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University of Alaska Statewide System

Marco -

Here is a copy of Chancellor Marshall Lind's Extended Site Report (2/98) as per Privatization Commissioner Fink's request.

You will note that there are some "missing" pages - this, in fact, is a complete report, as given by Chancellor Lind to the Board of Regents and also presented to a joint UA-Legislative hearing in Nov, 1998 in Anchorage -

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**PRELIMINARY REPORT OF THE
PRESIDENT'S COMMITTEE ON EXTENDED SITES
OF THE UNIVERSITY OF ALASKA**

Marshall L. Lind, Chair

February, 1998

EXTENDED SITE COMMITTEE EXECUTIVE SUMMARY

Written charge

In early Fall, 1997, President Komisar established a committee chaired by Chancellor Lind of UAS, to consider the issue and future of the University's extended sites. The President outlined the charge as follows:

first, to detail the financial resources necessary to operate extended sites; second, to analyze alternative ways of delivering high quality and cost effective academic programs to remote locations.

Who

The Extended Site Committee was composed of faculty, administrative staff and advisory board members from extended sites. The members represented the diverse geographic locations, demographics and sizes of the sites.

How

In approaching its task, the committee determined that an accurate picture of the extended sites was needed both to provide information to the Board and others about the positive impact that extended sites have on students and communities and to suggest ways in which budget reductions could be accomplished with the least disruption to these services. Therefore, the committee asked extended campuses to share information about their missions, priorities, programs and partners.

As the data on extended sites was assembled and studied, natural groupings of sites began to appear. Based on an analysis of significant demographic, economic and institutional variables, the committee agreed on the following taxonomy which then served as the paradigm for all subsequent analysis.

Type 1
Kenai/Homer
Mat Su
Tanana

Type 2
Kodiak
PWSCC
Ketchikan
Sitka

Type 3
Bristol Bay
Chukchi
Interior
Kuskokwim
Northwest

Guiding Principles

The committee reviewed Board of Regent policy on extended sites and community colleges, in particular,

- Policy 10.02.05 – Extended College and Campus Establishment and Elimination
- Policy 10.02.06 – Community College Establishment and Elimination

The committee also reviewed the draft of the Board's *Public Higher Education in Alaska* and examined the Purposes, Principles and Priorities contained in that

document for relevance to the committee's charge. In its deliberations, the committee focused on statements that addressed the following broad issues:

- Access
- Resource Allocation
- Delivery Technology
- Operational Characteristics

Type and Mission

The committee reviewed campus missions as a first step in analysis. Sites in each category share similar missions. Type 1 campuses exhibit the greatest commonality with the mission of their home MAU. Tanana Valley Campus, with its heavy emphasis on vocational education, is the exception. Both Type 2 and Type 3 campuses have expanded the MAU mission to emphasize the community college aspects of their activities. Prince William Sound Community College has its own mission.

Programs

Based on their missions, extended sites offer programs in three distinct areas: developmental education, vocational education/ training and academic transfer. On all campuses, but particularly on Type 2 and 3 sites, distance education has greatly increased the range of courses capable of being extended to the local community.

Partners

Extended sites deliver programs and services for, with and through multiple partnerships. While many of these partners are local, extended sites are being called upon more and more frequently to work with state and federal agencies to deliver services to their region. Extended sites generated \$4,642,000 in direct cash contributions from these partnerships in FY97. This amount represents about 23 percent of the General Fund received by the sites. Put another way, in FY97, the sites generated one dollar in additional funds for every four dollars of General Funds. This figure does not include the cash value of in kind services.

Statistical Data by Type

The committee looked at differences among the types of extended campuses with respect to several institutional, student and community variables. The report displays this information in a series of tables and charts.

For institutional characteristics, the committee used data for Fall, 1996, as reported in *UA in Review, 1997*. Although some extended sites had problems with the numbers as reported in the *Review*, it was determined that the benefits of using a commonly-agreed-upon data source outweighed the occasional problems. Where possible, explanatory notes have been added to help account for some of the concerns with the data.

COST SAVINGS OPTIONS ANALYSIS

Based on the information provided the extended sites and the available statistics, the Extended Site committee as a whole considered ways in which current practice at the extended sites—or at the MAU's vis a vis their respective sites—could be modified to realize savings. The committee considered six broad options:

- Increased Distance Delivery
- Campus Reorganization
- Increased University Collaboration
- K-12 Collaborations
- Reduced Institutional Support Costs
- Increased Non-General Fund Support

Premises

In analyzing these strategies, the committee referred consistently to the Board policy, principles, purposes and priorities. In addition, the committee adopted the following broad premises.

First, that the current extended campus system is quite efficient. These sites face the greatest education challenges of the university system, yet they manage to deliver about 24 percent of the total credit hour output of the system with approximately 12 percent of the General Fund resources allocated to the system.

Second, that the location of many of these sites in areas with extremely high costs of doing business, coupled with the economies which have already been realized through the 1987 reorganization and more recent budget reductions, makes it impossible to realize significant savings. However, through greater efficiencies in resource use, particularly faculty and other personnel, it is possible to lower costs per student or credit hour.

Third, that institutional survival in today's fiscal climate requires decision makers to think and act in terms of system rather than the individual units making up that system.

Finally, that little if any savings can be realized if business is done "as usual". Successful adoption of any of the considered options will require a re-engineering of part or all of the system.

Analysis

Each option is described in detail, and both the programmatic and fiscal benefits and costs of implementing the option are identified from the point of view of the committee. A level of potential savings is assigned to each option, based on the three-year time horizon given to the committee. The three levels are:

Low savings: The option is estimated to save less than \$500,000 per year by Year 3 of implementation.

Medium Savings: The option is estimated to save between \$500,000 and \$1,500,000 per year by Year 3.

High Savings: The option is estimated to save over \$1,500,000 per year by the Year 3.

Savings estimates are designed to give the Board and the administration an idea of range or relative magnitude rather than exact dollar amounts. Actual realized savings will depend upon a variety of factors which were not within the committee's expertise to identify. The committee strongly recommends that if one or more option is chosen for implementation, *the MAUs be given target ranges for potential savings and then allowed to determine how savings from this option can best be realized within their own units.*

Conclusion

The extended sites are currently providing quality educational services to the most geographically, socially and economically challenged areas of Alaska and are doing so with limited and declining state support. Most efficiencies that can be gained from looking at the extended sites alone have already been achieved through the 1987 reorganization and subsequent budget cuts. To cut further into the extended sites without a significant re-thinking and re-engineering of the entire system can only decrease or eliminate access to postsecondary education in many communities and regions. For the committee, such economies do irreparable harm to the statewide mission of the university.

However, the committee believes that a move to more "systems thinking" on the part of those charged with the support and administration of the University will assist in uncovering true economies: those which make the University more efficient while maintaining responsiveness to the needs of the state's students, wherever they may reside. It is the committee's earnest desire that consideration of the report and its findings will assist in uncovering these economies.

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Report of the Extended Site Committee

The Charge

Written charge

In early Fall, 1997, President Komisar established a committee chaired by Chancellor Lind of UAS, to consider the issue and future of the University's extended sites. In the letter which established the committee, President Komisar outlined the charge as follows:

There is a profound need to review in depth the role and finances of the University's extended campuses. The diversity of their mission and the range of their costs are not fully appreciated. There is also a misguided public perception that, ever since restructuring, the extended campuses have withdrawn from their role as community colleges. Some of the University's extended campuses are very efficiently and effectively run, others carry exceedingly high costs because of their relatively small size and organizational structure. I have asked Chancellor Lind to chair a systemwide committee to examine the costs and organization structure of the extended campuses. There are two elements within the committee's charge: first, to detail the financial resources necessary to operate extended sites; second, to analyze alternative ways of delivering high quality and cost effective academic programs to remote locations.¹

In addition, the committee was asked to recommend how the extended sites could contribute to the overall anticipated reduction of University expenditures in the three year period beginning in FY99.

Budget Impact

The target figure for General Fund reductions at the extended sites is \$4 million. In order to appreciate the scope of task given to the committee, the following comparisons may be helpful.

Total extended site budget

Reductions by year, as a percent of total General Fund, are as follows:

	FY1999	FY2000	FY2001	Total
Amount of reduction	\$250,000	\$1,750,000	\$2,000,000	\$4,000,000
% of GF Revenues	1%	8%	10%	19%

¹ Letter from UA President Jerome Komisar to the University Community

The above should be considered in light of an overall 8.6 percent reduction in General Fund revenues for extended sites from FY97 to FY98.

MAU

If anticipated reductions were to be assigned to the MAU's in proportion to the current distribution of GF revenue for extended sites, the breakdown would be as follows:

MAU	Current (FY98) GF Budget	Pro-rata reduction	% of total reduction
UAF	\$8,337,200	\$1,673,000	41%
UAA	\$8,832,700	\$1,734,300	43%
UAS	\$3,201,900	\$628,700	16%

General Fund Budget by Site

Another way of looking at the magnitude of the anticipated reduction is to examine GF revenues by extended site. From this breakout, it is easily recognized that even the closure of multiple small sites or one large, urban site would not yield the required amount.

	FY98 GF		FY98 GF
UAF		UAA	
Tarana	\$1,910,300	PWSCC	\$1,526,700
Rural College	889,500	Mat Su	2,361,000
Northwest	1,239,200	Kodiak	1,676,900
Kuskokwim	1,786,400	Kenai	3,268,100
Interior	1,032,200		
Chukchi	774,900	UAS	
Bristol Bay	704,700	Ketchikan	\$1,450,700
		Sitka	1,751,200

The Process

Who

The Extended Site Committee is composed of faculty, administrative staff and advisory board members from extended sites. The members represent the diverse geographic locations, demographics and sizes of the sites. The committee has been assisted by Statewide university staff and consultant Dr. Mary Lou Madden.

The committee organized itself into three sub-committees: a) Mission and Productivity, b) Finance and c) Delivery. Committee roster, with area represented and sub-committee assignments, follows:

EXTENDED SITE COMMITTEE MEMBERS

<i>Name</i>	<i>Extended Site</i>	<i>Position</i>	<i>Sub-Committee</i>
Marshall L. Lind	Committee Chair		
Dave Forbes	Kenai	Faculty	Finance
Ralph Gabrielli	College of Rural Alaska	Executive Dean	Finance
Ruth Lister	Tanana Valley College	Director	Mission/Productivity
Jo Ann McDowell	PWSCC	Director	Mission/Productivity (chair)
Al Okeson	Mat-Su	Advisory Council	Finance
Glenn Massay (alternate)	Mat-Su	Advisory Council	Finance
Maynard Perkins	Northwest	Faculty/Director	Delivery (chair)
Brian Peterman	Ketchikan	Advisory Council	Finance (chair)
Priscilla Schulte	Ketchikan	Faculty	Delivery
Elaine Sunde	Sitka	Director	Delivery
John Weise	Kuskokwim	Advisory Council	Mission/Productivity
Wendy Redman	UA Statewide	VP for Institutional Relations	

How

In approaching its task, the committee determined that an accurate picture of the extended sites was needed both to provide information to the Board and others about the positive impact that extended sites have on students and communities and to suggest ways in which budget reductions could be accomplished with the least disruption to these services. Therefore, two of the subcommittees—mission/productivity and finance—gathered information about and from the extended sites.

A written survey collected information about site mission, programs and partnerships. Sites reported activities and resources in the areas of developmental education, vocational training, academic transfer programs, distance education and community service. The finance subcommittee has collected and is analyzing information on site resources, costs, output and productivity.

As the data on extended sites was assembled and studied, natural groupings of sites began to appear. Based on an analysis of significant demographic, economic and institutional variables, the committee agreed on a taxonomy of extended sites. This taxonomy, which is displayed below, served as the paradigm for all subsequent analysis.

Type 1
Kenai/Homer
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Because Rural College is a substantially different entity from the extended sites, it was dropped for the analysis as a site and has been considered in the committee's discussion of service centers.

Recognizing that delivery of instruction and instructional support services will vary by type of site, the delivery subcommittee developed a matrix of options which can be used to describe and reconfigure delivery systems.

The results of subcommittee work were shared with the committee as a whole and with all the extended site directors. Where necessary, preliminary analysis has been amended to reflect new information or insights. The subcommittee work forms the basis for the *Background Analysis* section of this report.

When

The full committee has met weekly by teleconference since September 15, 1997. Subcommittees have met on a regular schedule, often weekly, since late September. The committee has had three face-to-face meetings in Anchorage on October 27, 1997, December 9, 1997 and January 23, 1998. At the October meeting, all extended site directors were invited to meet with the committee. In addition, the committee met jointly with some of the members of UALC and the SAC for several hours to discuss areas of mutual concern. A detailed agenda for the October meeting is attached.

Guiding Principles

Board Policy

The committee reviewed Board of Regent policy on extended sites and community colleges. In particular, the following portions of Policies 10.02.05 and 10.02.06 were deemed essential to the committee's work.

Policy 10.02.05 – Extended College and Campus Establishment and Elimination

Extended colleges and campuses may be created or eliminated as an administrative unit of UAA, UAF, or UAS on approval by the University of Alaska President and Board of Regents. The Chancellor will appoint a director for the extended college or campus, after approval by the President, and determine the administrative structure within which the director reports. Extended colleges and campuses will be considered an integral part of the sponsoring university and as such will comply with applicable academic and administrative rules and procedures as well as Regents' Policy and University Regulation. Other locations where ongoing instruction is offered will be referenced as education centers or extension sites.

Existing extended colleges and campuses are:

University of Alaska Anchorage
Kenai Peninsula College

Kodiak College
Matanuska-Susitna College

University of Alaska Fairbanks
College of Rural Alaska:
Bristol Bay Campus
Chukchi Campus
Interior-Aleutians Campus
Kuskokwim Campus
Northwest Campus
Tanana Valley Campus

University of Alaska Southeast
Ketchikan Campus
Sitka Campus

Policy 10.02.06 – Community College Establishment and Elimination

Community colleges may be created or eliminated on approval by the University of Alaska President and Board of Regents. A community college will report through a Chancellor and comply with Regents' Policy and University Regulation as well as with that MAUs applicable rules and procedures. The Chancellor, after approval by the President, will appoint a campus president for the community college and determine the administrative structure within which the campus president reports. The Chancellor will ensure that the community college faculty and staff are involved in the development of MAU rules and procedures which apply to or impact the community college.

Existing community colleges are:

University of Alaska Anchorage
Prince William Sound Community College

Community colleges will be formed from pre-existing extended colleges or campuses. An extended college or campus may be considered for community college status after a minimum of three years operation if growth projections are sufficient to warrant community college status. Factors to be considered in proposals for the formation of a new community college or its continuation will include the following.

Each community college will establish a service area supportive of a minimum student full-time equivalent (FTE) base of 300.

A. Academic and Non-Degree Programs

A community college will be expected, at a minimum, to provide an academic transfer program, a career and vocational program, remedial and developmental education, a student services program, and a program of community services and continuing education.

A community college will develop its own academic programs in accordance with Regents' Policy and University Regulation. Board approved programs will be at the certificate and associate degree level, and coordinated where appropriate with the programs of the sponsoring university. Coordination is also expected with the sponsoring university to facilitate the offering of baccalaureate and master's programs in the community college service area.

A community college will seek and maintain accreditation from the Northwest Association of Schools and Colleges.

B. Service Area and Student Base

C. Staffing

All community colleges, regardless of enrollment, will have basic start-up and continuing staff described in University Regulation.

D. Agreement with Local Qualified School Districts or Political Subdivisions

A community college will be established, operated, and maintained under a cooperative agreement with local qualified school district(s) or political subdivision(s), in accordance with Alaska Statute 14.40.560-640, the Community College Act, and any other applicable requirements established by Board of Regents. This agreement will include an acceptable cost-sharing plan for defraying the ongoing operational costs of the community college. At a minimum, however, the local community's ongoing contribution must be one-third of the total operating budget, and cover the direct instructional and administrative costs for non-degree college programs and activities.²

Board Purposes, Principles and Priorities

The committee also reviewed the draft *Public Higher Education in Alaska* and examined the Purposes, Principles and Priorities contained in that document for relevance to the committee's charge. The committee identified 15 of the 22 statements as containing important direction for its work. These 15 statements address aspects of four major issues: access, resource allocation, delivery technology and operating characteristics. Based on these statements, the committee adopted the following principles to guide its decision-making. Numbers in parenthesis refer to the numbered statement in the draft document.

Access: Discussions of or reductions must take into account the Board of Regents commitment to provide Alaskan's access to:

- high quality post secondary education (1);
- affordable and accessible community college and workforce-related programs (3); and
- selected courses, certificate and associate programs for communities served by extended campuses and, as resources permit and needs dictate, selected courses and programs via distance and alternative delivery methods to other Alaska communities (7)

Resource Allocation: Discussions of or reductions must take into account the Board of Regents' concern for:

- allocation of resources reflecting enrollment demands, instructional needs and priorities; and institutional requirements (8);

² University of Alaska Board of Regents Policy Manual

- allocation of resources reflecting system and campus mission and program mix and alternatives for funding community college and extended campuses (17); and
- establishing collaborations with state and local agencies, schools and other groups to maximize resources (18).

Delivery Technology: Discussions of or reductions must take into account the Board of Regents' direction to:

- avoid unnecessary duplication of programs through increased campus specialization; inter-campus collaborations; utilization of alternative delivery methods; and statewide rotation of selected programs (10);
- enhance student retention and graduation rates (19);
- maintain focus on student needs (20); and
- develop and utilize emerging instructional technologies (22).

Operational Characteristics: Discussion of or reductions must take into account the Board of Regents' attention to:

- providing expertise to Alaskans through public service activities (5);
- utilizing partnerships and internships with business and industry (9);
- collaborating with public and private partners for the development of Alaska's economy (11); and
- respecting cultural differences with programs that meet the diverse needs of Alaska's Native population (15).

Committee questions

In addition to Board policy and direction, the committee has been guided by a series of questions generated by its members:

- Can recommendations be applied uniformly to all campuses that are designated in the system as "extended campuses"?
- What changes can be made to either micro- or macro-organizational structures? What are the cost/benefits (fiscal and programmatic) of each?
- Can we identify areas for revenue enhancement as well as cost savings?
- How can extended campuses share their strengths by support and distance delivery of specific programs?
- What are the unique differences in our campuses which are worthwhile to preserve?
- What are the staff needs to support students who are under-prepared or learning at a distance?

Background Analysis

To date, the committee has accomplished much of the background analysis that will enable it to address the above questions. This analysis includes a look at recent history of the extended sites as well as the data and information collected by the subcommittees.

Recent History - Restructured Decade

A recent draft report, UA Community Sites and Programs, provides some recent history for the extended sites.

Description

In addition to the three regional university centers located in Anchorage, Fairbanks and Juneau, the university offers community college programs at numerous sites located throughout the state. Focusing almost exclusively on lower division and vocational education courses designed to meet the needs of the local community, these sites play a critical role in the university's community college mission. They also offer access to higher education that in most instances would not otherwise be available, and account for approximately one-third of the university's headcount enrollment and one-fourth of its student credit hour production.

Community sites are administered through the three regional university centers, with core courses fully integrated into university curricula and programs.

Major Goals and Strategies

Maintain Essential Services:

- Continue to provide quality academic, general educational, vocational and training programs that will enhance students' lives and provide a base for continued learning.

Improve the quality, breadth and accessibility of the university's academic programs:

- Expand program visibility and availability through distance delivery of academic programs using interactive television, Internet and telecourse delivery methods.
- Provide advising and counseling to assist students in their pursuit of education goals.

Advance academic and fiscal effectiveness and accountability:

- Develop and implement education effectiveness assessment procedures for programs unique to the extended campus or site.

Support Alaska's industrial structure, economic development and cultural richness:

- Maintain and enhance partnerships with private industry, local governments and school districts to provide vocational-technical training and information geared to employment conditions and opportunities in the local community.
- Provide conferences, seminars and activities which broaden the quality of life in the communities served.

Major Changes and Key Issues

Community sites work particularly close with their local communities and rely heavily on partnerships with private industry, local governments and school districts. As state support has declined, these links have taken on an even greater importance to ensure the most efficient and relevant delivery of educational services. Key issues in the upcoming year continue to be to provide adequate offerings of core courses in a sequence that allows students to complete associate degree programs in an appropriate time frame, and to provide increased student access through the use of technology enhanced delivery of courses and programs.³

Institutions by Type, Mission, Programs, Partners

Type and Mission

Any analysis of extended sites must start with a review of the mission of these sites. Since all extended sites, with the exception of the separately-accredited PWSCC, must reflect the mission of their home MAU, these statements are often global in nature. To make the mission operative at the extended site level, the sites have added clarifying statements. The information on site mission, gathered through the survey, has been supplemented by this more detailed information, listed as "site priorities" on the following form.

The following form also displays characteristics which distinguish one type of extended site from another. As can be seen from the table, sites in each category share similar missions. Type 1 campuses exhibit the greatest commonality with the mission of their home MAU. Tanana Valley Campus, with its heavy emphasis on vocational education, is the exception. Both Type 2 and Type 3 campuses have expanded the MAU mission to emphasize the community college aspects of their activities. Prince William Sound Community College has its own mission.

³ University of Alaska, Community Sites and Programs, *FY99 Budget Overview*, October, 1997, pp. 27-31

TYPE 1 CAMPUSES: Kenai, Mat-Su, Tanana Valley

Characteristics	Mission Statements	Site Priorities
Demographic/Geographic • Populations served (18+ years) range from 32,000 - 57,000 • Per capita incomes range from \$15,898 to \$18,515 • Between 87 and 90% of adults in the service areas have a high school diploma • All sites connected by road to main campus; two sites by less than one hour drive • All three sites have annual growth rates above the state average of 3.1%; Mat Su's rate of 7.6% is more than twice the state average Economic • Full range of technological infrastructure • Opportunities for numerous industry/private sector partnerships • Service areas contain one-third of the Alaska labor force • Unemployment rates range from 5.4 to 8.8% • Cost of living, as ranked by Alaska School Foundation Program, is at base 100 Institutional • Headcounts range from 1,300 - 2,500 and account for 45% of the total headcount for extended sites • Credit hours earned range from 9,000 - 12,000, and account for 60% of the total for extended sites • Full-time faculty sizes range from 15 to 27	Kenai: KPC shall strive to meet the postsecondary educational needs of the communities it serves by providing developmental, vocational and academic programs...(and) shall encourage all adults to continue their education by...offering courses and activities to promote lifelong learning Mat-Su: The mission of Mat Su College is to participate in the development, dissemination and application of knowledge through high quality instruction and service to the public within the confines of the Matanuska and Susitna Valleys. A wide range of certificate and associate programs are offered in the arts and sciences, vocational education fields and in professional areas of study. Tanana: TVC is the extended learning component of UAF and should be viewed as the lead unit and center for promoting, coordinating and delivering instructional activities for adults.	The primary responsibilities of KPC are: • provide vocational training at the certificate and associate degree levels • provide courses and instruction to meet developmental education needs • provide specialized, short-term training to meet the needs of local industry • provided expanded access to upper division courses and in some cases 4-year or graduate programs where enrollment demands and tuition revenue can support offerings • provide courses/activities for the life-long learner The primary responsibilities of TVC are: • provide vocational/technical/career training and education at the certificate and associate degree levels • increase public access to the instructional resources of the University • expand and enrich credit and non-credit continuing education opportunities • provide programs and resources to meet developmental education needs

Characteristics	Mission Statements	Site Priorities
<i>Institutional (continued)</i> • The three sites account for 57% of traditional college-age (under 24) enrollment at extended sites • The sites account for about three-fourths of the associate degrees awarded by extended sites • One campus-TVC—accounts for over one-third of the total vocational education credits awarded by extended sites • The sites account for 39 percent of GF expenditures for extended sites • Costs per credit hour range from \$335 to \$455 • All sites make limited use of distance delivery		• provide outreach to special constituencies • provide for meeting life long learning needs • link University resources to local community, economic and social developmental concerns

TYPE 2 CAMPUSES: Kodiak, PWSCC, Ketchikan, Sitka

Characteristics	Mission Statements	Site Priorities
<i>Demographic/Geographic</i> • Populations served (18+ years) range from 7,400 - 11,000 • Per capita incomes range from \$15,510 to \$22,772 • Between 78 and 87% of adults in the service areas have a high school diploma • Three of the four sites are on islands; one site is on the road system • All four sites have population growth rates well below the state average <i>Economic</i> • Moderate range of technological infrastructure • Some opportunities for industry/private sector partnerships • Service areas contain about one-fourth of the Alaska labor force • Unemployment rates (9/97) range from 3.6 to 7.8% • Cost of living, as ranked by Alaska School Foundation Program, is 105% of base at two sites <i>Institutional</i> • Headcounts range from 600 - 1,614 and account for 36% of the total headcount for extended sites • Credit hours earned range from 2600 - 5300, and account for 28% of the total for extended sites • Full-time faculty sizes range from 6 - 13	Kodiak: Kodiak College exists to foster quality learning opportunities for adults of the region. Diverse programs promote lifelong learning and develop the personal, social and economic potential of individuals, thereby enhancing community and state. PWSCC: PWSCC exists to provide developmental, academic and vocational education, training, community interest courses and services to the residents of Prince William Sound and Copper Basin regions. Ketchikan: UAS Ketchikan is dedicated to meeting the needs of the residents and visitors to the community of Ketchikan and southern SE Alaska by offering high quality post-secondary and work force training programs and opportunities for lifelong learning.	Priority services of Kodiak College are: • general transfer courses and associate degrees • career/technical courses and programs • selected upper division and graduate courses • regional ABE and developmental courses • credit and non-credit courses meeting community and personal enrichment needs • public lectures and cultural events Specifically, PWSCC seeks to provide • educational opportunities from the developmental to associate levels • readily transferable liberal arts/GE curriculum • entry level and continuing vocational education • cultural and personal enrichment opportunities Specifically, UAS Ketchikan seeks to • prepare students for transfer to four-year institutions • deliver courses and programs in response to evolving community needs • provide certificate and AAS degrees in relevant career-oriented training programs • develop capabilities to offer courses by distance delivery

Characteristics	Mission Statements	Site Priorities
<i>Institutional (continued)</i> • The three sites account for 54% of the total of students aged 50 and over • The sites account for about 60% of the total non-credit headcount for extended sites • The sites account for 33% of GF expenditures for extended sites • Costs per credit hour range from \$510 to \$773 • Three campuses receive direct cash contributions from local municipalities • Two campuses have residential facilities • Three campuses contract for or have consortium agreements for library services • All sites make use of distance delivery	Sitka: The Sitka campus mission mirrors that of the University of Alaska Southeast and is defined on pages 55-56 in the 1997-98 Academic Calendar.	UAS Sitka is a learning community recognized by its members and constituents as • a residential campus providing academic and support services to first-time college students • an open-entry postsecondary institutions • a virtual college specializing in programs and services to meet rural students' need • an educational resource serving partner communities, agencies, schools and industries through rapid-response and customized services to meet social, cultural, economic, workforce and professional developmental needs

TYPE 3 CAMPUSES: Bristol Bay, Chukchi, Interior/Aleutians, Kuskokwim, Northwest

Characteristics	Mission Statements	Site Priorities
Demographic/Geographic • Populations served (18+ years) range from 3,500 - 9,000 • Per capita incomes range from \$6,519 to \$19,123 • Between 55 and 90% of adults in the service areas have a high school diploma • Interior serves communities on the road system; otherwise, no site is accessible by road Economic • Limited range of technological infrastructure • Limited opportunities for industry/private sector partnerships • Service areas contain a little more than one-tenth of the Alaska labor force • Unemployment rates (9/97) range from 4.6 to 9.9% • Cost of living, as ranked by Alaska School Foundation Program, is at between 132 and 145% of base Institutional • Headcounts range from 160 to 679 and account for 20% of the total headcount for extended sites • Credit hours earned range from 450 - 2,100, and account for 13% of the total for extended sites • Full-time faculty sizes range from 3 - 18 • The campuses account for 53% of the total Alaska Native students served by the sites	Bristol Bay: The Bristol Bay campus is committed to educational processes through which all Alaskans, particularly Natives and rural residents, are empowered to effect social and economic change in their communities and to protect and enrich the quality of their lives and cultures, including that of three indigenous language groups: Denaina Athabaskan, Central Yup'ik and Suqpiak Aleut. Chukchi: The mission of CCC is to provide the people of the NANA region with and education that leads to an Associate degree and the opportunity to obtain higher education in those fields affecting everyday life. Interior: Interior Aleutians Campus is committed to educating Alaska Natives and rural residents empowering them to effect social, economic and spiritual changes in their communities, and promoting and enriching the quality of their lives and cultures.	In addition, particular consideration is given to the needs of permanent residents and students in non-traditional settings who seek skills and degrees suited to the rural economy and the well-being of rural communities in Bristol Bay. The college will provide: • academic programs to fulfill AA/AAS requirements • developmental education for college preparation • courses that fulfill personal/career goals • mechanism for accessing upper division/grad courses • community service endeavors and activities Particular consideration is given to the needs of permanent residents and students...who seek skills and degrees suited to the rural economy and the well-being of rural communities

Characteristics	Mission Statements	Site Priorities
<i>Institutional (continued)</i> • The sites account for 28% of GF expenditures for extended sites • Costs per credit hour range from \$770 to \$1,608 • One campus has residential facilities • All sites make extensive use of distance delivery • Campuses make various arrangements for library services, including operating the library for a community/region	Kuskokwim: The mission of KuC is to empower Yukon Kuskokwim Delta residents as lifelong learners to effect positive social and economic changes in their lives and diverse cultures. To commit to presenting perspectives relevant to living in a complex, multicultural worlds. To affirm responsibility to the Y-K Delta through active support of its students. Northwest: The mission of Northwest Campus is to provide higher education to the people of the Bering Straits Region and to other rural regions through tele-communication links.	The college will: • provide programs of college instruction for students who wish to continue their formal education, with particular emphasis on distance delivery and developmental skills • offer programs which meet the educational needs of individuals who are career-oriented and require skills for employability • assist in economic and community development of the region • cooperate with other agencies, employers and schools for closer coordination and sharing of facilities and programs

Programs

From the above mission statements and campus priorities, it can be seen that extended sites offer programs in three distinct areas: developmental education, vocational education/training and academic transfer.

Developmental education at many extended sites includes not only pre-college level skill building in English and math for college-bound students, but also Adult Basic Education (ABE) for members of the community.

Vocational education includes not only credit courses but also non-credit workshops. The latter often take the form of highly-specialized training or skill upgrading in conjunction with local public or private employers.

Since restructuring, academic transfer courses include not only those supporting an Associate of Arts or an Associate of Applied Science degree but also some upper division work leading to a bachelor degree.

On all campuses, but particularly on Type 2 and 3 sites, distance education has greatly increased the range of courses capable of being extended to the local community.

The following table gives a listing of the programs and services offered at the various sites. Although the committee strove to make these listings as complete as possible, not all activity could be identified. In particular, the short-term, non-credit training provided by the extended campuses is so extensive as to be very difficult to capture.

The committee also looked at credit hours awarded by campus in the areas of developmental, vocational and academic transfer. The data collected is reported following the listings of programs.

TYPE I INSTRUCTIONAL PROGRAMS AND SERVICES

Site	Developmental	Vocational education	Academic Transfer	Distance Education
Kenai	- English/Math Fundamentals - ABE/GED - ESL - Learning Center	- Mechanical Tech - Office Mngt/Tech - Petroleum Tech - Small Business Mngt/Admin - Welding tech - Computer electronics - Industrial Processing - Tech prep - Accounting - Human Services - courses in marine tech, aviation, travel, nursing and nursing assistant	- AA transfer degree - general education for voc ed - B.Ed. (elementary) - M.Ed. (guidance and counseling/curriculum development) - BBA (distance) - upper division courses depending on enrollment demand and faculty availability	Receives from other sites Provides (through Learning Center) - exam proctoring - copying/distribution of materials - use of equipment and rooms - help in registration - help in obtaining texts - tutoring
Mat-Su	- English/Math fundamentals - Learning Center	- Accounting • Office Mngt Technology - Agriculture • Small Business Admin. - Business - CIOS - Electronics - Fire Service - Human Services - Refrigeration & Heating - Vocational Skills - Tech prep	- AA transfer degree - GE - B.Ed. (elementary) - Misc. upper division/graduate level courses, based on community demand	Receives from UAA Distance Ed Dept. Provides audioconference facilities and library support Received grant to establish ITV classroom
Tanana	- English/Math fundamentals - Project College and Career - Academic Probation Intervention - tutoring - pre-college workshops - ASSET testing	- Early Childhood - Human Services Technology - Applied Business/Accounting - Paralegal Studies - Medical Assisting - Office Mngt/Technology - Computer Applications - Culinary Arts - Automotive Tech - Welding - Diesel/Heavy Equip - Aviation Tech/Maintenance - Drafting - Fire Service - short-term training for JTPA/Welfare - customized training for business, military and unions - tech prep	AA transfer degree general education for vocational education certificates and degrees	Statewide delivery of Human Services Technology AAS degree

TYPE 2 INSTRUCTIONAL PROGRAMS AND SERVICES

Site	Developmental	Vocational education	Academic Transfer	Distance Education
Kodiak	- English/Math fundamentals - Regional ABE program, including: basic skills/GED ESL Naturalization Exam prep Life Skills workshops Computer literacy workshops Village ABE/GED - Structured 0-level courses - Math Lab & Writing Center	- Office Mngt/tech - General Business - Aviation - Computer Applications - ECD - Diesel Engines - Fisheries Tech - HazMat - Welding - Marine Safety - Non-credit courses in: grant writing/mngt small business operation computer applications occupational safety - Welfare to work - work-related test administration - work counseling/advisement	- AA General Transfer degree 165 sections per semester of 100/200 level courses - selected upper division and graduate level courses based on community demand	Support programs from other MAUs with: - advertising - advisement - classroom space - equipment, including fax - coordination of materials from originating site - test monitoring degrees: - AAS Health Info Mngt - BA, Business Admin - MA, Public Admin courses offered statewide through Internet: - Intro to Clarisworks - Hypertext Markup Lang. facilitates national teleconference for Public Health professionals
PWSCC	ABE/GED, including: life skills citizenship test prep Village ABE/GED	- four AAS degrees - five certificate degrees - four additional certificate programs are under review by BOR - training provided to local unions, native corporations, non-profits - sponsors International Oil Spill Response Symposium - oil industry-related training - numerous non-credit activities	- Oral and written communication - Quantitative Skills - Social Sciences - Humanities - Fine Arts - Natural Sciences	- uses e-mail and on-line delivery to connect students in outlying sites - offers a minimum of 15 credits by telecourse per semester - offers field-based contractual HazMat and other occupational safety training at remote sites - proctoring services for students enrolled in distance ed from other MAUs or outside Alaska - Credit for Prior Learning program

Site	Developmental	Vocational education	Academic Transfer	Distance Education
Ketchikan	- English/Math fundamentals - Study Skills - Tutoring - Pre-college math and English credit courses	- Certified Nurse's Assistant - Personal Care Attendant - Business Information Systems - Business Administration - Accounting Technician - Welding - paramedic training - Pilot School - AutoCAD and Microstation - HazMat - Maritime studies - numerous continuing business and professional education courses	- Associate degree - pre-major (GE) courses for Business, Education and Liberal Arts majors	provides support for distance classes and programs - advertisement - advising - room - equipment delivers - multicultural education - chemistry - speech - philosophy - literature - accounting - archeology receives - BBA - HIM - HST - Env. Tech partners with distant institutions to deliver hands-on programs to local cohorts - paralegal (AAS) - paramedic (certificate)
Sitka	- English/Math fundamentals - ABE/GED, including ESL Learning Center Mt. Edgecumbe HS academic prep instruction	- Business Information Systems - Enforcement Technology - Health information management - Law Enforcement - Welding - Child development associate - Medical Office Assistant - Patient Care/Home Health Care Assistant - numerous conferences and institutes - professional continuing education courses	Associate degree	delivers: - Health Info Mngt. AAS - Environmental Tech cert. - Associate of Arts - Child Development Associate facilitates: - HST AAS - Rural Business Admin. BBA - Surveying credential coordinates UAS distance delivery - administers SE site coordinators - UALC coordination

TYPE 3 INSTRUCTIONAL PROGRAMS AND SERVICES

Site	Developmental	Vocational education	Academic Transfer	Distance Education
Bristol Bay	• Basic English/Math fundamentals • Regional ABE, including Prep Instruction • Tutoring • ESL • Village instructors • Life Skills Workshops • Basic Computer Skills • Learning Centers (Illiamna, Naknek, Dillingham) • Computer Lab	• Computer applications • Aviation • Office Mngt. Tech • Community health • Applied Business • Applied Accounting • Early Childhood/Child Dvlp. Associate • Personal Care Attendant • Building Maint. Tech • Small Engine Repair • Certified Public Manager • Welding • Water Well Drilling • Tourism Workshops • Hazwoper and Hazardous Paint Cert. • Agency training for local agencies and school districts	• AA • Upper division and graduate courses as enrollment demands • Professional development • Degree completion • Independent Study • X-cultural studies and interpretation	• Support for UALC, CRA and regional courses (approximately 60 per semester) • Bristol Bay Distance delivery Consortium • BBAHC Telemedicine grant/equipment
Chukchi	• English/Math fundamentals	• computer literacy • Community Health Aid • EMS	• AA degree on campus • AAS degree through cooperation with other sites • Bachelor programs through cooperation with other sites: Rural Development Social Work Education	• Provides an average of 25-30 academic courses per year • both receiving and sending site • utilizes computer on-line and audio-conferencing • 95% of courses are distance delivered
Interior	• ASSET Testing • Learning Center • personal development courses	• Applied Business • Applied Accounting • Applied Mining • CIOS • Early Childhood • Human Services Technology • Rural Human Services Program • Community Health Aid practitioner • Native language instruction • applied art • EMS • Welding and Maintenance Tech	• AA Degree • Rural Development • B.Ed. • R.E.P.P. • M.Ed. • A major portion of the B.A. in Social Work • B.BA • Environmental Technology	• Supports HST program, which articulates with Rural Home Services program • supports courses from UALC

Site	Developmental	Vocational education	Academic Transfer	Distance Education
Kuskokwim	- English/Math fundamentals - Regional ABE/GED program - Learning Center - Tutoring/Computer assisted instruction	- Office Management/tech - Community health practitioner - Community Health - HST - Applied Business - Applied Accounting - Rural Human Services - numerous continuing education courses	- AA degree through on-campus, television, computer, on-line and audio conference - Bachelor's programs through cooperation with other sites in: - Rural Development - Social Work - Interdisciplinary - Business Admin.	produces and supports: - AA - Applied Business - Medical Asst. AAS - Early Childhood AAS - B.Ed. - HST - Rural Dvlp. BA - Social Work BA - Health Practitioner cert. - Early Childhood cert. - Office Mngt. cert. - Rural Human Services cert. uses distance delivery to support village ABE and ASSET testing
Northwest	- Counseling - computer lab - tutors	- CIOS - Aviation - EMS - Health Occupations - HST - CHP - Cultural Documentation Continuing education: teachers certification CEU's building trades agriculture	all academic transfer program is distance delivered - AA/AAS/Certificate - OMT - Applied Business - CHP - HST - B.Ed./BBA - REPP - BA - Social Work - Rural Development - M.Ed.	provides - advisement - placement - record management A & R registration admissions billing - bookstore - library - large investment of time/equipment/rooms to support distance delivered courses

Partners

Extended sites deliver programs and services for, with and through multiple partnerships. While many of these partners are local, extended sites are being called upon more and more frequently to work with state and federal agencies to deliver services to their region.

The committee asked extended sites to list their partners, to describe the nature of the partnership and to quantify the benefit—in terms of cash, in kind services, shared resources—that the extended site reaped from the partnership. A review of extended site revenue sources reveals that the extended sites generated \$4,642,000 in direct cash contributions from these partnerships in FY97. This amount represents about 23 percent of the General Fund received by the sites. Put another way, in FY97, the sites generated one dollar in additional funds for every four dollars of General Funds. This figure does not include the cash value of in kind services.

The following table displays the wide range of partnerships forged by the extended sites. Again, although attempts were made to be as comprehensive as possible, the partnership activity at the sites is so extensive as to be difficult to quantify.

TYPE 1 SITE PARTNERSHIPS

Site	Project	Partner	Form
Kenai	• general support • Job skills • ABE/GED • Family Literacy • Job readiness training • Literacy	• Kenai Peninsula Borough • JTPA/ATAP • Alaska DOE • Alaska DOE, Early Years Resource Library • Alaska DHSS • VISTA/AmeriCorps, Division of Forestry, Community Schools, Homer Homemakers • UNOCAL • Nine Star • ARCO • Alaska DOE • AK Humanities Forum, Homer Council on the Arts, Damon Foundation, Bunnell Street Gallery, UAF English Dept., Pratt Museum	• cash grant • cash grant • cash grant • cash grant • cash grant • cash grant • cash • cash • cash • cash grant • cash, in kind
	• Tech Prep	• Kenai Borough Schools	• cash
Mat Su	• HUMS Practicum	• Youth Court, Sunshine Clinic/VWRC, Life Quest, Veterans' Affairs, Valley Health Services Hospice, Infant Learning Project, One Stop DOL Center, Head Start, Palmer Senior Center, Youth Probation, Geneva Woods Home Health, Turnaround Program	• in kind supervision of students
	• Concurrent Enrollment • Employment Education • Certification and AAS programs • Program Coordination • Facility Use	• Mat-Su Borough Schools • JTPA • Alaska Jobs Corps • Retired Senior Volunteer Program • various non-profit organizations/local schools	• in kind space/instructors • cash • cash • in-kind office space • in kind facility use
Tanana	• Voc Ed - Auto Electronics, Allied Health, Women and Minorities, Diesel/Heavy Equipment, Welfare Reform, STEP • Tuition	• Alaska Dept. of Ed, Alaska Department of Transportation, Alaska Department of Health and Social Services, Alaska Department of Labor (STEP), Operating Engineers, NC CAT • Doyon Ltd., Fairbanks PIC, FNSB School District, Alyeska Pipeline,	• cash grants and loaned equipment • cash
	• Fire Science Training • Practicum supervision • Tech prep • Senior Citizen Assistance and Employment • Training Health Technology	• Ester and UAF Fire Depts. • Fbks Memorial Hospital, social service agencies, day care centers, law offices • FNSB School District • AK Commission on Aging • Fairbanks Memorial Hospital	• in-kind; cash for equipment/internships • in kind supervision • cosponsored training/coordination • cash grant • facility use, supervision of interns

TYPE 2 SITE PARTNERSHIIPS

Site	Project	Partner	Form
Kodiak	• Regional ABB Program	• Alaska DOB	• cash
	• General support	• Kodiak Island Borough	• cash
	• Village Outreach/Continuing Education	• Kodiak Native Assoc., local tribal councils, Red Cross, AMSEA, Borough School District, VITA	• cash, facilities and equipment
	• Welfare to Work	• Alaska Dept. C & RA	• cash
	• Fisheries Safety	• Fishermen's Wives Club	• coordination
	• Computer Literacy	• Americorps	• teacher
	• Intervention instruction	• Kodiak Women's Resource Center	• instructor
	• tuition	• various local service clubs and groups	• scholarships
	• archeology fieldwork series	• Afognak Association, Alutiiq Museum	• facilities and equipment
	• Drivers Education	• Kodiak Island Borough	• vehicle and expenses
PWSCC	• library service	• Kodiak community	• provide library services
	• ABE/GED	• Alaska Department of Education	• cash grant
	• Vocational Training	• Ahna Heritage Foundation, Harborview Development Center, Section 29 Alaska Native Vocational Education, JTPA	• cash grant/contract
	• SERVS/Alyeska TAPS Custom Computer Service Contract	• Alyeska	• cash contract
	• Wellness Program	• Alyeska TAPS	• cash contract
	• Vocational training/support	• Artists Studio, Chitna Village, Copper River SD, Copper Valley Telephone, Kenney Lake Library, Kluti Koah Village, Mentasta, Gulkana	• in kind
	• Marine Tech Development	• National Science Foundation	• cash grant
	• Native American Curriculum Development	• National Park Service	• cash grant
	• General Support	• City of Valdez	• cash
Ketchikan	• General Support	• Ketchikan Gateway Borough	• cash
	• Library services	• First City Libraries	• in kind
	• Maritime Education	• KGB School District	• shared equipment
	• HazMat	• SEAPRO	• shared trainers/facilities
	• Maritime Program	• Alaska Marine Highway	• equipment and instructors
	• Aviation program	• Alaska Airlines, ProMech Air, Taquan Air, Temesco Air, FAA	• cash, materials, instruction
	• Childbirth Ed	• SEARHC	• instructor
	• shared resources	• KGB School District, Ketchikan Public Utilities, Fire Department, Forest service	• instruction, shared facilities
	• Native Arts Program	• Totem Heritage Center	• space/instructors
	• Paramedic Program	• Fire Department, local physician	• instructors
Sitka	• Student Housing	• Ketchikan Housing Inc., Westmark, Ingersoll and Gilmore hotels	• short-term campus housing
	• Alaska Naturalist Program	• Huna Totem, Forest Service, Park Service, Fish and Game, State Museum, AK Vocational Technical Center, AK Native Brotherhood	• in kind

TYPE 2 SITES (CONTINUED)

Site	Project	Partner	Form
Sitka (continued)	• Vocational Education	• Alaska Department of Education	• cash grant
	• Future of Fisheries	• Fish and Game, local banks, AK Longline Fishers Assoc., AK Marine Safety Ed	• cash
	• Care for the Elderly	• various pharmaceutical companies, Council on Aging, Center for Community, American Diabetes Assoc., Island Counseling	• cash, in kind
	• Rural Sanitation	• UA National resources, AK Science and Tech Institute	• cash grants
	• Environmental Tech	• National Science Foundation, Environmental Protection Agency	• cash grants
	• Occupational Standards	• Alaska Department of Labor/OSHA	• cash grant
	• Law Enforcement	• Alaska Department of Public Safety	• cash contract
	• Alaska Native Retention	• USDOE - FIPSE	• cash grant
	• VISTA/Americorps	• Center for National service	• cash grant
	• Humpback Research	• Park Service	• cash grant
	• Science Lab construction	• City of Sitka	• cash grant
	• Alternative High School	• Sitka School District	• cash contract
	• Nurse Aid/Health Occupations	• Sitka Alliance for health, Sitka Community Hospital, Pioneer's Home, SEARHC	• cash, in kind

TYPE 3 SITE PARTNERSHIPS

Site	Project	Partner	Form
Bristol Bay	• ABE/GED	• Bristol Bay Native Assoc., Bristol Bay Econ. Dvlp. Corp., Alaska DOE	• cash
	• Work Readiness	• BB Economic Dvlp. Corp., JTPA	• matching funds, JTPA grant
	• Intra-Region Telecommunications	• BB Distance delivery Consortium	• in kind
	• Vocational Training	• BB Housing Authority, BB Native Association, AK National Guard	• cash
	• Fish-related Economics	• BB Economic Dvlp. Corp.	• cash, instructional support
	• Office/Classroom space	• City of Dillingham, Iliamna Village Council, BB School District, Lake and Pen School District	• in kind
	• Travel (use of plane)	• Lake and Pen School District	• in kind
	• Shared Vocational Education Program	• Southwest Regional School District	• cash
	• Native Allotment Survey Course	• BB Native Corporation	• cash
	• Telemedicine	• BB Area Health Corp.	• equipment
	• continuing education for employees	• BB Area Health Corp., BB Native Association	• cash
Chukchi	• Library Support	• NW Arctic Borough	• cash
	• Internet Access	• Kotzebue Cablevision	• in kind
	• Classroom use	• NW Arctic School District	• in kind
	• Advanced Placement	• NW Arctic School District	• cash
	• Tuition	• Maniilaq Corp., Kotzebue IRA, KIC Corp.	• cash
Interior	• Pre-College Rural Ed	• Dewitt Wallace Reader's Digest Fund	• cash
	• Comprehensive Enrichment Program	• AK Rural Systemic Initiative	• cash
	• Increase AK Native Graduates	• Interior School District	• cash
	• Student Support	• five rural school districts	• cash
	• Indigenous Math/Science	• NSF/AFN	• cash
	• Rural Human Service	• AK Department of H & SS, rural health corporations, Taste of Alaska Lodge	• cash, in kind
	• Underground Mining Course	• Doyon Ltd., City of Nikolai	• in kind
	• Shared facilities/instructors	• regional communities and school districts, SpaceMark, Inc., village councils, City of Unalaska, Illuliuk Family Health Clinic	• in kind
	• Tuition	• Aleutian/Pribilof Island Community Development Association, Native Corporations and tribal councils, city governments	• cash
	• equipment	• MAPCO	• donated equipment
	• Employability Skills	• Council of Athabaskan Tribal Governments	• cash
Kuskokwim	• ABE	• Alaska Department of Education	• cash grant
	• Consortium Library	• City of Bethel	• cash
	• Inservice Education	• LKSD	• cash
	• Tuition/Financial Aid	• AVCP, BIA, Orutsarmuit Native Council	• cash
	• Museum/Gift Shop	• AVCP	• in kind space in cultural center
	• Rural health Service Audio-conferencing	• Y/K Health Corporation	• cash

Site	Project	Partner	Form
Kuskokwim (con't)	• Indigenous Knowledge	• AK Humanities Forum, National Science Foundations	• cash and in kind
	• Training	• AK National Guard, Y/K Health Corporations, Alaska DC&RA	• cash
	• Computer Anatomy and Physiology	• Robert Atwood Johnson Foundation	• cash grant
	• Distance Education	• Distance Delivery Consortium (REA grant)	• cash/in kind
	• Employment Initiative	• Y/K Health Corp	• cash grant
	• Audioconference bridge	• Regional community service agencies	• in kind
	• Read to lead	• Alaska DC&RA	• cash grant
	• Facility Use Fees	• LKSD, state and federal agencies, local organizations	• cash
	• Broadcast Fees for Telecourses	• LKSD	• cash
	• Literacy Materials	• Alaska State Library	• cash grant
	• Village Library Enrichment	• LKSD and Yupit School District	• cash, in kind
	• Women's Health Research	• National Science Foundation	• cash
Northwest	• Classified to Certified Program	• Bering Straits SD	• in kind tuition
	• School to Work job training	• Nome Public Schools	• in kind
	• Village Based Counselors (HST program)	• Norton Sound Health Corp	• instructors, tuition
	• Audio-conferencing	• Bering Straits SD, adult learning centers in region	• space and equipment

Statistical Data by Type

The committee looked at differences among the types of extended campuses with respect to several institutional, student and community variables. The results of this analysis are displayed on the following pages. In the tables, "% of Total" refers to the percent of the total activity/characteristic/resource found in the extended campuses. For example, the figure in the third column indicates that the Kenai campus accounts for 14.1% of the total extended site headcount.

For institutional characteristics, the committee used data for Fall, 1996, as reported in *UA in Review, 1997*. Although some extended sites had problems with the numbers as reported in the *Review*, it was determined that the benefits of using a commonly-agreed-upon data source outweighed the occasional problems. Where possible, explanatory notes have been added to help account for some of the concerns with the data.

Employment data is taken from the October, 1997, release from the Alaska Department of Labor.

Data on expenditures and revenues is from 1997 actuals, as reported by Statewide Budget Development office. Figures are for total restricted and unrestricted revenues/expenditures. Totals were used on the advice of the Director of the Budget Development Office as being most representative of extended site fiscal activity.

Charts displaying aspects of the statistical data are contained in Appendix 1.

EXTENDED SITE INFORMATION BY TYPE

HEADCOUNT								CREDIT HOURS			
1996	1997	1998	1999	2000	2001	2002	2003	1996	1997	1998	1999
12,258		2,515		1,840		1,635		50,975		4,221	
1730	14.1%	501	19.9%	320	17.4%	183	11.2%	9537	18.7%	563	13.3%
1258	10.2%	493	19.6%	85	4.6%	171	10.5%	8997	17.6%	485	11.5%
2459	20.1%	671	26.7%	222	12.1%	470	28.7%	11594	22.7%	1679	39.8%
5445	44.4%	1665	66.2%	627	34.1%	824	50.4%	30128	59.1%	2727	64.6%
											0.0%
759	6.2%	119	4.7%	215	11.7%	47	2.9%	2566	5.0%	119	2.8%
1614	13.2%	222	8.8%	148	8.0%	441	27.0%	3987	7.8%	333	7.9%
588	4.8%	108	4.3%	384	20.9%	32	2.0%	2565	5.0%	114	2.7%
1453	11.9%	145	5.8%	358	19.5%	216	13.2%	5324	10.4%	711	16.8%
4414	36.0%	594	23.6%	1105	60.1%	738	45.0%	14442	28.3%	1277	30.3%
679	5.5%	54	2.1%	9	0.5%	2	0.1%	1324	2.6%	4	0.1%
160	1.3%	29	1.2%	0	0.0%	7	0.4%	453	0.9%	21	0.5%
548	4.5%	57	2.3%	5	0.3%	15	0.9%	1430	2.8%	39	0.9%
600	4.9%	63	2.5%	26	1.4%	39	2.4%	2134	4.2%	117	2.8%
412	3.4%	53	2.1%	68	3.7%	12	0.7%	1064	2.1%	36	0.9%
2399	19.6%	256	10.2%	108	5.9%	75	4.6%	6405	12.6%	217	5.1%
12,258		2,515		1,840		1,635		50,975		4,221	

EXTENDED SITE INFORMATION BY TYPE

PERCENTAGE AWARDED											
42,607		3,218		1,559		18,699		126		332	
7770	18.2%	982	30.5%	297	19.1%	4303	23.0%	13	10.3%	57	17.2%
7758	18.2%	727	22.6%	231	14.8%	4617	24.7%	16	12.7%	77	23.2%
9776	22.9%	139	4.3%	357	22.9%	4714	25.2%	38	30.2%	110	33.1%
25304	59.4%	1848	57.4%	885	56.8%	13634	72.9%	67	53.2%	244	73.5%
2312	5.4%	60	1.9%	96	6.2%	727	3.9%	4	3.2%	22	6.6%
3558	8.3%	98	3.0%	103	6.6%	1423	7.6%	2	1.6%	14	4.2%
2170	5.1%	284	8.2%	58	3.7%	859	4.6%	1	0.8%	17	5.1%
4128	9.7%	388	12.1%	262	16.8%	949	5.1%	16	12.7%	15	4.5%
12166	28.6%	810	25.2%	519	33.3%	3958	21.2%	23	18.3%	68	20.5%
1030	2.4%	178	5.5%	9	0.6%	154	0.8%	5	4.0%	3	0.9%
357	0.8%	75	2.3%	3	0.2%	92	0.5%	0	0.0%	2	0.6%
1139	2.7%	97	3.0%	112	7.2%	144	0.8%	15	11.9%	4	1.2%
1774	4.2%	90	2.8%	20	1.3%	542	2.9%	16	12.7%	11	3.3%
837	2.0%	120	3.7%	11	0.7%	175	0.9%	0	0.0%	0	0.0%
5137	12.1%	560	17.4%	155	9.9%	1107	5.9%	36	28.6%	20	6.0%
42,607		3,218		1,559		18,699		126		332	

EXTENDED SITE INFORMATION BY TYPE

MUSEUMS AND HISTORIC CHARACTERISTICS											
2053		3,590		7,068		158,392		11,650		1,333	
72	3.5%	426	11.9%	1070	15.1%	23562	14.9%	2075	17.8%	232	17.4%
76	3.7%	447	12.5%	692	9.8%	27785	17.5%	2266	19.5%	117	8.8%
235	11.4%	1173	32.7%	1126	15.9%	50905	32.1%	2966	25.5%	158	11.9%
383	18.7%	2046	57.0%	2888	40.9%	102262	64.6%	7307	62.7%	507	38.0%
34	1.7%	132	3.7%	542	7.7%	8235	5.2%	523	4.5%	85	6.4%
122	5.9%	323	9.0%	991	14.0%	5983	3.8%	419	3.6%	300	22.5%
82	4.0%	120	3.3%	377	5.3%	12284	7.8%	857	7.4%	91	6.8%
350	17.0%	477	13.3%	734	10.4%	9058	5.7%	376	3.2%	240	18.0%
588	28.6%	1052	29.3%	2644	37.4%	35560	22.5%	2175	18.7%	716	53.7%
313	15.2%	166	4.6%	452	6.4%	2837	1.8%	208	1.8%	60	4.5%
82	4.0%	40	1.1%	98	1.4%	2163	1.4%	317	2.7%	21	1.6%
225	11.0%	72	2.0%	399	5.6%	4310	2.7%	157	1.3%	77	5.8%
277	13.5%	109	3.0%	332	4.7%	7994	5.0%	657	5.6%	59	4.4%
185	9.0%	105	2.9%	255	3.6%	3266	2.1%	829	7.1%	51	3.8%
1082	52.7%	492	13.7%	1536	21.7%	20570	13.0%	2166	18.6%	110	8.3%
2,053		3,590		7,068		158,392		11,650		1,333	

EXTENDED SITE INFORMATION BY TYPE

Category	RESOURCES											
	FT Faculty Reg/Temp	% of total	GF/FY98 Budgeted (000)	% of total	FY98 GF Expend (000)	% of total	FY98 total expend (000)	% of total	GF Cost per credit hour	% of average	GF/Tuition Cost per credit hour	% of average
TOTAL EXTENDED	130		\$ 19,687.1		\$ 20,771.0		\$ 34,490.0		\$ 187		\$ 264	
Karlson Home	27	21.3%	3265.1	16.6%	3332	16.0%	5492	15.9%	\$ 166	88.6%	\$ 240	91%
Marjorie	13	10.2%	2422.9	12.3%	2464	11.9%	4309	12.5%	\$ 120	64.0%	\$ 193	73%
Paul	19	15.0%	1919.9	9.8%	1784	8.6%	3825	11.1%	\$ 78	41.9%	\$ 157	59%
Paul	59	46.5%	7607.9	38.6%	7580	36.5%	13626	39.5%	\$ 118	63.1%	\$ 194	73%
	7	5.5%	1747.5	8.9%	1791	8.6%	2417	7.0%	\$ 344	183.7%	\$ 409	155%
	6	4.7%	1553.3	7.9%	1589	7.7%	3510	10.2%	\$ 179	95.4%	\$ 261	99%
	7	5.5%	1450.7	7.4%	1485	7.1%	2332	6.8%	\$ 288	153.4%	\$ 400	152%
	13	10.2%	1751.2	8.9%	1798	8.7%	3828	11.1%	\$ 161	86.1%	\$ 245	93%
	33	26.0%	6502.7	33.0%	6663	32.1%	12087	35.0%	\$ 220	117.1%	\$ 305	115%
	3	2.4%	711.1	3.6%	698	3.4%	927	2.7%	\$ 285	151.9%	\$ 343	130%
	4	3.1%	778.6	3.9%	741	3.6%	809	2.3%	\$ 718	382.9%	\$ 771	292%
	4	3.1%	1038	5.3%	1027	4.9%	1660	4.8%	\$ 349	186.3%	\$ 420	159%
	18	14.2%	1804.4	9.2%	2722	13.1%	3800	11.0%	\$ 484	247.6%	\$ 528	200%
	6	4.7%	1246.4	6.3%	1340	6.5%	1581	4.6%	\$ 615	328.1%	\$ 673	255%
	35	27.6%	5576.5	28.3%	6528	31.4%	8777	25.4%	\$ 448	239.2%	\$ 511	194%
	127		\$ 19,687.1		\$ 20,771.0		\$ 34,490.0		\$ 187	100.0%	\$ 264	100%
*Faculty information includes both regular and grant faculty. Figures may not be accurate for all sites.												
Committee is currently gathering FY98 faculty data.												

FY97 REVENUE (All Fund Sources)

Category	REVENUE SOURCE								SITE SHARE			
	GF	Auxiliary	Federal	ICR	Intra agency	Tuition/ Fees	UA Receipts	Total FY96 Revenues	% of Total	% of GF	% tuition	% fed/ state/ local
Total	20,598.9	1,594.1	350.5	145.9	29.4	8,389.8	4,291.5	35,398.1	100%	100%	100%	100%
General Fund	3352.8	228.8	0	25.7	3.9	1499.3	501.2	5611.7	15.9%	16.3%	17.9%	10.8%
Capital Projects	2489	297.7	0	0	10.6	1497.2	17.8	4292.3	12.1%	12.0%	17.8%	0.4%
Enterprise	1974.9	0	34.5	10.2	4.4	1967.1	220.3	4211.4	11.9%	9.6%	23.4%	5.5%
Special Projects	7798.7	526.5	34.5	35.6	18.9	4983.6	739.3	14115.4	39.9%	37.9%	59.2%	16.7%
Grants	1773.9	85.6	0	10.3	0	334	96.6	2300.4	6.5%	8.6%	4.0%	2.1%
Public Safety	1582.5	166	43.6	20.8	0.07	725	1148.9	3686.87	10.4%	7.7%	8.6%	25.7%
Health	1497.5	77.9	2.3	1.9	0	585.7	368.3	2533.6	7.2%	7.3%	7.0%	8.0%
State	1772.8	291.7	201.8	35.5	8.8	920.6	837.1	4068.3	11.5%	8.6%	11.0%	22.4%
Federal	6626.7	621.2	247.7	66.5	8.67	2565.3	2450.9	12589.17	35.6%	32.2%	30.6%	58.1%
Other	719.1	20.6	0	13.6	0	146.1	198.2	1097.6	3.1%	3.5%	1.7%	4.3%
Community Development	761.6	15.2	0	0	0.5	56.2	5.5	839	2.4%	3.7%	0.7%	0.1%
Transportation	1056.7	0	0	6	0	214.1	390.6	1667.4	4.7%	5.1%	2.6%	8.4%
Public Works	2353.7	361.8	66.3	19.9	1.1	323.3	423.2	3551.1	10.0%	11.4%	3.9%	10.6%
Utilities	1282.4	49	0	2	0	121.2	83.8	1538.4	4.3%	6.2%	1.4%	1.8%
Other	6173.5	446.4	66.3	41.5	1.6	860.9	1101.3	8693.5	24.6%	30.0%	10.3%	25.2%
Total	20598.9	1594.1	350.5	145.9	29.37	8389.8	4291.5	35398.07	100%	100%	100%	100%
Percent	58.2%	4.5%	1.0%	0.4%	0.1%	23.7%	12.1%					

FY97 ACTUAL EXPENDITURES (All Sources of Funds)[illegible]

* - * Indicates that some of this data may not show up at the campus level expenditures and/or that some of the services may be provided by the MAU's.

Delivery Models/Mechanisms

The delivery subcommittee examined various program types and institutional functions to develop the following matrix of delivery models and mechanisms. The matrix is intended to present the building blocks which could be arranged and rearranged to meet changing institutional needs, resources and programs. Selection of components would be dictated by:

- the discipline,
- the project,
- the funding and
- the community.

COMPONENTS FOR DELIVERY		DELIVERY MODELS/MECHANISMS	
Instruction	Developmental	• On-Campus Delivery a) all courses by local faculty b) core discipline faculty c) voc-tech specialist faculty d) learning specialist faculty	• Bicycle Delivery a) traveling faculty b) traveling students c) rotating programs d) modular curriculum
	Lower Division		
	Upper Division		
	Vocational/Technical Ed	• Partnered Delivery a) partners b) agency partners c) private sector partners d) campus clusters e) rural clusters f) MAU clusters g) cc "system"	• Cohort Model
	Community/Workforce Dvlp.		• Distance Delivery a) audioconference b) on-line c) videoconference d) satellite e) videotape (local or commercial) f) independent learning (correspondence)
Instructional Support	Needs assessment	• Campus-based a) local specialists b) local coordinators	• Service Centers a) Extended site centers b) MAU centers c) specialized, systemwide centers
	Program/Curriculum development		
	Course development		
	Faculty Peer Mentoring		
	Course sequencing/workload planning	• Campus clusters	• Outsourcing
	Course facilitation:		
	distribution of materials		
	proctoring		
	clerical		
	Teaching/Learning technology		

COMPONENTS FOR DELIVERY		DELIVERY MODELS/MECHANISMS	
Academic Support	Library	• Campus-based	• On-line
	Bookstore	• Partnered	• Out-sources
		• Service Center	
Student Support	Recruitment/Outreach	• Campus-based	• Bicycle
	Advising	• Service Center	• On-line
	Placement Testing		
	Tutoring		
	A&R	• 1-800 phone numbers	
	Registration		
	Financial Aid		
	Career Planning/Placement		
Institutional Support	Payroll/Personnel	• Campus-based	
	Accounts Payable/Receivable	• Service Center	
	Budgeting		
	Technical Support		
	Grant writing		

Cost Savings Options Analysis

Based on the information provided by the subcommittees and the program delivery matrix, the Extended Site committee as a whole considered ways in which current practice at the extended sites—or at the MAU's vis-a-vis their respective sites—could be modified to realize savings. The committee considered six broad options:

- Increased Distance Delivery
- Campus Reorganization
- Increased University Collaboration
- K-12 Collaborations
- Decreased Institutional Support Costs
- Increased Non-General Fund Support

In analyzing these strategies, the committee referred consistently to the following Board principles, purposes and priorities which were discussed on page 6 of this report as most relevant to the extended sites:

- *Access*
- *Resource Allocation*
- *Delivery Technology*
- *Operational Characteristics*

Options

The six broad options identified by the Committee are based on several premises:

First, that the current extended campus system is quite efficient. These sites face the greatest education challenges of the university system—in terms of serving high cost, low enrollment sites in economically declining or underdeveloped regions of the state—yet they manage to deliver about 24 percent of the total credit hour output of the system with approximately 12 percent of the General Fund resources allocated to the system.

Second, that the location of many of these sites in areas with extremely high costs of doing business, coupled with the economies which have already been realized through the 1987 reorganization and more recent budget reductions, makes it impossible to realize significant savings. However, through greater efficiencies in resource use, particularly faculty and other personnel, it is possible to lower costs per student or credit hour.

Third, that institutional survival in today's fiscal climate requires decision makers to think and act in terms of the system rather than the individual units making up that system.

Finally, that little if any savings can be realized if business is done "as usual". Successful adoption of any of the considered options will require a re-engineering of part or all of the entire system.

Each option is described below, and both the programmatic and fiscal benefits and costs of implementing the option are identified from the point of view of the committee. A level of potential savings is assigned to each option, based on the three-year time horizon given to the committee. The three levels are:

Low savings: The option is estimated to save less than \$500,000 per year by Year 3 of implementation.

Medium Savings: The option is estimated to save between \$500,000 and \$1,500,000 per year by Year 3.

High Savings: The option is estimated to save over \$1,500,000 per year by the Year 3.

Savings estimates were arrived at in terms of faculty attrition, staff reductions, reduction of facility rental costs and/or revenue enhancements.

