Athletics Business Model Committee

MEMORANDUM

To: Mike Sfraga, Vice Chancellor for University and Student Advancement

From: UAF Athletics Business Model Committee (the Committee):
Bob Shefchik, UAF Executive Officer
Raaj Kurapati, Associate Vice Chancellor, Financial Services and Business Operations
Ali Knabe, Executive Officer, University and Student Advancement
Kim Anderson, Assistant Athletics Director for Finance and Business Operations, UAF Athletics
Derek Miller, Senior Business Analyst, UAF Office of Management and Budget

Date: October 5, 2012

Re: UAF Athletics Business Model

On July 9, 2012, due to prior and ongoing concerns surrounding the financial stability of the UAF Athletics program (Athletics), a committee was formed to review the structure and management of Athletics and provide recommendations from which to act upon. This action was precipitated by FY12 expenditures exceeding departmental revenues by $500K with a projected deficit of $639K for FY13. The full report attached is the culmination of the Committee's work and the executive summary below provides an overview of our findings and recommendations.

Executive Summary

The current finances of Athletics are challenging. As stated above, a deficit of $639K is projected for FY13. Cuts that deep in one year would severely hamstring athletics department operations in FY13 and likely have a negative ripple effect in the out years as well. Reducing expenses alone will not accomplish the task of stabilizing Athletics' finances and ignores underlying financial issues within the unit. It would simply be a technical fix to a problem that requires adaptive change. Hence, the only reasonable path forward involves a combination of 1) increased General Fund (GF) support, 2) active management of salaries & benefits as well as other areas that may lend themselves to cost reductions and 3) strategic allocation of existing resources that emphasize revenue-generating activities.

In prior years, dialogue with UAF leadership regarding the financial hardships faced by Athletics has focused on escalating travel expenses. While travel expenses do vary and there is a built-in uncertainty with regard to purchasing airline tickets and required travel for tournament play that make managing travel challenging, the Committee did not find travel to be the primary driver leading up to the FY12 deficit. Travel costs have increased, but certainly not unreasonably. Instead, the committee's findings attribute the FY12 deficit to two other issues; an *increase* to salaries and benefits of 14.6% ($319K) from FY11 to FY12, while during this same period earned revenue from ticket sales, private giving and corporate sponsorships *decreased* 13.6% ($247K). The Committee reviewed Athletics' operations in its entirety, but the report and recommendations focus on these two issues.

As a percentage, general funds have gone up 14% since FY09, while earned revenue has gone down by 13%. *This should be cause for concern.* The reliance on general funds cannot be sustained and focus should be put on generating additional earned revenue to balance the Athletics department budget.

The 5-year budget plan and specifically the FY13 budget recommendations in this report will require the Vice Chancellor for University and Student Advancement and the Athletic Director to collaboratively advocate for additional general fund support while at the same time looking for ways to increase earned revenue and decrease expenditures; focusing heavily on salary and benefit costs to help offset the projected FY13 deficit. The Committee believes the recommendations set forth in this report provides a general framework for a balanced and strategic approach to stabilizing Athletics' finances moving forward, yet allows for enough flexibility to adjust as appropriate. It is the task of the Committee to provide a financial management plan that provides Athletics with a budget that can be actively managed, with the ability to accommodate variances in any given fiscal year.

With these principles in mind, the Committee provides these specific recommended actions:

<u>FY13</u>

- An additional general fund contribution will be required to close the FY13 projected deficit – recommended increase of no less than $200K, with an additional $60K general fund contribution in FY14 to help offset costs associated with student aid as Athletics' self-imposed student aid penalty is lifted.
- Additional earned revenue through increased private donations, corporate sponsorships, and advertising – the FY13 goal suggested in this plan of $1.8 million is optimistic, but attainable
- Additional internal revenue through a partnership with the UAF Bookstore to include the payment of Athletics royalties
- A reduction in Salaries & Benefits expenses with the expectation that such cost will continuously be monitored, positions actively managed and salary increases stay in keeping with those provided system-wide
- Changes in continuation budget methodology are necessary to accommodate variances in revenue and expenditure items that are inherently difficult to predict and accurately budget

<u>FY14-FY17</u>

- Increase the student athletic fee from $8 to $10 per credit hour beginning in FY15 with escalators built in for additional increases every three years
- Revenue growth should emphasize earned revenue and minimize reliance on general fund support and student athletic fee increases
- Continuous evaluation of personnel needs
- Elimination of contractual salary increases outside of those provided system-wide by UA
- Continue to carefully evaluate all incoming and outgoing travel
- Transfer responsibility of out-of-state tuition to central administration over a two-year period
- Make formula change to Athletics general fund allocation at continuation that recognizes increased internal costs associated with providing student aid

It will be shown later in this document that, even with these actions, it will take another year to bring Athletics' budget into balance. This report, along with the appendices, provides both a starting point and guiding directives for Athletics to chart its future program and budget decisions.

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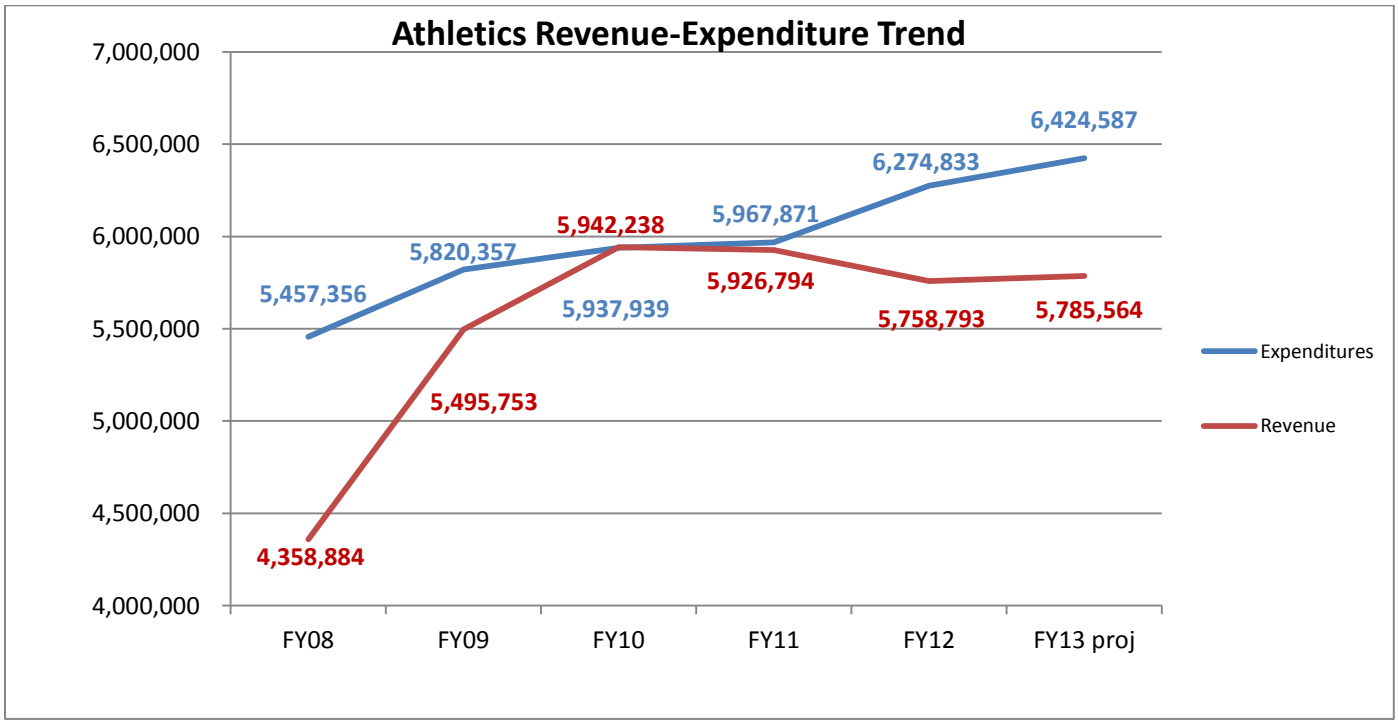
UAF Athletics – Business Plan (FY13-FY17)
October 3, 2012

I. Introduction

Upon the departure of Vice Chancellor for Advancement, the division of Advancement was reorganized and operations were combined with Student Services and a new division of University and Student Advancement was formed. As a result, Athletics was moved under this new division. Due to prior and ongoing concerns surrounding the financial stability of Athletics, a detailed independent review of the program was undertaken as part of that transition. On July 9, 2012, a Committee was formed to review the structure and management of Athletics at UAF. This action was precipitated by FY12 expenditures exceeding departmental revenues by $500K with a projected deficit of $639K for FY13. It should be noted that in FY12, the Vice Chancellor of Advancement transferred $200K to the athletics department, which resulted in a deficit closer to $300K. Since these funds were not necessarily a function of activities within the Athletics department, they were not considered "earned revenue" and taken out to accurately compare revenue across years. The graph below shows revenue and expenditure trends for the last five fiscal years and the FY13 projected deficit.



The Committee's charge was to review the current structure and operations of Athletics to determine the existing operating environment and processes, historical financial data, trends and projections and offer recommendations to ensure fiscal stability of the program going forward. It was the task of the Committee to forward on a financial management plan that provides Athletics with a budget that can be actively managed and includes the ability to accommodate variances in any given fiscal year.

