

**AGENDA**

**University of Kentucky  
Athletic Association Board of Directors**

**May 26, 2011**

**2:00 p.m.**

**Board Room, 18<sup>th</sup> Floor Patterson Office Tower**

Roll Call

Approval of Minutes – August 3, 2010

President's Report

Athletic Director's Report

Finance Committee Report

Fiscal 2010-11 Operating Budget Update

Fiscal 2011-12 Operating Budget Request

Other Business

Adjourn

Office of the Director of Athletics  
May 26, 2011

Members, Board of Directors:

**Fiscal Year 2010-11 Budget Authority**

**Recommendation:** that the University of Kentucky Athletic Association Board of Directors approve the use of additional operating revenues (\$4.6 million) to increase the Athletics Department Fiscal Year 2010-11 expenditure authority to \$84.0 million.

**Background:** At the May 13, 2010 Athletic Association Board meeting, the Board approved a Fiscal Year 2010-11 budget of \$79.4 million. During the current fiscal year, the Athletics Department needed to make additional expenditures in important programmatic areas and continue the progress toward broad-based excellence. Specifically, the Athletics Department had a football coaching transition, accrual of deferred compensation, higher costs for student-athlete tutors, and addressed several facility issues.

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Action taken:     Approved     Disapproved     Other \_\_\_\_\_

Office of the Director of Athletics  
May 26, 2011

Members, Board of Directors:

**Fiscal Year 2011-12 Operating Budget**

**Recommendation:** that the Athletics Operating Budget for fiscal year 2011-12 be approved and ordered recorded as part of the university's financial system with the necessary fiscal control being exercised for the collection of income and for the expenditure of departmental funds in accordance with authorized fiscal policies and procedures.

**Background:** The Fiscal Year 2011-12 Athletics Operating Budget (\$83.6M) of the University of Kentucky is presented for approval by the Board of Directors.

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Action taken:  Approved       Disapproved       Other \_\_\_\_\_

**University of Kentucky Athletics  
FY12 Budget**

	<u>FY11 Budget</u>	<u>FY12 Budget</u>	
<b>REVENUES:</b>			
Football	\$29,440,000	\$29,590,000	(1)
Men's Basketball	\$16,035,000	\$18,085,000	(2)
Women's Basketball	\$200,000	\$215,000	
Student Activity Fees	\$750,000	\$780,000	(3)
Corporate/Multi-Media Rights	\$11,795,000	\$11,920,000	(4)
K Fund	\$14,975,000	\$16,650,000	(5)
Concessions/Novelties	\$950,000	\$950,000	
Licensing	\$1,100,000	\$1,250,000	
Other Men's Sports	\$60,000	\$75,000	
Other Women's Sports	\$25,000	\$35,000	
Camps	\$2,000,000	\$2,000,000	
Other	\$2,050,000	\$2,090,000	(6)
<b>Total Gross Revenues</b>	<u>\$79,380,000</u>	<u>\$83,640,000</u>	

<b>EXPENSES:</b>			
Football	\$9,048,732	\$9,185,880	(7)
Men's Basketball	\$10,165,526	\$10,368,391	(8)
Women's Basketball	\$2,345,790	\$2,544,802	(9)
Other Men's Sports	\$3,406,283	\$3,570,154	(10)
Other Women's Sports	\$4,293,875	\$4,652,441	(10)
Administrative Support	\$9,108,286	\$9,381,775	(11)
External Operations	\$4,425,474	\$4,349,585	(12)
Support Services	\$5,326,586	\$5,597,833	(13)
Facilities and Operations	\$13,174,315	\$15,039,035	(14)
Scholarships	\$9,849,632	\$11,000,103	(15)
Post-Season	\$3,250,000	\$3,300,000	(16)
Transfer to President's Office	\$1,000,000	\$1,000,000	
Camps	\$2,000,000	\$2,000,000	
<b>Total Expenses</b>	<u>\$77,394,500</u>	<u>\$81,990,000</u>	

<b>Net Income/(Loss) from Operations</b>	<u>\$1,985,500</u>	<u>\$1,650,000</u>
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**NON-OPERATING EXPENSES/TRANSFERS:**

Prevailing Wage Settlement	n/a	n/a	
Non-Recurring Restricted Fund Budget Tax	n/a	n/a	
Transfer to Capital Projects	\$1,985,500	\$1,650,000	(14)
Mid-State Steel Settlement (CWS Project)	n/a	n/a	
<b>Total Non-Operating Expenses/Transfers</b>	<u>\$1,985,500</u>	<u>\$1,650,000</u>	

<b>Net Income/(Loss)</b>	<u>\$0</u>	<u>\$0</u>
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<b>Fund Balance (7/1/2010)</b>	\$9,702,780	\$9,702,780
<b>Net Income/(Loss)</b>	\$0	\$0
<b>K Fund Transfer</b>	n/a	n/a
<b>Transfer to Athletics Quasi Endowment</b>	n/a	n/a
<b>Fund Balance (6/30/2011)</b>	<u>\$9,702,780</u>	<u>\$9,702,780</u>

