

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Item for Information

SUBJECT: FY 2013 Athletic Department Operating Budget

For the proposed FY 2013 Operating Budget (described on the following pages), we project an operating surplus of \$5.8 million based on operating revenues of \$130.3 million and operating expenses of \$124.5 million. The budgeted operating surplus will be used to fund our ongoing capital needs and facility renewal projects. Highlights are as follows:

- The budget reflects a six game home schedule for football (versus eight home games last year), partially offset by the neutral site game and an increase in football ticket prices.
- Budgeted preferred seating donations and other expendable gifts have increased to \$27.4 million from \$26.2 million in FY 2012. Premium seating areas are sold out for the 2012 football season. New premium seating areas in Crisler Center are being added for FY 2013 and are essentially sold out.
- Budgeted salaries & wages, financial aid, and team and game expense 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 in FY 2014).
- Budgeted debt service has increased \$1.5 million to a total of \$14.7 million due to additional debt for the Crisler Center renovation project.
- Included in operating expenses is a \$4.5 million transfer to a deferred maintenance fund. 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 also pleased to report that based on preliminary results, the projected operating surplus for FY 2012 will be \$15.3 million, approximately \$3.9 million more than budgeted. The operating surplus was used to assist in the funding of the Yost Ice Arena and Crisler Center renovation projects. The favorable outcome is primarily due to higher than budgeted spectator admissions in football and men's basketball, as well as favorable licensing results.

Respectfully submitted,



David A. Brandon
Donald R. Shepherd Director of Athletics



James J. Balgooyen
Associate Athletic Director – Business Services

June, 2012

MICHIGAN ATHLETIC DEPARTMENT
FY 2013 Operating Budget
(in thousands)

12/13 over 11/12

FY 11/12

	FY 10/11 ACTUAL	BUDGET	PROJECTED ACTUAL	PROJECTED VARIANCE	FY 12/13 BUDGET	% Change Budget	% Change Projected	\$ Change Budget	\$ Change Projected
REVENUES									
Spectator admissions	\$ 39,131	\$ 45,588	\$ 47,988	\$ 2,400	\$ 44,051	-3.4%	-8.2%	\$(1,537)	\$(3,937)
Conference distributions	20,874	21,948	22,231	283	23,283	6.1%	4.7%	1,335	1,052
Preferred seating donations	22,536	21,703	22,100	397	22,816	5.1%	3.2%	1,113	716
Other expendable gifts	5,426	4,450	4,500	50	4,600	3.4%	2.2%	150	100
Corporate sponsorship and other media rights	14,026	14,328	15,062	734	15,050	5.0%	-0.1%	722	(12)
Licensing royalties	5,052	4,774	5,874	1,100	5,650	18.3%	-3.8%	876	(224)
Concessions and parking	3,397	3,006	3,851	845	3,168	5.4%	-17.7%	162	(683)
Facilities	1,914	1,825	2,225	400	6,847	275.2%	207.7%	5,022	4,622
Other income	1,673	796	2,163	1,367	2,082	161.6%	-3.7%	1,286	(81)
Investment income	2,764	2,800	2,700	(100)	2,775	-0.9%	2.8%	(25)	75
CURRENT FUND REVENUES	\$ 116,793	\$ 121,218	\$ 128,694	\$ 7,476	\$ 130,322	7.5%	1.3%	\$ 9,104	\$ 1,628
EXPENSES									
Salaries, wages & benefits	\$ 40,914	\$ 39,205	\$ 40,230	\$ (1,025)	\$ 44,235	12.8%	10.0%	\$ 5,030	\$ 4,005
Financial aid to students	16,291	17,293	17,093	200	18,348	6.1%	7.3%	1,055	1,255
Team and game expense	16,648	18,109	18,631	(522)	19,053	5.2%	2.3%	944	422
Facilities expenses	9,194	9,834	9,874	(40)	10,620	8.0%	7.6%	786	746
Deferred maintenance fund transfer	4,500	4,500	4,500	-	4,500	0.0%	0.0%	-	-
Other operating and administrative expenses	9,070	7,674	9,829	(2,155)	13,073	70.4%	33.0%	5,399	3,244
Debt service transfer to plant fund	11,255	13,220	13,220	-	14,688	11.1%	11.1%	1,468	1,468
CURRENT FUND EXPENSES	\$ 107,872	\$ 109,835	\$ 113,377	\$ (3,542)	\$ 124,517	13.4%	9.8%	\$ 14,682	\$ 11,140
NET OPERATING SURPLUS	\$ 8,921	\$ 11,383	\$ 15,317	\$ 3,934	\$ 5,805				
Transfers and capital expenditures:									
Capital expenditures from current funds and transfers to plant and other funds	(35,575)	(29,896)	(20,846)	9,050	(10,800)				
Transfer from quasi-endowment and other funds	3,801	-	3,244	3,244	-				
Net transfers and capital expenditures	(31,774)	(29,896)	(17,602)	12,294	(10,800)				
INCREASE (DECR) IN CURRENT FUND BALANCES	\$ (22,853)	\$ (18,513)	\$ (2,285)	\$ 16,228	\$ (4,995)				

