

University of Tennessee at Chattanooga Department of Intercollegiate Athletics



The Quest for Comprehensive Excellence

Campus Budget Hearings
February 28, 2011

Mr. Rick Hart
Director of Athletics

Presentation Overview

Introductions

- I. UTC Strategic Plan
- II. Enabling Partnerships – Strategic Priority IV. L.
- III. Key Accomplishments
- IV. Overview of NCAA Division I and UTC Athletics
- V. Budget Overview
- VI. Three-Year Budget Forecast
- VII. The Value of Athletics

Critical Comments



UTC Strategic Plan

Vision: Building upon our success as an engaged, metropolitan university and leveraging our position within the UT system, the University of Tennessee at Chattanooga aspires to be a Top Five Public Master's University in the South.

Priority 1: Premier undergraduate honors experiences

Priority 2: Regionally superior graduate programs in appropriate fields

Priority 3: Applied research and experiential learning with regional partners to educate our students while promoting economic development and quality of life standards for our region

Priority 4: Develop and implement a comprehensive community engagement plan to protect and enhance our unique historical, geographical, and cultural identity associated with our location in southeast Tennessee



Enabling Partnerships

- IV. L.
 - Provide an intercollegiate athletics program that exhibits the highest level of student academic success, integrity and competitiveness.

- Proposed Benchmarks
 - Increased GPA, APR and graduation rates by athletes in all sports
 - Increased # of wins and conference titles among all sports
 - Increased annual attendance at home game venues in all sports
 - Increased donor funding for UTC athletic programs



Key Accomplishments

- Academic
 - GPA
 - APR
 - Graduation Rate
- Athletic
 - Championships
 - Broad Success
 - Special Awards/Accolades
- Social/Community
 - Life Skills (Value of Service, Leadership, Career Planning)
 - Engagement
 - Attendance and Participation
 - Image
- Other
 - Plan
 - People
 - Budget