# UNIVERSITY OF KENTUCKY ATHLETICS

## FY12 Budget Notes

### Overview:

- UK Athletics is 100% self supporting (no State or University funds)
- UK Athletics has broadest program in SEC (22 sports) with only average SEC budget
  - Alabama, Auburn, Florida, LSU, Tennessee - \$90+M
  - Georgia, Kentucky - \$83+M
  - Arkansas, Ole Miss, Mississippi State, South Carolina, Vanderbilt – < \$80M
- UK Athletics budget is less than 3.5% of University budget
- UK Athletics will continue to donate \$1.7M to University for scholarships
- Approximately 25% of Athletics budget will be spent back on campus – keeping the University the #1 vendor for UK Athletics
- Goal is to create a sound budget that ***matches resources to expectations***, establishes clear ***fiscal accountability***, creates an operational structure to ***provide timely, accurate information*** to senior staff, head coaches and unit managers and allows UK Athletics to provide a first class student-athlete experience and compete for championships.
  - ***Match resources to expectations***: allow head coaches and unit managers direct input to their respective budgets through zero based budgeting model to create a budget that allows each team and unit to meet departmental goals.
  - ***Fiscal accountability***:
    - Simplified account structure
    - Zero based budgeting model with direct input from head coaches and unit managers.
    - Much like compliance, fiscal accountability is responsibility of every staff member (not just Business Office Staff).
    - Provide timely, accurate and understandable monthly budget reports to head coaches and unit managers.
  - ***Timely, accurate information***: provide timely, accurate information (both monthly and upon special request) that is understandable to head coaches and unit managers.
    - Monthly accounting statement provided to each unit manager/head coach on last day of every month.
- Budget process included input from a variety of senior staff, head coaches, and unit managers as well as historical analysis and review by business office personnel.
- Balanced Budget - \$83.6M

**UNIVERSITY OF KENTUCKY ATHLETICS**  
**FY12 Budget Notes**

**FY12 Challenges: Escalating Expenses:**

- \$530,000 +6% tuition; +6% mandatory fees, +9% room, 3% board
- \$750,000 3% salary pool + 1.5% increase health benefits
- \$500,000 deferred compensation
- \$370,000 training table for all teams
- \$200,000 football team and recruiting travel
- \$200,000 12% increase in utilities
- \$30,000 2% PPD labor increase
- \$1.65M one-time facility requirements
- Before any operating budget requests are considered and as a self supporting auxiliary, over \$4.M in new expenses must be addressed in order to balance the UK Athletics FY12 budget
- Nearly 50% of the Athletic budget committed to scholarships and salaries

**FY12 Challenges: Limited Revenue Opportunities:**

- \$275,000 SEC television agreement incremental
- \$300,000 Football premium ticket
- (\$300,000)Football guarantees
- \$1,975,000 Men's Basketball additional home games and ticket adjustment
- \$125,000 Incremental revenue from record multimedia rights agreement
- \$1,800,000 K Fund – ticket demand for men's basketball
- (\$100,000) Endowment Income
- \$150,000 Licensing Revenue
- As a self support unit, Athletics must generate the revenue necessary to present a balanced budget. Opportunities to increase revenue in any significant manner are limited to fund raising and ticket sales.

**FY12 Challenges: Balanced Budget:**

- Ticket price/annual fund adjustment
- Unpredictability of economy on revenue streams
- Aggressive football and men's basketball ticket revenue budget – near capacity based on historical data
- Multimedia Rights agreement incremental revenue
- Allocating resources to match expectations

**UNIVERSITY OF KENTUCKY ATHLETICS**  
**FY12 Budget Notes**

**Revenues:**

- 1) **Football:** Ticket revenue continues to be aggressively budgeted based on historical data, loyal fan base and having the premium ticket for the Louisville game. Incremental revenue from SEC television agreement with CBS and ESPN is projected to be \$200,000 in third year of the agreement. Decrease in football guarantee revenue (\$300,000) with the Louisville game at home.
- 2) **Men's Basketball:** Continue to lead nation in attendance. As noted above, ticket revenue continues to be aggressively budgeted based on historical data, loyal fan base, ticket adjustment and additional home game. SEC is in third year of new television agreement and UK is estimated to receive an incremental \$75,000 as its share for the men's basketball portion of the agreement.
- 3) **Student Activity Fees:** Student fees contribute less than 1% of the operating budget at UK, which is well below the national Division I-A average of 6.3% as reported in the NCAA Annual Report on Revenues and Expenses in Intercollegiate Athletics. No increase in student activity fee for FY12. With no increase, Athletics has received a \$6.75 increase in student fees since 1979. In exchange for this student fee, students have access to quality seating at all UK Athletic events.
- 4) **Corporate/Multi-Media Rights:** In October 2004, UK Athletics completed a request for proposal resulting in a record 10 year, \$80M multimedia rights agreement. FY06 was the first year of the agreement with the bundled rights. FY12 is year 7 and the contract includes incremental revenue of \$125,000.
- 5) **K Fund:** The projected FY12 annual fund of \$16.2M continues to be possible because of the loyal fan base and the demand for football and men's basketball tickets and parking. The \$16.2M budget will continue to rank UK in the bottom third in the SEC in annual fund raising. A portion of the Athletics Quasi Endowment has been approved to assist in financing a capital project, thus the spendable income has decreased as well (\$100,000). In FY12, the debt service on the Joe Craft Center will be funded from operations thus no capital gift transfer (\$525,000) will be required.
- 6) **Other:** Includes special events, post season distributions (including bowl spending allowance), investment income and handling fees. Increase specific to hosting the SEC Indoor Track Championships.