The options suggest considering the instructional and support resources of the University in ever widening circles. The first four options—Distance Delivery, Campus Organization, University and K-12 Collaboration—suggest deploying instructional resources over the extended site system, the total University system and the state's publicly-supported education system. The Institutional Support option focuses on expanding the reach of administrative and support resources. The final option, Non-General Fund Support, looks beyond the state appropriations system to both local and national funding sources.

It should be noted that the strategies are in some cases either mutually exclusive or overlapping. Therefore, it is not possible to adopt all six options and hope to realize the sum total of estimated savings. For example, both the Distance Delivery and the University Collaboration strategies indicate savings from faculty reductions. However, these savings are not additive. Implementing the University Collaboration strategy assumes that distance delivery is used as one means of strengthening collaborations. Thus, the faculty savings indicated for distance delivery would be part of the overall savings estimated for this strategy.

It is important to understand that savings estimates are designed to give the Board and the administration an idea of range or relative magnitude rather than exact dollar amounts. Actual realized savings will depend upon a variety of factors which were not within the committee's expertise to identify. The committee strongly recommends that if one or more options are chosen for implementation, *the MAUs be given target ranges for potential savings and then allowed to determine how savings from this option can best be realized within their own units.*

Increased Distance Education

Distance education is a highly specialized activity, requiring specialized faculty skills, specialized technology at both sending and receiving sites, specialized support and learning skills. As a result, it requires a major expenditure of institutional resources. It is important to recognize that smaller campuses are already extensively engaged in distance education, focused on lower division GERs and vocational programs. Therefore, future benefits will be realized primarily by greater use of distance education to deliver selected upper division and graduate programs across the total system, focusing on required coursework to maximize headcounts.

To successfully expand the use of distance education, programs must be backed by a system-wide service center which offers leadership in developing courses and programs, avoids unnecessary duplication, provides the technical support for distribution, performs quality control and increasingly supplies centralized student support services such as registration, materials distribution and advising. The center would be built around the current UALC and draw on the resources of the MAUs as well as the extended campuses to staff the programs and courses offered at a distance.

In order to foster the increased use of distance education, particularly at the main campuses, several policy issues must be addressed, for example:

- faculty workload
- faculty compensation
- faculty tenure and promotion
- course ownership
- tuition/credit hour credit for campuses
- incentives to campuses for both sending and receiving distance education

BENEFITS

- Distance delivery can make campuses more responsive to changes in enrollment, consumer demand and campus mission by providing a broader array of course offerings than could be had with only local faculty. It can allow campuses to increase market share, particularly in professional and continuing education.
- Academic resources can be reallocated to meet changing demands in various locations without having to physically relocate faculty.
- Faculty become a system-wide resource, and extended site students have access to the larger resources of the system. Decisions on faculty hiring and retention can be made in a broader context than the local site.
- Distance delivery can assist in avoiding duplication by having campuses specialize. A coordinating entity, such as UALC, will be necessary to assure that the appropriate

programs and courses are being developed system-wide. Library services also need to be coordinated.

- Distance delivery can allow rapid response to economic initiatives in local communities and regions. It also expands markets for both students and partners to the Lower 48.

COSTS

- Quality can be an issue if appropriate student, faculty and technical support is not provided.
- General education courses may not be ideal for distance delivery, since beginning students may not have the academic proportion, discipline, or study skills necessary to succeed. Associate of Applied Science (AAS) courses need practicum support in the receiving community. Some programs may not be amenable to distance delivery.
- Distance delivery has proven to have an adverse effect on student retention and graduation rates, particularly when adequate learning support services are not offered.
- Distance delivery does not necessarily accommodate cultural differences. However, culturally-sensitive instruction and material can be built into programs, if faculty are provided adequate support in course design and implementation. Loss of personal contact can be an issue in some cases, unless care is taken to provide local student support.
- The necessary technology infrastructure must be developed and maintained if distance education is to be successful.

ESTIMATED FISCAL IMPACT: Low-level savings.

Campus Reorganization

Extended campuses are presently organized under MAUs, largely as a result of history and geography, and it may be that the current organization is the most beneficial to the sites and the system as a whole. Nevertheless, almost unlimited recombination of extended sites and their affiliated sub-units is possible, and some reorganization could perhaps yield savings through re-engineering of administrative and instructional functions.

The committee considered three alternatives to the present organization:

- grouping campuses by type (Type 1, 2 and 3);
- grouping by educational challenges; and
- grouping by mission.

Grouping by type brings campuses together based on size. Grouping by educational challenge combines all off-road campuses to attack similar problems such as distance,

isolation, high operating cost differentials and limited economic bases. Grouping by mission implies a single community college unit embracing all extended sites. These alternative groupings carry similar benefits and costs.

BENEFITS

- Some efficiencies may be realized if institutional support resources are shared across campuses. Any of the three groupings could reduce current costs of administration.
- A closer coordination of instructional and instructional support resources, including program planning, library services and distance delivered education would allow additional programs and course offerings at the sites as well as more efficient use of specialty expertise across campuses.
- Grouping by type or educational challenge combines campuses with similar community needs which access similar community resources. These groups also combine campuses with similar cultural diversities.

COSTS

- Any reorganization outside the current MAU structure would require reaccreditation of the involved units. PWSCC would lose current separate accreditation.
- Campuses would no longer be able to offer upper division courses or to access MAU instructional resources. Course transferability throughout the system would be compromised.
- Campuses would lose their current administrative autonomy and a degree of program control.
- Any reorganization to separate from the MAUs would require some shift in resources from the main campuses to the extended sites.
- Separate units, particularly a single community college unit for the system could actually increase administrative costs and result in unnecessary duplication of functions/services currently provided by the main campuses.
- To be successful, sites would need access to reliable technology for communication and data transfer to and from a central location for both instruction and administrative purposes.
- Centralized administration distant from the sites would hamper collaborations with local industry, agencies and school districts since such collaborations take time to arrange and maintain. However, the option assumes that some mid-level site

administrative presence is still available which could be directed to building local partnerships.

- This would especially hamper vocational missions including activities such as workforce development, welfare programs and so forth.

ESTIMATED FISCAL IMPACT of CAMPUS REORGANIZATION: Low-level savings.

Increased University Collaboration

In this option, the resources of all sites systemwide are expanded by pooling faculty, including faculty from the main campus units. In addition, productivity of current faculty who teach less than a full load or who traditionally teach low enrollment courses is increased by assigning teaching loads beyond the home campus, through distance education, bicycled or cohort programs or other methods of sharing instructional resources over time and space. Savings estimates are based on increasing average faculty productivity across the system by .5 credit hour per semester for three years.

This option would require that current policy, contractual and administrative barriers to sharing faculty across administrative units be removed and that faculty workloads be more equalized across the system.

BENEFITS

- Quality and accessibility can both be significantly improved by deploying faculty and instructional resources over a larger geographic area, a greater number of organizational units, or system-wide.
- Access to the instructional resources of the total system would enable communities to better meet their educational and training needs.
- University-wide collaboration will increase transferability of courses and should foster more coordinated program planning.
- Collaboration allows the university as a whole to respond to changes in enrollment, student demand and workforce development needs. Assignment of extended site and MAU faculty and other resources across organizational lines allows the system to make quick adjustments for excess capacity or excessive faculty loads among sites.
- Broader utilization of instructional resources allows sites to fulfill the AACC community college mission by brokering the resources of the MAU or the entire UA system for baccalaureate and professional education

- Deploying resources across the largest practical geographic/organizational area should eliminate unnecessary duplication of programs and services among the MAUs as well as extended sites.
- Student needs can best be served when each student has access to the largest possible range of system resources.
- Faculty collaboration based on academic and vocational program areas rather than geographic location has the potential to increase program development to meet the social and economic needs of the state.

COSTS

- Implementation of the option has implications for negotiations with bargaining units.
- Full implementation may require some academic restructuring.
- Up-to-date and efficient communications technology must be developed and maintained to allow a greater use of resources.
- Sites lose some of their current autonomy over faculty selection as resource decisions are made from a system-wide perspective.
- Some research effort could suffer as faculty are assigned higher credit hour loads.
- In order for this strategy to be successful, administration and faculty at the main campuses may need to embrace more of the values and vision of the community college culture—particularly the orientation to student and community needs. Non-credit hour faculty workloads must be addressed as well as more attention given to community college faculty role in tenure and promotion decisions.

ESTIMATED FISCAL IMPACT of INCREASED UNIVERSITY COLLABORATION: High-level savings.

K-12 Collaborations

This option moves beyond the university system and looks at the state's total educational resources. The option requires establishment of partnerships and other relationships between extended sites and school districts. The relationships should be built and developed over time and encompass all aspects, from statewide governing board policy (Board of Regents and State Board of Education) to the smallest and most remote districts in the state. The efforts should include resource sharing in all possible areas: faculty, libraries, technology, facilities, business and support staff, grant writing and other revenue enhancement. The option has potential for programmatic benefits over the total

K-postsecondary public education system, but only low cost savings in the near term. However, over time, savings could be more substantial as closer and more creative ways of sharing resources are identified and implemented.

BENEFITS

- This option would provide the maximum in accessibility, as there are K-12 facilities and faculty in every community in Alaska. Currently, these resources are not being fully utilized.
- Program quality for both K-12 and the post-secondary system could be improved by combining the discipline and pedagogical skills of both levels of faculty. K-12 facilities can provide additional space and equipment for adult vocational training programs.
- The state's educational resources could be better targeted towards enrollment demands, particularly at the transition from 12th grade to post-secondary. Extended campus missions could be enhanced through using the tech prep model (grades 11-14) for academic as well as vocational programming.
- Collaboration between the two major players in the state's educational system would allow greater efficiency of resource use.
- With tighter collaboration between the two systems, a clearer role definition in the areas of developmental education, vocational training and general education would be possible. This definition would decrease unnecessary duplication of resources and efforts.
- Both K-12 and postsecondary retention and graduation rates should improve as students experience a seamless transition from one level to another.
- Students would have access to a greater range of services to meet individual needs.
- Partnering with industry could increase as a result of tying into such efforts as School to Work and Tech Prep. Communities and regions would have access to a larger variety of coordinated resources with which to address economic, social and cultural needs.
- The K-12 system's greater experience with culturally-relevant programming could assist post-secondary faculty and program planners.

COSTS

- If space is shared with K-12, adult access to programs is limited to evenings and weekends, as most K-12 systems would not allow daytime access of adult students for security reasons.

- There could be some tuition revenue loss if classes cannot be offered at convenient times due to space limitations. However, this option would extend credit courses to areas currently not well served, and could therefore increase tuition revenues.
- Current statutory, regulatory and contractual barriers to sharing faculty across K-postsecondary must be eliminated. Board of Regents (BOR)/Board of Education (BOE) protocols on faculty use would need to be developed.
- Diminishing resources at the K-12 level may force school districts to charge for space and faculty time, thus eliminating any potential savings to the university system
- Board of Regents/Board of Education joint decision-making is time consuming, but without strong support from the governing bodies, local entities are less likely to collaborate.
- Collaborations at the local level must be agreed to at a high enough administrative and political level to persevere over time as personnel change.

ESTIMATED FISCAL IMPACT of K-12 COLLABORATIONS: Low-level savings over the three year period considered, but the potential for medium to high cost savings over time.

Reduced Institutional Support

The basic administrative structures of the extended campuses were subject to major reduction during the 1987 merger of the community colleges with the universities and again in 1996 with Program Assessment. As a result, these campus structures are quite lean and offer limited options for additional savings. At the extended sites, each administrative position is responsible for multiple assignments, which makes reductions particularly difficult. At the same time, it is necessary to maintain a campus interface with students, staff and the public.

However, some savings are anticipated from the development of statewide and regional service centers in finance and human services outlined in the President's administrative savings proposal. Additional savings can come from the establishment of a distance delivery center. Sites and MAUs should jointly identify areas for which the service centers could improve current practice and result in both long and short-term savings. In many cases, little short-term benefit will be seen; however, over time the consolidation of services should yield significant savings. The estimate of possible savings was derived from comparing the percentage of current total expenditures for institutional support with the national average percentage for public community colleges, bringing the higher cost of extended campuses in line with this national average and capping lower cost campuses at their current percentages.

BENEFITS

- Reallocation of resources away from institutional support functions and into direct instruction meets a goal of the Board.
- As communications and data processing technology expands, common administrative functions can be centralized with minimal loss of efficiency or local decision-making. Reduction of unnecessary duplication in these functions should be a goal of the system-wide service centers as well as centers with an MAU.
- Measuring institutional support costs against a national average—while taking into consideration Alaska cost and economies of scale differentials—allows the university to focus on bringing high cost campuses into line without penalizing low-cost campuses.

COSTS

- Student direct access to some support services could be restricted as common services such as registration, financial aid and student record-keeping are centralized in service centers. However, to the extent that service centers are customer-driven, the quality of these services should not be diminished and may even improve.
- Campus mission would suffer significantly if there is no local administrative presence to develop partnerships, do program planning and provide community leadership. This too would especially hamper vocational missions including activities such as workforce development, welfare programs etc.
- Re-engineering of current support functions is essential if any savings are to be realized. Re-engineering efforts must be backed up by modern and consistent technology, including software, and staff training.
- Savings from this option are real only to the extent that costs (in terms of positions) are not simply shifted from the extended sites to an MAU or statewide service center.

ESTIMATED FISCAL IMPACT of REDUCED INSTITUTIONAL SUPPORT: Low-level savings in the short term, with medium level savings possible by Year 3.

Increased Non-General Fund Support

The final option considers replacing a portion of existing state support with non-General Fund sources of support such as additional tuition/fees, grants, contracts, local tax support, designation as "minority institution" or "tribal college", etc. to qualify for federal initiatives. This also includes the value of in-kind contributions that directly support the mission or programs of the campus.

The schools, colleges and programs of the University of Alaska already leverage General Fund dollars into increased revenue from other sources. Savings estimates are based on increasing this leverage and thereby decreasing reliance on GF by the following percentages over a three-year period:

- Type 1 campuses from a current GF level of 58 percent to 50 percent;
- Type 2 campuses from a current GF level of 56 percent to 50 percent; and
- Type 3 campuses from a current GF level of 75 percent to 65 percent.

Increasing non-General Fund support so a continuous revenue stream is produced is facilitated by such things as staff whose time can be devoted to development activities, a broad range of academic and related expertise, basic stabilized educational programs in place and a private sector with identified training needs and the ability to pay for them. Because not all sites share these advantages, the committee suggests that an Institutional Development service center for the extended sites be created to assist in identifying potential funding opportunities, grant writing and other revenue enhancement activities which the individual sites do not have the personnel to accomplish.

Generating external support is also facilitated by rewarding entrepreneurial activity on the part of the sites. To the extent that current fiscal allocation and administrative practices inhibit or penalize entrepreneurial activity, these must be changed.

BENEFITS

- More reliance on external funding could make sites more responsive to local demands, since increasing tuition for both credit and non-credit courses is one means of obtaining non-GF support.
- All sites have missions directed at the local community and region. Seeking funds locally should strengthen mission.
- Successful fundraising would require collaborations with local, regional and state entities.
- Willingness of locals to fund would depend in part on how well the site is judged to be meeting local student needs. Retention could increase as a result.

COSTS

- Requiring a certain level of external support as a condition of the GF budget could close some sites, if levels could not be achieved or maintained.

- Program quality could suffer as staff time is directed away from instruction to fundraising.
- Changing community economics could limit local support. Some communities would be hesitant to support locally-produced distance education courses. This option would put sites in competition with private providers and other non-profit agencies.
- The pressure to pursue funding may direct attention to external agency priorities rather than local student needs. It would also direct administrative effort away from program to fund raising. This could increase administrative costs or could require innovative ways of providing program administration beyond the director's office.
- To pursue significant grant funding, sites need support. An Office of Institutional Development for extended sites could be established as a system-wide service center.
- Although increased reliance on external funding can make sites more market-driven, it can also increase inequities in the system. Communities with limited resources to either allocate or attract funds will be unfairly penalized.
- Reliance on "soft" money can seriously erode program quality. For this option to be successful, sites must be encouraged and assisted to find stable revenue streams.

ESTIMATED FISCAL IMPACT of INCREASED NON GENERAL FUND SUPPORT: Medium level savings possible by Year 3.

The above analysis indicates that none of the considered options is "ideal". All carry significant costs. None yields the level of savings initially assigned to the committee.

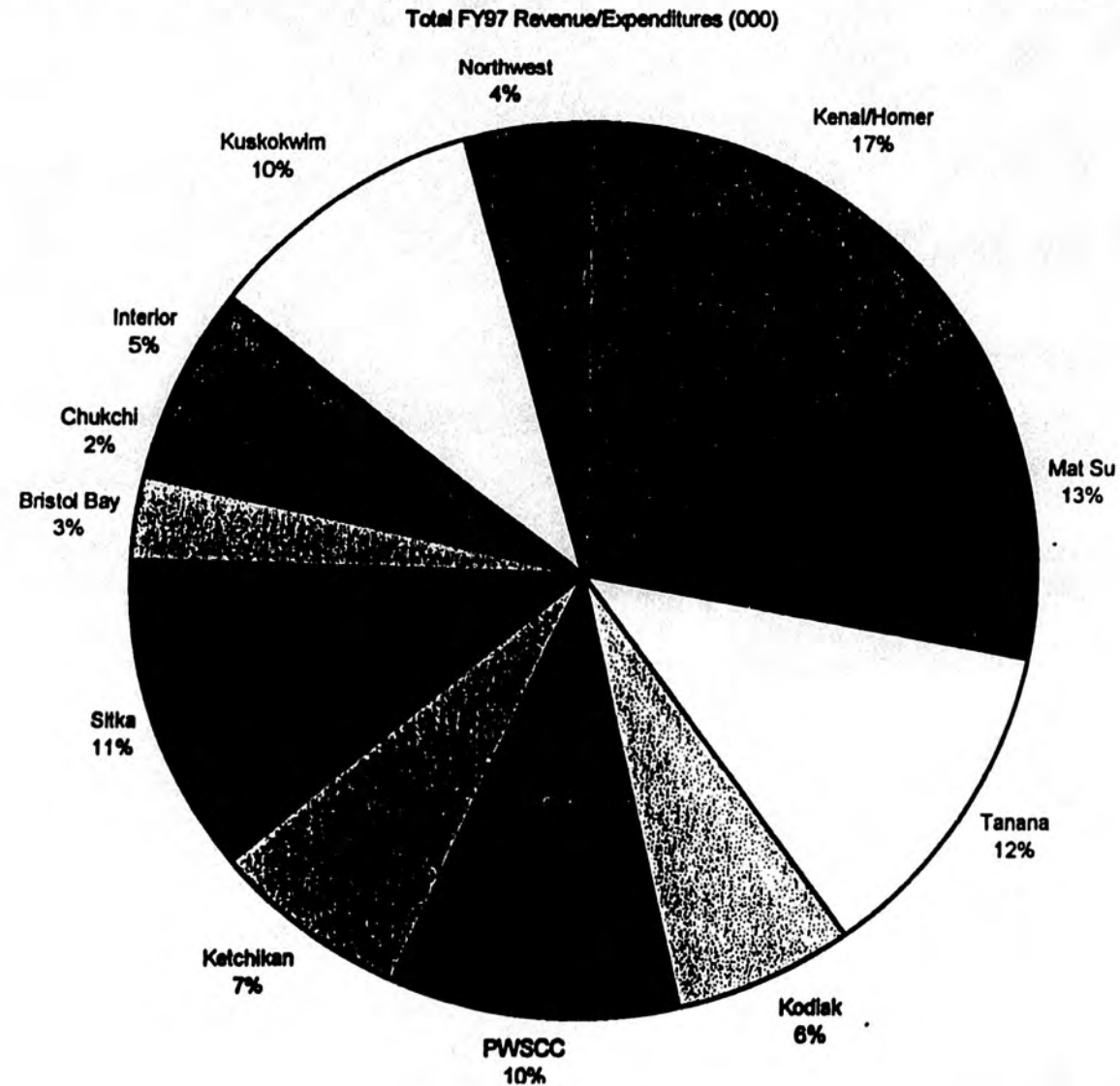
As mentioned frequently throughout this report, the extended sites are currently providing quality educational services to the most geographically, socially and economically challenged areas of Alaska and are doing so with limited and declining state support. Most efficiencies that can be gained from looking at the extended sites alone have already been achieved through the 1987 reorganization and subsequent budget cuts. To cut further into the extended sites without a significant re-thinking and re-engineering of the entire system can only decrease or eliminate access to postsecondary education in many communities and regions. For the committee, such economies do irreparable harm to the statewide mission of the university.

However, the committee believes that a move to more "systems thinking" on the part of those charged with the support and administration of the University will assist in uncovering true economies: those which make the University more efficient while maintaining responsiveness to the needs of the state's students, wherever they may reside. It is the committee's earnest desire that consideration of the above options will assist in uncovering these economies.

Appendix: Charts

Appendix Charts

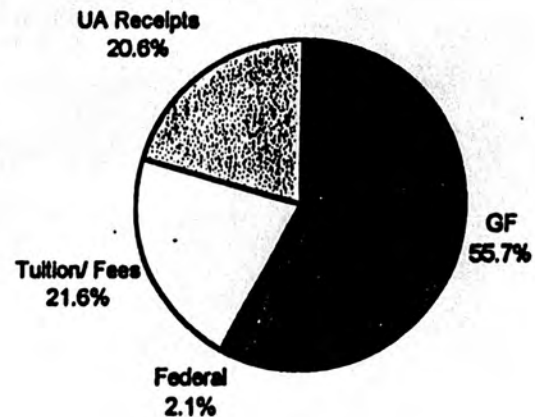
Site	Total FY97 Revenue/Exp enditures (000)
Kenai/Homer	\$ 5,611.7
Mat Su	\$ 4,292.3
Tanana	\$ 4,211.4
Kodiak	\$ 2,300.4
PWSCC	\$ 3,686.9
Ketchikan	\$ 2,533.6
Sitka	\$ 4,068.3
Bristol Bay	\$ 1,097.6
Chukchi	\$ 839.0
Interior	\$ 1,667.4
Kuskokwim	\$ 3,551.1
Northwest	\$ 1,538.4
TOTAL	\$ 35,398.1



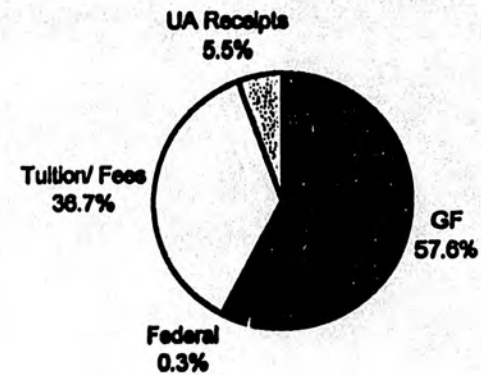
Appendix Charts

	Type 1	Type 2	Type 3
GF	\$ 7,796.7	\$ 6,626.7	\$ 6,173.5
Federal	\$ 34.5	\$ 247.7	\$ 68.3
Tuition/ Fees	\$ 4,963.6	\$ 2,565.3	\$ 860.9
UA Receipts	\$ 739.3	\$ 2,450.9	\$ 1,101.3
	\$ 13,534.1	\$ 11,890.6	\$ 8,204.0

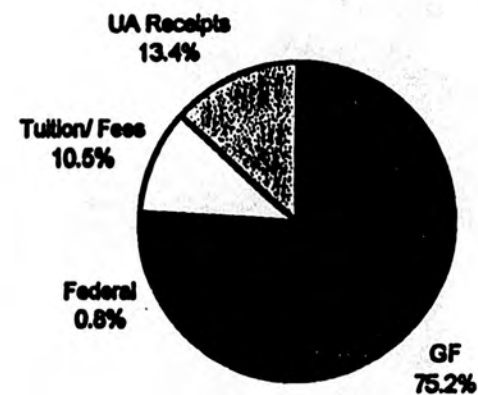
Type 2 Revenue Sources



Type 1 Revenue Sources



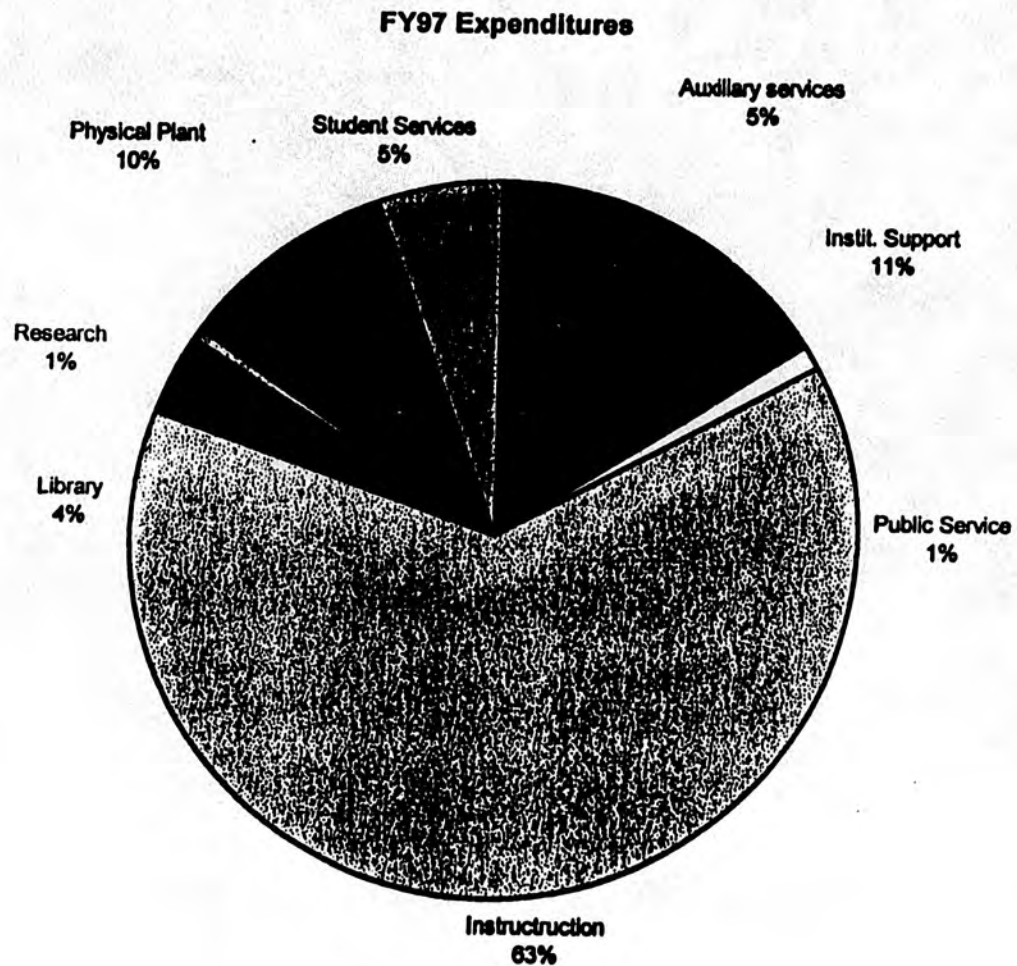
Type 3 Revenue Sources



Type 1	Type 2	Type 3
Kenai/Homer	Kodiak	Bristol Bay
Mat Su	PWSCC	Chukchi
Tanana	Ketchikan	Interior
	Sitka	Kuskokwim
		Northwest

FY97 Expenditures

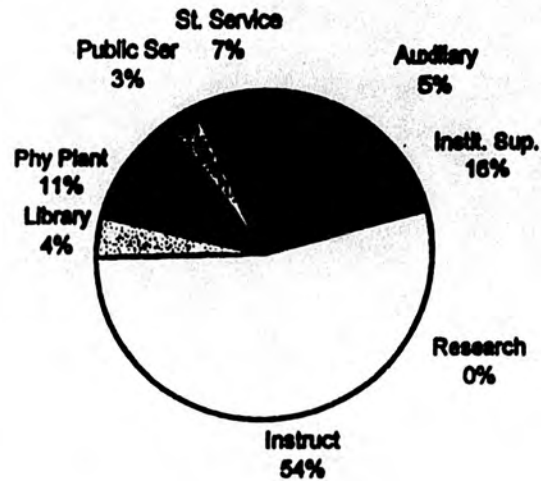
Auxiliary services	\$ 1,597.3
Instit. Support	\$ 3,885.1
Public Service	\$ 417.1
Instruction	\$ 22,543.0
Library	\$ 1,265.8
Research	\$ 222.2
Physical Plant	\$ 3,435.1
Student Services	\$ 1,933.1



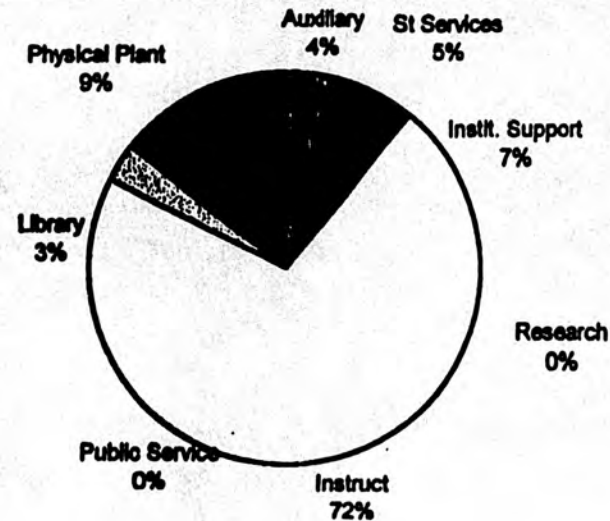
Appendix Charts

Type 1		Type 2		Type 3	
Audiliary	\$ 526.5	Audiliary	\$ 618.7	Audiliary	\$ 904.2
Instit. Support	\$ 998.8	Instit. Sup.	\$ 1,999.1	Instit. Sup.	\$ 1,974.4
Instruct	\$ 10,101.0	Instruct	\$ 6,780.6	Instruct	\$ 11,322.8
Library	\$ 484.2	Library	\$ 484.5	Library	\$ 634.2
Physical Plant	\$ 1,282.3	Phy Plant	\$ 1,408.0	Phy Plant	\$ 1,489.6
Public Service	\$ -	Public Ser	\$ 417.1	Public Ser	\$ -
St Services	\$ 742.6	St. Service	\$ 866.3	St. Service	\$ 648.4
Research	-	Research	\$ 15.5	Research	\$ 413.4

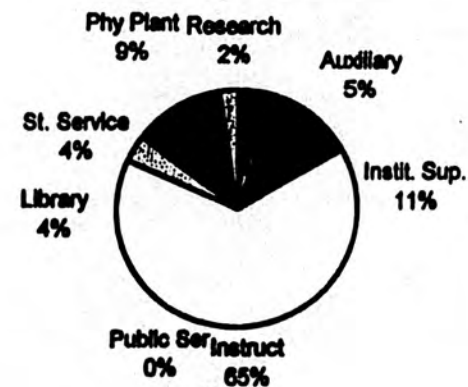
Type 2 Expenditures



Type 1 Expenditures



Type 3 Expenditures

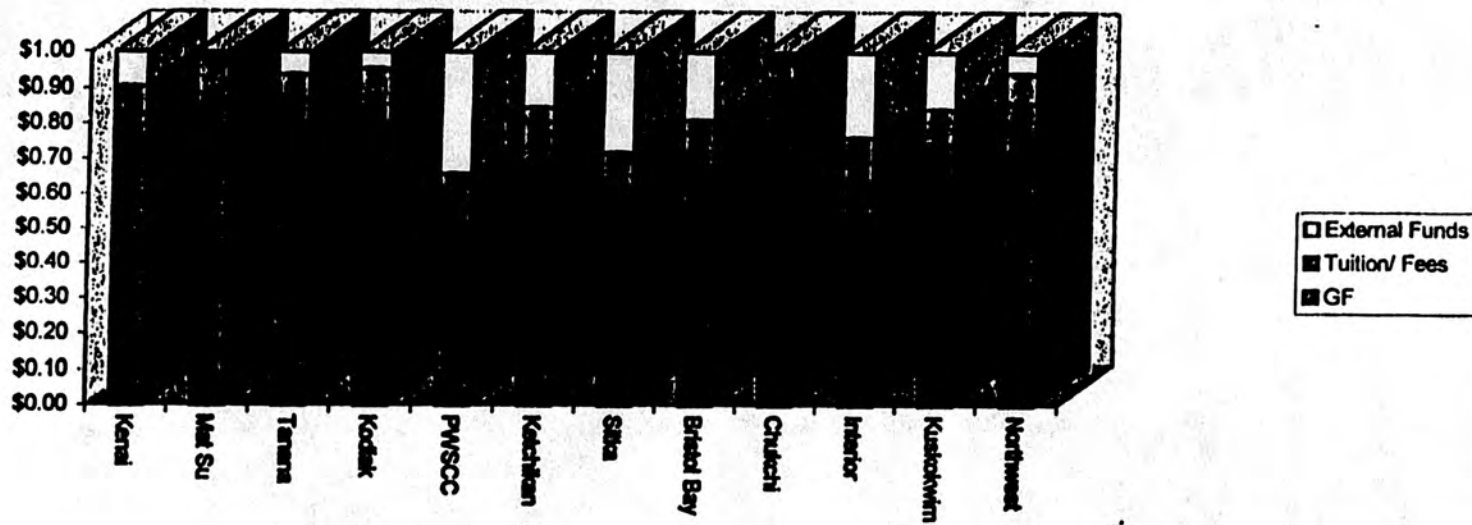


Type 1	Type 2	Type 3
Kenai/Homer	Kodiak	Bristol Bay
Mat Su	PWSCC	Chukchi
Tanana	Ketchikan	Interior
	Sitka	Kuskokwim
		Northwest

Appendix Charts

	GF		Tuition/ Fees		External Funds
Kenai	\$	0.63	\$	0.28	\$ 0.09
Mat Su	\$	0.62	\$	0.38	\$ 0.00
Tanana	\$	0.47	\$	0.47	\$ 0.06
Kodiak	\$	0.80	\$	0.15	\$ 0.04
PWSCC	\$	0.45	\$	0.21	\$ 0.34
Ketchikan	\$	0.61	\$	0.24	\$ 0.15
Sitka	\$	0.47	\$	0.25	\$ 0.28
Bristol Bay	\$	0.68	\$	0.14	\$ 0.19
Chukchi	\$	0.93	\$	0.07	\$ 0.01
Interior	\$	0.64	\$	0.13	\$ 0.24
Kuskokwim	\$	0.74	\$	0.10	\$ 0.16
Northwest	\$	0.86	\$	0.08	\$ 0.06

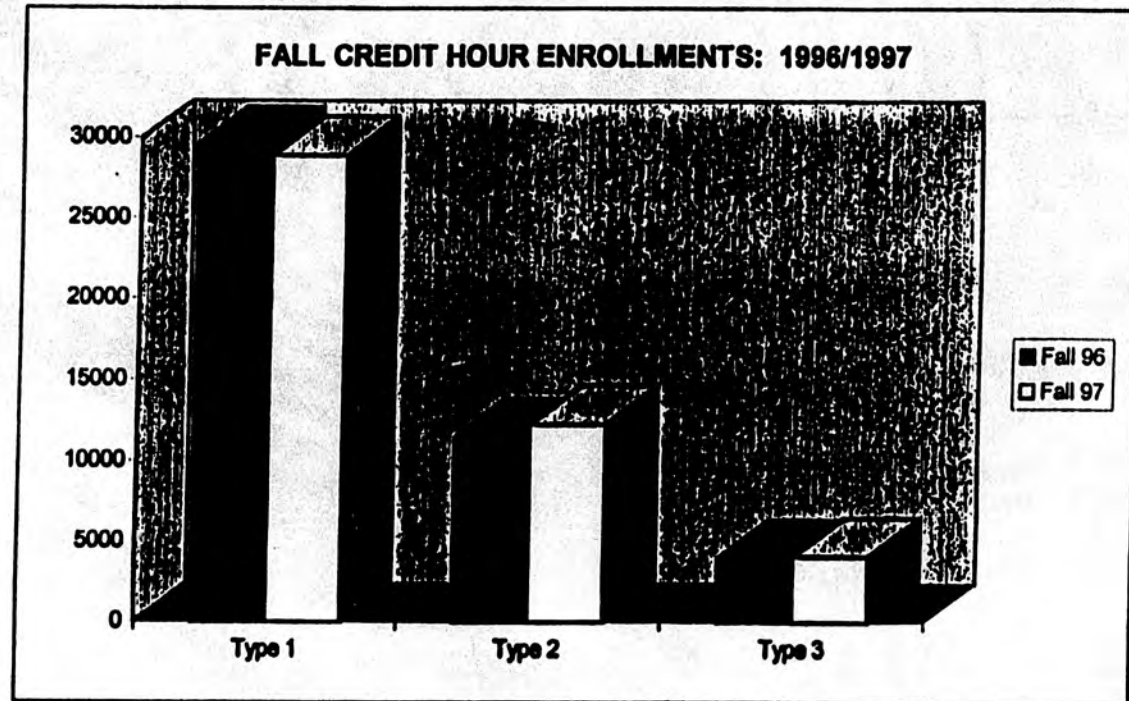
Revenue Source of Each \$1 Spent



Appendix Charts

	Fall 96	Fall 97	% change
Kenai	9472	8674	-8%
Mat Su	8682	8288	-5%
Tanana	11387	11957	5%
Kodiak	2428	2156	-11%
PWSCC	3028	3244	7%
Ketchikan	2367	1857	-22%
Sitka	3586	4966	38%
Bristol Bay	739	810	10%
Chukchi	209	801	283%
Interior	723	503	-30%
Kuskokwim	1489	1092	-27%
Northwest	789	855	8%

	Fall 96	Fall 97	% change
Type 1	29541	28919	-2%
Type 2	11407	12223	7%
Type 3	3949	4061	3%

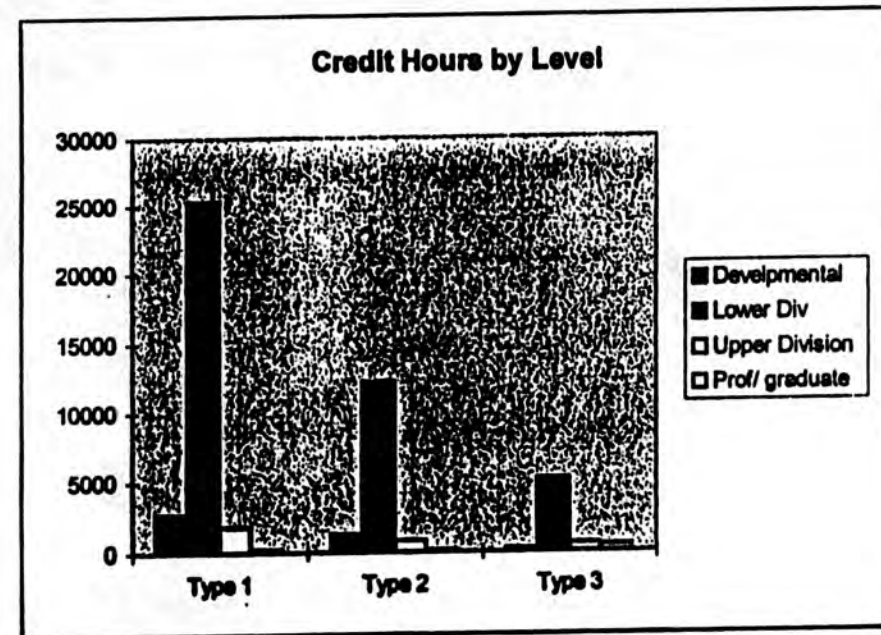
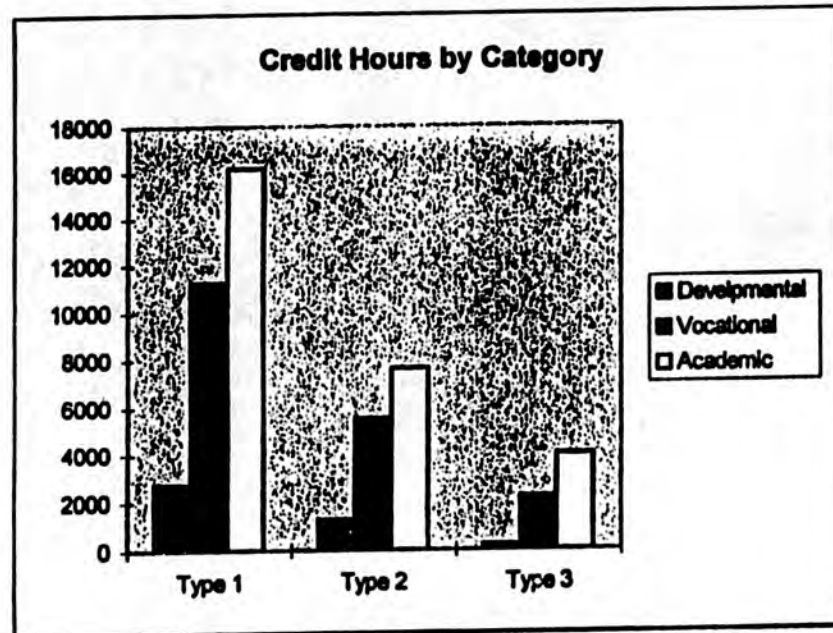


Type 1	Type 2	Type 3
Kenai/Homer	Kodiak	Bristol Bay
Mat Su	PWSCC	Chukchi
Tanana	Ketchikan	Interior
	Sitka	Kuskokwim
		Northwest

Appendix Charts

	Credit Hours by Category		
	Type 1	Type 2	Type 3
Developmental	2,727	1,277	217
Vocational	11,239	5,536	2,205
Academic	16,162	7,630	3,983

	Credit Hours by Course Level		
	Type 1	Type 2	Type 3
Developmental	2,727	1,277	217
Lower Div	25,304	12,166	5,137
Upper Division	1,848	810	560
Prof/ graduate	249	148	491



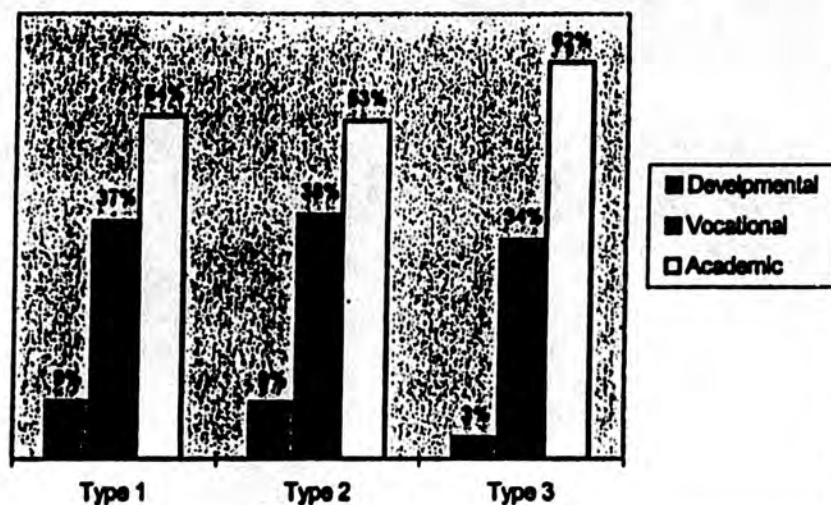
Type 1	Type 2	Type 3
Kenai/Homer	Kodiak	Bristol Bay
Mat Su	PWSCC	Chukchi
Tanana	Ketchikan	Interior
	Sitka	Kuskokwim
		Northwest

Appendix Charts

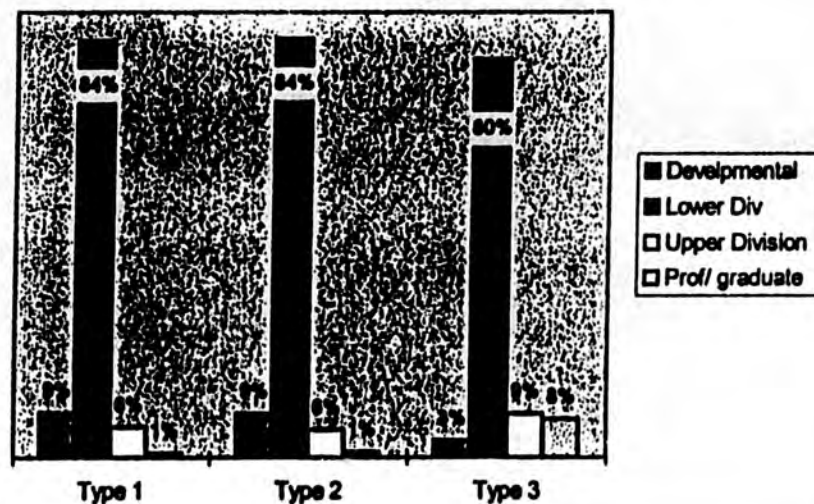
	Credit Hours by Category		
	Type 1	Type 2	Type 3
Developmental	9%	9%	3%
Vocational	37%	38%	34%
Academic	54%	53%	62%

	Credit Hours by Course Level		
	Type 1	Type 2	Type 3
Developmental	9%	9%	3%
Lower Div	84%	84%	80%
Upper Division	6%	6%	9%
Prof/graduate	1%	1%	8%

Distribution of Credit Hours by Category

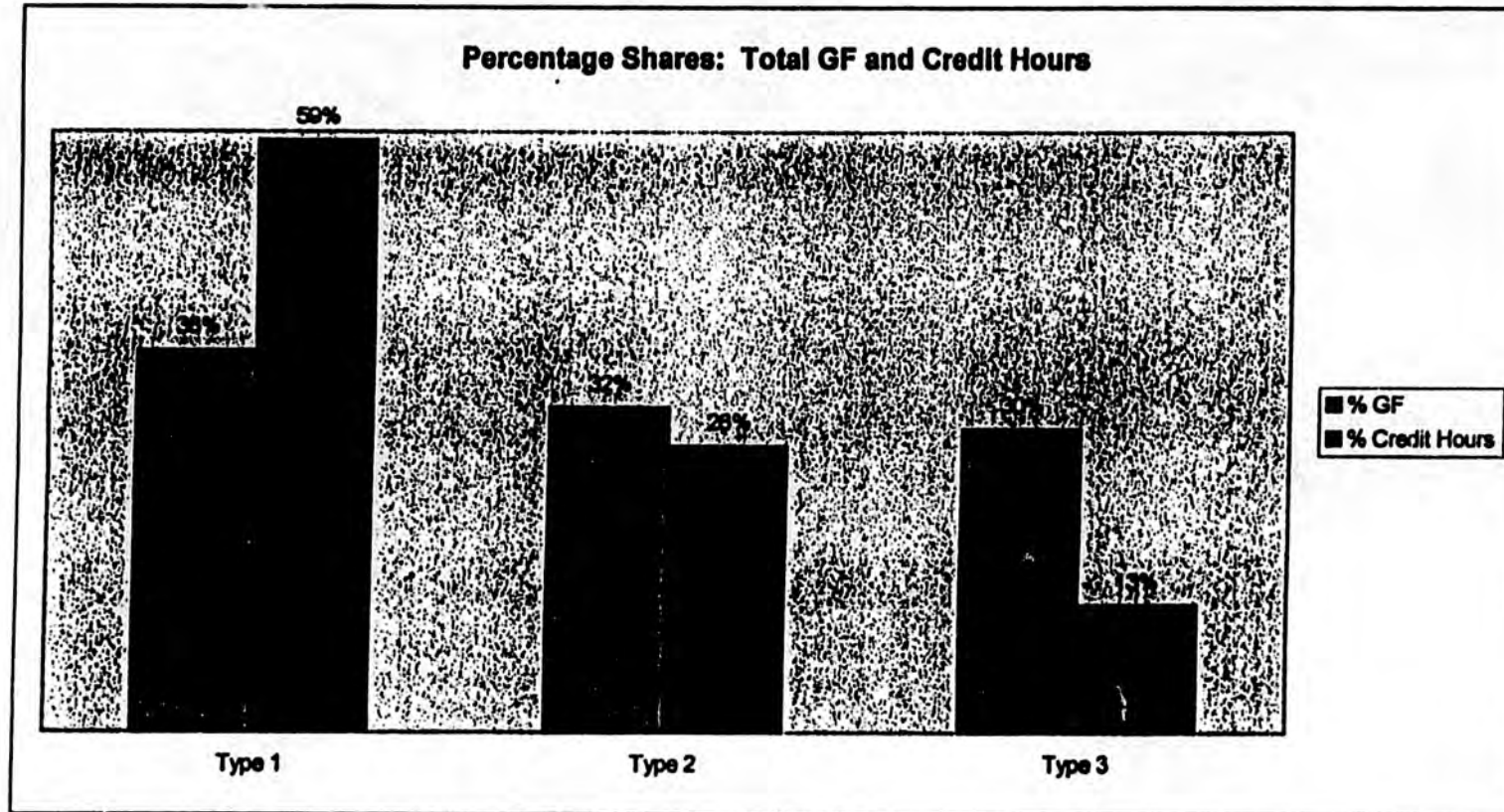


Distribution of Credit Hours by Level



Type 1	Type 2	Type 3
Kenai/Homer	Kodiak	Bristol Bay
Mat Su	PWSCC	Chukchi
Tanana	Ketchikan	Interior
	Sitka	Kuskokwim
		Northwest

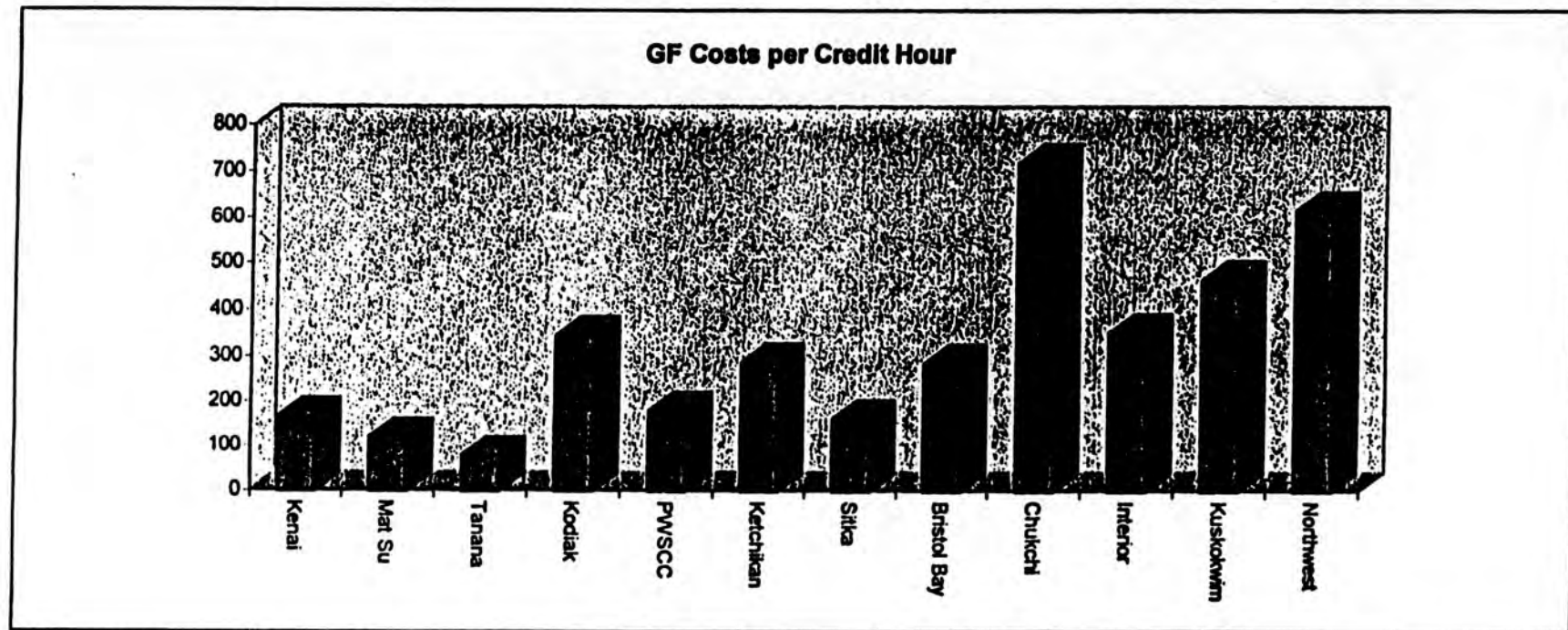
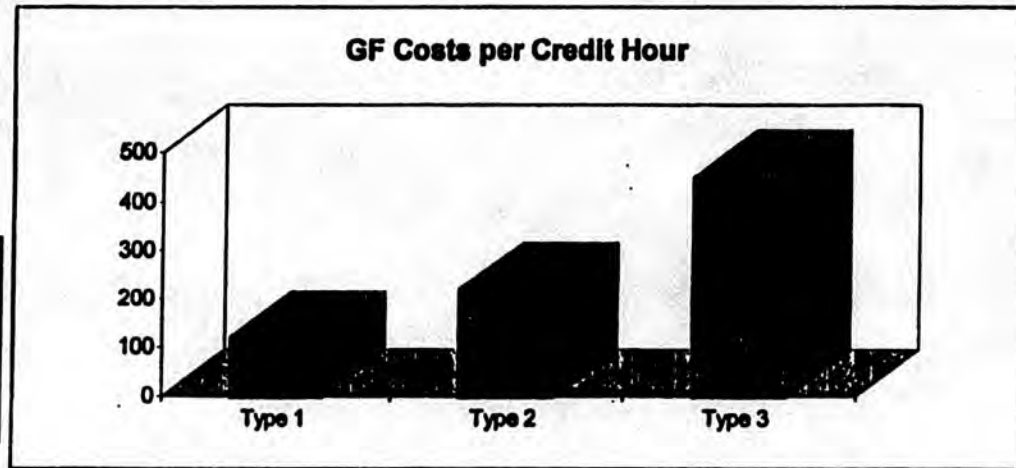
	% GF	% Credit Hours
Type 1	38%	59%
Type 2	32%	28%
Type 3	30%	13%



Type 1	Type 2	Type 3
Kenai/Homer	Kodiak	Bristol Bay
Mat Su	PWSCC	Chukchi
Tanana	Ketchikan	Interior
	Sitka	Kuskokwim
		Northwest

Appendix Charts

Site	GF Cost per Credit Hour		
Kenai	\$ 166	Type 1	\$ 118
Mat Su	\$ 120	Type 2	\$ 220
Tanana	\$ 78	Type 3	\$ 448
Kodiak	\$ 344		
PWSCC	\$ 179		
Ketchikan	\$ 288	Type 1	Type 2
Sitka	\$ 161	Kenai/Homer	Kodiak
Bristol Bay	\$ 285	Mat Su	PWSCC
Chukchi	\$ 718	Tanana	Ketchikan
Interior	\$ 349		Sitka
Kuskokwim	\$ 464		Northwest
Northwest	\$ 615		





UNIVERSITY OF ALASKA STATEWIDE SYSTEM

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E-Mail: wendy.redman@alaska.edu

TO: Marco Pignalberi, Legislative Aide
Representative John Cowdery

FROM: Wendy Redman

DATE: September 17, 1999

RE: University Privatization Review

Attached are reports from UAF, UAA and UAS regarding the privatization/outsourcing activities and reviews that have occurred, or are in place, at the major UA campuses. As you will see, the University has put in a good deal of effort over the last five years to evaluate and implement the use of private contractors in those areas where cost savings or improved services could be achieved.

The Board of Regents and the executive administration of the UA system continue to seek every possible opportunity to achieve greater efficiency with available resources. Without going into a high whine, I will remind you that the general fund appropriation to the University is the same this year as it was over a decade ago; state general fund represents about 40% of our total budget today compared to nearly 70% a decade ago. While a shift in the proportion of state funding was certainly appropriate, the failure to maintain modest growth in state funding during the past decade is now seriously impeding our ability to secure non-general funds, and even more alarmingly, it is impacting our ability to offer the programs necessary to maintain enrollment. Even a cursory look at our funding history will show that we are dangerously close to a downward spiral that will be very difficult to correct. Though we have more than doubled tuition and increased other non-general funds available to support the operation of the University, these measures have fallen far short of keeping pace with annual inflation, and have allowed virtually no growth in response to changing state needs.

The University undertook a major organizational restructuring beginning in 1987 that merged the state's community colleges and university centers for an annual savings of \$6 million in administrative costs. A major program assessment completed in the mid-90's resulted in another round of program eliminations, consolidations, and reorganizations. A significant part of the last program review focused on opportunities for full or partial privatization and/or out-sourcing of a full array of services. This review resulted in the shift of many functions to contracted services, including the outsourcing of most of the facility maintenance and a significant portion of the building repair and maintenance at campuses in Fairbanks and Anchorage.

With an 11-person Board of Regents appointed from the private sector, we have the advantage of input and interest in alternative delivery methods at the highest levels of University governance and management, as well as a great deal of experience. In fact, I doubt there is another entity of state government that has demonstrated as much initiative or willingness to reorganize and rethink how it conducts its

business. We have many years of experience with privatizing, and continue to be open to new ventures all the time. As new technologies are developed, opportunities for more efficient delivery of education as well as academic support services will certainly emerge. At the same time, we are continuing to pursue opportunities for joint programming with schools, private industry, and other non-profit groups that will allow the most efficient use of limited resources to meet the academic, research, and public service needs of all Alaskans. Although the legislation that formed the privatization task force did not include the University as an agency for review, I know there has been interest expressed in including us. I want you to know that we welcome the opportunity to discuss our experiences with your committee, or with a subcommittee established specifically to review the University's experience with privatization. We have a great deal of experience that may prove helpful to others, and as I indicated above, we are always interested in new and innovative ideas that will allow us to maximize resources and retain the quality of our services.

cc: **President Mark Hamilton**
 Vice President Jim Lynch
 BOR President Mike Burns
 Chancellors Lind, Pugh, Gorsuch
 Vice Chancellors Griffin, Vaughn, Williams



UNIVERSITY OF Alaska



ANCHORAGE



FAIRBANKS



SOUTHEAST

The Privatization Sub-Committee for the University appears ready to recommend further study of privatization of printing services for all campuses. The campuses are not all alike. While others run a copy center, UAF has a full spectrum print shop which includes copy center services. But there is a good reason for that, and it goes back to legislation that compelled it, and academic needs that still require it.

Originally, the law was silent about whether to use in-house facilities or the private sector for print needs. UAF Printing Services capabilities grew to meet the need. Printing and graphic arts was, and remains, an instructional program at UAF. What was good for the student (4 color off-set presses, imagers, separations, etc) was also good for the needs of UAF and it's many and often elaborate publications.

Then around 1990, the law changed. The Legislature at that time took the view that State Agencies (and by association, UA) were not getting an appropriate return on their capital investments in copying and duplicating equipment. So the new law required that all print services be done in-house unless the in-house services couldn't meet the need. In fact, UAF Purchasing had to initiate a procedure requiring UAF Printing Services to sign-off permission for departments to use the private sector.

In 1994, the law changed again in another about-face. Now everything had to be out-sourced unless the private sector couldn't meet the need. That is the legislation in place today. Specifically, It requires that UAF offer the private sector the opportunity to bid on all printing jobs above the competitive threshold. The UA CPO approved this as the competitive limit established in AS 36.30, or \$2,500. And, to enhance individual department's access to the private sector below \$2,500, UAF Purchasing established electronic Blanket Orders with all the local print shops so that UAF departments can electronically place orders directly with the private sector if they so choose. The result is that the UAF Print Shop does not have a captive market at any level of printing services. We have to compete for price, service, and quality dollar for dollar. And, Printing Services is not subsidized by UAF. It is self-supporting as well as competitive. It is required to meet federal accounting standards for recharge centers that define a self-support entity. A few facts will demonstrate the excellent balance between UAF Printing Services and the private sector:

In FY 98 over \$727 thousand of UAF printing needs were out-sourced to the private sector.

In FY 99 that figure rose to nearly \$1.3 million.

55 RFQ's have been issued since FY98

30 were awarded to the private sector

25 were awarded to UAF Printing Services

The total value of the 55 RFQ's was \$382.6 thousand. When the private sector was lowest cost, UAF saved approximately \$138.2 thousand.

When UAF Printing Services was lowest cost, UAF save approximately \$134.5 thousand.

This is a very balanced system. But, Printing Services is not simply a "copy center" as defined by most agencies. It directly supports nine instructional programs in journalism, broadcasting, and graphic arts with a hard-wired connection through the campus Ethernet backbone. This means that large jobs don't have to be fragmented, delivered to an off-campus location and downloaded from many disks (with loss at the data margins). No one in the private sector has this access, speed and carrying capacity. We also provide an internship each year for a J&B or Graphic Arts

student. In addition to the student benefit, UAF departments receive 100 or hours each year of consulting on design, color, and lay-out that at no cost from Printing Services.

Finally, UAF Printing Services provides copy machines throughout the campus, with maintenance and supplies out-sourced to the private sector. These are being tied to our One Card system so that students will soon be able to access any copier on campus. This is a terrific added convenience for students.

About three years ago, a national company visited campus to assess the potential for privatizing Printing Services. These companies are most eager to assume management of such services when the current product is slow, out of date, expensive; and has very low customer satisfaction. After spending a day in Purchasing, Printing Services and touring they said they would get back to us with a formal offer. We never heard from them again. The point is, UAF Printing Services is providing an essential service at competitive rates, while providing support to academics and opportunities to students not available from the private sector.

We have reviewed the privatization issue for UAF Printing Services. We agree that competition is good for business. It has made us leaner and demonstrated our efficiency in direct, head-to-head comparisons. It is producing the best combination of low cost, service, classroom support, student opportunities and privatization. The system is very balanced as is, and it is in the University's best interest for it to remain so.



UNIVERSITY OF Alaska



ANCHORAGE



FAIRBANKS



SOUTHEAST

November 16, 1999

TO: UA Subcommittee of the Privatization Commission

This is in response to your inquiry regarding the Human Resources Departments at the University of Alaska and what has been done to review potential outsourcing of its functions.

The UA has an integrated financial, student and human resource information system that makes it efficient and cost effective to maintain in-house payroll and payroll accounting services. The hiring, labor relations and employment characteristics of the academic environment are complex and unusual compared with normal public employment. There are several functions that are currently outsourced – benefits administration, benefits research and executive searches. HR reviews its various functions on a periodic basis for potential efficiencies.

Occasionally, HR has used outside employment agencies to fill temporary assignments. UAA has also utilized Job Service, and UAF has used Manpower for temporary, short duration jobs. It is possible that expanded use of private employment agency would assist the University in efforts to fill certain temporary positions, and this area will be reviewed in the near future.



UNIVERSITY OF Alaska



ANCHORAGE



FAIRBANKS



SOUTHEAST

UA Privatization Matrix as of 11/16/99

Function	UAA- Anchorage	UAA- Other	UAA Comments	UAF - Fairbanks	UAF- Other	UAF Comments	UAS - Juneau	UAS- Other	UAS Comments	SW
Book Store	IH	IH	Self-support auxiliary funded by UA receipts. Anchorage campus reviewed for Outsource potential 6/98; Decided to maintain operation IH based on service levels and pricing structures. Will revisit 6/01	IH	IH		IH	IH	Outsource RFP for Juneau campus 6/85 and again 6/96 with no serious responses. Some eCommerce utilized.	N/A
Food Service	OS	N/A	OS	OS	Bethel - IH	Vending outsource contract separate from food service OS	IH	N/A	Juneau campus bought IH after longstanding operation closed in early 90's; several RFP's followed through 1996 without success.	N/A
Utilities - Sewer	OS	OS		OS	OS	Maintains collection system to edge of campus	OS	OS		OS
Utilities - Power, Heat, Water	OS	OS		IH	OS	Co-generated steam plant on site - Steam, condensate, electrical and chilled water and domestic water are provided by UA owned and operated power plant.	OS	OS		See UAF

Function	UAA- Anchorage	UAA- Other	UAA Comments	UAF - Fairbanks	UAF- Other	UAF Comments	UAS - Juneau	UAS- Other	UAS Comments	SW
Utilities - Phones	OS	OS		IH	OS	Fairbanks campus operated as recharge for federal government cost recovery purposes	OS	OS		See UAF
Snow Removal	IH	IH	The cost expended in Anchorage for this activity is considered within market rate considering labor and equipment charges in the Anchorage market.	IH	IH	Reviewed for OS in 1995, and found no significant savings. All sidewalks, steps and entryways are cleared of snow by student labor.	IH	OS Ketchikan IH Sitka	Previous outsource contract in Sitka discontinued due to limited service availability	See UAF
Grounds Maintenance	IH	IH	Reorganized in 1999 and management staff reduced to streamline the functions. UAA has chosen to provide the delivery of this service because of the importance of quality. Grounds Maintenance branch is currently undergoing performance analysis, and converting tasks to service orders under a new computerized maintenance management system	IH	IH	Labor by student workers at Fairbanks campus.	IH	IH		See UAF
Housing - Dorms	N/A	N/A		IH	IH		IH	N/A		N/A
Housing - Apartments/ Suites	IH	IH Valdez	No response from RFI in FY95. New construction opened in fall 1998.	IH	IH Bethel		IH	IH Ketchikan IH Sitka	In house operation of private facilities at Sitka and Ketchikan	N/A

Function	UAA- Anchorage	UAA- Other	UAA Comments	UAF - Fairbanks	UAF- Other	UAF Comments	UAS - Juneau	UAS- Other	UAS Comments	SW
Housing - Students with family	N/A	N/A		IH	N/A	After RFI regarding outsourcing in 1995, UAF established internal enterprise with residents of 26 year old facility to restructure operations of 72 apartments in 12 buildings.	N/A	N/A	Some set-aside apartments within above	N/A
Housing - Grad student/faculty	N/A	N/A	grad students within above	IH	N/A	No action taken on RFI from 1995	N/A	N/A	grad students within above	N/A
Purchasing	IH - modified	IH	Staff reduced from 12 in 1992 to 4 Full Time and 3 Part time. Significant portions of routine supply activity outsourced leaving need for highly specialized contract managers.	IH	IH	Staff reduced from 17 in 1992 to 10.5 today. On-going effort of increasing productivity & partnership with other campuses on large/complex projects; co-development w/SOA contracts; decentralized small dollar purchases through better technology.	IH	IH	Regionally centralized for IFBs, outsourced to other MAUs for RFPs, limited RFQ authority within extended campuses.	SW uses UAF for purchasing functions Centralized system for protests, appeals, limited procurement and sole source justifications only.

