

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Item for Information


SUBJECT: FY 2015 Athletic Department Operating Budget

For the proposed FY 2015 operating budget described on the following pages, the Athletic Department projects an operating surplus of \$5.1 million based on operating revenues of \$151.0 million and operating expenses of \$145.9 million. The budgeted operating surplus will be used to fund facility renewal projects on the Stephen M. Ross Athletic Campus. Highlights of the operating budget are as follows:

- Football season ticket prices remain unchanged from FY14. Similar to FY14, the FY15 budget reflects a seven game home football schedule.
- Budgeted conference distributions increased to \$32.0M from \$26.5M budgeted in FY 2014.
- Premium seating areas are sold out in Michigan Stadium and Crisler Center.
- Included in facilities revenues is the rental of Michigan Stadium for an international soccer match scheduled for August 2, 2014. Included in the FY 2014 budget was the NHL Winter Classic rental of Michigan Stadium held on January 1, 2014.
- Total operating expenses budgeted for FY15 increase 5.3% from FY14 projected actual operating expenses.
- Included in operating expenses is a \$5.0 million transfer to a deferred maintenance fund (versus \$4.75M in FY 2014). 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 2014 will be approximately \$10.2 million, which is \$1.2 million more than budgeted. The operating surplus is being used to assist in the funding of capital projects on the Stephen M. Ross Athletic Campus. The favorable operating outcome is primarily due to higher than budgeted spectator admissions and conference distributions.

Respectfully submitted,



David A. Brandon
Donald R. Shepherd Director of Athletics



James J. Balgooyen
Associate Athletic Director – Business Services

June, 2014

MICHIGAN ATHLETIC DEPARTMENT
FY 2015 Operating Budget
(in thousands)

FY 13/14			
	BUDGET	PROJECTED	VARIANCE
REVENUES			
Spectator admissions	\$ 49,280	\$ 50,120	\$ 840
Conference distributions	26,495	27,045	550
Preferred seating donations	27,823	27,823	-
Other expendable gifts	4,500	4,500	-
Corporate sponsorship and other media rights	15,797	15,797	-
Licensing royalties	6,300	6,300	-
Facilities	7,444	7,487	43
Concessions and parking	3,723	4,143	420
Other income	2,258	2,758	500
Investment income	2,800	2,840	40
	\$ 146,420	\$ 148,813	\$ 2,393

CURRENT FUND REVENUES

	\$ 48,834	\$ 49,584	\$ (750)
Salaries, wages & benefits	19,690	19,490	200
Financial aid to students	22,033	22,561	(528)
Team and game expense	14,398	14,690	(292)
Other operating and administrative expenses	2,075	2,075	-
Transfer to University	10,723	10,523	200
Facilities expenses	4,750	4,750	-
Deferred maintenance fund transfer	14,968	14,968	-
Debt service transfer to plant fund			
	\$ 137,471	\$ 138,641	\$ (1,170)

CURRENT FUND EXPENSES

	\$ 8,949	\$ 10,172	\$ 1,223
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NET OPERATING SURPLUS

	(12,400)	(27,200)	(14,800)
Transfers and capital expenditures:			
Capital expenditures from current funds and transfers to plant fund	-	4,234	4,234
Transfer from (to) quasi-endowment and other funds			
Net transfers and capital expenditures	(12,400)	(22,966)	(10,566)
	\$ (3,451)	\$ (12,794)	\$ (9,343)

INCREASE (DECR) IN CURRENT FUND BALANCES

	FY 14/15 PROPOSED BUDGET		
	\$ 48,043		
	31,982		
	28,280		
	4,100		
	15,812		
	6,600		
	6,595		
	4,024		
	2,541		
	3,100		
	\$ 151,077		
	\$ 53,173		
	20,384		
	23,926		
	15,800		
	1,800		
	10,748		
	5,000		
	15,100		
	\$ 145,931		
	\$ 5,146		
	(7,000)		
	-		
	(7,000)		
	\$ (1,854)		