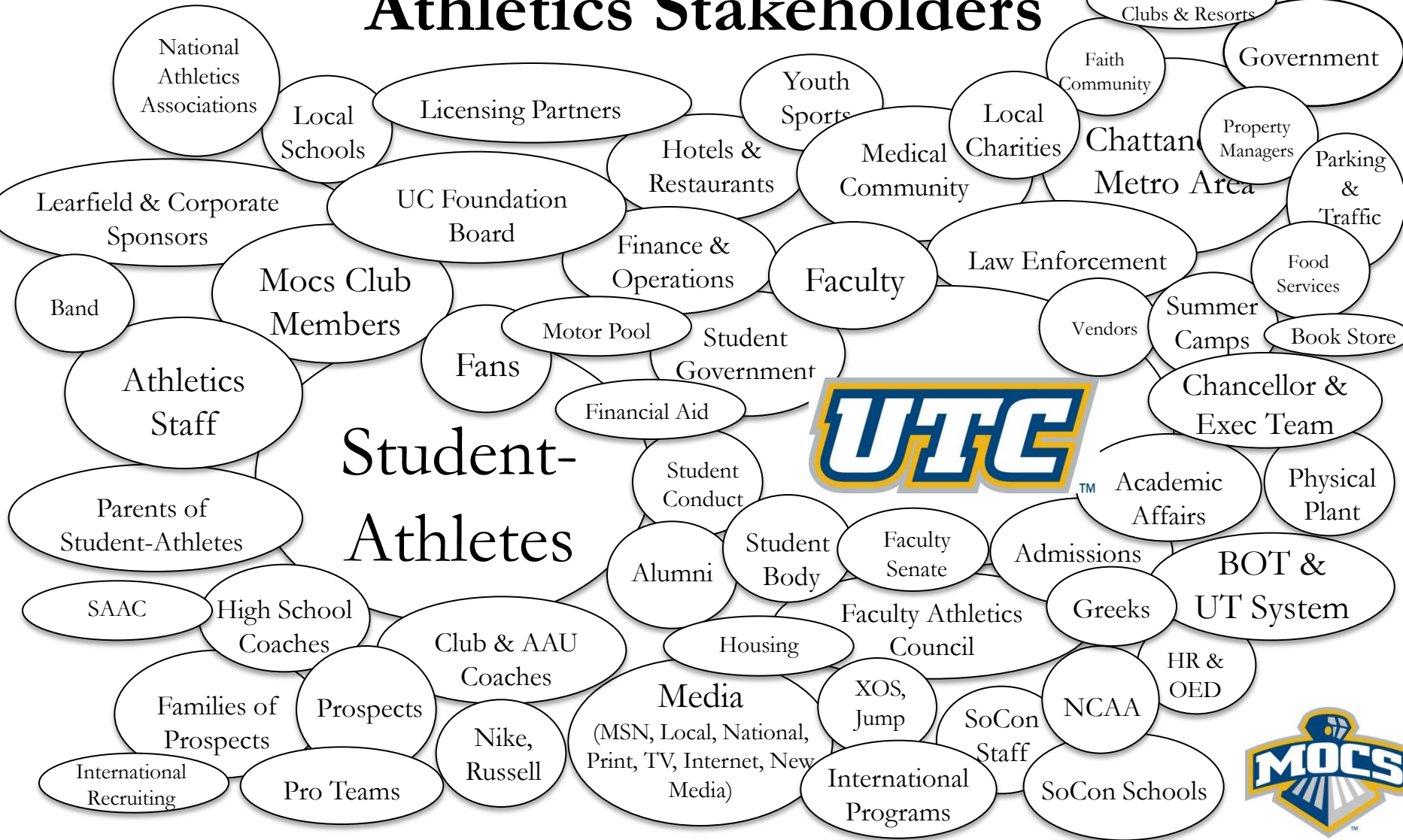


Components for a Successful NCAA Division I Athletics Program

- ✓ Institution with Strong Academic Reputation
- ✓ Clearly-defined Vision, Mission, Values and Objectives (Standards)
- ✓ Competent Coaches able to Recruit and Lead
- ✓ Cohesive Staff with Service Mentality
- ✓ Facilities for Competition and Training
- ✓ Resources for Scholarships and Operating Budgets
- ✓ Engaged Community and Vibrant Campus Life
- ✓ Supportive Administration, Faculty, Staff, Students, Alumni, and Fans



Athletics Stakeholders



Vision for UTC Athletics

“Comprehensive Excellence” as the UTC Standard

- We graduate our Student-Athletes.
- We compete for, and capture, Championships with Integrity.
- We prepare Student-Athletes for life in a global society.
- We operate with sound administrative principles, including a strong financial base.
- We enhance the student experience, but do not engulf it.
- We maintain and develop functional facilities that provide our student-athletes and coaches with a competitive advantage and our patrons with a premier experience.
- We serve as guardians and advocates for students and model the behaviors we want them to adopt.
- We are committed to life-long learning.
- We actively engage the UTC community and surrounding region.
- We embrace innovation and stepping outside our “comfort zone” – have fun!



Mission for UTC Athletics

We guide, encourage and support our Student-Athletes in their quest for comprehensive excellence – academically, athletically and socially.

Above all else, we prepare Students for productive and meaningful lives.



Core Values for UTC Athletics

- Six Core Values guide and govern our actions at all times
- They define “what we stand for” and “what we won’t stand for”
 - Integrity: we can be counted upon to “do the right thing”
 - Respect: we treat ourselves and others with dignity and respect
 - Positive Attitude: we expect the best of ourselves and others
 - Premier Service: we work together to take care of people
 - Accountability: we are an important part of a great team
 - Continuous Improvement: we are continually learning and seeking “a better way”



Strategic Objectives

- Academic Excellence
- Athletic Excellence
- Social Excellence
- Compliance
- Budget (Resource Generation/Allocation)
- Support Services
- Outreach (Service, Partnerships and Engagement)
- Constituent Relationships