Function	UAA- Anchorage	UAA- Other	UAA Comments	UAF - Fairbanks	UAF- Other	UAF Comments	UAS - Juneau	UAS- Other	UAS Comments	SW
Facilities Planning and Construction	IH	IH	Substantially reduced staff in this area. Currently 8 staff, down from 22 FT in the early 90's. As UAA has OS significant portions of its facility management activity, it is critical to have competent UA employed construction managers. All design and engineering services performed on campus are currently OS.	IH	IH	SW Admin. decentralized design and construction depts. to campuses in 1991	IH	IH		SW uses UAF for this function. System office decentralized function to regional campuses in 1991.
Minor Maintenance and Repair - Elevators, Building Control Systems	OS	OS	Also OS fire extinguisher maintenance. A relatively small IH physical plant operation is maintained for routine functions. A computerized Maintenance Management system has recently been installed to increase productivity and accountability.	OS	OS	Specific areas of maintenance (DDC controls and elevator repairs) have gone to OS over the years	OS	OS	Elevator full service, repair and upgrade outsourced region-wide. Most major renewal/replacement projects OS. Electronic Bldg. Mgmt. system evaluation design, upgrade and backup is also outsourced.	See UAF
Minor Maintenance and Repair	OS	OS	Any activity over \$2,500 is outsourced. Relatively small in-house capacity is maintained for routine needs.	IH	IH	Since 1994 some minor repair work is designed via OS consultants or in house staff and completed by outsource.	IH all design is OS	same		See UAF
Major Maintenance, Repair and Renewal	OS	OS		OS	OS		OS	OS		See UAF

Function	UAA- Anchorage	UAA- Other	UAA Comments	UAF - Fairbanks	UAF- Other	UAF Comments	UAS - Juneau	UAS- Other	UAS Comments	SW
Garbage Collection and Removal	OS	OS		most IH some OS through janitorial	OS	reviewed in 98, no interest in downtown center, or full service for special events, litter, student housing etc.	OS	OS		See UAF
Campus Security	IH	IH	High priority that campus safety be provided by fully commissioned police officers.	IH	IH	See "Security" paper attached	OS evening IH Daytime	Sitka & Ketchikan campus utilize municipal police and fire services		See UAF
Printing	OS Copying IH Printing		Examination in 1996 resulted in outsourcing the central copy service functions and a portion of machine maintenance. Printing was determined to be a cost-effective asset to UAA.	IH/OS	IH	Many projects are OS, depending on project, time frame. Some IH also gets OS from print shop. Copying machines are OS leases.	OS	OS		See UAF
Conferences & Institutes	Routine low-level functions	N/A	OS for large groups such as Elder Hostel; or when requested by outside groups	IH for routine low level functions	N/A		OS for large groups such as Elder Hostel	N/A	IH for low revenue activities such as small summer groups	N/A
Add Additional Functions Where OS centralization or major restructuring has occurred. Include Administrative services and extended site operations.		Mat-Su Campus outsourced child care services in 1997.	In 1998 UAA outsourced its tuition payment plans to a third- party.							Land Purchase contracts collected through local bank.
Janitorial	OS	IH Student/staff	small amount of IH custodial- housing, eating facilities, common areas	70%OS 30% IH	IH	OS in 1995	IH	IH Ketchikan		See UAF

PRIVATIZATION AT UAA

Prepared by: William Rose, Vice Chancellor for Administration

Over the last five years, the University of Alaska Anchorage (UAA) has evaluated and implement the use of private contracted services in cases where cost-savings and/or service improvements could be achieved. It is our goal to attain the highest level of service while utilizing the lowest cost alternative in the delivery of administrative and support services across the UAA campuses. UAA's track record relative to the use of outsourcing as a means to achieve cost-savings while maintaining quality, supports this goal. The highlights of these efforts have been the outsourcing of facilities design and engineering services, maintenance and repair, renovations, new construction, custodial services, utilities, food services, the copy-service arm of the printing department, tuition loan services, and athletic team travel services. In addition, the UAA Bookstore was recently studied to determine if privatization was a viable alternative to an in-house operation including the issuance of a Request For Information (RFI). The following are more detailed summaries of UAA's recent privatization efforts.

Facilities Design and Engineering Services, Maintenance & Repair, Renovations, New Construction, and Custodial Services

1. All UAA architecture, design, or engineering support is contracted out. Contracts are awarded by task or project. \$500,000 to \$3,000,000 is expended annually on design and engineering services depending on the available level of "local" maintenance dollars and state capital appropriations.
2. Maintenance and repair, renovation, and new construction projects are awarded by project. \$1.2 million is expended annually on maintenance and repair and renovations. A unit price contract is also utilized for routine maintenance and repair. New construction is dependent on available state or federal funds.
3. All custodial support (except the Housing complex) is outsourced. A new contract was awarded in July 1999 at an annual cost of approximately \$800,000.
4. All elevator maintenance is contracted out at an annual cost of \$45,000.
5. An energy conservation contract provides \$250,000 in energy conserving modifications to UAA facilities on an annual basis.
6. All utilities are provided by outside entities at an annual expenditure level of approximately \$3,000,000.

In addition, our extended sites at Kenai, Kodiak, Mat-Su, and Prince William Sound utilize contracted services for the majority of their facilities expenditures.

Food Services

In FY99, the new UAA housing complex was completed. To complement this new facility, the existing in-house dining services at UAA were consolidated and contracted out. The new contractor, Aramark, operates all cash dining venues, including the Daily Grind, Wolf Den, Counter Culture, Bear Necessities, and catering services. In addition, they also operate the student dining board program, including the Cuddy Cafeteria and Creekside Eatery. "Subway" independently operates a venue in the UAA Campus Center. The total value of these contracts is approximately \$2,467,932.

Printing Services

In 1996, the UAA printing department was analyzed to consider the use of contracted services. The study found the overall printing department to be a cost-effective asset to

UAA. The study did recommend that the copy services area within the printing department be further analyzed. Copy services was reviewed and recommended for outsourcing in order to increase service, to improve machine and copy quality, and to reduce overall copier costs. The Copier Management Program (Copy Center) was contracted out to Xerox (XBS) in 1996.

Miscellaneous Services

UAA has recently contracted out tuition loan services and travel services for athletic teams. In addition, UAA has contractors performing Facilitation and Mediation, Moving, Laundry, Forestry Consulting, Photography, Vending, Newspaper printing, Fire Extinguisher Inspection, Advertising, and Legal Services to name a few.

Bookstore

In Fiscal Year 1998, a study was conducted to determine if the UAA Bookstore should be privatized. This entity is a fully-costed, self-sustaining auxiliary operation that receives no general fund support. The study found no evidence that moving to an independent, corporate firm would improve services or reduce costs. A search of potential bookstore owners, through a Request For Information (RFI) process, found limited interest in this highly specialized entity. The study found that a for-profit operation would increase the price of books for the students by 5 - 20%. UAA decided to closely monitor the yearly performance of the Bookstore to ensure that an in-house operation was viable. In FY99, the Bookstore performed well with sales of \$4.7 million, and a positive year-end balance, while book prices remained nationally competitive with campus bookstores and entities such as Amazon.com. Currently, the Bookstore has developed an online presence and is in the final development stages of an online requisition and ordering system for faculty and students.

UAA has developed and implemented internal and external customer satisfaction surveys to ensure our in-house and outsourced activities are performing effectively. Overall, the current mix of UAA personnel and contractors is providing the University with excellent, cost-effective service. However, we are never satisfied with the status quo. Consequently, we are constantly reviewing current operations to determine if restructuring or contracting out would improve service and provide more efficient use of our limited resources.

PRIVATIZATION AT UAS

Prepared by: Carol Griffen, Vice Chancellor for Administrative Services

Facilities Design and Engineering Services, Maintenance and Repair, Renovations, New Construction and Custodial Services

1. UAS contracts for all architecture, design, or engineering support. Contracts are awarded by project. The cost of such services vary from \$150.0-\$200.0 per year depending upon available level of maintenance dollars and state capital appropriations.
2. Maintenance and repair, renovation and new construction projects are awarded by project. Approximately \$700.0 is spent annually on maintenance, repair and renovation. New construction is not contained in the annual expenditures stated above. Those expenditures are strictly dependent upon state capital project appropriations.
3. Custodial support is outsourced on the Sitka campus. The annual contract is approximately \$62.0. Since there has been mixed success across the system where custodial services have been contracted, it is UAS's intention to use the Sitka contract as a pilot project prior to making any determinations about expanding contracted custodial services.
4. All elevator maintenance is contracted at an annual cost of \$34.0.
5. All utilities are provided by outside entities at an annual expenditure level of approximately \$730.0.

Bookstore

Since the mid eighties, UAS has developed an RFP on two occasions to contract with local vendors to provide bookstore services on the Juneau campus. We were not successful either time in finding a local vendor willing to provide book store services on site for the Juneau students. This fall UAS has identified 10 courses for a pilot project to determine the feasibility of purchasing texts on the internet. Most of the classes in the test project are offered distance delivery which previously required additional handling to deliver the books to the students across Alaska. Those students are now purchasing their texts from vendors across the WEB. The test is working very well and it is our intent to continue to expand this opportunity for students.

Security

UAS has never had a police force. It has been our practice for a number of years to contract for security services throughout the region at an annual cost of approximately \$76.0.

Day Care

In 1995 UAS, Juneau campus eliminated a campus run day care center which was for use by students who were enrolled at the Juneau campus. Due to the rising cost and the inadequacy of available facilities the service is no longer offered, however we do continue to assist students to find placements for their children in local private day care facilities.

Printing

In the mid eighties UAS closed its printing facility and has since that time contracted with private printing firms for all its publications, including course schedules, catalogues, printed course materials and program brochures. The annual cost of printing services is approximately \$133.0.

Food service

Over the course of the last decade the Juneau campus has made two attempts to find a private company to provide food service at the Juneau Campus for residential students. Both attempts, the most recently in 1997, failed to find a private vendor willing to provide those services with out substantial subsidy to the campus. We remain very interested in contracting with a private vendor for food service.

Since the mid eighties UAS has discontinued providing services in-house where it made sense to contract them to private businesses. We have a long history of attempting to find private businesses to provide a student bookstore, food services, printing and childcare. UAS has been partially successful and remains interested in exploring opportunities to privatize services where we can obtain a high level of service and the lowest cost alternative for the delivery of administrative services.

PRIVATIZATION AT UAF

Prepared by: Terry Kelly, Director of Procurement

When investigating privatization it is important to differentiate between the forms it takes. Privatization can be considered out-sourcing of: (1) non-personal services, (e.g., custodial, food service, maintenance, etc) and professional services (e.g. architectural, financial, legal, computing services and other specialized consulting for specific needs); and (2) hiring management companies to manage and administer University functions, (e.g. facilities management, accounts payable, purchasing, personnel, information technology, etc.). Privatization in either form has potential advantages, and inherent disadvantages. It is not a panacea for operational deficiencies, nor a guarantee of improved performance. The variables in privatization are the quality of potential providers, the disconnect that occurs when our customers are one iteration removed, the added burden of contract administration and the reoccurring disruption with each change of contractor.

Also, a distinction of interest may be that, unlike some State agencies, the University has a middle option to establish self-supporting auxiliaries. Auxiliaries are an economic hybrid subject to the dynamics of competition but operating within the University framework. This brings the benefits of private enterprise while retaining control, flexibility and continuity. The functions below marked "Contract" are privatized. Those marked "Auxiliary" are in-house, self-supporting. Functions that are underlined are provided internally for the reasons given.

In broad terms, UAF contracts for a wide variety of non-personal, professional, and scientific services totaling more than \$49m annually. These range from custodial services to scientific data analysis and are too numerous to list. I have tried to list those functions that are most commonly perceived as privatization opportunities.

FACILITIES SERVICES

Design, Architectural & Engineering Contracts: Approximately \$1m to \$5m annually
New Construction Contracts: Approximately \$15m to \$30m annually.

Maintenance & Operations Contracts: Approximately \$600k annually is out-sourced for numerous small to mid-range contracts with local businesses for such things as equipment rental, pest control, overhead door maintenance, heavy equipment safety inspections, major vehicle repairs, boiler/furnace maintenance, window cleaning, road repairs, and many others.

Telecommunications Contracts: Approximately \$625k annually for local & long distance service. PTI performed a preliminary evaluation of privatization in 1997, but did not pursue it further.

Electrical Power Contracts: (off campus & backup as needed): Approximately \$250k annually.

Sewer Treatment Contract: Approximately \$360k annually.

Custodial Services Contract: Approximately \$1.5m annually. Previously done in-house. Includes all custodial services throughout the campus, including student dormitories. This contract resulted from a cost/benefit review conducted in the early 1990's.

Coal Transportation Contract: Approximately \$500k annually. Previously a sole source to the Alaska Railroad, competition was introduced into this service via the trucking industry resulting in total savings to UAF of \$60k to \$100k annually.

Elevator Maintenance Contract: Approximately \$95k annually to provide maintenance, repair, and safety assurance for all elevators on campus.

Ash Hauling: Approximately \$72k annually. Previously done in-house, this service removes the ash and transfers all ownership, disposal and hazardous materials requirements to the contractor.

Hazardous Materials Waste Management Contract: Approximately \$150k in hazardous materials disposal, abatement programs and haz mat information.

Direct Digital Controls Contract: Approximately \$150k in maintenance and monitoring of facilities environmental digital control systems. This is tied directly to UAF's energy conservation program.

Hess Village Housing Auxiliary: Approximately \$500k in annual revenues. This pilot program has been successful in completely refurbishing and renovating these married student-housing units from rental income resulting from high occupancy. This program has proven the effectiveness of bringing sound business practices to the housing issue.

Electric & Heating Utilities: UAF is self-sufficient. The Utilities Plant which produces both power, heat and water for the campus pre-dates availability of large-scale power and water production accessible by UAF. The cost of electric production is roughly equivalent to local utility rates. The local utility has no need for UAF's generating capacity. Moreover, the power plant produces steam heat for the campus as a by-product of the power production.

Water: UAF produces its own water. That water is also used to cool the power plant. The local utility has been investigating the economies of privatization. Current comparisons show UAF water produced at approximately \$1.53/kgallons while the private sector rate is approximately \$3 to \$3.50/kgallons. No proposals have yet been presented to UAF.

Refuse Hauling: A preliminary investigation of basic refuse collection privatization conducted in 1998 indicated a cost difference of approximately \$4,600. This cost difference is based on basic refuse collection only and does not include vital services that UAF currently supplies and would be required to continue to provide if outsourced. Some of these vital services include; small garbage can collection, special events refuse collection, grounds policing, walk-up collections at private residences, collection at the Downtown Center, and handling of hazardous materials. During our investigation, both local contractors indicated that the price for refuse collection would increase over time and that their garbage trucks would be amortized over a five year period. Therefore, under contract, UAF would be required to pay for a contractor's new truck at a rate that would far exceed any costs associated with replacing its own truck. If UAF were required to pay for these items in addition to the basic refuse collection services, the costs would greatly exceed the estimated cost difference of \$4,600 for contracting the basic service.

Snow Removal: UAF own its snow removal equipment (graders, dump trucks, loaders). It is used year round for landscaping, and other projects. The majority of the labor in snow removal is provided inexpensively by students. Any potential savings by outsourcing are not expected to offset the need for this equipment for other uses, nor the flexibility that in-house service provides.

Parking Management: Privatization of parking management, including building a parking facility, was investigated in 1995. The private sector determined that it was not economically viable.

STUDENT SUPPORT SERVICES

Food Service Contract: Approximately \$1.5 to \$2m annually. Includes all board program meals, and on-campus catering with exceptions made only for the Culinary Arts Program presentations. An intense review by the previous administration, student committees, and a respected consultant are nearing completion. A stronger partnership is emerging with the contractor, and a new RFP for an expanded program will be issued this fall.

UAF Bookstore Auxiliary: Approximately \$3m in annual sales to students, faculty, staff and the public (primarily tourists). The most recent trend in University bookstores is not out-sourcing, but rather partnering with the private sector. This business configuration is emerging through web-based access to major book sellers; direct marketing of computer hardware/software from the manufacturer through a campus outlet (not available to the private sector); and the marketing of logo items through local retail outlets. Technology is changing the nature of bookstores. It holds the promise of leaner operations, continued favorable pricing and increased revenues. The UAF Bookstore has established a web presence, and is pursuing the efficiencies of web ordering, and publishing company partnerships. UAF will be in a better position 2-3 years from now to assess whether sufficient additional benefits are attainable through outright privatization.

University Technology Center Auxiliary: Approximately \$2m in annual sales. The UTC, in partnership with major manufacturers, is a computer store with a presence on the three MAU's providing hardware/software to students, faculty, staff, and departments. This "direct only" sales approach, not available through private sector dealers, is initiated by major manufacturers and provides unprecedented discounts.

Residence Life Auxiliary: Approximately \$3.7m annually. UAF is in the closing stages of a renovation and review of housing operations. The administration is developing alternative operating configurations and strengthening partnerships with the Food Service program. In the spring of 1999, a consulting firm was hired to review housing services and make recommendations for enhancing quality, and economic viability.

CAMPUS SUPPORT SERVICES

Printing Services Auxiliary: Approximately \$1.3m annually. Printing Services is not simply a "copy center" as defined by most agencies. It directly supports nine instructional programs in journalism, broadcasting, and graphic arts through the campus Ethernet backbone with a high technology. The issue of privatization has been addressed by legislation that requires that UAF offer the private sector the opportunity to bid on printing jobs above the competitive threshold. This insures that the Printing Services Auxiliary is at least as cost effective as privatization. In addition to printing, UAF Printing Services provides and maintains copy machines throughout the campus. A private sector print management firm recently reviewed the technology and pricing structure of UAF Printing Services and did not pursue it further.

Conferences & Special Events Auxiliary: Approximately \$426k annually, but \$37,423 is University related. Technically, this is recharge, a variation on the auxiliary model. About 90% of the department's activities is coordinating events for external customers unrelated to the University at non-University venues. It is under review by the administration. Consideration should be given to redefining its mission to promoting UAF and developing opportunities for the campus to host a variety of organizations to showcase the University.

MANAGEMENT SERVICES

Facilities Management: Private sector management of university facilities is available, but not commonplace. UAF Facilities Management has recently undergone a major reorganization merging Physical Plant, Utilities and Design & Construction. The efficiencies and effectiveness of this new organization should be assessed before consideration is given to privatization.

Accounts Payable: The accounts payable function is undergoing a transition to a new level of electronic processing. Introduction of a procurement card (Pro-Card) for purchases provides a single monthly MasterCard billing for hundreds of vendors. MasterCard pays the vendor almost immediately after the transaction. It is expected to produce significant savings in labor and administrative cost in the coming years. These efficiencies should be assessed before we consider out-sourcing the function entirely. Consideration perhaps should be given to increased consolidation of payable functions.

Procurement & Contract Services: Purchasing is gaining from some of the same changes affecting Accounts Payable. Three to five positions have been eliminated in Procurement in recent years due to advances in technology, increased staff expertise, and increases in bid limits. This is shifting the focus of the department from order processing to contract administration. As privatization increases, the need for more and better contract management increases proportionately. Consideration perhaps should be given to increased consolidation of purchasing functions.

Human Resources/Payroll: The very term, "human resources" rather than the traditional "personnel" implies a wider spectrum of service to current and potential employees. UAF Human Resources does not fit the hiring hall function most closely identified with out-sourcing personnel or payroll functions. Much consolidation of employee relations and payroll has already taken place with key functions being provided at the Statewide Administration level.

SUMMARY

The best opportunity for privatization to produce dramatic improvements is when the agency is bloated with staff and wasteful budgeting. One of the bright spots of the several years of decrement spending is that, at every level UAF, indeed all UA, has been forced to find management and service innovations to meet the need in spite of declining resources. That by definition produces a heightened level of productivity. Meeting this challenge year after year has resulted in downsizing staff, upgrading technology, and demanding better management. The number of auxiliaries is increasing. Further review is needed to insure sound business practices and the economies of scale are attained.

Many opportunities for out-sourcing have been found. New opportunities are always under review. But the good news/bad news is that the budgetary rendering process of the last decade has greatly narrowed the gap between the efficiency we have already secured and the increment of efficiency that might be available from privatization.



UNIVERSITY OF Alaska



ANCHORAGE



FAIRBANKS



SOUTHEAST

The UA Subcommittee of the Privatization Commission has requested to view the Collective Bargaining Agreement language that is favorable to contracting out. The following is an excerpt from that document:

Taken from the UACEA collective Bargaining Agreement dated 1/1/98 – 12/31/2000:

2.9 Contracting Out

- A. The Employer specifically reserves the right to contract out any work it deems necessary. Prior to a decision which would result in the layoff of Bargaining Unit Members, or a decision to renew a contract which resulted in the layoff of Bargaining Unit Members, the Employer will:
1. Conduct a comprehensive cost study;
 2. Notify the union of the study;
 3. Give the Union thirty (30) days notice of its decision to circulate an RFP which will be considered using the same criteria as used for evaluation of outside proposals; and
 4. Notify the Union of the results of the Requests for Proposals review, including the basis for a decision to contract out.
- B. In the event Bargaining Unit Members are displaced because work was contracted out, they shall be eligible for the following:
1. Every effort will be made to place the Bargaining Unit Member elsewhere in the University system. If the position is in another geographic location, the Bargaining Unit Member will be eligible for relocation assistance limited to the equivalent of a month's salary.
 2. The employer will attempt to provide training, apprenticeships and/or trades helper opportunities available to prepare the Bargaining Unit Member for remaining available work.
 3. Bargaining Unit Members will receive first consideration for vacancies, including temporary openings.

4. The Bargaining Unit Member will have Layoff and Recall rights under the provisions of Article 5.4 for three years from the date of layoff.
 5. The employer will provide continuation of health benefits for six months from the date of layoff.
 6. The Employer will endeavor to provide employment opportunities with the contractor for the Bargaining Unit Member.
- C. In the event the employer conducts an audit of work that has been contracted out causing the displacement of Bargaining Unit Members, the employer shall provide a copy of the audit to the Union.



UNIVERSITY OF
Alaska



ANCHORAGE



FAIRBANKS



SOUTHEAST

The following information on University campus security is provided to the University of Alaska subcommittee of the Privatization Commission as requested.

University of Alaska Campus security

1. Description of how each campus handles security:

Both UAA and UAF has State of Alaska commissioned police departments that can handle the full range of daily safety, police, investigative, and security needs for the campus community. Along with its commissioned police officers, UAF has the student community service officer program which provides police internships to UAF students. These student officers perform the security functions as any private firm would (parking, door checks, traffic control during special events) and provide educational opportunities for the students.

This is a highly specialized area in which UAA and UAF takes great pride. Safety and security are of the utmost importance. The UPD has jurisdiction over the campuses, has police officers and dispatchers available 24 hours a day, 7 days a week.

UAS outsources both security patrolling and alarm dispatch services, which in turn contact municipal police, fire and EMT services. Sitka and Ketchikan utilize municipal police and fire services directly, at no cost.

2. Will state/local police respond to incidents on a campus?

UAF is outside the corporate limits of the city of Fairbanks by a substantial amount thus no obligation to provide police coverage. Commissioned police coverage would fall to the State and the Alaska State Troopers as was the situation prior to 1991. The Alaska State Troopers currently have 3-4 troopers average on a patrol shift from North of Wasilla to the North Slope, and includes serving the 60K or so residents residing outside Fairbanks in the FNSB.

UAF does have a mutual response agreement, in which each agency (Fairbanks, Troopers, Airport, UAF etc.) will respond to life threatening and serious incidents in each others jurisdiction, not primarily as first responder, but as back up and to support other wise lean responses.

UAA also has a mutual response agreement with the Anchorage Police Department where the APD will respond to life threatening and serious incidents on campus.

3. *Results of past reviews of strengths/weaknesses of private security versus UA employees.*

Only public employees can be commissioned officers to uphold the laws of this state. However, this question does lead to one of "police" dept. vs. a "security" department which UAF has had experience with both. This then also becomes a question of levels of service which needs to be discussed with the community at large. Security officers basically monitor and protect property. They can not deal with human interactions (intercede as police can, make traffic stops, investigate crimes, make police arrests, etc.) required to protect the community from personal and property crimes, security officers can only alert the proper authorities if and when available, that is even true of our students CSO we currently use to supplement our police force.

Prior to 1991 UAF did operated under a security department fashion relying on trooper responses to campus. What happened is the University just did not get the response or campus sensitivity required to protect the community. Responses by the outside law enforcement agencies were strictly handled in a reactionary mode and did not deal with the level of sensitivity needed. This was climaxed by the famous snowball - trooper shot gun incident. We also had security officers that were put in positions of danger and creating high liability as they were not trained nor commissioned police officers while still subject to dangerous incidents. As a result the State legislature authorized the commissioning of police forces at UAF and UAA.

A final thought on private security and its limitations, other than property issues that private security does have a place, many police interactions are with community members at their most vulnerable times in their lives. Public trust must never, ever be compromised.

4. *Is federal funding available for campus security?*

Campus security - NO. Campus police officers - Yes...but only with local matching funds and a continuation agreement to take over complete funding. Federal policing "grants" are available and have been use by UAF to fund several police officer positions. They are still some what available. However the federal

government is not in the business of assuming community police protection, it uses these "grants" to prompt communities to spend more of their OWN funds to the police effort. The feds will fund up to 75% of a new position for the first year, with the community funding the rest, prorated till year 3, when the position must be fully funded by the local community. To accept these funds is a commitment to future increased self-funding. Unfortunately in the current Alaska budget climate, no community including UAF can make that commitment and take advantage of these "grants".

At UAA, federal funding is used to partially offset the cost of one officer solely dedicated to campus residential housing, the remaining portion of that position is funded by the housing auxiliary. Because of the priority for campus safety provided by fully commissioned police officers, UAA would not support the consideration of outsourcing in this area.

COST ANALYSIS OF PURCHASING VS LEASING

UAF PURCHASED VEHICLES

VEHICLE TYPE	MONTHLY COST	YEARLY COST	STARTUP FEES	TOTAL COST 1ST YEAR
Suburban	\$346.67	\$4160.00	\$0.00	\$4160.00
AWD Minivan	\$303.33	\$3640.00	\$0.00	\$3640.00
15 Passenger Van	\$325.00	\$3900.00	\$0.00	\$3900.00
Sedan	\$195.00	\$2340.00	\$0.00	\$2340.00
2wd Truck	\$260.00	\$3120.00	\$0.00	\$3120.00

INCLUDES: \$225.00 Parking Decal, \$186.00 Insurance, License Fees, All Scheduled and Unscheduled Maintenance and Cleanings.

AUTOMOBILE DEALERSHIP LEASED VEHICLES

VEHICLE TYPE	MONTHLY COST	YEARLY COST	STARTUP FEES	TOTAL COST 1ST YEAR
Suburban	\$645.88	\$7750.56	\$929.00	\$8679.56
AWD Minivan	\$510.06	\$6120.72	\$779.00	\$6899.72
15 Passenger Van	\$653.84	\$7846.08	\$1213.00	\$9059.08
Sedan	\$370.96	\$4451.52	\$1663.00	\$6114.52
2wd Truck	\$330.00	\$3960.00	\$2160.62	\$6120.62

INCLUDES: Scheduled Maintenance Only

Fees: may include – Security Deposit, License Fees, Document Fees and/or downpayment

cc: Kathleen Schedler, Director

Suburban: GMC, 4x4,
AWD Minivan: GMC Safari
Sedan: Dodge Intrepid, FWD, 4 door
15 Passenger Van: Ford Econoline
2WD Truck: Silverado 1500 Chevrolet,

from Aurora Motors
from Aurora Motors
from Gene's Chrysler
from Seekins Ford
from Tip Top Chevrolet



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MEMORANDUM

TO: Wendy Redman, Vice President
University Relations

FROM: Ed Foster
Superintendent

DATE: October 25, 1999

RE: Vehicle Cost Analysis of Purchasing vs Leasing from Private Vendor

During the teleconference with the Privatization Subcommittee on October 20, 1999 Chick Wallace asked why individual departments within the University own their vehicles and do not go through a centralized Vehicle Pool. I explained although many departments do still own their vehicles they are now required to go through our Vehicle Pool for additional vehicles or replacement vehicles. This decision was made approximately three years ago based on recommendations from a Legislative Audit conducted the same year. Through attrition, all vehicles at UAF will eventually belong to the Vehicle Pool.

The Subcommittee also asked why we purchased vehicles and did not lease them from private vendors. We did an analysis of leasing versus purchasing a few years ago, but I do not believe a formal report was written. This week Facilities Services was able to put together some lease costs, in today's market, for types of vehicles we frequently purchase. I have attached a comparison of those costs against the cost for a department to lease an identical vehicle today from our Vehicle Pool.

A few points to be aware of when reading this comparison chart are, our vehicle prices already include additional costs; such as, parking decals, insurance, unscheduled maintenance and cleanings. Also included in our price is a 10% depreciation expense for replacement and when the vehicle reaches the end of its life cycle the vehicle is sold.

A vehicle leased from a private vendor can be covered by a maintenance contract, but it will only cover scheduled maintenance, any unscheduled maintenance would be an additional cost. Also, if the vehicle has any damage other than fair wear and tear or excessive mileage at the time of return the customer will be charged accordingly, over and above the base lease price. Last but not least, at the end of the lease the customer turns in the vehicle and has no asset to show for the money paid out.

I hope this information is helpful. If there is any additional information needed please let me know. Thank you.

**Utility Services of Alaska, Inc.
P.O. Box 80370
Fairbanks, AK 99708-0370
October 26, 1999**

**Cheryl Frasca, Chair
Commission on Privatization and Delivery of Government Services
University of Alaska Subcommittee
cfraska@alaska.net**

Thank you for the opportunity to participate in the committee meeting on October 20, regarding the privatization of various University of Alaska functions.

We have been in discussions with the University of Alaska – Fairbanks (UAF) for about two years regarding providing water service to the UAF campus. We currently provide wastewater service to the UAF campus and have done so for about twenty years. As I indicated at the meeting, we will shortly be making a proposal to UAF to supply the campus with water.

Although I am strongly in favor of the privatization of UAF functions that are not part of the university's core functions, the privatization has to be beneficial for both parties. Although we have met with some resistance, we are confident we will eventually come to a mutually beneficial agreement, as it makes no economic sense to maintain a small water system within a much larger one. Additionally, we believe UAF will greatly benefit from better quality as well as increased safety as a user of our water system.

In our past discussions, the UAF has been resistant to including all of their costs in the cost of water production and distribution. In deference to the UAF, the process forces them to make difficult decisions. As an example: If twenty people in different jobs spend 5% of their time on an enterprise, whom do you terminate if the enterprise goes away. It's always easier to expand than to contract.

Instead of forcing the UAF to privatize, I would suggest instead that the UAF file an annual report with the legislature as part of the budget process as to the status of the privatization. This would provide some accountability and keep the issue alive. The process would provide a public forum for a substantive discussion of the advantages and disadvantages.

Thank you again for the opportunity to participate in your deliberations. We will keep you posted of further developments.

**Andy Warwick
Board Chair
Utility Services of Alaska, Inc.**

CC: Wendy Redman

STATEWIDE OFFICE OF LAND MANAGEMENT



December 1998

UNIVERSITY OF ALASKA

Statewide Office of Land Management

Annual Report

December 1998

Prepared By

Mari Montgomery, Acting Director

**Holly Abshire, Real Estate Technician
Penelope Adler, Senior Property Manager
Nelda Carlson, Property Manager
Linda Harrigan, Accounting Technician
Daryl McRoberts, Senior Forester
Carolyn Pirnat, Real Estate Technician
Kristi Sherman, Senior Property Manager
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FINANCIAL REPORT

The Statewide Office of Land Management (SOLM) generated receipts of more than \$9.6 million in FY98 from real estate and resource development projects involving University of Alaska and University of Alaska Foundation property.

The following are some of the highlights of FY98:

- \$5.5 million was generated from the University's Gulf Coast Timber Sale #1.
- SOLM sold land worth more than \$2.9 million in competitive and over-the-counter subdivision lot sales.
- Contracts for the University's Coffman Cove Timber Sale #1, Coffman Cove Timber Sale #2 and Gulf Coast Timber Sale #2 were executed and deposits received.
- Regeneration surveys were conducted on the Whipple Creek #2 and White River timber sales.
- Three subdivisions - Kasilof River, Peregrine Heights Phase II and Clarence Straits were completed and offered for sale.
- SOLM reached an agreement for the sale of the Stampede Mine to the National Park Service.
- \$467,233 was collected on previous land sale contracts.

FY98 RECEIPTS

Receipts generated by SOLM in FY98 were \$9,689,745. This represents a 66 percent increase over FY97 receipts of \$5,838,246. The chart on page 3 illustrates receipts for the past five fiscal years. Table A on page 5 details receipts by category for the past five fiscal years.

Current receipts are as follows:

<u>Receipt Type</u>	<u>Ending June 30, 1997</u>	<u>Ending June 30, 1998</u>
University Trust Land	\$3,956,626	\$7,600,427
Other University Property	\$1,837,536	\$1,719,473
Foundation Property	\$ 44,084	\$ 369,845
Total Receipts	\$5,838,246	\$9,689,745

LAND-GRANT ENDOWMENT TRUST FUND

In 1997 management of the Land Grant Trust Fund (LGTF) was transferred from the State of Alaska to the University. The chart on page 4 illustrates the asset types which comprise the Land Grant Endowment Trust Fund and compares their balances over the past five fiscal years.

Current balances are as follows:

<u>Asset Type</u>	<u>Ending June 30, 1997</u>	<u>Ending June 30, 1998</u>
Accounts Receivable ¹	\$ 3,985,569	\$ 4,572,433
Cash & Investments ²	\$39,328,244	\$50,729,799
Real Estate ³	\$36,788,373	\$36,015,251
Deposits Payable ⁴	\$ (38,841)	\$ (40,890)
Total Fund Balance	\$80,063,345	\$91,276,593

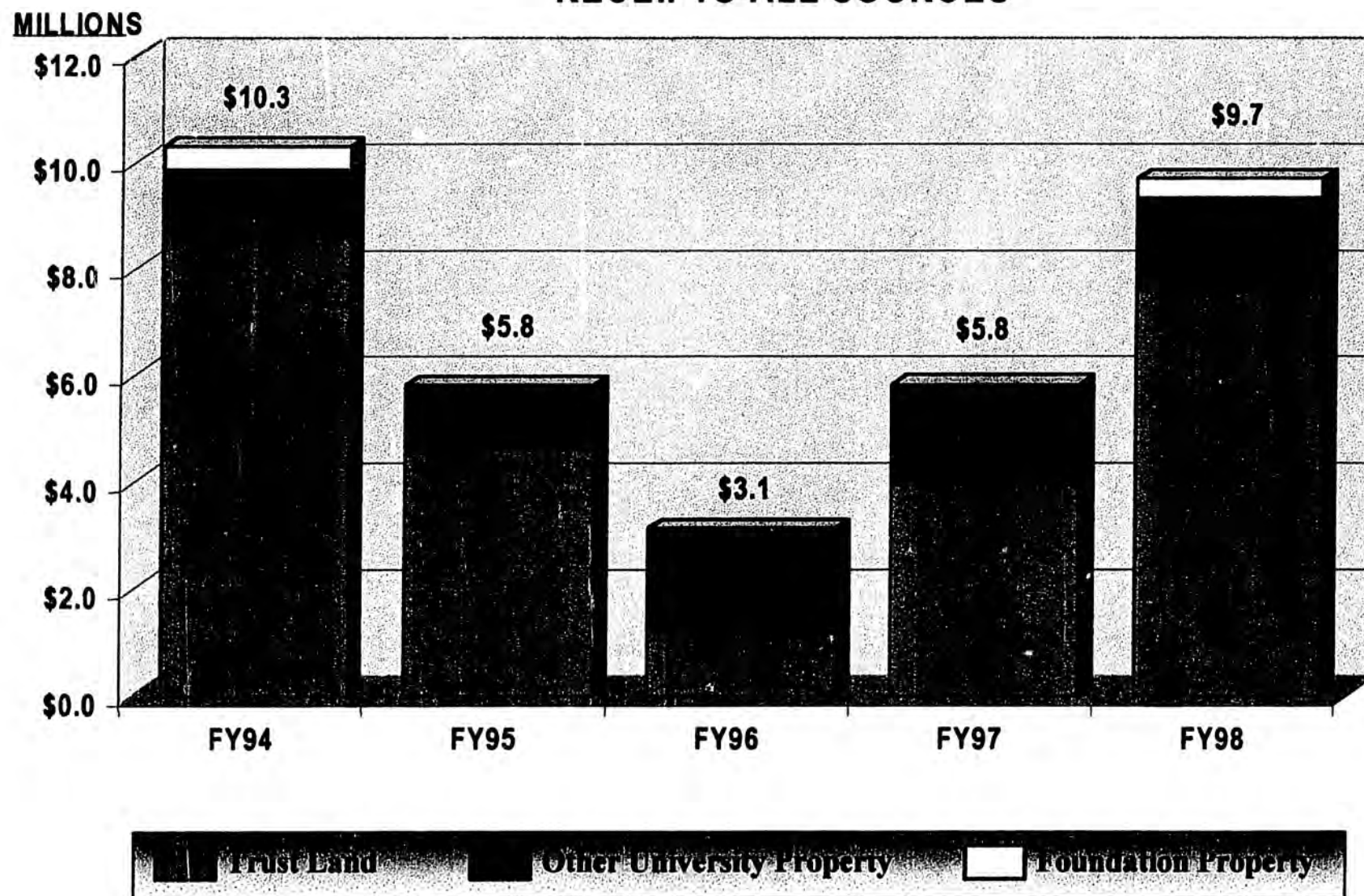
¹ Principal balance due on land sale contracts and deeds of trust; judgments and defaults.

² In FY98 \$5.42 million was deposited into the LGTF as an addition to principal, and investments were increased by \$6.34 million to reflect current market value.

³ Real estate with a known basis was booked in 1993 at its acquisition value. Approximately 81,000 acres are held by the University at \$0 basis because fair value at the time of transfer was not determined.

⁴ Deposits held by the University on pending land sale closings.

RECEIPTS-ALL SOURCES



LAND-GRANT ENDOWMENT TRUST FUND

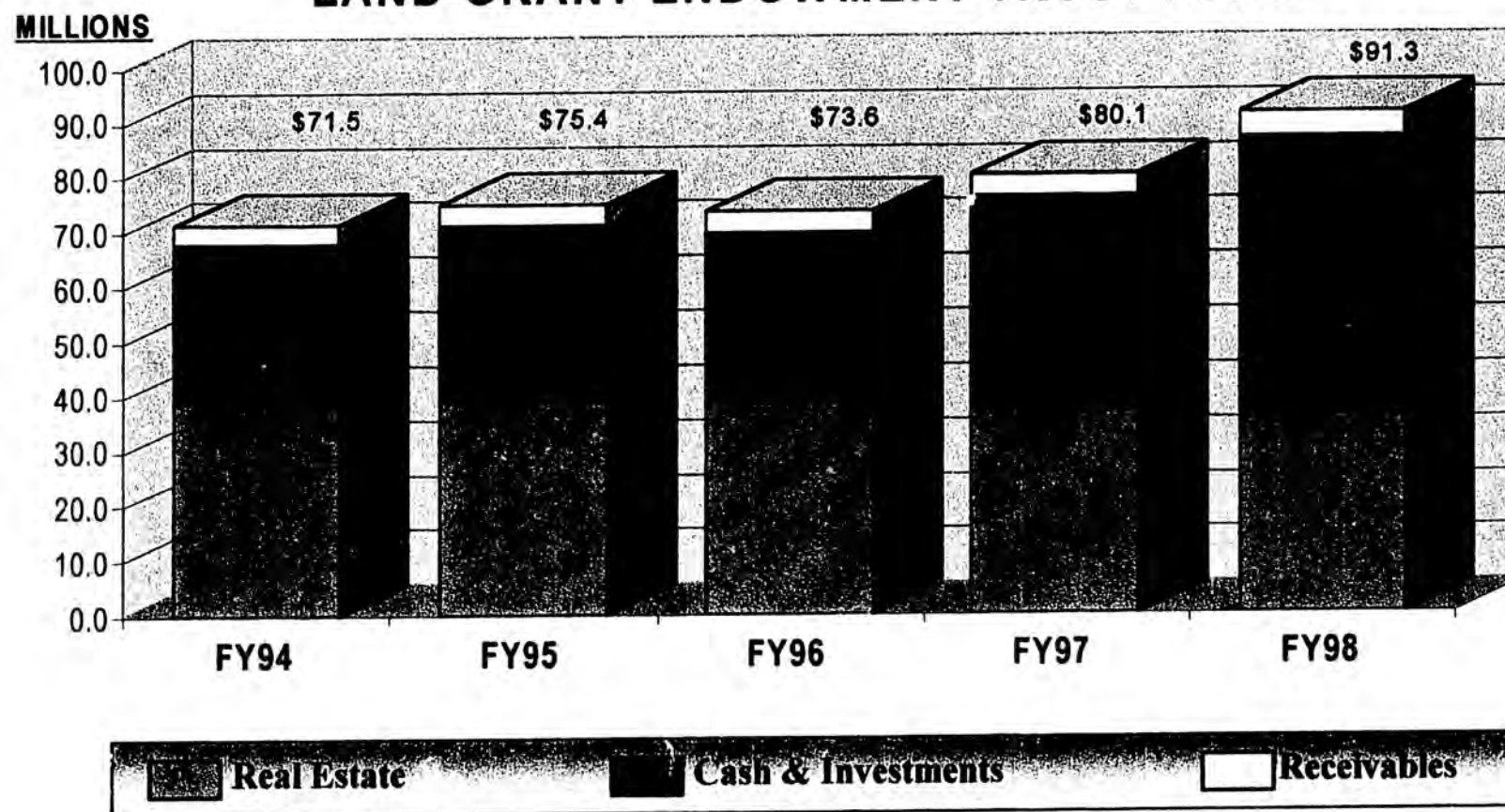


TABLE A

UNIVERSITY OF ALASKA
Receipts From the Statewide Office of Land Management Activities
Year to Date to 6/30/98

	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>
<u>University Trust Land</u>					
Land Sales	\$1,691,509	\$1,218,409	\$825,976	\$1,470,954	\$1,828,124
Land Leases	72,572	65,899	45,057	61,901	89,935
Commercial/Residential Leases	0	0	12,759	13,044	13,418
Permits & Fees	26,728	26,858	788	3,790	8,302
Timber Sales	6,813,647	3,278,271	*125,813	2,276,529	5,620,719
Mineral Lease/Royalty Payments	0	0	0	75,300	0
Oil and Gas Lease/Royalty Payments	7,286	9,107	160,010	10,575	6,674
Material Sales	12,866	12,300	16,199	29,352	2,219
Easements/Rights of Way	200	2,300	5,316	10,875	26,010
Miscellaneous	500	5,014	(20)	4,306	5,027
	<u>8,625,308</u>	<u>4,618,158</u>	<u>1,191,899</u>	<u>3,956,626</u>	<u>7,600,427</u>
<u>Other University Property</u>					
Land Sales	\$803,107	\$508,044	\$603,187	\$542,428	\$105,565
Land Leases	95,791	428,062	556,812	5,576	9,061
Commercial/Residential Leases	0	198,239	698,285	835,280	1,119,120
Investment Revenue	0	0	0	439,740	459,037
Permits & Fees	306,268	7,700	3,362	2,900	3,075
Timber Sales	0	0	0	0	0
Material Sales	43,297	36,075	21,323	11,612	21,616
Easements/Rights of Way	0	0	1,300	0	2,000
Miscellaneous	0	0	0	0	0
	<u>1,248,463</u>	<u>1,178,120</u>	<u>1,884,267</u>	<u>1,837,536</u>	<u>1,719,473</u>
<u>Foundation Property</u>					
Land Sales	\$420,516	\$28,013	\$56,254	\$44,084	\$359,445
Commercial/Residential Leases	0	0	8,081	0	10,400
	<u>420,516</u>	<u>28,013</u>	<u>64,335</u>	<u>44,084</u>	<u>369,845</u>
TOTAL RECEIPTS	<u>\$10,294,287</u>	<u>\$5,824,291</u>	<u>\$3,140,502</u>	<u>\$5,838,246</u>	<u>\$9,689,745</u>

*On prior annual reports, this figure was represented by two line items: Timber Sales and Timber Refunds.

STRATEGIC PLAN

Summary of Progress Toward Goals and Objectives

Regents' Policy 05.11.04.A.4 requires that each Annual Report of the Statewide Office of Land Management contain "...a summary of progress made toward the goals and objectives stated in Strategic Plan(s)." The Strategic Plan was approved by the Board of Regents in April 1996. The Strategic Plan includes a 25-year vision statement and a 5-year plan containing specific goals and objectives. The specific goals and objectives of the 5-year plan require periodic updates in accordance with the provisions of the 25-year vision statement. The next review and update of the 5-year plan is scheduled to occur in FY00.

The following summarizes SOLM's progress toward achieving the goals and objectives of the current 5-year plan (FY96 through FY00).

Identify and dispose of non-appreciating assets.

1. Evaluate each parcel of University land to determine its highest and best use.

Highest and best use of each parcel has been evaluated and entered into SOLM's Land Information System (LIS).

2. Identify property that has beneficial educational use.

In May 1998 the University accepted the donation of a 32-acre parcel near Pippen Lake in the Copper Basin and classified the parcel for educational purposes. No other properties have been identified and reclassified for educational use.

3. Establish development time horizons for each parcel and separately identify non-appreciating assets.

Preliminary development time horizons have been established. A comprehensive analysis to identify additional non-appreciating assets is on-going. Although the University has consistently offered non-appreciating assets in its annual land sales, interest in these properties has been very limited. SOLM believes this is due, in large part, to environmental and/or physical constraints relative to those properties.

4. Sell at least 10 percent of the University's non-appreciating assets.

Over 1,100 acres of identified non-appreciating assets have been sold since FY96.

Actively develop University land, consistent with market demands.

1. Develop a long-term plan for Gulf Coast timber management.

SOLM developed and implemented its "Strategic Plan for Gulf Coast Timber" in November 1997.

2. Identify and establish mechanisms to assist in the conversion of real estate assets to financial assets. Work with the Alaska real estate community to determine the most effective method to harness the creative efforts of real estate agents and developers to market and develop University real estate. Develop ground rules and procedures for partnering between the University and Alaska's private sector to develop University land.

SOLM has developed comprehensive resource and land sale programs. Alaska real estate professionals may participate in the sale and lease of certain parcels. SOLM successfully partnered with the City of Coffman Cove on a recent subdivision and continues to pursue other partnering opportunities.

3. Explore and develop marketing opportunities outside Alaska.

SOLM maintains an Internet website (<http://www.ualand.com>) which allows worldwide access to land information. The website is responsible for over 60 percent of all land inquiries, many of which come from outside Alaska.

4. University Public Trust Lands (PTL): A) offer the first recreational/residential sale of PTL within the first year of receipt of title to PTL, B) develop and offer one or two residential subdivisions of PTL, and C) offer the first commercial leases of PTL.

No University Public Trust Land has been received by the University.

5. Harvest 25 percent of the University's Gulf Coast timber.

All of the University's Gulf Coast timber has been sold and approximately 12 percent harvested to date. Future harvest schedules are dependent upon favorable market conditions.

6. Develop the lodge and hiking trail system west of Yakataga.

In the fall of 1998 SOLM issued a Request for Interest (RFI) concerning the development of the Hut-to-Hut project west of Yakataga. Response to the RFI is characterized as weak. Two other development options are being explored at this time. The first option is to enter into an agreement with the State of Alaska Division of Parks and Outdoor Recreation to develop the project. The second

option involves the purchase of an existing lodge facility. The project will proceed after these options are evaluated.

7. Offer for sale or development the balance of the University's Gulf Coast timber.

The balance of the University's Gulf Coast timber has been sold.

8. Develop two to four new recreational/residential subdivisions per year.

The Kasilof River, Peregrine Heights Phase II and Clarence Straits subdivisions were completed in FY98.

9. Lease at least one tourist-related commercial property per year.

Twenty commercial/tourist related properties are currently offered for lease as part of SOLM's land sale program. Discussions are underway for the lease of several properties but no contracts have been executed to date.

10. Lease at least 15 percent of mineral lands.

More than 15 percent of known mineral lands were under permit with an option to lease in FY98.

Increase the pool of developable land.

1. Identify, select and obtain title to 500,000 acres of University Public Trust Land from the State of Alaska, including the fee to land underlying the University's Gulf Coast Limited Timber Cutting Rights.

State land grant legislation was not passed in 1998.

2. Identify, select and obtain title to 250,000 acres of federal land.

Legislation was introduced in Congress in 1998 that, if enacted into law, would have granted the University at least 250,000 acres of federal land. Legislation did not pass.

Acquire additional urban commercial property and land/resources with near-term development potential.

1. When the Alaska Mental Health Trust Authority (AMHTA) has completed logging on its trust acreage between Icy Bay and Cape Yakataga, initiate discussions to acquire this property through purchase or trade.

The AMHTA timber harvesting will not be completed for at least 10 years.

2. Develop a policy and financing mechanisms for the acquisition of office, retail and industrial property in Anchorage, Fairbanks and Juneau (and other near-term income producing assets).

To date, SOLM has not developed formal policy and financing mechanisms concerning the acquisition of commercial properties. Potential commercial investments are reviewed on a case-by-case basis and the Land Grant Trust Fund has been used to finance or leverage financing for commercial acquisitions.

3. Acquire two urban commercial properties.

The University has acquired two urban commercial properties in Anchorage from Alaska Pacific University - the University Lake Building and the Vocational Rehabilitation Building. In addition, one commercial property, the former U.S. Natural Resources Conservation Service facility, on College Road in Fairbanks was acquired as a federal land grant selection.

Administrative and non-revenue.

1. Identify University land with liabilities or attractive nuisances; correct problems or dispose of property.

Real property is actively inspected by SOLM as time allows during the brief field season each year. SOLM identifies and prioritizes liabilities and attractive nuisances. Problems, which typically include trespass and illegal dumping, are resolved systematically based on urgency of the problem and availability of staff time.

2. Complete the design and installation of a Geographic Information System (GIS) that provides information and maps on all University real estate.

SOLM maintains an extensive Land Information System (LIS) and has limited GIS capabilities. GIS capabilities will be gradually expanded as more cost effective technologies are developed.

Financial forecast.

The Strategic Plan provided a gross revenue forecast for fiscal years FY96 through FY00. SOLM has met the target forecast to date as follows:

	Strategic Plan Forecast	Actual Gross Revenue
FY96	\$2.5 million	\$3.14 million
FY97	\$6.5 million	\$5.84 million
FY98	\$9.0 million	\$9.69 million

The Strategic Plan forecasts gross revenues for FY99 at \$7.5 million and FY00 at \$8.0 million.

1999 DEVELOPMENT PLAN

Major Projects

1999 Competitive Land Sale

The Statewide Office of Land Management (SOLM) will conduct its 1999 competitive land sale during the summer. Many of the properties currently being offered over-the-counter will be included in the sale. New offerings will include lots in McCarthy Creek Subdivision and several new subdivisions if the proposed subdivisions are completed by the time of the sale. At the conclusion of the competitive land sale, all unsold lots will be offered for sale over-the-counter.

Subdivision Developments

In 1999 SOLM will evaluate the feasibility of subdividing or joint venturing with qualified entities to subdivide several parcels throughout the state. Development may include all aspects of subdividing including, but not limited to, planning, platting, soils testing, engineering and construction. If financially feasible, several of the parcels will be subdivided as a joint venture or by SOLM. Lots not used as compensation to joint venturers will be leased or sold competitively. Lots not leased or sold will be offered over-the-counter. If financially feasible and market conditions warrant, SOLM may proceed with the following subdivision developments:

Matanuska-Susitna Borough

One or two projects on land near Wasilla, Petersville Road, Big Lake, Talkeetna and Caswell Lake.

Haines Borough

One or two projects on land located along the Klehini River between approximately mile 20 and 30 of the Haines Highway.

Lake Minchumina

A 110-acre parcel, owned by the University of Alaska Foundation, located on the northeast shore of Lake Minchumina, east of Denali National Park.

Coffman Cove

Two parcels totaling approximately 100 acres located near Coffman Cove along Clarence Strait.

Sitka

The development and replat of Whitcomb Heights Subdivision, a 200-acre parcel located northeast of Sitka.

Juneau

A 300-acre parcel near Montana Creek in Juneau.

Strelna

Several large parcels near Strelna within the boundaries of the Wrangell-St. Elias National Park.

North Pole

A 180-acre parcel on the Chena River at Nordale Road.

Valdez

A 39-acre site on the Richardson Highway and Dylen Drive about 6 miles east of the City of Valdez.

Material Sale Request for Proposals

A Competitive Request for Proposals (RFP) will be issued for the lease of several material sale sites statewide. In addition, the RFP will provide for the lease of additional unidentified sites as demand warrants. Sites being considered for the RFP include rock pits in Coffman Cove, a gravel pit on Tolum Road on the Kenai Peninsula and an undeveloped parcel outside of Anchor Point. Sites not leased through the competitive RFP process will be available for lease to qualified proposers on a first-come first-served basis over-the-counter.

INVESTMENT PROPERTY PROJECTS

Northern Region

Banner Creek, Subdivision Evaluation & Offering, Richardson Highway

SOLM offered eight parcels for sale near Banner Creek at the old Richardson Townsite, 70 miles south of Fairbanks on the Richardson Highway between Delta and Quartz Lake. The eight parcels, totaling approximately 172 acres, were evaluated and grouped to increase marketability. One 40-acre parcel was sold in the 1998 Competitive Land Sale for \$20,100. The remaining parcels are being offered for sale over-the-counter.

Banner Creek, Trail Access Permit

SOLM secured an assignable permit, at no cost, from the Fairbanks North Star Borough for access to an isolated Banner Creek parcel. The permit was necessary to provide legal access to the property for marketing purposes.

Cantwell, Broad Pass Development

As time allows, SOLM will review the development and subdivision potential of properties in the Broad Pass area. If economically feasible, certain parcels will be subdivided either by SOLM or as a joint venture. Lots not used as compensation to joint venturers will be leased or sold competitively.

Fairbanks, Peregrine Heights Subdivision Phase II

In June 1998 SOLM completed Phase II of Peregrine Heights Subdivision located on the south facing slope of Chena Ridge at approximately 3-mile Chena Ridge Road in Fairbanks. The 117-acre development included 31 lots and over 7,000 lineal feet of constructed roadways. The lots were offered for sale in the 1998 Competitive Land Sale. Six lots were sold for a total of \$247,000 in cash and contract principal. The remaining lots are being offered for sale over-the-counter.

Fairbanks, U.S. Airforce Seismic Leases

SOLM leases three parcels of land north of Fairbanks as buffer zones for the benefit of U.S. Air Force Alaska Long Period Array seismic receiving stations. Through a separate agreement with the Air Force, data from the receiving stations located within the buffer zones is shared with the UAF Geophysical Institute. The leases, which were executed in 1988, are for terms of 20 years with two 5-year renewal options. Rent is adjusted every 5 years based on the appraised fair market value of the parcels.

Fairbanks, Chena Ridge Water Reservoir Lease

SOLM leases a 0.4-acre site on Chena Ridge adjacent to Yak Estates to a local utility company for a water reservoir. The lease is scheduled to expire in August 2025.

Fairbanks, College Road Lift Station Lease

SOLM leases a 0.07-acre site adjacent to the Aurora Motel off College Road to a local utility company for a utility lift station. The original 7-year lease expired in May 1998. SOLM negotiated a new 20-year lease effective May 13, 1998. The new lease includes scheduled rent increases every 5 years.

Fairbanks, College Road Land Lease

SOLM leases a 1.7-acre site off College Road to a local businessman who runs a motel on the property. The 55-year lease was executed by the State of Alaska in 1968 at a very favorable lease rate to the lessee. Given the very low rent on this property and the contractual limitations on increasing the rent, SOLM will review the feasibility of selling this property to the lessee or other parties interested in purchasing this land subject to the lease.

Fairbanks, U.S. Natural Resources Conservation Service Lease

The U.S. Natural Resources Conservation Service leases a 2,000 square foot facility located on a 2-acre parcel of land on College Road. The lease is for a term of 3 years and is scheduled to expire in December 2000.

Fairbanks, Peat Pit Lease

SOLM continues to lease a 150-acre commercial peat pit site located on College Road for material production and other related business activities. As required by the lease, a survey of the site was completed this year and an appraisal of the property will be conducted in the spring of 1999. The initial lease term of 10 years will expire in 2007. There are four options to extend for a period of 5 years each.

Fairbanks, Geist-Loftus Lease

SOLM continues to lease a 0.5-acre site on Geist Road for a drive-through espresso stand. This lease generates significant income and provides a good demonstration of the viability of the entire 8.4-acre Geist-Loftus site for future commercial development potential.

Fairbanks, Geist-Loftus Commercial Development

SOLM temporarily postponed marketing the long-term lease or sale of an 8.4-acre parcel located at the intersection of Fairbanks Street and Geist Road. The development of this parcel has been delayed to take advantage of a proposed State of Alaska Department of Transportation and Public Facilities (DOT&PF) intersection development scheduled for construction within the next few years. SOLM will proceed with the project when development opportunities are optimum.

Fairbanks, West College Road

This 2.3-acre commercial parcel is located near the corner of College Road and Farmers Loop Road. SOLM continues to rent three cabins located on the site until such time as the property is developed for commercial and/or educational purposes. Optimum development of the property requires the participation of adjacent property owners. Substantial development is contingent upon the completion of an intersection upgrade by DOT&PF and improved market conditions.

To consolidate and enhance the parcel's future development potential, SOLM will also pursue acquisition of any DOT&PF surplus lands resulting from the intersection project.

Fairbanks, Cache Creek Timber Harvest

In October 1997 SOLM issued an RFP for the sale of approximately 261 thousand board feet of spruce sawlogs and 92 hundred cubic feet of spruce utility logs located on 34 acres 20 miles northwest of Fairbanks. The contract for the sale of spruce logs was awarded to a local mill operator and was used to create local value added timber products.

Fairbanks, Henderson Road Evaluation

In response to interest from neighboring property owners, SOLM conducted a feasibility study evaluating options associated with a 40-acre parcel off Henderson Road. SOLM determined that due to very poor soils, subdivision development would not be feasible. In addition, several possible trespass problems affected the property. SOLM determined that the parcel was a non-appreciating asset and it was sold "as is" for \$91,100 in the 1998 Competitive Land Sale.

Fairbanks, Twin Buttes Mineral Exploration

La Teko Resources, Inc. continues to explore the University's Twin Buttes property, a 12,800-acre mineral property located 30 miles northeast of Fairbanks. During the spring and summer of 1998 SOLM entered into discussions with La Teko regarding renegotiation of some provisions in the current exploration agreement to make it easier for La Teko to attract exploration partners to the Twin Buttes property. Recently, La Teko announced that it will merge with Kinross Gold Corporation, a Canadian firm that holds a major interest in the Fort Knox property. SOLM anticipates that there will be further discussion with Kinross/La Teko regarding the current exploration agreement.

Fairbanks, Letter of Entry

In 1998 SOLM issued a letter of entry to the U.S. Forest Service (USFS) to access a number of treed University properties in the Fairbanks area to conduct research on birch decay. Upon completion of the project, the USFS will provide SOLM with a report on its findings.

Ferry, Subdivision

In response to market demand and to resolve a continuing trespass problem, SOLM is proceeding with the subdivision of two lots totaling approximately 60 acres near Ferry. No road construction is anticipated as part of this project. Lots will be offered for sale competitively. Lots not sold competitively will be offered over-the-counter.

Fox, Land Lease

In April 1995 SOLM executed the lease of a 20-acre parcel near Fox that allows the storage and manufacture of explosives used in nearby Fort Knox mining operations. In January 1998 SOLM granted a lease extension that provides for continued use of the site through September 5, 1999. SOLM intends to issue an RFP for lease of the site beyond that period.

Manley, Land Lease

SOLM leases a 1.35 acre site in Manley to an individual who executed the lease at a very favorable lease rate with the State of Alaska prior to University control of the property. Given the 55-year lease term, the very low rent on this property, and the contractual limitations on increasing the rent, SOLM will review the feasibility of selling this property to the lessee or other parties interested in purchasing this land subject to the lease.

Nenana, Trespass, Windy Hills Subdivision

A possible trespass has been identified in Windy Hills Subdivision approximately 30 miles south of Nenana. This subdivision was originally a paper-platted State subdivision with no constructed roads or other improvements. The University owns approximately 185 lots in this subdivision. To facilitate sales and determine the validity of the possible trespass, SOLM will contract with a surveyor to clear and brush certain lot lines and rights-of-way.

North Pole, Chena River Subdivision, Nordale Road

SOLM evaluated the potential of subdividing a 91-acre parcel on the Chena River at Nordale Road into recreational lots. Staff determined the property was more suitable for residential purposes and that a master plan and phased development of a larger 250-acre parcel and a possible 68-acre material site was the most financially attractive approach to this project. SOLM is proceeding with a master plan and Phase I of the residential development. Other phases of the project will be developed as market conditions warrant. Lots will be offered for sale competitively. Lots not sold competitively will be offered over-the-counter.

North Pole, Wrangell II Subdivision Enhancement

In 1998 power was extended to Wrangell II Subdivision, debris was removed and overgrowth adjacent to the roads was cleared to increase the marketability of this 70-lot subdivision. These enhancements were necessary to increase lot sales.

Southcentral Region

Anchorage, Lease of Portions of the Diplomacy Building

SOLM continues to manage the lease of 23,546 square feet of office space to the State of Alaska Department of Corrections, and the lease of 2,850 square feet of office space to the Alaska Science and Technology Foundation. The Department of Corrections lease, executed in January 1994, is for a term of 10 years and provides for annual CPI rent increases. The Alaska Science and Technology Foundation lease, executed in September 1993, expires in September 2000 and also provides for annual CPI rent increases.

Anchorage, Vocational Rehabilitation Building Lease

SOLM continues to lease the Vocational Rehabilitation Building, a 9,000 square foot office building located off Bragaw Street near the UAA Campus. The building has been leased to the

Alaska Division of Vocational Rehabilitation since September 1984. The lease provides for annual CPI rent increases and will expire on December 31, 2000.

Anchorage, University Lake Building Lease

SOLM continues to manage the University Lake Building, a 16,675 square foot office building located off Bragaw Street near the UAA Campus. Approximately 57 percent of the building is occupied by UAA, with the balance occupied by Statewide programs.

Cold Bay, Fuel Contamination

In June 1996 SOLM was notified that a pipeline associated with a fuel company tank farm in Cold Bay had ruptured releasing Jet-A fuel. Subsequently, hydrocarbon contamination was detected on an adjacent parcel owned by the University. SOLM is in contact with the environmental company hired to remediate the property and will continue monitoring the remediation process until the property is certified clean by the DEC.

Cold Bay, Contamination

In September 1997 the U.S. Army Corps of Engineers (COE) requested a letter of entry from SOLM authorizing the U.S. Government to access University property, located adjacent to the Cold Bay airport, for purposes of environmental investigation and response. The COE indicates they have evidence that the property was contaminated while in federal ownership. SOLM will continue to work with the COE in its efforts to evaluate, remove and remediate military waste from the property.

Copper Center, Commercial Development

The University owns approximately 1,500 acres of land adjacent to or near the new Wrangell-St. Elias National Park Visitor Center site on the Richardson Highway, near Copper Center. SOLM continues to evaluate the commercial potential of these properties and is actively pursuing commercial tenants to lease and develop portions of the land. The properties are being offered for lease over-the-counter and will remain available over-the-counter until offers acceptable to the University are received, or until such time as it is determined there will be a greater return on the properties through sales rather than leases.

Gulf Coast of Alaska, Hut-to-Hut Trail System

In June 1998 SOLM and the State of Alaska Division of Parks and Outdoor Recreation (P&R) jointly inspected possible sites for the location of a Hut-to-Hut Trail System along the Gulf Coast between Cordova and Yakutat. The trail system is required under an agreement executed as part of the Settlement of *City of Yakutat et.al. vs. Alaska Department of Natural Resources and the University of Alaska* relating to the University's Gulf Coast timber rights. SOLM, P&R and the various litigants in the lawsuit have established that the preferred sites for the Hut-to-Hut project include the east side of the Bering Glacier and possibly the Cape Suckling area. P&R is interested in developing and managing the project. SOLM issued a Request for Interest to help identify alternative proposals that might offer better options for the development of this project. Response was generally weak. Two options are being explored at this time. The first option is to enter into an agreement with P&R to develop the project. The second option involves the

purchase of an existing lodge facility. Once these two options are reviewed and evaluated, the project will proceed. The project is tentatively scheduled to begin in 1999. In accordance with the terms of the settlement agreement, funds for this project in an amount not to exceed \$450,000, will be derived from Gulf Coast timber sale revenues.

Homer, Homer Red Meat Research Station

SOLM offered 788 acres of agricultural rights and 80 acres of improved property comprising UAF's old Homer Red Meat Research Station in its 1998 Competitive Land Sale. The facilities and improvements located on the property were originally constructed by the University in 1970 to use as a Red Meat Research Station. The property was decommissioned in 1984 and has been marginally maintained and occupied by caretakers and tenants over the years. Two offers to purchase the property were received as a result of the competitive sale. In October 1998 the Board of Regents authorized the sale to the highest bidder for \$425,000.

Homer, Land Exchange

SOLM continues to negotiate with the City of Homer for the exchange of University land surrounding the Bridge Creek reservoir for City land in downtown Homer. The City's property is adjacent to the proposed site of the future Kachemak Bay campus. Negotiations include consideration of \$75,000 granted by the City to assist the University in its acquisition of the new campus site, a beneficial consortium library agreement and an associated land lease agreement.

Iliamna Lake, Request for Proposals to Lease

The University owns a 1,350-acre parcel on the south shore of Iliamna Lake near Big Mountain. Staff evaluated the property for commercial development potential and SOLM is currently offering the parcel for lease, in whole or in part, in its over-the-counter lease program (a portion of the property would be well suited for lease as a lodge site). No offers have been received. Time permitting, the potential for developing portions of this property into recreational subdivision lots will be evaluated. If economically feasible, portions of the property will be subdivided either by SOLM or as a joint venture. As a joint venture, lots not used as compensation to joint venturers will be leased or sold competitively.

Iliamna Lake, Land Use Permit

In August 1998 SOLM issued a land use permit to a company to utilize an existing road located on University property near Iliamna Lake for staging and transporting equipment and supplies across the property to a communications site on Big Mountain. The permit was for a term of 30 days and provided for compensation to the University.

Kenai, Damon Plaza

SOLM continues to assist the Kenai Peninsula College and the Damon Memorial Fund Council in their efforts to lease commercial lots located in the Damon Plaza Subdivision fronting Kalifornsky Beach Road in Kenai. The lots have been available for lease since July 1996, but no proposals have been submitted. SOLM will continue to offer the property for lease over-the-counter.

