



# Michigan Athletic Department FY 2010 Budget

*June, 2009*



# Budget and Work Plan Overview

- Sustainable Athletic economic model
  - One of “handful” of athletic departments without University funding
  - 9<sup>th</sup> straight year of budget surpluses (after \$4.5 million annual deferred maintenance contribution)
  - Continued revenue improvement ~ new conference media contracts, adidas sponsorship, and IMG agreement strengthen department resources
- Michigan Stadium project execution ~ on target for Fall 2010 completion
- Continue capital project efforts
  - Principally concentrated around Crisler Arena planning



# Trends and Changes to Financial Outlook

- Net Assets
  - Because of historical operating surpluses, success with capital pledges, and endowment investment returns, net assets of athletic department grew to \$296 million at June, 2008 from \$120 million in June of 2002 (16.5% annual growth).
  - Growth in net assets will level off for June, 2009, principally due to endowment investment losses
  - Operating reserves of approximately \$27 million; Endowment balances of approximately \$46 million at March, 2009
- Operating Results
  - Eight game home football schedule for fall 2009 with previously announced “roll-back” of season ticket prices to 2007 levels.
  - FY 10 Revenue increase (about \$1.1M) and operating expense reduction (\$0.5M) due to IMG agreement
  - FY 10 Investment income down about \$1.1 M for decrease in interest rates on cash balances
  - Continued \$4.5 M transfer to deferred maintenance fund ~ anticipated balance of \$4.6 M at end of FY 2009.
  - Continued success with PSD renewal rates (95% of customers; 97% of dollars)



# Review of FY 08/09

**2008/2009 Operating Results**  
**Preliminary May, 2009 Update**  
*(\$ in millions)*

	<u>Budget</u>	<u>Forecast</u>	<u>Favorable (Unfavorable)</u>
Revenue	\$ 90.5	\$ 91.8	\$ 1.3
Expenses	<u>\$ 80.2</u>	<u>\$ 81.7</u>	<u>\$ (1.5)</u>
Surplus before capital expenditures	<u>\$ 10.3</u>	<u>\$ 10.1</u>	<u>\$ (0.2)</u>

Revenue variances:

Corporate sponsorship (IMG)	1.4
All other, net	<u>(0.1)</u>
	1.3

Expense variances:

Compensation	(0.8)
Team & game	(0.5)
Facility expense	(0.8)
All other, net	<u>0.6</u>
	(1.5)



## Fiscal Year 09/10 Budget Summary

(all amounts in 000's)			
	<b>BUDGET</b>	<b>BUDGET</b>	
	<b><u>08/09</u></b>	<b><u>09/10</u></b>	<b><u>+/-</u></b>
<b>Revenues</b>	<b>\$ 90,461</b>	<b>\$ 94,449</b>	<b>\$ 3,988</b>
<b>Expenses</b>	<b><u>80,191</u></b>	<b><u>85,625</u></b>	<b><u>5,434</u></b>
<b>Operating surplus</b>	<b>\$ 10,270</b>	<b>\$ 8,824</b>	<b>(1,446)</b>
<b>Capital expenditures and other transfers, net</b>		<b><u>2,275</u></b>	
<b>Net change in current fund</b>		<b>\$ 6,549</b>	



# Fiscal Year 09/10 Budget - Revenues

(all \$ amounts in 000's)				
	<b>BUDGET</b>	<b>PROJECTED</b>	<b>BUDGET</b>	<b>+/-</b>
	<b><u>FY 08/09</u></b>	<b><u>FY 08/09</u></b>	<b><u>FY 09/10</u></b>	<b><u>(projected)</u></b>
<b>Spectator admissions</b>	\$ 35,551	\$ 35,609	\$ 37,714	\$ 2,105
<b>Conference distributions</b>	17,419	17,566	18,306	740
<b>Priority Seat and other annual gifts</b>	13,600	13,600	13,700	100
<b>Corporate sponsorship</b>	11,980	13,395	13,760	365
<b>Licensing royalties</b>	3,800	3,800	4,100	300
<b>Other</b>	8,111	7,911	6,869	(1,042)
	<b><u>\$ 90,461</u></b>	<b><u>\$ 91,881</u></b>	<b><u>\$ 94,449</u></b>	<b><u>\$ 2,568</u></b>
<b><u>Admissions Revenue:</u></b>				
<b>Total football</b>	\$ 31,570	\$ 31,670	\$ 33,753	\$ 2,083
<b>Basketball</b>	1,895	1,921	1,975	54
<b>Hockey</b>	1,857	1,789	1,800	11
<b>Other, net</b>	229	229	186	(43)
	<b><u>\$ 35,551</u></b>	<b><u>\$ 35,609</u></b>	<b><u>\$ 37,714</u></b>	<b><u>\$ 2,105</u></b>

