

**MINUTES**  
**UNIVERSITY ADVISORY COUNCIL ON**  
**STRATEGIC BUDGETING AND PLANNING**  
**April 24, 2014**

**PRESENT:** Martin Daniel, Wendy Herdman, Tim Hodge, William Knocke, Leslie O'Brien, John Phillips, Ken Smith, Dwight Shelton, Jason Soileau, Sue Teel

**ABSENT:** Renee Boyer, Amy Brunner, Elizabeth Fine, Balachandar Guiduri, Andrew McCoy, Mark McNamee, Joe Merola, Quinton Nottingham, Theresa Pancotto, Timothy Scott

1. CALL TO ORDER

Mr. Dwight Shelton, Vice President for Finance and CFO, called the meeting to order at 3:00 p.m.

2. APPROVAL OF THE MARCH 27, 2014 MINUTES

Members voted to accept the March 27, 2014 minutes. The minutes will be forwarded to the University Council for posting on the web.

3. CURRENT STATUS OF STATE BUDGET PROCESS

Mr. Tim Hodge, Assistant Vice President for Budget and Financial Planning provided an update on the current status of the state's biennial budget development process and the impact on the university planning and budget processes. He shared that the General Assembly has not completed its work as scheduled. As a result, the university is delayed in understanding state assigned cost drivers and the level of state support for the university. This has resulted in a delay in the development of the tuition and fee process.

4. UPDATE ON INTERCOLLEGIATE ATHLETICS

In response to the Council's earlier request, Mr. Tim Hodge, Assistant Vice President for Budget and Financial Planning provided an update on intercollegiate athletics. The PowerPoint presentation is attached to these minutes. Mr. Hodge stated that total revenues for Virginia Tech athletics for FY 2012-13 were \$70M and shared its relative standing with other NCAA Division I institutions. He reviewed the sources of funding and the share of each revenue source for Virginia Tech athletics. The Commonwealth of Virginia requires auxiliary enterprises including intercollegiate athletics to be a 100% self-supporting for both direct and indirect costs, and Virginia Tech is in compliance with this requirement. Virginia Tech continues to have the lowest student athletic fee of the public institutions in Virginia and had no fee increase from FY99 until FY11 with only low increases subsequent to that. Virginia Tech also generates more self-generated revenue than any other university as a share of overall income in the Commonwealth based on JLARC's recent review. Mr. Hodge reviewed ticket sales, the ACC Conference allocation, multimedia and advertising, and private funds. He also reviewed the utilization of funds for Virginia Tech athletics by

category of expenditure. Mr. Hodge presented and discussed the NCAA required schedule of revenues and expenses, as reviewed by the Auditor of Public Accounts (APA) for the University's programs for the year ended June 30, 2013. A number of the benefits to the university and the surrounding area that result from intercollegiate athletics were noted. He added that Virginia Tech is not immune from the decline in ticket sales observed across the ACC and the SEC.

5. OTHER BUSINESS

No further business was discussed, and the meeting adjourned at 4:00 p.m.