The Committee focused on the following issues relevant to the financial operations of Athletics (and other issues outlined in our charge memo):

- Capture an accurate picture of the current cost of Athletics

- Establish accurate costs and revenue projections over a five year period based on current assumptions
- Develop strategies to decrease costs and increase revenue over the next five years
- Identify the level of UAF GF commitment over the same period of time
- Consistency in revenue streams and active management of expenditures

II. Athletics at UAF

The University of Alaska Fairbanks Athletics program currently has 143 student-athletes on its roster competing among the ten National Collegiate Athletic Association (NCAA) programs offered. The programs include: Women's Nordic Skiing, Men's Basketball, Men's Ice Hockey, Women's Basketball, Women's Volleyball, Coed Rifle, Men's Nordic Skiing, Men's Cross Country, Women's Cross Country, and Women's Swimming. Athletics is comprised of over 90 employees; 7 head coaches, 7 assistant coaches, 2 trainers, 11 administrative staff, 4 interns, and a varying number of life guards and student-employees who help run all Patty Center events.

The NCAA conference breakdown is as follows:

- Great Northwest Athletic Conference (NCAA Division II – Men's & Women's Basketball, Men's & Women's Cross-Country and Women's Volleyball)
- Central Collegiate Hockey Association (NCAA Division I – Men's Ice Hockey) with plans to move to the Western Collegiate Hockey Association in FY14)
- Central Collegiate Ski Association (Men's & Women's Nordic Skiing)
- Pacific Collegiate Swim Conference (Women's Swimming)
- Independent (Coed Rifle)

The basketball and volleyball teams play in the UAF Patty Center built in 1963, with a capacity of 2,000 people. The men's ice hockey team plays in the Fairbanks Carlson Center with a capacity of 4,595. The swim team hosts meets at the Patty Center pool and the rifle team hosts their matches at the E.F. Horton Rifle Range, located downstairs in the Patty Center. The Cross Country and Nordic ski teams host their meets on campus at the West Ridge Trails and off campus at the Birch Hill Recreation Area.

Nanook athletics is an integral part of UAF and supports the university in many ways with the recruitment of new students, university marketing, philanthropic giving, Alumni engagement, community partnerships, and the enhancement of student life on campus. Athletics is also a very visible aspect of the university system that captures audiences that would otherwise be less-inclined to engage the university.

However, there are strong feelings among some at UAF that Athletics continues to lack the financial resources necessary to administer an effective program. Conversely there are those, particularly in the academic world, that feel Athletics should operate as a stand-alone, self-sufficient unit that continues to be subsidized at the expense of academic programs. Nationally, there are only a handful of institutions that can operate their Athletic departments in such a manner.

III. UAF Athletics Revenue and Expenditures Analysis

Athletics' expenditures were approximately $6.3 million for the fiscal year ending June 30, 2012, while revenues were about $5.8 million, resulting in a year-end deficit of $516K. The majority of departmental costs

were associated with salaries & benefits (39.9%), travel (21.8%), and contractual services (21.9%). The remaining costs were for commodities, capital equipment, and student aid.

UAF Athletics Revenues & Expenditures Summary						
	FY08	FY09	FY10	FY11	FY12	FY13 (Proj)
Revenue	4,358,884	5,495,753	5,942,238	5,926,794	5,758,793	5,785,564
Expenditures	5,457,356	5,820,357	5,937,939	5,967,871	6,274,833	6,424,587
Variance O/U	(1,098,472)	(324,604)	4,299	41,078	(516,040)	(639,023)

Table 1

In order to accurately compare the cost of the UAF athletics department across the last five years, the Student Recreation Center (SRC) revenue and expenditure lines were removed from the financials. Effective July 1, 2011 the SRC began reporting to the Vice Chancellor for Student Services. Prior to that time, all revenues and expenditures were accounted for under the athletics department, which provided on average a $90K surplus.

III(a) Cost Detail

Athletics' costs for the past five fiscal years as well as the projected budget for FY13 are detailed in the table below.

EXPENSES	Sal - Ben	Travel	Contractual Services	Commodities	Capital Expenditures	Student Aid	Other	Total
FY08	2,026,410	1,101,995	1,251,319	312,163	0	486,821	278,648	**5,457,356**
FY09	2,293,701	1,282,110	1,257,190	416,748	0	558,685	11,923	**5,820,357**
FY10	2,247,384	1,285,601	1,380,686	368,133	5,500	630,597	20,039	**5,937,939**
FY11	2,183,132	1,265,259	1,560,236	311,455	5,500	637,151	5,138	**5,967,871**
FY12	2,501,809	1,366,920	1,374,743	358,651	5,500	671,183	(3,973)	**6,274,833**
FY13 (Projection)	2,707,329	1,330,039	1,420,090	365,829	5,500	594,300	1,500	**6,424,587**
% of Total Budget	Sal - Ben	Travel	Contractual Services	Commodities	Capital Expenditures	Student Aid	Other	Total
FY08	37.1%	20.2%	22.9%	5.7%	0.0%	8.9%	5.1%	100.0%
FY09	39.4%	22.0%	21.6%	7.2%	0.0%	9.6%	0.2%	100.0%
FY10	37.8%	21.7%	23.3%	6.2%	0.1%	10.6%	0.3%	100.0%
FY11	36.6%	21.2%	26.1%	5.2%	0.1%	10.7%	0.1%	100.0%
FY12	39.9%	21.8%	21.9%	5.7%	0.1%	10.7%	-0.1%	100.0%
FY13 (Projection)	42.1%	20.7%	22.1%	5.7%	0.1%	9.3%	0.0%	100.0%

Table 2

Salaries & Benefits

Athletics is comprised of over 90 employees; 7 head coaches, 7 assistant coaches, 2 trainers, 11 administrative staff, 4 interns, and a varying number of life guards and student-employees. In FY11, as an effort to contain labor costs, 18 of the 27 full time Athletics employees incurred a one month reduction in employment contracts..

Unfortunately, in FY12, Athletics' labor costs increased by 14.6% ($319K) despite the fact that fourteen (14) of the twenty-seven (27) full time Athletics employees were asked to continue contract reductions through FY12. The contributing factors for this substantial increase in salaries and benefits include 1) an increase in contract length of one month for five employees ($16K), 2) the addition of two new positions; Director of Athletic

Development and the Ticket & Event Operations Director ($149K); although it should be stated that one of these positions was offset by the vacancy left by the Marketing Director (-$90K), 3) the reinstatement of the Marketing Intern position as well as the creation of two new Intern positions; one for Rifle and one for Cross Country/Nordic Skiing ($52K), 4) a substantial increase in both taxable and non-taxable student labor ($78K) due to the placement of additional lifeguards needed to meet safety standards as well as an increase to student employees needed as a result of Patty Center concession operations changing from external to internal control, and 5) an increase to salary & benefits for nine Athletics personnel positions that increased on average over 26% from FY11 ($153K). Holding the line on salaries and benefits will require active management and be one of the biggest hurdles to contain costs on the expense side of the ledger. Labor will continue to be the largest expense in the years to come.

Travel

Travel costs are the next biggest expense and will continue to be a major expense in the years to come. There are many unknowns that make travel costs a challenge to manage including the timing of airline ticket purchases, inflation, travel delays due to weather, and post-season tournament play. Weather delays causing the purchase of additional last minute tickets for either incoming or outgoing teams, or both, to be re-routed can have a substantial impact on the travel budget. Teams either hosting or attending playoffs, or both, can also negatively impact travel expenses. It will be important that Athletics have a mechanism built-in to their annual budgets that accounts for unknown variances in travel from year-to-year. For example, holding Athletics harmless for travel increases after travel is booked and using savings to deposit into a discretionary travel fund to account for future unknowns. It's of interest to note that travel costs have increased a modest 6% since FY10.

Contractual Services

Athletic contractual services expenditures can be extremely volatile and often show an inverse relationship with that of travel costs. It is not unusual to see cost savings due to the location or number of out-of-state competitions partnered with an increase in opposing team travel subsidies commonly known as Game Guarantees. Game guarantees – consideration made by one school to another in the form of cash, hotel rooms, rental cars, etc., to guarantee competition – are the largest component of Athletics' contractual services expenditures. Typically, NCAA athletic programs position themselves as best they can to qualify for post-season tournament play. One way to accomplish this is to schedule the right opponents for the right dates when scheduling non-conference games. Unfortunately, there is a cost associated with these game guarantees and it has been on the rise in recent years. The contractual obligation that Athletics has with the CCHA is one of the largest game guarantees paid and, dependent upon weather, can add to costs totaling nearly $600K per year.

Another major component is the contractual agreement the University has with the Fairbanks North Star Borough (FNSB) regarding the ability to have home hockey games at the Carlson Center. UAF pays rent for use of the Carlson Center of approximately $10K per night totaling nearly $200K per year under the terms of the current facility use agreement. This pays for 16 regular season games and 4 tournament games (academic year 2012-13). The addition of 3-6 playoff games would add another $60K in expenses. The current agreement with the FNSB is up for renewal in spring 2016. It is possible and encouraged that UAF attempt to negotiate more favorable financial terms with the FNSB in the next contract.

Other contractual obligations include the payment of advertising, officiating, and student-athlete insurance premiums.

Student Aid

Coaches recruited nearly 130 student-athletes to fill their rosters for the 2011-2012 sports season. In total, the cost to provide student aid to those qualifying athletes in FY12 was nearly $1.2M; $671K of which directly impacted the Athletics budget with the remaining $524 provided under the Chancellor's Athletic Talent Waivers.