**University of Michigan Athletic Department
2012 – 2013 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), 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:

	Actual	Actual	Actual	Projected	Budget
	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>FY 13</u>
Football	\$ 31,698	\$ 34,016	\$ 33,339	\$ 43,118	\$ 39,141
Basketball	2,010	2,246	2,174	2,600	2,800
Hockey	1,845	1,783	3,210	1,950	1,750
Other	<u>300</u>	<u>355</u>	<u>408</u>	<u>320</u>	<u>360</u>
Total	\$ 35,853	\$ 38,400	\$ 39,131	\$ 47,988	\$ 44,051
<i>Memo:</i>					
Home football games	7	8	7	8	6

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

	Actual	Actual	Actual	Projected	Budget
	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>FY 13</u>
Television (football and basketball)	\$ 14,429	\$ 14,887	\$ 16,660	\$ 17,619	\$ 18,718
NCAA basketball based distributions	2,549	2,848	3,330	3,212	3,345
Football Bowl games	1,844	1,883	2,494	2,281	2,344
Other miscellaneous	<u>351</u>	<u>350</u>	<u>364</u>	<u>773</u>	<u>776</u>
	\$ 19,173	\$ 19,968	\$ 22,848	\$ 23,885	\$ 25,183
Less amount contributed to University	<u>1,568</u>	<u>1,615</u>	<u>1,974</u>	<u>1,654</u>	<u>1,900</u>
Net conference distributions	\$ 17,605	\$ 18,353	\$ 20,874	\$ 22,231	\$ 23,283

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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 is as follows:

	<u>Actual</u> <u>FY 10</u>	<u>Actual</u> <u>FY 11</u>	<u>Projected</u> <u>FY 12</u>	<u>Budget</u> <u>FY 13</u>
Preferred seating donations	\$ 16,741	\$ 22,536	\$ 22,100	\$ 22,816
Other expendable gifts	<u>2,556</u>	<u>5,426</u>	<u>4,500</u>	<u>4,600</u>
Total gift income	\$ 19,297	\$ 27,962	\$ 26,600	\$ 27,416

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 \$5.3 million.
5. **Concessions and parking:** Concession 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 09</u>	<u>Actual</u> <u>FY 10</u>	<u>Actual</u> <u>FY 11</u>	<u>Projected</u> <u>FY 12</u>	<u>Budget</u> <u>FY 13</u>
Coaches, team staff, and team support	\$ 15,104	\$ 16,377	\$ 23,843	\$ 20,434	\$ 22,276
Administrative departments	6,178	7,364	7,107	9,276	10,135
Facilities	2,793	2,884	3,135	3,277	4,044
Fringe benefits	<u>7,079</u>	<u>6,715</u>	<u>6,829</u>	<u>7,243</u>	<u>7,780</u>
Total	\$ 31,154	\$ 33,340	\$ 40,914	\$ 40,230	\$ 44,235

