

Athletics Business Model Committee

MEMORANDUM

To: Mike Sfraga, Vice Chancellor for University and Student Advancement

From: UAF Athletics Business Model Committee (the Committee):

Bob Shefchik, UAF Executive Officer

Raaj Kurapati, Associate Vice Chancellor, Financial Services and Business Operations

Ali Knabe, Executive Officer, University and Student Advancement

Kim Anderson, Assistant Athletics Director for Finance and Business Operations, UAF Athletics

Derek Miller, Senior Business Analyst, UAF Office of Management and Budget

Date: October 5, 2012

Re: UAF Athletics Business Model

On July 9, 2012, due to prior and ongoing concerns surrounding the financial stability of the UAF Athletics program (Athletics), a committee was formed to review the structure and management of Athletics and provide recommendations from which to act upon. This action was precipitated by FY12 expenditures exceeding departmental revenues by \$500K with a projected deficit of \$639K for FY13. The full report attached is the culmination of the C and recommendations.

Executive Summary

The current finances of Athletics are challenging. As stated above, a deficit of \$639K is projected for FY13. Cuts that deep in one year would severely hamstring athletics department operations in FY13 and likely have a

As a percentage, general funds have gone up 14% since FY09, while earned revenue has gone down by 13%. *This should be cause for concern.* The reliance on general funds cannot be sustained and focus should be put on generating additional earned revenue to balance the Athletics department budget.

The 5-year budget plan and specifically the FY13 budget recommendations in this report will require the Vice Chancellor for University and Student Advancement and the Athletic Director to collaboratively advocate for additional general fund support while at the same time looking for ways to increase earned revenue and decrease expenditures; focusing heavily on salary and benefit costs to help offset the projected FY13 deficit. The Committee believes the recommendations set forth in this report provides a general framework for a balanced and strategic approach to stabilizing Athletic finances moving forward, yet allows for enough flexibility to adjust as appropriate. It is the task of the Committee to provide a financial management plan that provides Athletics with a budget that can be actively managed, with the ability to accommodate variances in any given fiscal year.

With these principles in mind, the Committee provides these specific recommended actions:

FY13

- x An additional general fund contribution will be required to close the FY13 projected deficit recommended increase of no less than \$200K, with an additional \$60K general fund contribution in

- x Establish accurate costs and revenue projections over a five year period based on current assumptions
- x Develop strategies to decrease costs and increase revenue over the next five years
- x Identify the level of UAF GF commitment over the same period of time
- x Consistency in revenue streams and active management of expenditures

II. Athletics at UAF

The University of Alaska Fairbanks Athletics program currently has 143 student-athletes on its roster competing among the ten National Collegiate Athletic Association (NCAA) programs offered. The programs include:

Nordic Skiing, M Basketball,
Nordic

Athletics is comprised of over 90 employees; 7 head coaches, 7 assistant coaches, 2 trainers, 11 administrative staff, 4 interns, and a varying number of life guards and student-employees who help run all Patty Center events.

The NCAA conference breakdown is as follows:

- x Great Northwest Athletic Conference (NCAA Division II Basketball,
cross-Country)
- x Central Collegiate Hockey Association (NCAA Division I move to
the Western Collegiate Hockey Association in FY14)
- x Central Collegiate Ski Association (Nordic Skiing)
- x Pacific Collegiate Swim Conference)
- x Independent (Coed Rifle)

The basketball and volleyball teams play in the UAF Patty Center built in 1963, with a capacity of 2,000 people. ice hockey team plays in the Fairbanks Carlson Center with a capacity of 4,595. The swim team

were associated with salaries & benefits (39.9%), travel (21.8%), and contractual services (21.9%). The remaining costs were for commodities, capital equipment, and student aid.

Table 1

In order to accurately compare the cost of the UAF athletics department across the last five years, the Student Recreation Center (SRC) revenue and expenditure lines were removed from the financials. Effective July 1, 2011 the SRC began reporting to the Vice Chancellor for Student Services. Prior to that time, all revenues and expenditures were accounted for under the athletics department, which provided on average a \$90K surplus.

III(a) Cost Detail

Athletic

The Committee agrees that Athletics should look to other sources of revenue before considering an increase in the student athletics fee, though a minimal increase of \$2/credit is incorporated into the financial projections beginning in FY15.