The impact to individual units from student-athletes that receive student aid include tuition revenue distributed to academic units (College of Liberal Arts, School of Management, etc.) totaled $465K, UAF housing received over $300K in student-athlete related charges and dining services received almost $150K. Tuition revenue distributed to academic units is provided in detail in the chart below.

Tuition Revenue Distribution		
Academic Unit	**FY08**	**FY12**
CEM		$18,271
CLA		$102,683
CNSM		$77,297
CTC	$47,952	$39,486
EDE	$56,944	$400
Honors		$962
Library		$1,478
RC	$12,160	$125,851
SFOS		$3,521
SNRAS		$3,313
SOE		$1,657
SOM		$69,803
Summer Sessions		$19,954
UAA		$616
	$117,056	**$465,292**

Total cost to provide scholarships for the athletic department has increased by $184,000 or 38% since FY08. The rate at which providing scholarships has gone up is more than any other expense.

Department student aid costs increase due to rising tuition, room & board expense, and other costs, yet there is no mechanism in place that allows Athletics' GF allocation to be adjusted to accommodate for these increases accordingly. The committee agreed that a mechanism to cover inflationary costs needs to be added to the GF continuation budget process.

III(b) Revenue Detail

Athletics revenue is highly dependent on GF support, the student athletic fee, and external revenue that includes ticket sales and private and corporate giving. Of the almost $5.8 million in total FY12 revenue, $3.2 million was GF support, $1 million was student athletic fee support, and the remaining was actual earned revenue – ticket sales, private gifts, grants and contracts. The athletic departmental revenue for the last five fiscal years and the projected budget for FY13 are detailed in the table below.

Revenue	GF	Athletic Fee	Earned	Internal	Total
FY08	2,694,080	0	1,664,804	0	**4,358,884**
FY09	2,794,336	889,000	1,795,647	16,770	**5,495,753**
FY10	3,111,056	928,718	1,853,187	49,276	**5,942,238**
FY11	3,131,800	962,952	1,815,456	16,373	**5,926,794**
FY12	3,191,890	991,088	1,568,232	7,583	**5,758,793**
FY13 (Projection)	3,104,100	1,022,400	1,630,000	29,064	**5,785,564**

% of Total Revenue	GF	Athletic Fee	Earned	Internal	Total
FY08	61.8%	0.0%	38.2%	0.0%	100.0%
FY09	50.8%	16.2%	32.7%	0.3%	100.0%
FY10	52.4%	15.6%	31.2%	0.8%	100.0%
FY11	52.8%	16.2%	30.6%	0.3%	100.0%
FY12	**55.4%**	**17.2%**	**27.2%**	**0.1%**	**100.0%**
FY13 proj	53.7%	17.7%	28.2%	0.5%	100.0%

Table 3

General Funds

The most accurate way to compare revenue is to begin in FY09. To compare revenue trends prior to FY09 would be misleading because the $8/credit (to a maximum of $96 per semester) athletic fee was not administered until that year, resulting in almost $900K, a significant portion of the athletics budget (16%). In FY09, general funds made up about 50.8% of the athletics department total revenue. In FY12, GF was 55.4%.

As a percentage, GF has increased 14% since FY09, while earned revenue has decreased by 13%. *This should be cause for concern.* Sole reliance on general funds cannot be sustained and focus should be put on generating additional earned revenue to help balance the Athletics budget.

Athletics Fee

All Fairbanks-area students (Fairbanks or UAF Community and Technical College sites) enrolled in 3 credits or more pay an athletics fee of $8/credit (to a maximum of $96 per semester). The fee provides admission to all home athletic competitions, excluding post-season competitions. The athletics fee provides a relatively stable revenue stream, going up or down depending on enrollment and the number of student credit hours. Revenues have consistently gone up 3% to 4% annually since the fee's inception in FY09.

For every $2 increase to the athletic fee approximately $250K in additional revenue could be generated. The University of Alaska-Anchorage administers a $20/credit "student life fee" for students registered in 6 or more credits. $9 per credit hour of the "student life fee" goes to the UAA Athletics department which provides students free or reduced admission to athletic events and use of the Wells Fargo Sports Complex facilities pool, ice rink, weight room, gymnasium, etc. Unlike UAA, UAF students enrolled in 9 or more credits pay a separate $75 per semester "Student Recreation Center" fee which was established to help pay off the debt service on the facility and to establish a Repair & Replacement account from which to draw from should the need arise. In addition, students who pay the SRC fee are provided with access to the facility which includes a track, weight room, gymnasium, climbing wall, etc.

The Committee agrees that Athletics should look to other sources of revenue before considering an increase in the student athletics fee, though a minimal increase of $2/credit is incorporated into the financial projections beginning in FY15.

Earned Revenue

Earned revenue includes funding from the UA Foundation, private gifts, in-kind contributions, facility rental, ticket sales and conference distributions/reimbursements. Earned revenue as a percentage of the total athletics budget has steadily decreased from 33% in FY09 to 27% in FY12. Between FY11 and FY12 alone, earned revenue declined by $247K (or 14%) as a result of fewer corporate sponsorships and private giving contributions. A clear marketing and development strategy must be the department's #1 priority in the near to mid-term to reverse this trend. The focus on increasing revenue in this area needs to be a top priority of the entire athletics department, including coaches and staff – not just the Athletic Director and VCUSA.

IV. FY13 Recommendations

Additional Financial Support

The $639K projected FY13 deficit will not be able to be fully recovered without additional support from central administration. An additional GF increase of no less than $200K over the original Athletics budget presented at continuation will make closing this projected deficit much more attainable. Also, an additional GF increase of $60K is recommended for FY14 to help with the costs associated with athletic scholarships coming back online in FY15 and after the Athletics' self-imposed penalty is lifted for several athletic programs. Athletics should be expected to generate funds for any additional scholarships.

Earned Revenue/Marketing & Development Officer

As previously mentioned, revenue earned from private and corporate giving declined by $247K between FY11 & FY12. This may be a consequence of the current economic climate and the resulting leaner charitable donation budgets for both businesses and individuals. The Director of Athletic Development, with support from the Chancellor, Vice Chancellor for University & Student Advancement, Director of Athletics, and departmental staff should develop a strategy to increase earned revenue significantly in FY13 and over the long-term. The committee budgeted earned revenue at $1.8 million for FY13, in essence expecting Athletics' to return to earned revenue levels reached in previous years.

The Committee briefly discussed the current state of affairs in the marketing and development area within Athletics and concluded that additional emphasis should be made to nurture smaller-scale business sponsorships ($2,000 to $10,000) while also pursuing the larger corporate sponsorships. It was also suggested that Athletics consider re-allocating existing staff to focus on marketing and development efforts. The Director for Athletic Development should develop a strategy to increase private and corporate giving and recommend what investments in marketing and development are necessary to ensure that strategy is successful.

Austerity Measures – Salaries & Benefits

In spring of 2010, a number of austerity measures in tandem with a general fund increase were proposed to address a projected $650K deficit in FY11. The most significant of these recommendations was the request for a $250K increase to GF; a request that was not enacted upon. The second was a move to hold the line on salaries & benefits, which involved the decision to reduce a large number of employment contracts by one (1) month, which resulted in a significant decrease in salaries & benefits expenses. However, as mentioned

previously in this document, the net savings as a result of this fiscal restraint was completely wiped out in FY12, when labor costs increased by $319K, making it the main culprit of the Athletics' deficit last year.

The Committee recommends a starting point for FY13 of $2.576 million for salaries and benefits. If the VCUSA and the Athletic Director would like to explore further reductions in FY13, then the following considerations should be given:

- Re-evaluating needs as vacancies occur
- Delaying the filling of positions as they become vacant
- Providing internships in Rifle, Skiing and Marketing *without* compensation
- Reducing taxable and non-taxable student labor where possible
- No salary adjustments outside existing annual increases provided for in the applicable collective bargaining agreement(s) for represented staff –or- regular annual salary increases for non-represented staff
- Reallocate duties among staff

Managing to budget is generally not good management practice. Salaries and benefits have gone up so significantly and rapidly however, that managing to budget is likely the only course of action for this particular expense. Restraint cannot be emphasized enough on the expense side of the ledger, but particularly in the salaries and benefits category. Specific personnel actions to reduce labor further should be up to the discretion of the Athletic Director in close consultation with the VCUSA.

Austerity Measures – Travel

Containing travel costs will continue to be a challenge now and into the future. Travel expenditures increased $100K, to $1.367 million in FY12 after three relatively stable years between FY09 and FY11. At FY13 continuation, Athletics predicted a$74K increase over FY12 actuals; however, upon further review, that number has been reduced to $1.330M which will significantly help the current year's bottom line. The Committee recommends keeping travel growth at the market trend of 2.2%.

There is an existing safety issue that merits attention with regards to travel. Situations arise where the number of coaches, the number of athletes, and required competition travel result in a single coach being on the road responsible for the entire team. This means that if something happens to the coach or to a single athlete that pulls the coach away from the team, the rest of the team does not have a responsible UAF person available to them. It also means that there are situations where two vans are required for transportation of the team and its gear and there is only one coach on a road trip. In these circumstances, a student-athlete drives one of the vans. The solution offered by the coaches is to have additional assistant coaches, graduate assistants, or volunteer assistants assigned to the team. Despite the potential cost of doing so, it is recommended that UAF not put student-athletes in a position that forces them to drive while on a competition road trip.