# **Update on Intercollegiate Athletics Sources of Revenues**

University Advisory Council on Strategic Budget and Planning

April 24, 2014

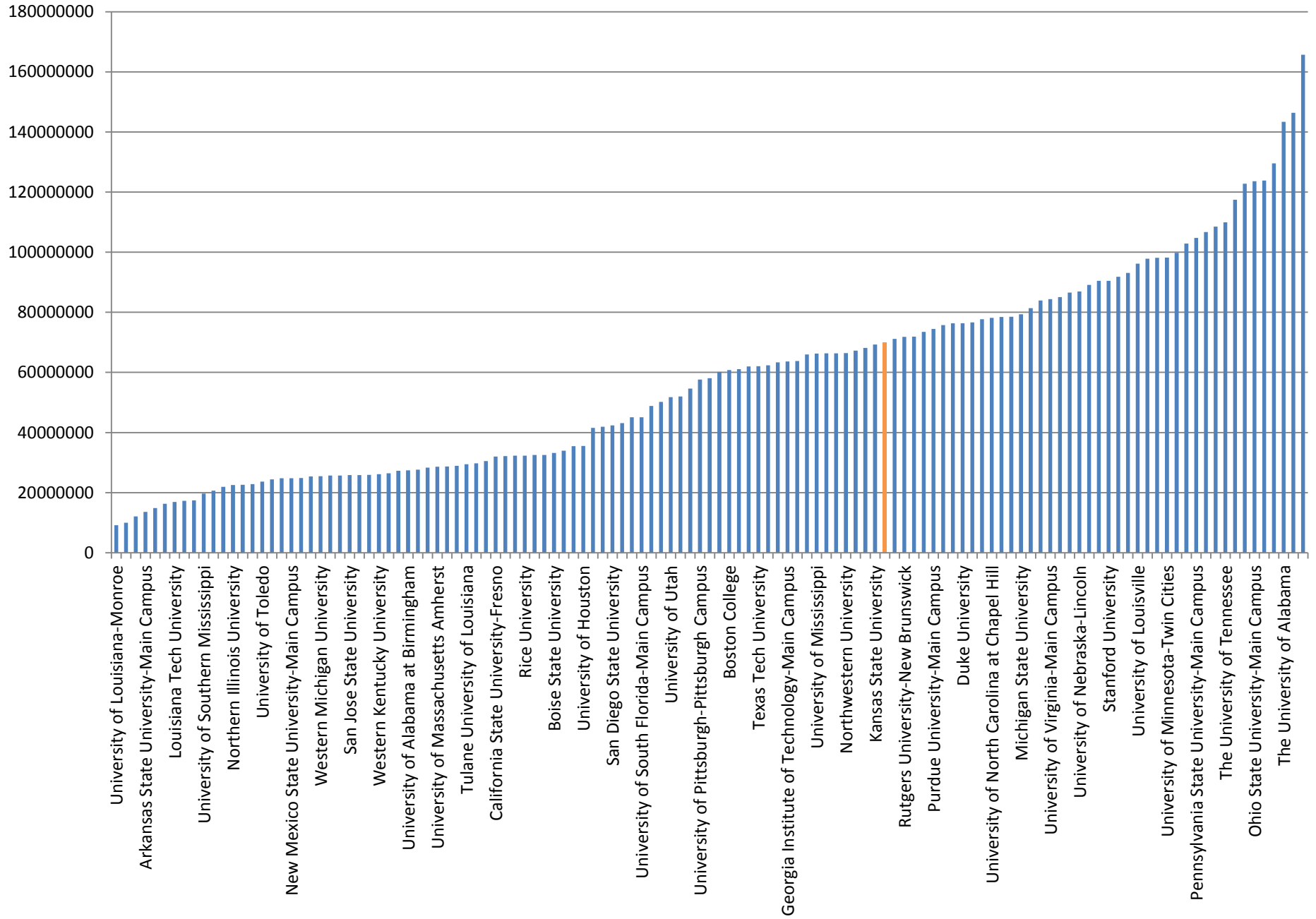


# Athletics Revenues

Total Revenues for Fiscal Year  
2012-13:

\$70 million

# NCAA Division I Revenue





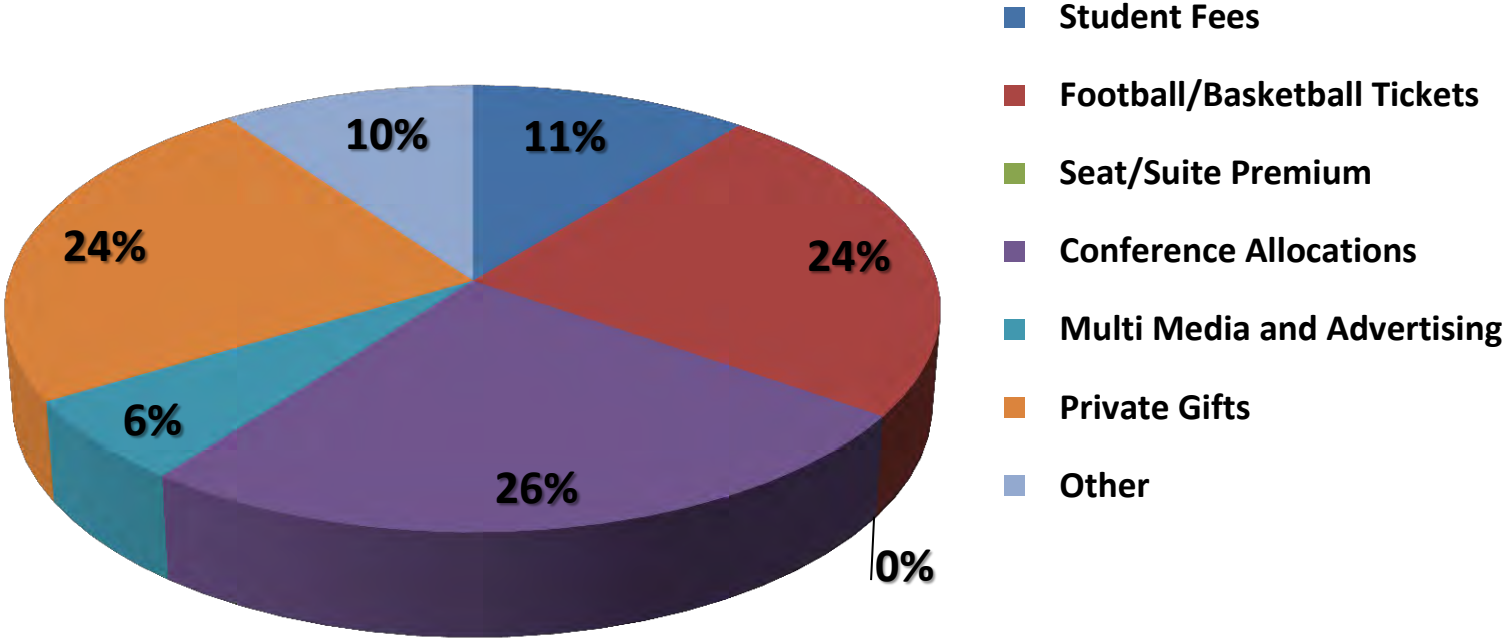
# Athletics Funding

## Sources include:

- Ticket Revenue
  - Seat/Suite Premium
- Conference Allocation
- Private Funds
- Student Fees
- Multimedia Rights
- Other (NCAA Allocation, Hokie Sports, Hokie Kids Club, Licensing, Concessions, Pouring Rights, Facility Rentals, Investment, etc.)

