

TO: UAS Executive Cabinet:  
Chancellor John Pugh  
Provost Richard Caulfield  
Vice Chancellor Joseph Nelson

FROM: Interim Vice Chancellor Michael Ciri 

DATE: March 19, 2014

RE: Bookstore Program Review – response to the Institutional Review Committee

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The purpose of this memo is to transmit the work of the Bookstore Institutional Review Committee (IRC) along with my recommendations. This is consistent with the review plan communicated on November 11, 2013. This administrative review follows a path similar to the well-established Academic Review:

1. A program analysis report is written by the Vice Chancellor for Administration, Director of Business Operations, and the Bookstore Manager.
2. Vice Chancellor submits the report to the Executive Cabinet. Executive Cabinet forms an Institutional Review Committee (IRC) to review the report and form recommendations to retain, retain with changes, or eliminate the function
3. Vice Chancellor drafts a response and forwards IRC report to Executive Cabinet. Executive Cabinet makes recommendation to the Chancellor.
4. The Chancellor will respond, indicating any university actions that will be taken.

In submitting this response, UAS is now at the third step in this process.

I want to first continue to express my appreciation to Tom Dienst and Sara Hagen for their continued sincere and active participation in this process. Their work drafting the initial report and their continued participation on the IRC has been essential for moving this effort forward. I would also like to express my gratitude for the IRC members who gave their time and worked quickly to bring this recommendation forward. In addition to Sara and Tom, the committee consisted of: Roxy Felkl, Mike Stekoll, Jennifer Ward, Keni Campbell, Julia Guthrie, Steve Hamilton, Ben Williams and Jessi Dominy.

The committee provided seven recommendations. I will response to each of the recommendations below. Since there is a degree of overlap and interdependence among them, I will first provide a higher level response to their report as a whole.

The IRC rightly focused several of their recommendations on finances. Given the restrictions over operations of an auxiliary, UAS must identify a strategy which will address the ongoing and growing deficits. I fully concur with the committee's identification of debt service (rec. #1) and personnel costs (rec. #2) as the root financial issues. Any future business plan must dramatically reduce (or eliminate) both of these in order to be financially viable. Both of these cost factors could be impacted if operations were to move to the main campus (rec #6). If such a move were not possible, the committee highlighted a number of ways to improve visibility in the current location (recs. #3 & #4). The final two recommendations (#5 textbook rental, #7 advisory committee) may have negligible financial impact but are still be worth pursuing as improvements to service and institutional alignment.

## Vice Chancellor Response to IRC Recommendations

### 1. Eliminate debt-service obligation

I concur with the IRC that, at present, there is no way for the bookstore to meet its obligation to pay its share of the debt service on current space.

Contrary to the conclusion of the committee, there is ample evidence that all UAS auxiliaries pay an appropriate share of any debt service liability. An example comparable to the Bookstore would be Banfield Hall where Housing pays the full debt service.

Given this, there are three ways to achieve this recommendation:

- I. Develop an alternate strategy toward debt service to be consistently applied across all auxiliaries. This would be challenging. Alternate funding sources for housing debt service would need to be identified. In addition, it is not clear how UAS might approach funding future facilities were this not the business practice.
- II. Pursue a dedicated legislative appropriation to funding all or a portion of the debt service on the bookstore/admin building. This is unlikely in the current fiscal climate.
- III. Relocate operations to facilities which have no debt service. This would be the most practicable way of achieving the objective. UAS does not currently charge “rent” to auxiliaries. Consequently, where there is no debt service, there is no cost assessed for the space used. This possibility is discussed further under recommendation six below.

### 2. Reduce staffing costs: change hours of operation and use of student employees

I fully concur that current staffing levels are unsustainable. This was demonstrated in FY13 when the cost of staffing exceeded the bookstore’s total gross profits. The IRC recommendation was unspecific about how staffing could be reduced as hours are changed. Based on the analysis of the annual deficits, the bookstore will see annual losses of \$60,000 even with no debt service. Unless gross profits dramatically increase, the bookstore will need to reduce staffing by as much as a full FTE in order to break-even.

