

UNIVERSITY of WASHINGTON

FY2020 Annual Review Narrative Response for: **200 - Intercollegiate Athletics**Programmatic & Academic Vitality Narrative

- 1) Please briefly describe your campus's annual internal budget development process. *Question Type: Free Text, Word Limit: 500, Required For: All Units*

Due to ICA's external reporting to the Board of Regents, our budgeting process takes place in two phases.

1. Long-term Projections for BoR / Treasury reporting:

In late fall, we begin the process of updating our long-term projections. Gate revenue (and the seat-related contributions tied with it) cause the most variability in our budget. As football season is winding down, we establish price levels for the coming year and meet numerous times with groups both internal and external to the department to vet assumptions around renewal rates, new season ticket sales, single game sales, etc. With that information, plus updated information around sponsorship revenue, changes to NCAA or conference distributions, or other revenue streams (i.e. souvenir and concession revenue), we finalize our revenue assumptions by mid to late February.

During the same time period, we update our expense projections. The greatest variability in expenses comes from mid-year negotiation of coaching contracts (football in particular, which mostly takes place during January). Compound annual growth rates for the prior 5 years are used to project expense growth in areas like travel, maintenance, marketing and student aid. Institutional Overhead expenses are tied to our updated revenue projections. Annual planning for minor CapEx and deferred maintenance expenses are based on a prioritized list of projects, and are timed based on department cash flow (to the best of our ability). The goal is to have all of this information compiled and reviewed by early March, so it can be presented to the Board in spring. It's important to reiterate that part of our review process involves vetting our projections (and assumptions) with key external stakeholders; this allows the department to receive valuable feedback from local business leaders and maintain a high level of accountability.

2. Internal budget process:

The collaborative long-term projection process described above creates financial "guide posts" for the internal budget process, which takes place March through June. ICA's CFO sends a budget memo to all budget managers which gives them parameters on how to create their operating budget, including department priorities that'll be used in determining where to allocate resources. They are given roughly five weeks to submit their budget via our online tool (Elevation) and complete their Operating Plan, which describes their goals for the coming year, how they fit in with the overall department priorities, and challenges they may have in achieving those goals.

ICA's CFO and Controller spends a month meeting individually with every team and administrative unit (roughly 30 distinct groups) to discuss submitted budget requests and Operating Plans. The CFO then leads a series of meetings with ICA's Executive Team in late May/early June in order to synthesize that information and make recommendations about resource allocation. Ultimately, operating budgets are approved by the Athletic Director in early June.

- 2) What are 3-5 key elements of your campus's current strategic plan? *Question Type: Free Text, Word Limit: 500, Required For: All Units*

ICA's three strategic anchors are as follows: To recruit, hire and retain talent who exhibit championship behaviors (our core values of growth mindset, humility, grit and committed service) A relentless commitment to strategic relationship building across and within our communities To increase revenue opportunities and thoughtfully prioritize resources in order to invest in the student athlete experience.

- 3) What major obstacles or institutional barriers currently do, or likely will, hinder execution of your strategic plan? What are you doing to address these challenges? *Question Type: Free Text, Word Limit: 500, Required For: All Units*

The University of Washington is now the only school in the Pac-12 conference that doesn't benefit from a student fee for athletics (at other schools, revenue from student fees range from \$2.5-10M annually).



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Additionally, charges from internal campus units have been difficult to predict and contain. The following are a small sample of costs borne by ICA from campus units, none of which were anticipated at the inception of our ILP loan five years ago:

- Workday implementation for HR/Payroll, which costs ICA approximately \$140K/year
- UWPD costs have risen by 35% over the last five years (ICA now pays over \$1.2M/year to UWPD for security at ICA events)
- UWTV charges for videoboard operations have increased by 23% over 5 years (this year, ICA anticipates we will have to pay \$575K to UWTV for videoboard ops).
- 5% gift assessment from University Advancement beginning July 1, 2018, which is estimated to cost ICA \$250-300K each year. Beginning in July 2019, ICA will be charged roughly \$38K annually from the Office of Merchant Services for PCI compliance. ICA is in the middle of a contract with Paciolan for ticket sales and won't be using the services/products generated by these fees for 3 years, however, we have been told we will not be exempted from paying these fees in the interim
- On top of paying institutional overhead, ICA is charged directly for utilities and for the upkeep of all of our facilities.

Costs associated with these areas have steadily increased as well. It is difficult to gauge what other internal costs are on the horizon. For instance, merit increases for the majority of ICA's FTE's are driven by policies set by campus, however ICA receives no central support to offset costs. Also, it is unclear how much the Finance Transformation project will cost ICA. Our projections don't currently include a placeholder for this expense. Should Workday costs for Finance Transformation be allocated as they are for HR/Payroll, ICA could be assessed over \$300K/year for this new system.

In regards to addressing these institutional challenges, ICA continues to strengthen our relationships across campus, fostering a collaborative approach to tackling issues whenever they arise. We also voice concerns to University leadership whenever appropriate. We frankly haven't made great strides but are very open to suggestions on how to get better in this area.

- 4) Over the next year, could any of your planned strategic activities result in material changes to revenues or expenditures, faculty or staff workload, or the student experience within your campus and/or another unit/campus? *Question Type: Free Text, Word Limit: 500, Required For: All Units*

Our strategic anchors impact everything we do and are woven into every decision we make. Recruiting and retaining great coaches has a direct correlation to our student athletes' experiences, as well as our department expenditures. The success of our programs (particularly football and men's basketball) have a significant impact on our revenues, which allows ICA to enrich the lives of all our student athletes and positively impact our community.

- 5) What is your unit doing to effectively use resources in a way that benefits your campus and/or other units/campuses? *Question Type: Free Text, Word Limit: 500, Required For: UWB, UWT, UWS Administrative Units*

We take pride in the institutional recognition and support that Husky Athletics brings to the University of Washington. ESPN's College GameDay had roughly 1.9 million viewers when hosted on the Seattle campus in November 2016. Our three most recent bowl appearances each had between 11-19M viewers. A successful athletic program brings attention to our campus unlike anything else. In regards to fundraising, ICA is one of the only schools in the country to allow campus giving to receive priority points for seating at athletics events.

In addition to the fees ICA pays to UWPD and UWTV detailed in question 3 above, ICA's partnership with UW Med provides direct financial support to UWMC (over \$200K in FY18). UW Med doctors have also been the recipients of Pac-12 research grants.



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- 6) What are you doing to improve the experience and outcomes of students on your campus? What could the University do to support your efforts? *Question Type: Free Text, Word Limit: 500, Required For: UWB, UWT, UWS Academic Units, UAA, Graduate School*

Not Applicable