

THE UNIVERSITY OF MICHIGAN

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REGENTS COMMUNICATION

Item for Information

SUBJECT: FY 2010 University of Michigan Department of Athletics Operating Budgets

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For the proposed FY 2010 Operating Budget (described in detail on the following pages), we project an operating surplus of \$8.8 million based on operating revenues of \$94.4 million and operating expenses of \$85.6 million. The budgeted operating surplus will be added to our operating reserves. Highlights are as follows:

- The budget reflects an eight-game home schedule for football (seven home games were played last year).
- Budgeted sponsorship revenue (including radio rights) has increased to \$13.7 million from \$8.0 million in FY 08. Sponsorship revenue includes the IMG and adidas agreements, both of which became effective in FY 2009.
- Included in operating expenses is a \$4.5 million transfer to a deferred maintenance fund established in FY 2003. The deferred maintenance fund is used as a means to provide for major repair and rehabilitation projects for our athletic facilities. We expect to continue to set aside additional funds in future years for this purpose.
- The budget reflects operating expenditure increases of 4.8% over projected operating expenses in FY 2009, principally due to compensation, financial aid, team travel, and home game expense increases.

We are also pleased to report that based on preliminary results, we project that the operating surplus for FY 09 will be \$10.2 million, approximately the same as budgeted. The accumulation of operating surpluses will be used to fund our ongoing capital needs and facility renewal projects in FY 2010 and beyond.

Respectfully submitted,



William C. Martin  
Donald R. Shepherd Director of Athletics



Jason J. Winters  
Chief Financial Officer, Department of Athletics

June, 2009

**MICHIGAN ATHLETIC DEPARTMENT**  
**FY 2010 Operating Budget**  
*(in thousands)*

	FY 08/09			09/10 over 08/09				
	FY 07/08 ACTUAL	FY 08/09		FY 09/10 BUDGET	% Change		\$ Change	
		BUDGET	PROJECTED		Budget	Projected	Budget	Projected
<b><u>REVENUES</u></b>								
Spectator admissions	\$ 38,642	\$ 35,551	\$ 35,609	\$ 37,714	6.1%	5.9%	\$ 2,163	\$ 2,105
Conference distributions	17,267	17,419	17,566	18,306	5.1%	4.2%	887	740
Corporate sponsorship	8,065	11,980	13,395	13,760	14.9%	-21.7%	1,780	365
Priority seating and other annual gifts	15,138	13,600	13,600	13,700	0.7%	0.7%	100	100
Licensing royalties	5,047	3,800	3,800	4,100	7.9%	7.9%	300	300
Concessions and parking	2,221	1,860	1,860	1,887	1.5%	1.5%	27	27
Facilities	1,934	1,870	1,870	1,774	-5.1%	-5.1%	(96)	(96)
Other income	1,237	937	937	863	-7.9%	-7.9%	(74)	(74)
Investment income	4,207	3,444	3,244	2,345	-31.9%	-27.7%	(1,099)	(899)
<b><u>CURRENT FUND REVENUES</u></b>	<b><u>\$ 93,758</u></b>	<b><u>\$ 90,461</u></b>	<b><u>\$ 91,881</u></b>	<b><u>\$ 94,449</u></b>	<b>4.4%</b>	<b>2.8%</b>	<b><u>\$ 3,988</u></b>	<b><u>\$ 2,568</u></b>
<b><u>EXPENSES</u></b>								
Salaries, wages & benefits	\$ 29,728	\$ 30,860	\$ 31,660	\$ 33,958	10.0%	7.3%	\$ 3,098	\$ 2,298
Financial aid to students	13,584	15,129	15,029	15,734	4.0%	4.7%	605	705
Team and game expense	14,827	15,005	15,482	15,791	5.2%	2.0%	786	309
Facilities expenses	8,026	7,093	7,893	7,580	6.9%	-4.0%	487	(313)
Deferred maintenance fund transfer	4,500	4,500	4,500	4,500	0.0%	0.0%	-	-
Other operating and administrative expenses	7,151	6,575	6,660	5,923	-9.9%	-11.1%	(652)	(737)
Debt service transfer to plant fund	2,411	1,029	446	2,139	107.9%	379.6%	1,110	1,693
<b><u>CURRENT FUND EXPENSES</u></b>	<b><u>\$ 80,227</u></b>	<b><u>\$ 80,191</u></b>	<b><u>\$ 81,670</u></b>	<b><u>\$ 85,625</u></b>	<b>6.8%</b>	<b>4.8%</b>	<b><u>\$ 5,434</u></b>	<b><u>\$ 3,955</u></b>
<b><u>NET OPERATING SURPLUS</u></b>	<b><u>13,531</u></b>	<b><u>10,270</u></b>	<b><u>10,211</u></b>	<b><u>8,824</u></b>				
<b><u>Transfers and capital expenditures:</u></b>								
Capital expenditures from current funds and transfers to plant and other funds	(12,259)	(7,700)	(7,700)	(2,275)				
Transfer from quasi-endowment and other funds	(1,383)	-	-	-				
<b><u>Net transfers and capital expenditures</u></b>	<b><u>(13,642)</u></b>	<b><u>(7,700)</u></b>	<b><u>(7,700)</u></b>	<b><u>(2,275)</u></b>				
<b><u>INCREASE (DECREASE) IN CURRENT FUND BALANCES</u></b>	<b><u>(111)</u></b>	<b><u>2,570</u></b>	<b><u>2,511</u></b>	<b><u>6,549</u></b>				