**UNIVERSITY OF KENTUCKY ATHLETICS**  
**FY12 Budget Notes**

**Expense:**

- 7) **Football:** Football coaching transition following the record fifth consecutive bowl appearance and adjust salary pool to remain competitive in the SEC marketplace (\$300,000, including benefits). Inflationary costs of team travel (\$170,000) and recruiting expenses (\$30,000).
- 8) **Men's Basketball:** Continued emphasis on recruiting including charter flight time increases recruiting budget by another \$25,000 to total recruiting budget over \$600,000. We have budgeted the deferred compensation (\$500,000). Travel costs are on the rise, however, without the foreign tour or Maui there is a decrease (\$146,000). Game guarantees decrease (\$330,000) mostly due to not playing Indiana at Rupp Arena.
- 9) **Women's Basketball:** With the success of our women's basketball team, the new contractual obligations will increase \$125,000, plus benefits in FY12. We will be playing Notre Dame at Rupp Arena, the first game women's basketball played there since 2008, with costs approximately \$25,000. Inflationary adjustments include team travel and recruiting travel.
- 10) **Other Men's Sports and Other Women's Sports:** Continue to focus on improving competitive excellence, creating equitable budgets and enhancing student-athlete experience by allowing the head coaches to make recommendations on team travel, recruiting and equipment line items to give them the resources to meet competitive expectations. We have seen results in the continued improvement of our Softball team and the National Championship from our Rifle team. Other areas of need have been game officials, team travel, recruiting, equipment and video editing upgrades. From FY04 to FY12, other men's and women's sports operating budgets have increased nearly \$4M or 83%.
- 11) **Administrative Support:** Includes budgets for administration, business office, compliance and ticket office. Athletics continues to make substantial annual contribution for scholarship support to campus with yearly transfers totaling nearly \$1.7M. In addition, Athletics sponsors numerous other campus initiatives and activities. The Student Athlete Opportunity Fund, which is a flow through transaction, must be recorded as an expense. Thus, the administrative budget houses the \$250,000 expense for this fund. Budget also includes the University assessment of nearly \$1.8M.
- 12) **External Operations:** Includes K Fund, Marketing and Media Relations. Units reallocating resources, with a decrease from FY11 to FY12 due to the media guides no longer being printed.
- 13) **Support Services:** CATS budget remains a top priority and continues to include funds to provide the exceptional service to student-athletes (tutoring, computer lab,

**UNIVERSITY OF KENTUCKY ATHLETICS**  
**FY12 Budget Notes**

mentoring, seminars, etc). CATS budget for FY12 will be over \$2M to support student-athletes. One specific increase is a video server which will provide much needed space to archive video files and improve efficiency in retrieving files.

**14) Facilities and Operations:** Challenging area to manage as it includes PPD (including janitorial services), utilities, maintenance, police/security event support, and minor facility upgrades. Increase in utility costs anticipated for FY12 (\$200,000) as well as PPD labor charge increase of 2% (\$30,000). Continue to manage significant cost (\$152,000) of Emergency Medical Service at events. The debt service on the bonds for the Joe Craft Center remains \$525,000. On-going management of required one-time facility expenses: concrete/structural repair in Commonwealth Stadium (\$150,000), Shively Sports Center renovation (\$950,000), video board at Softball Complex (\$300,000), cosmetic upgrades to the CATS Center (\$100,000), Commonwealth Stadium steel painting (\$150,000). Also included is funding for Commonwealth Stadium scoreboards (\$1.65M) and the current track project (\$1.1M).

**15) Scholarships:** All scholarship costs (including annual aid, summer school and exhausted eligibility) for student-athletes, graduate assistants, managers, student trainers and CATS. Additional expense with 6% increase in resident tuition, and non-resident tuition and a 6% increase in mandatory fees, 9% increase in room and 3% increase in board rates. On average, Athletics pays full cost for 340 scholarships annually. Student-athlete on partial scholarships pay an additional \$4+M to UK in tuition, housing, meals, etc. We are working with UK Catering to provide training table meals for all sports with an estimated increase of \$370,000 for this service.

**16) Post season:** With the uncertainty of post season appearances, historical data is used to create budget separately as pooled funds to ensure all teams that qualify participate in post season.