V. FY14-FY17 Recommendations & Considerations

It was apparent through the department interviews that coaches and staff are very open and optimistic about the future of Athletics. Morale is high and it will be important for UAF Administration and the Athletic Director to nurture this optimism. This will especially be necessary in the immediate future as a few of the actions

necessary to stabilize the Athletics budget will require shared sacrifice between the Administration, departmental staff, and coaches. It is the intent that the steps taken in FY13 lead to a more promising and sustainable future for Athletics in FY14 and beyond.

The interviews with the coaching and support staff indicated that in addition to downward budget pressures, there are unmet needs in the Athletics department. These needs increase the pressure for increased revenue and solid budgeting choices and practices. To be successful, an FY13-17 budget plan needs to be "owned" by the Athletics department and staff. Committee recommendations for FY13 need to be reviewed and acted upon right away. The drastic nature of actions needed to address a budget deficit increase as the remaining time in a fiscal year decreases.

The recommendations and considerations for FY14 to FY17 need to be part of an Athletics department budget planning process lead by the AD, inclusive of all coaches and support staff, and informed by both the budget realities described in this report and the aspirational needs articulated in the interviews.

Revenue

Revenue growth should emphasize earned revenue and minimize sole reliance on general fund support and student athletic fee increases. That being said, the Committee assumed general fund growth of 2% per year beginning in FY14 and beyond and a minimal increase of $2/credit to the athletic fee paid by students beginning in FY15 and beyond. Stable and reliable revenue from these sources will provide the necessary foundational support required for the Director of Athletic Development and others to pursue increased support from private gifts, corporate sponsorships and raw advertising. Along with the aggressive target set for FY13, the committee assumed annual earned revenue increases of 4% beginning in FY14 as well as an additional $60K, specifically for athletic scholarships in FY14.

Salaries & Benefits

Salaries and benefits are expected to increase 3% annually in the FY14-FY17 projections presented. The Committee feels that further reductions in salaries and benefits can be made with difficult choices via:

- Continual evaluation of personnel needs
- Eliminating non-essential services
- Eliminating non-performance based negotiated contractual increases
- Reallocation of duties among the staff
- Provide non-paid internships
- Reduction of student labor

Travel and Game Guarantees

Travel expenses will continue to be the trickiest expense to manage into the future and of all major expenditures, has the most built-in uncertainty.

First, all travel should be scrutinized to ensure coaches are proving enough time to book recruiting trips, and that teams are traveling to locations along the Alaska Airlines routing system whenever possible to take advantage of corporate sponsorship trade tickets. This would include a careful evaluation of pre-season training

and game destinations not absolutely necessary to the well-being and preparedness of a particular sports program. Athletics should also look to continue with modest travel cost increases of 2.2% going forward.

Second, there is a need to build a mechanism for Athletics to accommodate the volatility in travel costs. The Committee recommends Athletics be held harmless for any increase in ticket price after original booking and that a fund be set up for any travel-related savings. The fund could be applied towards any necessary, but unanticipated, travel costs or for expenses related to post-season tournament play. Athletics should continue with modest contractual services cost increases of 2.4% going forward.

Student Aid non-resident impact

The Chancellor sets aside Athletic Tuition Waivers each year for Athletics to use to help offset tuition costs billed directly to the Athletics' budget. In FY12, the Chancellor set aside $524K for this purpose; a seven (7%) increase from the year prior. Current practice maintains that non-resident tuition surcharge be applied to all non-resident student athletes, therefore, these funds get charged that non-resident tuition surcharge. The same goes for the funds the athletics department contributes to student aid, which was $198K in FY12.

The Committee entertained a hypothetical – what would the impact be on the athletics department budget if all student-athlete tuition waivers were charged at the resident rate, regardless of student resident/non-resident/WUE status? The figures below represent the committee's findings:

FY12 Student-Athlete Tuition Waivers
Total cost of resident, non-resident and WUE tuition: $722K (Actual)
Centrally-managed Chancellor's Tuition Waiver Contribution: $524K (Actual)
Athletics Contribution: $198K (Actual)

Assuming all tuition charged at resident rate (FY12)
Total cost of tuition reduced to: $643K (reduced by $79K)
Centrally-managed Chancellor's Tuition Waiver Contribution: Remains the same ($524K)
Athletics Contribution: $119K (reduced by $79K)

The net reduction (savings) for the athletic department would have been about $79K in FY12, if student athletes were only charged resident tuition rates.

The data demonstrate that while this has been described as a panacea to Athletics budget deficits, the impact of non-resident tuition on the Athletics budget would have been only $79K in FY12. It is possible that shifting that portion of the student aid expenses from Athletics to central would be a reasonable policy call, but not as a complete solution to the budget deficit. As the impact of the policy change in 2009 relative to Canadian tuition starts to take effect – it might be better to have those costs covered centrally – as that is where the increased tuition will reside.

The committee agrees that transferring responsibility to central administration to cover non-resident tuition surcharges would be appropriate and further recommends that the non-resident tuition surcharge be waived for the Athletics' department over a two-year period – in FY14 central administration would pay half the non-resident tuition surcharge (with the other half coming from Athletics) and in FY15 central administration would

begin paying the entire non-resident tuition surcharge. The committee estimated the FY14 non-resident tuition surcharge to be approximately $86K in FY14.

NCAA rules and regulations allow for student athletes to be charged at resident rates regardless of resident/nonresident status. However, it is unlikely that student-athletes would be permitted to be charged resident tuition only under current UA Board of Regents Policy 05.10.050. A few exceptions exist, but student-athletes do not appear among them.

Note: The Athletic Tuition Waivers that the Chancellor sets aside are adjusted for inflation; typically at the same rate under which tuition increases (5-10% annually for the last five years). However, the funds Athletics expends for tuition costs do not get adjusted for tuition rate increases. The Committee is in agreement that this process be changed and that adjustments are made during the continuation budget process to inflation proof Athletic Student Aid costs.

It is expected that Athletics should continue to budget for 2.3% student aid increases going forward.

VI. Do Nothing Different

A "Do Nothing Different" scenario is presented at the top of the next page. Doing nothing different is not a viable option and simply produces annual deficits of between $639K and $850K assuming flat to moderate increases in both revenue and expenditures from the current budget.

Revenue	FY12 (Actual)	Projections -DO NOTHING DIFFERENT SCENARIO					FY14 & Beyond Assumptions
		FY13 (Budgeted)	FY14	FY15	FY16	FY17	
1. General Fund - State Appropriation	$3,191,890	$3,104,100	$3,166,182	$3,229,506	$3,294,096	$3,359,978	2% increases
2. Athletics & Campus Recreation Fee ($8 per credit, $96 max)	$991,088	$1,022,400	$1,058,184	$1,095,220	$1,133,553	$1,173,228	3.5% (enrollment based)
3. Earned Revenue	$1,568,232	$1,630,000	$1,662,600	$1,695,852	$1,729,769	$1,764,364	2% increases
4. Internal/Other Charges	$7,583	$29,064	$26,064	$26,064	$26,064	$26,064	Flat
Total Revenue	*$5,758,793*	*$5,785,564*	*$5,913,030*	*$6,046,642*	*$6,183,482*	*$6,323,634*	
Expenditures							
5. Salaries & Benefits	$2,501,809	$2,707,329	$2,788,549	$2,872,205	$2,958,371	$3,047,123	3% increases
6. Travel	$1,366,920	$1,330,039	$1,359,300	$1,389,204	$1,419,767	$1,451,002	2.2% increases
7. Contractual Services	$1,374,743	$1,420,090	$1,454,172	$1,489,072	$1,524,810	$1,561,405	2.4% increases
8. Materials & Commodities	$358,651	$365,829	$378,633	$391,885	$405,601	$419,797	3.5% increases
9. Equipment	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	Flat
10. Student Aid	$671,183	$594,300	$615,101	$636,629	$658,911	$681,973	3.5% increase
11. Other	-$3,973	$1,500	$1,500	$1,500	$1,500	$1,500	Flat
Total Expenses	$6,274,833	$6,424,587	$6,602,754	$6,785,996	$6,974,461	$7,168,300	
UFB	($516,040)	($639,023)	($689,724)	($739,354)	($790,979)	($844,666)	

UNABLE TO INVEST IN ANY PROGRAM NEEDS

In addition to the responsibilities the UAF Athletics department has to its athletes and community supporters, the department also has fiduciary responsibilities to UAF. Clearly, the table above demonstrates an urgency to take action on the matters discussed in this report, so that the fiduciary responsibilities are met. Absent "ownership" of the budget by the athletics department and staff, the department will continue its downward financial spiral. "Ownership" will require action on specific recommendations outlined in this report. The unmet needs of the department as identified in the interviews is even more reason that a do nothing different approach is unacceptable.

VII. Departmental Needs and Potential Re-investments

Analysis of revenue and expenditure trends provides insight into past decisions that led to the FY12 deficit and projected future deficits. Development of a budget plan requires more qualitative input on the program side to ensure budget plans incorporate the perspectives of the staff most closely engaged with the student athletes. In

consultation with the VCUSA, the Interim Athletic Director, and the review team, the decision was made to conduct personal interviews within the athletic department to garner that input.

In the time period of August 8-15, 2012, individual interviews were conducted with the head coaches of each sport at UAF, the interim athletic director, and four athletics staff. The interviews, while framed and initiated due to the past and current budget deficits, did not focus directly on revenues and expenses; rather, they represented a broader discussion of each interviewee's perception of the athletic department, its support for student athletes, its support for each coach's individual sport, and the overall management of the department within the university as a whole. The complete report is attached as an addendum to this report.