	14/15 over 13/14 comparison		
	% Change	\$ Change	
	Budget	Proj.	Budget
	-2.5%	-4.1%	\$ (1,237)
	20.7%	18.3%	5,487
	1.6%	1.6%	457
	-8.9%	-8.9%	(400)
	0.1%	0.1%	15
	4.8%	4.8%	300
	-11.4%	-11.9%	(849)
	8.1%	-2.9%	301
	12.5%	-7.9%	283
	10.7%	9.2%	300
	3.2%	1.5%	\$ 4,657
			\$ 2,264
	8.9%	7.2%	\$ 4,339
	3.5%	4.6%	694
	8.6%	6.1%	1,893
	9.7%	7.6%	1,402
	-13.3%	-13.3%	(275)
	0.2%	2.1%	25
	5.3%	5.3%	250
	0.9%	0.9%	132
	6.2%	5.3%	\$ 8,460
			\$ 7,290

**University of Michigan Athletic Department
2014 – 2015 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 11</u>	<u>Actual</u> <u>FY 12</u>	<u>Actual</u> <u>FY 13</u>	<u>Projected</u> <u>FY 14</u>	<u>Budget</u> <u>FY 15</u>
Football	\$ 33,339	\$ 43,022	\$ 39,160	\$ 43,630	\$ 40,744
Men's Basketball	2,174	2,944	3,610	4,245	4,359
Ice Hockey	3,210	2,134	1,835	1,890	1,860
Other	408	400	522	355	1,080
Total	<u>\$ 39,131</u>	<u>\$ 48,500</u>	<u>\$ 45,127</u>	<u>\$ 50,120</u>	<u>\$ 48,043</u>

Memo:

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

	<u>Actual</u> <u>FY 11</u>	<u>Actual</u> <u>FY 12</u>	<u>Actual</u> <u>FY 13</u>	<u>Projected</u> <u>FY 14</u>	<u>Budget</u> <u>FY 15</u>
Television	\$ 16,660	\$ 17,742	\$ 19,111	\$ 19,902	\$ 22,556
NCAA basketball based distributions	3,330	3,543	4,206	4,079	3,982
Football Bowl games	2,494	2,616	2,298	2,337	4,716
Other	364	752	208	727	728
Total	<u>\$ 22,848</u>	<u>\$ 24,653</u>	<u>\$ 25,823</u>	<u>\$ 27,045</u>	<u>\$ 31,982</u>

**University of Michigan Athletic Department
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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 FY 11</u>	<u>Actual FY 12</u>	<u>Actual FY 13</u>	<u>Projected FY 14</u>	<u>Budget FY 15</u>
Preferred seating donations	\$ 22,536	\$ 22,373	\$ 27,468	\$ 27,823	\$ 28,280
Other expendable gifts	<u>5,426</u>	<u>6,145</u>	<u>3,817</u>	<u>4,500</u>	<u>4,100</u>
Total gift income	\$ 27,962	\$ 28,518	\$ 31,285	\$ 32,323	\$ 32,380

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 \$6.8 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 Michigan Stadium, Golf Courses, 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 FY 11</u>	<u>Actual FY 12</u>	<u>Actual FY 13</u>	<u>Projected FY 14</u>	<u>Budget FY 15</u>
Coaches and direct team support	\$ 23,843	\$ 21,113	\$ 22,518	\$ 25,043	\$ 26,756
Administrative departments	7,107	8,527	10,295	11,349	12,252
Facilities	3,135	3,166	4,240	4,356	4,534
Fringe benefits	<u>6,829</u>	<u>7,024</u>	<u>7,981</u>	<u>8,836</u>	<u>9,631</u>
Total	\$ 40,914	\$ 39,830	\$ 45,034	\$ 49,584	\$ 53,173

