

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Item for Information


SUBJECT: FY 2014 Athletic Department Operating Budget

For the proposed FY 2014 operating budget described on the following pages, the Athletic Department projects an operating surplus of \$8.9 million based on operating revenues of \$146.4 million and operating expenses of \$137.5 million. The budgeted operating surplus will be used to fund our ongoing capital needs and facility renewal projects. Highlights of the operating budget are as follows:

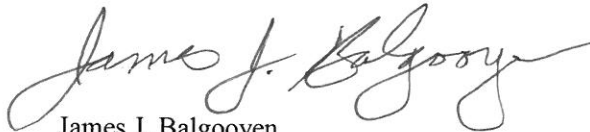
- The budget reflects a seven game home schedule for football versus six home games in FY 2013.
- Budgeted preferred seating donations and other expendable gifts increased to \$32.3 million from \$27.4 million in FY 2013. Premium seating areas are sold out in Michigan Stadium and Crisler Center.
- Included in facilities revenues is the NHL Winter Classic rental of Michigan Stadium scheduled for January 1, 2014.
- Budgeted salaries & wages, financial aid, and team & game expenses all reflect the addition of men's and women's lacrosse as varsity sports. Intercollegiate competition began in FY 2012 for men's lacrosse, and women's lacrosse will begin competition in FY 2014.
- Included in operating expenses is a \$4.75 million transfer to a deferred maintenance fund (versus \$4.5M in FY 2013). The deferred maintenance fund is used as a means to provide for major repair and rehabilitation projects for athletic facilities. The Athletic Department expects to continue to set aside additional funds in future years for this purpose.

The Athletic Department is pleased to report that based on preliminary results, the projected operating surplus for FY 2013 will be approximately \$10.2 million, which is \$4.4 million more than budgeted. The operating surplus is being used to assist in the funding of the Schembechler Hall and Field Hockey renovation projects. The favorable operating outcome is primarily due to higher than budgeted preferred seating donations, conference distributions and men's basketball spectator admissions.

Respectfully submitted,



David A. Brandon
Donald R. Shepherd Director of Athletics



James J. Balgooyen
Associate Athletic Director – Business Services

June, 2013

MICHIGAN ATHLETIC DEPARTMENT
FY 2014 Operating Budget
(in thousands)