The interviews provided insight into a number of areas that the coaches and staff identified as either concerns or opportunities for UAF and UAF Athletics. General themes included:

- Facilities
- Advising and Academics
- Strength Coaching and Athletic Training
- Recruiting
- Role of Athletics within UAF
- Revenue Generation
- Coaching Support
- Support of Chancellor and UAF Administration

Assuming the recommendations in this report are adopted to reduce and/or eliminate the projected annual deficits, the department could begin making significant investments as soon as FY15 in sport-specific and department-wide areas of need identified during the extensive interview process with head coaches and staff.

Almost all of the identified sport-specific programmatic needs could be addressed by FY16 such as recruitment funds for the basketball, volleyball, skiing, hockey and swimming teams, more full scholarships, more advisors and tutors, and the ability to send two coaches on road trips. Likewise, almost all of the identified department-wide programmatic needs could be addressed by FY16 such as the hiring of a Marketing Director, putting the fiscal officer to a 12-month contract, hiring an Assistant to the AD and Associate AD, hiring a full-time equipment manager, and hiring a strength and conditional coach. Alternatively, one could split the "surpluses" 50/50 between sport-specific and department-wide areas of need and address over half of all the needs identified in the interviews by FY17.

VIII. 5-Year Budget Plan

The 5-year budget plan is outlined on the next page and is the result of incorporating the recommendations throughout this report. As previously mentioned, the major components of the budget overhaul include:

Revenue

- General fund cash infusion of $200K in FY13 and annual increases thereafter of 2%
- General fund increase of $60K in FY14 to jump-start scholarship fundraising activity

- Increasing the athletic fee from $8 to $10 beginning in FY15 resulting in a net increase of about $250K over what would be collected at the current rate schedule and assuming modest enrollment increases
- An ambitious, but attainable earned revenue goal in FY13 (over $235K from FY12 actual) and 4% annual increases thereafter
- Additional $60K earned revenue goal in FY14 to match $60K general fund increase that year

Expenses

- Reducing salaries and benefits by $130K from FY13 budgeted and modest 3% annual salary increases thereafter
- Central Administration picks up post-season CCHA travel costs if necessary
- Annual increases of 2.2% for Travel
- Slight reduction of contractual services level in FY13 (from FY12) and modest 2.4% annual increases thereafter
- Annual increases to commodities of 3.5%
- Central Administration to begin paying for out of state tuition surcharge beginning in FY14 and beyond
- Modest 2.3% annual increases to student aid beginning in FY15

FY12 actuals and the 5-year projections based on the assumptions above are presented on the next page.

Revenue	FY12 (Actual)	Projections FY13 (As Budgeted)	FY13 (New Base)	FY14	FY15	FY16	FY17	FY14 & Beyond Assumptions
1. General Fund - State Appropriation	$3,191,890	$3,104,100	**$3,304,100**	**$3,430,182**	$3,498,786	$3,568,761	$3,640,137	2% increases
2. Athletics & Campus Recreation Fee ($8 per credit, $96 max)	$991,088	$1,022,400	$1,025,776	$1,061,678	**$1,348,837**	$1,396,046	$1,444,908	3.5% (enrollment based) increases
3. Earned Revenue	$1,568,232	$1,630,000	$1,803,597	**$1,935,741**	$2,013,171	$2,093,697	$2,177,445	4% increases
4. Internal/Other Charges	$7,583	$29,064	$36,120	$37,204	$38,320	$39,469	$40,653	3% increases
Total Revenue	*$5,758,793*	*$5,785,564*	*$6,169,593*	*$6,464,805*	*$6,899,113*	*$7,097,974*	*$7,303,143*	
Expenditures								
5. Salaries & Benefits	$2,501,809	$2,707,329	**$2,576,863**	$2,654,169	$2,733,794	$2,815,808	$2,900,282	3% increases
6. Travel	$1,366,920	$1,330,039	**$1,329,992**	$1,359,252	$1,389,155	$1,419,717	$1,450,951	2.2% increases
7. Contractual Services	$1,374,743	$1,420,090	$1,407,737	$1,441,523	$1,476,119	$1,511,546	$1,547,823	2.4% increases
8. Commodities	$358,651	$365,824	$371,204	$384,196	$397,643	$411,561	$425,965	3.5% increases
9. Equipment	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	Flat
10. Student Aid	$671,183	$594,300	$620,468	$591,195	$626,531	$656,065	$670,511	2.3% increase
11. Other	-$3,973	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	Flat
Total Expenses	$6,274,833	$6,424,582	$6,313,264	$6,437,335	$6,630,243	$6,821,696	$7,002,532	
UFB	(516,040)	($639,018)	($143,671)	$27,470	$268,870	$276,278	$300,611	

Revenue Assumptions

1. GF increase of $200K in FY13 (from FY13 Continuation)
1. GF increase of $60K in FY14
1. 2% GF increases in FY14 & beyond
2. Student Athletic Fee to increase to $10/credit in FY15
2. 3.5% (enrollment based) annual Athletic Fee increases
3. Earned revenue increase of $235K (from FY12 Actual)
3. Additional $60K earned revenue in FY14 (for scholarships)
3. Annual earned revenue growth of 4%
4. Internal/Other Revenue 3% annual increases

Expenditure Assumptions

5. $130K Salaries & Benefits decrease from FY13 budget
5. 3% annual Salaries & Benefits increases FY14 & beyond
6. Assumes Central will pick up possible travel costs in FY13 for CCHA playoffs ($67K)
6. 2.2% annual travel increases FY14 & beyond
7. $12K Contractual Services decrease from FY13 budget
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8. 3.5% annual Commodities increases FY14 & beyond
9. No change in Capital Expenditures
10. 2.3% annual Student Aid increases FY14 & beyond
10. Assumes self-imposed scholarship penalty is lifted (FY13-FY15)
10. Beginning in FY14, half the non-resident surcharge will be waived for the portion of tuition covered by athletics; the other half will be picked up by central. Central will begin paying 100% of non-resident surcharge in FY15.

Sport Specific Program Needs $600,000 (High Side)

Could phase re-investment of surplus dollars into sport-specific programmatic needs as surplus revenue becomes available. Alternatively, One could split up evenly any surplus revenue between sport-specific program needs and departmental needs. The bottom left table Provides a schedule of re-investment based on the assumptions made above.

Departmental Needs $650,000 (High Side)

Likewise, one could phase re-investment of surplus dollars into departmental needs.

$1,250,000 Total (High)

Re-invest	*Annual*	*Cumulative*	Needs Met: *Sport Only*	Needs Met: Department Only	Needs Met: *50/50 Split*
FY13	n/a	n/a	n/a	n/a	n/a
FY14	n/a	n/a	n/a	n/a	n/a
FY15	$268,870	$268,870	45%	41%	22%
FY16	$276,278	$545,148	91%	84%	44%
FY17	$300,611	$845,759	100%	100%	68%

As mentioned before, one would need to reduce almost $650K in expenses in FY13 to get the books to balance. Cuts that deep in one year would severely hamstring athletics department operations in FY13 and likely have a negative ripple effect in the out years as well. Reducing expenses alone will not accomplish the task of stabilizing the athletics department finances and ignores underlying financial issues within the unit. It would simply be a technical fix to a problem that requires adaptive change. Hence, the only reasonable path forward involves a combination of 1) increased general fund support, 2) active management of salaries & benefits as well as other areas that may lend themselves to cost reductions and 3) strategic allocation of existing resources that emphasize revenue-generating activities.

The 5-year budget plan and specifically the FY13 budget recommendations in this report will require the Vice Chancellor for University and Student Advancement and the new Athletic Director to collaboratively advocate for additional general fund support or agree to additional expenditure reductions or a combination of the two to get FY13 to balance. However, the committee believes the recommendations set out in this report provides a general framework that accomplishes a balanced and strategic approach to stabilizing athletic department finances in FY13 and beyond, yet allows for enough flexibility to adjust as appropriate.

IX. Conclusion

In FY10, the athletic department revenues were enough to cover all departmental expenses and the budget balanced at approximately $5.9 million. Unfortunately since then, there has been an inverse relationship between revenues and expenses. Revenues have declined (-3%), as expenses have trended upward (+6%) resulting in a $516K deficit in FY12 and a projected FY13 deficit of $639K.

It is not uncommon for salaries and benefits to be the primary expense for most UAF departments. However, unlike most units, salaries and benefits was the primary driver that led to the budget shortfall in FY12 increasing 14% between FY11 and FY12 and projected to increase another 8.2% in FY13. It will also lead to deficits in the future absent active management of positions and fiscal restraint. This cannot be stressed enough.

The second driver leading to the current deficit is that earned revenue through ticket sales and private and corporate giving between FY11 and FY12 went down 14%. Generating additional revenue from private and corporate giving should be the #1 goal of the department in FY13 and in the out years.

It should be noted that travel costs were more or less in line and within a range one would expect, especially considering the volatile nature of travel-related expenses, specifically airline tickets. Between FY10 and FY12, travel increased a modest 6%. The committee appreciates the efforts made by the department to contain travel costs and recommends that a mechanism be built-in to their annual budgets to accommodate unknown variances from year-to-year.

