly as discussions progress. It is UAF's intent to minimize the number of budget scenarios created.

The planning process for FY19 is as follows:

- Provost/VCs developed FY19 initial budget targets in consultation with unit leaders.
- The Chancellor issued an internal RFP for initiatives that increase enrollment and research. The Planning & Budget Committee (PBC) reviews the proposals.
- The PBC will make funding recommendations on proposals; these are candidates for internal reallocation in FY19 and/or may be in the FY20 budget request.
- The Chancellor will make decisions for implementation in FY19 and FY20.

UAF is developing plans to allow sufficient time to act prior to the beginning of the new fiscal year in July. Given the budget challenges in recent years, UFB remains a critical resource to help bridge the institution until actions taken to base reductions create tangible savings. Additionally, UFB is a key source for funding research start-up activities and academic program redesign. The enrollment decline experienced in Fall 2017 remained stable for Spring 2018; UAF is optimistic to see an increase in Fall 2018.

## 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 receivables (A/R). The balance of the restricted A/R is the combination of billed/unbilled expenditures and sponsor prepayments.

OGCA is using data starting from FY15 Q3 and ending FY18 Q2 (Figure 5). OGCA continues to reduce A/R by revamping the A/R report used to evaluate UAF's receivables trend. The industry standard for collecting R&D A/R is 70.8 days. OGCA continues to streamline the A/R reporting process and address issues that may cause inaccuracies. For the purpose of this analysis, OGCA is using current (0-30 day) receivables, focusing on FY16 and FY17 data. For FY17, the average receivable balance was about \$10.8M; this is a stable compared to FY16, as the receivables at that time were also around \$10.8M.

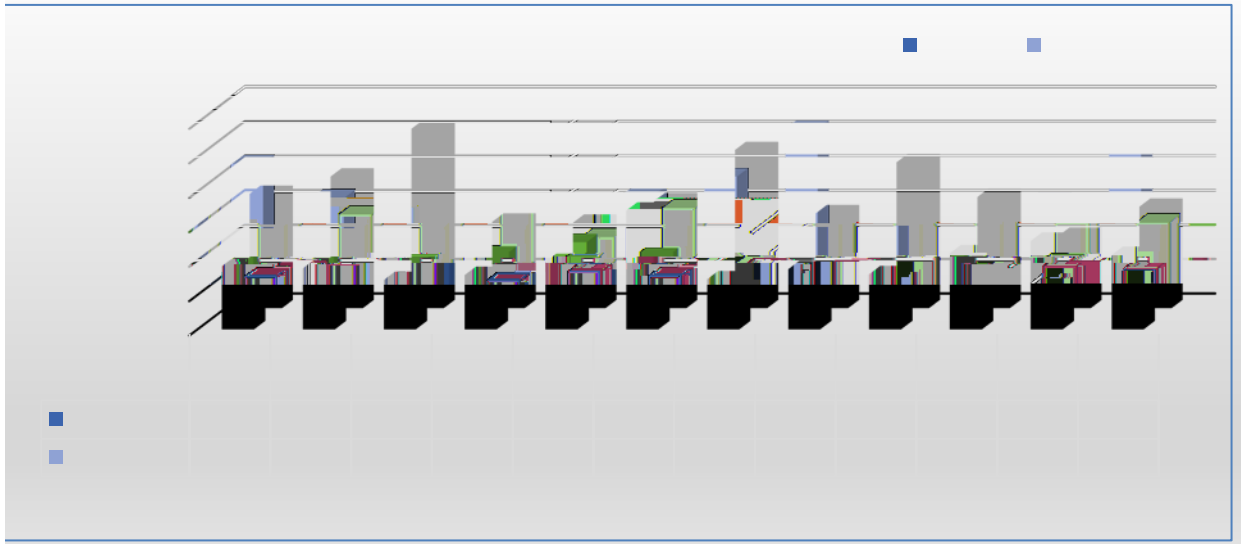


Figure 5 - OGCA 0-30 billed & unbilled receivables average by quarter.

Externally, the terms and conditions of some funding agencies require quarterly billing instead of monthly billing. Other funding agencies provide initial or quarterly prepayments (this is when a sponsor pays for deliverables before the expenditures occur). The effect of this, in our current system, is to lower the A/R balance. Although UAF has made strides to reduce the outstanding A/R over the past several fiscal years, there are still areas of improvement needed. Proper recording of prepayments is an example.

