

MEMORANDUM

TO: Members of the UNM Board of Regents

FROM: Eddie Nuñez, Athletic Director, UNM Athletics Department

DATE: March 20, 2018

SUBJECT: Athletics Department Financial Overview – FY18

There has never been a more important moment for the future of the University of New Mexico Athletics Department than now. The culture and economics of student athletics programs are being redefined across the country at every level and every institution, and we need to be prepared. It is proven that well-run collegiate sports programs enhance faculty, student, alumni, and community engagement and alignment, increasing the value of the university brand. Athletics programs drive enrollment and academic excellence while also driving revenue for other auxiliaries. Since I became athletics director five months ago, I have emphasized setting higher standards within our department in everything we do and in every challenge we face.

The UNM Athletics Department budget is a dynamic planning tool that hinges annually upon: A) self-generating revenues, corporate sponsorships and fundraising; and B) salaries, facility costs, travel, grant-in-aid, etc., on the expense side. There has consistently been pressure regarding balancing the budget within the athletics department and that again holds true for Fiscal Year 2018.

UNM currently sponsors 22 NCAA Division I varsity sports, including football, men's and women's basketball, cross country, soccer and skiing, to name a few. Our Lobo athletics program champions the efforts for UNM to attract truly exceptional young people to our university, many of whom are of diverse or under-represented backgrounds and who serve as role models for our student population.

The following narrative describes the FY18 Budget and what is projected through the remainder of the year given an array of pressures. It also provides a recommendation as well as cost mitigation strategies and revenue generation opportunities (both current and in the years ahead).

FY18 Budget

On the next page please find the FY18 budget:

University of New Mexico Athletics Department (P21 Exhibit)				
		FY18 Original Budget	FY18 Revised Budget	FY18 Year End Projections
Revenue				
NCAA/Mountain West Conference		5,200,000	5,200,000	4,638,299
Media Rights/Sponsorship		4,690,500	4,690,500	4,340,500
Men's Basketball Tickets		4,200,000	4,137,200	3,653,733
Football Tickets		1,900,000	1,539,800	1,539,833
Women's Basketball Tickets		330,000	330,000	398,630
Other Sports Tickets		115,000	115,000	115,000
Student Fees		4,000,000	3,883,402	3,883,402
Fundraising		3,100,000	3,072,800	2,500,000
State General Fund		2,617,300	2,617,300	2,617,300
Facility Rental/Merchandise/Misc/GIK		2,681,626	2,181,826	2,540,078
Game Guarantees/Hawaii Travel Subsidy		1,100,000	1,100,000	1,543,624
Concessions		900,000	900,000	994,000
Parking		625,000	625,000	520,000
Special Events		685,000	685,000	685,000
Licensing		525,000	525,000	525,000
Commissions		450,000	450,000	533,000
Transfers to/from Campus		(146,043)	1,074,033	1,744,495
Naming Rights		300,000	300,000	200,000
Training Room Billing		200,000	200,000	
Sub Total			33,626,861	32,971,894
Reserves				
Deficit Reduction Plan		-	(350,000)	
Total		33,473,383	33,276,861	32,971,894
Expenses				
Personnel		14,178,956	14,178,956	14,531,524
Supplies		1,393,857	1,437,182	1,875,330
Travel		2,956,353	2,955,745	3,540,989
Recruiting		679,823	686,823	812,777
Grant-in-Aid		5,024,660	5,024,660	5,800,000
Food Service		253,577	253,577	574,892
Student Cost Other		323,500	323,500	359,368
Medical		58,550	53,550	169,298
Services		3,818,801	3,806,361	4,436,738
Plant Maintenance		675,050	667,650	824,127
Overhead/Bank fees		4,102,923	3,881,524	2,050,747
Other		7,333	7,333	12,930
Total		33,473,383	33,276,861	34,988,718
Net		-	-	(2,016,825)

Rationale for Reducing Cumulative Deficit

One of the most critical aspects of our conversation regards a proposal on how to address the cumulative deficit. The deficit has been accumulating since 2006 with numerous factors contributing to it. This includes expenses outpacing revenues, expenses being understated, revenues being overstated, a lack of consistent fiscal oversight within the department and university, and a lower level of institutional support compared to our peer institutions.

We continue to examine all our operations to identify both efficiencies and cost savings. Our approach to budgeting will put a much heavier emphasis on the management of departmental spending and budgetary accountability while accurately projecting revenues.

Per Regent Policy 7.20 and the HED Enhanced Fiscal Oversight Program, the University needs a structured plan to address the deficit.

Proposal – With direction from the University Administration, the proposal is to have the Board of Regents buy out a substantial portion of the athletics department deficit using specific funds available to them which to date have not been designated for other purposes. The table below depicts what the deficit would be at the end of Fiscal Year 2018 assuming the anticipated year end numbers in the previous table and use of funding available to the Board of Regents.

P21		FY18 Projected Athletics
Beginning Deficit		\$4,713,999
Anticipated to add to Deficit FY18		<u>\$3,316,825</u>
		\$8,030,824
Already Transferred FY18		<u>\$1,300,000</u>
Net Anticipated Deficit		\$6,730,824
Use of Regents Funding		\$5,600,000
Final Anticipated Deficit FY18		\$1,130,824

Cost Mitigation Strategies and Current Assessments

As part of a multi-year plan to build financial stability, the University must create a realistic and attainable budget for FY 19. As athletics has modified its spending over the last year, another goal will be to continue to be prudent and efficient with spending in general.

Assuming an ending deficit of \$1.1M, we propose a 10-year deficit reduction plan of \$110,000 per year for nine years and \$140,824 in the final year. This amount would need to be incorporated in the FY19 Budget.

As part of the assessment of our department and the directive by the Board of Regents, we are evaluating all our sports and conducting a Title IX Assessment and Review:

- The first focus will be to conduct a comprehensive evaluation of each sports program as well as the athletics department as a whole.
- The second emphasis will be on how to best support our student-athletes.

Revenue Generation Opportunities

It is clear that the athletics department must become more creative in exploring and defining sources of revenue. This includes:

- Multimedia Agreement: The current agreement expires in 2020. The new agreement can potentially provide additional revenue as well as reduce costs for the department by providing support staff positions and other resources.
- Apparel Agreement: The current agreement expires in 2020. Review and assess the market opportunities.
- Ticketing Provider Agreement: Currently, the University operates the ticketing operations through 2019. The plan is to review other external ticket provider with customer service expertise and broader options. This can potentially provide additional revenue generation through increased ticket sales as well as increased support staff.
- Beverage Agreement: The current agreement expires in 2018. The new agreement may bring revenue generation opportunities as well as cost cutting measures through product purchases.
- Outside Events: We are currently examining the revenue generation opportunities associated with hosting additional contracted events at all the athletic venues, including the football stadium.
- Naming Opportunities: We are currently examining the potential for revenue generation associated with entering into naming rights agreements for our athletic venues.
- Endowment of Head Coaching Positions: We are currently examining opportunities for revenue generation associated with endowing certain head coach positions.

Fiscal Year 2019 Budget

Although a majority of the reconciliation work has been accomplished, the projected budget for Fiscal Year 2019 needs additional refinement. The athletics department will continue to work toward that end with a plan to present the FY19 budget at the Finance and Facilities Committee meeting.

Thank you for your consideration and we look forward to hearing your thoughts in an effort to balance competitive expectations with budget realities.