

University of Washington

Department of Intercollegiate Athletics



2005-2006 Budget Overview with
Financial and Capital Projections

University of Washington
Department of Intercollegiate Athletics
Projected Revenues and Expenses for 2004-2005 and 2005-2006

	<u>2004-2005</u> <u>Projections</u>		<u>2005-2006</u> <u>Projections</u>	
<u>Operating Revenues</u>				
Gate Revenues	\$12,470	k	\$14,310	k
Contributions (except for facilities)	9,285		9,970	
Television/Radio	5,912		6,360	
Donated Advertising	1,500		1,500	
Investment Income	1,625		1,125	
State Funded Tuition Waivers	1,460		1,562	
Concessions/Souvenirs	725		735	
Post-Season	2,540		2,685	
Sponsorships	1,500		1,827	
Other Revenues	2,380		2,375	
Total Operating Revenues	\$39,397	k	\$42,449	k
<u>Operating Expenses</u>				
Salaries and Benefits	\$19,880	k	\$19,900	k
Financial Aid	6,595		7,080	
Day of Game	2,475		2,525	
Team/Administrative Travel	2,930		2,954	
Supplies/Equipment	2,017		1,550	
Preseason/Training Table	700		725	
Repairs/Maintenance	555		635	
Printing	490		490	
Telephone/Postage	430		430	
Institutional Overhead/Utilities	1,400		2,375	
Donated Advertising	1,500		1,500	
Other Expenses	4,725		3,110	
Total Operating Expenses	\$43,697	k	\$43,274	k
Operating Deficit	(\$4,300)	k	(\$825)	k
<u>Non-Operating Revenues</u>				
Facility Contributions	\$3,900	k	\$4,400	k
Building for Excellence Fund Contributions for Capital Projects and Debt Service	2,250		2,250	
Total Non-Operating Revenues	\$6,150	k	\$6,650	k
<u>Non-Operating Expenses</u>				
Debt Service	\$1,315	k	\$1,315	k
Capital Projects	11,100		3,000	
Total Non-Operating Expenses	\$12,415	k	\$4,315	k
<u>Large Items that Contributed to Loss</u>				
Rick Neuheisel Settlement	\$2,050	k	\$0	k
Legal Fees	1,500		100	
Impact of Football Coaching Change	1,300		857	
Total	\$4,850	k	\$957	k

Operating Revenue Assumptions for the 2005-2006 Budget

Gate Revenues (\$14,310k):

\$13,050k	Football gate revenues for 2005 home games assuming a 10% season ticket non-renewal factor and a season ticket price increase from \$208 to \$270. (Each 1% of non-renewal equals approximately \$140k in gate revenues.)
(2,370)	Visiting team share paid out for home football games. (The projected settlement for the WSU home game is \$1,095k.)
<u>1,075</u>	Visiting team share received for away football games.
\$11,755k	Football Subtotal
\$2,150k	Men's basketball gate revenues (25% price increase, two more home games)
275	Women's basketball gate revenues.
<u>130</u>	Olympic sports gate revenues.
<u>\$14,310k</u>	Total for all Gate Revenues

Contributions Except for Facilities and \$50 of the Building for Excellence Fund (\$9,970k):

\$6,400k	Projected Tye contributions. (The calculations include a 10% non-renewal factor.)
750	Gifts for scholarships.
1,125	Additional Building for Excellence Fund contributions due to the \$25 price increase from \$50 to \$75. The contributions related to the additional \$25 are not specifically designated for capital projects.
800	Men's basketball seat related contributions.
65	Women's basketball seat related contributions.
500	Deposits on Don James Center memberships to be received in 2006-2006.
210	Husky Sports contributions that fund salaries/benefits. Other Husky Sports contributions are not budgeted as they offset expenditures beyond approved budget amounts.
<u>120</u>	Estimated increase in annual giving.
<u>\$9,970k</u>	Total Contributions

Television/Radio (\$6,360k):

\$3,200k	Pac-10 football TV revenue (5 games projected to be televised, same mix as in 2004).
715	Pac-10 men's basketball TV revenues (one ABC or CBS appearance budgeted, Fox Sports appearance revenue shared equally by all ten schools).
281	Cable TV with Fox Sports Net NW (per contract, year 3 of 3 year agreement).
2,050	Action Sports Media radio (\$1,800k for last year of contract plus \$250k lump sum payment on 6/30/06).
88	Satellite Radio Agreement with 8 Pac-10 schools. (Year 2 of 3 year agreement.)
<u>26</u>	Internet services
<u>\$6,360k</u>	Total

Donated Advertising (\$1,500k):

Action Sports Media radio contract (offset by donated advertising expense line).