The recommendation for the proper treatment of prepayments is to account for the prepayments as a liability against the extramural funding. The current system of yearly reclassifying receivable balances to liabilities for financial statement purposes, does not resolve the OGCA issue regarding prepayments. OGCA recommends a new differed revenue liability account to record prepayments so the billing will demonstrate the process of generating receivables and reconciling the liability and the asset. This issue does not influence the daily operation of OGCA, but it does reduce the accuracy of the A/R reports. Classifying prepayments correctly when they occur will provide a more precise understanding of the A/R balance throughout the year.

OGCA has additionally dedicated effort to cleaning up pre-Banner (GAC) issues since June 2009. As this necessary clean-up was an identified UA audit issue, OGCA continues to make progress in this area.

## 9. STUDENT ACCOUNTS RECEIVABLE ANALYSIS

The UAF Bursar's Office focuses on recovering funds from past due accounts, implementing changes to increase success of collections and encourage payment. Outstanding receivables in prior years were increasing, while FY17 showed a slight decrease (possibly due to a decrease in enrollment). As of June 30, 2017, there are \$1.6M in past due receivables at Fairbanks Campus, of which \$1.4M is over 91 days. There are \$647K in past due receivables for the community campuses, of which \$506K is over 91 days. \$110K is in third-party receivables, such as Veteran Affairs (VA) accounts (\$50K). Annually, roughly 1,300 students qualify for VA funding; it can take 90 days+ before UAF receives payment.

Fiscal Year	Gross Tuition & Fees	Accounts Rec	Allowance
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The Bursar's Office divides delinquent accounts equally upon first placement and sends half to the Williams and Fudge (WF) Collection Agency and half to the ConServe (CS) Collection Agency. In prior years, first placements only went to WF and second placements only went to CS. UAF also began moving accounts to the collections process as soon as they are 180 days delinquent. Previously, the debt could be 12-24 months of age before initiating the collection process. With the faster turnover, UAF anticipates an increase in the historical rate of recovery from both collection agencies for future years.

WF no longer reports accounts to the credit bureaus when a student pays or they return the account to UAF. WF accepts receivables up to five and a half years old (no minimum). There are currently 603 UAF accounts, totaling \$686.5K. This is an increase from FY16 with only 311 accounts, totaling \$461.5K. WF's historical rate of recovery for UAF accounts is 14%.

CS specializes in higher education debt and reports to the credit bureaus for seven years against an account. With a minimum balance of \$25, CS accepts receivables up to five and a half years old. There are currently 697 UAF accounts, totaling \$871K. This is an increase from FY16 with only 112 accounts, totaling \$194K. CS's historical rate of recovery for UAF accounts is approximately at 5%, although UAF has changed its practice from prior years.

After a twelve-month collection period, the first placement agency returns outstanding accounts to UAF for a second placement with the alternate collection agency, WF or CS, for an additional year. UAF previously wrote off these accounts with no additional collection effort yet is now seeing some movement.

#### ***PFD Garnishment***

The garnishment process begins in April of each year for those students with delinquent balances greater than \$50 in the previous year and who are eligible to receive the PFD. UAF mails a "Notice of Default," in early May, and sends an "Intent to Claim," in mid-June. In 2017, UAF received 40 percent of the amount requested compared to 33 percent for 2016, 52 percent for 2015, 51 percent for 2014, and 33 percent for 2013. UAF may garnish a student's PFD payment while the account is at a collection agency.

#### ***Write Offs & Allowance for Doubtful Accounts (ADA)***

After collection efforts and accounts are beyond the statute of limitations (six years) for collections and PFD garnishment, UAF writes them off as bad debt. The AVC for Financial Services approves all balances in excess of \$200. The total amount written off for FY17 was \$262.4K compared to \$363.4K for FY16 and \$89.6K for FY15. UAF expects write-offs to stabilize in the near future, a result of efforts to turn accounts over to collections more quickly after exhausting UAF internal attempts; the rate of return may also improve.

The total outstanding A/R balances over the past several years is relatively stable despite a concerted collection effort by the Bursar's Office. Some of this is attributable to the annual increase in tuition and fees, though the bulk is attributable to aid reversals. Drop for non-payment has helped some with past due accounts, partly because UAF reinstates students without having payment arrangements in place. While dropping students for non-payment does not eliminate the unpaid receivable, it does prevent that account balance from growing.

In FY18, UAF refined its method for funding its allowance for doubtful accounts (ADA). The intention is to manage the university's potential liability as well as to create a direct campus connection to the decision process related to retention of students with delinquent accounts.

## 10. FACILITIES MAINTENANCE, REPAIR, AND REPLACEMENT

The attached table demonstrates FY18 projected M&R and R&R commitments. The total FY18 M&R expenditure target is \$26.4M, and UAF expects to exceed this target by \$2.7M. This is a

Category / Description	Debt Principal Amount <sup>(1)</sup>	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
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Current Debt