Earned Revenue

Earned revenue includes funding from the UA Foundation, private gifts, in-kind contributions, facility rental, ticket sales and conference distributions/reimbursements. Earned revenue as a percentage of the total athletics budget has steadily decreased from 33% in FY09 to 27% in FY12. Between FY11 and FY12 alone, earned revenue declined by \$247K (or 14%) as a result of fewer corporate sponsorships and private giving contributions. A clear marketing and development strategy must be a priority in the near to mid-term to reverse this trend. The focus on increasing revenue in this area needs to be a top priority of the entire athletics department, including coaches and staff not just the Athletic Director and VCUSA.

IV. FY13 Recommendations

Additional Financial Support

The \$639K projected FY13 deficit will not be able to be fully recovered without additional support from central administration. An additional GF increase of no less than \$200K over the original Athletics budget presented at continuation will make closing this projected deficit much more attainable. Also, an additional GF increase of \$60K is recommended for FY14 to help with the costs associated with athletic scholarships coming back online -imposed penalty is lifted for several athletic programs. Athletics should be expected to generate funds for any additional scholarships.

Earned Revenue/Marketing & Development Officer

As previously mentioned, revenue earned from private and corporate giving declined by \$247K between FY11 & FY12. This may be a consequence of the current economic climate and the resulting leaner charitable donation budgets for both businesses and individuals. The Director of Athletic Development, with support from the Chancellor, Vice Chancellor for University & Student Advancement, Director of Athletics, and

previously in this document, the net savings as a result of this fiscal restraint was completely wiped out in FY12, when labor costs increased by \$319K, making it the main culprit of the Athletics deficit last year.

The Committee recommends a starting point for FY13 of \$2.576 million for salaries and benefits. If the VCUSA and the Athletic Director would like to explore further reductions in FY13, then the following considerations should be given:

- x Re-evaluating needs as vacancies occur
- x Delaying the filling of positions as they become vacant
- x Providing internships in Rifle, Skiing and Marketing *without* compensation
- x Reducing taxable and non-taxable student labor where possible
- x No salary adjustments outside existing annual increases provided for in the applicable collective bargaining agreement(s) for represented staff or- regular annual salary increases for non-represented staff
- x Reallocate duties among staff

Managing to budget is generally not good management practice. Salaries and benefits have gone up so significantly and rapidly however, that managing to budget is likely the only course of action for this particular expense. Restraint cannot be emphasized enough on the expense side of the ledger, but particularly in the salaries and benefits category. Specific personnel actions to reduce labor further should be up to the discretion of the Athletic Director in close consultation with the VCUSA.

Austerity Measures ±Travel

Containing travel costs will continue to be a challenge now and into the future. Travel expenditures increased \$100K, to \$1.367 million in FY12 after three relatively stable years between FY09 and FY11. At FY13 continuation, Athletics predicted a \$74K increase over FY12 actuals; however, upon further review, that number has been reduced to \$1.330M which will significantly help the current year bottom line. The Committee recommends keeping travel growth at the market trend of 2.2%.
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necessary to stabilize the Athletics budget will require shared sacrifice between the Administration, departmental staff, and coaches. It is the intent that the steps taken in FY13 lead to a more promising and sustainable future for Athletics in FY14 and beyond.

The interviews with the coaching and support staff indicated that in addition to downward budget pressures, there are unmet needs in the Athletics department. These needs increase the pressure for increased revenue and solid budgeting choices and practices. To be successful, an FY13- Athletics department and staff. Committee recommendations for FY13 need to be reviewed and acted upon right away. The drastic nature of actions needed to address a budget deficit increase as the remaining time in a fiscal year decreases.

The recommendations and considerations for FY14 to FY17 need to be part of an Athletics department budget planning process lead by the AD, inclusive of all coaches and support staff, and informed by both the budget realities described in this report and the aspirational needs articulated in the interviews.

Revenue

Revenue growth should emphasize earned revenue and minimize sole reliance on general fund support and student athletic fee increases. That being said, the Committee assumed general fund growth of 2% per year beginning in FY14 and beyond and a minimal increase of \$2/credit to the athletic fee paid by students beginning in FY15 and beyond. Stable and reliable revenue from these sources will provide the necessary foundational support required for the Director of Athletic Development and others to pursue increased support from private gifts, corporate sponsorships and raw advertising. Along with the aggressive target set for FY13, the committee assumed annual earned revenue increases of 4% beginning in FY14 as well as an additional \$60K, specifically for athletic scholarships in FY14.

