

MEMORANDUM

TO: Board of Regents

FROM: Garnett S. Stokes, President

DATE: April 17, 2018

SUBJECT: FY18 Adjustment Request (BAR) for Main Campus Athletics Exhibit 21
FY19 Main Campus Athletics Exhibit 21 Budget Proposal including overall elimination of deficit and satisfying the NM Higher Education Department (HED) Enhanced Fiscal Oversight Program

In consensus with the request made by the Board of Regents at the Budget Summit held on March 22, 2018, I established the UNM Athletics Budget Task Force on March 27, 2018 to address the UNM Athletics’ financial situation and the on-going concerns of the New Mexico Higher Education Department. This committee was tasked with determining adequate expenditure authority for the FY18 budget, developing a balanced FY19 budget, and addressing the recurring and accumulated deficit through a sustainable deficit reduction plan to ultimately eliminate these recurring fiscal issues going forward.

The committee has met multiple times since the formation of the task force, and through these discussions and additional analysis the committee has validated current revenues and expenses for FY18, has proposed a budget for FY19 based on realistic revenue and expenditure projections and proposed a balanced budget for FY20 forward. The projected budgets/actuals for FY18 and FY19 are summarized below and are detailed in **Attachment A**.

	FY18 Revised Budget	FY18 Projected Actuals	Net Change	FY19 Proposed Budget	Net Change
Revenue	33,276,861	32,745,994	(530,867)	32,097,208	(648,786)
Expenses	33,276,861	33,564,697	287,836	34,373,643	808,946
Net Margin	-	(818,703)	(818,703)	(2,276,435)	(1,457,732)

Recurring Deficit:

After investigating all fiscal activities for Athletics it was important to first address the recurring deficit and then to address the accumulated deficit forward. Below is the breakdown of the projected recurring deficit, which includes a projected 1% increase accounting for potential inflationary costs, such as expenditure increases, compensation, taxes, tuition and fee increases, etc.

Recurring Deficit

FY20 Projected Recurring Deficit (1)	(2,600,435)
Inflationary costs (1% on total expenses)	<u>(337,236)</u>
Recurring deficit	<u>(2,937,671)</u>

Cost containment

Reduction in sports	1,900,000
Fiscal Shared Services	150,000
Advising Shared Services	150,000
Other Shared Services	100,000
Expenditure reductions/controls	150,000

Grant-aid subsidies

Tuition waivers	725,000
Room and board discounts	<u>250,000</u>

Total Recurring Reductions **3,425,000**

Net Change (2) **487,329**

(1) See Attachment A

(2) \$487K would be used for the deficit reduction plan

The committee looked closely at opportunities to collaborate across campus by reallocating resources directly related to student needs, such as grant-in-aid subsidies; find ways to consolidate administrative functions to reduce costs; develop procedures to better manage expenditures; and assess athletic programs for long-term sustainability. The recurring deficit reduction plan proposed above incorporates these strategies collectively, which will generate \$3.4M in cost reduction/reallocation resources. This amount will allow Athletics to no longer operate in a recurring deficit, while freeing up additional resources to contribute to a deficit reduction plan.

If approved, implementation of these reduction/reallocation strategies would be fully implemented in FY20, however to address these strategies within a reasonable timeframe, bridge funding for FY18 and FY19 will be needed in order to balance these budgets.

Deficit Reduction Plan:

After reviewing multiple deficit reduction plan options the committee proposed, each taking a balanced approach by assessing athletic programs and expenses, centralizing core administrative functions through central control, and providing tuition and other student cost waivers to our student athletes, I propose the following plan in order to eliminate the accumulated deficit. The proposed plan's fiscal impact is detailed in **Attachment B** and summarized below.

Proposed 10 Year Deficit Reduction Plan (FY20-FY29): The proposed plan utilizes funding from the land sale proceeds to bridge Athletics through FY18 and FY19, until the recurring deficit is resolved in FY20. In FY20 Athletics begins to pay down the remaining accumulated deficit by \$487,329 per year until the accumulated deficit is paid off in FY29. In total the land sale proceeds would contribute **\$1,603,246** to this reduction plan.

ATTACHMENT A

	FY18 Revised Budget	FY18 Projected Actuals	FY19 Proposed Budget	FY20 Proposed Budget (Recurring)
Revenue				
NCAA/Mountain West Conference	5,200,000	4,638,299	4,750,000	4,750,000
Media Rights/Sponsorship/Licensing/Commissions/Naming Rights	5,965,500	5,865,500	6,625,000	6,625,000
Ticket Sales/Game Guarantees	7,222,000	7,330,182	6,590,000	6,590,000
Student Fees	3,883,402	3,851,603	3,681,708	3,681,708
Fundraising	3,072,800	2,200,000	2,400,000	2,400,000
State Appropriation	2,617,300	2,617,300	2,641,500	2,641,500
Facility Rental/Merchandise/Misc/GIK/other revenues	4,591,826	4,739,077	4,435,000	4,435,000
Transfers to/from Campus	1,074,033	1,504,033	974,000	-
Deficit Reduction	(350,000)	-	-	-
Total	33,276,861	32,745,994	32,097,208	31,123,208
Expenses				
Personnel	14,178,956	14,452,231	15,281,877	14,631,877
Supplies/Services/Fees	9,132,400	7,475,983	7,469,683	7,469,683
Travel	2,955,745	3,543,489	3,540,989	3,540,989
Recruiting	686,823	812,777	812,777	812,777
Grant-in-Aid	5,024,660	5,352,532	5,340,632	5,340,632
Student/Food Costs	630,627	1,103,558	1,103,558	1,103,558
Plant Maintenance	667,650	824,127	824,127	824,127
Total	33,276,861	33,564,697	34,373,643	33,723,643
Net Balance (1)	-	(818,703)	(2,276,435)	(2,600,435)

(1) Does not include current accumulated deficit or proposed 10 year deficit reduction plan. See attachment B for details regarding proposed deficit reduction plan.

Proposed 10 Year Deficit Reduction Plan: FY20-FY29 (includes \$1.7M land sale proceeds contribution)

Accumulated Deficit	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Beginning balance	(4,713,999)	(4,713,999)	(4,713,999)	(4,226,670)	(3,739,342)	(3,252,013)	(2,764,685)	(2,277,356)	(1,790,028)	(1,302,699)	(815,370)	(328,042)
Net balance	(818,703)	(2,276,435)	(2,600,435)	-	-	-	-	-	-	-	-	-
Projected ending balance	(5,532,702)	(6,990,434)	(7,314,434)	(4,226,670)	(3,739,342)	(3,252,013)	(2,764,685)	(2,277,356)	(1,790,028)	(1,302,699)	(815,370)	(328,042)
One-time Resources												
Land sale proceeds	814,207	789,039										
Athletics vacancy savings	4,496	96,396										
Institutional support		641,000										
Grant-aid subsidies		750,000										
Recurring Reductions/Resources (1)												
Cost containment			2,112,764									
Grant-aid subsidies			975,000									
Deficit reduction plan				487,329	487,329	487,329	487,329	487,329	487,329	487,329	487,329	328,042
Ending balance	(4,713,999)	(4,713,999)	(4,226,670)	(3,739,342)	(3,252,013)	(2,764,685)	(2,277,356)	(1,790,028)	(1,302,699)	(815,370)	(328,042)	0
Land sale proceeds contribution	<u>1,603,246</u>											

(1) Includes contingency for inflationary costs at 1% of expenses and funding to pay down the accumulated deficit.