S.W.O.T. Analysis

I. Strengths

- A. Faculty, Staff and Coaches; Reputation of Institution; Growing Student Population
- B. Academic Progress of Student-Athletes
- C. Broad Competitive Success
- D. Energetic and Supportive Fan Base
- E. Actions Align with Vision, Mission, Values and Objectives
- F. Finley and Frost Stadiums; Lawson Center; Golf Player Development Complex; Murphy-Haugerud/Scrappy Field
- G. Vibrant Community Offering a High Quality-of-Life

II. Weaknesses

- A. Dwindling Financial Resources
- B. Limited Recent Investment in Competitiveness – Particularly for Revenue-Generating Sports
- C. Operational Funding for All Sports
- D. Absence of Key Positions
- E. Scholarships Below NCAA Maximum Allowable Levels
- F. “Natural” Recruiting Area Includes GA, AL; High Rate of Out-of-State Tuitions
- G. Aging Facilities; Inadequate Space; Unfinished Athletics Facilities Master Plan
- H. Mid-Major Athletics not Well-Understood by Key Constituents throughout TN



S.W.O.T. Analysis (cont.)

III. Opportunities

- A. Establish Sustainable Funding Model
- B. Emergence of Football Program – Revenue Growth Potential
- C. Retention of “Star Performers”
- D. Formalized, Expanded Fundraising Effort; Continued Evolution of the UTC Mocs Club
- E. Gender Equity and Diversity Plans
- F. Campus Facility Master Plan, McKenzie Arena Master Plan Study and Engle Stadium Acquisition
- G. Personal and Professional Development
- H. NCAA Recertification Process (Also a Threat)

IV. Threats

- A. Global, National and State Economies
- B. University Commitment, Including Placement Among Ever-Changing Strategic Priorities
- C. Sustainability of Program if “Competitive Peers” Surpass Us
- D. Areas of Risk (Academic Integrity, Compliance, Health and Safety, Game Operations, Facilities, Technology)
- E. Timely Implementation and Ongoing Management of Academic (APR), Equity and Diversity Initiatives
- F. Changing Landscape of NCAA Conference Alignment
- G. Inability to Adequately Recognize Exceptional Performance
- H. Complacency or False Sense of Achievement



Strategic Priorities

- Sustainable Funding Model
 - Student Fees
 - NCAA/SoCon
 - Private Support
 - Self-Generated Revenues
- Infrastructure
 - Facilities
 - Organizational Structure
 - Technology
- Best Practices, Forward-Thinking Mindset
 - Compliance
 - Academic Support Services
 - Equity and Diversity
 - Business and Finance
 - Sports Medicine
 - Campus and Community Engagement



NCAA Division I Spending

- In all subdivisions, the number of participating athletes remains fairly constant, while the expense per athlete continues to increase, as a result of rising expenses.
- A total of 14 Division I athletics programs reported positive net revenues for FY09, a decrease from the 25 reported in FY08. The gap between the “profitable” programs and the remainder continued to grow.
- In all three subdivisions, total athletic expenditures as a percentage of total institutional expenditures have remained constant at approximately five percent. More importantly, if net deficits, rather than total expenses, are examined, the percentage drops to about four percent in the FCS.
- Generated revenues for the median FCS Institution decreased 3.1%.
- Total expenses increased at a faster rate than generated revenues.
- Total revenues allocated by FCS institutions are approximately 72% (and about 62% at UTC).
- Total expenses for FCS institutions, after removal of the inflationary effect, decreased 2%.
- The increase gap, which measures the difference in growth rates of athletic spending and overall institutional spending, remains very small in all subdivisions — and is essentially 0%.
- In all subdivisions, 3 revenue sources account for 50% or more of total generated revenues. These are ticket sales, alumni and booster contributions, and NCAA and conference distributions.
- Similarly, in all subdivisions, 2 expense line items, grants-in-aid and salaries and benefits, account for approximately 50% of total expenses (and about 67% at UTC).



