

April 9, 2009

Dear PBAC Committee,

On behalf of University Advancement, I submit the attached narrative for consideration by the Planning, Budget and Advisory Council (PBAC).

University Advancement faces significant fiscal challenges in the coming years. You will read in this narrative how the loss of UA Foundation funds has affected this unit and how we have made ends meet in FY10 by reorganizing one unit (Advancement Services) and using one-time funds to bridge our finances until FY11. We have included a detailed description of our carryforward management over the past several years and feel fortunate to make good use of those funds now. Without those one-time funds in FY11, we have serious concern about our ability to maintain this level of staffing and fundraising activity.

It appears now as though UAA's Advancement office may receive approximately \$200,000 from the Foundation. The ability of the Foundation to distribute funds to the MAUs relies entirely on the investment performance of its funds. After configuring the Foundation budget, any excess funds are distributed to the campuses via a request process that is guided and approved by the Foundation Board of Trustees. The fund request is approved at the June meeting each year.

While we had grown somewhat accustomed to full Foundation coffers and benefitted to the tune of \$1.1M in FY09 (until they requested \$160k back due to drastic losses at the Foundation and costs that needed to be covered centrally), we now understand fully that this money is soft and that there is no guarantee of any Foundation payout. For that reason, we simply cannot cover personnel costs with Foundation funds and must look at covering these costs in base funding. This does not affect our request to PBAC this year, but we feel we must preview you now to the situation we see in FY11.

We are not asking for an incremental increase for FY10. We have an outstanding team of professionals all working hard to serve Advancement's mission to increase awareness of and support for UAA. We have successfully kept this team in tact in FY10 and hope to gain your support in maintaining this team in FY11 and beyond.

As of the writing of this, we have achieved 90% of our \$8.35 million FY09 fiscal year goal. We seek to raise more than \$7 million in FY10 and have confidence, though we are operating in very different and very difficult times, that this goal is achievable.

I look forward to further discussion of this narrative and unique current circumstances of University Advancement on April 16.

Sincerely,



Megan Olson

Vice Chancellor, University Advancement

1. Overview of current base budget

University Advancement does not foresee any major variances from the summary in Attachment IV. However, we feel a history of and plan for the rather large carryforward figure is in order.

Advancement began the FY07 with \$263K carryforward from FY06. We planned to reserve \$309,311 as carryforward into FY08. This included \$185K for an anticipated move of the department plus a 6% holdback (\$124,331) of the total budget appropriation. \$330,565 actually went to carryforward for FY08, an increase of \$21K over the planned amount. This consisted primarily of salary savings, including senior staff family medical leave.

In FY08 \$330,565 carryforward rolled forward from FY07. Since the anticipated move still had not occurred \$185-200K was reserved for this expense. In addition 6% of the annual budget was designated to be held back, resulting in a target figure of \$316K to be carried forward into FY09. Actual carryforward at the end of FY08 was \$490,268, an increase of \$174,268 above the planned figure. This was due to vacant positions that had been budgeted but were not filled in FY08 (Assistant Vice Chancellor for Development, donor relations manager, five partial year vacancies) a total of \$182,000.

After an 8% pull back from statewide, the carry forward total for FY09 was \$451,047. Advancement planned to spend \$200K of the carryforward on the department's move; \$125K, on a comprehensive branding campaign; \$100K, on a recommended 4-5% hold back; and \$75K, on distributions to units within Advancement for one-time operational expenses.

A number of changes in this plan were affected as FY09 unfolded. When the UA Foundation cut the existing FY09 Development Grant by \$160K, funds initially earmarked in the grant for the UAA branding campaign were redirected to other development expenses. An additional \$50K was expended from carryforward on the branding campaign (total \$175K) to cover this shortfall. The cut in the Development Fund also freed up \$142K previously designated as matching funds for the grant, which could now be used by any Advancement unit. In addition, expenses for the departmental move are expected to be only a fraction of the originally projected \$200K, due largely to the availability of \$140K on a construction purchase order already in place for the Administration building.