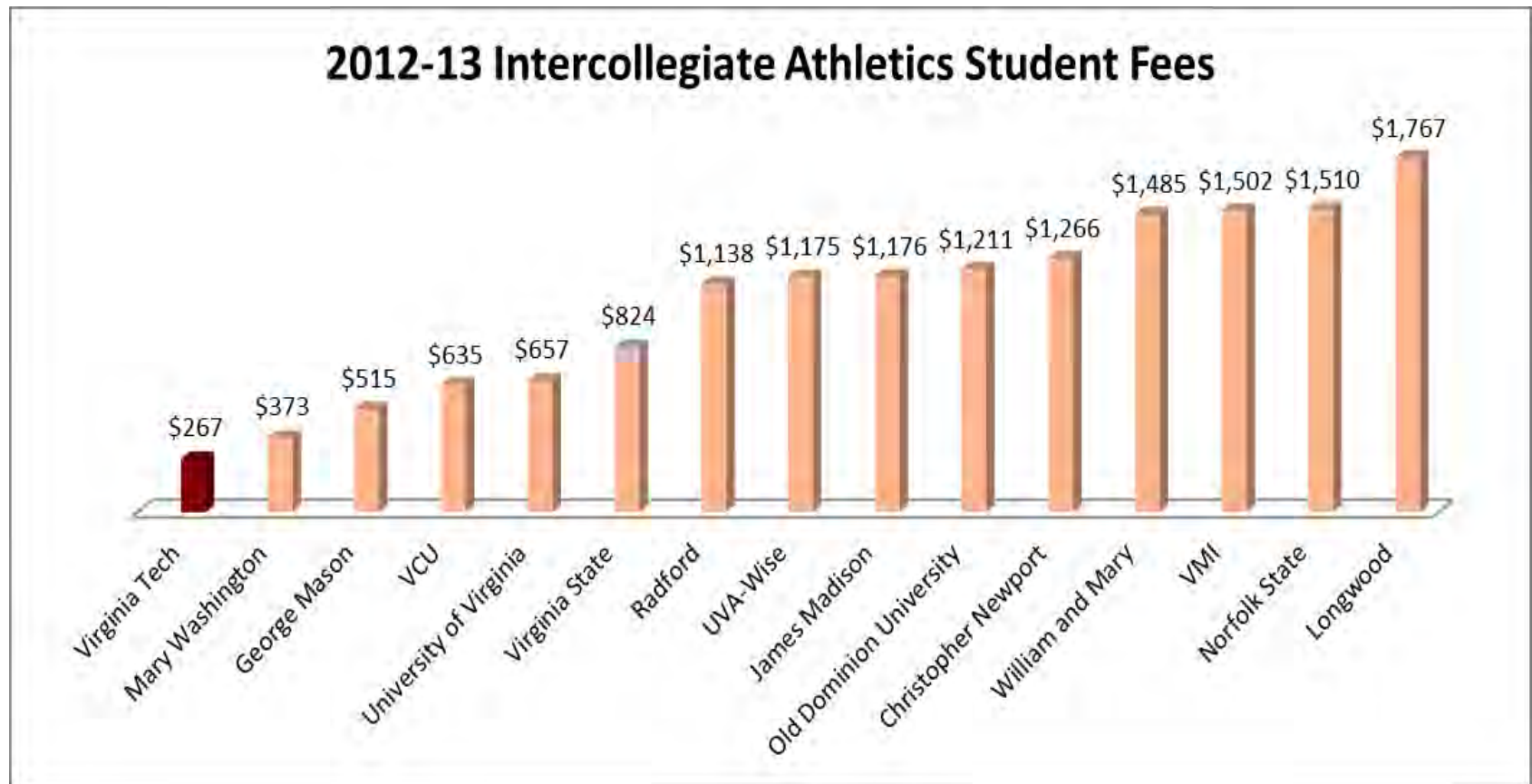


# Revenue Breakdown



# Student Fees

VT had lowest Athletic Student Fee in the state



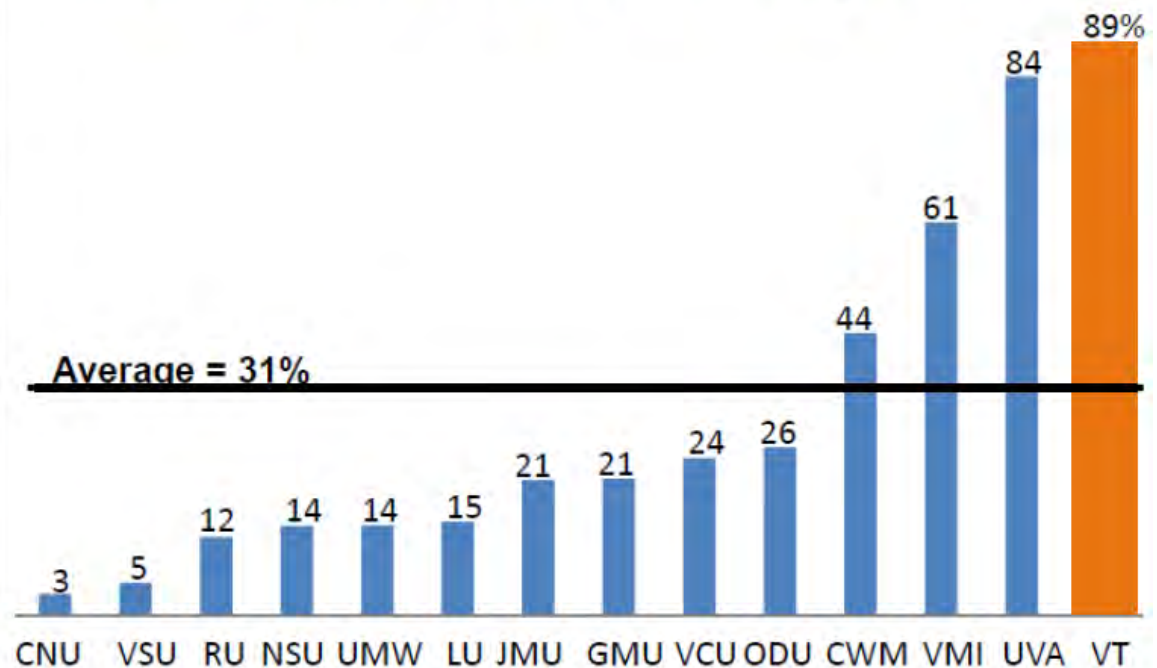




# Athletics Revenue

## Most Athletic Programs Generate Less Than Half of Total Revenue (2011-12)

No Virginia school generates enough athletic revenue to cover all its expenses without subsidies from student athletic fees, but the amount of generated revenue varies substantially by school.