Salaries & Benefits

Salaries and benefits are expected to increase 3% annually in the FY14-FY17 projections presented. The Committee feels that further reductions in salaries and benefits can be made with difficult choices via:

- x Continual evaluation of personnel needs
- x Eliminating non-essential services
- x

Projections-DO NOTHING DIFFERENT SCENARIO							
Revenue	FY12 (Actual)	FY13 (Budgeted)	FY14	FY15	FY16	FY17	FY14 & Beyond Assumptions
1. General Fund - State Appropriation	\$3,191,890	\$3,104,100	\$3,166,182	\$3,229,506	\$3,294,096	\$3,359,978	2% increases
2. Athletics & Campus Recreation Fee (\$8 per credit, \$96 max)	\$991,088	\$1,022,400	\$1,058,184	\$1,095,220	\$1,133,553	\$1,173,228	3.5% (enrollment based)
3. Earned Revenue	\$1,568,232	\$1,630,000	\$1,662,600	\$1,695,852	\$1,729,769	\$1,764,364	2% increases

In addition to the responsibilities the UAF Athletics department has to its athletes and community supporters, the department also has fiduciary responsibilities to UAF. Clearly, the table above demonstrates an urgency to take action on the matters discussed in this report, so that the fiduciary responsibilities are met. Absent
ts downward

unmet needs of the department as identified in the interviews is even more reason that a do nothing different approach is unacceptable.

VII. Departmental Needs and Potential Re-investments

Analysis of revenue and expenditure trends provides insight into past decisions that led to the FY12 deficit and projected future deficits. Development of a budget plan requires more qualitative input on the program side to ensure budget plans incorporate the perspectives of the staff most closely engaged with the student athletes. In

consultation with the VCUSA, the Interim Athletic Director, and the review team, the decision was made to conduct personal interviews within the athletic department to garner that input.

In the time period of August 8-15, 2012, individual interviews were conducted with the head coaches of each sport at UAF, the interim athletic director, and four athletics staff. The interviews, while framed and initiated

- x Increasing the athletic fee from \$8 to \$10 beginning in FY15 resulting in a net increase of about \$250K over what would be collected at the current rate schedule and assuming modest enrollment increases
- x An ambitious, but attainable earned revenue goal in FY13 (over \$235K from FY12 actual) and 4% annual increases thereafter
- x Additional \$60K earned revenue goal in FY14 to match \$60K general fund increase that year

Reducing salaries and benefits by \$130K from FY13 budgeted and modest 3% a

Central Administration picks up post-season CCHA travel costs if necessary

- x Annual increases of 2.2% for Travel
- x Slight reduction of contractual services level in FY13 (from FY12) and modest 2.4% annual increases thereafter
- x Annual increases to commodities of 3.5%
- x Central Administration to begin paying for out of state tuition surcharge beginning in FY14 and beyond
- x Modest 2.3% annual increases to student aid beginning in FY15

FY12 actuals and the 5-year projections based on the assumptions above are presented on the next page.

As mentioned before, one would need to reduce almost \$650K in expenses in FY13 to get the books to balance.

to accommodate volatility inherent in travel and other costs. The plan provided brings the budget into balance by FY14.

There is genuine optimism among department of athletics staff and this committee about the future success of the Athletics department. We look forward to providing further assistance as necessary and as FY13 progresses.

UAF Athletic Department Mission Statement

The mission of the University of Alaska Fairbanks athletics program is to provide the student-athlete with an opportunity to compete at the Division I and II levels of competition while receiving a quality education consistent with the mission of the University. The athletics experience is an extension of the educational process whereby student-athletes acquire the skill, characteristics and self-confidence that will enable them to reach their full potential. The athletics program is committed to assisting student-athletes to achieve their academic and physical potential by learning to develop worthy goals for a meaningful life. It is the goal of the athletics program to provide the student-athlete with the means to perform with distinction.