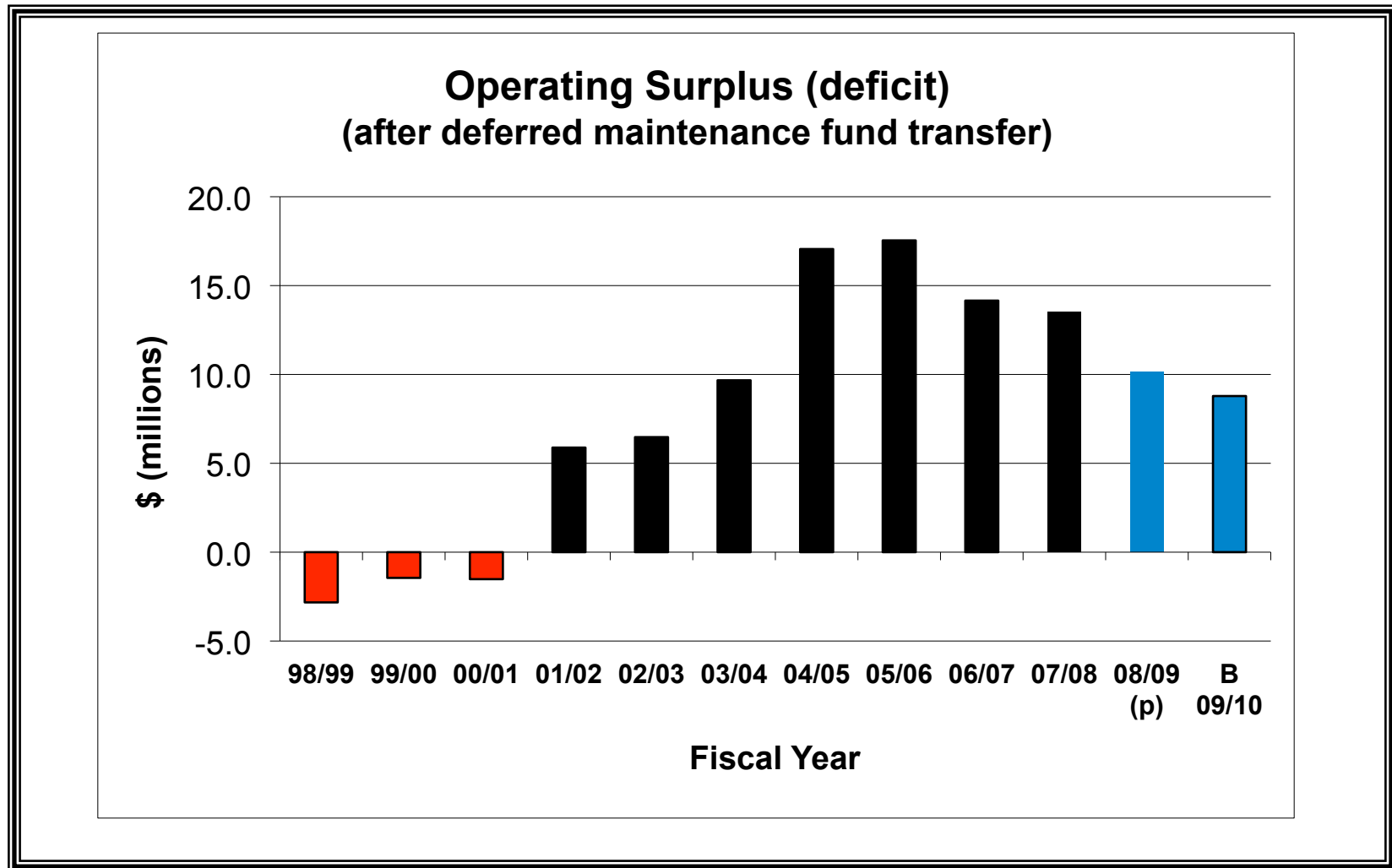


## Fiscal Year 09/10 Budget -Expenses

(all amounts in 000's)				
	<b>BUDGET</b>	<b>PROJECTED</b>	<b>BUDGET</b>	<b>+/-</b>
	<b>FY 08/09</b>	<b>FY 08/09</b>	<b>FY 09/10</b>	<b>(projected)</b>
<b>Salaries, wages &amp; benefits</b>	\$ 30,860	\$ 31,660	\$ 33,958	\$ 2,298
<b>Financial aid to students</b>	15,129	15,029	15,734	705
<b>Team and game expense</b>	15,005	15,482	15,791	309
<b>Facilities</b>	7,093	7,893	7,580	(313)
<b>Deferred maintenance fund transfer</b>	4,500	4,500	4,500	-
<b>Other operating and administrative expenses</b>	6,575	6,660	5,923	(737)
<b>Debt service transfer to plant fund</b>	1,029	446	2,139	1,693
	<u>\$ 80,191</u>	<u>\$ 81,670</u>	<u>\$ 85,625</u>	<u>\$ 3,955</u>



# Historical Trends







## Update on Identified Facility Priorities

	Regent Approval	Project Budget* (\$M's)	Pledged Gifts(\$M's)
<u>completed projects</u>			
Academic Center	March 2003	\$12.0	\$13.2
Football locker room and event center	Nov. 2002 / July 2004	\$7.5	\$7.1
Renovation of Hartwig Administration building	April, 2006	\$3.5	-
Softball stadium	Sep, 2005	\$5.5	\$1.2
Baseball stadium	Sep, 2005	\$9.0	\$8.8
New soccer fields	April, 2007	\$2.8	\$0.0
<u>projects in process</u>			
Michigan Stadium	May, 2006	\$226.0	\$28.0
New Field house	April, 2007	\$26.1	\$11.6
Wrestling practice facility	May, 2008	\$5.5	\$3.4
Basketball practice facility	Jan., 2009	\$23.2	\$2.0
Soccer phase 2	May, 2009	\$6.0	\$1.5
<u>major projects pending</u>			
Crisler Arena infrastructure	TBD	TBD	-
Yost Ice Arena (bleacher replacement)	TBD	TBD	-
* Does not include target sinking fund or financing costs associated with carrying debt for pledges outstanding.			