FCS Spending

- Median generated revenues decreased from 2008 by 3.1% as compared with a 6% increase from 2007 to 2008.
- Median total expenses also decreased slightly (0.8%) from 2008 and increased 14.0% from 2007 to 2008.
- Median negative net generated revenue, representing expenses in excess of generated revenues moved from \$7,121,000 in 2006 to \$7,441,000 in 2007, \$7,937,000 in 2008, and \$8,643,000 in 2009. Thus, the median losses for the subdivision's schools continue to grow, increasing by 9% in 2009.
- The largest generated revenue for fiscal 2009 of \$18,736,000 and median generated revenue of \$2,886,000 are indicative of the disparity in the FCS. Similarly, the largest total expense is \$42,691,000, while the median is \$12,019,000, indicative of the varying budget sizes.
- No athletics programs reported net generated revenues in 2009. The median negative net generated revenue (expenses in excess of generated revenues) in 2008 was \$7,937,000 and \$8,704,000 in 2009. The net losses have increased steadily over the 6 years.
- Only 2% of football programs and 6% of men's basketball programs, and 2% of women's basketball programs reported net generated revenues (surpluses) for 2009, which is consistent over recent years. These net generated revenues are minimal. The median losses for the remaining programs in 2009 are \$1,453,000 for football, \$601,000 for men's basketball, and \$745,000 for women's basketball.
- Ticket sales (17%), donor contributions (27%), and NCAA/conference distributions (14%) continue to carry the load.
- Similarly, two line items make up over 50% of total expenses for the subdivision – salaries and benefits (32%) and grants-in-aid (25%). The former follows the national trend of tuition increases, while the latter is apparently market driven. Thus, the efforts to control athletics costs are frustrated by a lack of control over the largest two expense lines. No other expense line item is significant.
- Revenues allocated by the institution as a percentage of total revenues remained steady at 72% since 2006.



Median Spending by Quartile

Football Bowl Subdivision	
Tier I	\$80 million
Tier II	\$55 million
Tier III	\$33 million
Tier IV	\$20 million
Football Championship Subdivision	
Tier I	\$24 million
Tier II	\$14.7 million
Tier III	\$10.4 million
Tier IV	\$8.2 million



NCAA Division I Spending

	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Football Bowl Subdivision</u>			
Median Total Revenues	\$37,566,000	\$41,088,000	\$45,698,000
Media Total Generated Revenues	\$26,062,000	\$30,494,000	\$32,264,000
Median Total Expenses	\$39,192,000	\$41,363,000	\$45,887,000
Median Net Generated Revenues	(\$7,529,000)	(\$8,089,000)	(\$10,164,000)
<u>Football Championship Subdivision</u>			
Median Total Revenues	\$10,527,000	\$12,080,000	\$12,111,000
Media Total Generated Revenues	\$2,809,000	\$2,978,000	\$2,886,000
Median Total Expenses	\$10,541,000	\$12,115,000	\$12,019,000
Median Net Generated Revenues	(\$7,441,000)	(\$7,937,000)	(\$8,643,000)



FCS Sources of Revenue (2009)

<u>Median Values</u>	<u>Public/UTC</u>	<u>Private</u>	<u>Total</u>
Total Ticket Sales	\$427,000/593,500	\$298,000	\$387,000
NCAA And Conference Revenues	\$473,000/462,500	\$568,000	\$508,000
Guarantees and Options	\$501,000/514,000	\$191,000	\$427,000
Donor Contributions	\$644,000/400,000	\$1,036,000	\$746,000
Marketing/Sponsorships/Concessions	\$331,000/397,500	\$536,000	\$442,000
Total Generated Revenues	\$2,852,000/2,544,935	\$3,610,000	\$2,886,000
Direct Institutional Support	\$3,842,000/3,584,307	\$9,324,000	\$5,259,000
Indirect Institutional Support	\$350,000/497,800	\$2,435,000	\$846,000
Student Fees	\$2,075,000/2,385,108	\$0	\$767,000
Total Allocated Revenues	\$7,164,000/6,467,215	\$12,544,000	\$8,660,000
Total Revenues	\$10,334,000/9,012,150	\$17,331,000	\$12,111,000