In November 2008 word was received from the Foundation that the development grant (\$1,081,920 in FY08; \$960,000 in FY07) would likely be nonexistent in FY10. In light of this crisis, a freeze was placed on all but the most essential spending. Positions that would not be filled were identified including the Assistant Vice Chancellor for Development, Advancement Services director, development coordinator and other support staff. Operational costs were cut throughout Advancement units. Even with the proposed reorganization in Advancement Services which will move personal services expenses from UAA to the Foundation, it became clear that Advancement needed to

carryforward at least \$480K into FY10 to fund basic operations. It is anticipated that with careful planning Advancement will end FY09 with approximately \$480,000 to be used to cover the budget shortfall in FY10.

2. *Restricted or “soft” funds available to offset operations*

For the last four years, the University of Alaska Foundation has provided funding to help offset the costs of the campus development operations. In FY09, our grant was \$1.1 million, which represents about one-third of University Advancement’s budget. The money is provided from the Foundation with the understanding that the campus will match those funds dollar for dollar, which UAA has done. Due to declining investment returns at the Foundation, we were alerted in late fall 2008 that the grant from the Foundation would likely be \$0 in FY10. We were just recently notified that in fact there may be up to \$500,000 to distribute among the three MAUs. This is good news but we are proceeding carefully with our new clear understanding that this money is soft and that it may not come again next year. We are cognizant of the importance of not beginning new initiatives in FY10 that we cannot continue in FY11 and beyond. We anticipate very small, if any, grants from the Foundation for the next 3-5 years, given the current economy and the amount of time required for the markets and investment returns to recover.

We plan to request approx \$200,000 from the UA Foundation for FY10 operations. These funds will be used primarily to cover non-personnel services expenditures in the annual giving and alumni relations areas. Given the reality that corporate and foundation giving will likely decline in the immediate future and the fact that individual giving is more sustainable and healthy in the long run (poor economy or not), these areas are critically important to the success of UAA’s strategic philanthropic plan. In planning for the deep cut we thought we’d face in FY10, we pared the non-personnel services budgets to the barest minimum. Our plan for use of any available funds from the Foundation is to bolster these operating budgets to acceptable levels so that we reliably see an increase in participation in both our annual giving and alumni relations programs.

The timeline for request of these funds and notification of grant approval is as follows:

- April 10 – Annual plan and request due to the UA Foundation
- April 29 – Presentation of campus plans to UA Foundation Trustees Development Committee
- June 17 – Approval of campus plans by full UA Foundation Board of Trustees

3. *Overview of incremental needs for FY10*

University Advancement does not have an incremental base funding request for FY10, we do however request that the FY09 funding level be maintained.

FY10 is a year in which we will continue the strong and successful programs begun over the last several years. We will not grow this team, but we will maintain the current level of staffing and focus the team’s efforts primarily on individual philanthropy and alumni

relations efforts. Corporate and foundation giving will always be a part of what our major gifts officers do, however the shift to individuals as the primary focus for private giving is a new and very important element in UAA's successful future.

Our communications efforts will remain broad and fairly shallow as we focus on continuing to tell UAA's positive and diverse story to our various audiences, internal and external. You won't see more advertising or any new publications, but you will see creative use of new media and the continuity of the traditional communication elements that have proven very successful (e.g. Accolades, school/college/program newsletters, the Seawolf Weekly, etc.).

The declining economy and the drastic reduction in Foundation funds makes FY10 a year of maintenance, refocus and retrenchment.

4. *Provide information on net impact of allocations and reductions in FY07-09*

In FY07 University Advancement received a base funding increase to help meet the campus match to the University of Alaska Foundation grant, add development officers and expand our Phonathon program. In FY 08 Advancement received a second base funding increase to once again meet the campus match requirement for the University of Alaska Foundation grant and to increase development outreach and fundraising efforts. In FY09 University Advancement received a third base funding increase to once again meet the campus match requirement for the University of Alaska Foundation grant; in addition, FY09 also included a base funding increase to support Advancement's request to add a second electronic media specialist.

(from Attachment VI)

1. What were the original objectives of this initiative?

FY07: The objective of requesting an increase to base funding to was to match the UA Foundation grant; this additional funding allowed for the hiring of additional development staff, expand our Phonathon program, and increase our fundraising activities and outreach.