Investment Income (\$1,125k):

\$700k	Endowment distributions (market value is approximately \$15 million).
350	Long-term investments (Diversified Investment Pool, 7% x \$5 million projected balance at 6/30/05).
<u>75</u>	Short-term rate of return on other funds.
<u>\$1,125k</u>	Total

State Funded Tuition Waivers (\$1,562k):

\$1,460k approved amount for 2004-2005 x 7% increase for instate tuition in 2005-2006 = \$1,562k.

Concessions/Souvenirs (\$735k):

\$600k	Sodexo minimum guarantee for food concessions per the contract. (Year 4 of 5 year contract.)
135	Sports Avenue souvenir concessions for store and event sales. (Year 5 of 5 year contract.)
<u>\$735k</u>	Total

Post-Season (\$2,685k):

\$1,315k	Rose Bowl (share to all Pac-10 schools).
120	Other Pac-10 bowl games less ticket subsidy (share to all Pac-10 schools).
1,000	Men's Basketball Tournament (share to all Pac-10 schools).
<u>250</u>	Pac-10 Basketball Tournament revenues.
<u>\$2,685k</u>	Total

Sponsorships (\$1,827k):

\$800k	Scoreboards (regular payment for the final year of the Action Sports Media contract).
332	Action Sports Media also owes \$332k to meet the \$4.5 million minimum in sponsorship payments due over the life of the contract.
350	Affinity Card (agreement ends in 2010).
<u>345</u>	Compensation to coaches per sponsor agreements and other sponsor revenue.
<u>\$1,827k</u>	Total

Other Revenues (\$2,375k):

\$670k	Grants in Aid from NCAA
480	Facilities rental
250	Parking revenue from home football games
200	Trademarks and Licensing
195	Sports Sponsorship from NCAA
130	Student-Athlete Opportunity Fund from NCAA
120	Laundry (IMA towels)
75	Boat Moorage
55	Academic Enhancement Fund from NCAA
42	Special Assistance Fund from NCAA
30	Pressbook sales
128	Other revenues (Pac-10 miscellaneous income, sports medicine custodial recharge etc.).
<u>\$2,375k</u>	Total

Operating Expense Assumptions for the 2005-2006 Budget

Salary and Benefits (\$19,900k):

- \$857k (value of remaining contract obligations to previous football staff).
- Performance, academic and administrative incentives for coaches are included with a total of \$729k.
- 3% average increase for Olympic sports coaching staff.
- 3.2% average increase for professional staff.
- 3.2 % increase for classified and CSA staff in addition to scheduled step increases.

Financial Aid (\$7,080k which is a \$485K increase from 2004-2005):

- 7% increase for in-state tuition (\$52k impact).
- 11½% increase for out-of-state tuition. (Each 1% of increase equals approximately \$28k; total impact is \$330k).
- 3% increase in room and board rates (\$77k impact).
- \$26k increase in costs for summer school, post-eligible aid etc.

Day of Game (\$2,525k):

- No general increase.

Team/Administrative Travel (\$2,954k):

- No general increase.

Supplies/Equipment (\$1,550k):

- No general increase.

Preseason/Training Table (\$725k):

- Conibear dining reopens fall 2005.

Repairs/Maintenance (\$635k)

- Includes increases in the maintenance contracts for the video editing system and the upgraded ticketing and fund development system.
- No general increase.

Printing (\$490k):

- No general increase.

Telephone/Postage (\$430k)

- No general increase.

Institutional Overhead/Utilities (\$2,375k):

\$1,250k	Projected institutional overhead
540	Electricity (projected billing)
360	Steam (projected billing)
<u>225</u>	Water (projected billing)
<u>\$2,375k</u>	Total

Donated Advertising (\$1,500k):

- Action Sports Media radio contract (offset by donated advertising revenue line).

Other Expenses (\$3,110k):

\$520k	Pac-10 Conference Office assessment
500	Hospital/lab fees
300	Insurance (property, travel, loss of revenue)
250	Credit card fees
200	Department Relations
219	Visiting recruits (48-hour visits)
142	Banquets/luncheons/events
130	Student-Athlete Opportunity Fund from NCAA
129	Advertising (non-donated)
120	Copiers
113	Rental of furniture/equipment
100	Legal fees
80	Dues/fees, subscriptions
55	Awards to student-athletes
50	Audit fees (financial, Husky Fever).
50	Freight
45	Special Assistance Fund from NCAA
27	Scouting service
80	Other (Motor Pool, dry cleaning, community relations etc.)
<u>\$ 3,110k</u>	Total

Financial Model Assumptions

Operating Revenues:

Gate Revenues

- Based on signed contracts for future non-conference games.
- A 12th football game is added beginning in 2006. There will be 7/5 home/away games in one year and 6/6 home/away games in alternate years.
- 2% increase for all sports.