Kenai Peninsula, Kasilof River Subdivision Developments

Staff has reviewed the development potential of five tracts along the Kasilof River on the Kenai Peninsula. In 1998, the University's 57-acre tract with 15 lots was surveyed and offered for sale. Fourteen lots totaling \$346,402 have been sold. One lot is being offered for sale over-the-counter. Much of the remaining property is not economically feasible for subdividing into smaller parcels at this time. SOLM will continue to monitor developable parcels for future development. Portions of the property that are determined to be non-appreciating will be offered for sale competitively.

Kenai Peninsula, Anchor Point Timber Sale

SOLM has identified 11 parcels in the Ninilchik to Homer area containing commercial spruce stands that are at high risk for spruce bark beetle infestation. Preliminary estimates indicate that one or more timber sales that would total 12 million board feet (MMBF) of sawlogs and pulp logs on 1,200 acres could be offered from these parcels. The sale area will be refined after further fieldwork is performed. The silvicultural prescription being considered for these stands calls for leaving spruce trees seven inches and smaller in diameter (those trees are less susceptible to beetle attack) and scarification and inter-planting with spruce to encourage restoration of forest health. Although pulp markets have not improved, work will continue on this sale. The spruce bark beetle continues to infest this area and most of the timber will be dead within the next two years. The project is necessary to minimize fire danger and restore forest health.

Kenai Peninsula, Timber Sale

In April 1995 SOLM entered into a contract with a local timber operator to harvest 12 MMBF of bark beetle infested spruce on University property on Falls Creek Road near Ninilchik. The timber harvest has been completed and the contractor will complete scarifying or planting the harvest units in the spring of 1999. The contract expires on May 31, 1999.

Kenai Peninsula, Falls Creek Road Land Use Permits

SOLM administers several land use permits authorizing various timber operators to haul logs and wood chips across University land to the Sterling Highway near Clam Gulch. SOLM also responds to several requests per year for administrative and personal access permits along this road.

Kenai Peninsula, Land Use Permit

In November 1998 SOLM issued two land use permits to an exploration company to conduct seismic exploration on University land south of Kenai. The permit was for a term of 14 weeks and provided for fair market compensation to the University. The exploration data is available to the University.

Kenai Peninsula, Land Use Permit

SOLM has issued land use permits to various seafood companies to operate a buying and receiving station on its property on the Sterling Highway near Clam Gulch since 1989. Most recently in 1997, SOLM issued a land use permit to a company based in Kenai that allowed it to

operate a seasonal fish buying and receiving station. This permit was terminated by the permittee prior to the 1998 season. SOLM will continue to offer the property on a first-come, first-served basis.

Kenai Peninsula, Letter of Entry

SOLM issued a letter of entry to the State of Alaska Department of Fish & Game (ADF&G) in August 1996, which allowed ADF&G to access University property near Ninilchik in order to conduct a water quality monitoring project on the Ninilchik River. ADF&G's effort was completed and the letter of entry expired on July 1, 1998.

Kodiak, Kodiak Campus Commercial Development

In June 1993 the Board of Regents authorized the negotiation of the lease of approximately 7 acres of Kodiak campus property as a site for the construction of a supermarket. The proposed project involved rezoning and replatting approximately 19 acres of land from public use to commercial use. The project was subsequently put on hold. SOLM continues to pursue other potential lease opportunities for the site. If a project proceeds, it will be sited and constructed so that it allows the University to maintain flexibility for future development of the campus.

Nabesna, Orange Hill Unpatented Mineral Claims

The National Park Service (NPS) conducted a validity exam on the University's Orange Hill unpatented mining claims during the summer of 1998. The claims, located within the boundaries of the Wrangell St. Elias National Park, were originally donated to the University in August 1996 and annual assessment work has been maintained by the University ever since. The NPS anticipates finalizing the validity exam in 1999.

Nabesna, Orange Hill Patented Claims

In March 1998 a company submitted an offer to convey to the University a one-third interest in 363 acres of patented mining claims adjacent to the University's Orange Hill mining claims. The offer was contingent upon significant financial and time commitments on the part of the University. The offer was subsequently withdrawn and SOLM's evaluation of the property was suspended.

Nuka Island, Request For Proposals to Lease

SOLM will continue to accept over-the-counter proposals to lease University land on Nuka Island located 40 miles southeast of Homer. This property is best suited for a remote lodge. The proposals submitted to SOLM to date have not met the minimum terms and conditions set out in the over-the-counter RFP.

Southcentral, Letter of Entry

In April 1997 SOLM granted the USFS a revocable letter of entry to access several University properties in Southcentral Alaska to conduct tree-related studies. Upon completion of the project in October 2003, the USFS will provide SOLM with a report on its findings.

Upper Ugashik Lake, Resort Development

The University owns several parcels along the northeast shore of Upper Ugashik Lake ranging in size from 8 to 80 acres. The parcels are being offered for lease over-the-counter and will remain so until offers acceptable to SOLM are received, or until such time as staff determines there will be a greater return on the property through sales rather than leases. In that event, the property will be offered for sale on a competitive basis.

Valdez, Falcon Crest Subdivision

In 1998 SOLM evaluated the feasibility of subdividing approximately 39 acres on Richardson Highway and Dylen Drive approximately 6 miles east of Valdez. As a result of the feasibility study, SOLM concluded that a phased residential subdivision would be most practicable. Phase I of this project will proceed as market conditions warrant.

Valdez, Falcon Crest Contamination

In December 1996 the City of Valdez advised the University of a diesel spill at the City's Robe River Subdivision well-house located off Richardson Highway on Dylen Drive approximately 6 miles east of Valdez. Contaminated soils from the spill were detected on a small portion of University land adjacent to the well-house. SOLM issued the City a permit for purposes of environmental investigation, excavation, removal and disposal of contaminated soils. SOLM continues to monitor the City's efforts to remediate the property.

Valdez, Port Valdez Subdivision Development

The University owns a 73-acre tract located approximately 1 mile west of Valdez near Mineral Creek, overlooking Port Valdez. Time permitting, staff will evaluate the feasibility of subdividing or joint venturing with qualified entities to subdivide the property. If financially feasible and market conditions warrant, SOLM will proceed with one or more projects on the property. Lots not used as compensation to joint venturers will be leased or sold competitively. Lots not leased or sold will be offered over-the-counter.

Valdez, Port Valdez Residential Lease

SOLM continues to lease a cabin located approximately 1 mile west of Valdez near Mineral Creek, overlooking Port Valdez. Access to the property is by water only. The tenant maintains the cabin and pays market rent.

Valdez, Exxon Valdez Oil Spill Acquisitions

Between February 1994 and July 1996, SOLM recommended eight parcels of University land located statewide for sale to the Exxon Valdez Oil Spill Trustee Council (EVOS) as part of its Comprehensive Habitat Protection Purchase Program. Three parcels near Valdez were ultimately selected, including U.S. Survey No. 447, U.S. Survey No. 448 and Jack Bay. These parcels are described below:

U.S. Survey 447

This 30-acre parcel is located south of the Richardson Highway near Meals Avenue adjacent to the Valdez Duck Flats. The sponsoring agency for this purchase is the USFS.

A portion of the property was approved for purchase by EVOS. The remaining portion, currently under lease as a communication site, will remain in University ownership. An appraisal of the property has been completed on behalf of the USFS and submitted to SOLM. SOLM is reviewing the appraisal and will continue to work with the USFS and EVOS in their efforts to acquire the property. If the parties can reach mutually agreeable terms, the sale will be closed.

U.S. Survey 448

This 32-acre parcel is located north of the Richardson Highway approximately one mile east of Valdez. The sponsoring agency for this purchase is the USFS. A portion of the property has been leased to the USFS as a public information facility site since September 1993. An appraisal of the property has been completed on behalf of the USFS and was recently submitted to SOLM. SOLM is reviewing the appraisal and will continue to work with the USFS and EVOS in their efforts to acquire the property. If the parties can reach mutually agreeable terms, the sale will be closed.

Jack Bay

This 942-acre parcel is located approximately 12 miles southwest of Valdez on the southeast end of Valdez Narrows. The sponsoring agencies for the purchase are the Alaska Division of Parks and Outdoor Recreation and the USFS. No offer or appraisal of the property has been submitted to SOLM for review. If an offer is submitted and the parties can reach mutually agreeable terms, the sale will be closed.

Valdez, Ground Lease

SOLM continues to manage a ground lease, executed in 1997 for a 6,250 square foot communication site. The parcel is located on a hill south of the Richardson Highway near Meals Avenue on the north end of U.S. Survey 447. The lease is for a term of 10 years and provides for annual CPI adjustments.

Valdez, Land Use Permit

SOLM continues to manage a 5-year non-exclusive land use permit issued to DOT&PF in October 1998. The permit allows DOT&PF to store snow on two lots located on the corner of Eagan Avenue and Tatitlek Avenue. SOLM has waived permit fees in return for soils remediation work at the Prince William Sound Community College.

Valdez, Land Use Permit

SOLM continues to manage a 5-year non-exclusive land use permit issued to the City of Valdez in July 1997. The permit allows the City to use portions of two University lots located on the corner of Eagan Avenue and Tatitlek Avenue for a City-sponsored beautification project. One corner of each lot will be used for placement of benches, planters and a kiosk.

Valdez, Land Use Permit

In January 1993 SOLM issued a 10-year non-exclusive land use permit authorizing the City of Valdez to use skiing and hiking trails located on a 120 acre University parcel approximately 1

mile northwest of Valdez. In consideration for the permit, the University received a permanent access easement from the City benefiting another University property in Valdez.

Valdez, Land Use Permit

SOLM continues to manage a 10-year non-exclusive land use permit issued to the City of Valdez in January 1993. The permit allows the City of Valdez to store snow on several University lots located on Chenega Avenue and Pioneer Drive.

Valdez, Land Use Permit

In March 1998 SOLM issued a three-and-one-half-year non-exclusive land use permit to the owner of an apartment complex in Valdez. The permit allows the company to utilize a small portion of a University lot fronting Alatna Street as a parking lot. The permit provides for fair market compensation to the University and requires the permittee to fully restore the property at the end of the term.

Valdez, Port Valdez Land Use Permit

SOLM continues to manage a non-exclusive 5-year land use permit issued in May 1997 to Alyeska Pipeline Service Company for installation of an oil exclusion boom anchor and utilization of the anchor during spill events or periodic training exercises. The property is located approximately 1 mile west of Valdez near Mineral Creek, overlooking Port Valdez.

Valdez, Trail Easement

In January 1998 SOLM issued a non-exclusive easement to the Alaska Division of Parks and Outdoor Recreation (P&R) which allows P&R to construct a public trail across University property 2 miles west of Valdez. The easement allows P&R to connect Shoup Bay Trail from Gold Creek to the City of Valdez. The 25-foot wide trail was designed and constructed to cause the least impact possible to the property.

Wasilla, Trespass Resolution

SOLM negotiated the sale of a small strip of land to an adjacent property owner to resolve a trespass driveway on an 80-acre parcel located on Church Road approximately 3 miles west of Wasilla. The adjacent property owner was required to advertise the transaction for public comment, subdivide the property in accordance with local platting regulations and purchase the parcel at fair market value.

Wasilla, KAKM Lease

SOLM continues to manage a ground lease, executed in 1985, which allows Alaska Public Television, Inc. (KAKM) to operate a transmission tower on University property near Goose Bay through the year 2009. The lease provides for a base rent, a percentage of sublease rents and periodic market adjustments.

Wasilla, Access

The University owns a 40-acre land-locked parcel off Schrock Road approximately 3 miles north of Wasilla. In September 1998 an adjacent property owner submitted a preliminary subdivision

plat to the Matanuska-Susitna Borough Platting Board for approval. To avoid further isolation of the University's property, SOLM requested that the Platting Board condition approval of the plat on dedication of a public access road to serve the University's parcel. The plat was approved, subject to access dedication. SOLM is working cooperatively with the adjacent property owner to locate the road in a mutually acceptable location. Platted access will provide the University with the ability to develop the parcel to its full potential.

Wasilla, Contamination

In September 1998 the State of Alaska Department of Environmental Conservation notified SOLM that they had investigated and verified a report of a barrel of possible hazardous material that had been dumped on University property off Pitman Road, 3.5 miles northwest of Wasilla. A site inspection by staff revealed two barrels. The material was tested and a contractor was hired to properly dispose of the hazardous materials.

Yakutat, Gulf Coast Timber Sale #1

In fall 1995 SOLM sold GCTS#1 which is comprised of approximately 50 MMBF of sawlogs and 23 MMBF of utility logs from the Yakataga and Substitute timber tracts (Gulf Coast region). This timber sale will harvest approximately 2,000 acres of commercial timberland within the Yakataga and Substitute timber rights areas. This sale also required construction of 28 miles of new mainline haul road, reconstruction of 6 miles of mainline haul road, and construction of one major bridge. Subsequently, SOLM participated in a seven-month administrative appeal and litigation brought by an aggrieved proposer. The uncertainty raised by the appeal delayed the start of operations until August 1996. Although the University position was upheld before the Alaska Superior Court, the case is now being appealed to the Alaska Supreme Court. Full-scale operations were underway during 1997 but have tapered off during 1998 due to a poor worldwide timber market. As a result of litigation delays and the market decline, the University has granted the purchaser a three-year harvesting extension. To date, more than 50 percent of the sale has been harvested and operations will continue as the market improves.

Yakutat, Gulf Coast Timber Sale #2

GCTS#2 was sold in October 1998. This sale includes all of the remaining University timber in the Gulf Coast region. The sale volume was 237 MMBF on approximately 9,100 acres of commercial timberland within the Substitute timber rights tract. This timber sale requires the construction of 88 miles of new mainline haul road and five major bridge crossings. The purchaser will have 15 years to harvest the timber, with provisions to extend the term if operations are suspended during significant market downturns. There are also provisions in the contract to escalate the stumpage price as the timber market improves and to require the purchaser to sell logs into domestic markets when they receive offers that are competitive with the export market.

Yakutat, Employment Agreement

SOLM and its GCTS purchaser continue to work with Yakutat community representatives to comply with an agreement executed as part of the Settlement of *City of Yakutat et.al. vs. Alaska Department of Natural Resources and the University of Alaska*. The agreement is intended to

encourage local hire and job training, as well as the coordination of hiring efforts between the University's timber contractors and the Yakutat work force.

Southeast Region

Cape Bingham, Land Exchange

As part of the Settlement of *City of Yakutat et.al. vs. Alaska Department of Natural Resources and the University of Alaska*, the University was required to grant the USFS a 10 year option to purchase or exchange its Cape Bingham parcel at fair market value. The University entered into an agreement with Goldbelt, Inc. to facilitate a three-way exchange of this property to the USFS. The agreement with Goldbelt expired April 15, 1998. Goldbelt was unable to resolve issues related to the split estate (DNR owns the subsurface estate) with USFS and DNR. Goldbelt may be willing to attempt to facilitate this exchange in the future, if they sense a change in the motivation of either the USFS or DNR. SOLM will continue to seek opportunities to maximize the benefits associated with this parcel to the University.

Coffman Cove, Timber Sale #1

In September 1997 SOLM issued an RFP for Coffman Cove Timber Sale #1 located on the east side of Prince of Wales Island. The contract was subsequently awarded to Silver Bay Logging, Inc. out of Sitka. The sale included a sawlog volume of 5.4 MMBF with a value of \$1.9 million. Final scaling was completed during September and the sale has been closed.

Coffman Cove, Timber Sale #2

In May 1998 SOLM issued an RFP for Coffman Cove Timber Sale #2 located adjacent to Coffman Cove Timber Sale #1. The sale contained timber that would have been uneconomic to harvest using conventional logging equipment. A spike in the low grade red cedar market in Washington state in early 1998 resulted in stumpage prices nearly doubling, making this project feasible. The sale salvaged 1.8 MMBF of red cedar logs by selective helicopter logging. The sale was completed in October and generated \$500,000.

Coffman Cove, Clarence Straits Subdivision

In June 1998 SOLM completed the subdivision of approximately 40 acres along Clarence Strait, one mile south of the City of Coffman Cove. The property was developed in conjunction with an adjacent parcel owned by the City. The completed subdivision included 22 lots owned by the University and seven lots owned by the City. Sixteen of the University's lots have been sold for a total of \$320,835. The remaining lots are being offered for sale over-the-counter.

Coffman Cove, Request for Proposals to Lease

SOLM continues to offer four commercial parcels near Coffman Cove for lease over-the-counter. A portion of one of the properties is under consideration by the City and the Inter-Island Ferry Authority as a possible site for a new ferry dock. SOLM will continue to monitor developments relating to the ferry dock. If an acceptable offer is received over-the-counter for the proposed

ferry facility or other venture, SOLM will proceed with negotiations and enter into appropriate agreements.

Edna Bay, Edna Bay Timber Sale

When timber markets improve, SOLM will prepare and offer a timber sale on the southwest corner of Kosciusko Island, a few miles southwest of the community of Edna Bay in Southeast Alaska. This proposed timber sale includes approximately 500 acres of commercial timber that has a total estimated sawlog volume of 12 MMBF. This parcel was previously logged in the 1930s and the 1960s under federal management. There is an existing road network near the sale area that terminates at the Cape Pole log transfer facility and logging camp on USFS lands. Some of the harvest units may be harvested using conventional cable logging systems and others may be selectively harvested by helicopter.

Haines, North Chilkat Subdivision Phase II

SOLM completed Phase II of North Chilkat Subdivision located approximately 25 miles northwest of Haines in June 1998. Phase II was comprised of 12 lots, approximately 650 lineal feet of new road construction and general improvements to over a mile of an existing substandard road system. Nine of the 12 lots offered in the 1998 Competitive Land Sale were sold for a total of \$299,476. The remaining lots are being offered for sale over-the-counter.

Haines, Material Lease

A 40-acre commercial material site located approximately 25 miles northwest of Haines on the Haines Highway was offered for lease in the 1998 Competitive Land Sale. One offer was received and SOLM is negotiating with the offeror to finalize a lease. If terms that are mutually agreeable to both parties are reached, a lease will be executed. If no agreement is reached, the property will be offered for lease over-the-counter.

Haines, Trespass Resolution

SOLM advertised the proposed direct sale of a parcel within North Chilkat Subdivision to resolve an encroachment problem with an adjacent property owner. No comments were received as a result of the public notice. The lot was sold at fair market value for \$37,500.

Ketchikan, Land Use Permit

SOLM issued a land use permit in May 1997 which allows a company to conduct commercial daytime guided hiking tours on an existing trail system on University property at Lunch Creek, approximately 15 miles northwest of Ketchikan. The permit was issued for a term of 3 years and provides for a base fee, plus a per person payment to the University.

Ketchikan, Land Use Permit

In December 1994 SOLM issued a land use permit authorizing a homeowner to utilize an existing earthen dam and domestic water pipeline system constructed in trespass on University property one mile south of Ketchikan. The property was subsequently sold and the new owner discontinued use of the pipeline. In accordance with the permit, the pipeline was removed and the property was restored to its original condition.

Ketchikan, Trail Easement

SOLM will continue to work with trail organizations or public entities that may be interested in legitimizing the public's use of an existing trail on University property at Lunch Creek. SOLM will consider the possibility of either a fair market sale of a trail easement, or the trade of the entire parcel.

Ketchikan, Letter of Entry

In May 1998 SOLM issued a letter of entry to the Ketchikan Gateway Borough to conduct a one day guided hiking and bird interpretation tour on an existing trail system located on University property at Lunch Creek.

Ketchikan, Right-of-Way Permit

SOLM continues to manage a right-of-way permit issued by the State of Alaska in 1988. The permit allows an adjacent commercial property owner to maintain a waterline and boardwalk within a 20-foot wide corridor across University property approximately 65 miles west of Ketchikan on Prince of Wales Island. The permit allows for periodic fee increases and terminates on July 18, 2013.

Petersburg, Government Lease

SOLM continues to manage the lease of a portion of the old Petersburg fur farm to the USFS as an administrative site. The 4-acre lease parcel is located off Mitkof Highway about 8 miles south of Petersburg on the Wrangell Narrows. The lease was originally executed in 1978 for a term of 40 years and will expire on June 30, 2017.

Petersburg, Residential Lease

SOLM continues to lease a large house located on the old Petersburg fur farm property on the Mitkof Highway about 8 miles south of Petersburg. The tenant maintains the property and pays market rent. The property has been leased to various tenants for residential purposes since 1988.

Sitka, Whitcomb Heights II Subdivision

The University owns a 193-acre tract located on a bench about 2.5 miles northwest of downtown Sitka. SOLM recorded a 16 lot, Phase I subdivision plat on a portion of this property in November 1992. Roads for Phase I of the project are in place. Further development of the property was delayed pending resolution of the Mental Health Trust Litigation encumbering the property. The litigation was recently resolved and the Mental Health Trust *lis pendens* was removed. SOLM continues to evaluate market conditions and the feasibility of extending or joint venturing to extend utilities to Phase I of the subdivision. In addition, SOLM continues to monitor the feasibility of subdividing or joint venturing with qualified entities to subdivide additional phases of this project. Lots not used as compensation to joint venturers will be leased or sold competitively. Lots not leased or sold will be offered over-the-counter.

Sitka, Rodman Bay

The University owns a 55-acre parcel on Rodman Bay, approximately 30 miles north of Sitka on the north end of Baranof Island. The property is being offered for lease over-the-counter and will remain available over-the-counter until offers acceptable to the University are received, or until such time as staff determines there will be a greater return on the property through sale rather than lease.

Statewide

1998 Competitive Land Sale

SOLM opened its 1998 Competitive Land Sale on August 2, 1998. Over 400 lots were offered for sale or lease throughout the state of Alaska. SOLM received several thousand requests for information through its mail-in newspaper advertisement campaign and via SOLM's Internet website. SOLM distributed approximately 4,000 brochures and subdivision information sheets to the public during the six-week advertising period. At the close of the sale on September 17, 1998, SOLM had received a total of 46 offers on 36 lots. Thirty-six lots were sold with gross sales totaling \$1,551,971. Of those, 12 were cash sales totaling \$780,979. The remaining 24 sales were financed with \$87,751 down, and the remaining \$683,241 on five to twenty year deeds of trust, with an interest rate of 9.5 and 10 percent per annum.

Over-the-Counter Land Sales

Approximately 450 lots with a value of over \$7.7 million are currently being offered for sale over-the-counter. In FY98, SOLM sold 67 lots over-the-counter. Gross sales totaled \$1,424,964, including 18 cash sales totaling \$236,645. The remaining 49 lots were sold with \$171,461 down, and \$1,016,858 financed on five to twenty year deeds of trust, with interest at 9.5 and 10 percent per annum.

Contract Administration

As of June 30, 1998, SOLM was administering 326 real estate contracts with a principal balance of \$4,558,003. Of those contracts, there were: 118 land contracts which were assigned to the University by the State of Alaska in 1988, as part of Settlement II, with an outstanding principal balance of \$713,517; 191 deeds of trust from University land sales with a principal balance of \$3,688,728; and 17 University of Alaska Foundation deeds of trust with a principal balance of \$155,758.

Land Sales/Contract Closings

SOLM processed 97 land sale closings in FY98. Closings involve reviewing and accepting offers, executing purchase agreements, qualifying buyers, preparing, executing and recording quitclaim deeds and deeds of trust, and preparing and executing deed of trust notes, requests for reconveyance and all escrow instructions. SOLM also prepared, executed and recorded approximately 19 fulfillment quitclaim deeds in FY98 after receiving full payment for land sale contracts transferred to the University under Settlement II with the State of Alaska.

Termination of Contracts/Foreclosures

In addition to the 326 real estate contracts administered by SOLM during FY98, one deed of trust with a principal balance of \$14,990 was foreclosed and seven quiet title actions resulting in six default judgments totaling \$22,138 were completed. SOLM has no outstanding quiet title actions on land contracts and one outstanding deed of trust foreclosure. FY98 receipts on default judgments totaled \$32,748, leaving a principal balance of \$150,516.

Mineral Development

SOLM continues to accept proposals on an over-the-counter basis for mineral exploration and development on University properties greater than 40 acres in size, if the property is determined by SOLM to be suitable for mineral development.

Land Information System/Geographic Information System

SOLM continues to update its LIS and GIS as new cost effective technology becomes available. The system includes an extensive database of University land with the ability to store and view scanned documents, drawings, plats, aerial photography, orthophotography and map images. The system is networked so information can be accessed by staff in SOLM's Fairbanks and Anchorage offices.

Regulations

Draft regulations consistent with Regents' Policy on Real Property have been developed and are being circulated.

Fiber Optics Working Group

At the request of the Governor's Office, SOLM is participating in a working group responsible for reviewing existing fee structures for the use of State lands for fiber optic facilities. The purpose of the group is to discuss existing practices, explore alternative approaches and address the challenges associated with developing a consistent policy for use of State land for fiber optic facilities.

Lotowners' Associations Established

SOLM established lotowners' associations for Peregrine Heights, Letnikof Estates and North Chilkat subdivisions. Organization of the associations included drafting and adopting Articles of Incorporation, Bylaws and Covenants. In addition, SOLM initiated and administered organizational meetings and minutes required to transfer responsibilities relating to the associations to the new lot owners.

Federal Land Bill

Senator Frank Murkowski will reintroduce legislation in February 1999 proposing to grant the University an additional 250,000 acres of federal land in Alaska. In addition, the bill provides for an acre-for-acre matching grant of up to 250,000 additional federal acres, if the State of Alaska passes legislation providing the University with a State land grant. A provision is included in the bill requiring the University to convey to the United States approximately 12,000 acres of University in-holdings in Federal Conservation System Units.

UNOCAL Pioneer Unit Gas Lease, Mat-Su

SOLM has reached an agreement, in principle, to lease approximately 1,500 acres of subsurface methane gas rights in the Wasilla area to Unocal. Negotiations have stalled due to a possible buyout of Unocal. SOLM will continue negotiations and execute a lease at the earliest possible date.

Land Contract Litigation

In September 1994 a class action lawsuit was filed in the First Judicial District in which the University of Alaska and DNR were named as defendants. The lawsuit involved the alleged breach of land sale contracts entered into by the plaintiffs. The contracts between the plaintiffs and DNR were transferred to the University as part of Settlement II in 1987. The lawsuit sought to void the conveyances to the University and require the State to issue patents rather than quitclaim deeds for conveyed property. The lawsuit also sought damages for alleged improper charges of certain fees and late payment penalties. Outside counsel was hired to represent the University in this action. In August 1995 counsel filed a Motion for Summary Judgment in the case claiming the plaintiff had provided no legal or factual basis for the requested relief. In April 1996 an order was signed granting Summary Judgment in favor of the University and DNR. The plaintiff appealed the judge's decision to the Supreme Court. The case is currently under consideration by the court with a decision expected in mid-1999.

Native Allotments

Native allotments in excess of 1,000 acres exist on various University parcels. It has been determined that certain allottees had antecedent rights to this land, prior to the Bureau of Land Management (BLM) conveying title to the State of Alaska for the benefit of the University. The University had previously agreed to reconvey the native allotment parcels to BLM upon approval of replacement land selected by the University. However, BLM has now restricted selections to surveyed land (of which few parcels are available). SOLM continues to work with the State and BLM to reach an agreement which either requires BLM to commit to surveying replacement lands already selected by the University, or provide a priority selection to the University for withdrawals that are released on existing surveyed lands. This complication continues to delay resolution of the issue.

Grant Land Selections

SOLM continues to work with DNR and BLM to provide the University with its remaining entitlement of approximately 580 acres due under the Congressional Act of 1929. DNR has filed several land selections with BLM on behalf of the University. Two selections, a small (.14 acre) island on Cottonwood Lake in Wasilla and a 5-acre parcel at the tip of an island in Salt Chuck Bay near Prince of Wales Island, have been patented to the State of Alaska for conveyance to the University. BLM continues to recommend and review other selections for conveyance to the University. A decision by BLM restricting University selections to surveyed land has caused delays in completing the University's entitlement. Other selections filed on behalf of the University include parcels in Petersburg, Mountain Point, Revillagigedo Island, Security Bay, Kuiu Island and on the Denali Highway. SOLM will continue to monitor federal withdrawals as

they become available and will substitute new properties for previous selections if it is in the University's best interest.

Title Administration

The State of Alaska did not provide title insurance when conveying land to the University. To eliminate the risk of conveying properties with title problems, SOLM provides title insurance as part of its over-the-counter and competitive land sales. In addition, SOLM continues to work with the State to release or make more specific the deed restrictions on numerous properties requiring the University to provide public access to all public water bodies prior to conveying or developing the properties.

Regeneration Surveys

Approximately 1,200 acres of the White River Timber Sale in the Icy Bay area were surveyed for regeneration in 1998. Although extension of the field data is incomplete, preliminary indications are that regeneration requirements under the Forest Resources and Practices Act have been exceeded. A regeneration survey of the Tolum Road Timber Sale on the Kenai Peninsula will be conducted next year.

General Property Evaluations

Consistent with the Strategic Plan for University property, approved by the Board of Regents in 1996, staff continues to reevaluate the highest and best use of University property and identify those parcels which have inherent liabilities, are an attractive nuisance or have no anticipated appreciation potential, and therefore should be considered for disposal.

EDUCATIONAL PROPERTY PROJECTS

University of Alaska Anchorage

Anchorage, Merrill Field Lease

SOLM continues to manage the lease of 8 acres located on Merrill Field. The Merrill Field site is leased from the Municipality of Anchorage for use as the UAA Aviation Science Facility. The lease is due to expire in 2035.

Anchorage, 7th & A Street Building Lease

SOLM continues to manage the lease of 4,738 square feet of office space in the 7th & A Street Building for use by the Alaska Department of Education. The lease was originally executed in 1990 and will terminate on September 4, 1999.

Anchorage, Easement, Student Housing

SOLM granted an easement to the Municipality of Anchorage to allow bus transit improvements along Bragaw Street near the new UAA student housing complex. As part of the project, the municipality also constructed a sidewalk along a portion of Sharon Gagnon Lane.

Anchorage, Easement, Diplomacy Building

SOLM granted an easement to the Municipality of Anchorage for transit improvements on Tudor Drive in front of the Diplomacy Building. The transit stop is now handicap accessible.

Copper Center, Land Donation, PWSCC

An individual offered to donate a 32-acre parcel near the Edgerton Cutoff on the Richardson Highway for the benefit of Prince William Sound Community College. Prince William Sound Community College and UAA chose to accept the donation. After review, SOLM worked with the donor to convey the property to the University.

Kodiak Campus, Easement

The City of Kodiak requested that the University grant an easement for Woody Way road improvements. The University will grant the easement in exchange for a waiver of the road improvement district assessment being levied on University properties benefiting from the improvements. This project is currently on hold until the City is ready to move forward.

UAA Campus, Letter of Entry

SOLM issued a letter of entry to the Municipality of Anchorage to allow the municipality to survey for the proposed Chester Creek Trail eastern route. The work took place on the far eastern edge of the UAA campus.

University of Alaska Fairbanks

Copper Basin, Land Use Permits

SOLM assisted a Geophysical Institute researcher in obtaining permission to use State, federal and private land for auroral magnetic research.

Denali National Park, Sale of Stampede Mine

In the fall of 1997 the United States Congress passed a law providing a mechanism for the National Park Service (NPS) to buy the University's interest in the 71-acre Stampede Mine property located within Denali National Park. The University's interest in the mine consisted of mineral rights restricted to educational purposes. SOLM completed the sale of the Stampede Mine to the NPS for \$300,000.

Fairbanks, Poker/Caribou Creeks Watershed Lease

UAF researchers have used a 20,000-acre tract of State land located about 30 miles north of Fairbanks for research since 1967 under an informal cooperative agreement with the State of Alaska. Research equipment, trails and other improvements have been placed on the site. The State Department of Natural Resources (DNR) has requested that the University formalize its use of this land by entering into a lease or other agreement with the State. SOLM is working with UAF researchers and DNR to execute an agreement.

Fairbanks, West Valley Subdivision, UAF Campus

The Fairbanks North Star Borough (FNSB) has leased land at the southeast corner of the UAF campus since 1970 for West Valley High School, Hutchison Career Center and University Park School. In September 1994 the University negotiated a new lease agreement with the FNSB which provides for the continued lease of an 11-acre tract for Hutchison Career Center, a 52-acre tract for West Valley High School, and the release of the balance of the land, including the old University Park School, back to the University. The new 1994 lease requires that the above referenced tracts be properly subdivided by the FNSB. SOLM has reviewed the preliminary subdivision plat and continues to work with the FNSB and local utility companies to resolve easement issues related to the tracts. Prior to signing the subdivision plat, SOLM will execute easements for existing utilities and an access road on the property. SOLM also intends to execute a lease amendment to provide the FNSB with an extension of the deadline for concluding the subdivision in order to identify the location and width of all existing utilities and to negotiate and execute easements for the utilities and access prior to recording the subdivision plat.

Fairbanks, Hutchison Career Center, UAF Campus

UAF and the Fairbanks North Star Borough (FNSB) are jointly developing an addition to and renovation of the Hutchison Career Center (HCC) for joint use as both a stand alone vocational-technical high school and a modernized UAF Tanana Valley Campus career training facility. HCC is located on an 11-acre tract of land at the southeast corner of the UAF campus. The land,

along with the adjacent tract under lease to the FNSB for the West Valley High school, has been leased to the FNSB by the University since 1970 for school purposes. If the HCC renovation and addition project is funded and constructed, SOLM will negotiate a lease extension with an adequate term to cover the FNSB's bonding requirements.

Fairbanks, Temporary Construction Permit, UAF Campus

SOLM issued a temporary construction permit to DOT&PF for the construction of the new College Road/University Avenue intersection to serve the UAF campus. Construction is scheduled for 1999.

Fairbanks, Bender Mountain Antenna Collocation

The University's public radio and television (KUAC) transmission tower is currently located on Cook Inlet Region, Inc. property on Bender Mountain north of Farmers Loop Road. The transmission tower permit is scheduled to expire in April 2001. In 1997 several local broadcasters approached the University with a request to collocate broadcasting facilities on the University's Bender Mountain property, a 2.5-acre parcel adjacent to the existing tower site. At this time the one broadcasting company still interested in collocation is being sold to a third party. All progress on collocation is on hold until after the sale is completed in January of 1999. If the relocation and collocation project does not materialize, SOLM will work with KUAC to negotiate with Cook Inlet Region, Inc. for an extension of the existing permit agreement.

Fairbanks, Land Use Permit

SOLM obtained a land use permit from the State of Alaska for UAF researchers to conduct a controlled burn on a 2,200-acre parcel of land located about 30 miles north of Fairbanks. UAF researchers are working jointly with State and federal agencies on the project.

Fairbanks, Land Use Permit

SOLM obtained a land use permit from Golden Valley Electric Association (GVEA) which allows University researchers to access GVEA land adjacent to the University's Goldhill research site. The property is located 6 miles west of Fairbanks off the Parks Highway and contains thousands of years of pollen and other soil deposits important to UAF researchers.

Fairbanks, Land Use Permit, UAF Campus

SOLM issued a land use permit to the BLM to conduct "Outdoor Days" on the UAF campus. "Outdoor Days" is an educational program for area sixth graders to learn about the outdoors from local government agencies and volunteers. This activity has been conducted annually over the past ten years.

Fairbanks, Goldhill Research Site

The 25-acre Goldhill Research site, located 6 miles west of Fairbanks off the Parks Highway, was purchased by the University in 1992 for climate and geologic research. The site contains thousands of years of pollen and other soil deposits important to UAF researchers. SOLM worked with UAF Facilities Services and the UAF Geophysical Institute to have the Geophysical Institute take over day-to-day management of the site.

Fairbanks, Silver Fox Mine

The Silver Fox Mine is a 520-acre research and education site located approximately 20 miles north of Fairbanks off the Elliott Highway. SOLM continues to work with the UAF School of Mineral Engineering to maintain the 380 acres of unpatented State mining claims that make up a portion of this property. Gold exploration is occurring on land adjacent to the site and at some point a mining company may be interested in leasing the University's Silver Fox Mine.

Fairbanks, Parks Highway Access Control, UAF Campus

DOT&PF constructed a Parks Highway overpass interchange over Geist Road/Chena Pump Road on the southwest corner of the UAF campus. As part of the project, DOT&PF negotiated with SOLM for access control of a 25-acre parcel west of the highway. Access control would have rendered the parcel functionally inaccessible. SOLM negotiated with DOT&PF to retain the University's access rights to the parcel rather than sell these rights.

Nome, Relinquishment of Lease, UAF

In 1990 the University leased a 1.2-acre parcel from the City of Nome for a reindeer processing facility. Consistent with prior commitments to the City of Nome and the State, the University subsequently sublet the property to a reindeer meat processing plant operator. SOLM is working with the City of Nome to terminate the University's interest in the lease allowing the City of Nome to enter into an agreement directly with the facility operator.

Nenana-Talkeetna, Land Use Permits

SOLM is working with UAF Geophysical Institute researchers to obtain land use permits for seismic research for approximately 30 sites along the Alaska Range Transect between Nenana and Talkeetna. Permits must be obtained from state, federal and private land owners.

University of Alaska Southeast

Juneau, Permit for Access Road, UAS Campus

SOLM is working with the USFS to secure a right-of-way (easement) through USFS land adjacent to the proposed new recreational facility on the UAS campus. The USFS has indicated that it is not willing to issue the right-of-way at this time. SOLM will continue negotiations with the USFS in an attempt to resolve this access problem.

Juneau, Drainage Easements, UAS Campus

SOLM secured two drainage easements from property owners adjacent to the UAS campus. The easements were necessary to complete construction of a road through the UAS campus.

Juneau, Mining Technology Site

SOLM entered into an agreement with AJT Properties for use of a portion of the AJ Mine in Juneau as a mine training site. There is no cost to the University for use of the site. Previously, Echo Bay Alaska, Inc. assigned a portion of its leasehold rights at the AJ Mine in Juneau to the

University. When Echo Bay Alaska, Inc. terminated its lease with AJT Properties, SOLM entered into an agreement directly with AJT Properties.

Juneau, Bill Ray Center

SOLM will evaluate opportunities for the sale, commercial development or joint utilization of the Bill Ray Center located on F Street near downtown Juneau. The Bill Ray Center is a 22,055 square foot two-story classroom and office building used by University of Alaska Southeast (UAS) for its programs since 1976. UAS is interested in leveraging equity in the Bill Ray Center to support a recreation center and other capital improvements at UAS. Any effort to sell or otherwise convert the facility to commercial uses will be coordinated with UAS.

Juneau, Space Lease

SOLM renewed a lease for 410 square feet of office space in the Ebner Building, located in downtown Juneau. The space is used by University Relations as well as Statewide Budget.

Ketchikan, Easement

SOLM granted the City of Ketchikan a road easement across the west side of the Hamilton/Robertson Building property located in downtown Ketchikan. The University received \$80,000 and the long-term use of nine parking spaces along the east side of the new roadway as consideration for the easement.

Sitka, Joint Management Tract, Sitka Campus

The State of Alaska Department of Natural Resources (DNR) intends to convey several parcels of land adjacent to the UAS Sitka campus to the Department of Education (DOE) for use by Mt. Edgecombe High School. The Sitka campus entrance is located on one of the parcels being conveyed to DOE. SOLM is working with the DNR and DOE to ensure that the University retains access rights to the Sitka campus through the entrance parcel. This will likely be accomplished through a deed restriction when the site is conveyed to DOE.

STATEWIDE

Miscellaneous Permits and Space Leases, Statewide

On a regular basis, SOLM assists researchers, graduate students and academic entities in obtaining permits to conduct research on state, federal and private lands. SOLM also obtains permits required by the administration, such as Alaska Railroad underground utility crossing permits, for development projects. SOLM currently manages space leases for the Statewide Administration and UAS. Authority for the acquisition of space leases at UAA and UAF has been delegated to the respective campuses.

Water Rights, Statewide

SOLM continues to obtain Certificates of Appropriation for water rights on UA properties with metered wells.

UNIVERSITY OF ALASKA FOUNDATION

STATEWIDE

Bullock Condominium Sale, Anchorage

In December 1994 the University of Alaska Foundation was gifted a 1,620 square foot condominium located on the 10th floor of the Peterson Tower Building in downtown Anchorage. The condominium was managed by SOLM during the Foundation's ownership. At the request of the Foundation, SOLM offered the property for sale in October 1997. The minimum asking price was \$285,000 (appraised value). One offer was received and the property was sold for \$300,036.

Bentley Trust, Fairbanks

The University is one of six beneficiaries of the Bentley Trust, a trust comprised of approximately 484 acres of land located off College Road in Fairbanks and approximately 12 million dollars in cash, equities and other liquid assets. Since the trust started paying net income distributions in 1990, the University has received \$600,410 from the trust for its 12.5 percent beneficial interest. Distribution of the Bentley Trust principal has the potential of netting between four and six million dollars to the University. SOLM is participating with the five other beneficiaries of the trust to determine if it is advantageous to liquidate the trust early and, if so, to pursue liquidation. If early liquidation is not feasible, SOLM will work with the other beneficiaries to develop a plan for the orderly liquidation of the trust at the earliest scheduled date of September 2002. Due to large price discounts associated with trying to liquidate 484 acres of real estate in Fairbanks in a short period of time, trust liquidation may include the transfer of land as well as cash and other liquid assets to the University and or possible joint ownership of land with other beneficiaries. Following the same logic, the University will also consider buying out the land interests of out of state beneficiaries at a discount to fair market value.

Schaible House, Fairbanks

SOLM continues to oversee management of the Schaible house which is located adjacent to the residence of the University President, one mile north of the UAF campus. The house is leased for residential purposes.

Potential Land Donation, Homer

In July 1998 SOLM reviewed a potential gift of 18 lots totaling 9.92 acres. The property is located in the central business district in Homer, between Pioneer Avenue on the north and the Homer Bypass on the south. SOLM has recommended acceptance of the gift and will finalize the transaction if the donor proceeds with the donation.

Land Sales

SOLM will continue to offer selected Foundation properties in its competitive and over-the-counter land sales, and will manage the escrow accounts related to these sales.

UNIVERSITY OF ALASKA

REGIONAL SUMMARY OF INVESTMENT PROPERTY

(In Acres)

DECEMBER 1998

REGION	Fee Simple	Surface Rights Only	Subsurface Rights Only	Harvestable Timber Only	Agriculture Rights Only	Total	Percentage of Total
ALASKA PENINSULA	1,171	1,486				2,658	1.5%
ANCHORAGE	2,658		869			3,527	2.1%
COPPER BASIN	7,323	76	454			7,853	4.6%
FAIRBANKS	12,780	51	441			13,272	7.7%
GULF	1,556	1,945	40	12,000		15,541	9.0%
HAINES	14,787	6	79			14,872	8.7%
HOMER	4,103	217	4		789	5,113	3.0%
JUNEAU	713	929	4			1,646	1.0%
KENAI	12,152	702	9			12,863	7.5%
KETCHIKAN	145	2,705				2,851	1.7%
MAT-SU	6,589	5	124			6,718	3.9%
NENANA	13,612	3	97			13,713	8.0%
NORTHERN ALASKA		64				64	0.0%
OUT OF STATE	25					25	0.0%
PETERSBURG	41	1,234				1,275	0.7%
PRINCE OF WALES		4,588				4,588	2.7%
SALCHA-DELTA	8,889		9			8,898	5.2%
SITKA		703	17			720	0.4%
UA FOUNDATION	1,808		98			1,906	1.1%
UPPER SUSITNA	14,391	130	47			14,568	8.5%
VALDEZ	372	335	13				
WEST FAIRBANKS	8,268	148	6			8,422	4.9%
WESTERN ALASKA		132				132	0.1%
WHITE MOUNTAIN	19,290	675				19,965	11.6%
WRANGELL ST. ELIAS	8,874	340	1,436			10,650	6.2%
TOTAL	139,547	16,474	3,749	12,000	789	171,839	100.0%
Trust Land	135,882	16,468	2,258	12,000	789	166,677	97.0%
Foundation Land	1,809		98			1,907	1.1%
Other University Land	1,857	6	1,393			3,255	1.9%
TOTAL	139,547	16,474	3,749	12,000	789	171,839	100.0%

*Some columns do not add correctly due to rounding

UNIVERSITY OF ALASKA

REGIONAL SUMMARY OF EDUCATIONAL PROPERTY

(In Acres)

DECEMBER 1998

Region	Fee Simple	Leases Leases	Permits	Mineral Rights	Agricultural Rights	Total
ALASKA PENINSULA	37		23,232			23,269
ANCHORAGE	482	8				490
COPPER BASIN	32		10			42
FAIRBANKS	2,740	462	18	380		3,600
GULF	3	4				7
HOMER	30		27			57
JUNEAU	200		51			251
KENAI	332	37				369
KETCHIKAN	53					53
MAT-SU	1,937					1,937
NENANA	646		1			647
NORTHERN ALASKA	2	32	42			76
OUT OF STATE	0		1			1
PETERSBURG	0					0
SALCHA-DELTA	83				363	446
SITKA	0		7			7
UPPER SUSITNA	0		10			10
WEST FAIRBANKS	62		6,344			6,406
WESTERN ALASKA	14	3				17
WHITE MOUNTAIN	5,123	533	1,172,112			1,177,768
WRANGELL	640	3				643
Total	12,416	1,082	1,201,855	380	363	1,216,096

THREE PHASE PROCESS



- ▶ **Phase I - Project Planning & Feasibility Analysis, 1 Year**
- ▶ **Phase II - Comprehensive Analysis, 2 Years**
- ▶ **Phase III - Final Feasibility & Implementation, 2 Years**

1

PHASE I



- ▶ **Integrate Efforts Between Organizations**
- ▶ **Inventory**
- ▶ **Utility Deficiency Assessment**
- ▶ **Regulatory Review**

2

PHASE I



- ▶ **Market Survey, Determine Interest**
- ▶ **Preliminary Economic Analysis**
 - ▶ **Life-Cycle Cost Analysis**
 - ▶ **Status Quo Cash Flow**
 - ▶ **Privatization Cash Flow**
 - ▶ **Net Present Value Analysis**
 - ▶ **Least Cost Alternative**

3

PHASE II



- ▶ **Environmental Studies**
- ▶ **Draft Real Estate Documents**
 - ▶ **Appraisals, Inventories, As-builts, Surveys, etc.**
- ▶ **Draft Transitions Plan**

4

PHASE II



- ▶ **Source Selection Plan**
 - ▶ **Establish Source Selection Evaluation Team**
- ▶ **Develop Draft RFP**
- ▶ **Review & Approval of RFP**

5

PHASE III



- ▶ **Finalize and Issue RFP, 2 Steps**
 - ▶ **Qualification Phase**
 - ▶ **Technical Phase**
- ▶ **Select Best Value Proposal**
- ▶ **Economic Analysis Report**
 - ▶ **Update Status Quo Cash Flow**
 - ▶ **Best Proposal Cash Flow**
 - ▶ **Fair Market Value Recommendation**
 - ▶ **Life-Cycle Cost Analysis**

6

PHASE III



- ▶ **Finalize Transition Plan**
- ▶ **Finalize Real Estate Instruments**
- ▶ **Comprehensive Analysis Report**
 - ▶ **Approval Package**

7

THREE PHASE PROCESS



- ▶ **Phase I - Project Planning & Feasibility Analysis**
- ▶ **Phase II - Comprehensive Analysis**
- ▶ **Phase III - Final Feasibility & Implementation**

- ▶ **Questions?**

8

University of Alaska Fairbanks Power Plant Privatization Draft

Definition

As it pertains to the University of Alaska Fairbanks Utilities Plant, privatization could entail any initiative from outsourcing some or all of the operations and maintenance activities on Plant Operations; to a complete divestiture of the Power Plant, Electric Distribution, and Steam Distribution Systems.

Precedent

From a national standpoint, there is a concentrated effort to move toward private operation and/or ownership of selected assets. Energy distribution systems of all types, at military bases across the country are being evaluated to determine the practicability of privatization. The power plant at Elmendorf AFB has been operated and maintained by a private entity for (24 months?). The entire Civil Engineering Function at McDill AFB will soon be conducted by an Alaska Corporation. Numerous other examples can be sighted for privatization of the utility function for the military.

At the University level, privatization is not a new idea. The University of Minnesota turned over operation and maintenance of their campus wide steam distribution system to a private contractor in the early 90's. The power and heating, and cooling generation and distribution system at Wayne State College in Wayne, Nebraska has been operated and maintained by a private company for many years.

These are just a few examples to illustrate that privatization of the utility function is an alternative to be considered.

Market

Within a 50 mile radius of Fairbanks, there are, including the Utility Plant at the University of Alaska Fairbanks, four (4) independent, stand-alone cogeneration systems, and a conventional public utility with substantial generation capability in its own right. One would expect that there is potential for some synergy between some of these facilities. It is in finding and exploiting that synergy that a private organization would find value in the UAF power Plant.

There are numerous companies across the country whose specific business is to own, operate, and maintain these types of plants. A serious solicitation of interest would draw considerable attention.

Process

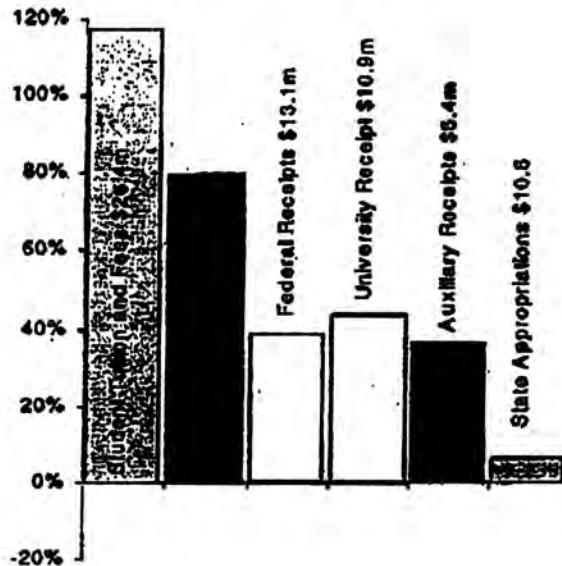
Much work needs to be done yet before a decision can even be made as to whether or not the University of Alaska wants to privatize their utility function. The first step is a thorough and independent evaluation of the plant and its operations. This evaluation should accurately allocate costs and establish a value for the plant. Subsequent to this evaluation, an informed decision can be made regarding the next steps in the process, if any.

Then...

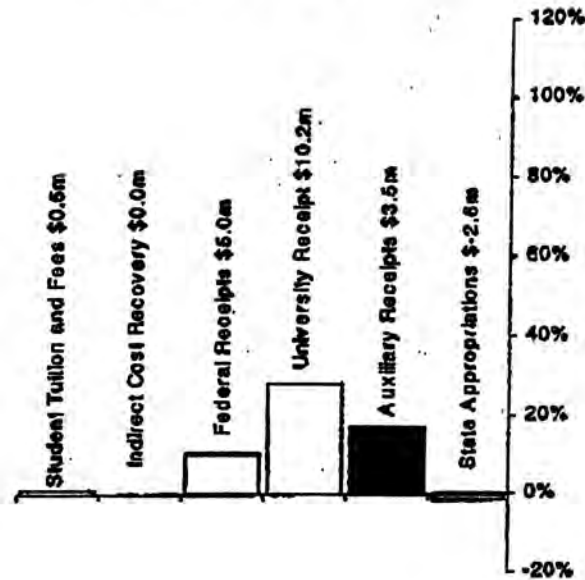
A Ten Year Perspective

What the University has accomplished

Percent Change FY90-FY96



Percent Change FY96-FY99



FY1990 – FY1996

In the early years of the 90s, the University responded to the challenge of reducing its dependence on state revenues. In FY90, the general fund represented nearly 70% of the total UA budget; in FY96, the general fund had dropped to 46% of the total. Tuition and indirect cost recovery receipts more than doubled, and revenues from federal sources, auxiliary and university receipts increased by more than 40%. Total revenues were up by \$72.3 million during this period, including only \$10.6 million in general fund. The 6% general fund increase during this period ranked Alaska 49th in terms of state support for higher education. Full-time faculty and staff were reduced by 248 positions.

In short, the University did everything possible to assist itself. Despite the budget constraints and the difficulties of reducing dependency on state general fund, enrollments increased by 11%.

FY1996 – FY1999

The financial stress of the revenue realignment necessary in the early 90s reached crisis level in FY96. General fund was reduced, enrollments began to slide, and all other revenue sources stagnated or began to drop off significantly. The University was simply not able to provide any additional revenue sources and the existing sources that depend on a healthy base of support in the general fund, such as federal receipts, began to deteriorate. General fund during this period decreased by \$2.6 million; an additional 159 faculty and staff positions were lost; class sections were reduced; programs were reduced, restructured and eliminated. As a result of the diminished course offerings and the relative cost of services, enrollments dropped by 7%.

**UA Privatization Subcommittee
Format for Recommendations**

For each service, the primary question is whether this an appropriate UA function:

1. If yes, can the service be provided by the private sector?
 - Has it been evaluated for outsourcing? If yes, what were the results of that evaluation?
 - If not, why not? Is it scheduled for evaluation?

For each recommendation, discuss the following:

- Description of the service, including how currently delivered
 - Recommended or potential for change in how service is delivered (i.e. outsourced, managed competition, consolidation, etc.)
 - Potential market for private sector delivery
 - What would be the financial/productivity savings/cost to change delivery?
 - What are the transitional considerations (how do we get from here to there)?
 - What are obstacles (statutory, contractual, etc.) to changing delivery mechanism?
2. If no, should UA stop doing it (make no effort to outsource/privatize)?
 - Who would be effected if UA stopped delivery of the service?
 - What would be the financial/productivity savings/costs to change delivery?
 - What are the transitional considerations?

UA Privatization Subcommittee
Draft as of October 25, 1999

Requested Information

1. Extended campuses
 - Chronology of when established
 - Each site's funding level over time (by fund source)
 - Degree/number of students per site
 - Changes over time in delivery of services/programs offered
2. Copy of delivery of distance education report
3. UA mission statement
 - Board of Regents
 - SB 169
4. Land grant administration
 - Business plan, practices, management goals
 - Revenue generated
5. If current funding remains flat, what will it mean (especially in light of new program areas)?
6. A matrix that depicts types of activities (i.e. book store, food service, utilities, telephone, janitorial, ground maintenance, snow removal, administrative services, etc.), and all campuses and whether that function at that campus is currently out-sourced, been evaluated for outsourcing, has been centralized, etc.
7. Does/can AHFC do maintenance service of student housing?
8. How much does UAS and UAF subsidize operations such as the book store, food service, etc. by not fully "charging back" for rent, utilities, etc.?
9. A copy of the collective bargaining agreement language that is favorable to contracting out
10. A description of the criteria of when UAF uses "managed competition" for smaller projects in which in-house staff "bids" along with private sector for projects (Ed Foster, UAF Operations Superintendent; UAA doesn't do this; all done in-house). What is the percent of projects done in-house and how do costs compare?
11. Policies governing in-house work on conferences and institutes.

12. Schedule for review of each administrative cost function (for purposes of centralization, etc.)
13. Percent of employees who have been laid off who later are hired under the Board's policy that those laid off get first priority in filling of jobs.
14. How do UAF's vehicle pool rates compare to State Equipment Fleet rates?
15. Campus security
 - Description of how each campus handles security
 - Will state/local police respond to incidents on a campus
 - Results of past reviews of strengths/weaknesses of private security versus UA employees Is federal funding available for campus security

Areas discussed

1. Housing
 - UAF found private management companies unwilling to take on because unwilling to reserve for just students
 - 18% of student housing in the United States is managed by private sector
 - Difficult to outsource because private company wants to rent out during summer as conference center but students' need space in the early and late summer
2. Food service
 - UAA has outsourced to Aramark; UAA gets percentage of sales
3. Facility Operations
 - Plumbing, electrical, HVAC, snow removal are done in-house at UAF for safety considerations
 - UAF currently runs its own telephone network
4. Bookstore
 - UAA will have evaluated e-commerce by next school year; will re-visit outsourcing in 01
 - UAS is selling 50% of books now on-line
 - Selling of used books could be potential area for privatization
 - UAF has less volume, so more potential for e-commerce option
5. Printing
 - UAA has successfully outsourced to Xerox its copy center
6. UAF utilities
 - Operate heat/power plant that produces steam heat, produces water for consumption, reverse osmosis for laboratory work, compressed air for HVAC, labs, distribute chilled water for air condition, and do phone service and Ethernet wiring.

- Operation of all the utilities is intertwined so it is difficult to pull apart for separate contract for delivery of that service
 - Don't do waste disposal (College Utilities)
 - College Utilities has expressed interest in drinking water only and are still putting together a proposal. A representative from College Utilities, Andy Warwick, indicate they may make a proposal in conjunction with electric utility
 - Doyon Properties has proposed legislation concerning clarification of the regulations governing government-owned utilities
7. Administrative Services
- Will be doing another review of potential consolidations next year, especially in light of technological advances/changes
 - Consolidated/Centralized:
 - Extended sites to central campus
 - Payroll is done at the system level
 - Computer networks
 - Decentralized:
 - Procurement
 - Risk Management
8. Vehicle pool
- UAF has moved to a vehicle pool; are achieving it through attrition as older cars wear out
 - Do purchase cars through State Equipment Fleet contact
9. Revenue generation
- "Corporate University" has been established. UA enters into a continuing education contract with an employer to offer industry-driven course training and employees get college credits. UA gets 100 to 110% of cost of instruction (compared to current student tuition that covers 30% of instructional costs)

Potential recommendations on outsourcing/privatization

- UAF utilities
- Housing (currently under evaluation)
- Bookstores (outsourcing currently under evaluation; centralization?)
- UAF phone service
- Consolidate all books stores and outsource/e-commerce option with link to UAA web site
- Temporary labor pool (not students)
- Lease vehicles instead of own

UA Presentation on:

**Land Grant Endowment
Consolidated Endowment Fund
UA Foundation**

Jim Lynch

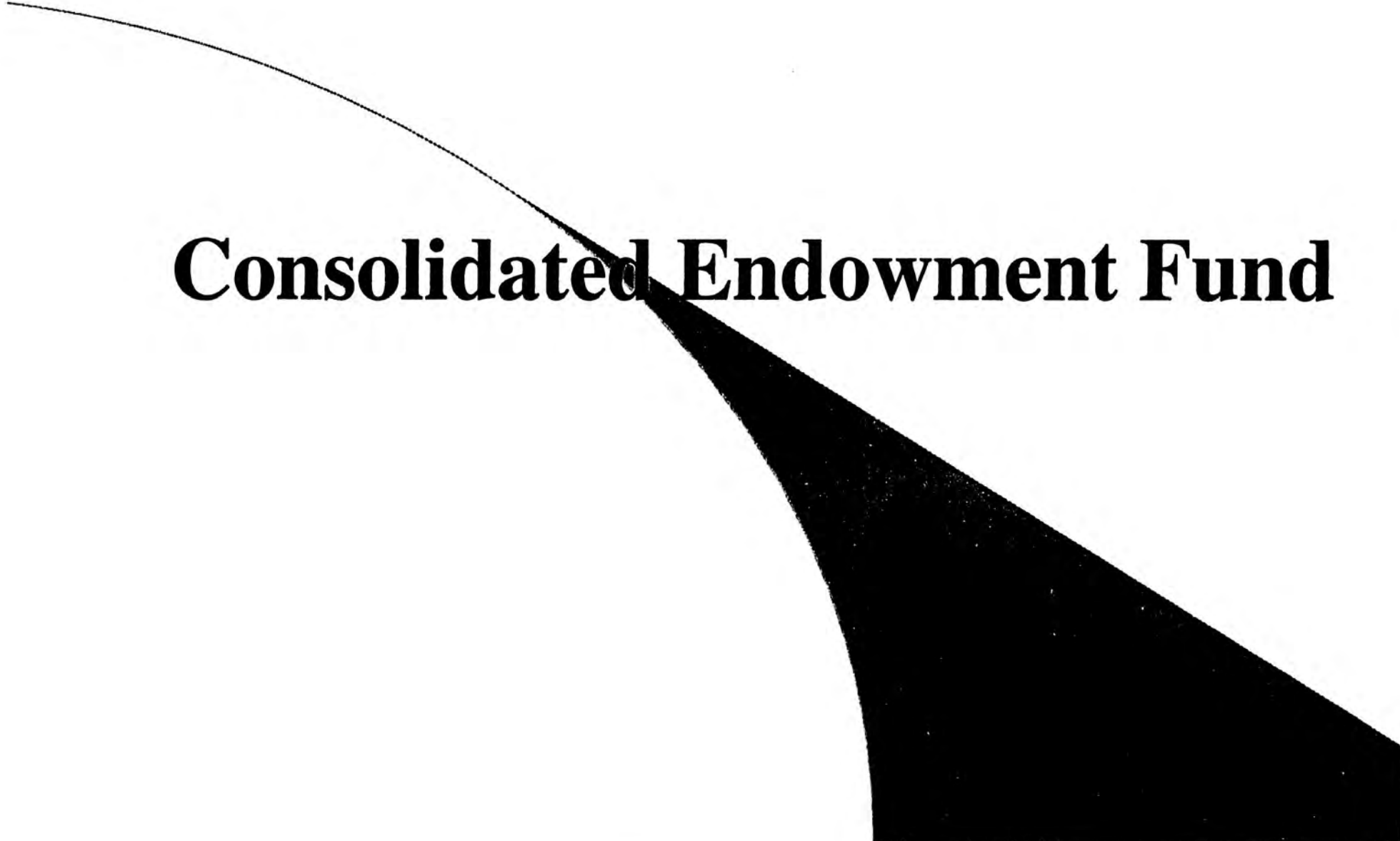
October 27, 1999

Land Grant Endowment Trust Funds
Financial Position
June 30, 1999

	<u>Endowment Funds</u>	<u>Revenue Fund</u>	<u>Natural Resources Fund</u>
Assets:			
Cash and investments	\$70,638,008		\$4,523,994
Receivables	5,131,543		
Real property	42,668,362		-
	<u>118,437,913</u>	<u> </u>	<u>4,523,994</u>
 Deposits and notes payable	 <u>(2,646,566)</u>	 <u> </u>	 <u>-</u>
 Net assets	 <u>\$115,791,347</u>	 <u>-</u>	 <u>\$4,523,994</u>

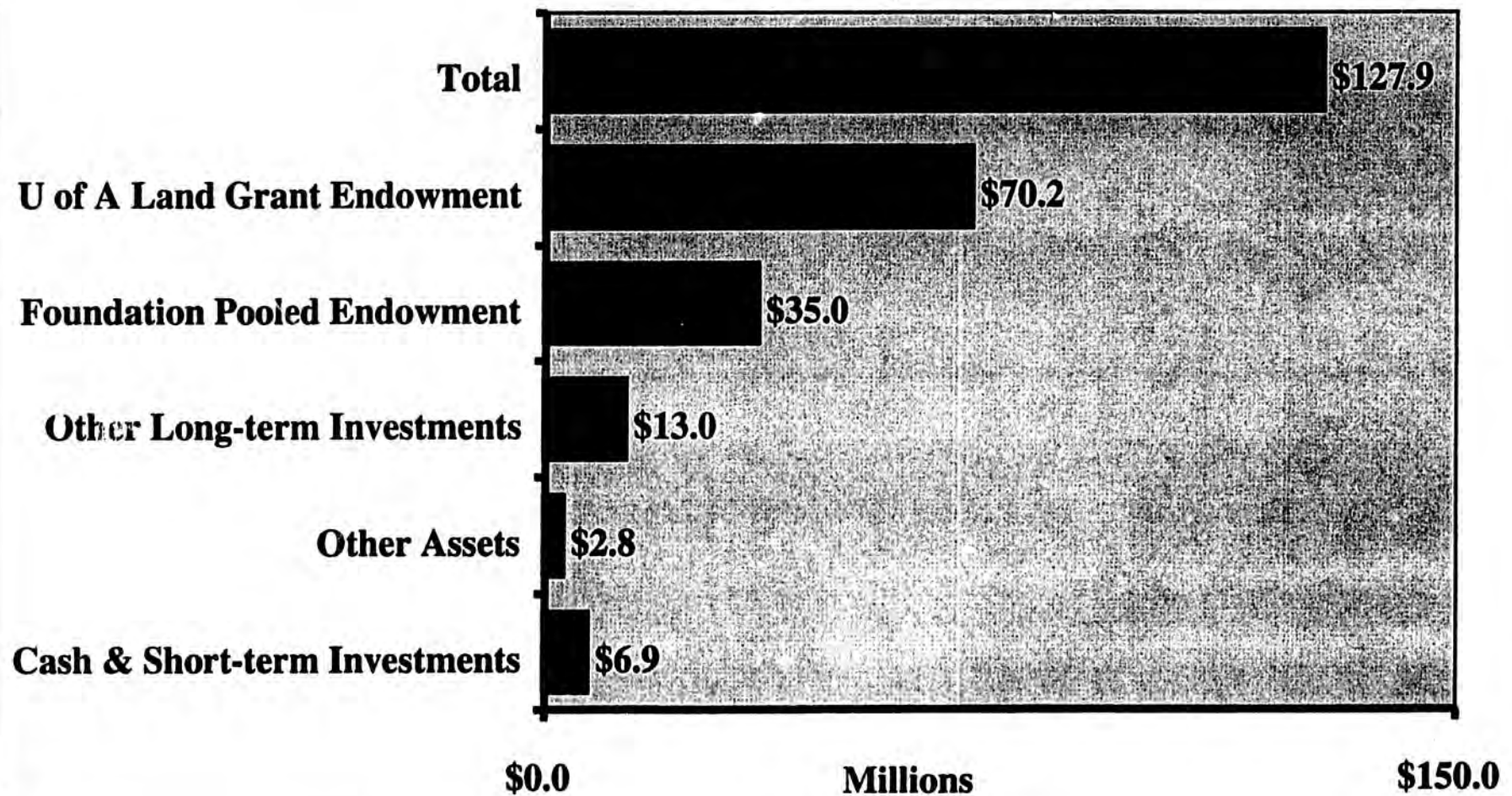
**Land Grant Endowment Trust Funds
Schedule of Changes in Net Assets
For the Year Ended June 30, 1999**

	<u>Endowment Funds</u>	<u>Revenue Fund</u>	<u>Natural Resources Fund</u>
Fund balance, beginning	\$104,513,048	-	\$3,959,385
Additions to principal	4,274,501		
Endowment earnings	6,946,451	2,642,541	
Expenditures:			
Dedicated receipts	(8,728)		
Provision for land mgt. costs	-	(457,008)	
Natural Resources Programs	-		(1,554,849)
Transfers	<u>66,075</u>	<u>(2,185,533)</u>	<u>2,119,458</u>
Fund balance, ending	<u>\$115,791,347</u>	<u>-</u>	<u>\$4,523,994</u>