Immediate Strategic Priorities

- Strategic Plan – Vision, Mission and Strategic Objectives (Comprehensive Excellence)
- Long-Term Health and Growth
- People (the Right Ones) – Greatest Asset
- “Rebalance” Budget – Operating, Recruiting, Compression
- Gender and Diversity Plans
- Risk and Best-Practices
- Support Services
- Premier Service – Event Management, Special Events, Technology
- Revenue Generation – Ticket Sales, Development, Marketing
- Standards and Accountability
- Training, Certifications and Professional Development
- NCAA Legislation, Title IX, Compliance Audit, Recertification Process



Budget Overview

- The Current Gap Between Base Budget and Actual Historical Expenditures (3-Yr. Ave.) is Approximately \$1,350,000
- In 2 Major Expense Areas, Personnel and Operating, Our Actual Annual Expenditures is \$675,000 Below the Peer Average
- Base Budget Reductions of \$250K (FY09), \$500K (FY10) and \$185K (FY11) Have Resulted in Nearly \$1M of Lost Reoccurring Funding
- The Existing Model will not Support Our Pursuit of Comprehensive Excellence



Athletics Funding

- Annual operating budget in the lower tier of the SoCon
- Many sports are on “life support” – rely too heavily on external sources
- Lack of strategic budgeting due to insufficient funding
- Insufficient operating budgets – genuine sacrifices have been made
- Little opportunity to truly manage resources – unrealistic budgets
- Negative impact on spring sports (budgets consistently “frozen”)
- Losing ground to competitive peers



Athletics Admin & Support Staff

- Absence of key administrative and support positions
- Salaries fall below the SoCon average in most categories
- Increased roles = increased risk (more complex than ever)
- Lack of training and professional development becoming more apparent – impacting innovation, proactive approach
- Operate with extreme efficiency considering number of sports, revenues generated, quality of events and (increasingly) high standards
- Frugality is Penalized



Funding “Saviors”

- Enrollment Growth
- GIA “Savings” (Annual and APR)
- AD Revenue Increases (Ticket Sales, Sponsorships, Fundraising, Game Guarantees) – Leader Among Peers
- Directed Gifts
- One-time Allocations

These wells are (mostly) “dried up.” Recent growth was intended to fund scholarships, generate “realistic budgets” (increase accountability), manage risk, adhere to new legislation, enhance S-A experience (continuous improvement, best practices, innovation, technology, etc.). We have been on a treadmill the last several years...



3-Year Budget Forecast

	FY12	FY13	FY14
Projected Revenues	\$ 9,331,991	\$ 9,565,291	\$ 9,804,423
Projected Expenditures	\$10,729,259	\$11,265,721	\$11,829,007
Projected Deficit	\$ 1,397,268	\$ 1,700,431	\$ 2,034,584

Projected deficit represents current gap between budgeted and actual expenses

Historically, this gap has been filled by: one-time funds (MOE), deferred GIA allocations, over-realized self-generated revenues, and various budget offsets (endowments, restricted giving, one-time allocations, SAOF)

In addition to typical inflationary factors, several events will significantly impact our budget beginning in FY12: loss of stimulus funds (\$185,000), transfer of women's soccer GIAs (\$55,000), replenishment of lost scholarships (\$300,000 est. for GIA and recruiting expenses), increased rental costs at Frost Stadium (\$25,000), new Compliance software (\$30,000), increase in Insurance/Medical costs (\$100,000), Officials adjustment (\$15,000)

All GIA funds should be used for designated purposes to expand scholarship opportunities and provide adequate summer school and post-eligibility support