### 3. Enhance current location visibility

I am supportive of the recommendation, although it is not clear how this is different than the current strategies described in the bookstore analysis report. Improving linkages with campus programs and activities is highly desirable and should be a priority irrespective of the location of operations. Outreach efforts to the public and the tourism industry need to be mindful of the BOR policies against competition with the private sector (P05.15.060).

### 4. Improve signage

As with the previous item, I am supportive of clear signage and creating a welcoming campus.

### 5. Explore textbook rental

Textbook management and rental programs in particular were highlighted in the stakeholder survey. It is not clear what the financial impact of a rental program would be, but I concur with the IRC recommendation that UAS explore a pilot program.

**6. Plan for on-campus operations**

Changing the bookstore location was the #1 recommendation from the stakeholder survey. It is clear that the students see relocation as a key service consideration. As discussed above, relocation is the most direct means to avoid debt service obligations. Given these drivers, I fully concur with the IRC recommendation, and recommend pursuing relocation strategies in the immediate term, including them in existing campus renovation plans as appropriate.

**7. Develop advisory committee**

I fully concur with forming an advisory committee and exploring opportunities for collaborating more closely with University Relation, the Development Office and other strategic areas. UA regulation states:

“The use of bookstore advisory committees including student and faculty representatives is encouraged, particularly on the larger campuses. The committees may be created and used as determined to be appropriate by the respective chancellors and campus directors. The guidelines, and the extent to which bookstores are operating in accordance with them, will be reviewed during internal audits.” (R05.15.070D)

Given this, I support a strong role for an advisory committee.

# UAS FY2014 Bookstore Program Review

## Vice Chancellor Recommendations to Executive Cabinet

The current bookstore is wonderful. It is a testament to the commitment of UAS as an institution and the dedicated work by many people. However, UAS does not have the discretion to operate the bookstore at a sustained and significant loss. Modest cost reductions or revenue enhancements cannot close the gap. Thus, the bookstore must fundamentally change.

The following are my recommendations to the Executive Cabinet. These recommendations are both grounded in the work of the IRC and informed by the stakeholder survey and bookstore analysis:

1. Operations of the bookstore should move out of the current building and into appropriate space (or spaces) on campus. This shift should be targeted to happen for the FY15/16 academic term:
  - a. relieving the bookstore of the debt service obligation (IRC rec. 1),
  - b. creating the opportunity to participate in current remodel planning (IRC rec. 6),
  - c. releasing the current space for reallocation.
2. Base FY15 operations and staffing levels around sustainable funding (IRC rec 2). There are insufficient receipts to support two full-time positions in addition to the student labor pool. The impacts from reduced staffing may be somewhat offset if the future locations of operations can leverage partnerships with existing service delivery points on campus and/or academic programs.
3. Prioritize mission-critical services, including data from the stakeholder survey and key stakeholders. In implementing #1 and #2 above, it will be essential to identify and prioritize the services which will continue to be supported. The question should not be, “where can the bookstore go?” Rather, we should ask, “What functions must we continue to provide and why? How can each of these be delivered? Who can we partner with in delivering them?” This may result in services being delivered in a variety of locations and strategies.
4. Immediately explore the feasibility of fully delivering textbooks online for AY15/16. This model is already in place in Ketchikan and Sitka, and we currently support this for our Juneau campus eLearning courses. There is a degree of urgency as it will impact our imminent book-ordering decisions. A shift to all online book ordering may have a negative financial impact since online margins are often significantly less. These reductions may be offset by the decreased space and staffing requirement an online-only strategy would provide.
5. Incorporate the goals of IRC recommendations 3 and 4 in all future plans. This extends beyond the topic of the bookstore. The campus should continue to make “way finding” and a welcoming campus a priority.
6. Explore the feasibility and benefits of textbook rental (IRC rec. 5).
7. Commit to an ongoing advisory committee consistent with IRC recommendation 7 and UA regulation to help guide changes and policies.