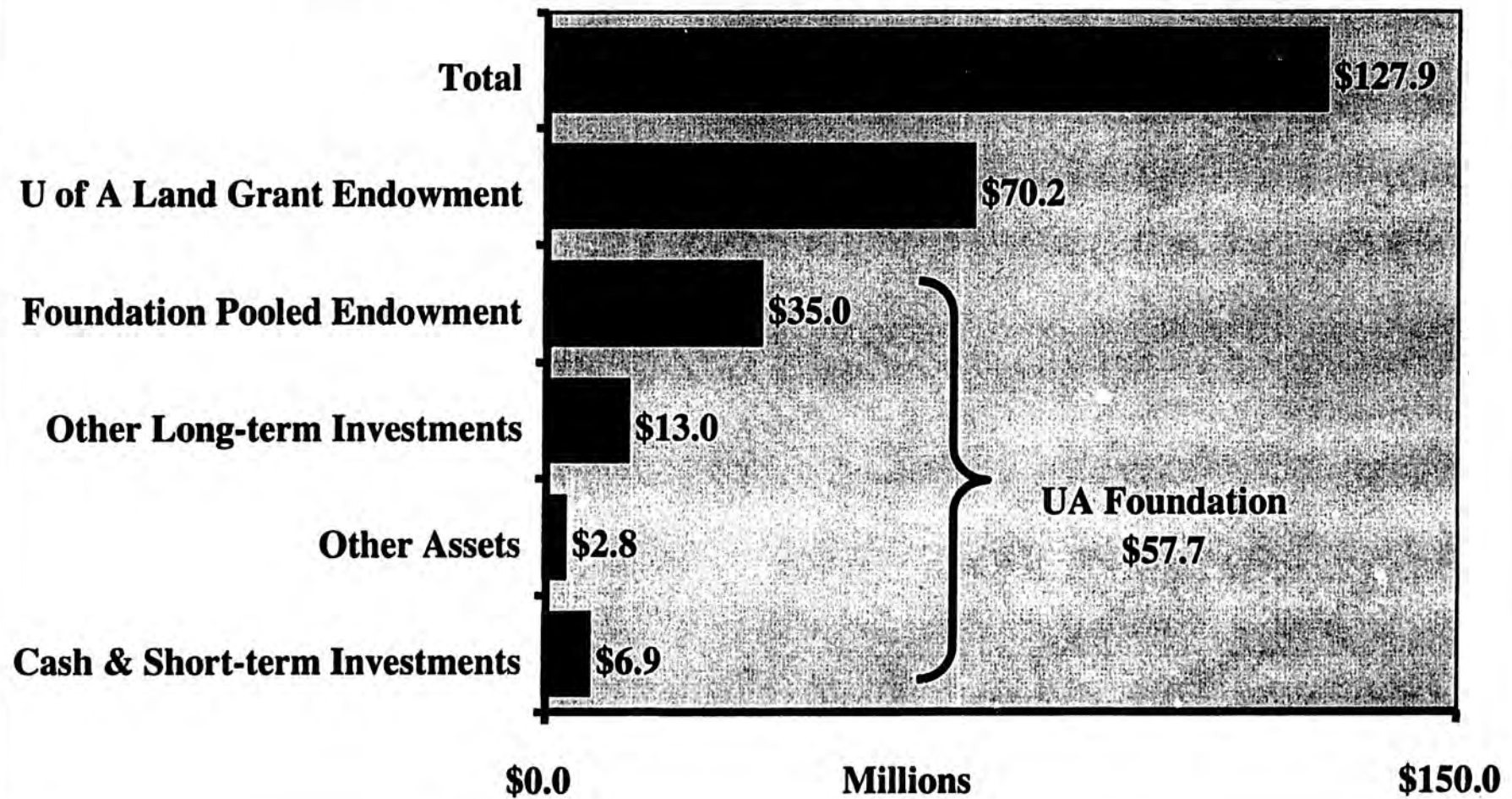
Consolidated Endowment Fund

University of Alaska Foundation Assets Under Management, June 30, 1999

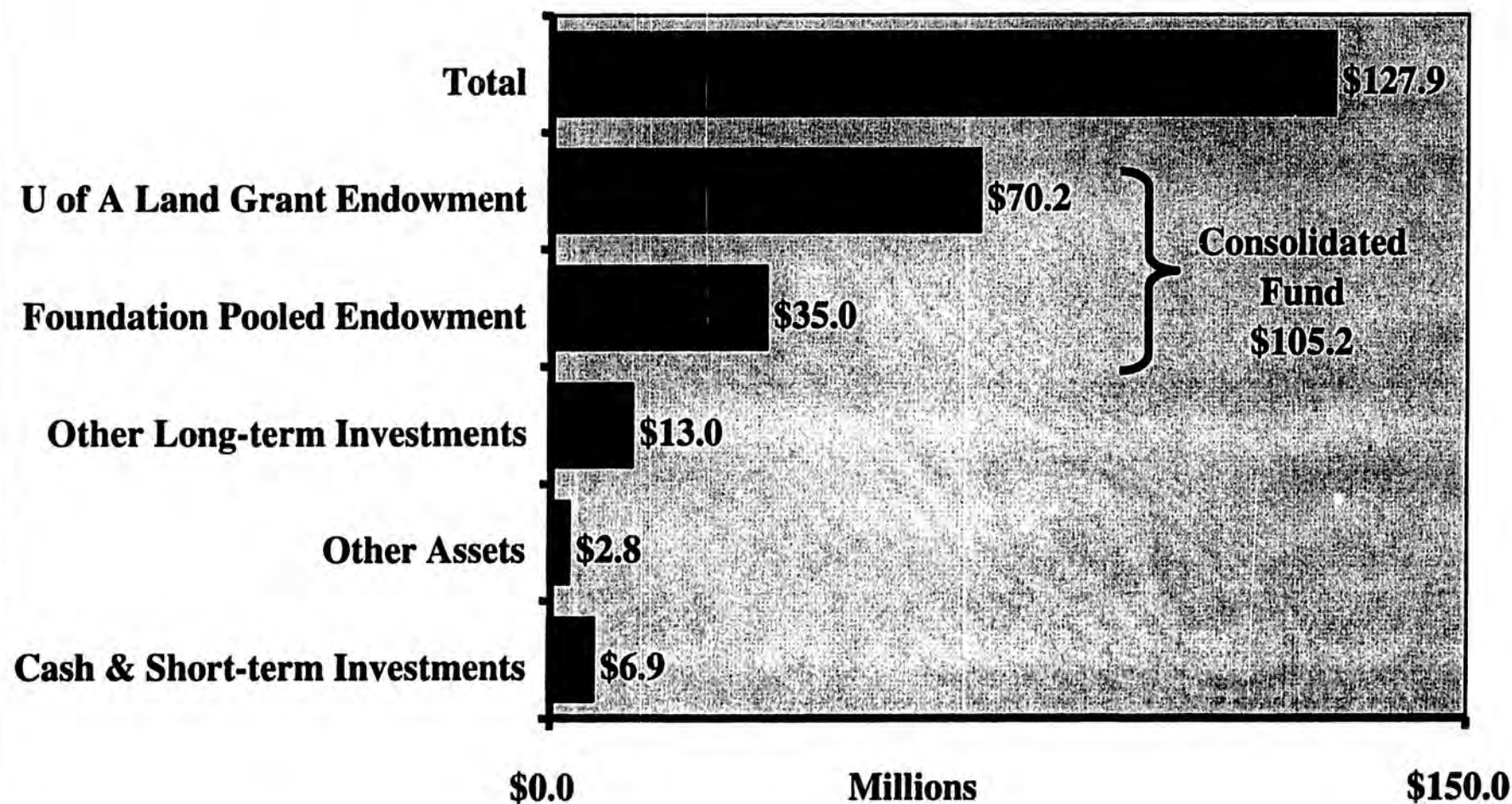


University of Alaska Foundation

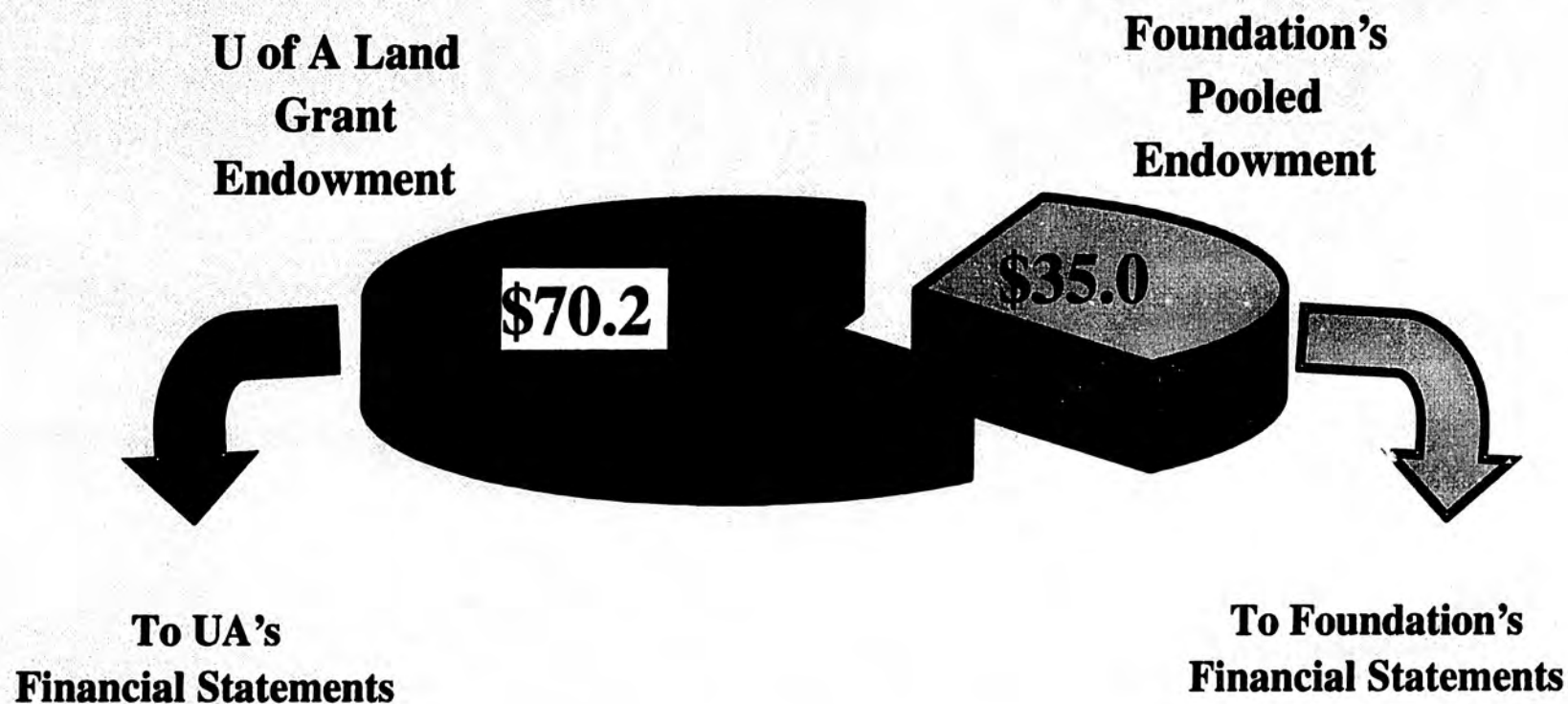
Assets Under Management, June 30, 1999



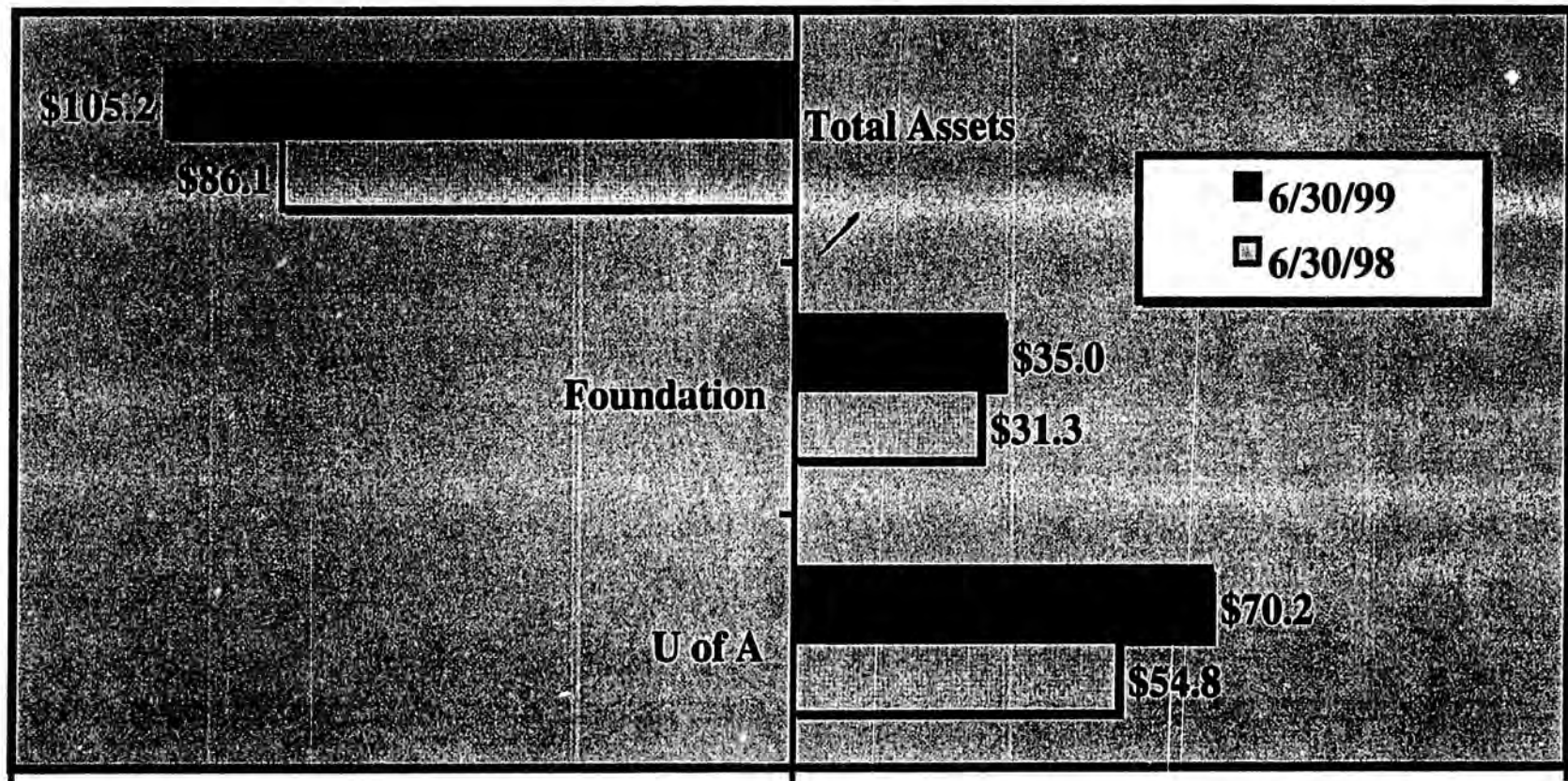
University of Alaska Foundation Assets Under Management, June 30, 1999



The Consolidated Fund Financial Statement Presentation



Consolidated Fund Financial Position



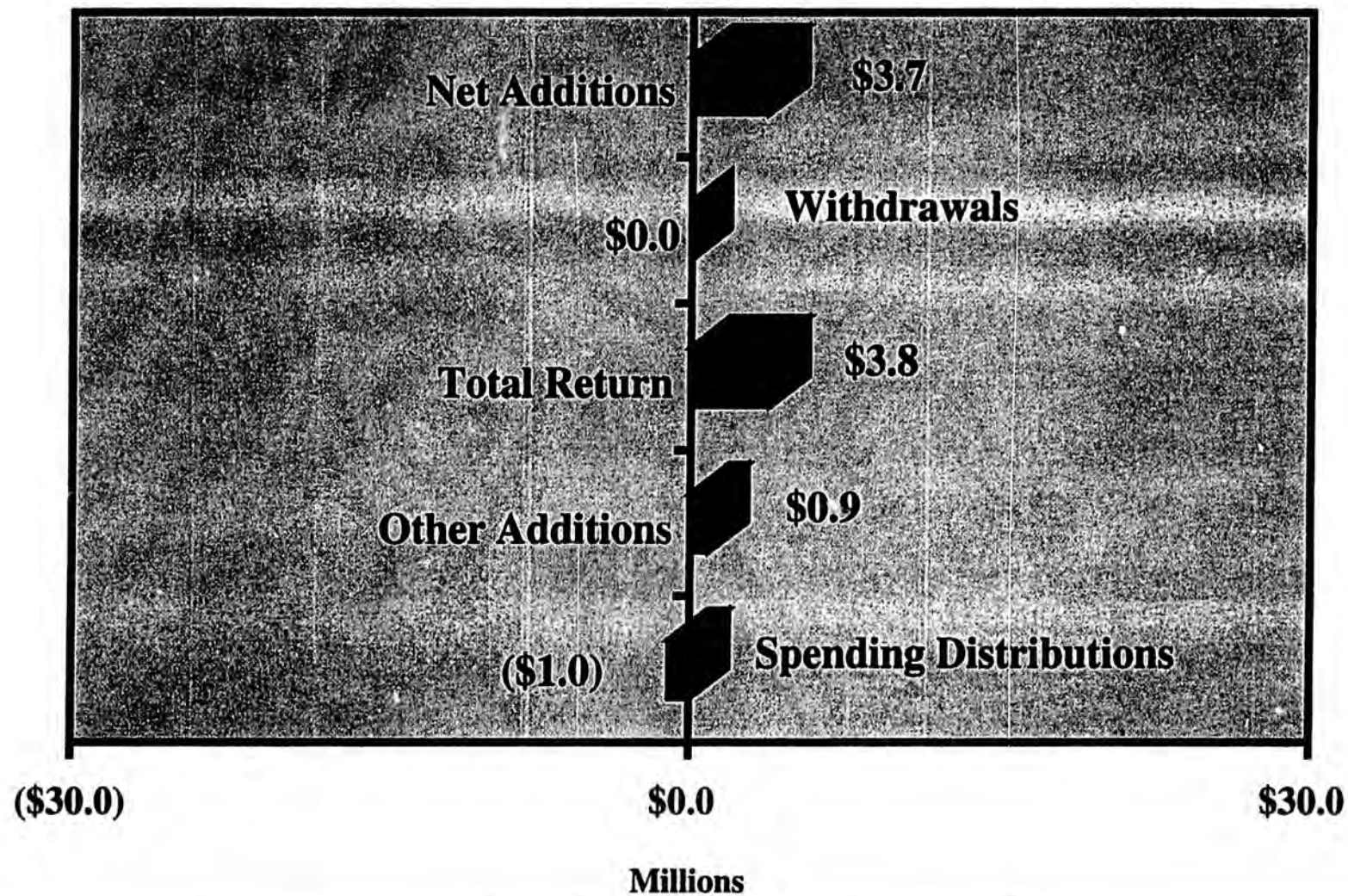
\$130.0

\$0.0

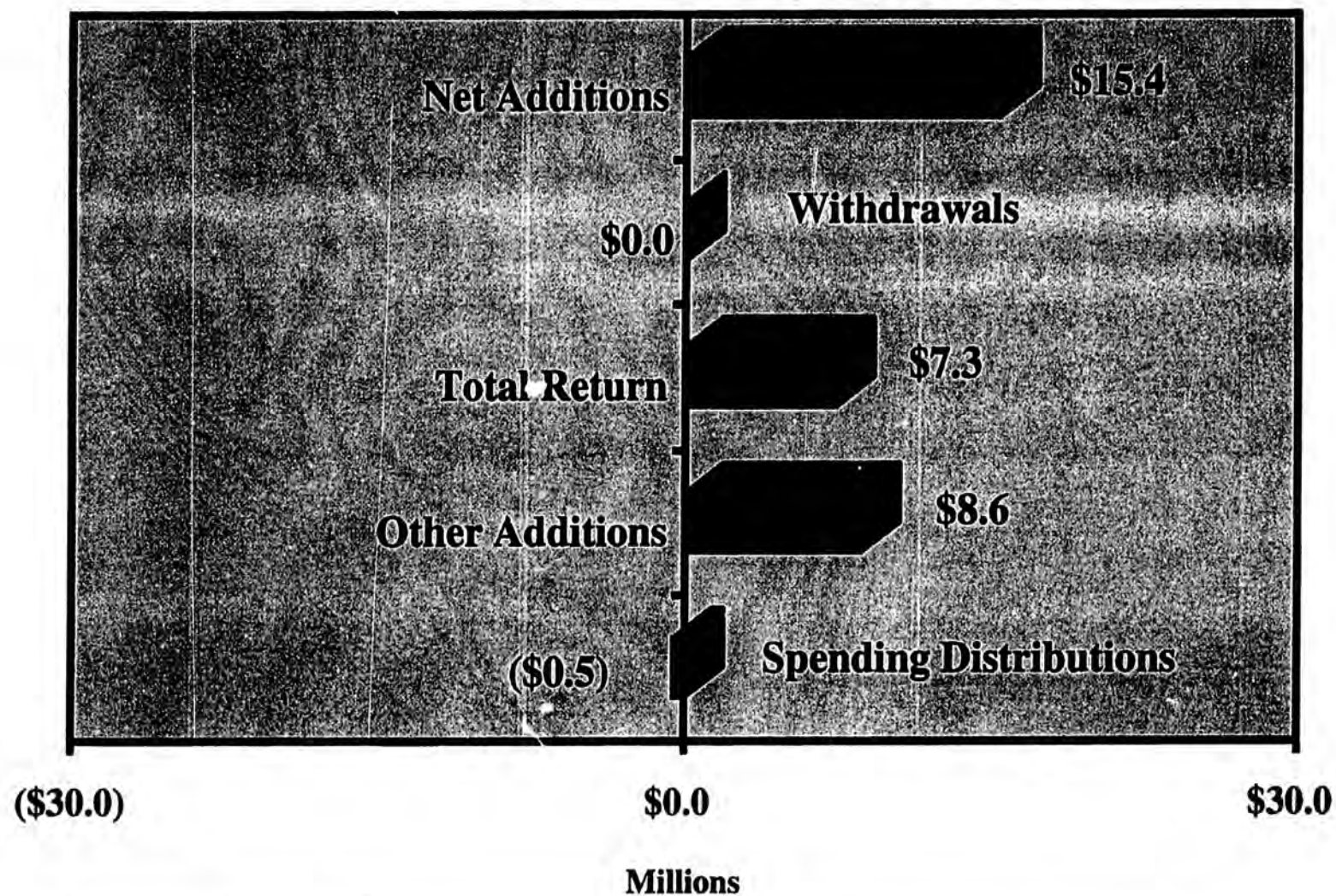
\$130.0

Millions

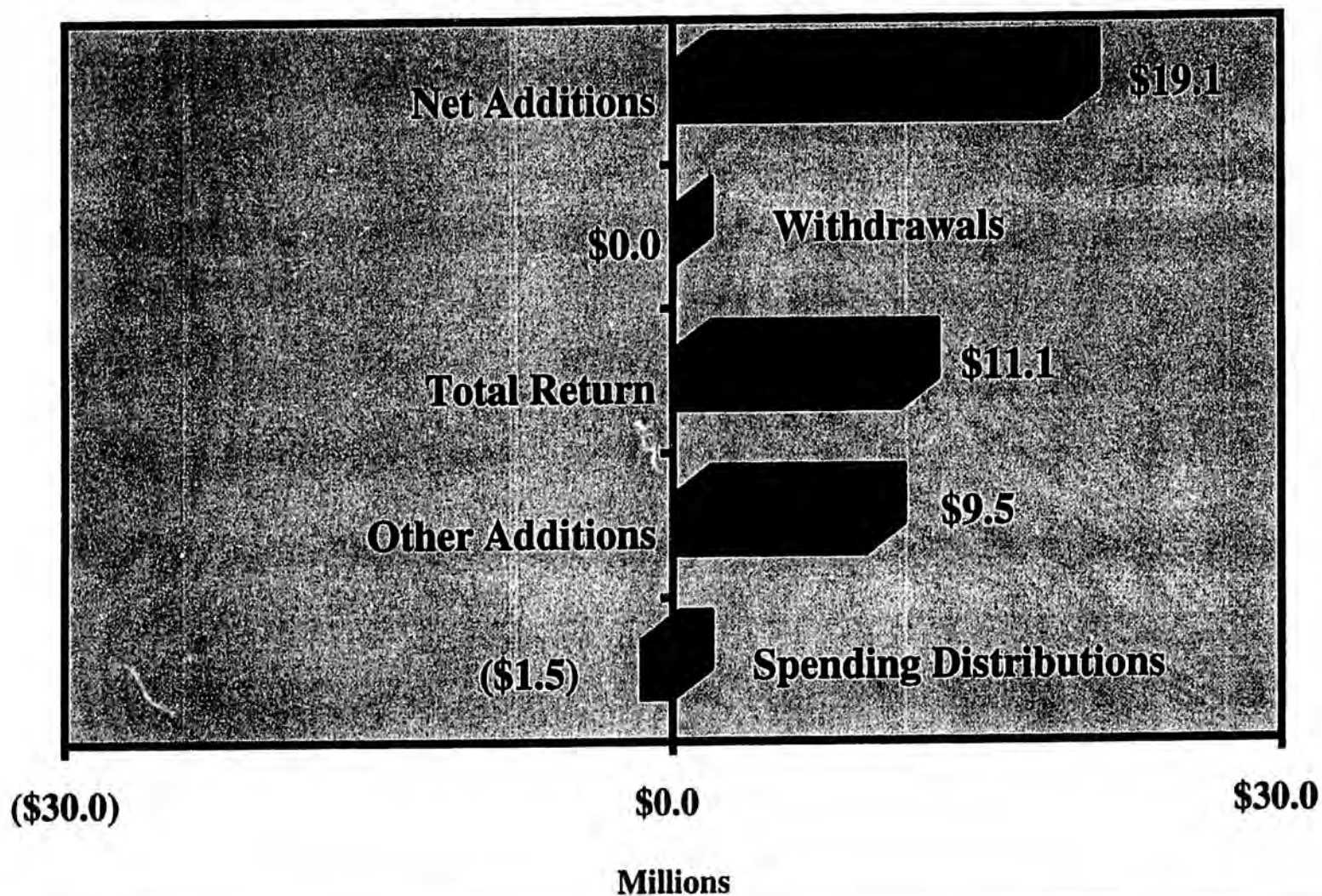
Consolidated Fund
Changes in Net Assets (UA Foundation), FY99



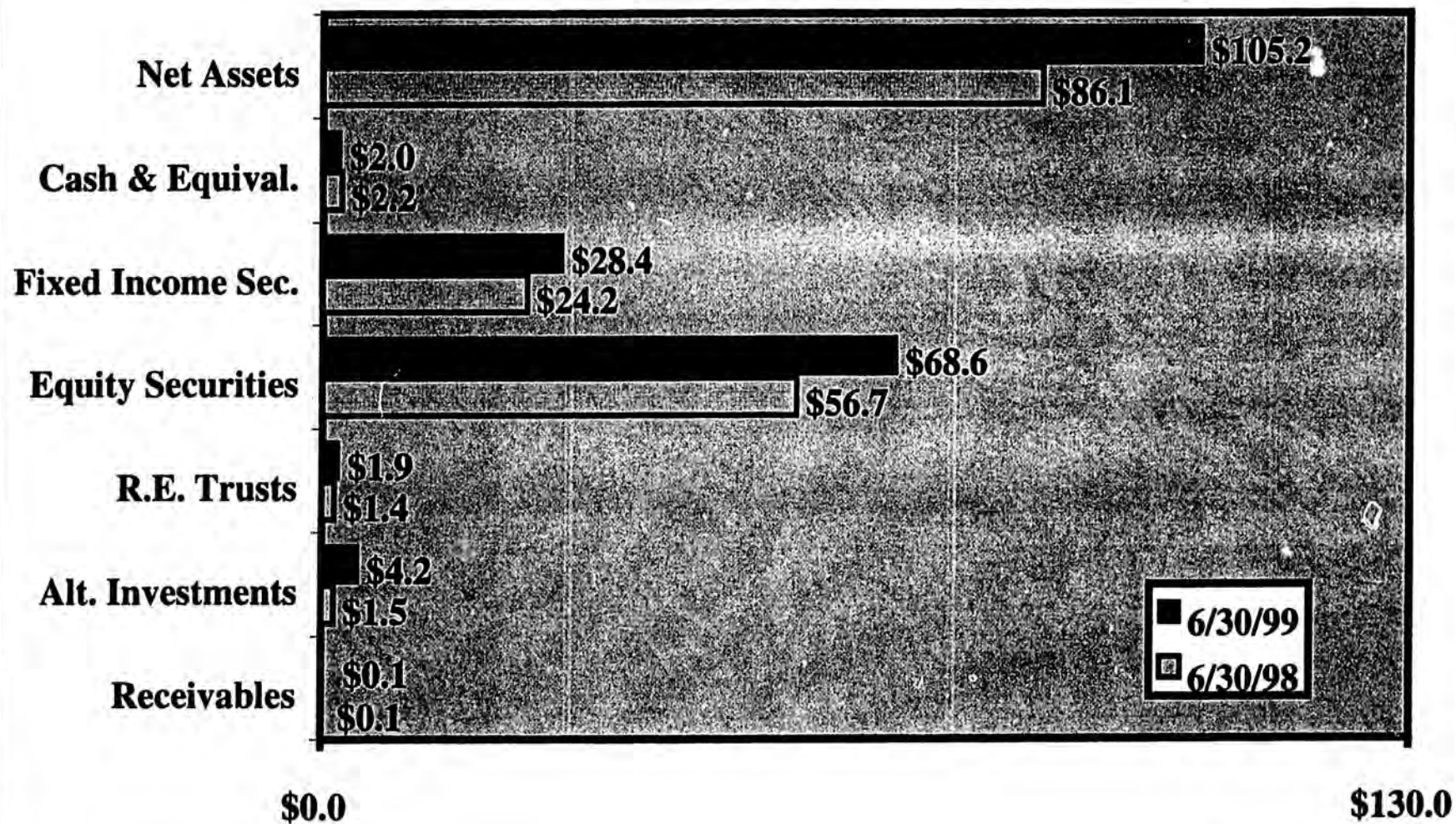
**Consolidated Fund
Changes in Net Assets (U of A), FY99**



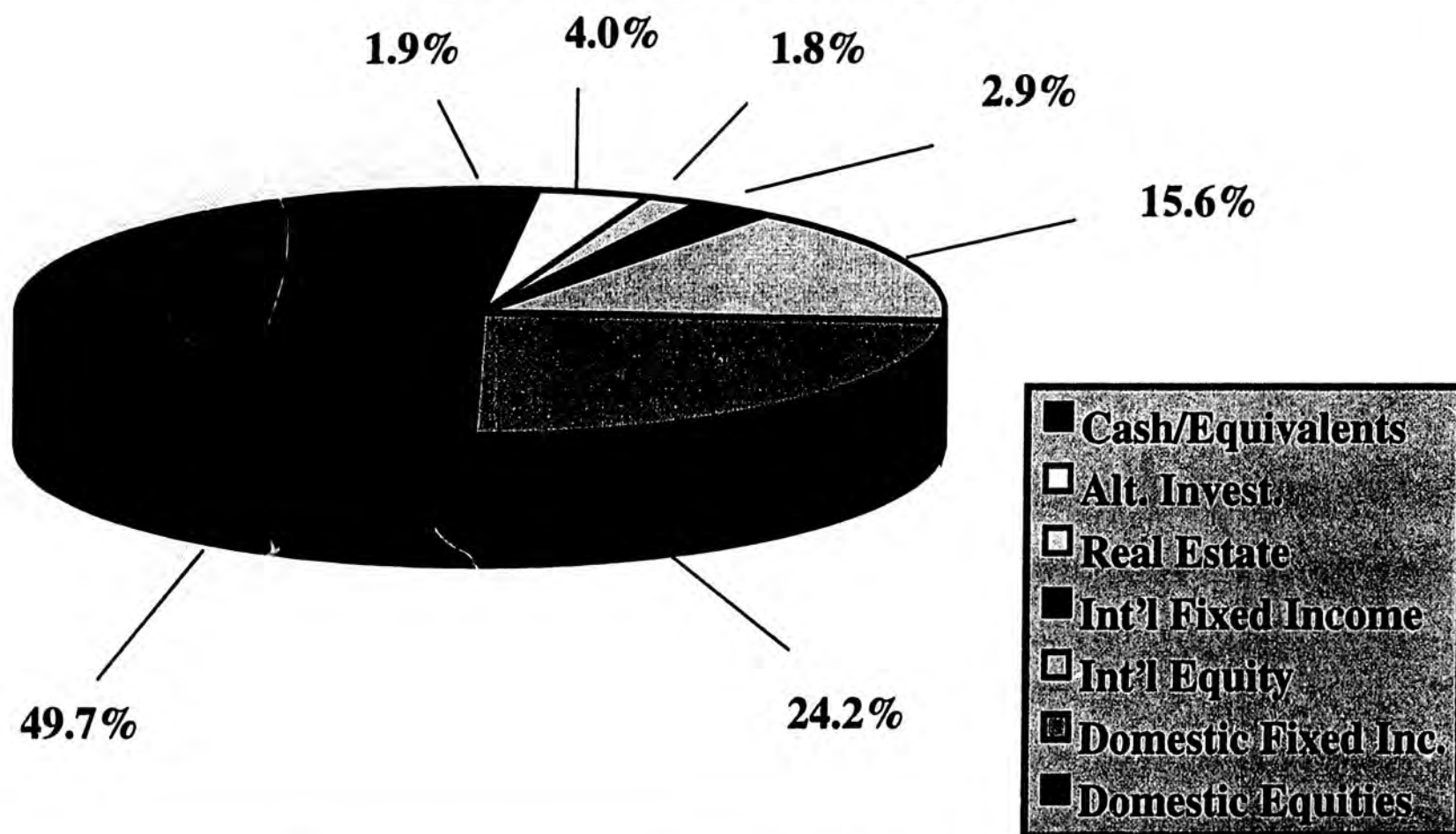
**Consolidated Fund
Combined Changes in Net Assets, FY99**



Consolidated Fund Assets

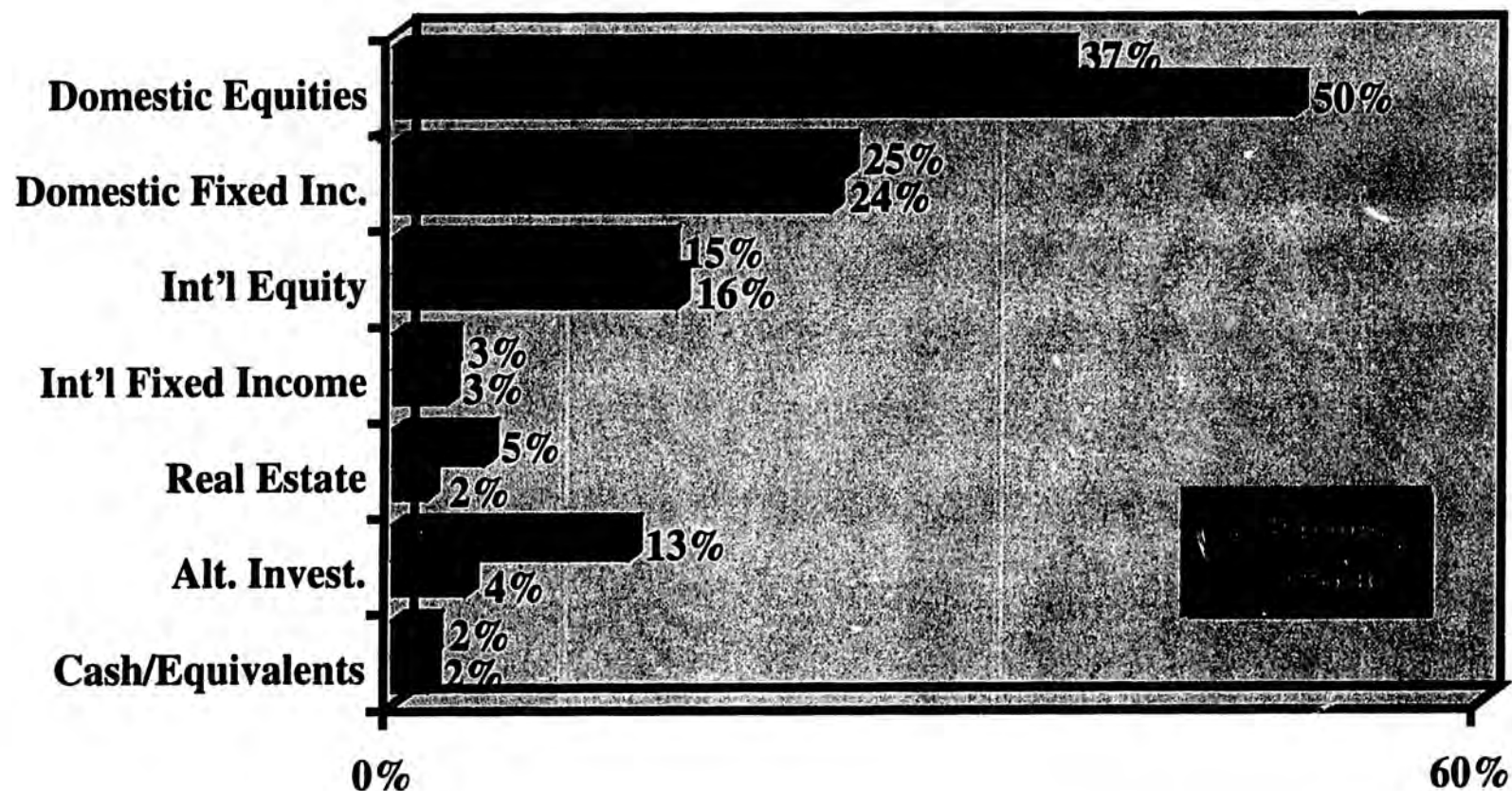


**Consolidated Fund
Asset Allocation, June 30, 1999**

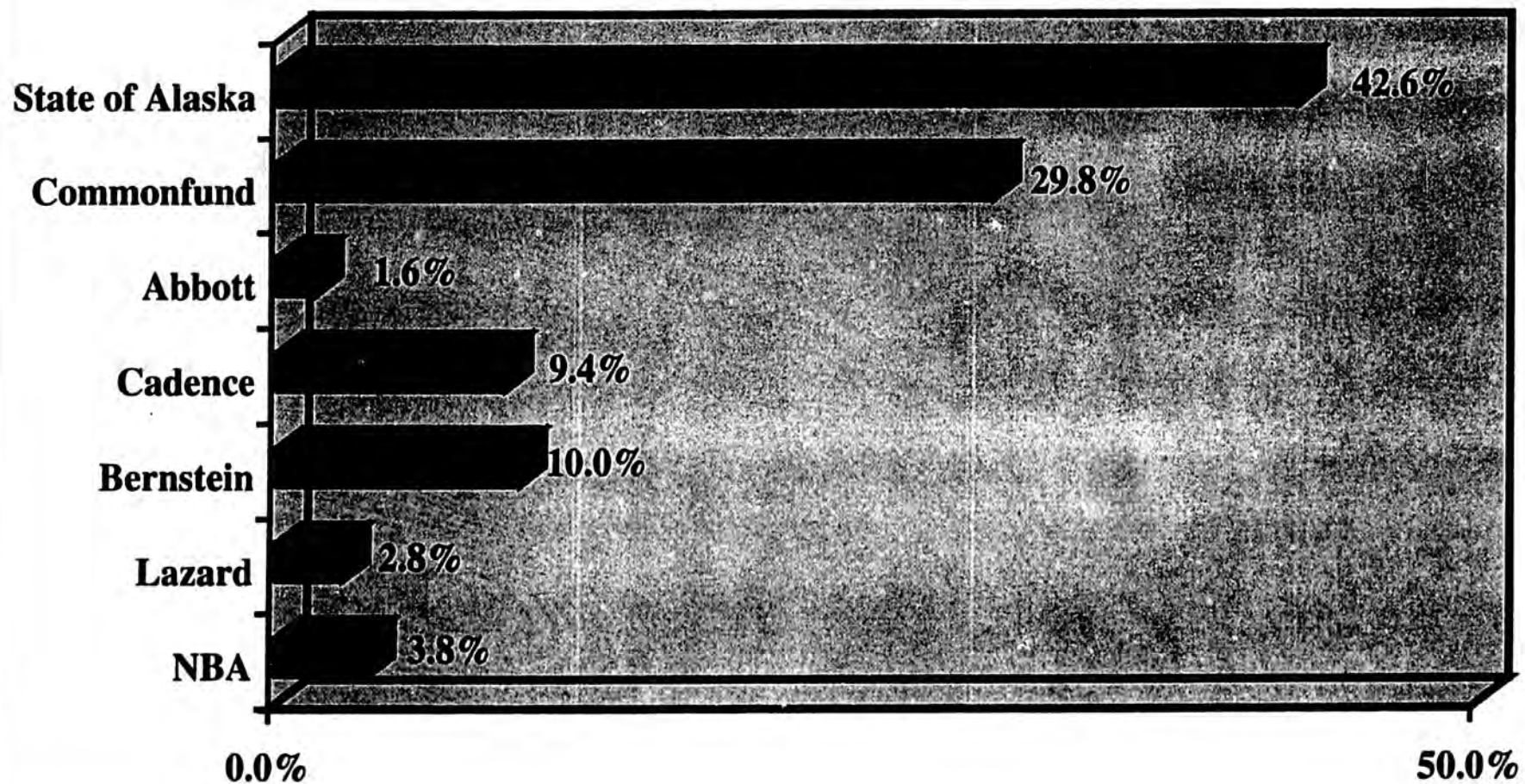


Consolidated Fund

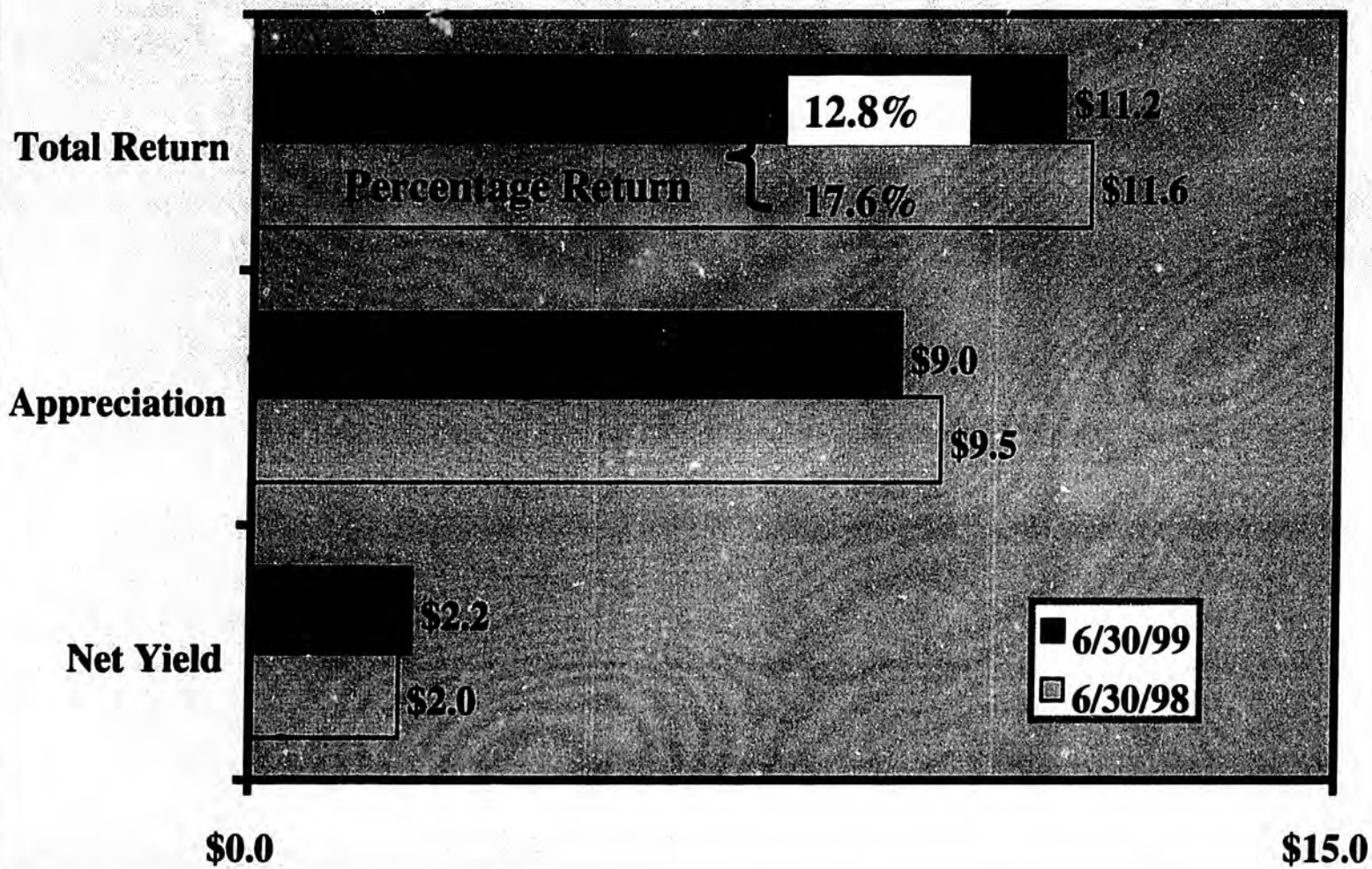
Asset Allocation Target v. Actual June 30, 1999



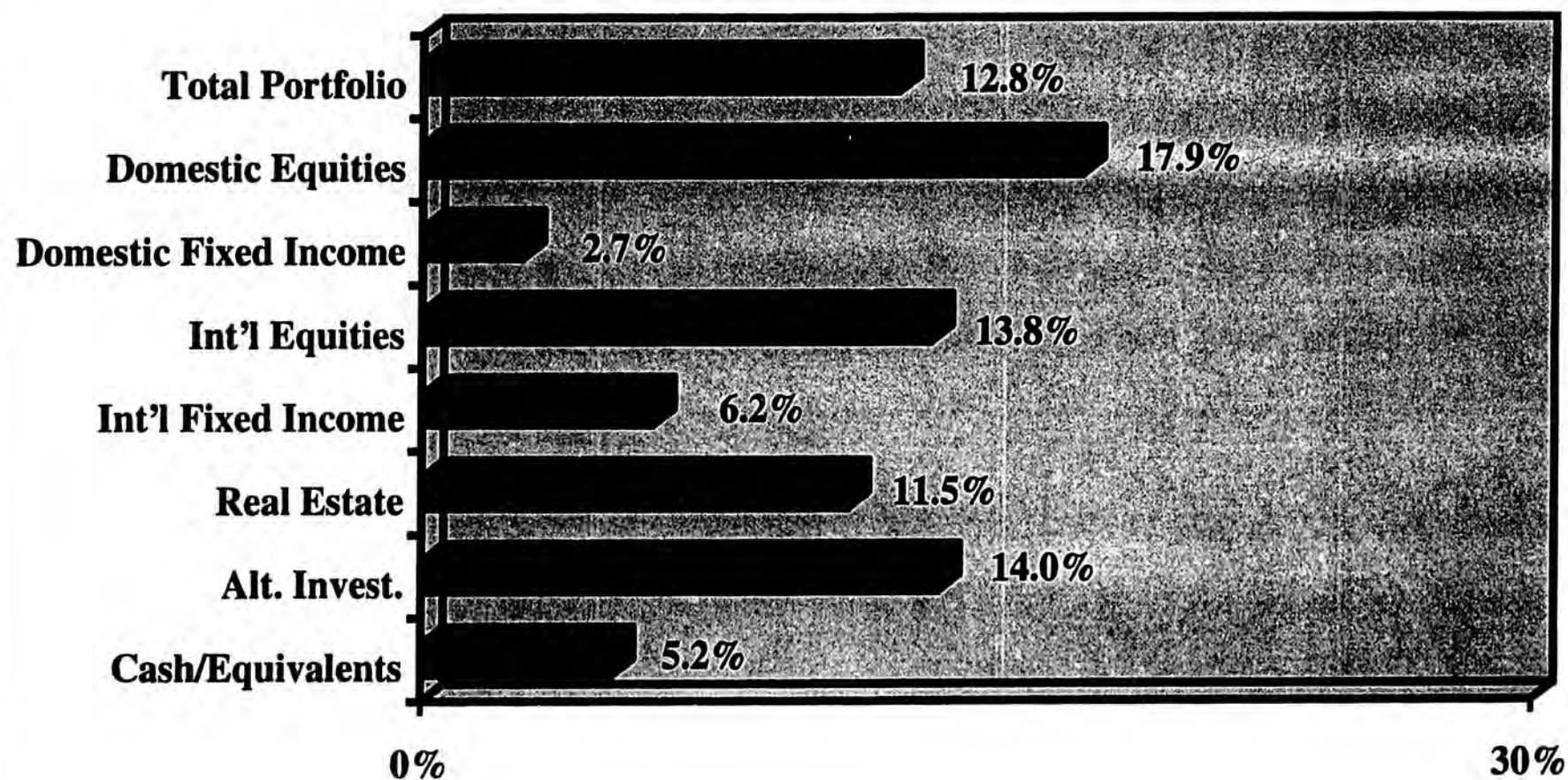
Consolidated Fund
Assets Distribution by Manager, June 30, 1999



Consolidated Fund Total Return



Consolidated Fund Investment Returns FY99



An abstract graphic featuring a thin, dark, curved line that starts in the upper left and arcs towards the center. A large, solid black wedge-shaped area originates from the center and extends towards the bottom right corner.

Investment Policy Milestones

University of Alaska Endowment Trust Fund

- **1978**

- ▶ **\$2.5 million**
- ▶ **All cash and fixed income investments**
- ▶ **Spending current income only**

University of Alaska Endowment Trust Fund

- **1989**

- ▶ **\$13.9 million**
- ▶ **Equities authorized, minimal exposure**
- ▶ **Spending current income only, after inflation proofing at CPI**

University of Alaska Endowment Trust Fund

- **1997**

- ▶ **\$43.2 million**
- ▶ **Spending current income only after inflation proofing at 33% current income**
- ▶ **Total return authorized**
- ▶ **Consolidated with the UA Foundation's Pooled Endowment Funds**

University of Alaska Foundation Pooled Endowment Fund

- **1984**

- ▶ **\$1.2 million**
- ▶ **All cash and fixed income investments**
- ▶ **Spending current income only**

University of Alaska Foundation Pooled Endowment Fund

- **1988**

- ▶ **\$8.2 million**
- ▶ **Balanced fund portfolio, fixed income bias**
- ▶ **Unitized pool, total return**
- ▶ **Spending 5.5% of market value**

University of Alaska Foundation Pooled Endowment Fund

- **1995**

- ▶ **\$23.3 million**
- ▶ **Spending 5.0% of 3 yr. moving average of market value**

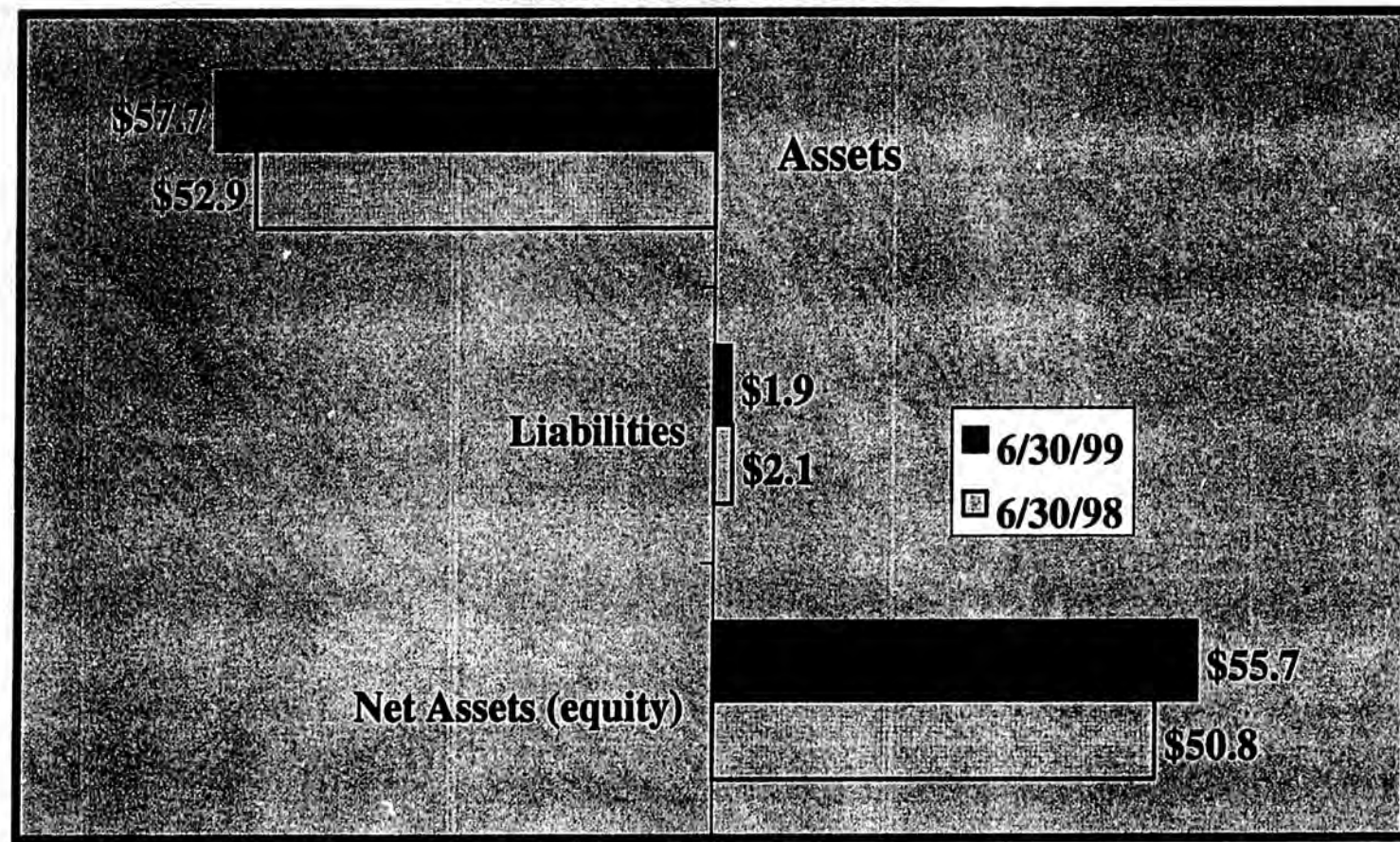
University of Alaska Foundation Pooled Endowment Fund

- **1997**

- ▶ **\$29.7 million**
- ▶ **Consolidated with UA Endowment Trust Fund**
- ▶ **Spending 5.0% of 5 yr. moving average of market value**

**University of Alaska
Foundation**

University of Alaska Foundation Financial Position



\$80.0

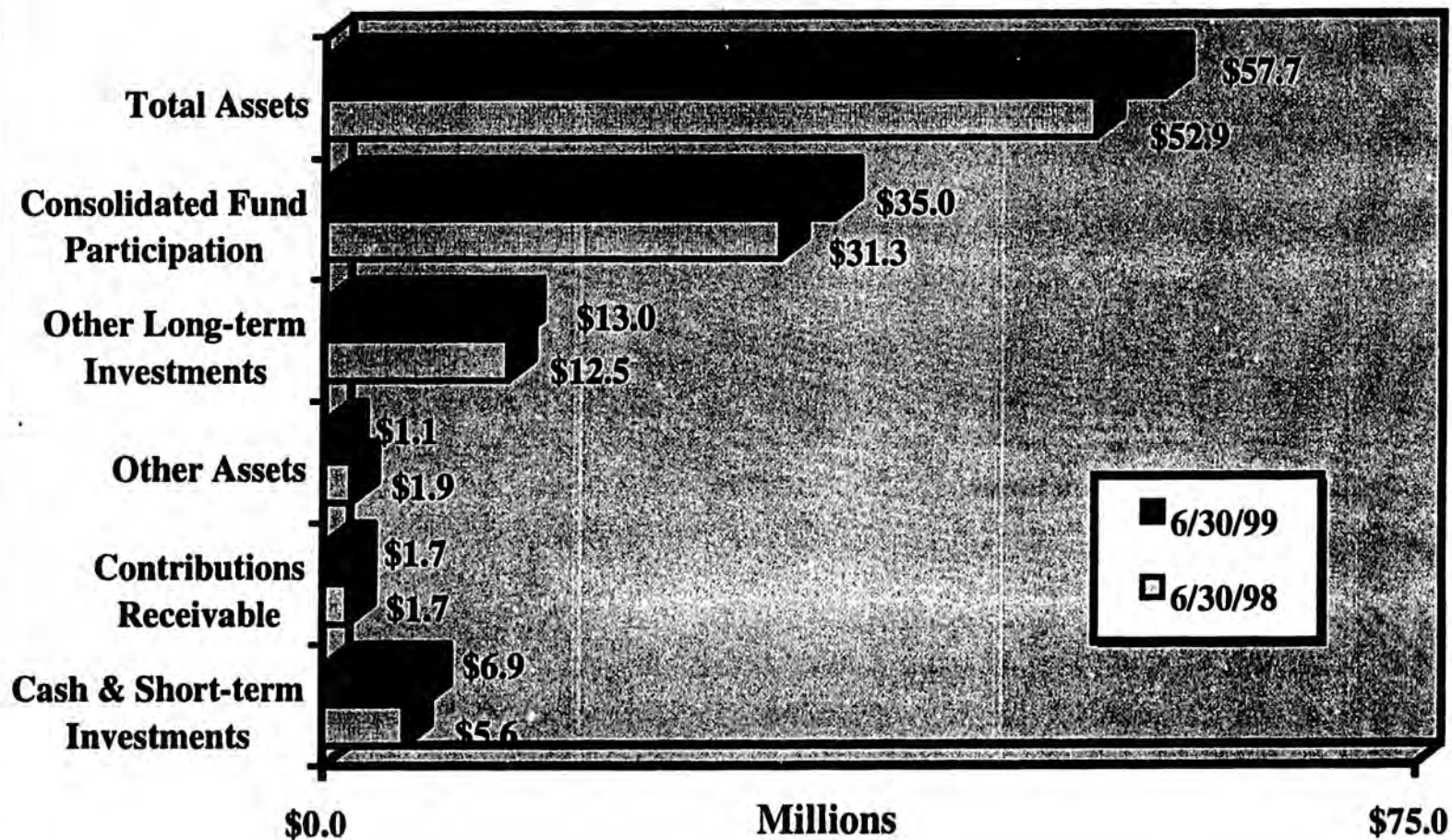
Millions

\$0.0

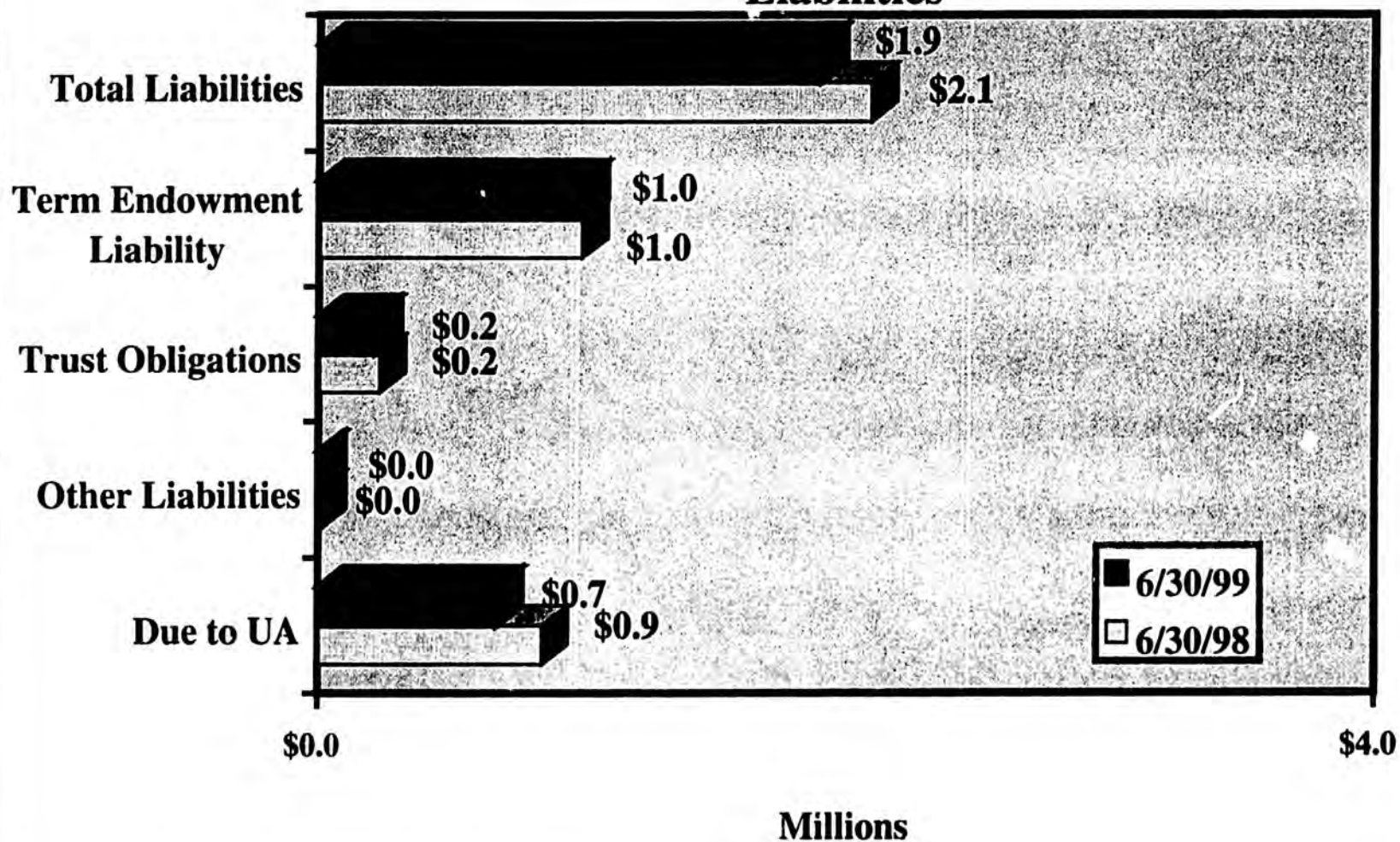
Millions

\$80.0

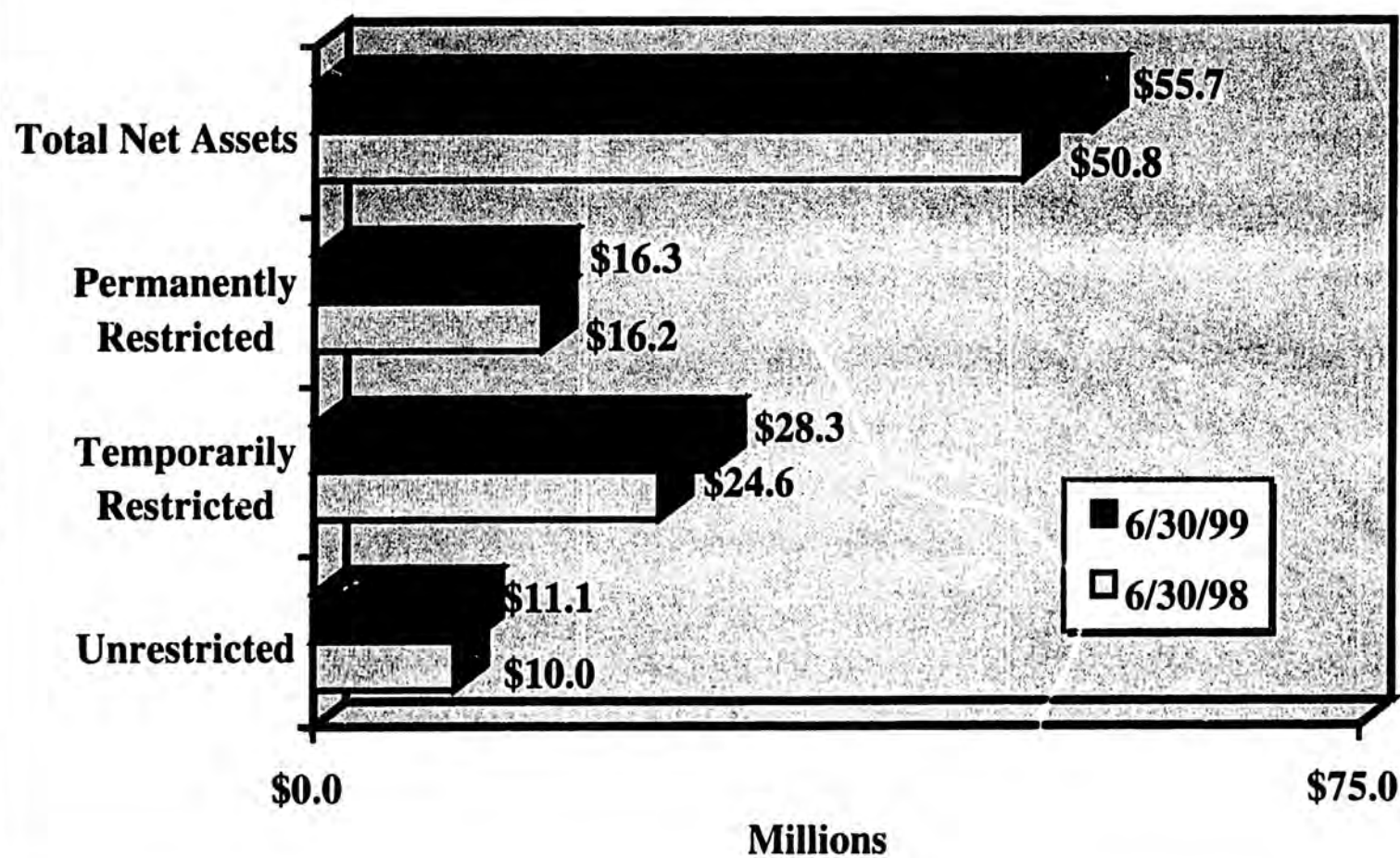
University of Alaska Foundation Total Assets