	FY 12/13			FY 13/14 PROPOSED BUDGET			13/14 over 12/13 comparison				
	BUDGET	PROJECTED		PROPOSED BUDGET	% Change		\$ Change		Actual		
		ACTUAL	VARIANCE		Budget	Actual	Budget	Actual			
REVENUES											
Spectator admissions	\$ 44,051	\$ 44,701	\$ 650	\$ 49,280	11.9%	\$ 5,229	\$ 4,579	10.2%	\$ 5,229	\$ 4,579	
Conference distributions	23,283	25,725	2,442	26,495	13.8%	3,212	770	3.0%	3,212	770	
Preferred seating donations	22,816	26,616	3,800	27,823	21.9%	5,007	1,207	4.5%	5,007	1,207	
Other expendable gifts	4,600	4,600	-	4,500	-2.2%	(100)	(100)	-2.2%	(100)	(100)	
Corporate sponsorship and other media rights	15,050	15,320	270	15,797	5.0%	747	477	3.1%	747	477	
Licensing royalties	5,650	6,000	350	6,300	11.5%	650	300	5.0%	650	300	
Facilities	6,847	4,267	(2,580)	7,444	8.7%	597	3,177	74.5%	597	3,177	
Concessions and parking	3,168	3,418	250	3,723	17.5%	555	305	8.9%	555	305	
Other income	2,082	2,582	500	2,258	8.5%	176	(324)	-12.5%	176	(324)	
Investment income	2,775	2,775	-	2,800	0.9%	25	25	0.9%	25	25	
	\$ 130,322	\$ 136,004	\$ 5,682	\$ 146,420	12.4%	\$ 16,098	\$ 10,416	7.7%	\$ 16,098	\$ 10,416	
CURRENT FUND REVENUES											
EXPENSES											
Salaries, wages & benefits	\$ 44,235	\$ 44,145	\$ 90	\$ 48,834	10.4%	\$ 4,599	\$ 4,689	10.6%	\$ 4,599	\$ 4,689	
Financial aid to students	18,348	18,348	-	19,690	7.3%	1,342	1,342	7.3%	1,342	1,342	
Team and game expense	19,053	19,328	(275)	22,033	15.6%	2,980	2,705	14.0%	2,980	2,705	
Other operating and administrative expenses	13,073	14,713	(1,640)	16,473	26.0%	3,400	1,760	12.0%	3,400	1,760	
Facilities expenses	10,620	10,120	500	10,723	1.0%	103	603	6.0%	103	603	
Deferred maintenance fund transfer	4,500	4,500	-	4,750	5.6%	250	250	5.6%	250	250	
Debt service transfer to plant fund	14,688	14,688	-	14,968	1.9%	280	280	1.9%	280	280	
	\$ 124,517	\$ 125,842	\$ (1,325)	\$ 137,471	10.4%	\$ 12,954	\$ 11,629	9.2%	\$ 12,954	\$ 11,629	
CURRENT FUND EXPENSES											
NET OPERATING SURPLUS	\$ 5,805	\$ 10,162	\$ 4,357	\$ 8,949							
Transfers and capital expenditures:											
Capital expenditures from current funds and transfers to plant and other funds	(10,800)	(10,800)	-	(12,400)							
Transfer from quasi-endowment and other funds	-	-	-	-							
Net transfers and capital expenditures	(10,800)	(10,800)	-	(12,400)							
INCREASE (DECR) IN CURRENT FUND BALANCES	\$ (4,995)	\$ (638)	\$ 4,357	\$ (3,451)							

**University of Michigan Athletic Department
2013 – 2014 Budget Notes and Assumptions
(dollar amounts in 000's)**

Basis for accounting: The University of Michigan Athletic Department manages its financial activity through the use of three different funds: the Operating Fund; the Endowment Fund; and the Plant Fund. The Operating Fund budget is presented herein. A consolidated financial statement is prepared annually and audited by PricewaterhouseCoopers.

The Operating Fund budget includes most of the revenues and expenditures of the Athletic Department, with the exception of Endowment Fund gifts and associated market value adjustments (which are recorded in the Endowment Fund), capital gifts and depreciation (which are recorded in the Plant Fund).

Governmental Accounting Standards Board Statement No. 33 ("GASB 33") requires that the promises of private donations be recognized as receivables and revenues in the year the pledge was given, provided they are verifiable, measurable, and probable of collection.

1. **Spectator admissions:** Spectator admissions are net of associated guarantee payments to visiting schools and consist of the following:

	<u>Actual</u> <u>FY 10</u>	<u>Actual</u> <u>FY 11</u>	<u>Actual</u> <u>FY 12</u>	<u>Projected</u> <u>FY 13</u>	<u>Budget</u> <u>FY 14</u>
Football	\$ 34,016	\$ 33,339	\$ 43,022	\$ 39,141	\$ 42,946
Men's Basketball	2,246	2,174	2,944	3,550	3,994
Ice Hockey	1,783	3,210	2,134	1,800	1,950
Other	355	408	400	210	390
Total	<u>\$ 38,400</u>	<u>\$ 39,131</u>	<u>\$ 48,500</u>	<u>\$ 44,701</u>	<u>\$ 49,280</u>

Memo:

Home football games	8	7	8	6	7
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2. **Conference distributions:** Expected Big 10 conference distributions consist of the following:

	<u>Actual</u> <u>FY 10</u>	<u>Actual</u> <u>FY 11</u>	<u>Actual</u> <u>FY 12</u>	<u>Projected</u> <u>FY 13</u>	<u>Budget</u> <u>FY 14</u>
Television	\$ 14,887	\$ 16,660	\$ 17,742	\$ 18,978	\$ 19,931
NCAA basketball based distributions	2,848	3,330	3,543	3,795	3,499
Football Bowl games	1,883	2,494	2,616	2,298	2,337
Other	350	364	752	654	728
Total	<u>\$ 19,968</u>	<u>\$ 22,848</u>	<u>\$ 24,653</u>	<u>\$ 25,725</u>	<u>\$ 26,495</u>