Overcoming the current fiscal year projected deficit will require a commitment to the recommendations described in this report and the support of the administration. It will require a general fund cash infusion of an agreed-upon amount from central administration, no less than $200K. For the department's part, it will require a continued focus on a committed pursuit to generate revenue through private and corporate sponsorships and donations, active management of existing positions and salary increases, and incorporating a budget mechanism

to accommodate volatility inherent in travel and other costs. The plan provided brings the budget into balance by FY14.

There is genuine optimism among department of athletics staff and this committee about the future success of the Athletics department. We look forward to providing further assistance as necessary and as FY13 progresses.

UAF Athletic Department
Mission Statement

"The mission of the University of Alaska Fairbanks athletics program is to provide the student-athlete with an opportunity to compete at the Division I and II levels of competition while receiving a quality education consistent with the mission of the University. The athletics experience is an extension of the educational process whereby student-athletes acquire the skill, characteristics and self-confidence that will enable them to reach their full potential. The athletics program is committed to assisting student-athletes to achieve their academic and physical potential by learning to develop worthy goals for a meaningful life. It is the goal of the athletics program to provide the student-athlete with the means to perform with distinction."

Attachments

1. VC USA memo
2. 5-year Budget Plan Spreadsheet
3. Do Nothing Different Scenario
4. Athletics 6-year Revenues & Expenses line Chart
5. Athletics Interview Report

UNIVERSITY OF ALASKA FAIRBANKS

University and Student Advancement

514 Gruening Building, P.O. Box 756340, Fairbanks, Alaska 99775-6340

Mike Sfraga
Vice Chancellor
Phone: (907) 474-6533
Fax: (907) 474-7900
msfraga@uaf.edu

MEMORANDUM

TO: Bob Shefchik, Executive Officer, Chancellor's Office
Raaj Kurapati, Associate Vice Chancellor, Administrative Services
Ali Knabe, Executive Officer, University and Student Advancement
Kim Anderson, Assistant A.D. for Finance & Business Operations
Derek Miller, Analyst, UAF Office of Management and Budget

FROM: Mike Sfraga, Vice Chancellor MS

SUBJ: UAF Athletics Business Model

DATE: July 9, 2012

In order to better understand and manage the costs of UAF Athletics, a five-year business model is needed. I thank each of you for agreeing to develop such a model and for considering related strategies that may provide additional management guidance.

I understand there are several ways to approach this initiative, so I will leave it up to the group to define applicable components of the model. However, I offer a few areas for consideration: 1) capture an accurate picture of the current cost of UAF Athletics, 2) establish accurate costs and revenue projections over a five year period based on current assumptions, 3) develop strategies to decrease costs and increase revenue over the next five years, and 4) identify the level of UAF GF commitment over the same period of time.

Amber Cagwin will schedule an initial meeting for us to further discuss this effort and build a strategy going forward. Thank you again for agreeing to assist in this very important endeavor.

Cc: Chancellor Rogers, Interim Athletic Director Jerome

UAF is an AAEO employer and educational institution.

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Could phase re-investment of surplus dollars into sport-specific programmatic needs as surplus revenue becomes available. Alternatively, one could split up evenly any surplus revenue between sport-specific program needs and departmental needs. The bottom left table provides a schedule of re-investment based on the assumptions made above.

Departmental Needs $650,000 (High Side)

Likewise, could phase re-investment of surplus dollars into departmental needs and have 50% of those needs met by FY17.

$1,250,000 Total (High)

Re-invest	Annual	Cummulative	Needs Met: Sport Only	Department Only	50/50 Split
FY13	n/a	n/a	n/a	n/a	n/a
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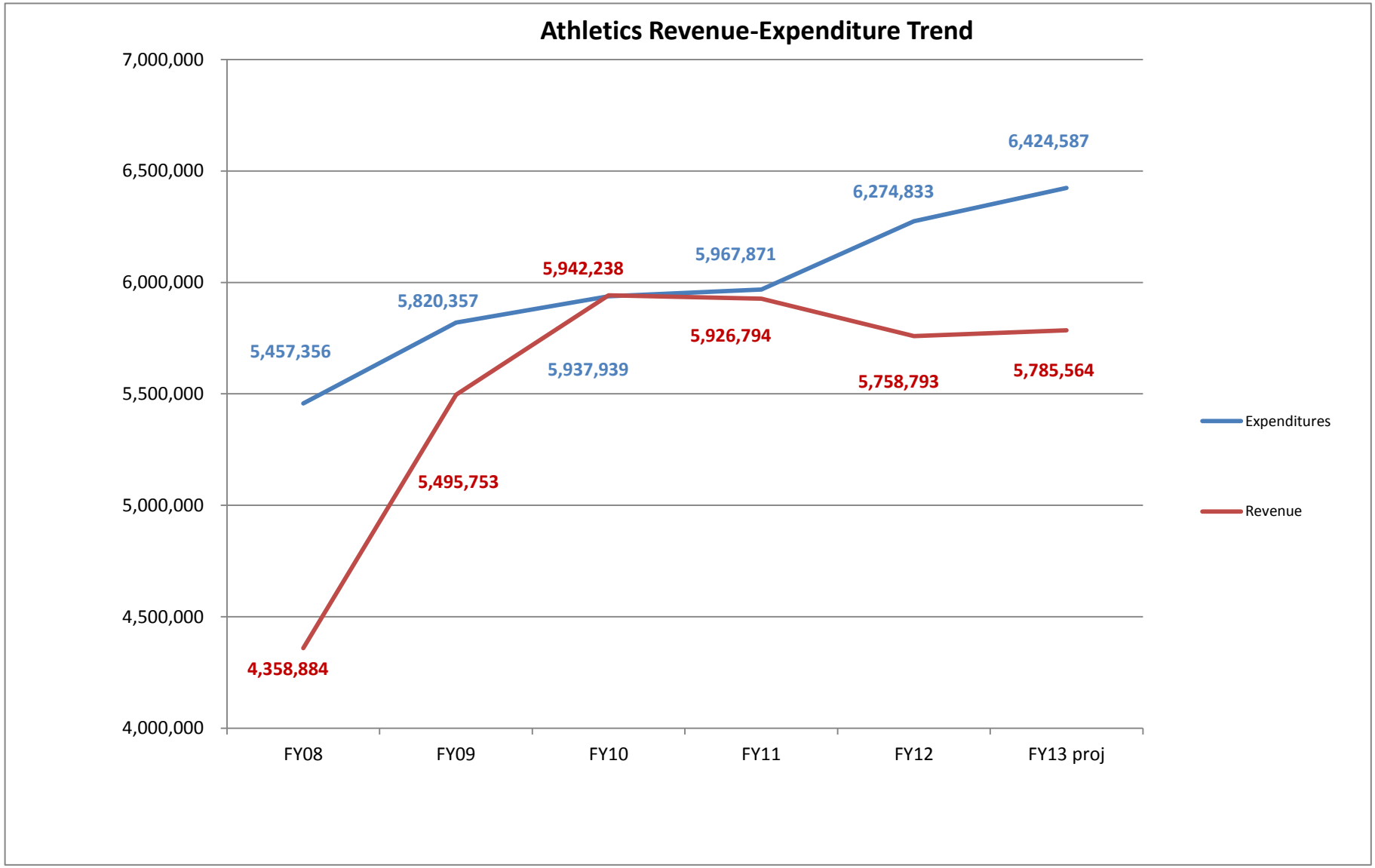
UNABLE TO INVEST IN ANY PROGRAM NEEDS


Athletics Revenue-Expenditure Trend
7,000,000
6,500,000
6,000,000
5,500,000
5,000,000
4,500,000
4,000,000
FY08
FY09
FY10
FY11
FY12
FY13 proj
5,457,356
5,820,357
5,942,238
5,967,871
6,274,833
6,424,587
4,358,884
5,495,753
5,937,939
5,926,794
5,758,793
5,785,564
Expenditures
Revenue

UAF Athletic Department Fiscal Planning Review
Coach and Staff Structured Interviews
August 29, 2012

Introduction

The Vice Chancellor for University and Student Advancement (VC-USA) tasked a working group to analyze the financial performance of the UAF Department of Athletics and prepare a 5-year budget plan. This action was precipitated by FY12 expenditures exceeding departmental revenues in excess of $500,000 with a projected deficit in excess of $700,000 for FY13.

Analysis of revenue and expenditure trends provided some insight into past decisions that led to the FY12 deficit and created the path for increasing deficits into the future. Development of a budget plan requires more qualitative input on the program side to ensure budget plans incorporate the perspectives of the staff most closely engaged with the student athletes. In consultation with the VC-USA, the Interim Athletic Director, and the review team, the decision was made to conduct personal interviews within the athletic department to garner that input.

In the time period August 8-15, 2012, individual interviews were conducted with the head coaches of each sport at UAF, the interim athletic director, and four Athletics staff. The interviews, while framed and initiated due to the past and current budget deficits, did not focus directly on revenues and expenses; rather, they represented a broader discussion of each interviewee's perception of the athletic department, its support for student athletes, its support for each coach's individual sport, and the overall management of the department within the university as a whole.

This report summarizes the content of those interviews. It presents consistent themes raised by coaches and/or staff, with an emphasis on the concerns, approaches, and ideas that were mentioned most consistently.

The coaches and staff were very open and optimistic about the future of UAF Athletics. Their suggestions were well considered and, to a person, they approached the discussions from the perspective of support for the student athlete. Conclusions drawn, concepts summarized, and recommendations offered are the full responsibility of the author.