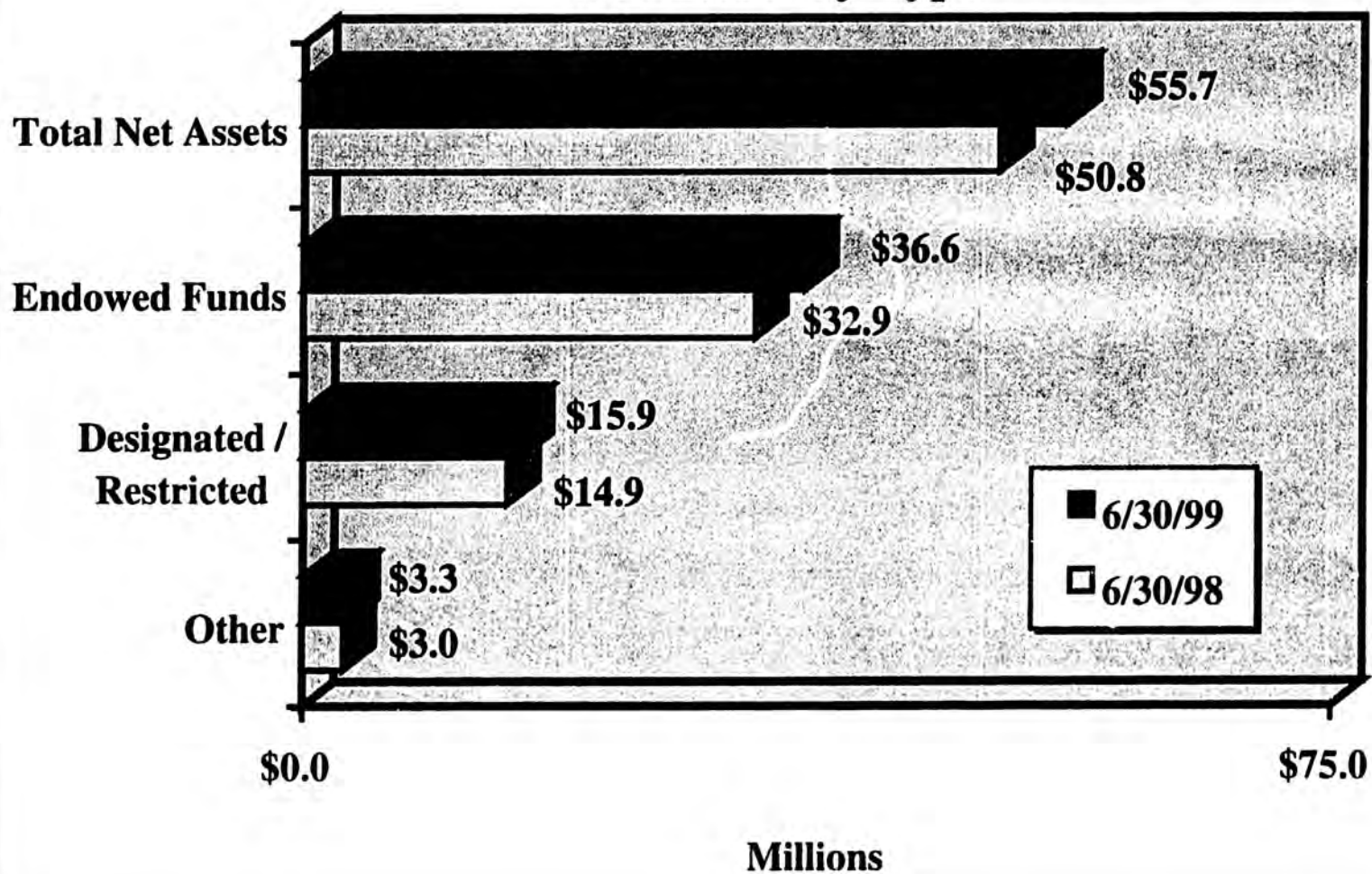
University of Alaska Foundation Liabilities



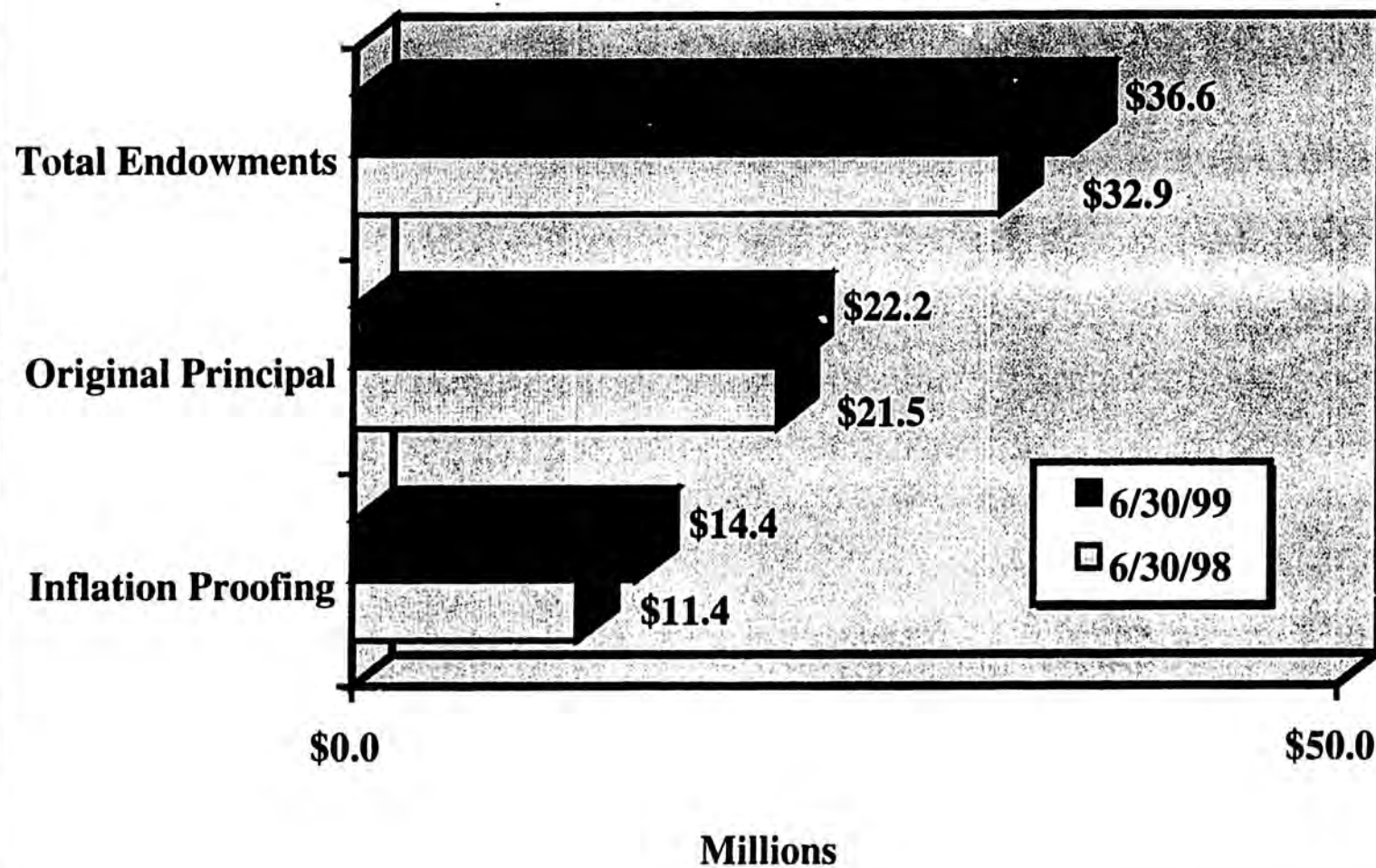
University of Alaska Foundation Net Assets By Classification



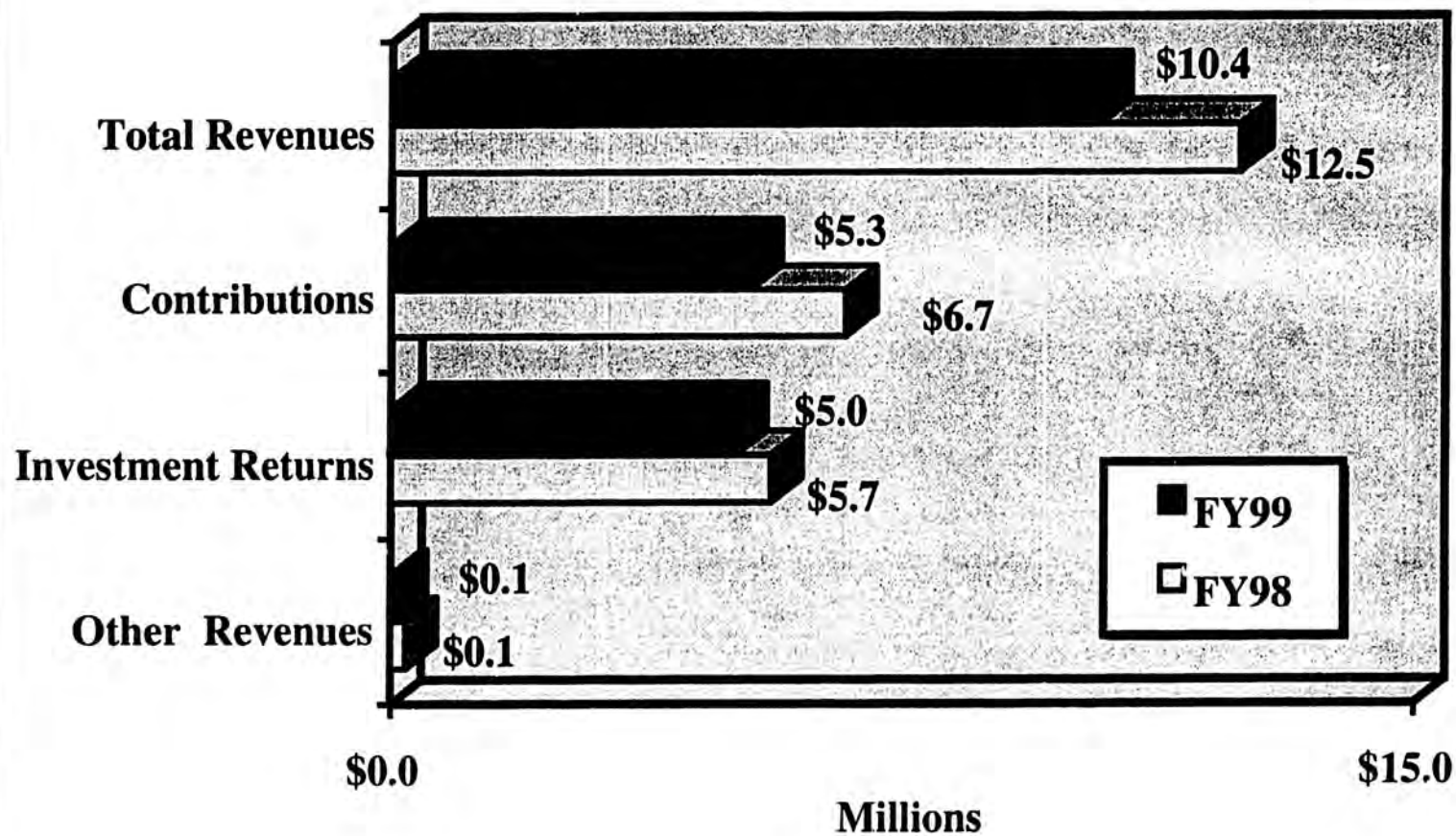
University of Alaska Foundation Net Assets By Type



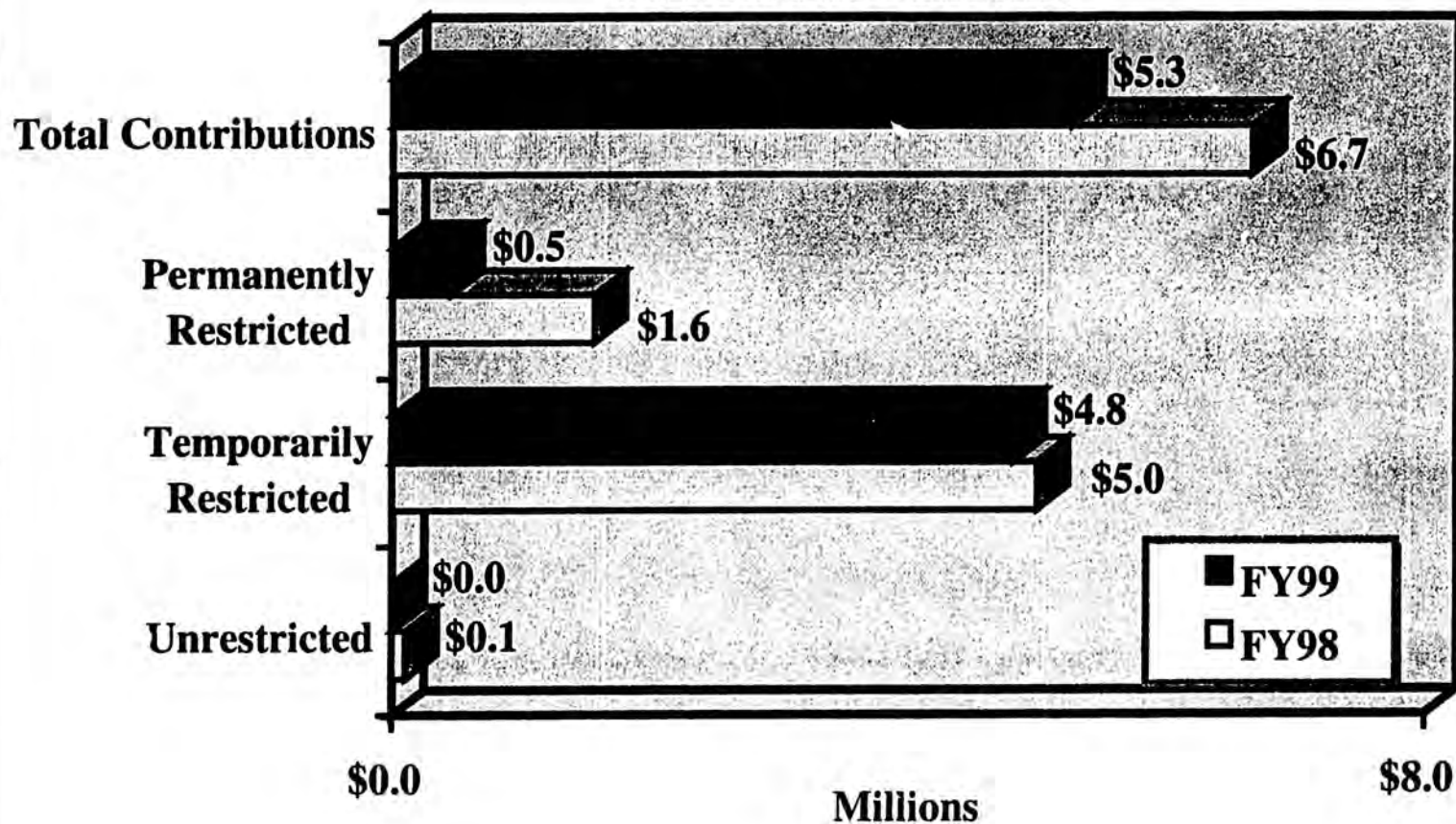
University of Alaska Foundation Endowment Funds



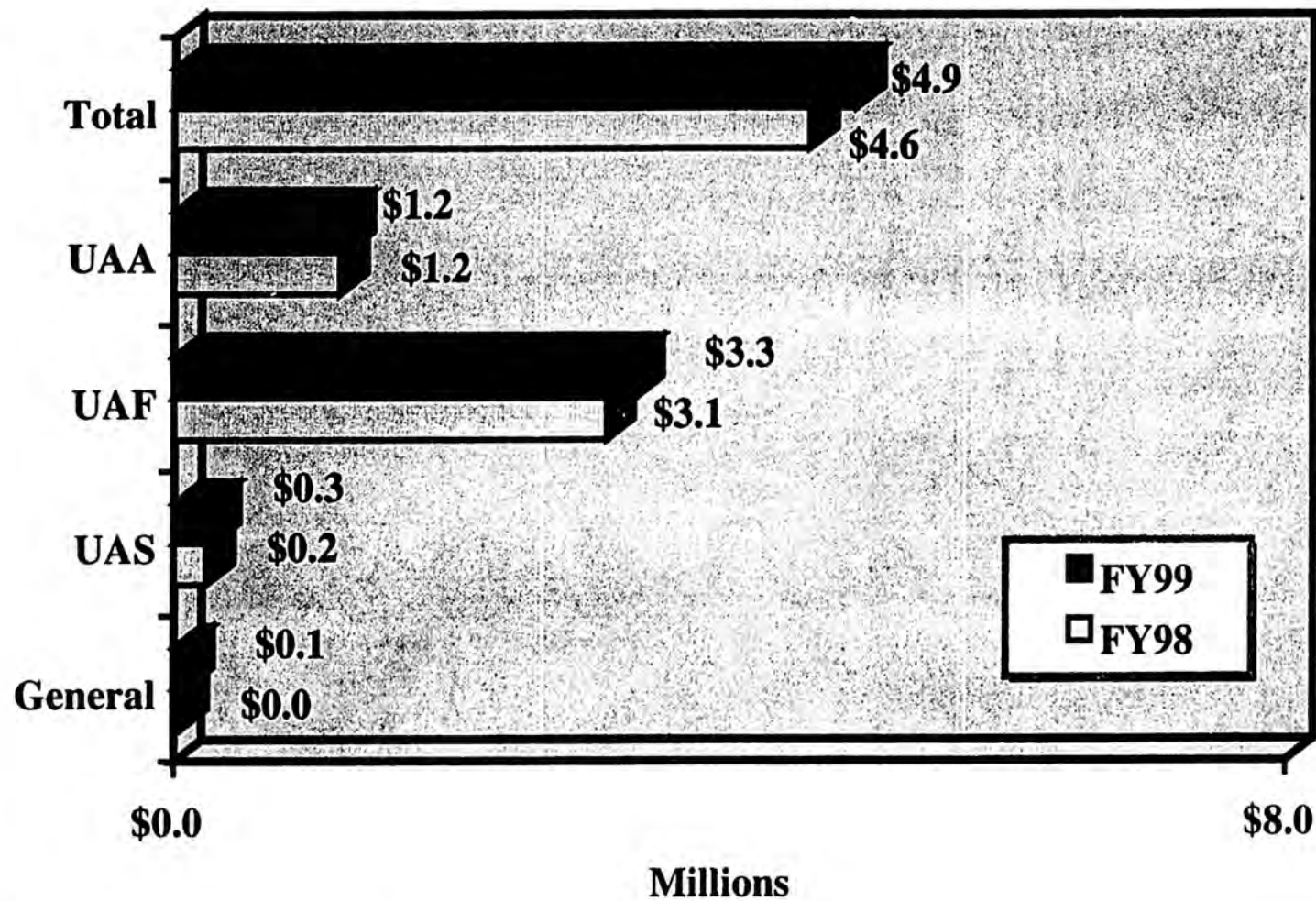
University of Alaska Foundation Total Revenues



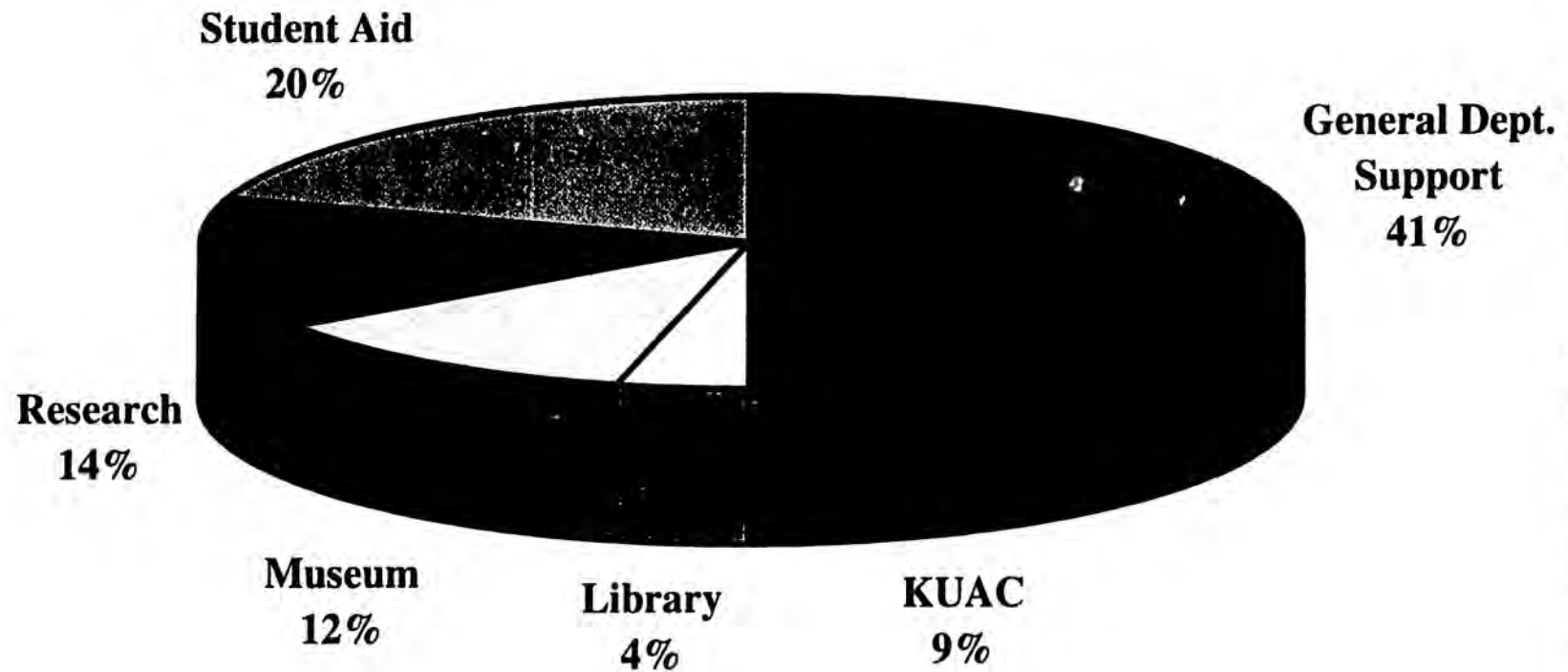
University of Alaska Foundation Contribution Income



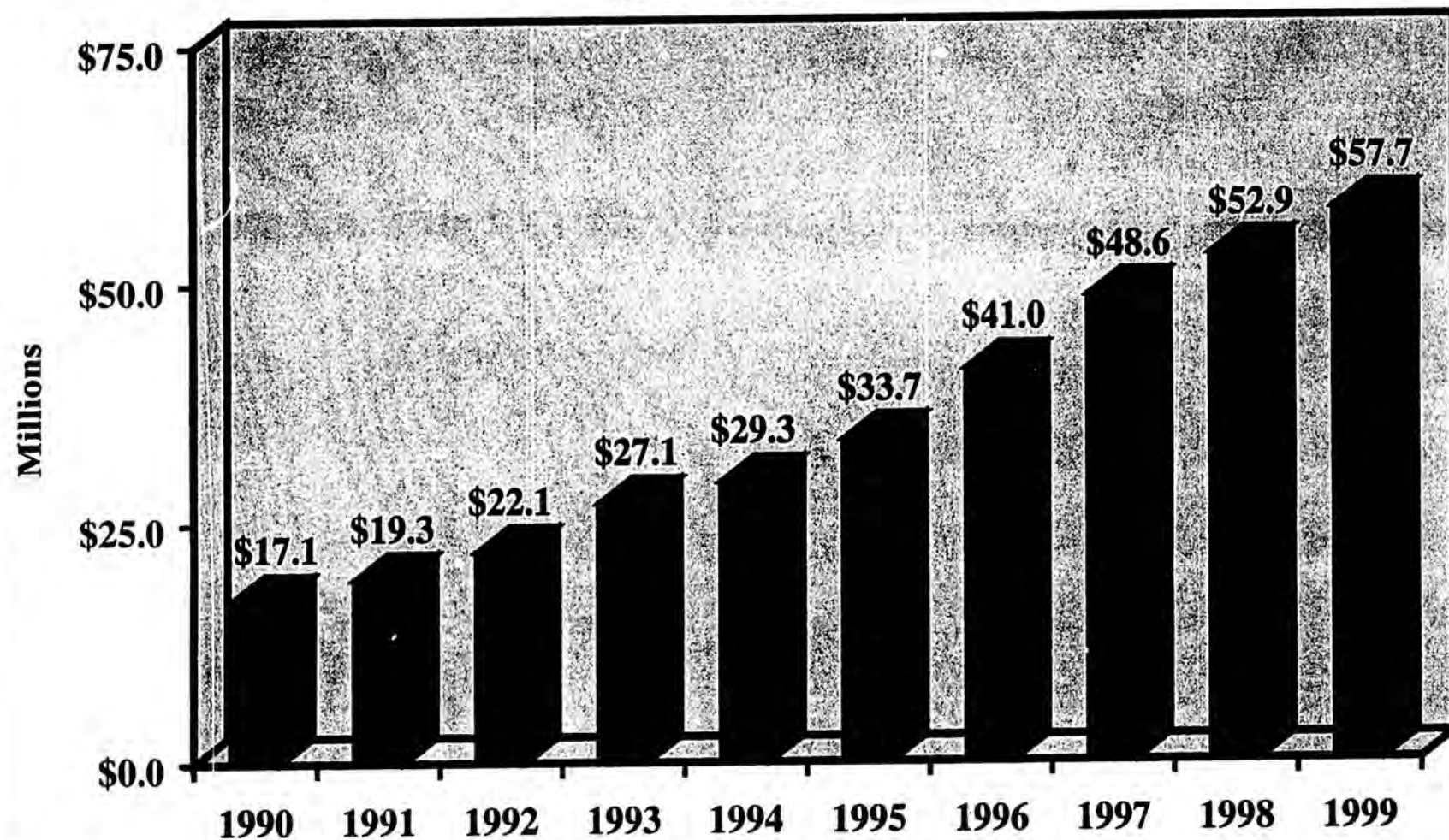
University of Alaska Foundation Distributions



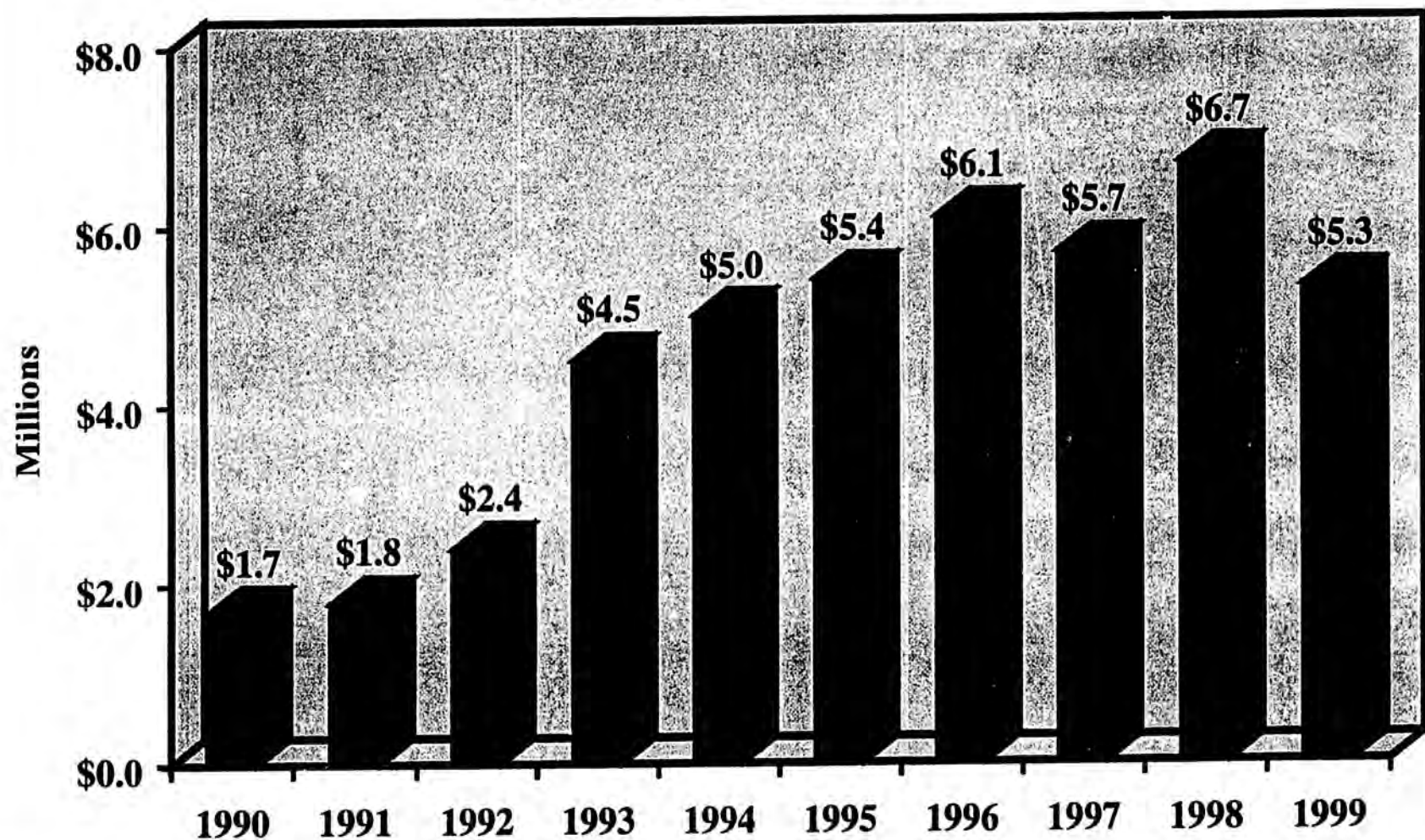
**University of Alaska Foundation
FY99 Distributions on Behalf of the Beneficiary**



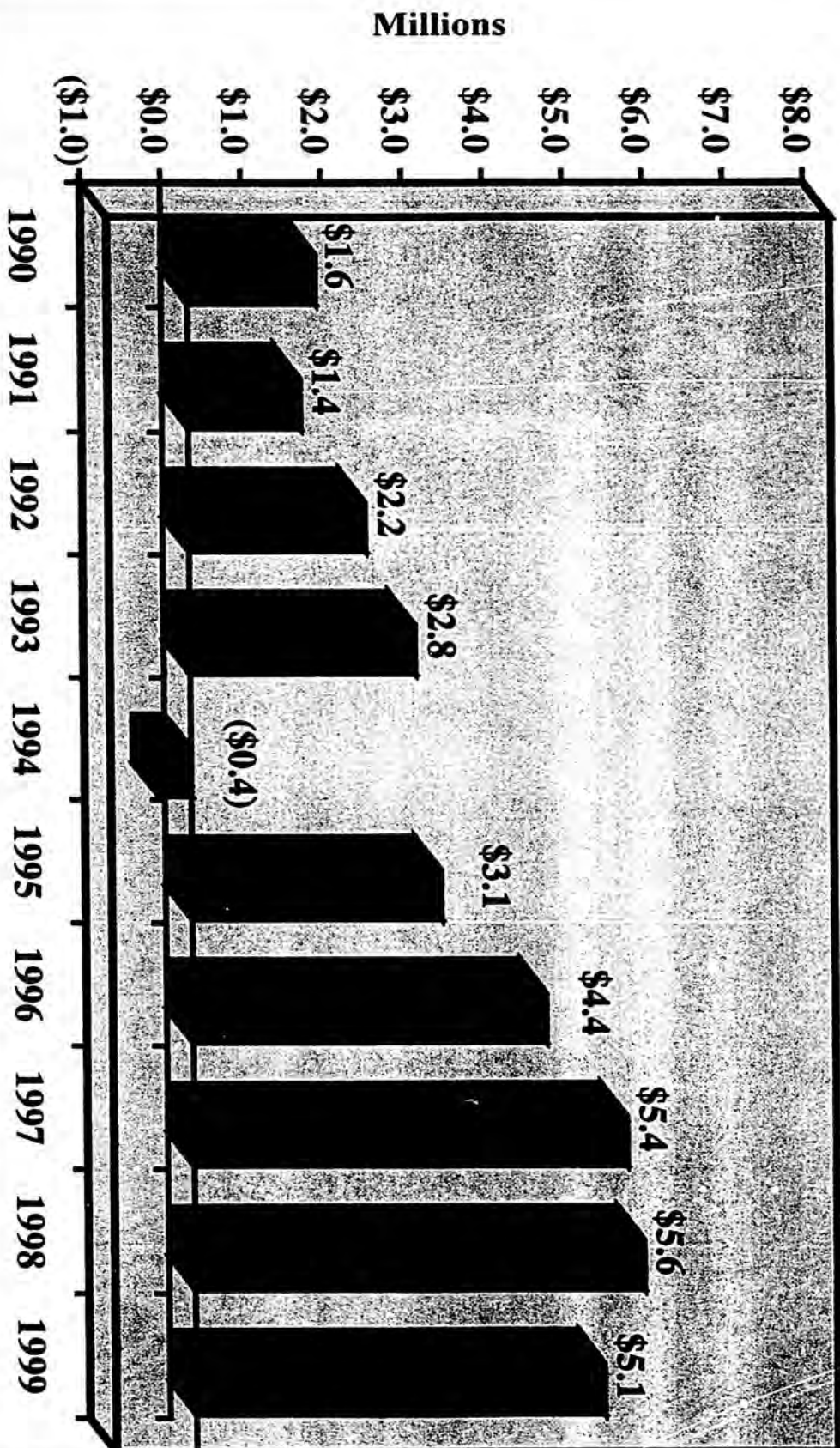
University of Alaska Foundation Total Assets



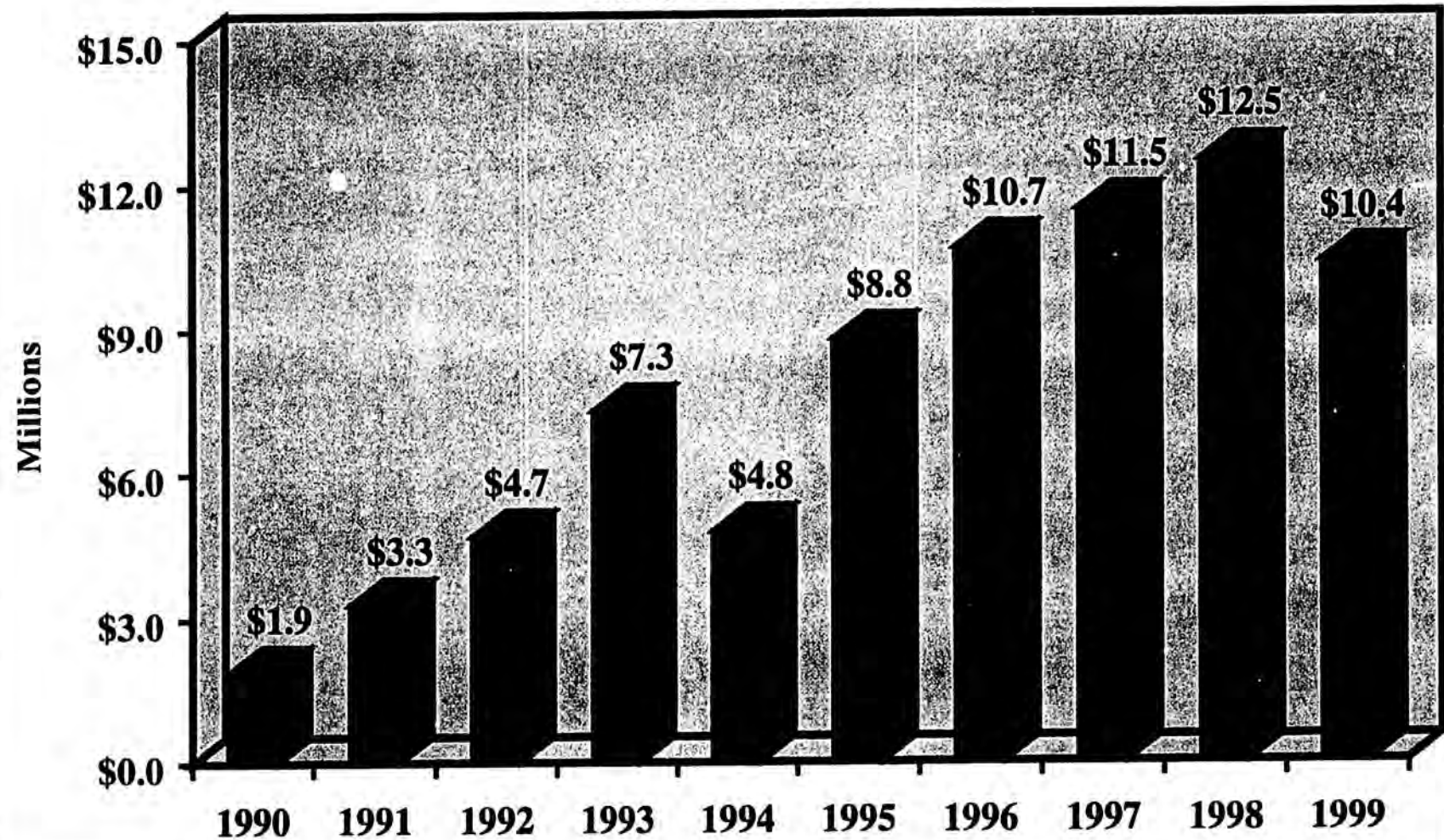
University of Alaska Foundation Contribution Revenues



University of Alaska Foundation Investment Returns



University of Alaska Foundation Total Revenues





and Delivery of Government Services

Co-Chairs:
Representative John Cowdery
Senator Jerry Ward

Senator Al Adams
Bill Allen
Representative Tom Brice
Tom Fink
Michael Harper
Emil Notti
Kathryn Thomas
Don Valesko
George Wuerch

FAX COVER SHEET

To:

Number:

From:

Number:

University of Alaska Subcommittee Membership

Frasca	Cheryl	258-2332	
Allen	Bill	451-7274	Doyon Properties
Andrews	Eleanor	279-2757	The Andrews Group
Brice	Tom	451-9293	Alaska State Legislature - House
Curwen-Boyles	Rhonda	451-7894	Fairbanks Chamber of Commerce
Fink	Tom	279-2566	
Fredricks	Jan	274-9524	Small Business Development Center
Jensen	Wayne	586-3959	Jensen Yorba Lott, Inc. Architects
Porter	Steve	451-0099	ARCO - FBKS
Price	Wayne	562-6641	Energy Masters International
Redman	Wendy	474-7570	University of Alaska - Contact Individual
Usara	Nancy	561-4857	AK USA Federal Credit Union
Wallace	Chick	456-8329	
Wilson	Tom	332-0030	

Date:

Oct 19, 99

Time:

4:10 PM

Subject:

Forwarded per the request of
Cheryl Frasca.

of pages including cover:

5

Notes:

Subcommittee Meeting

Oct 20th
10:00 am



Doyon Properties, Inc.

Corporate Office
 Jimmy Huntington Building
 714 Fourth Avenue, Suite 302B
 Fairbanks, Alaska 99701
 Phone: (907) 459-2100
 Fax: (907) 451-7274
 E-mail: dpi@doyon.com

October 18, 1999

Mr. Virgil Norton, Chair
 Commission on Privatization and Delivery of Government Services
 Department of Environmental Conservation Sub Committee
 State of Alaska

Dear Mr. Chairman and Members of the DEC Sub Committee:

Enclosed please find suggested statutory language which, if implemented, would provide guidance to interested parties attempting to privatize previously unregulated government owned utilities.

The national trend toward utility privatization is now very evident in Alaska. The recent sale of the Fairbanks utilities to four private companies was accomplished two years ago. The Air Force has recently requested proposals on seven Alaskan locations, the University of Alaska-Fairbanks utilities are receiving much interest, and other communities are exploring privatization options.

Unfortunately current Alaska statutes are unclear regarding transactions requiring two party negotiations due to the absence of the rate base values available to economically regulated utilities. This lack of regulatory clarity can be a costly deterrent to the successful completion of such efforts. Other states have included clarification for privatization in their regulatory statutes.

Due to the current level of activity, a privatization amendment should be addressed by the next legislative session. My purpose in advancing this matter to the DEC subcommittee is to make the committee aware of the need for a statute change providing the state regulatory agency guidance in these matters. The enclosed paper provides detailed background, however, should you need additional information, please do not hesitate to contact me.

Yours truly,

B.B. Allen
 Commissioner
 Commission on Privatization
 And Delivery of Government Services

Cc: Commission on Privatization and Delivery of Government Services attn: Commission Members
 Regulatory Commission of Alaska
 University of Alaska, sub committee, attn: Cheryl Frasca

Post-It® Fax Note		7671	Date	# of pages
To	Annette		From	C. Frasca
Co./Dept.			Co.	
Phone #	per my email			
Fax #	269 223			

AJ
 Sales • Leasing • Property Management

PRIVATIZATION AMENDMENT

An amendment to AS 42.05.441 to assist in the privatization of government owned utilities.

The national trend to privatize government owned utilities is growing. The government sector is recognizing that the private sector can more efficiently deliver the utility services. Governments are also recognizing that the utility infrastructure is aging and huge infusions of capital are required to replace worn out facilities or upgrade to accommodate fast-paced technological advances. Traditional methods of capital improvement funding (bonding, appropriations, and grant funding) are not keeping up with the need. The government is concluding that it may be better off as a utility customer, as opposed to an owner.

The federal government is currently in the process of considering the privatization of the utility services on all military installations within the State of Alaska including telephone, electricity, gas, sewer, and water. As part of that process the military will be examining a variety of different mechanism for privatizing its utilities. Placing the utilities under the umbrella of the Regulatory Commission of Alaska should be encouraged, not discouraged. There are potential benefits from economies of scale to not only the military, but also to customers of any towns or cities in close proximity to the military utilities being privatized. For those mutual benefits to be realized regulation is almost certainly required. In addition, the conditions are right for utilities owned by Alaskan (or the State) to be privatized. Alaskan municipalities have already sold (or attempted to sell) utilities to the private sector. The State has formed the Privatization Committee and is looking a variety of services to be transferred to the private sector. Like the military, these entities would be benefited by this amendment.

In general, privatization will involve the sale of a utility or utility property by the government pursuant to a contract (with voter ratification in the case of a municipality). It is anticipated that the Regulatory Commission of Alaska (formerly the Alaska Public Utilities Commission) will be involved in the approval process required by most privatizations. When the Commission is required to approve utility rates for the newly privatized utilities, the value of the utility property, used and useful in providing service to the customers, must be established.

The situations involving privatization which are likely to come before the Commission will involve utilities that previously have not been regulated, for instance, none of the military bases currently up for privatization are regulated utilities. That is, the utility rates (if rates even exist) have not been subject to approval or regulation by the Commission. The initial rates to be charged after privatization are typically negotiated at arms

length between the seller (now the customer) and the buyer. Furthermore, governmental agencies that own utilities may not maintain the types of records that track the value of utility property in the same manner as a regulated utility. For instance, in many Alaskan communities, nobody even knows what components are installed in the systems (not even the State of Alaska that funded and oversaw the installations). In these situations, the parties may not even know what the original cost or depreciated basis of the utility property might be. If the value of existing utility property is unknown, or uncertain, the parties must address the value in their contract, because the value is necessary to determine rates in the future.

Currently, the statute which addresses the value of utility property for rate making purposes provides "...the commission shall be guided by the acquisition cost or, if lower, the original cost of the property...less accrued depreciation". This statute is more applicable to situations involving regulated utilities where the utility property has been acquired, and depreciated over time, using standard utility accounting methods. The statute provides no specific direction to the Regulatory Commission regarding the privatization of military or other government owned utilities which are currently exempt from economic regulation or if the value of the utility property is unknown or uncertain.

Furthermore, although the phrase "guided by" in the existing statute gives the commission discretion to adjust the value of utility property, the existing statute is silent on the ability of the selling governmental entity and the buyer to negotiate an arm's length value of the utility property for the purpose of determining rates. Given the potential for a particular utility to require large infusions of capital to repair or upgrade systems, the governmental seller (i.e. the eventual customer) should be allowed latitude to determine an appropriate value of the utility property under the circumstances of the individual utility privatization. Both the seller (as the eventual customer) and the buyer (as the utility owner) have a strong and coincident interest in reaching a fair value for the utility property, since that value will form the basis (in part) for future rates.

The amendment also will allow governmental utility owners to more easily sell utilities that were previously unregulated as to rates, and therefore may not have continuing property records or a value of utility property determined according to the Commission's standard methods. In these cases, the cost of reconstructing the value using standard utility accounting may out-weigh the benefits to the seller and the buyer. An arm's length agreement negotiated by a governmental seller (and in the case of a municipality, an agreement approved by the voters), should be accorded deference.

This amendment removes an impediment to privatization by giving presumptive effect to the parties agreement. Under the amendment, when privatization of government owned facilities is

authorized the governmental entity's agreement as to the value of utility property for the purpose of determining rates should be respected. It is similar to that action taken by the federal government in Executive Order 12803 issued by President Bush which directed government agencies to be flexible in assisting the privatization of federally funded facilities.

The amendment preserves the Regulatory Commission's ultimate authority to assure that the contracts are consistent with the best interest of the public. At the same time the amendment recognizes the benefit of allowing the military, locally elected officials, voters, and authorized governmental entities, who will be the eventual customer, the ability to determine for their community and agency what is in their own best interest.

The amendment also may eliminate the expense of unnecessary protracted regulatory proceedings which divert regulatory energy and resources from other pending responsibilities.

A governmental seller and the buyer should be allowed to negotiate a value of utility property. A governmental seller is more likely to receive full and fair value for their utilities and/or fair rates structured to fit their need if the selling entity and the buyer have greater confidence that the negotiated contracts will be approved.

The amendment modifies paragraph (b) of the existing statute by referencing a new paragraph (d) which embodies the proposed language.

AS 42.05.441 Valuation of property of a public utility.

- (b) Except as provided in (d), in determining the value for rate making purposes of public utility property used and useful in rendering service, the commission shall be guided by acquisition cost or, if lower, the original cost of the property to the person first devoting it to public service, less accrued depreciation, plus materials and supplies and a reasonable allowance for cash working capital when required.
- (d) In determining the value for rate making purposes of public utility property used and useful in rendering service to the public when owned by the State of Alaska, Federal agency, or Alaskan municipality public utility property which is sold or transferred pursuant to a written agreement (and, in the case of a municipality approved by the voters of the municipality), the Commission shall be guided by the value of the public utility property set forth in the agreement.

TRANSACTION REPORT

P. 01

OCT-19-1999 TUE 05:06 PM

BROADCAST

DATE	START	RECEIVER	TX TIME	PAGES	TYPE	NOTE	M#	DP
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	04:27 PM	919074519293	2' 27"	5	SEND	OK	436	
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TOTAL : 30M 29S PAGES: 60



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Co-Chairs:
Representative John Cowdery
Senator Jerry Ward

Senator Al Adams
Bill Allen
Representative Tom Brice
Tom Fink
Michael Harper
Emil Norti
Kathryn Thomas
Don Valesko
George Wuerch

FAX COVER SHEET

To:

Number:

From:

University of Alaska Subcommittee Membership			
Frasoa	Cheryl	255-2332	
Allen	Bill	451-7274	Doyon Properties
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Fredericks	Jan	274-9524	Small Business Development Center
Jensen	Wayne	586-3959	Jensen Yorba Lott, Inc. Architects
Porter	Steve	451-0099	ARCO - FBKS
Price	Wayne	582-6641	Energy Masters International
Redman	Wendy	474-7570	University of Alaska - Contact Individual
Users	Nancy	561-4857	AK USA Federal Credit Union
Wallace	Chick	456-8329	

VA Privatization Subcommittee

Additional information requested

1. Remote campuses
 - a) chronology of establishment
 - b) funding levels over time
 - c) degrees / # students
 - a) changes over time in delivery of services / programs offered
2. Statistical data
3. Distance Education
 - a) current offerings, trends
 - b) cost / benefit
 - c) # students
4. Level of VA resources (money, space) used for development courses)

50% of students need remedial courses in math, english, science
5. VA mission statement
 - a) Board of Regents
 - b) SB 169
6. Land grant administration
 - a) management goals, revenue generated
 - b) business plan / practices and potential to expand
7. If current funding remains flat, what will it mean? especially in light of six new program areas)

UA Privatization Subcommittee

Potential areas for privatization

1. UAF utilities
 2. conference / special events management
 3. Delivery of services to remote campuses
 4. housing
 5. bookstores
- } currently under evaluation

UNIVERSITY OF ALASKA ANCHORAGE

REQUEST FOR INFORMATION

THE UNIVERSITY MAY ISSUE A REQUEST FOR PROPOSAL AFTER FEASIBILITY OF PRIVATE DEVELOPMENT OPTIONS HAVE BEEN THOROUGHLY REVIEWED

SCOPE:

The University of Alaska Anchorage is requesting information and proposed options for the development of on-campus student housing. The University's intent is to determine what options may exist, the feasibility, and advantages/disadvantages in contracting with a private developer to provide residential units on university property. The University shall take into account the goals and objectives of the campus when determining which options are feasible. The University procurement officer shall be the sole determining agent in accepting or rejecting any proposed ideas or options.

Upon review of the responses submitted to this request, the University may issue a formal request for proposal outlining specific options that are acceptable OR the University may determine that developer options are not suitable to the needs of the University and continue to pursue other sources of funding for the development of on-campus housing.

BACKGROUND:

Current Student Housing Facilities

The University of Alaska Anchorage is the state's largest and most comprehensive university. It is dedicated to fulfilling its mission by serving the people of Alaska through instruction, research and public service. The Anchorage campus serves approximately 13,500 students and 1,654 faculty and staff members per semester. See attachment 1 for student demographics.

Two apartment-style residential facilities exist at the University of Alaska Anchorage for students at the Anchorage campus: the Main Apartment Complex (MAC) and the Templewood condominiums. The Main Apartment Complex on Sharon Gagnon Lane was funded in FY 84 by capital appropriation. The purchase of Templewood condominiums, formerly privately-owned residences located at 4000 Bragaw Street, was recently completed when the last unit became available on the market. The complete UAA housing inventory consists of ninety-six apartments housing a total of 388 full-time students (four per apartment). Each apartment is fully furnished to include a bedroom for each occupant, shared living room, dining room, kitchen, and bath. Telephone and cable televisions are provided in the living room of each apartment. Residents have the option to contract for private bedroom telephones and/or additional

cable services. The Commons, a resident student recreation center, features a television lounge, game room, vending machines, and a meeting room. It is located along with coin-operated laundry facilities in the Main Apartment Complex. UAA houses only 2.5% of its full-time students at these two facilities.

Demand for Student Housing

Traditional full-time student enrollment and hence the demand for on-campus housing continue to increase. The present student housing facilities opened with full occupancy in 1986 and have continued to operate at capacity. Presently there are six-hundred (600) students who have paid a \$25.00 application fee who will be denied campus housing for Fall 1994. The number of students who express interest in living on campus, but are discouraged by the dismal prospects of being granted a housing space is even greater. According to a student survey conducted in FY 93 the demand for residence housing exceeds 2,000 beds. The rapidly changing student body reflects greater percentages of younger full-time students and an influx of Alaska natives coming to UAA. These factors provide some contribution to the critical demand for housing. Students currently pay \$1250/semester at the Main Apartment Complex and \$1400/semester at Templewood. There is no food service plan. Upon completion of a dining facility all students in the newly developed housing will be required to purchase a meal plan. The University will provide an option for students housed in campus apartments to purchase meal plans.

OPPORTUNITIES FOR FUTURE:

Proposed Location of New Housing

The University proposes to have new student housing located anywhere the developer finds feasible. The University may provide UAA owned land or consider any other locations. The shaded areas found on attachment two may be utilized for additional student housing. The vacant areas (shaded) are large enough to accommodate varying proposals for location, positioning for views, and parking. Utilities are located in the Bragaw Street right of way. This land is zoned for student and/or multi family housing. UAA Facilities Planning and Construction has applied for rezoning of the area to PLI for general use and this process should be completed in early September.

Description of Need

The University of Alaska Anchorage needs additional affordable student housing and a food service facility. The University has been unable to obtain state appropriations to fund additional on-campus housing and food service facilities. Consequently, the University seeks opportunities with developers to bring private funds to finance, build, & operate student housing and dining facilities on University land. Developers are invited to provide any creative ideas, concepts, or solutions for long-term on-campus housing.

Any questions regarding the current housing program or any other information needed to submit a response should be directed in writing to the aforementioned address or via fax at 907-786-6519. Telephone questions or verbal requests will not be accepted.

The University has an immediate need for the following scenarios:

1. PRIORITY ONE

Traditional double occupancy dormitory that will accommodate and facilitate all programmatic issues related to residence life. This housing facility must accommodate (at a minimum) resident hall advisors living spaces on each floor and 1 resident director apartment (w/kitchen). Must include food service facility.

2. PRIORITY TWO

Suite style dormitories that will accommodate and facilitate all programmatic issues related to residence life. Suite style dormitories should accommodate at least four students per suite. A suite shall consist of two adjoining bedrooms, a common study/lounge area and shared bathroom facilities. This housing facility must accommodate (at a minimum) resident hall advisors living spaces on each floor and 1 resident director apartment (w/kitchen). Must include food service facility.

3. PRIORITY THREE

Because the University already provides apartment style housing this is the least preferred solution; however, if no other alternatives exist the University shall consider apartment style housing located on or off campus. No food service facility would be required.

The University prefers the following building lay-out for traditional and/or suite style housing accommodations:

- All dormitory rooms be designed around centrally located multi-purpose lounge/study areas.
- Kitchens are not provided in any student living quarters.
- Toilet/shower facilities and study-spaces provided in each room or suite (preferred).
- Approximately 118 sq. feet of living space provided per student.
- Centrally located multi-purpose lounge areas.
- Centrally located laundry facilities.
- Centrally located kitchenette on each floor with space for microwave, refrigerator and stove.

University provided funding for joint-venture opportunities is unlikely for this project. Legal advice will be sought to determine the feasibility of the possibilities listed below. The developer is not limited to the following ideas--the University will review all options submitted.

1. University leases land to a private (for profit) developer who finances, builds, manages, and operates a food service facility and on-campus housing. Developer

may consider nightly rental of accommodations that may be used by University business travellers, conference housing, or the general public. The University pays no money to the developer nor guarantees full occupancy. The project would be financed through student rents within 10% of current market rates (see attachment 3).

2. The University contracts with a private developer to finance, build, operate/manage, and provide full facilities maintenance for on-campus housing and food service facilities.

3. The University leases its land to a private developer who finances and builds on-campus housing and food service facilities. The University leases the housing facility back from the developer during the academic year. The University runs and manages the dormitory facility during that time (approx August 22 - May 15th). The developer utilizes the dormitory facility during the summer months for a hotel-like operation. The developer shares in the cost of housing maintenance and fully operates and manages the food service facility.

Request for Information Content and Submittal:

The submittal shall consist of a narrative description which describes the proposed idea(s) or concept(s). This should include as much detail as necessary to adequately depict the proposed scenario including but not limited to the following questions.

1. Proposed construction (i.e. building structure stick and frame, modular, etc).
2. What would be required from the University to make the project feasible?
3. Will residence life programming needs be addressed? (see attachment 4)
4. Will proposed rents be market based? (attachment 3)
5. What type of funding, tax credits, etc. might be required to attract your firm to this project?
6. Will food service provide three meals per day/seven days per year at affordable market based prices?

Submittal should include a description of the firm, key management or project leaders. A summary of any associated projects which demonstrate the firms ability to conceptualize, develop, construct or operate a solution such as that being proposed.

Number of Copies Required: Two (2) copies of your submittal shall be included.

Submittal due by October 10, 1994 at 5:00 p.m. mail or hand deliver to:

**University of Alaska
Purchasing Department
4500 Diplomacy Drive, Suite 405
Anchorage, AK 99508 Attn: Cynthia Matson**

OFFICIAL SEMESTER SUMMARY
FALL 1993 OPENING
OFFICE OF INSTITUTIONAL RESEARCH
UNIVERSITY OF ALASKA ANCHORAGE

SUMMARY DATA		* ALL CAMPUSES	Anchorage	Kenai	Kodiak	Mat-Su	Military	*Prince Wm
STUDENT HEADCOUNT								
Credit	17,675	13,519	1,598	636	1,281	641	616	
Adult Basic Ed (ABE)	153	80	68	5	0	0	31	
Continuing Ed Units (CEU)	476	476	0	0	0	0	0	
Non-credit	799	656	17	63	63	0	21	
ALL STUDENTS	19,425	14,491	1,663	1,315	1,315	641	652	
CREDIT EQUIVALENCIES								
Credit Hours	139,046	115,112	9,646	2,571	9,215	2,502	2,448	
Audit Hours	855	632	180	5	34	4	37	
ABE Credit Hour Equivalents	0	0	0	0	0	0	0	
Continuing Ed Units	820	820	0	0	0	0	0	
Non-credit Hour Equivalents	834	834	0	0	0	0	0	
TOTAL CREDIT EQUIVALENTS	140,700	116,766	9,646	2,571	9,215	2,502	2,448	
COURSE SECTIONS								
Developmental (050-099)	97	63	14	9	9	2	16	
Lower Division (100-299)	2,000	1,326	252	145	221	56	137	
Upper Division (300-499)	675	609	30	6	27	3	3	
Graduate (500-699)	211	200	4	5	2	0	0	
Adult Basic Ed (ABE)	12	8	3	1	0	0	6	
Continuing Ed Units (CEU)	181	181	0	0	0	0	0	
Non-credit	139	100	8	24	7	0	7	
TOTAL COURSE SECTIONS	3,315	2,487	311	190	266	61	169	
Closed Course Sections	921	828	36	14	36	7	7	
Cancelled Course Sections	200	145	7	18	23	7	18	
Average Class Size	19.2	21.4	13.8	8.9	14.5	13.8	7.9	
CREDIT STUDENT DATA								
Undergraduate FTE	8,905.8	7,333.9	631.9	165.5	607.7	166.8	163.1	
Graduate FTE	454.0	425.3	14.0	7.3	8.3	0.0	0.0	
Full-time Headcount	6,327	5,537	361	47	380	2	78	
Resident	5,631	4,856	357	43	375	0	74	
Resident-Military	392	384	0	4	2	2	0	
Non-Resident	304	297	4	0	3	0	4	
Part-time Headcount	11,348	7,982	1,237	589	901	639	538	
Resident	9,243	6,552	1,216	521	884	70	524	
Resident-Military	1,803	1,172	1	62	1	567	2	
Non-Resident	302	258	20	6	16	2	12	
Full-time as a % of Total	35.8%	41.0%	22.6%	7.4%	29.7%	0.3%	12.7%	

NOTES: *1. All Campuses does not include Prince William Sound.

2. Numbers reflect data extracted from SIS.

3. Headcount includes auditors.

4. Course Sections include cancelled sections.

5. Audit Hours are not included in Total Credit Equivalents.

6. Average Class Size is credit lecture and lecture/lab seatcount divided by credit lecture and lecture/lab sections.

7. Average Class Size does not include cancelled sections.

8. All Students is unduplicated between course types (ABE, CEU, Credit and Non-Credit); however, duplication may occur between campuses.

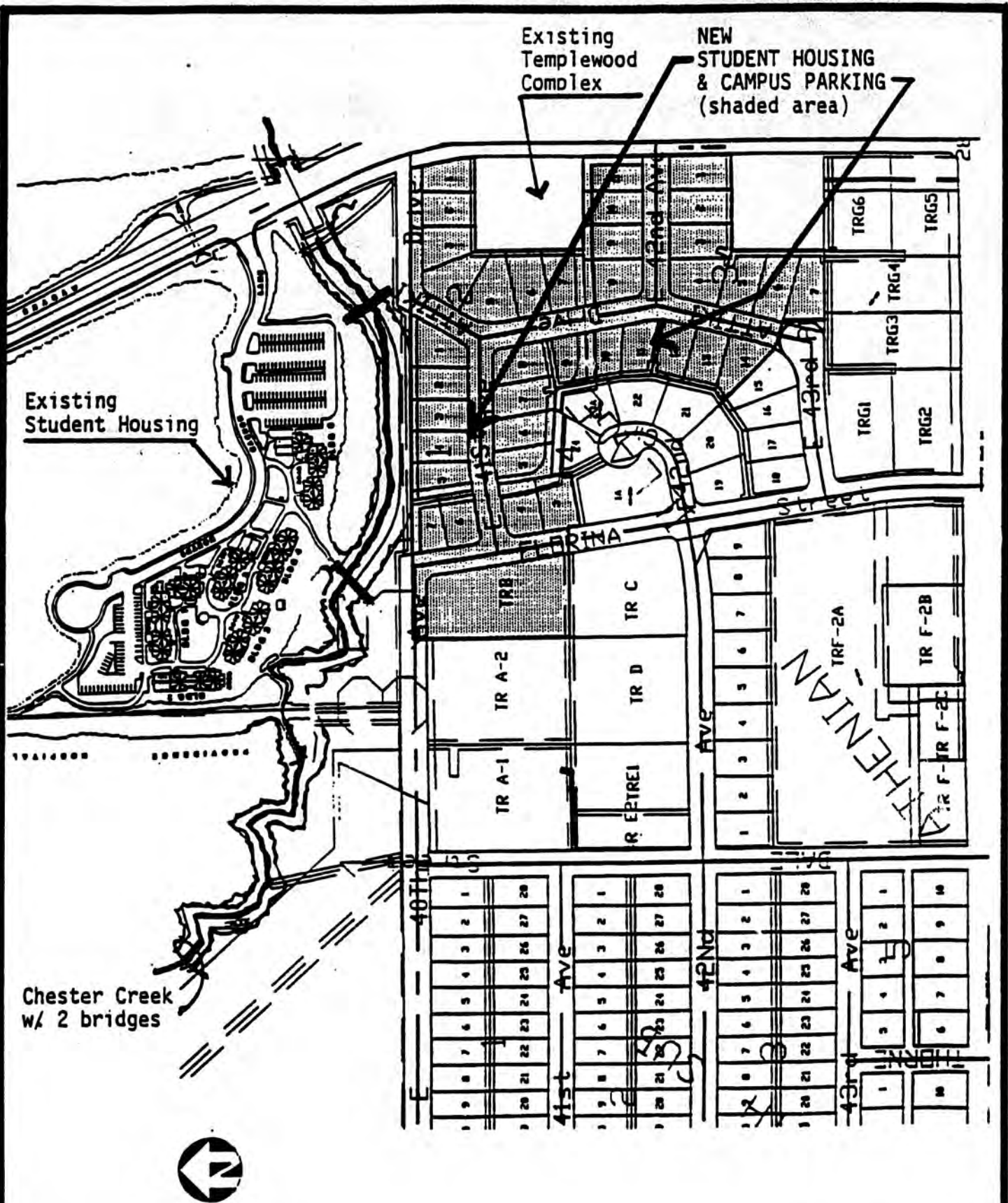
Att Achment 1

OFFICIAL HEADCOUNT REPORT
FALL 1993 OPENING
OFFICE OF INSTITUTIONAL RESEARCH
UNIVERSITY OF ALASKA ANCHORAGE

ANCHORAGE CAMPUS	Total Credit Headcount	Percent Headcount	Undergraduate Headcount	Graduate Headcount	All Students
FULL-TIME					
Male	2,460	18.2%	2,387	73	2,460
Female	3,077	22.8%	2,965	112	3,077
Unspecified	0	0.0%	0	0	0
TOTAL	5,537	41.0%	5,352	185	5,537
PART-TIME					
Male	3,094	22.9%	2,947	147	3,439
Female	4,888	36.2%	4,691	197	5,505
Unspecified	0	0.0%	0	0	10
TOTAL	7,982	59.0%	7,638	344	8,954
HEADCOUNT TOTAL	13,519	100.0%	12,990	529	14,491
GENDER					
Male	5,554	41.1%	5,334	220	5,899
Female	7,965	58.9%	7,656	309	8,582
Unspecified	0	0.0%	0	0	10
TOTAL	13,519	100.0%	12,990	529	14,491
RACE					
African American	816	6.0%	807	9	840
Alaska Native	628	4.6%	624	4	849
American Indian	195	1.4%	192	3	206
Hispanic	409	3.0%	404	5	448
Other	266	2.0%	256	10	305
Pacific	541	4.0%	520	21	579
White	10,614	78.5%	10,139	475	11,394
Unspecified	50	0.4%	48	2	70
TOTAL	13,519	100.0%	12,990	529	14,491
AGE GROUPS					
19 - under	1,559	11.5%	1,559	0	1,584
20-24	3,669	27.1%	3,633	36	3,722
25-29	2,202	16.3%	2,109	93	2,294
30-34	1,918	14.2%	1,816	102	2,053
35-39	1,662	12.3%	1,557	105	1,828
40-44	1,240	9.2%	1,139	101	1,371
45-49	666	4.9%	602	64	792
50-54	301	2.2%	284	17	391
55-59	103	0.8%	97	6	158
60 - over	162	1.2%	157	5	215
Unspecified	37	0.3%	37	0	85
TOTAL	13,519	100.0%	12,990	529	14,491

MEDIAN AGE: 27

1. Credit Headcount includes students enrolled in credit courses at the 050 level and above, with auditors.
2. All Students is unduplicated between course types (ABE, CEU, Credit and Non-Credit).