Attachments

1. VC USA memo
2. 5-year Budget Plan Spreadsheet
3. Do Nothing Different Scenario
4. Athletics 6-year Revenues & Expenses line Chart
5. Athletics Interview Report



University and Student Advancement

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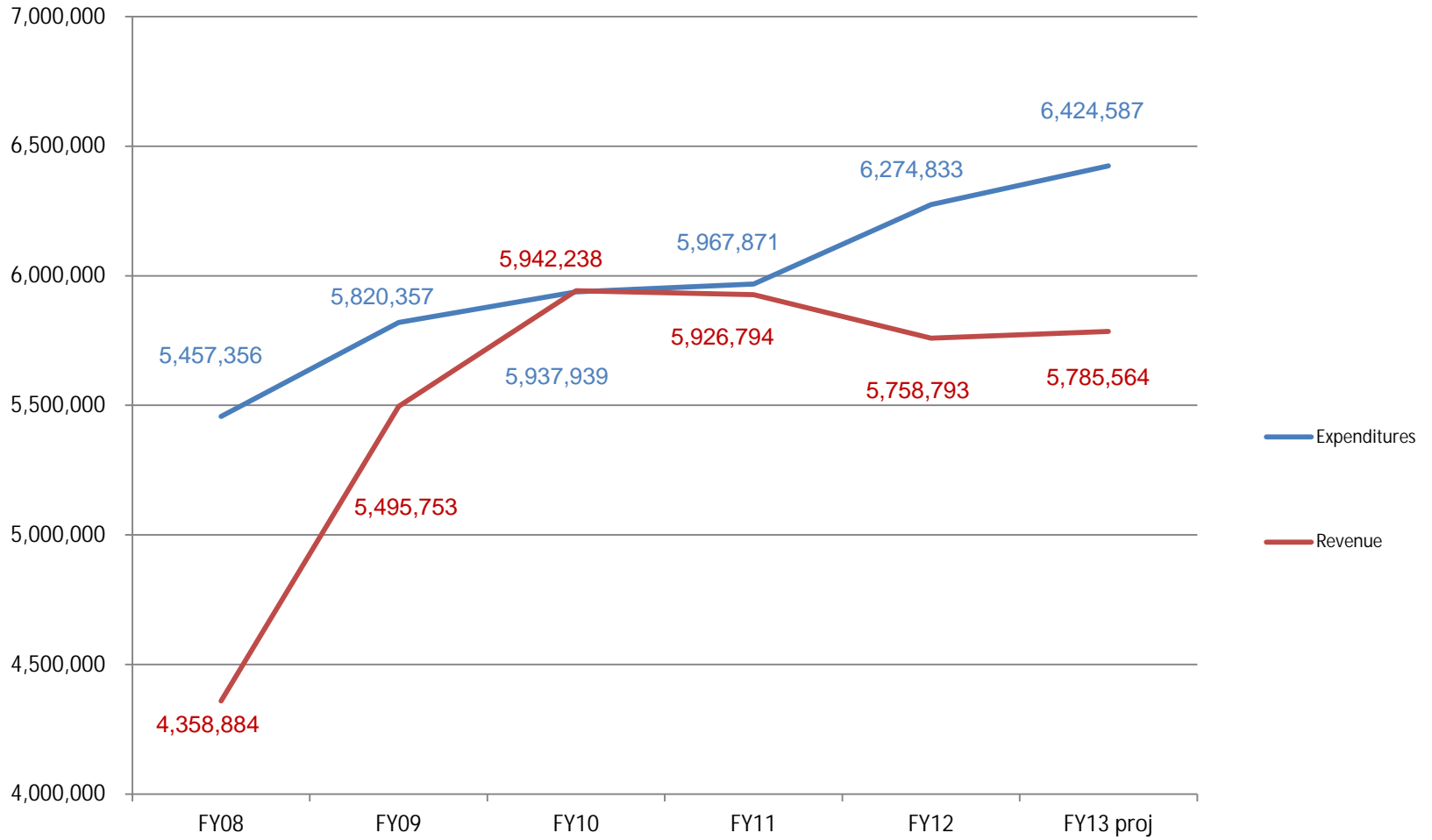
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Account	FY12	Projections					FY14 A. Budget	Accuracy	In. 2013-14	Fiscal Year											
		FY13	FY13	FY14	FY15	FY16															
<table border="1"> <tr> <td>Revenue</td> <td>\$3,104,100</td> <td>\$3,834,100</td> <td>\$3,720,100</td> <td>\$2,498,286</td> <td>\$3,559,751</td> <td>\$3,640,123</td> <td></td> <td></td> <td></td> <td></td> </tr> </table>											Revenue	\$3,104,100	\$3,834,100	\$3,720,100	\$2,498,286	\$3,559,751	\$3,640,123				
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<table border="1"> <tr> <td>Expenditures</td> <td>\$5,756,933</td> <td>\$5,785,164</td> <td>\$5,169,583</td> <td>\$5,967,805</td> <td>\$5,899,113</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>											Expenditures	\$5,756,933	\$5,785,164	\$5,169,583	\$5,967,805	\$5,899,113					
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Athletics Revenue Expenditure Trend



