



MEMORANDUM

DATE: 4/18/08
TO: Dr. Kula Misra
FROM: Bill Myers
SUBJECT: Faculty Athletic Senate Report

Per your request this Monday, here are the written notes from my presentation this week specific to the financial status for both departments of athletics. Please let me know if you have any questions.

FY 2007

Athletics finished FY 2007 with a surplus of approximately \$2.7 million dollars. Approximately \$1.2 million of this surplus was transferred out to help fund a capital project, with the remaining \$1.5 million deposited into the reserve fund for athletics. At present time, the reserve fund for athletics has a balance of \$4.5 million.

FY 2008

The operating budget for both departments of athletics for FY 2008 is approximately \$79 million. From this budget, athletics plans to generate a \$500,000 surplus to continue to build the reserve fund. University guidelines ask that auxiliary units maintain 5% of their operating budget in reserve, which for athletics would be almost \$4 million. However, given the dynamic nature of our business, and the potential liability of contractual buyouts, we feel it is prudent for us to establish a reserve of approximately \$5 - \$7 million dollars.

FY 2009

The operating budget for athletics is currently being finalized for presentation to the President on April 30. It is expected to increase approximately \$7 million to \$86 million. The majority of this increase (\$4.55 million) is due to the new annual debt service the departments will incur from recently completed facilities projects (Neyland Stadium Phase One, Thompson-Boling Arena, Regal Soccer Stadium, and the Allan Jones Intercollegiate Aquatic Center). Additionally, other facility costs such as maintenance, utilities, and custodial services are anticipated to increase by another \$1 million.

The remaining increases (over and above normal inflationary rates) are expected from tuition increases (\$600,000), a 2% state raise (\$250,000), contractual salary adjustments (\$350,000), and support of the University's Streetscapes project (\$375,000). Within the FY 2009 budget, the department has again planned for \$500,000 to be added to the reserve fund.

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To fund the expense increases for FY 2009, athletics will capitalize on additional revenues from annual fund gifts, corporate sponsorships, and our multi-media rights contract with IMG (Vo Network). Additionally, football ticket prices were increased by \$19 per season ticket. This increase will generate approximately \$1.9 million in net new revenues after tax.

With the coordination and approval of University administration, athletics also changed ticket policies with respect to student tickets and the discount provided faculty and staff members. Starting with the 2008 football season, student can purchase a season ticket for \$90 or can purchase tickets on an individual game basis from the student allotment for \$15. This ticket policy change will generate \$1 million (net of tax) new revenues for athletics. At present time, the plan for distributing purchased student tickets is still in process.

Specific to faculty and staff tickets, the discount has been reduced from 50% to 20%. This change will generate approximately \$500,000 (net of tax) new revenues for athletics. It should also be noted that IRS guidelines state that any discount offered over 20% represents taxable income for the staff member. In the past, this meant that staff members have been taxed on the extra 30% discount they have been receiving. Under the new policy, staff members will not longer be taxed on the discount. As was stated at the meeting, though, the tax issue is a side benefit. The reason behind the change was to generate additional dollars for budgetary needs.

Some at the meeting asked the reason behind the changes. When compiling the FY 2009 budget, preliminary estimates of revenues vs. expenditures indicated a shortfall of approximately \$3.5 million. Athletics compiled a list of areas in which the department has been assisting the University with benefits or funding and worked with University administration to see what opportunities could help us eliminate this shortfall. From the list, it was agreed that the ticket pricing changes above would be implemented. It should also be noted that, though they come at a cost to students, faculty and staff, these decisions did not negatively impact or reduce athletic appropriations to campus programs.