Attachment 2

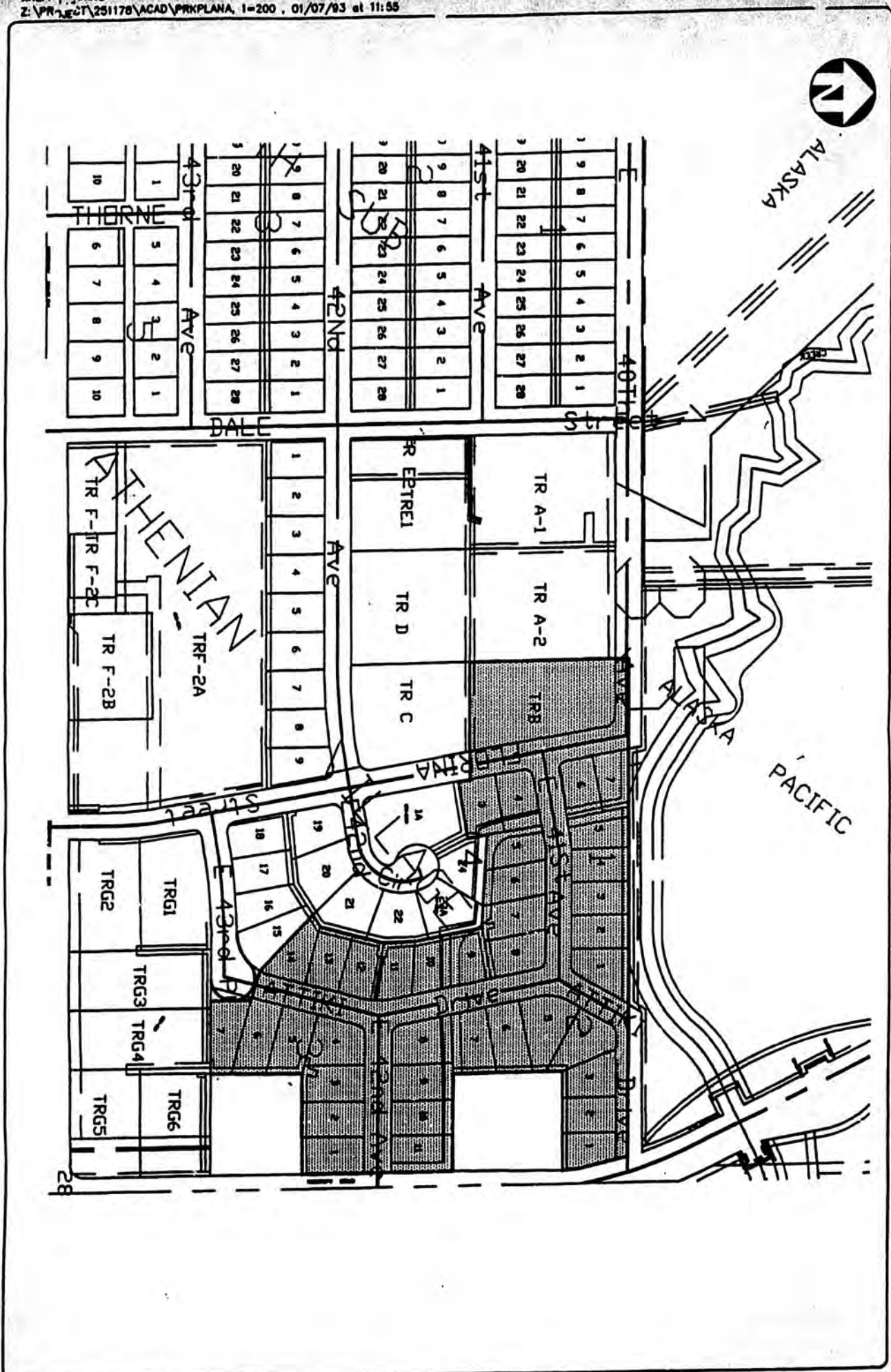
FACILITIES INVENTORY SITE PLAN



UNIVERSITY
OF
ALASKA
OFFICE OF FACILITIES
PLANNING & CONSTRUCTION

Project No.	10000000
Date	10/20/00
Project Name	
Project Location	
Project Status	

UAA STUDENT HOUSING
UNIVERSITY OF ALASKA, ANCHORAGE
1 of 1



OWN: NKG
CKD: DRL
DATE: 1/7/93
SCALE: 1"=200'

R&M CONSULTANTS, INC.
ENGINEERS GEOLOGISTS SURVEYORS TESTERS
PLANNERS COMPUTER SERVICES
2000 Vanguard Drive, Anchorage, Alaska 99507 (907) 552-1707

UAA SATELLITE PARKING
LOT PLAN

FB:
GRID: 1735
PROJ.NO: 251178
DWG.NO: 1

Residence Life at the University of Alaska Anchorage

Residence Life provides living accommodations, services, activities, and co-curricular educational opportunities to University of Alaska Anchorage students living on campus. The department is staffed by full-time Student Affairs professionals and student para-professionals to assist resident students in succeeding with their academic goals.

Current Services Provided by Residence Life

- Residence Hall contracts and room assignments
- Damage billing and billing appeals
- Mail and package services
- Telephones
- Cable television
- Laundry facilities and services
- Residential computer lab
- Maintenance services, including preventative maintenance, work order response, emergency repairs, and liaison services to UAA Physical Plant and local contractors
- Financial services pertaining to University student accounts, including financial aid, scholarships, grants, accounts receivable, and debt collection.
- Roommate conflict mediation
- Responses to inquiries by families and other concerned parties
- Student discipline provided for under the University Student Code of Conduct
- Referral services to academic support agencies on campus, including academic departments, Disability Support Services, Advising and Counseling and Enrollment Services
- Two levels of trained on-call staff (student and professional), 24 hours per day, 365 days per year for emergency response and security monitoring
- Referral services to University Police, Anchorage Police Department, and other emergency services provided by the Municipality

Activities Sponsored by Residence Life

The Residence Life program provides year-round activities and workshops for resident students, including:

- Fall and Winter Welcome Weeks (events to orient students to UAA & Anchorage)
- Monthly theme program series, addressing college survival skills, alcohol awareness, multiculturalism, interpersonal relationships, sexuality, academic success, career planning, health, and safety issues.
- Weekly movie series
- Student governance activities, including the Residence Hall Association
- Leadership development training programs and activities

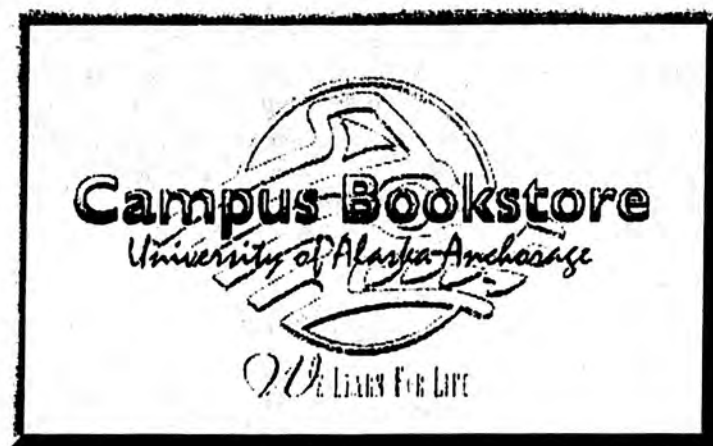
Residence Hall Staff

Within on-campus housing facilities, live-in staff accommodations are as follows:

- Resident Director staff are generally provided in proportions of 1 for every 200 students. Their accommodations are standardly 2 bedroom apartments within the facility with small kitchens, living rooms, and office spaces.
- Resident Advisors are student leaders that are directly responsible for each group living unit within the residence hall structure (i.e. floor, wing, corridor etc.). Their accommodations are generally a single or double room located for maximum accessibility by the residents of the group living unit.

We are eager to work with a private developer to expand the number of University of Alaska Anchorage students served by Residence Life.

Attachment 4



University of Alaska Anchorage

Review of Campus Bookstore Operations

By Cynthia Matson



EXECUTIVE SUMMARY

Across the nation, it is in vogue to review campus bookstore operations: self-operation vs. outsourcing. University administrators are asking, "What's the right answer for our operation?" As the higher education industry continues to grow, while funding continues to diminish, it is important to examine each facet of the resources available to support institutional needs. This review commenced approximately one year ago and consisted of an indepth operational and financial analysis of operations. As part of the effort to review cost-effectiveness and long-term viability, the University of Alaska Anchorage (UAA) Campus Bookstore has undergone a thorough overview review that incorporates:

- an industry-wide environmental scan
- an assessment of the higher education and college bookstore market
- an indepth analysis of existing operations
- a comparative analysis of one other option available for college store management

My recommendation is for UAA to continue to manage and operate an institutionally owned store. Currently, the store is a cost-recovery operation because it does not receive any general fund appropriations. It has successfully built a strong infrastructure to support UAA. Undoubtedly, there are a variety of areas that could use improvement, and they are further detailed in this report. Over the course of this year, the store participated in a variety of self-assessment tools from the National Association of College Stores (NACS), including the annual 1997-98 financial survey (a benchmarking tool), specialized bookstore seminars, and a variety of survey instruments (including a faculty review).

Highlights of the recent efforts made by UAA to improve its fiscal and operational goals include:

- reorganization of its existing staff
- increasing mark-ons and product-mix in non-text areas
- planned markdowns
- creative promotional planning
- development of an interactive web-site that offers much needed textbook information
- participation in the national Camex trade show and retail conference

Another viable alternative explored is contract management. A *Request for Information* was issued to established entities in the college store industry. Of the information received, numerous discussions were held with Barnes and Noble regarding the operational and financial aspects their company could offer. A summary of their information is included in this analysis.

Contract management, if pursued, would provide a net annual financial contribution of approximately \$48,078 per year and a one-time facilities renovation of approximately \$400,000. Under this option, all existing Campus Bookstore staff would be

displaced and the direct annual cost increase to students would be approximately \$260,000. I do not believe this option is viable because the costs to students and displaced staff far outweigh the benefits (in this case, a net annual gain of \$48,078).

The net \$260,000 detriment from this option reflects the magnitude of price increases that students would face for their textbooks alone. Marginal freight cost reductions under the outsourced scenario do not offset the overall cost increase. A profit-center operation would need a minimum of a 30% mark-on for all textbooks, compared to UAA's average 21.4% (see table below). This results in a direct increase in retail price that students would be forced to absorb.

Comparison of UAA Bookstore Prices vs. Contract Operation Prices

Department	Average Institutional Margin (after markdowns)	Average Contract Managed Margin-Range (after markdowns)	Retail Price at Bookstore for \$10.00 cost	Retail Price at Contract Operation for \$10.00 cost
New Textbooks	21.4%	30%	\$12.73	\$14.29
Used Textbooks	31%	35%	\$14.49	\$15.39
General Books	26%	45%	\$13.51	\$18.18
Student Supplies	38%	40 - 60%	\$13.62	\$20.00
Clothing	42%	45 - 60%	\$17.24	\$20.00
Food and Sundries	27%	35 - 40%	\$13.69	\$16.12
Misc. Gifts, music, etc.	38%	40 - 60%	\$13.62	\$20.00

Top Selling Textbooks -- Price Comparison

Textbook Title	UAA Retail (New) Fall 97	B&N Retail via Web-site	Amazon Retail via Internet
Human Communication	\$38.70	\$40.75	\$38.60
College Algebra	\$70.35	\$72.75	\$73.95
Biology	\$69.90	\$68.00	\$68.00
Intermediate Algebra	\$68.35	\$70.75	\$65.95
Writer's Brief	\$26.00	\$27.00	\$29.66

With the appropriate leadership, the college bookstore could grow to be a significant asset to UAA. As UAA makes a significant effort to attract first-time, full-time freshman, it is critical to support its core infrastructure, like the bookstore. It is noteworthy to indicate that the bookstore is receiving strong satisfactory remarks from its existing faculty and students. The ability to serve student-customers in a low-cost manner makes the entire university a better value. The bookstore is in a unique position to serve the campus-wide strategic initiatives through community-wide promotion of UAA insignia items, university authors, and other special-interest events. The Campus Bookstore is 'developing' into an asset for UAA. I wholeheartedly recommend that UAA maintain an institutionally operated store.

LIST OF EXHIBITS

• Comparison of UAA Bookstore Prices vs. Contract Operation Prices	Page 2
• Top Selling Textbooks – Price Comparison	Page 2
• Course Sections, Fall 1996 – Fall 1997	Page 6
• 1996 Sales Volume of College Stores	Page 11
• Number of Institutions and Enrollments by Status, Age, and Type of Institution	Page 13
• Projected Enrollment in Higher Education Institutions by Gender and Enrollment Status – 2007	Page 14
• Average Fixed Charges for Undergraduates, 1997 – 1998	Page 16
• Average Expenses in Non-Fixed Budget Components, 1997 – 1998	Page 17
• UAA Bookstore Sales by Category	Page 23
• UAA Bookstore Sales by Category, 1993 – 1998	Page 23
• UAA Bookstore Sales Excluding Textbooks, 1993 – 1998	Page 25
• Summary of Key Financial Data	Page 26
• Sales, Operating Expenses, and Payroll of UAA Bookstore	Page 27
• Porter's Five Forces Model Applied to the UAA Campus Bookstore in 1997	Page 32

INTRODUCTION

The review of the University of Alaska Anchorage Campus Bookstore was undertaken to fulfill MBA completion requirements. This project is of significant interest to the client, the senior administrators of the University of Alaska Anchorage. The campus has been under significant political pressure from its Board of Regents and Alaska legislators to review internal business operations for efficiency and effectiveness. Of specific interest is the examination of ancillary university functions that support the primary missions of teaching, research, and public service.

In the Fall of 1997, the President of the University of Alaska System appointed a senior level committee to study the "Redesign of the System Office and Campus-Based Administrative Cost Savings." The findings of that committee included a statement that reads:

"54% of colleges and universities surveyed indicated that the use of contract services was expected to increase nationwide."

[excerpted from the National Association of College and University Business Officers (NACUBO) Business Officer, monthly publication October 1997]

Furthermore, the committee named the following areas to be reviewed for outsourcing:



; Bookstore Operations; Printing and ;
Snow Removal; Police and Security Services; ;
; Payroll Preparation;
; Mail Services;
Enrollment Services (selected); Land Management; Claims
Administration; Wide Area Network; Telecommunications; Grounds
Maintenance.

This analysis will examine:

- a review of the UAA institutionally-operated Campus Bookstore
- a review of outsourcing options from a major competitor

Additionally, a brief analysis of the following options will be explored:

- the feasibility of a student managed non-profit entity
- the feasibility of a private for-profit bookstore operation

UNIVERSITY OF ALASKA ANCHORAGE OVERVIEW

University Information

General Information:

The University of Alaska Anchorage (UAA) is the state's largest and most comprehensive university. It is dedicated to fulfilling its mission by serving the people of Alaska through instruction, research, and public service.

The University of Alaska Anchorage is located at UAA and Providence Drives. The attractive wooded campus serves as a cultural hub for the city, providing theatre, music, arts, and sports events. Built in the mid-1960s, the Anchorage campus features modern facilities, serving approximately 15,000 students (full-time and part-time) and 1,700 faculty and staff members per semester.

In August 1998, the opening of three new traditional-style student residence halls and one dining facility adds 558 beds, increasing the total housing demographic to approximately 950 resident students. Enrollment patterns for first-time, full-time freshman at the UAA campus have been increasing and should continue to attract traditional entry-level college freshman. The University Dining auxiliary will operate an additional "C-store" (convenience store) retail operation serving the typical residence hall student.

- The university operates on a semester system with beginning and ending dates as follows:

Fall Semester 1998:	August 31 to December 19
Spring Semester 1998:	January 9 to May 1
Summer Semester 1998:	May 24 to August 10

University Demographics

- 1997 Fall Semester Enrollment consisted of 11,737 students:

5,769 full-time
5,968 part-time

- 1998 Spring Semester Enrollment consisted of 11,457 students:

4,908 full-time
6,549 part-time

Course Sections, Fall 1996 - Fall 1997

Credit Hours by Category	Fall 1996	Spring 1997	Fall 1997
Developmental (050-099)	50	56	51
Lower Division (100-299)	1351	1328	1264
Upper Division (300-499)	67	716	660
Professional (500-599)	46	70	65
Graduate (600-699)	233	264	213
Adult Basic Ed (ABE)	16	20	21
Continuing Education (CEU)	209	313	334
Non-Credit (NCR)	103	89	83

- The University of Alaska Anchorage consists of five degree-granting schools and colleges:
 1. *College of Arts and Sciences* (Anthropology, Art, Biological Sciences, Chemistry, English, History, Interdisciplinary Studies, Journalism and Public Communications, Mathematics and Computer Science, Music, Political Science, Psychology, Sociology, and Theatre)
 2. *College of Business and Public Policy* (Accounting, Business Administration, Finance, Management, Marketing, Computer Information and Office Systems, Economics, Public Administration)
 3. *College of Health, Education and Social Welfare* (Education, Justice, School of Nursing and Health Sciences, Social Work)
 4. *Community and Technical College* (Architectural Drafting, Aviation Technology, Automotive Technology, Dental Programs, Diesel Technology, Electronics Technology, Emergency Medical Services, Food Service Technology, Medical Assisting, Medical Lab Technology, Vocational Education, Welding)
 5. *School of Engineering* (Arctic Engineering, Civil Engineering, Engineering Management, Environmental Quality Engineering, Geomatics)
- Associate Degrees are offered in two categories:
 1. Associate of Arts
 2. Associate of Applied Science degrees are given for: Accounting, Air Traffic Control, Apprenticeship Technology, Architectural and Engineering Technology, Automotive Technology, Aviation Administration, Aviation Maintenance Technology, Business Computer Information Systems, Computer Electronics, Culinary Arts, Dental Assisting, Dental Hygiene, Diesel Technology, Early Childhood Development, Electronics Technology, Fire Service Administration, General Business, Geomatics, Human Services, Industrial Process Instrumentation, Medical Assisting, Medical Laboratory Technology, Nursing, Office Management and Technology, Paramedical Technology, Petroleum Engineering Aide, Petroleum Technology, Professional Piloting, Refrigeration and Heating Technology, Small Business Administration, Welding Technology

- Baccalaureate Degrees are offered in seven categories:
 1. Arts
 2. Business Administration
 3. Education
 4. Fine Arts
 5. Music
 6. Science
 7. Social Work
- Masters Degrees are offered in nine categories:
 1. Arts
 2. Arts in Teaching
 3. Business Administration
 4. Civil Engineering
 5. Education
 6. Fine Arts
 7. Public Administration
 8. Science
 9. Social Work

In addition to the degree programs, distance delivery and military programs are offered throughout the State of Alaska and served by the UAA campus.

(See Attachment 1 for detailed information on student characteristics.)

OVERVIEW OF THE CAMPUS BOOKSTORE

General Information:

The bookstore is adjoined to the Campus Center at the South entrance of the facility. The bookstore is a two-story facility with 36,306 gross square feet. The store opened in 1985 and receives continuous facility repairs and renovations.

The Campus Center is positioned in the middle of the campus and consists of approximately 45,000 gross square feet of space. The West side of this building is adjoined with the University of Alaska Anchorage Sports Center, which is adjoined with the Business Education Building, and the East side of the building is adjoined with the Engineering Building.

The Campus Center is the Student Union building at UAA. It offers an ATM Option machine, recreation room, student lounge, and a quiet study area. The Dean of Students, Student Union, Club Council, Student Government, "The Northern Light" Newspaper, Campus Center Art Gallery, Campus Cinema, Child Development Center, Recreation Room, Conference Rooms, the Pub, and the Wolf Den are also housed in the center. The Campus Center is the hub for meeting friends for study groups, taking breaks, and engaging in leisure activities. Full-service food auxiliaries and a mini-convenience store are operated by non-bookstore enterprises.

The bookstore facility (see Attachment 2 for bookstore floor plan) contains:

- approximately 6,648 square feet of retail space dedicated to textbook operations
- approximately 1,790 square feet of retail space dedicated to tradebooks and other related items (i.e. calendars, stuffed animals, specialty gift books, etc.)
- approximately 1,900 square feet of retail space dedicated to softgoods and gift items (i.e. cards, novelty gifts, souvenirs, etc.)
- approximately 3,140 square feet of retail space dedicated to office and school supplies
- approximately 200 square feet of retail space dedicated to academic software (currently behind counter, space shared with other miscellaneous items)
- approximately 400 square feet of retail space dedicated to sundries and snack items
- approximately 4,500 square feet dedicated to storage or non-selling space for all areas

Total net area equals approximately 18,578 square feet.

Current Hours of Operation are as follows:

- Monday through Thursday: 8:30 am to 7:00 p.m.*
- Friday: 8:30 am to 5:00 p.m.*
- Saturday and Sunday: Generally closed.* Open during Fall and Spring orientation and rush or other special events.

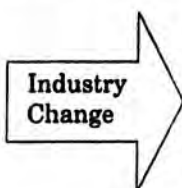
*Hours change during rush periods, special campus activities or events, and in-between academic semesters.

The bookstore staff includes the following:

- Interim bookstore manager (1 full-time)
- Accounting supervisor (position being re-evaluated)
- Accounting clerks (1 full-time accounts payable, 1 part-time accounts receivable)
- Textbook buyer (1 full-time)
- Interim textbook supervisor (1 full-time)
- Textbook workleader (1 full-time)
- Textbook staff (1 full-time)
- Receiving staff (3/4 full-time)
- Tradebook buyer (1 full-time)
- Softgood, supply, and gift buyer (1 full-time)
- Merchandiser, cashier, and general floor operations (1 full-time)
- Receptionist (1 full-time)
- Students and temporaries (15 part-time student and temporary staff) assist with cashiering, receiving, stocking, clean-up, etc. Up to 20 additional cashiers are hired during Fall and Spring rush.

Philosophy

The bookstore strives to provide excellent service to the students, faculty, staff, and guests of the university. The bookstore is a University of Alaska Anchorage auxiliary enterprise that reports to the Director of Business Services. The Business Services division consists of Procurement Services; Bookstore; University Housing, Dining and Conference Services; Central Warehouse; Copy Center; Printing; Property; and Campus Mail Services (see Attachment 3 for organizational chart).



The campus retail environment has changed dramatically with the arrival of numerous 'superstores.' The Campus Bookstore was not well prepared for the side effects of Borders, Barnes and Noble, Computer City, and CompUSA. However, they are developing a strategic plan that differentiates them from their competitors.

Currently, the philosophy of the department is to support the academic and public service mission of UAA. There are no other bookstore operators selling textbooks or operating book buybacks. The bookstore alternates its co-op relationships with Follett and Missouri Bookstore System (MBS) to maximize the number of books purchased from students.

The bookstore frequently partners with academic units, University Dining, and the Athletic Department in promotional activities and other special events of importance to the campus. Additionally, the bookstore assists in supporting public relations with the Anchorage community.

Sales and Financial Data

Bookstore gross sales are approximately \$4 million per year (see Attachment 4 for comparative income statement). The bookstore operates concession contracts for souvenir sales at home hockey games at the Sullivan Arena and other occasional athletic or specialty event sales.

Inventory Valuation

Beginning Inventory	Fiscal Year 1996	\$ 962,625
Ending Inventory	Fiscal Year 1996	\$1,021,469
Beginning Inventory	Fiscal Year 1997	\$1,021,469
Ending Inventory	Fiscal Year 1997	\$ 996,733

(See Attachment 5 for ratio of new vs. used textbooks and their selling trends.)

Point of Sale (POS) System

The university owns and operates the MBS Point of Sale (POS) system on an IBM AS400 platform. The system is not used for accounts payable, general ledger or financial reporting to the University of Alaska. All accounts payable functions are performed on the University of Alaska's SCT Banner Finance financial accounting software.

Book Buyback

The UAA Campus Bookstore conducts book buybacks two times per semester. Both buybacks are coordinated with MBS and Follett.

Averages for Each Buyback	Purchased for Store Stock	Purchased for Wholesaler
Spring Opening Buy (January)	\$ 19,000	\$ 8,000
Spring Ending Buy (May)	175,000	45,000
Summer End of 1 st Session	8,000	3,000
Summer End of 2 nd Session	24,000	6,000
Fall Opening Buy (August)	10,000	7,000
Mid-Fall Buy (November)	12,000	2,000
Fall Ending Buy (December)	<u>170,000</u>	<u>30,000</u>
 TOTAL	 \$ <u>418,000</u>	 \$ <u>101,000</u>

OVERVIEW OF THE HIGHER EDUCATION/COLLEGE STORE INDUSTRY AND ITS DRIVING FORCES

Key Industry Factors

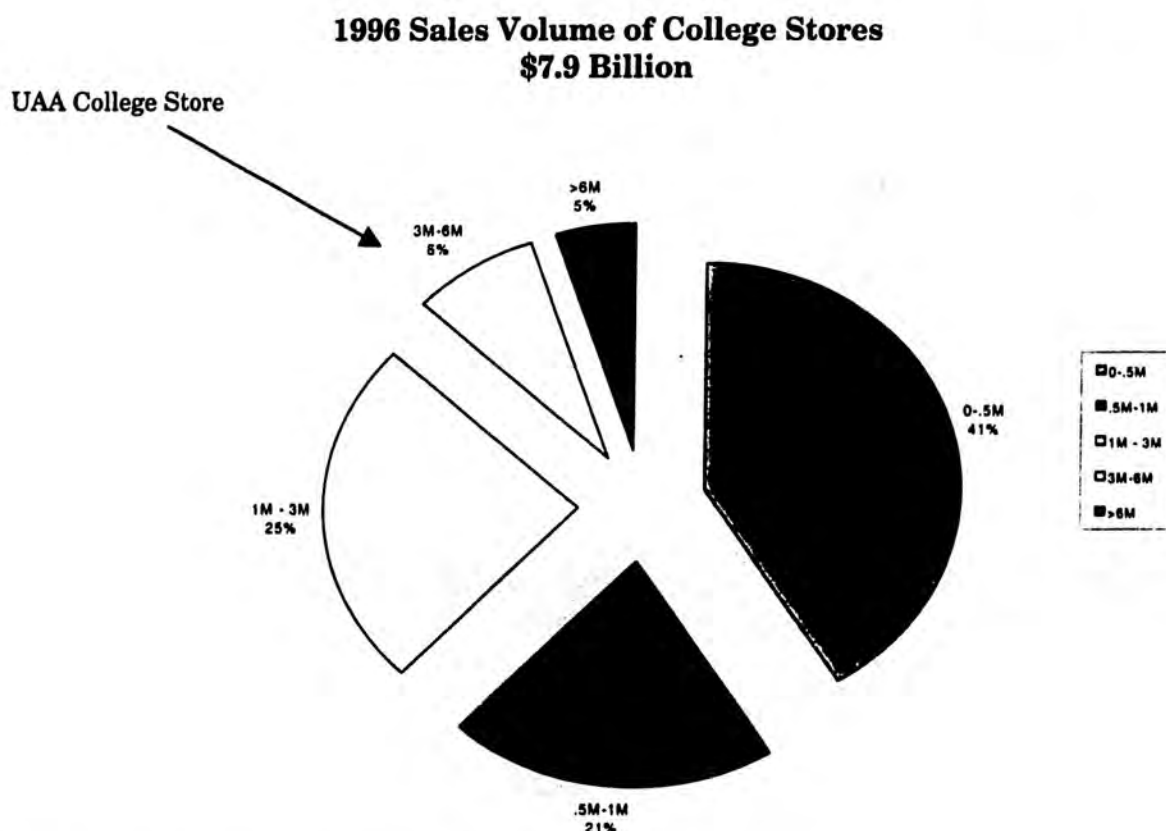
- In the 1997-98 academic year, there were approximately 2.7 million U.S. high school graduates. Estimates indicate there will be approximately 3.3 million U.S. high school graduates in the academic year 1997-98.
- In 1998, over 14 million people were enrolled in college courses (full-time or part-time) in either a four-year or two-year public or private institution of higher learning.
- In 1998, average tuition and fees are:

At public four-year institutions:	\$ 2,848
At public two-year institutions:	\$ 1,245
At private four-year institutions:	\$ 12,239

- By the year 2007, college enrollment is projected to be approximately 11.2 million students registered full-time and 5.2 million in part-time study.
- The higher education industry generates approximately \$200 billion dollars in tuition and fee revenues.
- Nationally, college store sales have increased 17.1% from 1990-91 through 1996-97. In 1996, college bookstore sales were projected to be \$7.9 billion.

The entire higher-education industry is faced with growth because of an anticipated population burst in 18- to 24-year old college enrollees. It is anticipated that during the next decade, those states with a projected population growth will be investing in new facilities to accommodate the increase in the college market. This will cause a need to upgrade bookstore facilities and other areas serving students. Current students are the most racially and ethnically diverse group ever served by any nation's system of higher education. This trend is expected to continue.

The enrollment size served by college stores has a strong influence on annual sales.



Source: NACS 1996 Membership Report

MACROENVIRONMENTAL DIMENSIONS

The following macroenvironmental dimensions impact the college bookstore industry and specifically the UAA college store. The areas reviewed are physical/geographical, demographic, economic, political/legal, social/cultural, and technological.

Physical/Geographical Dimension:



"If You Build It... They Will Come." In the United States the book-buying experience has evolved in part because of the growth and differentiation strategy formed by Barnes & Noble (B&N).

Seemingly, the only physical constraint to becoming a bookseller is having the resources to acquire a mega-size retail location in a prime location. What is now known as the 'superstore model' is driven by large physical space where the general populace resides. Niche booksellers, including some college stores, are in jeopardy because they do not have enough volume to warrant the needed physical space. By contrast, there are college stores that need additional space but are limited by the physical constraints of campus facilities.

Superstores target college-town communities because of the inherent need for tradebooks, specialized periodicals, and publications. College stores that are limited by physical constraints may face zoning problems if they seek to expand into real property on or near the campus.

The following real property examples are indicators of the need for large physical space in prime geography:

- The world's large bookstore, the Barnes and Noble Main Store, consists of 150,000 square feet spanning five adjacent buildings. It is primarily an academic bookstore serving the needs of 100 colleges and universities in the New York area.
- B Dalton's (600 stores) average 3,000 square feet located across the country in shopping malls and downtown business districts.
- Bookstop & Bookstar (64 superstores) average 27,000 square feet typically found in 'recycled' movie theatres or remodeled supermarkets.
- Barnes and Noble (450 superstores) average 21,500 square feet.

Barnes and Noble (B&N) has opened an Anchorage superstore at 200 East Northern Lights Boulevard. The store's physical composition is a typical model of the B&N superstore. It is a former retail mega-facility 25,000+ square feet that features adequate zoning, logistical accommodations, suitable parking, buyer-awareness, and great curbside appeal. The site was acquired and remodeled and is the largest book superstore in the state. This store has market-share in Anchorage.

Demographic Dimension:

Since the college bookselling industry is dependent upon college enrollment, this forecast is targeted at general higher-education enrollment trends. A brief synopsis of general book-buying and college bookstore demographics follows.

By 2007, enrollment is projected at 11.2 million full-time students nationwide – a 15% growth rate. The biggest populations of college enrollees are likely to be in the nation's largest states. Other growth markets include smaller western states, and even some in the Heartland and Deep South. In the 2007 projection for greatest concentration of students, Alaska is ranked second with 8.6% of its adult residents enrolling in college courses.

In 1995-96, there were 3,706 institutions of higher education in the United States. Seventy-three percent of all four-year schools were private and 27% of four-year schools were public. Seventy-two percent of two-year schools were public and 28% were private. The majority (52%) have enrollments between 1,000 and 10,000 students, representing 46% of the total student population.

Number of Institutions and Enrollments By Status, Age, and Type of Institution

	Public		Private		TOTAL
	Four-Year	Two-Year	Four-Year	Two-Year	
Number of Institutions ¹	608	1,047	1,636	415	3,706
Full-Time (thousands)	4,065	1,885	3801	146	8,137
Part-Time (thousands)	1,760	3,423	1,760	75	7,018
Total Enrollments ² (thousands)	5,825	5,308	3801	221	15,155
% Undergraduate Enrollment	80%	100%	72%	100%	86%

Source: Digest of Education Statistics, 1996.

¹ 1995-96 Academic Year

² Fall 1994

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Over the next decade, booms in college enrollment are expected, particularly in those states with growing numbers of young adults.

Adults between the ages of 18 and 24 have significantly higher enrollment rates than older Americans in both full-time and part-time study. In 1995, 33% of 18- to 24-year-old men were full-time college students, compared with 7% of all men. About 36% of women that age studied full-time, compared with 8% of all U.S. women. Eighteen of the top-20 states for overall projected growth are also in the top-20 for increases in 18- to 24-year-old college enrollees.

Key demographic factors for higher education enrollment trends:

- New U.S. high school graduates are estimated to increase by approximately 16% to 3,323,296 in 2007.
- Growth in full-time U.S. college enrollment is projected at about 15% over the ten-year period, to 11.2 million in 2007.
- Growth in part-time U.S. college enrollment is projected at about 5% over the ten-year period, to 5.2 million in 2007.
- In 1996, 56% of students are 24 years old or younger. 18- to 24-year-olds have significantly higher enrollment rates than older Americans in both full-time and part-time study. The pool over age 25 without a degree may be shrinking.
- In 2007, the nation's largest states—California, Texas, and Florida—project the greatest cumulative number of college enrollees (full-time and part-time) at 4.4 million.
- In the next decade, those states (including Alaska) that may be investing in more college classrooms are those anticipating rapid population growth in 18- to 24-year-olds.
- Domestic migration causing population growth in the Mountain and Pacific states is also projected to increase those states' 18- to 24-year-old college enrollees.

**Projected Enrollment in Higher Education Institutions
by Gender and Enrollment Status - 2007**

	Men		Women	
	Full-Time	Part-Time	Full-Time	Part-Time
United States	5,056,331	1,535,477	6,180,106	3,678,310
Alaska	15,210	4,605	16,141	9,751

Sources: Woods & Poole Economics, Census Bureau, and American Demographics

Typically, part-time enrollment increases during an economic recession when unemployment rates are higher. When good jobs are scarce, many opt for college as a way to improve their odds of landing a job when the market improves. Future projections reflect trends in enrollment rates between 1987 and 1995, when the U.S. experienced a recession. That is the primary reason why growth in part-time college enrollment in the U.S. is projected at about 5% over the ten-year period, to 5.2 million in 2007. A question associated with part-time students is whether enrollment rates among older adults will continue to grow. During the 1980s and 1990s when the nation experienced declines in the number of "traditional" students, many colleges maintained enrollment by targeting older students. These adults may have sought the

college degree they never earned as young adults or supplemented a bachelor's degree with graduate work. Rising enrollment rates among 18- to 24-year-olds suggests that more Americans are earning college degrees in their 20s. The pool of Americans over age 25 without a degree may be shrinking. Institutions who count on part-time older students may have to beef up graduate programs to attract people for advanced degrees. This is significant for Alaska.

General Book-Buying Demographics

Educational attainment is a factor strongly associated with book-buying. The increase in the number of Americans who are attaining a college education should lead to continued growth in book sales. The fastest growing markets are expected to be men and women age 45 to 54 and 55 to 64. Comparatively speaking, younger adults could be a slower, but growing, market.

Adults age 45 to 54 are the most likely of all Americans to buy books. Of this age group, 65% of women and 47% of men bought at least one book in 1997. The numbers are not quite as high for other age groups, but adults all the way up to the 55 and older bracket have a greater than average propensity to buy books. Among 18- to 24-year-olds, more than half say they bought a book in the last year. Book-buying among these adults is increasing as they approach their peak income years. The number of men buying books could increase about 4% between 1998 and 2005, while the number of women could grow around 8%.

Economic Dimension:

The diversity of American higher education is unequalled in the world and is, without question, one of this nation's greatest strengths. As the world economy continues to grow, more international citizens will seek services from the United States' \$200 billion-a-year higher education industry.

Colleges and universities along the academic spectrum vary in size, geography, sector, selectivity, and mission. Flagship state universities provide educational access at relatively low prices. Private universities, many of them among the most prestigious in the world, are also significantly more costly. Liberal arts colleges encourage intellectual growth in small, intimate settings, while two-year community colleges offer everything from high school diplomas and transfer programs to retirement planning and technical training.

The United States continues to extend higher education opportunities to a greater percent of its population than any other country in the world. With potential growth eminent, it is appropriate to also review U.S. income. For the second consecutive year, the U.S. experienced an annual increase in real median income. According to the 1997 US Census Bureau, March Current Population Survey, between 1995 and 1996, median household income adjusted for inflation increased 1.2% or \$410 to \$35,942.

By the two common measures of income—median household income and per capita personal income—college tuition increased faster than income. Institutional costs and student prices are rising in every sector of the \$200 billion-a-year higher education

industry. Tuition ranged from \$1,245 in public two-year colleges in the Fall of 1996 to \$15,581 in private universities.

The 1997-98 College Board's data shows that prices increased in four-year college tuition and fees, on average, about 5% for the fifth consecutive year. Students also face increases of 3% to 5% for room, board, and books. Since 1984, despite a gradual slowing since 1990, the total cost of attending private colleges and universities has grown 95%. Costs for attending public institutions have gone up by 82%. The 1997-98 average cost of a year at a private college or university is approximately \$21,421 and the cost at a public university is less at approximately \$9,918.

Average Fixed Charges for Undergraduates, 1997 - 1998 (weighted)

Sector	Tuition and Fees			Room and Board		
	1996-97	1997-98	% Change	1996-97	1997-98	% Change
Two-Year Public	1,465	1,501	2%	*	*	*
Two-Year Private	6,613	6,855	4%	4,346	4,543	5%
Four-Year Public	2,975	3,111	5%	4,167	4,361	5%
Four-Year Private	12,994	13,664	5%	5,363	5,549	3%

*Sample too small to provide meaningful information

These are **enrollment-weighted averages**, intended to reflect the average costs that students face in various types of institutions. Public tuition and fees are based on in-state rates.

Source: The College Board

College Stores

Similar to colleges and universities, campus bookstores share a common mission; however, they vary widely in size, location, ownership, and customer base. The enrollment size served by college stores has a strong influence on annual sales; typically, stores servicing smaller colleges have lower sales. College store sales have increased 17.1% from 1990-91 through 1996-97. 1996 sales for college stores in North America were projected to be \$7.9 billion.

Recent research sponsored by the National Association of College Stores (NACS) and conducted by the Sterling Research Group profiles the typical college bookstore consumer. The research findings show:

- College students spend an average of \$275 each term on textbooks.
- 91% of students buy their textbooks at on-campus college bookstores.

- 90% of students buy books other than textbooks, but only 30% do so from their on-campus bookstore and the average expenditure is \$50 per term.
- 83% of students prefer to buy used books, while only 10% prefer new, and the remainder have no preference.
- 69% of students purchase clothing with school logos from the college bookstore, and the average expenditure is \$44 per student each term.

According to sales statistics supplied by college bookstores to Monument Information Resource (MIR), the average retail price of a college textbook increased by a little more than 7% from Spring/Summer 1996 to Spring/Summer 1997. The average retail price (across all disciplines) went from \$53.80 to \$57.65 during that same time.

For the past three years, textbook increases have averaged approximately 7% per year. Publishers cite a number of reasons for higher and accelerating textbook prices, such as a lengthy development period, a limited audience, small production runs, rapid obsolescence, high royalty costs, complimentary copies, and increasingly sophisticated graphics and illustrations.

Average Expenses in Non-Fixed Budget Components, 1997 - 1998 (weighted)

Sector	All Students	Resident Students		Commuter Students		
	Books and Supplies	Trans.	Other	Board Only	Trans.	Other
Two-Year Public	610	*	*	1,881	978	1,226
Two-Year Private	617	610	1,072	1,910	919	1,165
Four-Year Public	634	573	1,390	1,963	960	1,465
Four-Year Private	628	537	1,043	1,913	854	1,201

*Sample too small to provide meaningful information

Source: The College Board

These are **enrollment-weighted averages**, intended to reflect the average costs that students face in various types of institutions. Public tuition and fees are based on in-state rates.

Political/Legal Dimension:

Political

Although Alaska had a sizable budget surplus in 1996-97, the Republican-dominated Legislature was in the second year of a three-year drive to cut expenditures by an average of \$50 million a year. The University of Alaska System had requested a 9.5% increase in state funds and received a 2% reduction on top of the 1% cut in general appropriations from the previous year. The university system's current general fund appropriation is \$164 million. The university system got fewer dollars from the state this fiscal year than it did in 1986. To help cover the most recent \$11 million shortfall, the system eliminated about 200 positions. Anchorage lost about 20 faculty positions and had to eliminate about 130 for-credit course sections. These factors

directly impact the bookstore. Legislators seem to generally believe that the university's administrative costs are high; however, some higher costs are inevitable given the size of the state, the mission of the educational system, and limited accessibility to some campuses. Higher education officials hope to persuade fiscally conservative lawmakers that education is an investment, not a cost of government that should be squeezed down.

Tuition costs remain a concern. For four-year programs, Alaska's fees are at about the national average. But fees are much higher than average at community colleges. In polls, Alaska voters consistently rate education as a top concern. Despite continued budget cuts, the university's long-term outlook is positive. The state economy is in good shape and population growth is increasing.

Congress has become increasingly more involved in the struggle to cut costs and stabilize tuition in higher education. Congress recently accepted a report from the National Commission on the Cost of Higher Education intended to study why annual tuition and fee increases continue to outpace inflation while proposing suggestions about how to control costs. Among other things, the study pointed out that across the country, public and private institutions are already making significant strides to hold down rising costs.

Legal

Contributing to the rising costs of a college education is the higher costs of textbooks. For many years, NACS has been trying to persuade publishers to stop the practice of offering two different discounts on the same title, depending on whether the title had been adopted for class use or was being sold as a "tradebook". Over the past 30 years, the task of discouraging dual pricing has successfully persuaded some publishers to cease this activity. However, many major publishers have not and, as a result, NACS and three bookstores filed suit against Cambridge University Press, Oxford University Press, and Addison Wesley Longman. The suit sought to stop the publishers from illegal pricing in violation of the Robinson-Patman Act. The complaint alleged that the publishers have adopted pricing policies that either expressly or in practice resulted in college stores paying more than other competing booksellers for identical titles when those books are intended for classroom use. This suit was settled in February of 1998 with Addison-Wesley Longman. The suit continues against the other publishers. This should eventually impact the magnitude of textbook increases.

Another closely related suit is that filed by the American Booksellers Association (ABA) and twenty individual bookstores (including several college stores) against Barnes and Noble and Borders. They allege a widespread pattern of illegal business actions on the part of the nation's two largest bookselling chains. The suit argues that the two chains have engaged in a pattern and practice of soliciting, inducing, and receiving secret, discriminatory, and illegal terms from publishers and distributors. The suit contends that the chains' market saturation strategies are being fueled by secret and illegal terms and that much of this expansion can only be profitable if the chains receive illegal deals and existing independent booksellers are driven out of the

marketplace. The allegations state that the chains illegally secured extra discounts—including off-the-schedule terms for purchases and special terms for new stores or expansions. They have allegedly received subsidies to discount titles, solicited co-op funds on very different and more favorable terms than those publicly made available to ABA's members, and obtained far better credit terms than those available to other bookstores. Additionally the suit alleges that some chain stores benefit from special payments and terms when the books are returned that are not available to independent booksellers. This suit is still pending.

Social/Cultural Dimension:

There are universal cultural factors that are evident in most cultures today. Things like music, fast food, and clothing are pervasive and continue to bring cultures closer together. Every fall, new students sweep onto the campuses bringing with them new fashions, fads, and attitudes. Many students have a lackadaisical view of college costs and often do not portray the traditional 'starving student' role. In fact, many people are financing their college education through loans and readily take on additional debt to cover their college costs and living expenses.

While students seem to more generally accept the pricing, parents are constantly struggling with the "sticker" shock of the high costs of an education. For most families, higher education will be the most expensive service they will ever buy. To many parents, the value of an education is what a particular school's diploma is worth when the graduate applies for a job.

In the United States, it is a socially accepted norm to borrow, borrow, borrow. Borrowing in moderation can be a smart way to stretch out the cost of a college education, but smart borrowing calls for knowledge and common sense. In 1992, Congress revised the federal tuition-loan program to allow borrowing without regard to family income. The result has been an explosion of debt. The cumulative total of tuition loans since 1990 is soaring and is currently at \$100 billion dollars.

The College Board's annual report "Trends in Student Aid: 1987 to 1997" indicates that more than \$55 billion in total aid from federal, state, and institutional sources was available to students and their families in 1996-97 to assist with tuition, fees, and books, and other expenses of attending college. Most of this was in the form of loans rather than grants, and most of the increased borrowing was unsubsidized. The reality of accepting greater debt leads to increasing demands on Congress to impose cost-containment in higher education. The social stigma of rising tuition is also applicable to the high rising cost of books.

Technological Dimension:

There are two facets of technology that directly affect the college bookstore industry. The first is the rapid growth and expansion of information technology and the second is the development of on-line shopping.

Information Technology

College bookstores must learn to manage the enrollment, financial aid, and ordering/distribution processes in one easy-to-use system. This requires coordinating multiple platforms of information into one integrated package. There are likely to be continued applications of textbook management systems that may allow professors to eventually requisition their own books, on-line. Increased access to the Internet means that bookstores will have to develop interactive web sites that will appeal to its faculty, staff, and students. Because of the availability of more detailed potential student data, bookstores will have multiple opportunities for more targeted marketing at their alumni, student, and faculty/staff population. Internet access is rapidly changing how books are sold and could have a significant impact on the college bookstore industry. In the retail trade book industry, on-line retail sales are expected to jump from \$500 million this year to about \$1.3 billion in the year 2002. On-line selling directly impacts the college market as its customers have easy access to the internet and are conditioned to purchase more on-line.

Book Technology

A new product development entitled the "*Everybook*" has just received a 20-year patent from the U.S. Patent and Trademark Office. *Everybook* resembles a regular book—it is sized like a book and has a cloth or hard leather cover, but it has computer-touch screens instead of paper pages. When opened, the electronic book looks something like a small notebook computer with two facing LCD color screens instead of a screen and a keyboard. *Everybook* turns on as soon as the "cover" is opened and immediately displays a menu of items already loaded in the book, organized by title, subject, author, or any other manner selected by the user. The electronic book operates on touch-screen technology, so users just touch the screen to select a book, turn the "page," print pages, highlight sections, or turn to an index. *Everybook* has a built-in high-speed modem for downloading books, magazines, sheet music, and a wide variety of other materials from the *Everybook* on-line store. *Everybook's* technology prevents users from copying downloaded materials onto a floppy disk or forwarding materials over the internet, eliminating a major concern for publishers.

The manufacturer expects to introduce a study model for professionals like doctors, lawyers, and engineers sometime in early 1999. A textbook version for students will follow later that year. Each electronic book can hold an estimated 80 to 100 college textbooks. It is projected that by 2001, *Everybook* will also be available in a small "novel size" intended for general consumers. The cost of this product is astronomical at approximately \$1500 for early models. When the price falls to below \$100 it could have a significant impact on book sales.

CAMPUS BOOKSTORE'S REVIEW OF INTERNAL OPERATIONS

General Operations:

The UAA Campus Bookstore is a cost-recovery auxiliary operation. It does not operate to make a profit, or to lose money. Its directive is to break even.

The primary business function is to support the academic mission of the university; it does so through three objectives:

- ensure textbooks and related classroom supplies are available in adequate quantities to support the academic mission of the institution
- provide classroom items, academic software, and other convenience items needed for students, faculty, and staff
- provide general UAA insignia merchandise

The bookstore employs five full-time staff solely dedicated to the logistics of the retail textbook operation. Additionally, anywhere from five to twenty student employees assist with textbook receiving, stocking, pricing, and general selling. The secondary operation of the bookstore is to provide general educational support or convenience items to UAA students, faculty, staff, and visitors. This is done through the sale of classroom supplies, specialized course materials, (i.e., A&E supplies, art equipment, etc.), software, and other convenience items. Three full-time staff and approximately ten students are dedicated to those areas. Finally, the bookstore supports the development of UAA through community outreach, general marketing, and support of institutional programs (i.e., highlighting faculty authors, supporting orientation, and staff development activities).

Presently, the bookstore has no strategic planning process and no defined core competencies. There are no long-term strategic plans in place. Over the past ten years, the general philosophy has been to "open the doors" and sell textbooks. This has been done while adequately controlling costs. However, there have been no significant efforts to establish a retail presence on the campus, develop customer relationships with faculty, or stay current with campus bookstore trends. Generally, the reputation of the bookstore entity has been non-existent or relatively fair. Because of rising costs of tuition, fees, and general publishing trends, the bookstore is continually facing the brunt of student complaints about the soaring costs of textbooks. Typically, by the time a student makes an effort to purchase books, they have been through the entire enrollment, registration, and move-in process—which makes the visit to the campus store coupled with the cost of a textbook the proverbial "straw that broke the camel's back."

The most significant operational achievement has been the implementation of an on-line point of sale and textbook management system. This occurred in 1992. The system significantly updated the Campus Bookstore operational system and allowed for automated ordering, inventory control, and better internal management. All staff participated in initial training. However, prior to the commencement of this review

there have been no concentrated efforts to improve business practices or maintain the technology.

Human Resources (HR):

The bookstore has been fortunate to face minimal turnover among its key staff. However, at the commencement of this review the store faced a significant change, a 23-year veteran retired from his post as store manager. Subsequently, the long-time director of the operation also retired. The exit of this leadership provided an opportunity for career development of other university staff. In July 1997, as a result of retirements and other changes within the Administrative Services executive area, the bookstore became a department within the supervision of the Director of Business Services.

The assistant store manager accepted an interim assignment as Bookstore Manager. Subsequently, numerous other temporary changes were made to accommodate short-term staffing needs. Prior to the appointment of the interim store manager, the staff received minimal training or emphasis on professional development. This lack of professional development has hampered the store's reputation and operational success.

There are three key positions (interim textbook supervisor, accounting manager, and tradebook buyer) that have been filled with staffing that may not have the adequate educational requirements or skill sets to achieve long-term success. Based on personal observations conducted for this review, I believe that key staff positions can be filled within the existing human resources pool.

One HR reorganization has occurred within the last twelve months. These changes were adopted to provide a temporary infrastructure while this assessment is underway.

- The reorganization eliminated the floor operations manager position and transferred the incumbent into a full-time merchandiser position.
- An existing textbook assistant has been named interim textbook supervisor. This assignment will end June 30, 1998 and will not be renewed.
- The accounting manager position has been eliminated and refilled with a full-time fiscal manager that will handle the business affairs of three separate auxiliary operations.

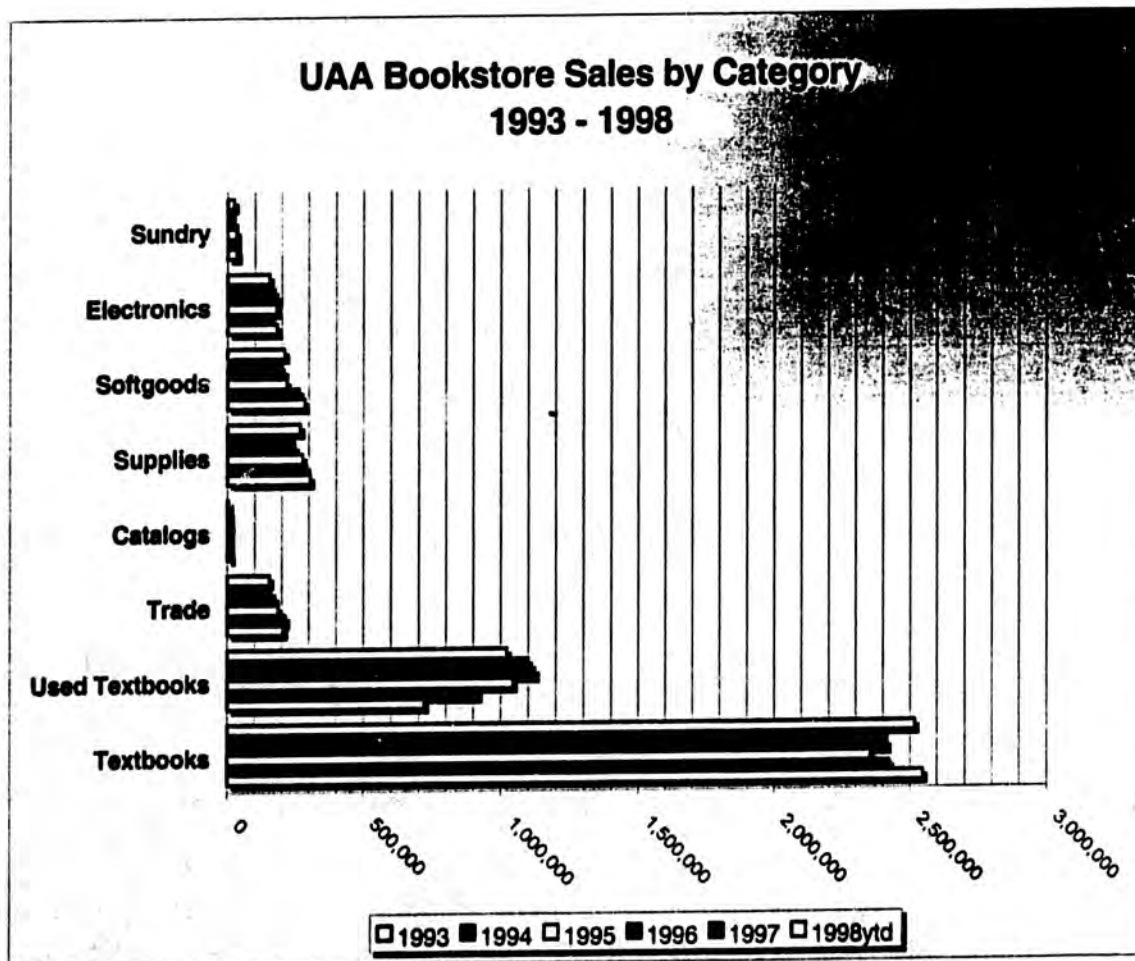
An updated organizational plan will require immediate action for FY99 (see Attachment 6).

Sales Analysis:

As part of this assessment, the university participated in a benchmarking study sponsored by NACS. The study highlighted several areas worth further exploration.

UAA Bookstore Sales by Category

Category	FY93	FY94	FY95	FY96	FY97	FY98
Texts (New)	\$2,547,066	\$2,421,880	\$2,352,978	\$2,412,232	\$2,401,060	\$2,481,640
Texts (Used)	720,611	915,518	1,043,007	1,124,029	1,098,762	1,100,935
Trade	204,729	213,454	185,574	173,439	145,313	148,802
Catalogs	10,292	8,935	7,927	8,874	6,757	4,182
Supplies	304,465	290,105	276,488	247,599	232,888	257,409
Softgoods	285,506	264,069	218,366	207,812	184,896	214,190
Electronics	181,446	157,235	179,669	183,291	160,028	181,609
Sundry	34,489	31,936	31,799	22,540	12,418	23,857
Total Sales	\$4,288,604	\$4,303,132	\$4,295,808	\$4,379,816	\$4,242,122	\$4,412,623



Assessment of Textbook Sales:

- FY97 total sales in cumulative textbooks (new and used) was \$3,499,823 or 79.26%. Average gross margin is 21.4% for regular text and 31.8% for used text. In FY97, 68.5% of sales were in the lower gross margin category of new texts and 31.5% were in used texts.



Textbooks are, by far, the number one category for sales volume. The bookstore has no real competition in the Anchorage market for textbooks, especially used ones. However, the textbook product-mix and pricing are the areas where the staff have virtually no control. Faculty determine which textbooks will be needed, which ultimately sets the parameters for the textbook staff to operate. If a book is going into a new edition, faculty may not be aware of this nor do they have cost or selling price information. Basically, the bookstore staff serve a logistical function of getting the right product here at the lowest possible price.

A general industry trend of rising text prices coupled with excessive freight costs provides a difficult challenge for bookstore staff. They must ensure that orders are placed early enough to allow long lead times for the lowest possible freight cost. The staff have learned that there are significant cost advantages in holding excess books that are likely to be reused the following semester, instead of automatically returning them to the publisher. This "wait-and-see" tactic reduces freight costs and lowers the selling price. However, it also reduces stock turnover and increases holding costs. Texts with a stated deadline for "full-credit return" are shipped back in a timely manner. Overall, this practice does serve to minimize freight and handling expenses.

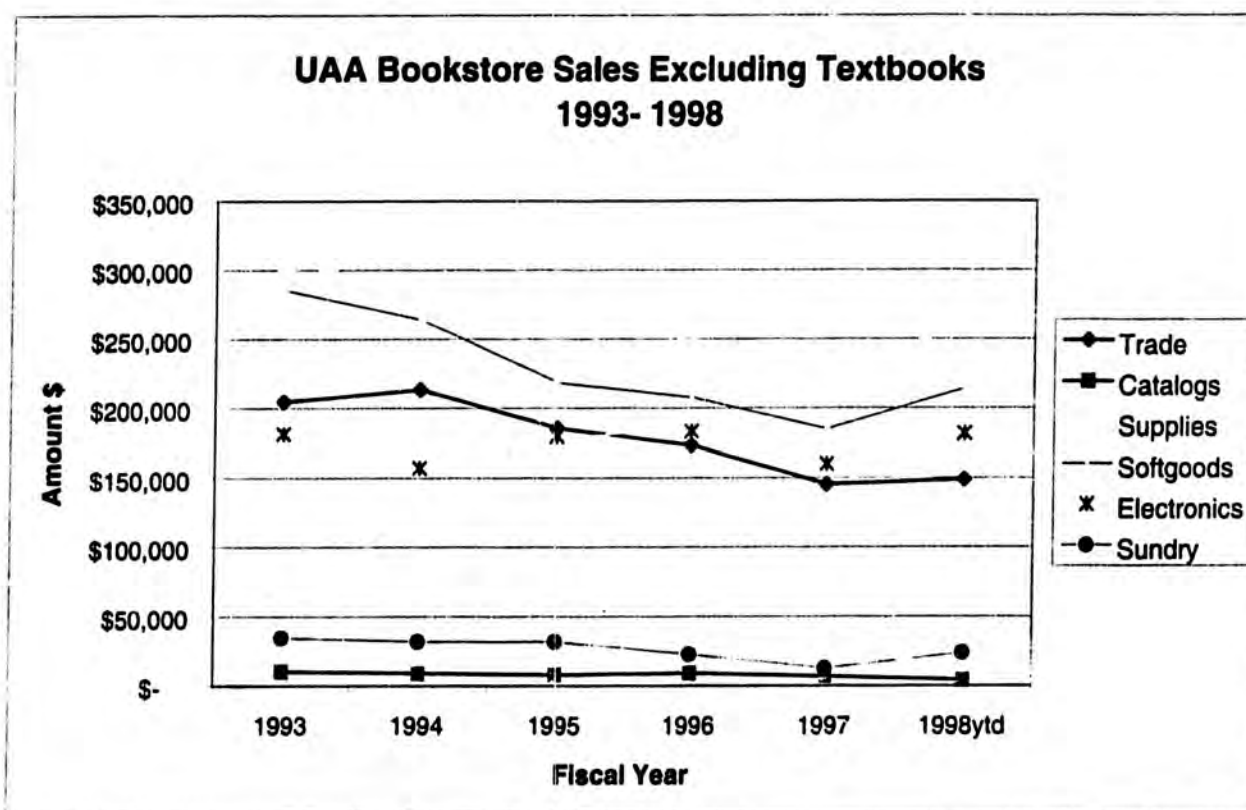
Demographics show that 83% of students prefer used books, and the staff make efforts to secure as many as possible. When staff receive future semester requisitions, they make significant efforts to secure used books through text buybacks. Aggressive advertising and promotional efforts are used to attract the student population to the buybacks. This is the best source for obtaining inventory with no freight cost. The bookstore holds book buybacks for the industry's largest textbook wholesalers: Follett and MBS. The logistics of acquiring, cleaning, pricing, and shelving used texts are very labor-intensive; however, they do have a higher return than new books. UAA has an above-the-industry-standard ratio of used text sales as a percentage of new text sales. This translates to the ability to obtain and offer more used textbooks than its peer institutions, at a good margin.

In FY98, many new editions were adopted for Fall and Spring semesters. This changed the product-mix by increasing new text sales (with a smaller margin) while lowering used text sales (with a higher margin). This product-mix caused an overall increase in textbook sales; however, it reduced the overall sales in used textbooks. This has an adverse impact on students who actively seek out used texts. It is difficult to predict future text trends as enrollment continues to decline while the product-mix fluctuates. Another significant variable is the course offering mix. In FY97, many course offerings were reduced or eliminated as a result of budget cuts. The announcement of course cancellations often occurs after texts have already been

requisitioned, causing a ripple effect. Excess inventory (due to course cancellations) must be returned, increasing freight and handling costs while providing a zero-return to the bookstore.

- Currently, initial textbook mark-on is at 24%. This is within the industry norm; however, maintained gross-margin on new and used texts is below industry average.

The text-buying staff must be skilled in assessing trends, be aware of potential course elimination, and continuously work with publishers on adoption of new editions, securing used texts, and a myriad of other complex variables. Despite declining sales in a number of areas, this category has remained constant with a relatively strong satisfaction rate amongst faculty.



- Supplies and softgoods are the second top ranking sales categories for FY97, totaling \$232,888 or 7.73% of sales and \$185,179 or 6.09%, with a gross margin of 26.6% and 29.2% respectively. Trend analysis shows a continual decline in sales in the supply and softgood categories for the period 1993 to 1997 with a cumulative drop of 29.1% in sales. A reorganization in the store has realigned the buying and merchandising for these categories. This change, coupled with increased promotional efforts, has had a positive effect, causing FY98 sales to trend upward with a 9.5% increase over FY97. It is anticipated this category will continue to enjoy new growth.
- Electronics encompasses software, calculators, and other peripheral computing hardware (zip drives, etc.). Sales are the third ranking category at \$160,028 or

2.73% of sales. Gross margin is 27.5%. The trend in this area has had a cumulative decline in sales of 11% since 1993. This year, significant efforts have been made to improve the product-mix, improve merchandising, and seek more competitive suppliers. Subsequently sales have increased 5.6% over FY97. The bookstore was wise in avoiding a full line of computing hardware. Nationally, campus bookstores are making strides to eliminate unprofitable hardware lines.

- General book sales are at \$145,313 and represent 1.85% of total sales. Gross margin is 26.6%. General trade book sales have steadily dropped since the arrival the superstores, falling by 32% since FY94. Improved merchandising and promotional efforts sales have slightly increased sales by 3.5%. This assessment is misrepresented as general tradebooks required by faculty for classroom text use are also classified in this section. Thus, general trade book sales for non-class use are continually declining even in FY98.
- In the sundry category (food and convenience items) sales had a marked cumulative drop of 64% from 1993 to 1997. A significant factor contributing to the decline was the elimination of the sale of tobacco products. In FY97, annual sales dropped to an all-time low of \$12,520. As part of an effort to improve foot-traffic and increase sales, a wide variety of snack food and beverage items has been added to the merchandise mix. This, coupled with improved merchandising, has had a significant improvement on current-year sales of \$24,857 trending at a 101% increase over prior year sales.

There are significant opportunities for improving inventory management in every non-text category. Compared to industry standards, stock-turnovers are significantly lower and provide an area for further assessment and improvement.

Financial Management:

The Campus Bookstore has done well in adequately controlling its costs. Currently, the store covers all of its direct and indirect operating expenses, including utilities, custodial, administrative surcharge, facilities maintenance and improvements (M&R, R&R). There are no general fund dollars appropriated to the auxiliary operation. There have been consistent positive net income contributions leading to a current fund balance of \$1,490,786. Of this fund balance, approximately \$980,000 is set aside to cover the cost of inventory. There is a cash balance of approximately \$510,000. The bookstore also supports the institution through financial sponsorship of university-wide events like student orientation, staff development day, open houses, etc.

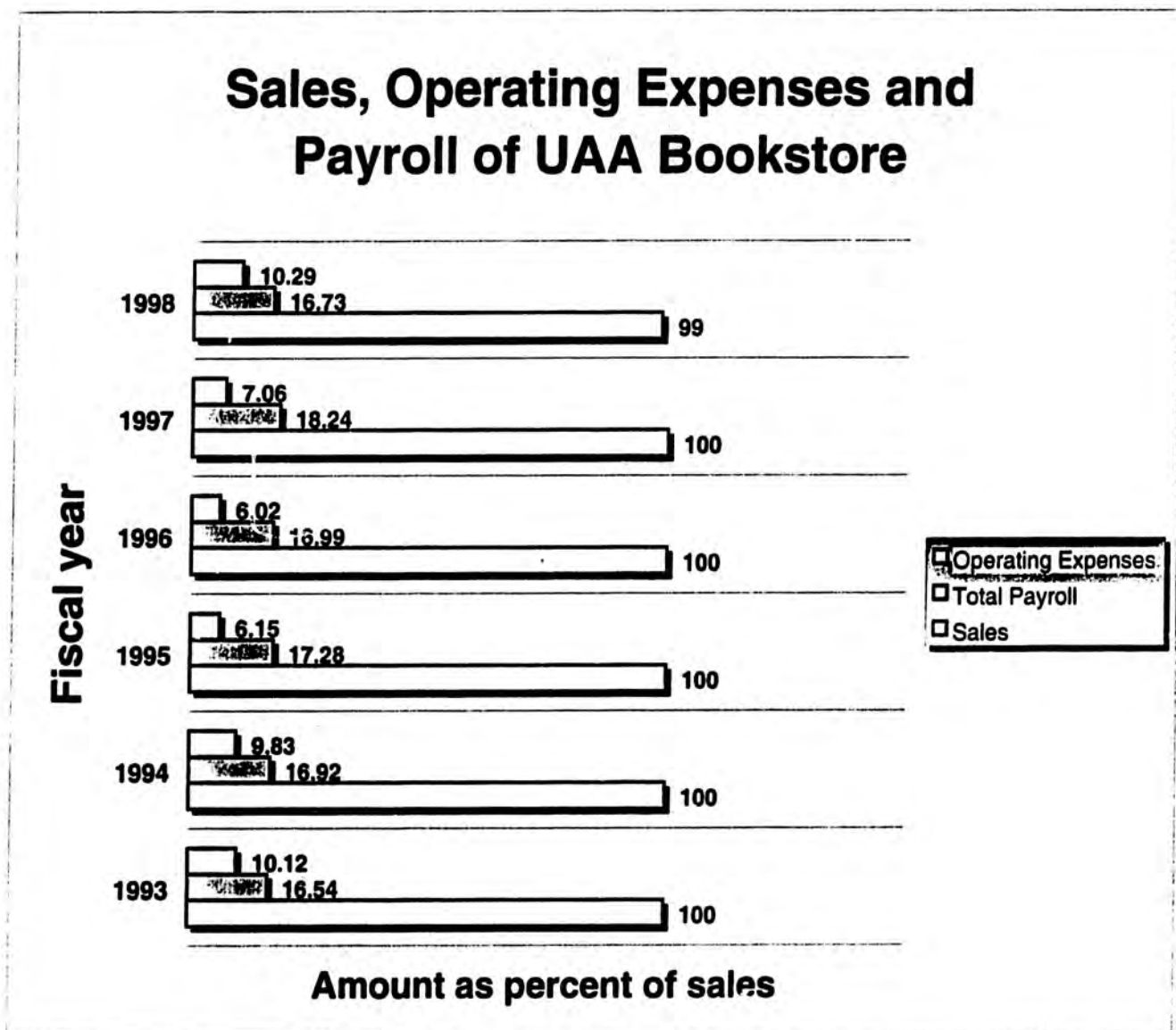
Summary of Key Financial Data

Sales Figures	1993	1994	1995	1996	1997
Annual Sales	\$4,288,604	\$4,303,132	\$4,295,808	\$4,392,129	\$4,242,122
Total Gross Profit	\$ 990,878	\$1,111,723	\$1,138,834	\$1,231,271	\$1,104,243
Operating Expenses	1,143,378	1,150,985	1,006,475	1,010,635	1,072,988
Net Income	(\$ 152,500)	(\$ 39,262)	\$ 132,359	\$ 220,636	\$ 31,255

Despite a continual decline in enrollment, sales have fluctuated between 1% and 3% per year. Sales have remained reasonably steady because of the mark-on that the bookstore has utilized.