Contributions

- Don James Center renewals with a deposits of \$500,000 in 2005-2006 and payments of \$6,250,000 in 2006-2007. These estimates are for five year memberships.
- 3% average annual increase.
- \$200k Men's Basketball seat related revenue added in 2006-2007 due to reallocation.

Television/Radio

- 3% annual increase.

Donated Advertising

- Fixed amount offset by donated advertising expense line item.

Investment Income

- The projected rates of return for future years are 4% for operating fund balances, 5% for endowment fund balances and 7% for DIP fund balances.
- \$500k of endowment principal added each year.

State Funded Tuition Waivers

- 7% projected annual increase in the instate tuition rate.

Concessions/Souvenirs

- 2% annual increase.

Post-Season

- 3% annual increase.

Sponsorships

- 3% annual increase.

Other Revenues

- 3% annual increase.

Financial Model Assumptions

Operating Expenses:

Salaries / Benefits

- 3% annual increase.
- 2006-2007 reduced by \$857k commitment to former football staff before the 3% increase is applied.

Financial Aid

- 6.3% average projected annual increase, which is based on increases of 9% for out of state tuition, 7% for instate tuition, 5% for summer school and post-eligible aid and 3% for room and board and books.
- The NCAA increased the maximum number of scholarships in some women's sports effective in 2006-2007. As a result, approximately \$100k has been added for seven additional instate scholarships beginning in that year.

Day of Game

- 3% annual increase.

Team/Administrative Travel

- 3% annual increase.

Supplies / Equipment

- 3% annual increase.

Pre-season/Training Table

- 3% annual increase.

Repairs/Maintenance

- 3% annual increase.

Printing

- 3% annual increase.

Telephone/Postage

- 3% annual increase.

Institutional Overhead/Utilities

- 3% annual increase as most revenue categories subject to overhead are increasing by 3%.

Donated Advertising

- Fixed amount offset by donated advertising revenue line item.

Other Expenses

- 3% annual increase.

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Projected Sources / Uses of Funds and Capital Obligations
2005-2006 through 2009-2010

	<u>2005-2006</u> <u>Projection</u>	<u>2006-2007</u> <u>Projection</u>	<u>2007-2008</u> <u>Projection</u>	<u>2008-2009</u> <u>Projection</u>	<u>2009-2010</u> <u>Projection</u>
<u>Beginning Fund Balance</u>	\$3,160 k	\$4,670 k	\$12,246 k	\$14,008 k	\$14,461 k
<u>Sources</u>					
Net Increase (Decrease) from Operations	(\$825) k	\$6,773 k	\$1,190 k	\$559 k	\$736 k
Contributions for facilities (outstanding pledges)	4,400	2,300	1,500	750	100
Building for Excellence Fund (capital portion)	2,250	2,318	2,387	2,459	2,532
Total Sources of Funds	\$5,825 k	\$11,391 k	\$5,077 k	\$3,768 k	\$3,368 k
<u>Uses</u>					
Capital Projects	\$3,000 k	\$2,500 k	\$2,000 k	\$2,000 k	\$2,000 k
Debt Service for Dempsey Indoor	1,315	1,315	1,315	1,315	1,315
Total Uses of Funds	\$4,315 k	\$3,815 k	\$3,315 k	\$3,315 k	\$3,315 k
Net Increase (Decrease) to Fund Balance	\$1,510 k	\$7,576 k	\$1,762 k	\$453 k	\$53 k
<u>Ending Fund Balance</u>	\$4,670 k	\$12,246 k	\$14,008 k	\$14,461 k	\$14,514 k

Capital Obligations

Principal Balance on Bonds for Dempsey Indoor	\$8,515 k	\$7,615 k	\$6,675 k	\$5,690 k	\$4,655 k
Total Capital Obligations	\$8,515 k	\$7,615 k	\$6,675 k	\$5,690 k	\$4,655 k

Opportunities to Improve the Operating Margin

- Improved football team performance with additional gate revenues, TV revenue, contributions, etc.
- New comprehensive multimedia agreement effective in 2006-2007.
- Pac-10 Conference football TV rights agreement ends after the 2006 football season. The new agreement is being negotiated.
- Change the Pac-10 revenue sharing formula for traditional rival football and men's basketball games.

Risks to a Successful Budget

- Decreased interest in the football program.
- Financial aid rate increases.
- Unforeseen legal fees.
- NCAA mandated legislation that causes/allows additional expense.