**University of Michigan Athletic Department
2013 – 2014 Budget Notes and Assumptions
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3. **Preferred seating donations and other expendable gifts:** Gift income includes minimum donations due for the University's preferred seating donation (PSD) programs, gifts required for premium seating privileges in various venues, and other expendable gifts. Expected preferred seating donations and other expendable gifts are as follows:

	<u>Actual</u> <u>FY 10</u>	<u>Actual</u> <u>FY 11</u>	<u>Actual</u> <u>FY 12</u>	<u>Projected</u> <u>FY 13</u>	<u>Budget</u> <u>FY 14</u>
Preferred seating donations	\$ 16,741	\$ 22,536	\$ 22,373	\$ 26,616	\$ 27,823
Other expendable gifts	<u>2,556</u>	<u>5,426</u>	<u>6,145</u>	<u>4,600</u>	<u>4,500</u>
Total gift income	\$ 19,297	\$ 27,962	\$ 28,518	\$ 31,216	\$ 32,323

Preferred seating donations and premium seating gifts are recorded in the year in which they are received. Revenue from collected ticket sales associated with premium areas is deferred at year end and is recorded in spectator admissions revenue in the fiscal year in which the associated games are played.

4. **Licensing royalties:** Licensing royalties are primarily from apparel and product licensees that use the University's mark in merchandising operations. In addition to being impacted by on-field performance, licensing royalty revenue can be cyclical based on fashion trends, industry and economic factors. In the past ten years, licensing revenue has ranged from \$3.2 million to \$6.2 million.
5. **Concessions and parking:** Concessions and parking income includes game-day food and merchandise concession commissions and game-day parking revenue.
6. **Facilities:** Facility income includes fee and rental revenue from the University of Michigan Golf Course, the Varsity Tennis Center, Yost Ice Arena, and the various other Athletic Department facilities.
7. **Investment Income:** Investment income includes the return from the University Investment Pool (UIP) program as well as the quarterly distribution from Endowment and Quasi-Endowment Funds.
8. **Other Income:** Other income consists of ticket handling fees, guarantees received for hockey and basketball away games, and other miscellaneous income.
9. **Compensation expense:** The Athletic Department has approximately 300 full time employees including those that have joint appointments with other University units, and various part time employees. Compensation expense by area is as follows:

	<u>Actual</u> <u>FY 10</u>	<u>Actual</u> <u>FY 11</u>	<u>Actual</u> <u>FY 12</u>	<u>Projected</u> <u>FY 13</u>	<u>Budget</u> <u>FY 14</u>
Coaches, team staff, and team support	\$ 16,377	\$ 23,843	\$ 21,113	\$ 22,186	\$ 24,143
Administrative departments	7,364	7,107	8,527	10,135	11,499
Facilities	2,884	3,135	3,166	4,044	4,556
Fringe benefits	<u>6,715</u>	<u>6,829</u>	<u>7,024</u>	<u>7,780</u>	<u>8,636</u>
Total	\$ 33,340	\$ 40,914	\$ 39,830	\$ 44,145	\$ 48,834

**University of Michigan Athletic Department
2013 – 2014 Budget Notes and Assumptions
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10. **Financial aid to students:** The Athletic Department grants the maximum NCAA allowable scholarships to all varsity sports. Total grant-in-aid equivalencies budgeted for FY 2014 is estimated to be approximately 340 with an estimated in-state to out-of-state ratio of 30%/70%.