## **Ticket Sales**

- FY13 Total - \$16.7 million
- Football, Men's Basketball, Women's Basketball

## **Seat Premiums**

- FY13 Revenue - \$5.5 million
- Lane Stadium Suite Premiums
- Lane Stadium Club Seat Licenses



# Conference Allocation

FY13 ACC Revenue - \$17.9 million

- Significant 10 year growth
- As ACC has expanded, so too has the Conference Revenue share





## Multimedia and Advertising

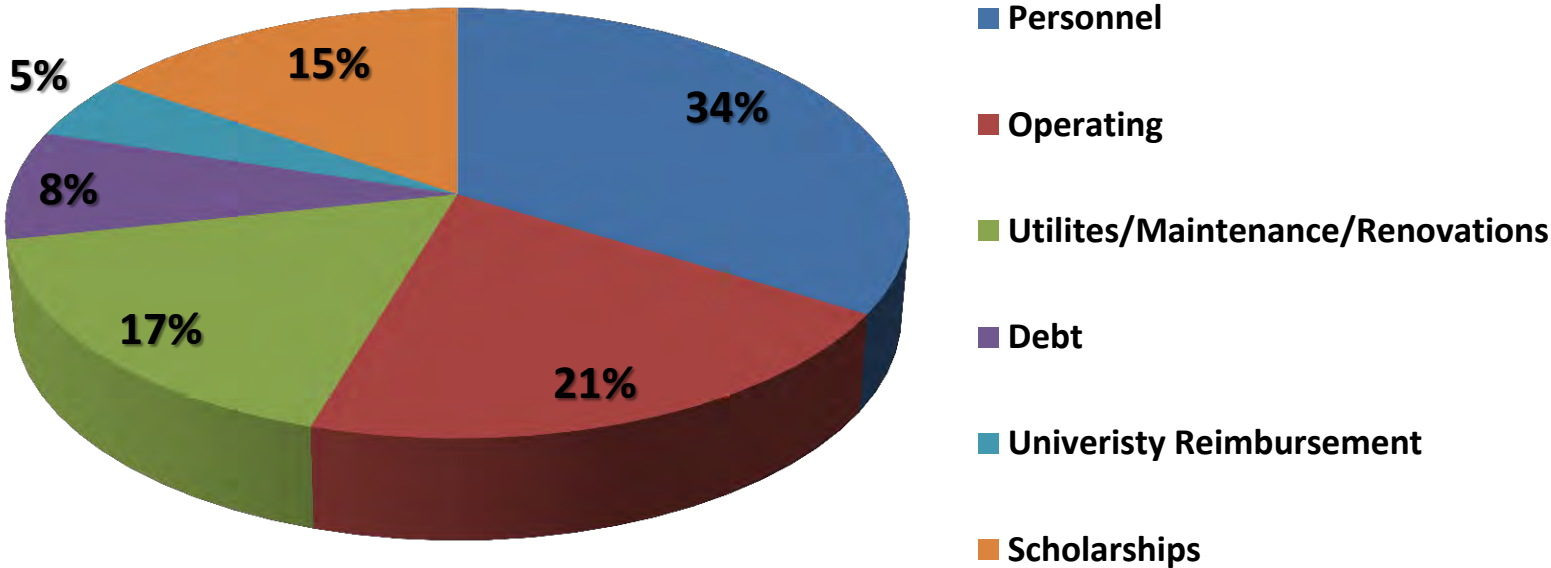
- FY13 Revenue - \$4.3 million
- Mostly comprised of current contract with IMG for radio and advertising rights.

## Private Funds

- FY13 Revenue - \$16.6 million
- Money donated to University to assist in funding specific initiatives.
- Scholarships, facilities, programs



# Expense Breakdown





# State of Virginia Requirements

- As an Auxiliary Unit, Athletics is required to be self-supporting and cover 100% of direct and indirect expenses.
  - No State General Funds
  - No Tuition

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY  
SCHEDULE OF REVENUES AND EXPENSES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
For the year ended June 30, 2013