**University of Michigan Athletic Department  
2009 – 2010 Budget Notes and Assumptions  
(all 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), and investments in the physical plant (with the associated debt, 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. The Athletic Department Operating Fund budget presented herein records gifts when received (i.e., on a cash basis). The Operating Fund budget presented also reflects 100% of the gifts related to preferred seat donations (“PSD”) as gift income. For financial reporting purposes, 20% of PSD gifts are reflected in spectator admissions.

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

	<b>Actual FY 06</b>	<b>Actual FY 07</b>	<b>Actual FY 08</b>	<b>Projected FY 09</b>	<b>Budget FY 10</b>
Football	\$ 30,570	\$ 29,819	\$ 34,555	\$ 31,670	\$ 33,753
Basketball	2,354	2,104	1,908	1,921	1,975
Hockey	2,141	1,985	1,799	1,789	1,800
Other	<u>205</u>	<u>163</u>	<u>380</u>	<u>229</u>	<u>186</u>
Total	\$ 35,270	\$ 34,071	\$ 38,642	\$ 35,609	\$ 37,714

*Memo:*

Home football games	7	7	8	7	8
Regular season football games	11	12	12	12	12

2. **Conference distributions:** Expected Big 10 conference distributions consist of the following:

	<b>Actual FY 06</b>	<b>Actual FY 07</b>	<b>Actual FY 08</b>	<b>Projected FY 09</b>	<b>Budget FY 10</b>
Television (football and basketball)	\$ 6,143	\$ 9,371	\$ 13,932	\$ 14,393	\$ 15,034
NCAA basketball based distributions	2,275	2,319	2,436	2,551	2,712
Football Bowl games	1,917	1,947	2,038	1,841	1,775
Other miscellaneous	340	400	384	349	400
	\$ 10,675	\$ 14,037	\$ 18,790	\$ 19,134	\$ 19,921
Less amount contributed to University		570	1,523	1,568	1,615
Net conference distributions		\$ 13,467	\$ 17,267	\$ 17,566	\$ 18,306

3. **Facilities:** Facility income includes the 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.
4. **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.

**University of Michigan Athletic Department  
2009 – 2010 Budget Notes and Assumptions  
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5. **Other Income:** Other income consists of guarantees received for hockey and basketball away games, ticket handling fees, and other miscellaneous income.
6. **Compensation expense:** The athletic department has approximately 245 full time employees including those that have joint appointments with other University units, and various part time employees, interns, and graduate assistants. Compensation expense by area is as follows:

	<u>Actual</u> <u>FY 06</u>	<u>Actual</u> <u>FY 07</u>	<u>Actual</u> <u>FY 08</u>	<u>Projected</u> <u>FY 09</u>	<u>Budget</u> <u>FY 10</u>
Coaches and team staff	\$ 8,980	\$ 11,234	\$ 13,239	\$ 14,670	\$ 15,478
Compliance, sports information, and other administration	2,575	2,808	3,400	3,568	3,731
Athletic medicine, conditioning, academic support	2,316	2,498	2,841	2,809	3,277
Facilities	2,404	2,537	2,745	2,697	2,788
Sports marketing, development & studio operations	853	784	869	960	1,031
Ticket and business office	733	773	801	801	860
Fringe benefits	4,939	4,664	5,833	6,155	6,793
<b>Total</b>	<b>\$ 22,800</b>	<b>\$ 25,298</b>	<b>\$ 29,728</b>	<b>\$ 31,660</b>	<b>\$ 33,958</b>