Compared to the industry norm, operating expenses as a percentage of total sales are above average. This is attributed to several key factors:

- comparatively high freight expenses (at least double that of peer institutions), although UAA's net sales per FTE are 12% higher than the industry norm
- escalating mandatory building improvement costs (M&R and R&R)



In FY98, the bookstore had some additional expenditures in both labor and operating expenses:

- RIP costs of its former store manager of approximately \$13,700 (for year 1 of 3)

- upgrade of the POS hardware, its IBM platform, and the purchase of new computing equipment for many of its key staff at approximately \$46,000
- travel costs for professional development and staff attendance at both regional and national conferences of approximately \$8,000, training necessary for staff to be current on issues in the college store industry
- the assumption of custodial and maintenance costs for the facility, approximately \$88,000
- a proportionate share of the Director of Business Services salary, approximately \$16,000

FY98 marks the first year the bookstore fully covered its operating costs (including facility maintenance) and became 100% self-support. In FY98, approximately \$1,000 of net income will be deposited into the fund balance.

Service:

The store has done little to improve its service image with its internal or external customer. In FY98, it was decided to set a goal of improving community relations through focused outreach and attempts at creating goodwill.

In the Spring of 1998, the bookstore surveyed its faculty using a format and analysis compiled by NACS.

The survey showed that faculty view the bookstore as more of a partner in education, not as a retail outlet that can meet their non-course material needs. The store was rated highly by faculty in a number of areas. Items receiving a mean satisfaction rating of 3.7 or greater on a 5-point scale included (see Attachment 7):

- textbooks and course materials are on the shelf before classes start
- communication/clarity of store policies
- store personnel who are warm and friendly
- knowledgeable store personnel
- store selection of office and school supplies

The areas identified by faculty as priority areas for improvement include:

- textbook pricing
- communication about textbook problems

Several faculty stated that they need more advance notice if texts ordered are not in stock or are out of print. Additionally, there were several comments regarding the lack of communication between textbook staff and professors, especially about the adequate supply of textbooks.

There have been no formal attempts to survey students or staff. In FY98, UAA student government actively sought input from students having difficulty with the Campus Bookstore. During that time there were two complaints made. Both complaints were regarding the return policy.

UAA has a return policy that is more liberal than its peer institutions. However, the complaints centered around specific situations in which the store would not accept returns on products that appeared to be damaged. The bookstore has extensive inspection and pricing practices to assure new books are sold in "new" condition. The complaints centered around "new" texts that were being returned with obvious damage. The bookstore denied these returns.

Opportunities for Improvement and/or Growth:

My assessment includes several areas that the bookstore could further develop or improve. It is obvious from current sales figures, gross margins, and operating expenses that the interim manager has made significant efforts to improve the financial performance of the store. Most areas are showing an increase in sales. With some modification, this trend could continue upwards.

- A plan of action is needed for a better organizational structure for FY99. The current reporting structure is placing an unmanageable span of control on the interim store manager. There is an immediate need for the appointment of a merchandising manager to supervise and lead the non-text sales areas. This would allow the manager to focus on the overall leadership of the organization and direct control over the text area.
- With the addition of a merchandise manager, there would be adequate staffing to develop and achieve selling goals, planned open-to-buy, and increased gross margins on non-text items. Additionally, this would provide an opportunity for more detailed assessment of the appropriate product-mix, merchandising plans, and overall marketing.
- There is a significant opportunity to coordinate with the Provost and Faculty Senate to develop a strategy for increasing the classroom use of used texts. This could be achieved through longer adoption periods, which would guarantee that a textbook would be used for more than one semester. By doing so, texts could be 'recycled' in greater quantities, allowing lower freight costs and a better financial return for students selling back books.
- The gross-margin and average mark-on percentages in all categories are comparatively low. These areas should be reviewed and adjusted to reflect the above average freight and operating expenses in the local market. There is a fine balance that could be achieved without negatively impacting students. Pricing on many items is at least 10% lower than the local retail market.
- The bookstore staff could work with other departments in Business Services to develop an institution-wide freight program. Clearly the institution as a whole could secure the most favorable freight terms if it pooled its resources. Currently, the bookstore is pro-actively managing its freight, but a consolidated institution-wide program would benefit the entire campus, especially the bookstore.

- The store is in need of a student manager program. Part of any campus bookstore's mission should be to support the learning environment of the students. A career path could be developed that would allow students seeking long-term growth in the retail industry an opportunity to learn those skills at the college store. This helps the bookstore by obtaining qualified student interns who are "closest to the customer" while providing a more reasonable labor cost.
- There are significant opportunities to capture a niche market in medical reference and related medical supply items. With the significant growth in the hospital industry within walking distance of the bookstore, it is an opportunity "screaming" for attention. Furthermore, UAA's current partnering with the medical facilities as part of the telemedicine project, School of Nursing, and WAMI provide an in-road to the assessment of needs. There are no other local retail operations targeting this market.
- There is a significant continued decline in trade book sales. It is difficult to accurately assess the volume of general book sales because of the categorization of "non-text" class use books being represented in this category. There are opportunities to downsize the trade book area and expand other categories that would offer a greater gross-margin and faster stock turnover. This would impact one full-time trade-book buyer position, which would likely be downsized to a half-time position.
- Sales projections in the food and convenience items indicate continued growth in these categories. Demographics show that students spend \$83 per semester on snack food items. The bookstore should increase inventory and floor space dedicated to these categories. Also more floor space should be targeted at insignia and gift items for the growing UAA conference guest market and a limited stock of household furnishings for the new student population. These additions can lead to increased sales and additional gross-margin without an adverse impact on inventory turns or operating expense.
- The selling floor requires facilities design work. The traffic flow, interior signage, lighting, and general layout need updating. The bookstore should use its R&R reserve of approximately \$85,000 for design work and minor remodeling.
- In FY98, the interim store manager has led the efforts to develop and improve on-campus and community relations. The bookstore staff should continue to develop innovative programs targeted at showcasing UAA programs to the Anchorage community.
- In FY98, the interim store manager was successful in obtaining a one-year contract for concession sales at the Sullivan Arena. This contract was a positive move for the bookstore as they were able to increase their exposure to more of the community through their retail presence at hockey events. A new promotional concept entitled "Puck Monday" swept the sporting community and brought a significant increase in foot-traffic into the stores on 30-40% markdown days! This further supports the need to increase the softgood initial mark-on to maintain a targeted gross margin.

- Annual promotional planning has been an area that is in development. The staff have all participated in the creation and development of new promotional ideas. A store of UAA's size and volume needs a staff person to plan, coordinate, and budget for promotional activities on an annual basis. A promotional calendar is needed. The calendar would serve as a planning tool for the merchandise manager. It is important for the bookstore to actively participate in the UAA promotional efforts; however, it must be done in a way that helps cover cost.
- The campus store has developed an interactive web-site that has been well accepted by the campus community. The web-site provides textbook information including the name of each book and cost for both new and used editions. This is a significant achievement that in-house staff accomplished. Students can now search the web to access all data about course material prior to the actual purchase of the book. Furthermore, the staff have completely updated the site to better merchandise UAA insignia items. Numerous sales transactions and requests for catalogs have been steadily increasing. The actual on-line data is not yet captured, but a tracking mechanism should be in place for FY99. The staff should next work on the development of an on-line textbook requisition site for its UAA faculty.
- For FY99, a new fiscal manager has been hired that replaces the outgoing accounting supervisor. The fiscal manager will be responsible for day-to-day fiscal control of the housing, dining, conference services, and bookstore operations. This will provide a much needed system of operational and fiscal planning and management. This position is a direct-report to the Director of Business Services.
- Up through FY97, there was a small group of staff and students called the "bookstore advisory council." Their prime directive had been to set policy and direction for the store. However, the committee in effect was defunct due to lack of attendance and unwillingness by bookstore personnel to adopt changes. In FY99, a targeted effort should be made to seek qualified faculty, staff and community members to help set direction for the bookstore.

Barriers to Entry (Highly Attractive)

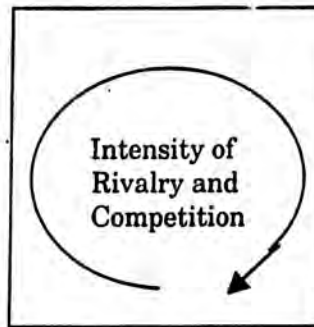
- Potential entrants in the mass market industry face significant barriers to entry. They must have institutional support through a competitive solicitation process for locating on campus.
- It would take extensive cooperation from the University to effectively obtain faculty text requisitions.
- There is no real property available for lease near the University district.

Bargaining Power of Suppliers (Mildly Unattractive)

- Suppliers are publishers or other wholesalers who service many larger customers.
- Volume of purchases made by the bookstore is small compared to other buyers.
- Vendors are all located out of Alaska causing high freight expenses.

Bargaining Power of Buyers (Highly Attractive)

- Students have virtually no sources for new texts.
- Bookstore has new and used texts.
- Buyers can obtain information about required vs. optional texts.



Threat of Substitutes (Mildly Unattractive)

- There are an increasing amount of substitutes for the text product including internet, software, course-packs, sharing, or trading with friends. As students become more sophisticated, this will cut into sales volume.
- Within the higher-education segment, many non-traditional forms of teaching are emerging (i.e., distance education) that may further impact enrollments and subsequently text purchases.
- For other products carried by the bookstore, there are numerous other more convenient locations to obtain those items.

Intensity of Rivalry (Attractive)

- The Campus Bookstore is currently the primary source for new and used texts, which represent the greatest volume of sales.
- The potential for purchasing tradebooks for classroom use is available through Borders, B&N, Amazon.com, and other local bookstores.
- The threat of outsourcing continues to loom and the decision would eliminate the Campus Bookstore.
- There are numerous superstores that offer software, hardware, and classroom supplies. They are typically more convenient for the commuter student and have a wider variety of items.

Conclusion: The college bookstore industry as a whole is fairly attractive. In UAA's case, it is extremely attractive because there is limited competition in the text area; however, there is virtually no guarantee of net profit through in-house operation. This is not the case with a contract operation. The state economy is strong, new housing should attract more students, and long-term enrollment trends are predicted to increase. The bookstore must develop strategies to combat the changing text market.

ALTERNATIVES FOR MANAGEMENT OF CAMPUS BOOKSTORE

Contract Management by Barnes and Noble:

As part of this review, a *Request for Information* was forwarded to several key players in the bookstore industry. The intent was to examine the feasibility of a contract operation. Of the responses received, the only offer worth further pursuit is that from Barnes and Noble. If a decision is made to further pursue outsourcing, a formal *Request for Proposal* would be issued.

SUMMARY OF FINDINGS

Contract Term: Five (5) years. Guaranteed commission to UAA of \$375,000. \$400,000 (one-time) capital budget for facility renovation, upgrade of fixtures, and equipment for the store.

Purchase of Inventory: All new textbooks that have been adopted for current term would be purchased at UAA's cost. Excess textbooks that are non-returnable will be purchased at wholesale price.

Non-tradebooks and other merchandise that is less than twelve months old and in salable condition will be purchased at cost. Other non-returnable items that are greater than twelve months old will be negotiated.

B&N's Obligations: Will provide regular custodial services, loss prevention services, maintenance of equipment, and all payroll cost.

UAA's Obligations: Assume financial liability for all utilities, trash and snow removal, repairs and maintenance of the facility (outside of the renovation), and transfer to B&N for their use all office equipment and computer equipment currently in bookstore use. Assist with collection of outstanding debts from students.

Staff Hiring: B&N will accept recommendations from the university regarding appointment of a store manager.

All other full-time employees will be retained at their existing salaries. The benefits package would be that of B&N. All employees will be on a six-month fair trial period.

Any employees not meeting B&N standards will not be retained after the fair trial period.

Staff will have access to significant corporate resources for training and development. Furthermore, they will be supervised by a corporate staff solely dedicated to the college bookstore industry.

Discounts: All university faculty, staff, and students would be eligible for a 10% discount at the local B&N superstore.

Category of Products: B&N will carry the same basic categories as currently exist. They could potentially increase the product-mix to include more products based on their expertise in these categories. B&N would focus on carrying an expanded software line than what is currently offered. B&N has developed an extensive software program targeted at the needs of faculty and staff.

The tradebook selection would be scaled back and focused on more specific categories that align with the academic strengths of the campus. For example, a strong College of Business might suggest that the tradebook areas in general business should be expanded while simultaneously eliminating other mixes. Special tradebook product-mix would be circulated into the store to coincide with holidays or in-store promotions.

Pricing: On textbooks, B&N would set pricing that would not exceed the publisher's list price or a 25% gross margin on net priced books. On other product lines, products would be sold at publisher's list prices or retail prices that are competitive within the local market. This would be significantly higher than what students are currently accustomed to paying.

Student Managed Independent or Private Corporation:

In order for a decision to be made to move to either of these entities, there would need to be convincing evidence that the store could stand on its own financially and operationally.

Student Managed Non-Profit Entity:

Typically, this is a non-profit organization that reports to a student association or foundation. In the United States, there are less than a dozen stores that operate in this form. This is because the failure rate of these types of campus stores has been extraordinarily high. A store manager would report to a board served by students and faculty. These stores may return a cash rebate to its campus customers. Currently, UCLA, University of California Berkeley, and California State University (at five locations) operate under this scenario.

To transition to this type of organization the university would need a skilled incorporation team that would include accounting expertise, legal counsel, financial investors, and student consultation.

Decisions would need to be made about which governing bodies would be responsible for appointment of board members and under what terms. Most likely, student and faculty government, university administration, and the store would have input in the selection process.

The entity forming this corporation would need to have the financial resources to purchase inventory, furniture, fixtures, equipment, supplies, and a line of credit. The entity would then have to negotiate with the university for its existing space or rent commercial space near the campus.

Private For-Profit Corporation:

The most significant differences on a for-profit corporate form are:

- taxation
- more liberal product selection
- store management that represents the interest of the store instead of the institution
- income earned by the store is retained and invested back in the facility or operations
- ability to market more aggressively to off-campus customers

Under this corporate form, the entity would report to a board of directors. The corporate operation would need to establish guidelines for the appointment of board members and the terms under which they serve. Furthermore, they would need significant financial resources to acquire the needed inventory, start-up equipment, and facilities to run the operation.

RECOMMENDATIONS FOR MANAGEMENT OF CAMPUS BOOKSTORE

After carefully reviewing all factors, I believe it is in the best interest of the university and the student populace that it serves to maintain an institutionally owned and operated store.

Recommendation for Institutionally Managed Operation:

- The campus store is a fully functional cost-recovery operation that is adequately meeting its mission. There are presently no general fund dollars allocated to this operation.
- The bookstore is covering the costs of facility maintenance, custodial, and utilities, and has established a building replacement reserve.
- The bookstore is covering a portion of expenses for the business office functions it receives from the campus in the form of an administrative surcharge. The surcharge is intended to cover the cost of providing payroll, printing checks, depositing funds, and other internal overhead costs.
- The bookstore is covering the cost of retirement incentive programs for employees who have retired from the university Campus Bookstore.
- The bookstore is currently making regular annual contributions to its fund balance, which is currently at \$1,490,786.
- No retail operation can expect to maintain long-term viability without constant planning and monitoring of its operations and environment. Undoubtedly, the bookstore must realign its organizational structure and develop a long-term strategy that differentiates the service it provides to the UAA community.

- A recruitment or direct-appointment should take place for a full-time regular bookstore manager as soon as possible. That manager should then proceed with realigning the staff to meet the long-term business needs of the operation.
- Gross-margins in all categories range from low to average. Each category should be reviewed to ensure they are competitively priced and adequately cover costs and planned markdowns.
- There are a whole host of community outreach activities that the bookstore could sponsor on behalf of the campus. This potential is untapped.
- The bookstore should develop an advisory council that includes faculty, members of the community, and student representatives.

Institutionally Managed Operation Alternatives:

I do not believe the development of an independent for-profit corporation or student managed non-profit entity is practical or financially feasible. The institutionally owned store is running fiscally sound. There is no evidence to support that moving to an independent corporate form would improve services or reduce costs. Presently, there are no groups that have come forward who have expressed any interest or desire to manage this type of entity.

Contract Management Alternatives:

If the institution decided to make a change from its existing corporate structure, my recommendation would be to consider a contract operation. The B&N informational offer indicates approximately \$375,000 would be offered to UAA on an annual basis. To make a good analysis, the gross commission offered of \$375,000 would be netted out to compare to what the institutionally managed store is contributing on an annual basis. The net revenue to UAA would be calculated as follows:

\$ 375,000	Gross annual guarantee from B&N
\$ 60,000	Utilities
\$ 50,425	Replacement & revenue fund (R & R)
\$ 85,724	Annual building maintenance fund (M & R)
\$ 57,000	Administrative overhead
\$ 23,773	Retirement costs for former bookstore staff*
\$ 10,000	In-kind sponsorship and discounts for campus-wide events
\$ 40,000	Costs for director and fiscal manager (contract management costs)
\$ 326,922	Subtotal of current bookstore support to the institution

*This could increase with FY99 RIPs by 20,000 and decrease the net amount to \$28,070.

The university would gain specialized expertise in the operation and management of a college bookstore, renovations to the facility, and the potential of a better selling product-mix. If this alternative were to be pursued, it would take approximately ten months from the issuance of an RFP to completion of an evaluation, contract negotiations, and renovations. A new operator could be open for business by the Fall of 1999.

Barnes and Noble is a successful for-profit corporation. In order to provide the institution with an annual guarantee and cover its operating expenses, they must run a profitable operation. This means higher gross margins on net-sales. In order to accomplish this, the product mark-on would have to rise by at least 5% to 20% over existing prices. This means that students would pay a higher cost for the products it purchases from the campus store. Given the rising cost of tuition and other related fees, the impact of additional price increases to students will probably not be well received. The brunt of the negativity would be towards UAA, not Barnes and Noble.

Furthermore, an additional round of long-time university employees would face layoff. Existing employees will be offered the opportunity for employment with the new contractor at their existing wages. However, the perception and impact of this layoff would create significant ill will amongst UAA employees.

On other campuses where contract-operations have commenced, prices have risen and service has improved. However, the campus has basically lost control of the operation and the product-mix that is offered. It is critical that a lot of time be invested into developing a detailed proposal and subsequent contract that represents the true needs of the institution. Many campuses often find themselves going back to an institutionally run operation after the contract period ends. This can be a significant reinvestment for campuses that have divested themselves of inventory, fixtures, space, and staff.

CONCLUSION

There is nothing in the existing operation that is fiscally or operationally unsound. There is no evidence of mismanagement or grossly dissatisfied faculty, staff, or administrators. There do not appear to be any driving forces or substantial benefits that necessitate the need for a non-institutionally owned store. Despite the financial gain to UAA of \$48,000 per year from a private contractor, I believe the costs outweigh the benefits. Students would pay much higher prices and employees would be displaced. A majority of cost complaints would come to UAA, not the contract operator.

With a positive economic outlook for the State of Alaska it does not seem wise to dismantle the bookstore infrastructure that is in place and successfully supporting UAA's mission. This operation does not receive any general fund appropriations and is performing in a full cost-recovery mode. With appropriate leadership, the bookstore could provide significant contributions to UAA and should be considered an asset in the institutional strategic plan, not a liability to be disposed of.

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Subject: RE: Univ Meeting

Date: Tue, 05 Oct 1999 11:42:14 -0800

From: "Usera, Nancy Bear" <N.Usera@alaskausa.org>

To: "Annette Deal" <Annette_Deal@legis.state.ak.us>

I regret I have had a conflict arise and will be unable to attend. I would like, however, to offer a few thoughts based on my review of the memoranda provided by the University.

It seems to me that the primary assumption for contracting or "privatizing" certain functions is that it will result in reduced cost or greater productivity. However, I believe a review of activities should also encompass the potential for the activity to generate revenue. The University has identified "auxiliary" services that are self-sustaining. I assume that these programs are operated at or around break even. I question what effort has been made to generate revenue from some functions or activities. Without knowing (or understanding) the full range of University activities, it would seem there is a significant potential for this option.

To narrow our review, I would suggest we look first at those activities that can be eliminated from consideration. First would be those generating income (assuming the income potential is maximized). Next would be to identify those programs that are self sustaining, but could be restructured to generate income. Third would be those activities that beg the question of why the University is engaged in that activity in the first place. How that activity is managed would be a secondary consideration (utilities come to mind in this department). Finally, would be a consideration of activities which are central to the University but have delivery options available.

I believe that like many institutions, the University has entered into a variety of programs/activities based on identified needs at the time. Once engaged in these activities, stakeholders emerge who are either beneficiaries of the program or secure their livelihood from delivery of the program. From the materials presented, I draw the conclusion that the University has done an admirable job of capitalizing on and gaining synergy from the programs and activities within their domain. However, the result is that this synergy makes extracting discreet activities very difficult. Our review should include some recommendation for addressing the dependencies that exist on the preservation of programs.

Finally, as long as public funds are expended in support of higher education, there is no question that the University's activities, programs and functions will come under scrutiny. All means should be used to make the most of the assets and income potential and to accept responsibility for producing revenues from productivity first, fees and tuition second, and public support third.

I'm sorry to miss the meeting.

> -----Original Message-----

> From: Annette Deal [SMTP:Annette_Deal@legis.state.ak.us]

> Sent: October 05, 1999 9:31 AM

> To: cfrasca@alaska.net; allenb@doyon.com; eandrews@tagdfa.com;

> Representative_Tom_Brice@legis.state.ak.us; akwend@ptialaska.net;

> anjaf@uaa.alaska.edu; n.usera@akusa.com; chick@mosquitonet.com;

> srwrhd@alaska.net

> Subject: Univ Meeting

>

> NOTICE OF SUBCOMMITTEE MEETING

>

>

October 1, 1999

DRAFT Pending Ratification

**Commission on Privatization and Delivery of Government Services
Subcommittee for the University of Alaska
Meeting Minutes**

Next Scheduled Meeting: Wednesday, October 6, 1999 at 10:00 AM at LIO.

In attendance: Cheryl Frasca, Chair; Ann Ringstad (for Wendy Redman) UA designated liaison; Tom Wilson; Rhonda Curwen-Boyles; Joe Hayes (Representative Tom Brice designee); Nancy Usera.

Marco Pignalberi, Andree McLeod, Staff

Not in attendance: Chick Wallace, Jan Fredericks, and Steve Porter.

Information packets were provided with Senate Bill 33; Subcommittee membership list; Suggested outline for subcommittee report; Memo dated 9/17/99 from Wendy Redman to Marco Pignalberi regarding University Privatization Review; University FY00 Operating Budget; Packet of Privatization Articles.

Mr. Pignalberi explained packets and specifically mentioned Section 5 of SB 33, the outline for the report to be taken up by the full commission, the preparation report by Wendy Redman and spoke to the budget and Detailed Budget Books.

Ms. Frasca spoke to funding sources and the needs to have the funding sources broken down to see where the sources come from. Request was made of Ann for the information.

Mr. Pignalberi mentioned that according to his subcommittee observations, there are two models that stand out as to how other subcommittees are tackling their mission. The first asks for an overall briefing of the agency, where directors focus on BRU's. The second model is where the committees come up with the questions and have answers given along with structure info. Timeline for the report was given as the third week of October. Since the committee was the last one to start, the second week of November would be all right to shoot for.

Ms. Frasca asked for comments on the process. Mr. Wilson and Fairbanks decided on an informal. The topic for the first meeting was discussed agreed on to is the preparation memo, and to then break down into different little workgroups on key pieces worth investigating further.

Ms. Curwan-Boyles said that the committee shouldn't look at the mixture of instruction and production so as not to get into priorities. Example of that would be the contractual food service with Vocational Tech. There is also a need to define privatization. For instance, in regards to Vocational Tech, the part of training will be difficult to look at and separate the two.

Mr. Pignalberi said that in accordance with the full commission's directive, if a topic comes up that mixes instruction and production, it should be done. Rather than take off the table a goal of what the commission wanted.

Ms. Frasca said she agreed.

Mr. Pignalberi commented on the definition of privatization and its accompanying articles.

Ms. Usera questioned about public involvement and comments.

Ms. Frasca said the process is to open it up and invite people along. She mentioned Milton.

Mr. Wilson said that public comments might lead to something.

Ms. Frasca encouraged members to talk about the subcommittee with people that might be interested and ask them to join.

Ms. Usera talked about an assumption of the committee about merely shifting costs. Making things different doesn't make it better. The committee needs to narrow down what is to be improved and what is to increase productivity.

Mr. Pignalberi said the scope of the legislation is how to make government better and to identify that. The Department of the Army came in last week to make a presentation. They were trying to privatize utilities.

Ms. Usera asked if we had a something like a tool. Maybe a process of elimination and bring about some real efficiencies.

Ms. Frasca said that the background information is the memo and the Privatization Review.

Ms. Usera mentioned the process and the time constraints. Has the university made some potential for privatization?

Ms. Ringstad said she wasn't qualified to answer. Wendy spent lots of time on memo.

Ms. Frasca said one area to explore is the dorms. Also, selling textbooks over the internet as an alternate delivery mechanism. She would like a meeting set-up with the university and wants to work on a template. She scheduled the meeting for Wednesday, October 6, 1999 at 10:00 AM. Wendy will speak to the memo.

Ms. Frasca adjourned meeting.

UNIVERSITY OF ALASKA Subcommittee
Contact Information Sheet

Name:

Work Phone:

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Fax:

Company:

Email:

Address:

10/6/99

UA

University of Alaska Subcommittee Membership					
Frasca	Cheryl	258-2331	258-2332		cfrasca@alaska.net
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Brice	Tom	456-7423	451-8293	Alaska State Legislature - House	Representative Tom Brice@legis.state.ak.us
Curwen-Boyles	Rhonda	456-1997	451-7894	Fairbanks Chamber of Commerce	akwend@ptialaska.net
Fink	Tom	279-2522	279-2566		
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Wallace	Chick	456-8000	456-8329		chick@mosquitonet.com
Wilson	Tom	337-7123	332-0030		snwrch@alaska.net

Power Plants - utilities

Remote Campuses - #1

FACULTY WORKLOAD

ACCFT - 4 per semester

VACATION -

BUDGETS - FED. GRANTS

Distance Education - -

REMEDIAL COURSES - - contracted out?
demand ↑?

MURKOWSKI AND - REVENUE ENHANCEMENT.

Teacher Ed.
Logistics
Health Care
N.R. Dev
Distant Retrieval - Satellite



and Delivery of Government Services

www.privatizealaska.org

NOTICE OF SUBCOMMITTEE MEETING

Subcommittee Name:

University of Alaska

Chairperson: Cheryl Frasca

Phone: 258-2331

Fax: 258-2332

Committee Members:

Cheryl Frasca	Tom Fink
Bill Allen	Jan Fredricks
Eleanor Andrews	Wendy Redman
Tom Brice	Nancy Usera
Rhonda Curwen-Boyles	Chick Wallace
Wayne Jensen	Tom Wilson
Steve Porter	

Date:

Wednesday, October 6, 10:00 A.M.

Place:

Legislative Information Office
716 W. 4th Avenue
Second Floor Conference Room
Fairbanks Teleconference On-line

If you have any questions please call Representative John Cowdery's office at 269-0222 or Senator Wards office at 269-0106.

The web site has a current list of members and schedule of meetings posted daily!

www.privatizealaska.org

716 W. 4th Ave. Anchorage, AK 99501

Senator Jerry Ward: 907-269-0107 Fax 907-269-0109

Representative John Cowdery: 907-269-0222 Fax 907-269-0223



LTR TRAINING SYSTEMS, INC.
230 E. Potter Dr., Unit One
Anchorage, Alaska 99518
(907) 563-4463 • FAX 563-9185

SAFETY • SURVIVAL • SECURITY

9-20-99

John J. Cowdery
Alaska Representative
716 West 4th Ave., Suite 320
Anchorage, AK.
99501

Dear Representative Cowdery,

I am writing to you because I believe we have a mutual interest. Specifically the business dealings of both private enterprises and the workings of the University of Alaska's "Mining and Petroleum Training Branch.", at least within it's projects in Yuzhno Sakhalin, Russia.

My company, LTR Training Systems, Inc., has been conducting training programs for the last two years in direct support of the off-shore oil production operation in Yuzhno Sakhalin. We conduct both the "Helicopter Off-shore Survival Training" as well as the "Life Boat Commander Training", directly on the Molipak. In addition we have conducted basic Fire Fighting training in Yuzhno, and are currently being asked to supply Sakhalin Energy Investments advanced fire fighting training as well.

During these past two years we have been extremely successful at providing our services, working within the Russian system as a subcontractor, and setting up permanent training relationships in both Yuzhno, and now across Russia. All companies and individuals have informed us that our support and curriculums are well above the industry standard for this type of training, including UAA/MAPTS standards, and would like to continue working with us as their provider.

We have done this without any assistance from UAA/MAPTS. This was even after a conversation concerning a request for assistance with Mr. Dennis Steffy and a letter requesting our working together for the "safety of both of our students". All inquiries have gone unanswered and we have turned instead, to the support of the World Trade Center Alaska.

While I am no longer requesting the support of UAA/MAPTS, I am concerned that the credit and notoriety for enhancing safety training in Yuzhno, should go where it belongs, to my company and my staff. We have now trained over 600 Russian and Expat workers on

Sakhalin Island and hopefully continue to do so if we have no infringement or "UAA subsidized competition" from UAA/MAPTS.

In closing I want to thank you for your continued interest into the workings of both small business's in Yuzhno as well as your review of possible conflicts of interest. Please feel free to contact my office at any time with questions or discussion.

Best Regards,

A handwritten signature in black ink, appearing to read "Brian K. Horner", with a long horizontal flourish extending to the right.

Brian K. Horner
President
LTR Training Systems, Inc.



and Delivery of Government Services

www.privatizealaska.org

NOTICE OF SUBCOMMITTEE MEETING

Subcommittee Name: **University of Alaska**
Chairperson: Cheryl Frasca
Phone: 258-2331
Fax: 258-2332

Committee Members:

Cheryl Frasca	Tom Fink
Bill Allen	Jan Fredricks
Eleanor Andrews	Wendy Redman
Tom Brice	Nancy Usera
Rhonda Curwen-Poyles	Chick Wallace
	Tom Wilson

Date: **Friday, October 1, 2:00 P.M.**

Place: Legislative Information Office
716 W. 4th Avenue
Second Floor Conference Room
Fairbanks Teleconference On-line

If you have any questions please call Representative John Cowdery's office at 269-0222 or Senator Wards office at 269-0106.

Please review SB 33 Section 5, which is on the website before the meeting.
This outlines the duties of the Commission.

The web site has a current list of members and schedule of meetings posted daily!

www.privatizealaska.org

CONFERENCE CS FOR SENATE BILL NO. 33
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE CONFERENCE COMMITTEE

Offered: 5/14/99

Sponsor(s): SENATOR WARD

REPRESENTATIVE Kohring

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to contracts for the performance of certain state functions
2 previously performed by state employees and to the Commission on Privatization
3 and Delivery of Government Services; and providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1. FINDINGS AND INTENT.** (a) The legislature finds that

6 (1) the annual cost of state government is exceeding the annual revenue of the
7 state;

8 (2) the State of Alaska, other states, and the federal government have
9 successfully and substantially reduced government spending and increased government
10 efficiency by contracting with third parties to perform particular state or government functions;

11 (3) there may be functions of our current state government that can be
12 performed more efficiently by any or all of the following entities:

13 (A) nongovernmental or private organizations;

14 (B) local government or regional service organizations;

1 (4) there may be functions that state government should not continue to
2 perform, but should leave to the federal government;

3 (5) there may be state government functions that should be consolidated or
4 otherwise performed more efficiently;

5 (6) there exist state government functions that would be inappropriate to
6 contract out to nongovernmental agencies.

7 (b) The legislature finds it is in the best interest of the state to make a formal
8 determination of which state government functions can and should be transferred entirely to
9 private entities or to local government agencies and whether the state should stop performing
10 some functions for the federal government. The legislature also finds that it is in the best
11 interest of the state to determine which state government functions can be consolidated or
12 otherwise made more efficient.

13 (c) The legislature intends to make the determination set out in (b) of this section in
14 order to reduce dependency on state governmental revenues for the delivery of government
15 services.

16 * Sec. 2. COMMISSION ON PRIVATIZATION AND DELIVERY OF GOVERNMENT
17 SERVICES. (a) There is created in the legislative branch of the state government the
18 Commission on Privatization and Delivery of Government Services. The commission shall
19 consist of 11 members, as follows:

20 (1) one member of the senate appointed by the president of the senate who
21 shall serve as co-chair;

22 (2) one member of the house appointed by the speaker of the house who shall
23 serve as co-chair;

24 (3) one member appointed by the Alaska Municipal League;

25 (4) two public members appointed by the president of the senate, one of whom
26 shall be a representative of a Native corporation established under 43 U.S.C. 1601-1628
27 (Alaska Native Claims Settlement Act);

28 (5) two public members appointed by the speaker of the house, one of whom
29 shall be a representative of a Native corporation established under 43 U.S.C. 1601-1628
30 (Alaska Native Claims Settlement Act);

31 (6) one member appointed by the Alaska State Chamber of Commerce;

1 (7) one member appointed by the American Federation of Labor-Congress of
2 Industrial Organizations;

3 (8) one member from the minority caucus of the house appointed by the
4 speaker of the house;

5 (9) one member from the minority caucus of the senate appointed by the
6 president of the senate.

7 (b) The commission may appoint an advisory council to assist it in carrying out its
8 duties.

9 * **Sec. 3. COMPENSATION.** (a) The public members of the Commission on Privatization
10 and Delivery of Government Services appointed under sec. 2(a) of this Act are not eligible
11 for compensation but are entitled to per diem and travel expenses authorized for boards and
12 commissions under AS 39.20.180.

13 (b) Members of the advisory council appointed under sec. 2(b) of this Act are not
14 eligible for compensation, per diem, or payment of travel or other expenses by the state.

15 * **Sec. 4. MEETINGS.** The Commission on Privatization and Delivery of Government
16 Services shall meet as frequently as the commission determines necessary to perform its work.
17 The commission may meet and vote by teleconference.

18 * **Sec. 5. DUTIES.** (a) The Commission on Privatization and Delivery of Government
19 Services shall

20 (1) review and evaluate the policies and recommendations of other states that
21 are studying or have implemented recommendations to transfer the provision of government
22 services to other entities;

23 (2) review state contracting policy and procedures, including competitive
24 bidding procedures;

25 (3) identify state government functions capable of more efficient performance
26 in the delivery of government services, and determine whether those identified functions could
27 most effectively be provided by

28 (A) transferring to the private sector or contracting out;

29 (B) transferring to local governments or regional service organizations;

30 (C) the federal government;

31 (D) consolidation or other efficiency changes; or

1 (E) a combination of the approaches under (A) - (D) of this paragraph;

2 (4) identify state government functions that should be eliminated;

3 (5) identify present state government services that are most effectively and
4 efficiently delivered by the state and that should remain a responsibility of the state;

5 (6) solicit public comment about the delivery of state government services.

6 (b) By January 1, 2000, the Commission on Privatization and Delivery of Government
7 Services shall submit a written report of its findings and recommendations to the governor and
8 the legislature. The report must include suggested legislation that may be needed to
9 accomplish the recommendations. The report must specify which state

10 (1) functions should be transferred to the private sector or contracted out;

11 (2) functions should be transferred to local governments or regional service
12 organizations;

13 (3) agencies or functions should be consolidated or otherwise made more
14 efficient;

15 (4) functions should be performed by the federal government;

16 (5) functions should be eliminated as functions of state government.

17 * Sec. 6. This Act is repealed on January 1, 2000.

18 * Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

University of Alaska Subcommittee Membership					
Frasca	Cheryl	258-2331	258-2332		cfrasca@alaska.net
Allen	Bill	459-2100	451-7274	Doyon Properties	allenb@doyon.com
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Brice	Tom	456-7423	451-9293	Alaska State Legislature - House	Representative Tom Brice@legis.state.ak.us
Curwen-Boyles	Rhonda	456-1997	451-7894	Fairbanks Chamber of Commerce	akwend@ptialaska.net
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Wilson	Tom	337-7123	332-0030		srwrth@alaska.net

UNIVERSITY OF ALASKA Subcommittee
Contact Information Sheet

Name:

Work Phone:

Home Phone:

Fax:

Company:

Email:

Address:

SUGGESTED OUTLINE FOR SUBCOMMITTEE REPORTS

I. Agency & Department Name

II. BRU and Component Names as listed in state budget

III Total Budget, all funds

- identify fund sources

IV. Total Revenue derived

- net cost/income to state

V. Identify Constitutional and Statutory Provisions Governing Agency Operation.

VI. Agency Mission, Goals and Objectives

- do reality check

VII. Number of Employees

- Identify Specialized Expertise Needed for Mission

VIII. Describe Technology Used to Perform Mission

- Identify Specialized Equipment Needed for Mission

IX. List Existing Agency Contracts including amount, contractor, purpose, term, and procurement method.

X. Identify Existing Privatization Practices, if any. Evaluate them for effectiveness and public accountability.

XI. Make Recommendations per Section 5 in SB 33, including suggestions for new legislation.

XII. Explain rationale for each recommendation, the number of votes for and against it.

XIII. List problems or barriers to implementing proposed privatization.



UNIVERSITY OF ALASKA STATEWIDE SYSTEM

Wendy Redman, Vice President University Relations

910 Yukon Drive; Fairbanks, AK 99709

Phone: (907) 474-7582; FAX (907) 474-7570

E-Mail: wendy.redman@alaska.edu

TO: Marco Pignalberi, Legislative Aide
Representative John Cowdery

FROM: Wendy Redman

DATE: September 17, 1999

RE: University Privatization Review

Attached are reports from UAF, UAA and UAS regarding the privatization/outsourcing activities and reviews that have occurred, or are in place, at the major UA campuses. As you will see, the University has put in a good deal of effort over the last five years to evaluate and implement the use of private contractors in those areas where cost savings or improved services could be achieved.

The Board of Regents and the executive administration of the UA system continue to seek every possible opportunity to achieve greater efficiency with available resources. Without going into a high whine, I will remind you that the general fund appropriation to the University is the same this year as it was over a decade ago; state general fund represents about 40% of our total budget today compared to nearly 70% a decade ago. While a shift in the proportion of state funding was certainly appropriate, the failure to maintain modest growth in state funding during the past decade is now seriously impeding our ability to secure non-general funds, and even more alarmingly, it is impacting our ability to offer the programs necessary to maintain enrollment. Even a cursory look at our funding history will show that we are dangerously close to a downward spiral that will be very difficult to correct. Though we have more than doubled tuition and increased other non-general funds available to support the operation of the University, these measures have fallen far short of keeping pace with annual inflation, and have allowed virtually no growth in response to changing state needs.

The University undertook a major organizational restructuring beginning in 1987 that merged the state's community colleges and university centers for an annual savings of \$6 million in administrative costs. A major program assessment completed in the mid-90's resulted in another round of program eliminations, consolidations, and reorganizations. A significant part of the last program review focused on opportunities for full or partial privatization and/or out-sourcing of a full array of services. This review resulted in the shift of many functions to contracted services, including the outsourcing of most of the facility maintenance and a significant portion of the building repair and maintenance at campuses in Fairbanks and Anchorage.

With an 11-person Board of Regents appointed from the private sector, we have the advantage of input and interest in alternative delivery methods at the highest levels of University governance and management, as well as a great deal of experience. In fact, I doubt there is another entity of state government that has demonstrated as much initiative or willingness to reorganize and rethink how it conducts its

business. We have many years of experience with privatizing, and continue to be open to new ventures all the time. As new technologies are developed, opportunities for more efficient delivery of education as well as academic support services will certainly emerge. At the same time, we are continuing to pursue opportunities for joint programming with schools, private industry, and other non-profit groups that will allow the most efficient use of limited resources to meet the academic, research, and public service needs of all Alaskans. Although the legislation that formed the privatization task force did not include the University as an agency for review, I know there has been interest expressed in including us. I want you to know that we welcome the opportunity to discuss our experiences with your committee, or with a subcommittee established specifically to review the University's experience with privatization. We have a great deal of experience that may prove helpful to others, and as I indicated above, we are always interested in new and innovative ideas that will allow us to maximize resources and retain the quality of our services.

cc: **President Mark Hamilton**
 Vice President Jim Lynch
 BOR President Mike Burns
 Chancellors Lind, Pugh, Gorsuch
 Vice Chancellors Griffin, Vaughn, Williams

PRIVATIZATION AT UAF

Prepared by: Terry Kelly, Director of Procurement

When investigating privatization it is important to differentiate between the forms it takes. Privatization can be considered out-sourcing of: (1) non-personal services, (e.g., custodial, food service, maintenance, etc) and professional services (e.g. architectural, financial, legal, computing services and other specialized consulting for specific needs); and (2) hiring management companies to manage and administer University functions, (e.g. facilities management, accounts payable, purchasing, personnel, information technology, etc.). Privatization in either form has potential advantages, and inherent disadvantages. It is not a panacea for operational deficiencies, nor a guarantee of improved performance. The variables in privatization are the quality of potential providers, the disconnect that occurs when our customers are one iteration removed, the added burden of contract administration and the reoccurring disruption with each change of contractor.

Also, a distinction of interest may be that, unlike some State agencies, the University has a middle option to establish self-supporting auxiliaries. Auxiliaries are an economic hybrid subject to the dynamics of competition but operating within the University framework. This brings the benefits of private enterprise while retaining control, flexibility and continuity. The functions below marked "Contract" are privatized. Those marked "Auxiliary" are in-house, self-supporting. Functions that are underlined are provided internally for the reasons given.

In broad terms, UAF contracts for a wide variety of non-personal, professional, and scientific services totaling more than \$49m annually. These range from custodial services to scientific data analysis and are too numerous to list. I have tried to list those functions that are most commonly perceived as privatization opportunities.

FACILITIES SERVICES

Design, Architectural & Engineering Contracts: Approximately \$1m to \$5m annually

New Construction Contracts: Approximately \$15m to \$30m annually.

Maintenance & Operations Contracts: Approximately \$600k annually is out-sourced for numerous small to mid-range contracts with local businesses for such things as equipment rental, pest control, overhead door maintenance, heavy equipment safety inspections, major vehicle repairs, boiler/furnace maintenance, window cleaning, road repairs, and many others.

Telecommunications Contracts: Approximately \$625k annually for local & long distance service. PTI performed a preliminary evaluation of privatization in 1997, but did not pursue it further.

Electrical Power Contracts: (off campus & backup as needed): Approximately \$250k annually.

Sewer Treatment Contract: Approximately \$360k annually.

Custodial Services Contract: Approximately \$1.5m annually. Previously done in-house. Includes all custodial services throughout the campus, including student dormitories. This contract resulted from a cost/benefit review conducted in the early 1990's.

Coal Transportation Contract: Approximately \$500k annually. Previously a sole source to the Alaska Railroad, competition was introduced into this service via the trucking industry resulting in total savings to UAF of \$60k to \$100k annually.

Elevator Maintenance Contract: Approximately \$95k annually to provide maintenance, repair, and safety assurance for all elevators on campus.

Ash Hauling: Approximately \$72k annually. Previously done in-house, this service removes the ash and transfers all ownership, disposal and hazardous materials requirements to the contractor.

Hazardous Materials Waste Management Contract: Approximately \$150k in hazardous materials disposal, abatement programs and haz mat information.

Direct Digital Controls Contract: Approximately \$150k in maintenance and monitoring of facilities environmental digital control systems. This is tied directly to UAF's energy conservation program.

Hess Village Housing Auxilliary: Approximately \$500k in annual revenues. This pilot program has been successful in completely refurbishing and renovating these married student-housing units from rental income resulting from high occupancy. This program has proven the effectiveness of bringing sound business practices to the housing issue.

Electric & Heating Utilities: UAF is self-sufficient. The Utilities Plant which produces both power, heat and water for the campus pre-dates availability of large-scale power and water production accessible by UAF. The cost of electric production is roughly equivalent to local utility rates. The local utility has no need for UAF's generating capacity. Moreover, the power plant produces steam heat for the campus as a by-product of the power production.

Water: UAF produces its own water. That water is also used to cool the power plant. The local utility has been investigating the economies of privatization. Current comparisons show UAF water produced at approximately \$1.53/kgallons while the private sector rate is approximately \$3 to \$3.50/kgallons. No proposals have yet been presented to UAF.

Refuse Hauling: A preliminary investigation of basic refuse collection privatization conducted in 1998 indicated a cost difference of approximately \$4,600. This cost difference is based on basic refuse collection only and does not include vital services that UAF currently supplies and would be required to continue to provide if outsourced. Some of these vital services include; small garbage can collection, special events refuse collection, grounds policing, walk-up collections at private residences, collection at the Downtown Center, and handling of hazardous materials. During our investigation, both local contractors indicated that the price for refuse collection would increase over time and that their garbage trucks would be amortized over a five year period. Therefore, under contract, UAF would be required to pay for a contractor's new truck at a rate that would far exceed any costs associated with replacing it's own truck. If UAF were required to pay for these items in addition to the basic refuse collection services, the costs would greatly exceed the estimated cost difference of \$4,600 for contracting the basic service.

Snow Removal: UAF own its snow removal equipment (graders, dump trucks, loaders). It is used year round for landscaping, and other projects. The majority of the labor in snow removal is provided inexpensively by students. Any potential savings by out-sourcing are not expected to offset the need for this equipment for other uses, nor the flexibility that in-house service provides.

Parking Management: Privatization of parking management, including building a parking facility, was investigated in 1995. The private sector determined that it was not economically viable.

STUDENT SUPPORT SERVICES

Food Service Contract: Approximately \$1.5 to \$2m annually. Includes all board program meals, and on-campus catering with exceptions made only for the Culinary Arts Program presentations. An intense review by the previous administration, student committees, and a respected consultant are nearing completion. A stronger partnership is emerging with the contractor, and a new RFP for an expanded program will be issued this fall.

UAF Bookstore Auxiliary: Approximately \$3m in annual sales to students, faculty, staff and the public (primarily tourists). The most recent trend in University bookstores is not out-sourcing, but rather partnering with the private sector. This business configuration is emerging through web-based access to major book sellers; direct marketing of computer hardware/software from the manufacturer through a campus outlet (not available to the private sector); and the marketing of logo items through local retail outlets. Technology is changing the nature of bookstores. It holds the promise of leaner operations, continued favorable pricing and increased revenues. The UAF Bookstore has established a web presence, and is pursuing the efficiencies of web ordering, and publishing company partnerships. UAF will be in a better position 2-3 years from now to assess whether sufficient additional benefits are attainable through outright privatization.

University Technology Center Auxiliary: Approximately \$2m in annual sales. The UTC, in partnership with major manufacturers, is a computer store with a presence on the three MAU's providing hardware/software to students, faculty, staff, and departments. This "direct only" sales approach, not available through private sector dealers, is initiated by major manufacturers and provides unprecedented discounts.

Residence Life Auxiliary: Approximately \$3.7m annually. UAF is in the closing stages of a renovation and review of housing operations. The administration is developing alternative operating configurations and strengthening partnerships with the Food Service program. In the spring of 1999, a consulting firm was hired to review housing services and make recommendations for enhancing quality, and economic viability.

CAMPUS SUPPORT SERVICES

Printing Services Auxiliary: Approximately \$1.3m annually. Printing Services is not simply a "copy center" as defined by most agencies. It directly supports nine instructional programs in journalism, broadcasting, and graphic arts through the campus Ethernet backbone with a high technology. The issue of privatization has been addressed by legislation that requires that UAF offer the private sector the opportunity to bid on printing jobs above the competitive threshold. This insures that the Printing Services Auxiliary is at least as cost effective as privatization. In addition to printing, UAF Printing Services provides and maintains copy machines throughout the campus. A private sector print management firm recently reviewed the technology and pricing structure of UAF Printing Services and did not pursue it further.

Conferences & Special Events Auxiliary: Approximately \$426k annually, but \$37,423 is University related. Technically, this is recharge, a variation on the auxiliary model. About 90% of the department's activities is coordinating events for external customers unrelated to the University at non-University venues. It is under review by the administration. Consideration should be given to redefining its mission to promoting UAF and developing opportunities for the campus to host a variety of organizations to showcase the University.

MANAGEMENT SERVICES

Facilities Management: Private sector management of university facilities is available, but not commonplace. UAF Facilities Management has recently undergone a major reorganization merging Physical Plant, Utilities and Design & Construction. The efficiencies and effectiveness of this new organization should be assessed before consideration is given to privatization.

Accounts Payable: The accounts payable function is undergoing a transition to a new level of electronic processing. Introduction of a procurement card (Pro-Card) for purchases provides a single monthly MasterCard billing for hundreds of vendors. MasterCard pays the vendor almost immediately after the transaction. It is expected to produce significant savings in labor and administrative cost in the coming years. These efficiencies should be assessed before we consider out-sourcing the function entirely. Consideration perhaps should be given to increased consolidation of payable functions.

Procurement & Contract Services: Purchasing is gaining from some of the same changes affecting Accounts Payable. Three to five positions have been eliminated in Procurement in recent years due to advances in technology, increased staff expertise, and increases in bid limits. This is shifting the focus of the department from order processing to contract administration. As privatization increases, the need for more and better contract management increases proportionately. Consideration perhaps should be given to increased consolidation of purchasing functions.

Human Resources/Payroll: The very term, "human resources" rather than the traditional "personnel" implies a wider spectrum of service to current and potential employees. UAF Human Resources does not fit the hiring hall function most closely identified with out-sourcing personnel or payroll functions. Much consolidation of employee relations and payroll has already taken place with key functions being provided at the Statewide Administration level.

SUMMARY

The best opportunity for privatization to produce dramatic improvements is when the agency is bloated with staff and wasteful budgeting. One of the bright spots of the several years of decrement spending is that, at every level UAF, indeed all UA, has been forced to find management and service innovations to meet the need in spite of declining resources. That by definition produces a heightened level of productivity. Meeting this challenge year after year has resulted in downsizing staff, upgrading technology, and demanding better management. The number of auxiliaries is increasing. Further review is needed to insure sound business practices and the economies of scale are attained.

Many opportunities for out-sourcing have been found. New opportunities are always under review. But the good news/bad news is that the budgetary rendering process of the last decade has greatly narrowed the gap between the efficiency we have already secured and the increment of efficiency that might be available from privatization.

PRIVATIZATION AT UAA

Prepared by: William Rose, Vice Chancellor for Administration

Over the last five years, the University of Alaska Anchorage (UAA) has evaluated and implement the use of private contracted services in cases where cost-savings and/or service improvements could be achieved. It is our goal to attain the highest level of service while utilizing the lowest cost alternative in the delivery of administrative and support services across the UAA campuses. UAA's track record relative to the use of outsourcing as a means to achieve cost-savings while maintaining quality, supports this goal. The **highlights** of these efforts have been the outsourcing of facilities design and engineering services, maintenance and repair, renovations, new construction, custodial services, utilities, food services, the copy-service arm of the printing department, tuition loan services, and athletic team travel services. In addition, the UAA Bookstore was recently studied to determine if privatization was a viable alternative to an in-house operation including the issuance of a Request For Information (RFI). The following are more detailed summaries of UAA's recent privatization efforts.

Facilities Design and Engineering Services, Maintenance & Repair, Renovations, New Construction, and Custodial Services

1. All UAA architecture, design, or engineering support is contracted out. Contracts are awarded by task or project. \$500,000 to \$3,000,000 is expended annually on design and engineering services depending on the available level of "local" maintenance dollars and state capital appropriations.
2. Maintenance and repair, renovation, and new construction projects are awarded by project. \$1.2 million is expended annually on maintenance and repair and renovations. A unit price contract is also utilized for routine maintenance and repair. New construction is dependent on available state or federal funds.
3. All custodial support (except the Housing complex) is outsourced. A new contract was awarded in July 1999 at an annual cost of approximately \$800,000.
4. All elevator maintenance is contracted out at an annual cost of \$45,000.
5. An energy conservation contract provides \$250,000 in energy conserving modifications to UAA facilities on an annual basis.
6. All utilities are provided by outside entities at an annual expenditure level of approximately \$3,000,000.

In addition, our extended sites at Kenai, Kodiak, Mat-Su, and Prince William Sound utilize contracted services for the majority of their facilities expenditures.

Food Services

In FY99, the new UAA housing complex was completed. To complement this new facility, the existing in-house dining services at UAA were consolidated and contracted out. The new contractor, Aramark, operates all cash dining venues, including the Daily Grind, Wolf Den, Counter Culture, Bear Necessities, and catering services. In addition, they also operate the student dining board program, including the Cuddy Cafeteria and Creekside Eatery. "Subway" independently operates a venue in the UAA Campus Center. The total value of these contracts is approximately \$2,467,932.

Printing Services

In 1996, the UAA printing department was analyzed to consider the use of contracted services. The study found the overall printing department to be a cost-effective asset to

UAA. The study did recommend that the copy services area within the printing department be further analyzed. Copy services was reviewed and recommended for outsourcing in order to increase service, to improve machine and copy quality, and to reduce overall copier costs. The Copier Management Program (Copy Center) was contracted out to Xerox (XBS) in 1996.

Miscellaneous Services

UAA has recently contracted out tuition loan services and travel services for athletic teams. In addition, UAA has contractors performing Facilitation and Mediation, Moving, Laundry, Forestry Consulting, Photography, Vending, Newspaper printing, Fire Extinguisher Inspection, Advertising, and Legal Services to name a few.

Bookstore

In Fiscal Year 1998, a study was conducted to determine if the UAA Bookstore should be privatized. This entity is a fully-costed, self-sustaining auxiliary operation that receives no general fund support. The study found no evidence that moving to an independent, corporate firm would improve services or reduce costs. A search of potential bookstore owners, through a Request For Information (RFI) process, found limited interest in this highly specialized entity. The study found that a for-profit operation would increase the price of books for the students by 5 - 20%. UAA decided to closely monitor the yearly performance of the Bookstore to ensure that an in-house operation was viable. In FY99, the Bookstore performed well with sales of \$4.7 million, and a positive year-end balance, while book prices remained nationally competitive with campus bookstores and entities such as Amazon.com. Currently, the Bookstore has developed an online presence and is in the final development stages of an online requisition and ordering system for faculty and students.

UAA has developed and implemented internal and external customer satisfaction surveys to ensure our in-house and outsourced activities are performing effectively. Overall, the current mix of UAA personnel and contractors is providing the University with excellent, cost-effective service. However, we are never satisfied with the status quo. Consequently, we are constantly reviewing current operations to determine if restructuring or contracting out would improve service and provide more efficient use of our limited resources.

PRIVATIZATION AT UAS

Prepared by: Carol Griffen, Vice Chancellor for Administrative Services

Facilities Design and Engineering Services, Maintenance and Repair, Renovations, New Construction and Custodial Services

1. UAS contracts for all architecture, design, or engineering support. Contracts are awarded by project. The cost of such services vary from \$150.0-\$200.0 per year depending upon available level of maintenance dollars and state capital appropriations.
2. Maintenance and repair, renovation and new construction projects are awarded by project. Approximately \$700.0 is spent annually on maintenance, repair and renovation. New construction is not contained in the annual expenditures stated above. Those expenditures are strictly dependent upon state capital project appropriations.
3. Custodial support is outsourced on the Sitka campus. The annual contract is approximately \$62.0. Since there has been mixed success across the system where custodial services have been contracted, it is UAS's intention to use the Sitka contract as a pilot project prior to making any determinations about expanding contracted custodial services.
4. All elevator maintenance is contracted at an annual cost of \$34.0.
5. All utilities are provided by outside entities at an annual expenditure level of approximately \$730.0.

Bookstore

Since the mid eighties, UAS has developed an RFP on two occasions to contract with local vendors to provide bookstore services on the Juneau campus. We were not successful either time in finding a local vendor willing to provide book store services on site for the Juneau students. This fall UAS has identified 10 courses for a pilot project to determine the feasibility of purchasing texts on the internet. Most of the classes in the test project are offered distance delivery which previously required additional handling to deliver the books to the students across Alaska. Those students are now purchasing their texts from vendors across the WEB. The test is working very well and it is our intent to continue to expand this opportunity for students.

Security

UAS has never had a police force. It has been our practice for a number of years to contract for security services throughout the region at an annual cost of approximately \$76.0.

Day Care

In 1995 UAS, Juneau campus eliminated a campus run day care center which was for use by students who were enrolled at the Juneau campus. Due to the rising cost and the inadequacy of available facilities the service is no longer offered, however we do continue to assist students to find placements for their children in local private day care facilities.

Printing

In the mid eighties UAS closed its printing facility and has since that time contracted with private printing firms for all its publications, including course schedules, catalogues, printed course materials and program brochures. The annual cost of printing services is approximately \$133.0.

Food service

Over the course of the last decade the Juneau campus has made two attempts to find a private company to provide food service at the Juneau Campus for residential students. Both attempts, the most recently in 1997, failed to find a private vendor willing to provide those services with out substantial subsidy to the campus. We remain very interested in contracting with a private vendor for food service.

Since the mid eighties UAS has discontinued providing services in-house where it made sense to contract them to private businesses. We have a long history of attempting to find private businesses to provide a student bookstore, food services, printing and childcare. UAS has been partially successful and remains interested in exploring opportunities to privatize services where we can obtain a high level of service and the lowest cost alternative for the delivery of administrative services.

Agency Totals - FY00 Operating Budget

Agency: University of Alaska

	FY98 Act	FY99 CC	FY99Auth	Gov Amd	House	Senate	ConfComm	FY99Auth to ConfComm	
Totals for Agency	385,949.8	442,415.3	442,440.7	465,810.7	465,801.8	465,298.0	465,801.8	23,361.1	5.3%
Objects of Expenditure:									
Personal Services	216,489.2	234,757.9	232,794.6	249,021.6	243,401.6	242,082.0	243,401.6	10,607.0	4.6%
Travel	9,683.7	8,567.7	8,481.4	8,759.1	8,759.1	8,442.5	8,759.1	277.7	3.3%
Contractual	83,172.5	111,521.4	109,133.2	122,635.6	122,635.6	122,635.6	122,635.6	13,502.4	12.4%
Commodities	40,420.5	46,385.8	46,962.6	49,348.3	49,348.3	49,348.3	49,348.3	2,385.7	5.1%
Equipment	8,661.6	4,648.3	4,655.1	6,051.0	6,051.0	6,051.0	6,051.0	1,395.9	30.0%
Lands/Buildings	7,344.1	30.0	15.0	131.5	131.5	131.5	131.5	116.5	776.7%
Grants, Claims	13,164.3	11,047.8	11,304.8	11,512.8	11,512.8	11,512.8	11,512.8	208.0	1.8%
Miscellaneous	7,013.9	25,456.4	29,094.0	18,350.8	23,961.9	25,094.3	23,961.9	-5,132.1	-17.6%
Funding Sources:									
1002 Fed Rcpts	44,788.5	58,006.2	58,006.2	63,434.2	63,434.2	63,434.2	63,434.2	5,428.0	9.4%
1003 G/F Match	2,777.3	2,777.3	2,777.3	2,777.3	2,777.3	2,777.3	2,777.3	0.0	0.0%
1004 Gen Fund	161,766.5	163,329.5	163,354.9	168,974.9	168,966.0	165,062.2	168,966.0	5,611.1	3.4%
1006 GF/MHTIA	200.8							0.0	%
1007 I/A Rcpts	28,557.5	34,105.0	34,105.0	34,564.9	34,564.9	34,564.9	34,564.9	459.9	1.3%
1010 UA/INT INC	2,884.6	3,330.0	3,330.0	3,339.6	3,339.6	3,339.6	3,339.6	9.6	0.3%
1015 UA/DFA SVC	23,832.4	32,202.7	32,202.7	33,395.3	33,395.3	33,395.3	33,395.3	1,192.6	3.7%
1025 Sci/Tech	2,630.0	2,630.0	2,630.0	2,630.0	2,630.0	2,630.0	2,630.0	0.0	0.0%
1037 GF/MH		200.8	200.8	200.8	200.8	200.8	200.8	0.0	0.0%
1038 UA/STF SVC	49,419.2	57,499.6	57,499.6	59,043.9	59,043.9	59,043.9	59,043.9	1,544.3	2.7%
1039 UA/ICR	13,378.4	19,330.0	19,330.0	19,382.2	19,382.2	19,382.2	19,382.2	52.2	0.3%
1048 Univ Rcpt	52,886.5	65,438.1	65,438.1	74,491.3	74,491.3	74,491.3	74,491.3	9,053.2	13.8%
1053 Invt Loss	166.4							0.0	%
1054 Empl Trng						3,400.0		0.0	%
1061 CIP Rcpts	2,661.7	3,566.1	3,566.1	3,576.3	3,576.3	3,576.3	3,576.3	10.2	0.3%
Positions:									
Perm Full Time	3,471.0	3,387.0	3,387.0	3,444.0	3,387.0	3,387.0	3,387.0	0.0	0.0%
Perm Part Time	242.0	233.0	233.0	233.0	233.0	233.0	233.0	0.0	0.0%
Non-Perm	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	%

Component Summary - FY00 Operating Budget

Agency: University of Alaska

Page	Budget Component	FY98 Act	FY99 CC	FY99Auth	Gov Amd	House	Senate	ConfComm	FY99Auth to ConfComm
University of Alaska									
1	Unaloc Reductions/Additions		-4,453.2	0.0	-10,643.2	-10,652.1	-11,155.9	-10,652.1	0.0%
2	Systemwide Reduction/Additions	606.5	2,889.5	57.1	13,050.3	13,050.3	13,050.3	13,050.3	22755.2%
	* BRU Total	606.5	-1,563.7	57.1	2,407.1	2,398.2	1,894.4	2,398.2	4100.0%
Statewide Programs and Services									
3	Statewide Services	17,023.9	20,375.3	20,888.4	20,788.4	20,788.4	20,788.4	20,788.4	-100.0
4	Statewide Networks	9,996.3	10,037.2	9,640.6	9,640.6	9,640.6	9,640.6	9,640.6	0.0
5	ACCFT Contract Provisions		421.7	0.0	476.0	476.0	476.0	476.0	476.0
6	United Academics Contract Prov		1,212.5	0.0	1,683.8	1,683.8	1,683.8	1,683.8	1,683.8
7	CEA Contract Provisions		426.0	0.0	393.8	393.8	393.8	393.8	393.8
8	Salary Adjust: Non-Covered		1,580.6	0.0	3,637.5	3,637.5	3,637.5	3,637.5	3,637.5
9	United Academics - Adjuncts				278.9	278.9	278.9	278.9	278.9
	* BRU Total	27,020.2	34,053.3	30,529.0	36,899.0	36,899.0	36,899.0	36,899.0	6,370.0
University of Alaska Anchorage									
10	Anchorage Campus	111,084.1	125,819.1	126,493.5	127,744.2	127,744.2	127,744.2	127,744.2	1,250.7
11	Kenai Peninsula College	5,510.4	6,248.6	6,286.2	6,286.2	6,286.2	6,286.2	6,286.2	0.0
12	Kodiak College	2,288.0	2,537.7	2,555.0	2,555.0	2,555.0	2,555.0	2,555.0	0.0
13	Matanuska-Susitna College	4,282.1	4,524.1	4,550.4	4,550.4	4,550.4	4,550.4	4,550.4	0.0
14	Prince Wm Sound Comm College	3,820.7	4,633.1	4,643.9	4,643.9	4,643.9	4,643.9	4,643.9	0.0
	* BRU Total	126,985.3	143,762.6	144,529.0	145,779.7	145,779.7	145,779.7	145,779.7	1,250.7
University of Alaska Fairbanks									
15	Alaska Cooperative Extension	5,912.4	6,018.9	6,064.4	6,064.4	6,064.4	6,064.4	6,064.4	0.0
16	Bristol Bay Campus	1,137.4	1,189.4	1,193.5	1,193.5	1,193.5	1,193.5	1,193.5	0.0
17	Chukchi Campus	783.5	920.2	925.1	925.1	925.1	925.1	925.1	0.0
18	Fairbanks Campus	123,537.0	145,419.9	146,212.2	146,261.5	146,261.5	146,261.5	146,261.5	49.3
19	Fairbanks Organized Research	63,120.4	69,995.7	70,087.3	83,287.3	83,287.3	83,287.3	83,287.3	13,200.0
20	Interior-Aleutians Campus	1,594.5	1,715.0	1,723.1	1,723.1	1,723.1	1,723.1	1,723.1	0.0
21	Kuskokwim Campus	3,040.1	3,371.9	3,383.7	3,383.7	3,383.7	3,383.7	3,383.7	0.0
22	Northwest Campus	1,349.0	1,531.1	1,540.0	1,540.0	1,540.0	1,540.0	1,540.0	0.0
23	Rural College	3,129.7	3,032.5	3,025.3	3,025.3	3,025.3	3,025.3	3,025.3	0.0
24	Tanana Valley Campus	4,425.9	5,021.8	5,044.5	5,044.5	5,044.5	5,044.5	5,044.5	0.0
	* BRU Total	208,029.9	238,216.4	239,199.1	252,448.4	252,448.4	252,448.4	252,448.4	13,249.3
University of Alaska Southeast									
25	Juneau Campus	16,900.8	20,465.2	20,622.3	20,622.3	20,622.3	20,622.3	20,622.3	0.0

Component Summary - FY00 Operating Budget

Agency: University of Alaska

<u>Page</u>	<u>Budget Component</u>	<u>FY98 Act</u>	<u>FY99 CC</u>	<u>FY99Auth</u>	<u>Gov Amd</u>	<u>House</u>	<u>Senate</u>	<u>ConfComm</u>	<u>FY99Auth to ConfComm</u>
	University of Alaska Southeast								
26	Ketchikan Campus	2,350.9	2,783.9	2,795.5	2,795.5	2,795.5	2,795.5	2,795.5	0.0 0.0%
27	Sitka Campus	4,056.2	4,697.6	4,708.7	4,858.7	4,858.7	4,858.7	4,858.7	150.0 3.2%
	* BRU Total	23,307.9	27,946.7	28,126.5	28,276.5	28,276.5	28,276.5	28,276.5	150.0 0.5%
	*** Total Agency Expenditure	385,949.8	442,415.3	442,440.7	465,810.7	465,801.8	465,298.0	465,801.8	23,361.1 5.3%
	Federal Funds	44,788.5	58,006.2	58,006.2	63,434.2	63,434.2	63,434.2	63,434.2	5,428.0 9.4%
	General Funds	164,744.6	166,307.6	166,333.0	171,953.0	171,944.1	168,040.3	171,944.1	5,611.1 3.4%
	Other Funds	176,416.7	218,101.5	218,101.5	230,423.5	230,423.5	233,823.5	230,423.5	12,322.0 5.6%