	Football	Men's Basketball	Women's Basketball	Men's Other Sports	Women's Other Sports	Non-Program Specific	Total
<b>Operating revenues:</b>							
Ticket sales	\$ 14,259,840	\$ 2,301,635	\$ 125,204	\$ -	\$ -	\$ 3,060	\$ 16,689,739
Student fees	-	-	-	-	2,165,582	5,441,153	7,606,735
Guarantees	500,000	-	-	15,500	6,200	-	521,700
Contributions	9,003,612	449,506	573,395	2,352,173	2,904,901	1,316,015	16,599,602
Compensation and benefits provided by a third party	185,000	-	-	-	-	-	185,000
Direct state or other government support	-	-	-	-	-	645	645
Direct institutional support	-	-	-	-	-	281,359	281,359
NCAA conference distributions including all tournament revenues	9,052,533	6,784,756	34,634	228,073	123,696	1,678,966	17,902,658
Broadcast television, radio and internet rights	3,220,455	873,119	218,280	-	-	-	4,311,854
Program sales, concessions, novelty sales, and parking	1,232,870	54,751	11,374	33,798	10,482	353,218	1,696,493
Royalties, advertisements and sponsorships	1,163,405	126,809	61,702	112,000	118,500	484,113	2,066,529
Endowment and investment income	513,355	128,475	97,161	500,294	667,120	80,953	1,987,358
Other	4,975	-	-	50,564	50,564	74,712	180,815
<b>Total operating revenues</b>	<b>39,136,045</b>	<b>10,719,051</b>	<b>1,121,750</b>	<b>3,292,402</b>	<b>6,047,045</b>	<b>9,714,194</b>	<b>70,030,487</b>
<b>Operating expenses:</b>							
Athletic student aid	3,277,245	416,177	577,001	2,364,871	3,226,094	375,707	10,237,095
Guarantees	718,750	409,500	41,989	25,626	7,500	-	1,203,365
Coaching salaries, benefits, and bonuses	5,709,487	2,172,611	860,218	1,812,579	1,506,889	-	12,061,784
Coaching other compensation and benefits paid by a third-party	185,000	-	-	-	-	-	185,000
Support staff and administrative salaries, benefits and bonuses	1,689,811	269,340	181,680	61,811	103,094	7,856,699	10,162,435
Severance payments	64,491	12,047	17,941	5,538	4,415	28,444	132,876
Recruiting	353,983	237,297	163,383	249,393	190,116	2,000	1,196,172
Team travel	1,651,863	400,114	343,654	917,140	914,436	59,169	4,286,376
Equipment, uniforms, and supplies	508,847	123,007	104,221	393,297	464,953	69,907	1,664,232
Game expenses	1,738,231	387,526	212,046	305,492	193,037	375,659	3,211,991
Fund-raising, marketing and promotions	335,860	352,029	103,977	86,149	50,805	441,221	1,370,041
Direct facilities, maintenance and rental	7,276,321	436,105	438,797	476,801	542,196	7,614,035	16,784,255
Spirit groups	272,921	18,932	11,084	-	-	106,343	409,280
Medical expenses and medical insurance	155,372	27,445	28,515	180,073	136,468	317,016	844,889
Memberships and dues	2,039	1,020	1,308	7,096	3,220	27,379	42,062
Other	1,122,963	232,150	101,701	246,709	138,132	948,416	2,790,071
<b>Total operating expenses</b>	<b>25,063,184</b>	<b>5,495,300</b>	<b>3,187,515</b>	<b>7,132,575</b>	<b>7,481,355</b>	<b>18,221,995</b>	<b>66,581,924</b>
<b>Excess (deficiency) of revenues over (under) expenses</b>	<b>\$ 14,072,861</b>	<b>\$ 5,223,751</b>	<b>\$ (2,065,765)</b>	<b>\$ (3,840,173)</b>	<b>\$ (1,434,310)</b>	<b>\$ (8,507,801)</b>	<b>\$ 3,448,563</b>



# Benefits to University

- \$10.2M Student Athlete Scholarship support
- Assists in generating resources for University Scholarship Programs (non-student athlete)
- \$3.2 million in reimbursement of university costs
- Academic and Special Events Space
- \$169k to Parking Services to lower the cost of parking





# Benefits to University

- Pouring Rights Revenues shared with University which assist with University initiatives such as the Center for the Arts
- Athletics has pledged \$3 million to assist with the new Marching Virginians facility and provides annual band support of approximately \$170k
- Student employment and learning opportunities



# Benefits to University

- Alumni Loyalty and Involvement
- Philanthropy
  - Athletic Department
  - Academic Departments
- University Exposure
  - Gets Virginia Tech in front of perspective students
  - Assists with research sponsor awareness
- Overall Student Experience



# Benefits to Surrounding Area

## Examples

- Christiansburg Aquatic Center
- River Course
- Economic boost for region – supports local hotels, restaurants, stores, etc.



# Update on Current Events

- Ticket sales  
VT is not immune from the decline  
observed across the ACC & SEC



# Questions/Discussion