UAF Athletic Department Fiscal Planning Review
Coach and Staff Structured Interviews
August 29, 2012

Introduction

- x Revenue Generation
- x Coaching Support
- x Support of Chancellor and UAF Administration

Each of these themes is described more fully in the remainder of this report.

In addition to the general themes discussed, a number of specific program priorities were identified, predominantly by the coaches. Appendix A summarizes a list of items that were identified to make UAF Athletics more competitive with its peers and more supportive of its student athletes. Costs are estimated as a rough order of magnitude (ROM) needed to achieve what was discussed and will allow the financial review team to include programmatic needs/desires into future budget scenarios.

Facilities

Facilities was frequently one of the first issues raised. This was mentioned both in the context of recruiting new athletes and in supporting existing athletes. There is an acknowledgement of acquiescence to the belief that nothing will change related to facilities.

Specific attention was drawn to the weight room as inadequate for an NCAA competitive sports program. One

to the support of current athletes, most perceived the weight room as too small to support full teams working out on a regular basis, inadequately staffed to support a weight training program for current athletes (with the exception of hockey), and difficult to use in conjunction with a practice, game, and travel regimen without the individual sport coaching staff taking on weight training expertise. The condition and use of the weight room was the most frequently cited example related to facilities.

One

considerable comment on the relative importance of student academic needs vs. administrative space needs. A small area remains available to students, but the overall consensus was that the space is not adequate and more consideration should be given to a study center or some other structured approach to academic support.

The overall condition and maintenance of the Patty Center, relative to its age, was often praised. However, the age of the facility and its look and appeal relative to facilities provided by GNAC or CCHA competitors was

progress. Advising had also been the topic of a recent presentation to the Athletics staff, leaving many with the impression that there was not adequate manpower in the advising center to meet the advising needs of student athletes.

Concerns expressed included:

- x Limitations placed on the advising department of only 25% of one FTE being available for athletic advising
- x athletes at risk of not having anyone available
- x Difficulty for student athletes to be able to schedule an appointment
- x Uncertainty on the part of coaches as to whether their student athletes' schedules were indeed compliant with NCAA requirements
- x Diversion of student athletes from centralized advising support to departmental advising, which may or may not be present when students are on campus in the summer
- x Overall perception that the UAF advising system and expectations were difficult for coaches to understand and explain and non-supportive of students

The perspective of the student advising program was not collected to balance these concerns with the position of the academic advising office. The weight, frequency, and near unanimity of opinion on this topic demonstrate that work is needed to ensure student athletes receive appropriate direction and support relative to academic advising.

The UAF Associate Athletic Director and Compliance Officer appears to have undertaken a role in assisting student athletes with advising issues, but all acknowledge that this should not be a substitute for central advising

Support from the Chancellor and UAF Administration

There was a notable request for a show of support, in words and deed, from the Chancellor and UAF

level support appeared consistently in most interviews. The coaches and staff appear ready and willing to accept new leadership and are looking for a leader to provide direction, vision, and build Athletics into a team. There are also a considerable number of ideas on revenue generation that would provide the basis for a revenue and marketing planning session with the new AD and VC-USA.

Specific recommendations based on what was heard include:

Facilities

Begin planning for the Patty Center remodel as soon as the new AD is hired. This should be done to position the project to pair with any project that comes forward on the UAA Wells Fargo Center.

Parse the project so that a Phase 1 could address the weight room and training needs of all the programs in reasonable-sized funding increments, without waiting for a \$50 - 70 million appropriation to see improvement.