Themes Identified

The interviews provided insight into a number of areas that the coaches and staff identified as either concerns or opportunities for UAF and UAF Athletics. General themes included:

- Facilities
- Advising and Academics
- Strength Coaching and Athletic Training
- Recruiting
- Role of Athletics within UAF

- Revenue Generation
- Coaching Support
- Support of Chancellor and UAF Administration

Each of these themes is described more fully in the remainder of this report.

In addition to the general themes discussed, a number of specific program priorities were identified, predominantly by the coaches. Appendix A summarizes a list of items that were identified to make UAF Athletics more competitive with its peers and more supportive of its student athletes. Costs are estimated as a rough order of magnitude (ROM) needed to achieve what was discussed and will allow the financial review team to include programmatic needs/desires into future budget scenarios.

Facilities

The age and condition of UAF's facilities was frequently one of the first issues raised. This was mentioned both in the context of recruiting new athletes and in supporting existing athletes. There is an acknowledgement that many of UAF's facilities are aging and almost acquiescence to the belief that nothing will change related to facilities.

Specific attention was drawn to the weight room as inadequate for an NCAA competitive sports program. One observation offered relative to showing the weight facility to new recruits was, "incoming student athletes should be shown a training facility at least as good as they have in a high school." With regard to the support of current athletes, most perceived the weight room as too small to support full teams working out on a regular basis, inadequately staffed to support a weight training program for current athletes (with the exception of hockey), and difficult to use in conjunction with a practice, game, and travel regimen without the individual sport coaching staff taking on weight training expertise. The condition and use of the weight room was the most frequently cited example related to facilities.

One other facility related issue mentioned frequently by coaches was the transformation of the "student study area" into administrative offices. While there was little criticism of the need for staff office space, there was considerable comment on the relative importance of student academic needs vs. administrative space needs. A small area remains available to students, but the overall consensus was that the space is not adequate and more consideration should be given to a study center or some other structured approach to academic support.

The overall condition and maintenance of the Patty Center, relative to its age, was often praised. However, the age of the facility and its look and appeal relative to facilities provided by GNAC or CCHA competitors was noted by most. (The main exception to that rule would be the rifle facilities that were upgraded in conjunction with hosting the NCAA championships.) Some hope for a change was expressed as a result of the VC-USA announcing that one of the first tasks of the new athletic director should be to convene a group to identify facility needs for UAF Athletics and develop a plan to meet those needs.

Advising and Academics

Every single coach and most staff raised concern over the availability and quality of academic advising support to the student athlete. This concern was heightened by recent NCAA compliance issues with academic

progress. Advising had also been the topic of a recent presentation to the Athletics staff, leaving many with the impression that there was not adequate manpower in the advising center to meet the advising needs of student athletes.

Concerns expressed included:

- Limitations placed on the advising department of only 25% of one FTE being available for athletic advising
- With only one "NCAA advisor", staff turnover, leave, or competing demands place the student athletes at risk of not having anyone available
- Difficulty for student athletes to be able to schedule an appointment
- Uncertainty on the part of coaches as to whether their student athletes' schedules were indeed compliant with NCAA requirements
- Diversion of student athletes from centralized advising support to departmental advising, which may or may not be present when students are on campus in the summer
- Overall perception that the UAF advising system and expectations were difficult for coaches to understand and explain and non-supportive of students

The perspective of the student advising program was not collected to balance these concerns with the position of the academic advising office. The weight, frequency, and near unanimity of opinion on this topic demonstrate that work is needed to ensure student athletes receive appropriate direction and support relative to academic advising.

The UAF Associate Athletic Director and Compliance Officer appears to have undertaken a role in assisting student athletes with advising issues, but all acknowledge that this should not be a substitute for central advising support.

Academic concerns raised by coaches related to specific tutoring or support needs of student athletes were perceived as going unmet. All coaches commented that student athletes, on average, performed at a higher level (GPAs and graduation success) than the overall student population. However, they also mentioned the difficulties of balancing student life, athletic practice and competition, and academics. Some mentioned the availability of English and Math labs, most mentioned the repurposing of the "study hall area", and a few mentioned sport specific study sessions. Collectively, the group felt that better tutoring support and tracking of academic progress was a programmatic need.

Strength Coaching and Athletic Training

When speaking about their team's ability to prepare and compete within the conference, most coaches mentioned, concurrent with their comments on the weight room, the lack of a strength coach available to all athletes. While there were very few instances of Division I vs. Division II friction expressed in the interviews, this is one area where it was regularly mentioned.

UAF Hockey, while concurring with the overall concern about the inadequacy of the facility, did not express any issues about a need for strength training. Conversely, most other coaches described a lack of available expertise in the weight room as a problem for their program. Coaches described the need to guide student

athletes in training, set training or rehab regimens, and to adequately supervise entire teams in weight training. While expressing a willingness to participate and supervise their teams, most coaches self-described an inadequate level of skill and expertise to guide athletes appropriately for competition at this level.

The availability of athletic training staff for practice, competition and travel was the other support function mentioned as both a need and as disparate in provision between hockey and the other sports. This was described as a more reasonable and fair arrangement by the non-hockey coaches than the strength training issue. The level of competition, the violent nature, and the length of the hockey season were all mentioned by the other coaches as reasons for the level of training support for hockey. Despite that, there was an expression of need for trainers to travel to competitions and to be more available to accommodate practice schedules. Hope was expressed that the creation of an UAF athletic training program would assist in this area.

Recruiting

Every coach described their recruiting efforts as core to the ability to compete. This translated into concerns about the facility, concerns about the number and type of scholarships available, concerns about the length of contracts, concerns about the number of assistant coaches, and concerns about the amount of funding available to travel. The upper limit on what a university could apply to recruiting appears to be almost endless. That said, the coaches made clear the disadvantage they face against a coach who can visit 2-3 tournaments in a weekend by car compared to the costs and time commitment required to recruit lower 48 students to Alaska.

One perceptive observation offered was that the costs of recruiting were more cyclical than fixed. In some years, one might have large number of underclassmen. In other years, a coach may be replacing 2/3 of the roster. Some budgeting mechanism that allows for a fluctuation in costs to be spread either across teams or across years might be a useful approach to these variable costs.

Role of Athletics within UAF – Vision and Direction

Due to the deficit nature of Athletics for FY12 and FY13, there was considerable discussion on how Athletics fits into the whole of UAF. There was an understanding that a $750K deficit meant that all other parts of the university had to give up their funding in order to make up the deficit. There was significant awareness that, in the past, Athletics had been viewed as a department that often ran in the red, and needed to be bailed out by the rest of campus. There is a great desire to change that perception and have Athletics seen as an integral part of UAF's image and UA's academic programs.

Suggestions on how to build this internal support ranged from identifying tuition paid by UAF student athletes that is distributed to academic departments; having the Chancellor express and model support for student athletes and Athletics; actively promoting the GPAs and graduation rates of student athletes; and ensuring that student athletes are more visible and a quality addition to every class and program.

Many offered that the new athletic director should play a role in selling Athletics within the campus just as he/she will be expected to sell Athletics and UAF to the external community. There was also a call for Athletics, like many of the programs, to establish a clearer sense of direction and vision. This would allow the programs and coaches to play a role in the success of the entire department – much as team members – rather

than solely focusing on their individual sport. There was a shared belief that having this sense of "where we are going" would help UAF Athletics be successful – inside and outside UAF.

Revenue Generation

Data from Athletics' last five fiscal years shows a significant drop in external funding from 2011 to 2012. Almost every coach and staff member was aware of this drop and shared the opinion that this decline in corporate and private sponsorships was something that could and should be turned around. Reasons proposed for the decline were varied. Some suggested the local economy. Some suggested a decline in the number of winning teams. Others pointed to an organizational change in the corporate marketing office whereby the marketing director was replaced with an intern, followed by hiring a staff member whose responsibility it was to focus on long term donor relations. When asked about the suggestions of others, there was collective agreement that all of these factors combined contributed to the decline.

During the process of the financial data review and the departmental interviews, the role that the lack of support for the corporate marketing office played in the decline in earned revenue became obvious. The VC-USA and the interim Athletic Director took steps to assign the development person to corporate marketing. This change is intended to continue indefinitely, lasting at least until the new Athletic Director has the time and context to make organizational changes within the department.

A number of specific suggestions were made on how to increase private funding. These included campaigns for small corporate sponsors, promotional activities, improved sponsor appreciation and showing of gratitude, and ticket pricing. One local example was offered more than once, specifically noting the success in fund raising and promotions of the local Junior A hockey team – the Ice Dogs. Suggestions were made that Athletics could learn a few things from how successful that team and its GM have been within the same community.

Coaching Support

While not mentioned by every coach, there was significant discussion of the shortened contracts that occurred in FY11 for coaches and staff. A sense of "under-appreciation" for hard work was shared in all of the interviews that covered this topic. The coaches felt there was significant work needed during the off-season periods, and that work done during those periods was not being acknowledged by the contract changes. Other coaches felt that reductions, while reasonable, had gone too far and prevented them from being able to recruit and support their programs. Finally, there was some displeasure at the fact that certain programs and individuals had contract lengths extended in FY12, while others remained at the FY11 level.

Two situations exist where the number of coaches, the number of athletes, and required competition travel result in a single coach being on the road responsible for an entire team. This means that if something happens to the coach or to a single athlete that pulls the coach away from the team, the rest of the team does not have a responsible UAF person available to them. It also means that there are situations where two vans are required for transportation of the team and its gear and there is only one coach on a road trip. In these circumstances, a student athlete drives one of the vans. The solution offered by the coaches is to have additional assistant coaches or graduate assistants assigned to the team.