**University of Michigan Athletic Department
2012 – 2013 Budget Notes and Assumptions
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10. **Financial aid to students:** The Athletic Department grants the maximum allowable scholarships to all varsity sports. Total grant-in-aid equivalencies are approximately 330 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 09</u>	<u>Actual</u> <u>FY 10</u>	<u>Actual</u> <u>FY 11</u>	<u>Projected</u> <u>FY 12</u>	<u>Budget</u> <u>FY 13</u>
Team travel (incl net post season)	\$ 5,379	\$ 4,878	\$ 5,234	\$ 6,339	\$ 7,198
Equipment and supplies	3,529	3,252	3,067	3,570	3,761
Home game, hosted events, & officials	2,604	2,675	3,822	3,932	3,341
Training, vacation board, & medical exp	1,616	1,582	1,724	1,796	1,991
Recruiting	1,415	1,286	1,384	1,506	1,701
Other sport program expenses	<u>1,085</u>	<u>1,379</u>	<u>1,417</u>	<u>1,488</u>	<u>1,061</u>
Total	\$ 15,628	\$ 15,052	\$ 16,648	\$ 18,631	\$ 19,053

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

	<u>Actual</u> <u>FY 09</u>	<u>Actual</u> <u>FY 10</u>	<u>Actual</u> <u>FY 11</u>	<u>Projected</u> <u>FY 12</u>	<u>Budget</u> <u>FY 13</u>
Repairs & maintenance	\$ 2,758	\$ 2,891	\$ 3,574	\$ 3,350	\$ 3,854
Utilities	2,862	3,341	3,449	4,010	3,950
Supplies & equipment	1,126	1,003	1,354	1,323	1,502
Other facility expenses	<u>842</u>	<u>776</u>	<u>817</u>	<u>1,191</u>	<u>1,314</u>
Total	\$ 7,588	\$ 8,011	\$ 9,194	\$ 9,874	\$ 10,620

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.

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

	<u>Actual</u> <u>FY 09</u>	<u>Actual</u> <u>FY 10</u>	<u>Actual</u> <u>FY 11</u>	<u>Projected</u> <u>FY 12</u>	<u>Budget</u> <u>FY 13</u>
Telephone, supplies, postage, IT, insurance	\$ 2,121	\$ 1,840	\$ 2,114	\$ 2,513	\$ 2,817
Hosting, food, and special events	336	436	713	832	2,451
Merchandise, parking, & credit card fees	1,289	1,352	1,476	1,366	1,697
Production and contract services	1,032	868	1,193	983	1,561
Marketing, promotions, and ticketing	594	473	810	1,210	1,293
University re-charges	773	785	814	1,053	1,245
Professional travel and conference dues	443	444	702	798	997
Printing, publications, and photo expenses	726	483	626	747	693
Other expenses	<u>311</u>	<u>274</u>	<u>622</u>	<u>327</u>	<u>319</u>
Total	\$ 7,625	\$ 6,955	\$ 9,070	\$ 9,829	\$ 13,073

**University of Michigan Athletic Department
2012 – 2013 Budget Notes and Assumptions
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15. **Debt service:** Debt service and associated debt is summarized as follows:

	<u>FY 2013 Budget</u>			<u>Scheduled Balance</u>	
	<u>Interest</u>	<u>Principal</u>	<u>Total Debt</u>	<u>June, 2012</u>	<u>June, 2013</u>
			<u>Service</u>		
Stadium project	6,344	2,950	9,294	141,495	138,545
Crisler Center projects	2,462	1,185	3,647	61,665	60,480
Glick Family Fieldhouse	508	220	728	11,040	10,820
Stadium concrete	299	180	479	7,185	7,005
Hartwig renovation	129	65	194	2,965	2,900
Softball renovation	162	90	252	3,820	3,730
Rowing facility	29	65	94	575	510
Sub-total	\$ 9,933	\$ 4,755	14,688	\$ 228,745	\$ 223,990
Plus bridge loans against pledge receivables				11,525	11,640
Total Debt				\$ 240,270	\$ 235,630
Net debt service - Operating Fund			\$ 14,688		

16. **Transfers to Plant Fund for capital expenditures:** Capital expenditures and estimated plant fund transfers are budgeted at \$10.8 million for fiscal year 2013 and largely consist of funding for a Field Hockey facility renovation project.