**University of Michigan Athletic Department
2014 – 2015 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 2015 is estimated to be approximately 350 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 11</u>	<u>Actual</u> <u>FY 12</u>	<u>Actual</u> <u>FY 13</u>	<u>Projected</u> <u>FY 14</u>	<u>Budget</u> <u>FY 15</u>
Team travel (incl net post season)	\$ 5,234	\$ 6,454	\$ 8,095	\$ 8,373	\$ 9,236
Equipment and supplies	3,067	3,720	4,057	4,508	4,269
Game expenses	3,822	3,883	3,648	4,493	4,778
Training table, vacation board & medical	1,724	1,786	2,266	2,322	2,727
Recruiting	1,384	1,533	1,859	1,854	1,914
Other sport program expenses	<u>1,417</u>	<u>1,462</u>	<u>1,018</u>	<u>1,011</u>	<u>1,002</u>
Total	\$ 16,648	\$ 18,838	\$ 20,943	\$ 22,561	\$ 23,926

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

	<u>Actual</u> <u>FY 11</u>	<u>Actual</u> <u>FY 12</u>	<u>Actual</u> <u>FY 13</u>	<u>Projected</u> <u>FY 14</u>	<u>Budget</u> <u>FY 15</u>
Repairs & maintenance	\$ 3,574	\$ 3,456	\$ 3,527	\$ 4,052	\$ 4,207
Utilities	3,449	3,362	3,516	3,700	3,850
Supplies & equipment	1,354	1,296	1,106	1,551	1,531
Other facility expenses	<u>817</u>	<u>1,196</u>	<u>1,141</u>	<u>1,220</u>	<u>1,160</u>
Total	\$ 9,194	\$ 9,310	\$ 9,290	\$ 10,523	\$ 10,748

13. **Deferred Maintenance Fund Transfer:** In 2002 the Athletic 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 2015, the budgeted transfer to the Deferred Maintenance Fund is increased to \$5,000 from \$4,750 transferred in FY 2014.

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

	<u>Actual</u> <u>FY 11</u>	<u>Actual</u> <u>FY 12</u>	<u>Actual</u> <u>FY 13</u>	<u>Projected</u> <u>FY 14</u>	<u>Budget</u> <u>FY 15</u>
Telephone, supplies, postage, IT, insurance	\$ 2,114	\$ 2,635	\$ 2,950	\$ 3,356	\$ 4,075
Hosting, food, and special events	713	1,080	1,702	2,606	3,132
Merchandise, parking, & credit card fees	1,476	1,793	2,057	1,926	1,765
Production and contract services	1,193	854	856	1,447	1,642
Professional travel and conference dues	702	960	1,165	1,324	1,466
Marketing, promotions, and ticketing	810	1,521	1,378	1,840	1,458
University re-charges	814	990	1,281	1,253	1,220
Printing, publications, and photo expenses	626	857	1,004	781	717
Other expenses	<u>622</u>	<u>184</u>	<u>238</u>	<u>157</u>	<u>325</u>
Total	\$ 9,070	\$ 10,874	\$ 12,631	\$ 14,690	\$ 15,800

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15. **Transfer to University:** Transfer to University consists primarily of an allocation of the Athletic Department's annual Big Ten Network distribution received from the Big Ten Conference. The annual allocation is used by the University to support non-student-athlete financial aid.
16. **Debt service:** The debt service expense for FY 2015 consists of the following:

	FY 2015 Budget		Total Debt Service
	Interest	Principal	
Stadium project	6,093	3,360	9,453
Crisler Center projects	2,324	1,585	3,909
Glick Family Fieldhouse	492	220	712
Stadium concrete	291	195	486
Hartwig renovation	124	70	194
Softball renovation	154	95	249
Rowing facility	22	75	97
Total	\$ 9,500	\$ 5,600	\$ 15,100

17. **Transfers to Plant Fund for capital expenditures:** Annual capital expenditures and estimated plant fund transfers are budgeted at \$7.0 million for fiscal year 2015. Included in the total is partial funding for new facility projects in the Stephen M. Ross Athletic Campus plan.