Support from the Chancellor and UAF Administration

There was a notable request for a show of support, in words and deed, from the Chancellor and UAF administration about the importance of Athletics within UAF. There was a sense that, while "the previous VC understood the problems and issues of the department; he was not able to gain support for Athletics from UAF's upper administration." This translated into a sense that Athletics was on its own against the UAF administration and the rest of campus.

When asked to reply to the question, "What two things would you advise the Chancellor TO DO with regard to Athletics and what two things would you advise him NOT TO DO?", the answers were varied. In the TO DO category, responses were offered such as:

- Be wary of easy solutions
- Be willing to be part of the Athletics community
- Make a good Hire for AD (mentioned a number of times)
- Look at making up lost months
- Solve problems to move away from "doom and gloom" of budgets
- Incorporate Athletics into campus
- Do something about the Patty facility
- Educate others on Athletics role in UAF Community
- Quote statistics on quality of student athletes' performance
- Give time for a turn-around in revenue
- Help sell Athletics internally
- Tell people – yes we have D1 hockey, but we have 9 other great D2 programs too
- Talk up program to Regents
- Return to reciprocal agreement on tuition with Canada
- Make sure there is a full academic advisor

The other category did not receive as many responses. For those that did offer advice on what NOT TO DO, topics included:

- Settle for the status quo
- Just show up for games – show support in other ways too
- Quit on Athletics
- Pit Athletics against other departments
- Cut competitions
- Cut things added in FY12
- Be too reactive and act too quickly – Don't try to "fix this today"
- Oversell, making it look like Athletics deserves special treatment
- Ignore Athletics
- Pick a bad AD

Recommendations

The interviews were thought provoking and intriguing. The themes of facilities, advising and academics, strength and training, recruiting, vision and direction, revenue generation, coaching support, and Chancellor-

level support appeared consistently in most interviews. The coaches and staff appear ready and willing to accept new leadership and are looking for a leader to provide direction, vision, and build Athletics into a team. There are also a considerable number of ideas on revenue generation that would provide the basis for a revenue and marketing planning session with the new AD and VC-USA.
Specific recommendations based on what was heard include:

Facilities

Begin planning for the Patty Center remodel as soon as the new AD is hired. This should be done to position the project to pair with any project that comes forward on the UAA Wells Fargo Center.

Parse the project so that a Phase 1 could address the weight room and training needs of all the programs in reasonable-sized funding increments, without waiting for a $50 – 70 million appropriation to see improvement.

Advising and Academics

Ensure adequate resources are available from the advising center to meet the needs of student athletes

Ensure that Athletics fully understands the resources available from the advising center and the best way to access those resources.

Work with faculty advisors on best ways to structure study halls, tutors, and academic support to match the needs of the student athletes with the programs available. Have full staff discussion on the need for common study space.

Strength Coaching and Athletic Training

Across time, the strength training function has focused on the group that expressed the most interest and intensity in weight training. With the turnover in coaches and a renewed interest in weight training from the newer coaches, it could be beneficial to re-establish schedules and training programs that make strength training available (within available resources) to all sports interested in participating. Support in the supervision and monitoring of weight training could also be a role for the graduate assistants described as a need during most coaches' interviews.

Athletic training resources are in high demand. The likelihood of additional trainers being made available in sufficient numbers to cover all competitions and practices is small. Athletics should ask for a role in the creation of the fledgling athletic trainer program, ensuring departmental needs can be matched to program requirements when possible. There is also some possible overlap in this area with the problem of some coaches travelling solo to competitions.

Recruiting

As mentioned above, there is some merit to considering a budget mechanism that allows a higher variability in costs from year to year. This would allow for increased travel in some years to be offset by decreased travel in others. This would not fully solve all of the needs described in the recruiting

conversations, but would be a start in offering coaches the ability to extend recruiting efforts in a given year without penalty to the entire department.

Coaching Support

There was significant support for returning "lost months" to coaches and staff. However, there was also consistent mention of the usefulness of graduate assistants (GAs) and additional assistant coaches. It is unlikely all of the salary pressures can be accommodated in a deficit environment.

When provided the information that Athletics added in excess of $350K in salary and benefits costs from FY11 to FY12, most were surprised. When asked if that increase seemed to them to have been strategically applied or applied to the "squeaky wheel", those who had an opinion chose the "squeaky wheel" analogy.

Support needs to be provided to prevent the scenario of asking student athletes to drive during away competitions. Solutions could range from returning to using volunteer assistants, to sending an additional staff person from campus, to hiring additional part- or full-time assistant coaches. This would also resolve the issue of only one responsible adult supervising during away team travel.

One way to look at possible changes and support to athletics will be for the new AD and her/his coaches to look at increases that could be reversed (some represent commitments that cannot be taken back) and determine if this was the best and highest use of those dollars. This, of course, presumes that all increases granted in FY12 are able to remain as part of the departmental budget.

Revenue Generation

Given that FY12 revenue collected was significantly below that collected in FY10 and FY11, there is a high probability that the downward revenue trend line can be reversed. The first step, assigning more staff to corporate and private sponsorships, has already occurred.

There are a large number of good ideas within the department on how to generate new revenue. The new AD will need to pull together a revenue team, winnow those ideas down, and act on those with the highest likelihood of success and payoff. This should happen as soon as possible.

Expecting all new revenue to come externally is not a likely path to complete success. Concurrent with external revenue, the financial review team will need to offer ways to prevent raising the cost of Athletics every time tuition or fees rise. New money coming into the university is directed to schools, colleges and the central treasury while negatively impacting the revenue side of the Athletics budget. The current process, by formula, increases the downward spiral of needed budget cuts to Athletics.

Support from Chancellor and UAF Administration

Use of an executive search firm is a good start toward showing commitment to Athletics at UAF. Making a good hire and providing the new person the time and resources to be successful will be an excellent follow-up.

More understanding of the impact that internal pricing/charging mechanisms have on Athletics' budget will be critical to creating an internal funding mechanism that does not shift funds from Athletics to central or departmental budgets every time tuition or fees rise.

Backing the new AD in making difficult decisions will need to be part of the support provided by the Chancellor. Some of the choices made between FY11 and FY12 were likely not the most strategic choices that could have been made with discretionary salary dollars. Even under the rosiest of scenarios, it is probable that difficult budget decisions remain. It will take the creation of a team within Athletics and the support of the VC-USA and Chancellor to deal with those difficult choices.

The comment suggesting to not try to solve the fiscal problem all at once represented good advice, and the entire administrative team will need to work with Athletics to bring them back to a solid financial footing.

Summary

The Athletics staff display hope and optimism that conditions will improve for the department as a whole and their sport in particular. Many mentioned the monthly meetings of budget "doom and gloom" that have gone on for years. Clearly, decisions were made in FY12 that exacerbated the fiscal deficit – and those decisions will make it difficult to bring the department budget into balance. Despite that, the staff and coaches are looking toward a shared vision and a sense of teamwork in helping Athletics succeed.

There was a significant degree of agreement on the themes raised by the coaches and staff, particularly with regard to improving the support for the student athlete. Other issues, such as the list of wants and needs in Appendix A, represent what highly competitive coaches see as necessary for their teams to compete against others in their conferences, It is hoped that the contents of this report will combine with the fiscal analysis to provide viable options for UAF Athletics to move forward in the future

Appendix A – Additional Program Needs Articulated by Coaches and Staff

Men's BB 20-30K	Assistant to 10 months Recruiting time and $
Women's BB 75-90K + departmental	Head Coach to 12 months Assistant to 11 months More games scheduled More recruiting 10 full scholarships Strength coach (for whole dept) Academic Center (for whole dept) Academic Advisor (for whole dept)
Volleyball 20-30K + departmental	Recruiting time and $ Academic Advisor (for whole dept) Spring competition
Skiing and X-C 100-120K	Additional Assistant Coach Additional Intern or GA Head Coach to 12 months Increase scholarships to NCAA max Increase to 3 teams at each home meet Two coaches to travel to away meets Recruiting time and $
Rifle 20-40K	Asst coach or GA to allow 2 on away meets Need for supplies to replace sponsorship in FY12 or 13
Hockey 200-250K + departmental	Max NCAA Scholarships Competitive salaries for coaches and asst coaches Director of Hockey operations (8 months) Office manager (8mos) Equipment Manager (up to 11 months) Recruiting $ Commodities $ Increase travel per diem Advisor, tutor, weight training (similar to above) Admin positions for Dept to support marketing, event management, and revenue generation
Swimming 20-30K + departmental	Recruiting time and $ Scholarships Advising support for whole dept
Departmental 400-500K	Marketing Director 1-2 Academic Advisors Fiscal Officer to 12 month Fiscal asst (PT or FT)

	AD and Assoc AD to 12 months Asst for AD Asst for Assoc AD (PT or FT) Facility manager to 12 months Equipment Manager FT (less some reassignment of duties)
Dept from coaches 100-150K	Strength coach Academic Center / tutors Event Management (Advising – Overlap from above) (Marketing – Overlap from above)

Sport Specific = 455K – 590K

Departmental = 500K – 650K

Total = 955K – 1,240K

Costs are ballpark estimates based on discussions and permanent benefitted employees. These represent overlap, as they are a compilation of all requests, not an analysis of needs and the best way to meet those collective needs. While large in number and difficult to envision in the current economic environment, this list has the possibility of serving as a basis for planning future budget decision and fundraising goals.

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