7. **Financial aid to students:** The athletic department grants the maximum allowable scholarships to all varsity sports. Total grant-in-aid equivalencies are approximately 335 with an estimated in-state to out-of-state ratio of 30%/70%.
8. **Sports programs:** Sports program expense is comprised of the following:

	<u>Actual</u> <u>FY 06</u>	<u>Actual</u> <u>FY 07</u>	<u>Actual</u> <u>FY 08</u>	<u>Projected</u> <u>FY 09</u>	<u>Budget</u> <u>FY 10</u>
Team travel expenses	\$ 3,329	\$ 4,015	\$ 4,458	\$ 4,655	\$ 4,769
Equipment	1,814	1,822	2,507	2,917	2,786
Home game, hosted events, & officials	1,722	1,996	2,524	2,687	3,074
Training and medical expenses	828	810	836	818	1,044
Recruiting	993	949	1,269	1,281	1,297
Vacation board	521	560	591	766	668
Post season expenses, net	520	463	722	600	600
Booster & "special account" expenses	503	554	705	601	537
Other sport program expenses	823	863	1,215	1,157	1,015
<b>Total</b>	<b>\$ 11,053</b>	<b>\$ 12,032</b>	<b>\$ 14,827</b>	<b>\$ 15,482</b>	<b>\$ 15,790</b>

Post season expenses are estimated based on the likelihood of participation in post season events for the majority of varsity sports. The post-season budget assumes that the football bowl expenditures will not exceed the bowl expense allowance received.

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

	<u>Actual</u> <u>FY 06</u>	<u>Actual</u> <u>FY 07</u>	<u>Actual</u> <u>FY 08</u>	<u>Projected</u> <u>FY 09</u>	<u>Budget</u> <u>FY 10</u>
Repairs & maintenance	\$ 2,237	\$ 2,655	\$ 3,714	\$ 2,913	\$ 2,554
Utilities	2,340	2,577	2,456	3,064	3,200
Supplies & equipment	804	702	1,020	979	1,073
Other facility expenses	749	743	836	937	753
<b>Total</b>	<b>\$ 6,130</b>	<b>\$ 6,677</b>	<b>\$ 8,026</b>	<b>\$ 7,893</b>	<b>\$ 7,580</b>

**University of Michigan Athletic Department  
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10. **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.

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

	<b>Actual FY 06</b>	<b>Actual FY 07</b>	<b>Actual FY 08</b>	<b>Projected FY 09</b>	<b>Budget FY 10</b>
Corporate sponsor and development expenses, including television production costs	\$ 1,806	\$ 1,917	\$ 2,191	\$ 1,862	\$ 1,262
Postage, equipment & ticket expenses	1,131	1,104	1,191	1,013	994
University re-charges	802	736	751	736	755
Insurance	462	292	326	395	455
Telephone	290	340	397	378	387
Publications & printing	366	335	385	475	364
Professional travel	298	297	349	402	402
Band expenses, excluding post-season expenses	164	219	223	236	238
Big 10 conference and other dues	98	98	102	105	105
Other expenses	739	952	1,236	1,046	961
<b>Total</b>	<b>\$ 6,156</b>	<b>\$ 6,290</b>	<b>\$ 7,151</b>	<b>\$ 6,648</b>	<b>\$ 5,923</b>

12. **Debt service:** Debt service and associated debt is summarized as follows:

	<b>FY 2010 Budget</b>			<b>Scheduled Balance</b>	
	<b>Interest</b>	<b>Principal</b>	<b>Total Debt Service</b>	<b>June, 2010</b>	<b>June, 2009</b>
Ross Academic Center	-	-	-	-	2,100
Stadium project	340	-	340	148,300	108,250
Fieldhouse	567	200	767	11,700	11,900
Stadium concrete	328	160	488	7,445	7,605
Hartwig renovation	134	60	194	3,005	3,065
Softball renovation	172	80	252	3,990	4,070
Rowing facility	38	60	98	805	805
<b>Total</b>	<b>\$ 1,579</b>	<b>\$ 560</b>	<b>2,139</b>	<b>\$ 175,245</b>	<b>\$ 137,795</b>
Less amounts collected on pledges in Plant Fund			-		
<b>Net debt service - Operating Fund</b>			<b>\$ 2,139</b>		

13. **Transfers to Plant Fund for capital expenditures:** Capital expenditures and estimated plant fund transfers are budgeted at \$2.3 million for fiscal year 2010 and consist of various renovation projects.