Does not account for costs associated with equity and diversity plans, reform, growth or contingencies



Forecasting Needs

It will require an investment of approx. \$2M to restore the budget to “peer average” funding levels

- Personnel (\$350,000)
 - Budget “Rebalance”
 - Competitive Wages and Market Adjustments
 - New Strategic Positions: Business Manager, Director of Game Operations, Administrative Assistant, Strength and Conditioning, Wellness (nutrition, mental health, etc.), Assistant Coaches (per equity plan)
- Operating (\$1,000,000)
 - Budget “Rebalance” – Travel, Recruiting, Officials, Security, etc.
 - Gender Equity and Diversity (Strategic)
 - Competitiveness
- Equipment/Facilities (\$150,000)
 - McKenzie Master Plan
 - Golf Player Development Facility
 - Engle Track/Soccer
 - Maintenance
- Student Aid (\$600,000 “Savings”)
 - Reinstatement of Lost Scholarships
 - Summer School and Post-Eligibility
 - Progress Towards NCAA Maximum-allowable Levels



The Value of Athletics

There is a place in the university community for intercollegiate athletics programs conducted with honesty, integrity and the appropriate priorities. We must reflect the institutional mission and values in our words and actions. Whether we like it or not, the media has made the department of athletics the university's most visible ambassador. The athletics department is a window to the community and the region. Athletics departments must develop students and ensure that it enhances the college experience but does not engulf it. In support of the university's mission to enrich the lives of those we serve, the athletics department is committed to: preparing student-athletes for leadership in a dynamic and diverse society; reinforcing the values of fairness and integrity in intercollegiate athletics; increasing access to higher education; enhancing the collegiate experiences of young men and women through sound fiscal management; and highlighting the capacity of college sports to foster lifelong learning and health by collaborating with campus and community leaders.



Division I Athletics – Outputs

Institutional Revenues

Scholarships (Athletics Aid)
Tuition (Partials/Walk-Ons, SS/+1)
Donations
Housing
Food Services
Books
Fees
Merchandising/Vending
Parking
Insurance
Facilities Usage

Department-Generated Revenues

Ticketing
Corporate Partnerships
Development
Guarantees
Contracts
Other

Marketing/Image/Branding

Print and Electronic Media
Live Events and Coaches' Shows
Internet, Blogs, Talk Radio, etc.
Academic Profiles, Community Service
Local/Regional/National

Awareness/Exposure

Athletics Success
Championship Events
Camps and Clinics
Community Outreach & Participation
Strategic Partnerships
Alumni Engagement (Events, Reunions, etc.)
Donor Relations

Campus Life

Tradition
Campus Culture/College Experience
Gathering Places
“School Spirit”/Pride/Belonging

Access and Diversity

Minority/International Students
First-Generation College Students
Opportunity for Quality Education
Financial Aid

Life Skills/Experiences

Personal Development
Leadership Development
Mentoring
Career Placement

Community

Economic Impact
Sense of Pride/Connection to Univ.
Escape/“Normalcy”
Healthy Lifestyles
Added Value
Unity



We Shall Achieve

**"We have a unique ability of not setting plans on a shelf but actually achieving those goals."
– U.S. Senator Bob Corker**

Chattanooga's downtown has experienced a renaissance envied across the globe.

Chattanooga has developed Enterprise South and attracted global companies such as VW and Amazon.

Chattanooga has marketed its natural outdoor attractions and become a top destination for tourism.

Chattanooga has been named among the 7 "smartest" cities in the world.

Chattanooga has been listed among the top retirement destinations in the county.

The SIM Center has established its role as a National Center for Computational Engineering.

UTC has announced a vision of becoming a Top 5 Public Master's University in the South.

Chattanooga has a reputation for taking action and leveraging its unique assets.

In alignment with the University, UTC Athletics is capable of becoming a premier NCAA Division I Athletics program and further advancing the educational mission of the institution.



Presentation Recap

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