Advising and Academics

Ensure adequate resources are available from the advising center to meet the needs of student athletes

Ensure that Athletics fully understands the resources available from the advising center and the best way to access those resources.

Work with faculty advisors on best ways to structure study halls, tutors, and academic support to match the needs of the student athletes with the programs available. Have full staff discussion on the need for common study space.

Strength Coaching and Athletic Training

Across time, the strength training function has focused on the group that expressed the most interest and intensity in weight training. With the turnover in coaches and a renewed interest in weight training from the newer coaches, it could be beneficial to re-establish schedules and training programs that make strength training available (within available resources) to all sports interested in participating. Support in the supervision and monitoring of weight training could also be a role for the graduate assistants

Athletic training resources are in high demand. The likelihood of additional trainers being made available in sufficient numbers to cover all competitions and practices is small. Athletics should ask for a role in the creation of the fledgling athletic trainer program, ensuring departmental needs can be matched to program requirements when possible. There is also some possible overlap in this area with the problem of some coaches travelling solo to competitions.

Recruiting

As mentioned above, there is some merit to considering a budget mechanism that allows a higher variability in costs from year to year. This would allow for increased travel in some years to be offset by decreased travel in others. This would not fully solve all of the needs described in the recruiting

conversations, but would be a start in offering coaches the ability to extend recruiting efforts in a given year without penalty to the entire department.

Coaching Support

will be critical to creating an internal funding mechanism that does not shift funds from Athletics to central or departmental budgets every time tuition or fees rise.

Backing the new AD in making difficult decisions will need to be part of the support provided by the Chancellor. Some of the choices made between FY11 and FY12 were likely not the most strategic choices that could have been made with discretionary salary dollars. Even under the rosier of scenarios, it is probable that difficult budget decisions remain. It will take the creation of a team within Athletics

Appendix A ±Additional Program Needs Articulated by Coaches and Staff

20-30K	Assistant to 10 months Recruiting time and \$
75-90K + departmental	Head Coach to 12 months Assistant to 11 months More games scheduled More recruiting 10 full scholarships Strength coach (for whole dept) Academic Center (for whole dept) Academic Advisor (for whole dept)
Volleyball 20-30K + departmental	Recruiting time and \$ Academic Advisor (for whole dept) Spring competition
Skiing and X-C 100-120K	Additional Assistant Coach Additional Intern or GA Head Coach to 12 months Increase scholarships to NCAA max Increase to 3 teams at each home meet Two coaches to travel to away meets Recruiting time and \$
Rifle 20-40K	Asst coach or GA to allow 2 on away meets Need for supplies to replace sponsorship in FY12 or 13
Hockey 200-250K + departmental	Max NCAA Scholarships Competitive salaries for coaches and asst coaches Director of Hockey operations (8 months) Office manager (8mos) Equipment Manager (up to 11 months) Recruiting \$ Commodities \$ Increase travel per diem Advisor, tutor, weight training (similar to above) Admin positions for Dept to support marketing, event management, and revenue generation
Swimming 20-30K + departmental	Recruiting time and \$ Scholarships Advising support for whole dept
Departmental 400-500K	Marketing Director 1-2 Academic Advisors Fiscal Officer to 12 month Fiscal asst (PT or FT)

AD and Assoc AD to 12 months
Asst for AD
Asst for Assoc AD (PT or FT)
Facility manager to 12 months
Equipment Manager FT
(less some reassignment of duties)

Dept from coaches 100-150K Strength coach
Academic Center / tutors
Event Management
(Advising Overlap from above)
(Marketing Overlap from above)

Sport Specific = 455K 590K

Departmental = 500K 650K

Total = 955K 1,240K

Costs are ballpark estimates based on discussions and permanent benefitted employees. These represent overlap, as they are a compilation of all requests, not an analysis of needs and the best way to meet those collective needs. While large in number and difficult to envision in the current economic environment, this list has the possibility of serving as a basis for planning future budget decision and fundraising goals.

Thank you to:

Scott Jerome	Dan Jordan	Cody Burgess	Phil Shoemaker
Scott Lemley	Dallas Ferguson	Denise Irish	Kristi Giddings
Sheena Cummings	Mike Curtin	Mick Durham	