11. **Sports programs:** Sports program expense is comprised of the following:

	<u>Actual</u> <u>FY 10</u>	<u>Actual</u> <u>FY 11</u>	<u>Actual</u> <u>FY 12</u>	<u>Projected</u> <u>FY 13</u>	<u>Budget</u> <u>FY 14</u>
Team travel (incl net post season)	\$ 4,878	\$ 5,234	\$ 6,454	\$ 7,523	\$ 8,175
Equipment and supplies	3,252	3,067	3,720	3,812	4,258
Game expenses	2,675	3,822	3,883	3,504	4,493
Training table, vacation board & medical	1,582	1,724	1,786	2,066	2,322
Recruiting	1,286	1,384	1,533	1,801	1,854
Other sport program expenses	<u>1,379</u>	<u>1,417</u>	<u>1,462</u>	<u>622</u>	<u>931</u>
Total	\$ 15,052	\$ 16,648	\$ 18,838	\$ 19,328	\$ 22,033

12. **Facility expenses:** Facility expenses consist of the following:

	<u>Actual</u> <u>FY 10</u>	<u>Actual</u> <u>FY 11</u>	<u>Actual</u> <u>FY 12</u>	<u>Projected</u> <u>FY 13</u>	<u>Budget</u> <u>FY 14</u>
Repairs & maintenance	\$ 2,891	\$ 3,574	\$ 3,456	\$ 3,622	\$ 4,152
Utilities	3,341	3,449	3,362	3,750	3,800
Supplies & equipment	1,003	1,354	1,296	1,382	1,551
Other facility expenses	<u>776</u>	<u>817</u>	<u>1,196</u>	<u>1,366</u>	<u>1,220</u>
Total	\$ 8,011	\$ 9,194	\$ 9,310	\$ 10,120	\$ 10,723

13. **Deferred Maintenance Fund Transfer:** In 2002 the department established a Deferred Maintenance Fund as a means to provide for repair and rehabilitation projects for the athletic physical plant. Transfers from the Operating Fund to the Deferred Maintenance Fund are reflected as operating expenses in this presentation. In FY 2014, the budgeted transfer to the Deferred Maintenance Fund is increased to \$4,750 from \$4,500 transferred in FY 2013.

14. **Other operating and administrative expenses:** Other operating and administrative expenses consist of the following:

	<u>Actual</u> <u>FY 10</u>	<u>Actual</u> <u>FY 11</u>	<u>Actual</u> <u>FY 12</u>	<u>Projected</u> <u>FY 13</u>	<u>Budget</u> <u>FY 14</u>
Telephone, supplies, postage, IT, insurance	\$ 1,840	\$ 2,114	\$ 2,635	\$ 2,892	\$ 3,806
University re-charges & BTN share transfer	2,400	2,788	2,644	3,145	3,280
Hosting, food, and special events	436	713	1,080	1,877	2,606
Marketing, promotions, and ticketing	473	810	1,521	1,294	1,540
Merchandise, parking, & credit card fees	1,352	1,476	1,793	1,897	1,476
Production and contract services	868	1,193	854	1,599	1,445
Professional travel and conference dues	444	702	960	1,041	1,324
Printing, publications, and photo expenses	483	626	857	694	692
Other expenses	<u>274</u>	<u>622</u>	<u>184</u>	<u>274</u>	<u>304</u>
Total	\$ 8,570	\$ 11,044	\$ 12,528	\$ 14,713	\$ 16,473

**University of Michigan Athletic Department
2013 – 2014 Budget Notes and Assumptions
(dollar amounts in 000's)**

15. **Debt service:** The debt service expense for FY 2014 consists of the following:

	FY 2014 Budget		
	<u>Interest</u>	<u>Principal</u>	<u>Total Debt Service</u>
Stadium project	6,223	3,020	9,243
Crisler Center projects	2,374	1,610	3,984
Glick Family Fieldhouse	501	215	716
Stadium concrete	299	185	484
Hartwig renovation	127	70	197
Softball renovation	158	90	248
Rowing facility	26	70	96
Total	\$ 9,708	\$ 5,260	\$ 14,968

16. **Transfers to Plant Fund for capital expenditures:** Capital expenditures and estimated plant fund transfers are budgeted at \$12.4 million for fiscal year 2014. Included in the total is partial funding for a future new facility for men's and women's lacrosse.