FY08: The objective of requesting an increase to base funding was to match the UA Foundation grant and to expand outreach to potential donors and alumni. We also hired a second graphic designer to accommodate the increased needs from across campus.

FY09: The objective of requesting an increase to base funding to was to match the UA Foundation grant and add an additional electronic media specialist to the Advancement staff.

2. What was accomplished?

FY07: University Advancement was able to hire two additional development officers and a development assistant to supervise and grow the Phonathon program. Expanding our staff allowed for increased cultivation and solicitation of alumni. We launched the Rasmuson Challenge to secure 100 new or upgraded donors at the \$1,000 leadership

level. The number of individual donors to UAA increased more than 50% and the number of alumni donors increased 117%.

FY08: Advancement met the Rasmuson Challenge ahead of schedule, securing 100 alumni donors giving \$1,000 to the university. Development officers and editorial specialists were assigned to specific colleges to increase program knowledge, outreach and fundraising effectiveness. A special campaign for the Integrated Science Building resulted in a \$15 million gift (the largest gift ever received at any UA campus) for equipment and an endowed arctic science and engineering research fund. Annual giving continued to increase, with a 25% increase in individual donors and a 27% increase in alumni donors over the previous year. In addition, we were able to create additional outreach pieces, including program fact sheets, fundraising DVDs, alumni e-news, Seawolf Weekly (a new electronic communication), two new college newsletters and alumni-targeted events. In FY08 UAA was able to air two television commercials—the first in many years—highlighting our research and workforce development programs.

FY09: With the additional electronic media specialist, we have been able to increase our electronic communications and upgrade the format of existing electronic communications. Examples include HTML e-mails, higher quality video/audio podcasts, electronic e-mails with links to video, audio slideshows, fundraising videos and social media site population.

In the fundraising arena, we secured funding for a \$4 million endowed chair for ANSEP. We identified individual giving as a key priority to ensure a more sustainable philanthropic revenue stream, and have focused our efforts on reaching and cultivating alumni. Efforts in this area include electronic communications designed to build affinity and solicit alumni and friends, direct mail and phonathon outreach. We have also increased our alumni and donor outreach with new bi-annual newsletters for six different colleges/programs; established a new monthly column in the *Anchorage Daily News* that has helped to increase our presence in the community; are currently refining our campus logos and launched a small rebranding campaign that ran on TV and in print.

3. What has been the impact?

FY07: We rebuilt a development and alumni relations team that had been left at a skeletal level after UAA's first fundraising campaign. With additional funds, Advancement was able to bring in top-notch development professionals who were able to build relationships with internal and external constituencies. A key focus was broadening the base of donors. We saw the results of that, with the number of gifts increasing from 2,251 in FY06 to 3,309 in FY07.

FY08: Advancement became more integrated for greater effectiveness. We underwent a strategic planning effort to identify five-year fundraising priorities, and to build stronger coalitions on campus. We have also forged strong partnerships with the deans and directors allowing for a team-approach to fundraising and publicity/marketing. The outcome has been a shared vision, initiative and work toward a common goal.

With the increased presence in the community and increased outreach pieces, we are able to begin to build strong relationships with a large potential donor base. We have also been able to tell UAA's story in a more effective, polished and targeted way.

FY09: We continue to focus on building relationships with individuals and alumni, as well as corporate partners. Though we are seeing some downturn in individual giving, a sustained commitment to alumni engagement and fundraising is critical for long-term success. We have begun to launch new alumni outreach events, both in Alaska and outside of the state. Development officers also work with university relations on the university's top fundraising priorities.

4. **What are the expected future outcomes of this initiative?**
Expected future outcomes include increased private support for UAA's fundraising priorities, as identified through the strategic plan. Ultimately, the outcomes will be an integrated effort to build engage alumni, build awareness of UAA's strengths in the community, and garner increased levels of philanthropic support.
5. **To what extent, if any, was this initiative allocation to your unit offset by reductions?**

There have been overall increases in our budget over the last three years, so no reductions haven't needed to be offset.

5. Performance with respect to PBB metrics

High demand job area degrees awarded

Advancement has forged strong partnerships with deans and program directors in the high-demand demand job areas to increase funding and public support for these programs. The Advancement team works hand in hand with one another to build the public image of the University's contribution to high-demand job fields. As a result, private funding in these areas increase as do the opportunities for students to study in these disciplines. Examples include \$15M for the ConocoPhillips Integrated Science Building and Arctic Science Engineering Endowment; \$4M Endowed Herbert P. Schroeder Chair for ANSEP; the upcoming Health Sciences Building campaign; the Alaska Heart Institute Fellowship for undergraduate research (in biomedicine); the

Alaska Kidney Foundation scholarship (nursing); \$1M gift from Chevron for UAA's ANSEP and KPC's Process Technology program.

Advancement also developed three advertising campaigns to promote UAA's educational opportunities in high-demand fields (health care, education, construction, engineering, etc.). Two of the three ran on television statewide; one in both print and on TV; and two on the radio. This exposure helps to increase UAA's enrollment (and eventually degrees awarded) in these strategic areas.

First-time full-time undergraduate retention

There are several challenges facing students that affect retention. The Advancement Office has worked to stem the financial challenge by helping to provide more than \$613,000 in private scholarships (FY08), raise more than \$100,000 through our Phonathon program (FY08) to go toward scholarships (and other academic funds) and by sharing the cost of a full-time development officer in the Community and Technical College, where Developmental Studies is located. Advancement also works closely with retention-focused and bridging programs such as ANSEP to raise program funds and enrollment numbers.

Advancement also has a strong presence at New Student Orientation, Freshman Convocation and Parent Reception, and we partner with Student Leadership on event promotion, all of which support traditional student retention.

A new program in Advancement is a mentorship program for undergraduates through an Alumni Relations and Career Services partnership. This new program will also support undergraduate retention.

Student credit hours

The Advancement Office helps to support increased student credit hours by expanding program offerings and scholarship options through private funding. Recent donations to UAA have partially funded the completion of the ConocoPhillips Integrated Science Building, helping to increase classroom and lab space to accommodate student body growth.

Through promotion and marketing of UAA's unique programs, the Advancement office is helping to increase student credit hours. In addition, by raising the public's awareness of these programs, more public funding may become available, parents may choose to send their children here and students will feel even more confident in choosing UAA. All of these efforts help to increase student credit hours.

Grant-funded research expenditures

The Advancement Office works closely with the Office of Sponsored Programs in producing *Research News*, a biannual publication that shares the stories of UAA's research projects. In addition, Advancement works with individual departments, institutes and centers to promote research projects currently underway at UAA. Each week a research project is featured in our electronic newsletter, *Seawolf Weekly*, and we provide a column to the *Anchorage Daily News* that highlights a current research project at UAA.

In addition, Advancement has worked to raise private funds to support research faculty by way of new facilities (CPISB) and endowed support for additional faculty. With the addition of the CPISB expanded labs and vivarium, UAA's faculty will be able

to apply for NIH and NSF grants not previously available to them due to lack of an adequate facility to conduct this type of research.

University-generated revenue

Advancement works to promote high-demand job programs to increase enrollment, public perception and private funding for program expansion. Advancement works with the UAA bookstore to promote and podcast in-store and larger scale events. Though a broader public awareness, attendance increases as do merchandise sales.

Advancement has also partnered with Athletics by sharing the cost of a development officer. The Alumni Relations office works closely with both the development officer and other athletics' employees to bring UAA alumni out to games and events. Increased attendance by alums helps build affinity for the University and increase revenue at UAA overall.

Academic programs outcomes assessment

Advancement is taking part in the upcoming NWCCU ('10) accreditation process by providing input as both an administrative unit (subject of assessment) and as a steering committee member. Advancement's primary role in academic programs outcomes assessment is communications to programs, departments and campus community members. Advancement also provides mailing lists for student/alumni surveys that are often used for program evaluation.

Strategic enrollment management planning

The Advancement Office worked closely with the Office of Institutional Research to promote the new student tracking model developed and used by UAA in SEM. This new model has received national media coverage in two industry publications, *The Chronicle of Higher Education* and *Inside Higher Ed*.

Advancement also works with the Enrollment Management in developing and implementing a targeted enrollment marketing plan each fiscal year based on the priorities of UAA and the enrollment office.

Once students graduate from UAA, Advancement is the main information source for alumni success/placement in degree field.

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