

June 2, 2023

BOARD OF REGENTS MEETING NOTICE
June 8-9, 2023

The Board of Regents of Washington State University will hold a retreat June 8-9, 2023, in Pullman, Washington. The retreat will begin with dinner on Thursday, June 8, at 6:30 p.m., in the Cougar Baseball facility, Pullman Campus, Pullman, WA.

On Friday, June 9, the Board is scheduled to meet from 7:00 a.m. until 3:30 p.m. at the Elson S. Floyd Cultural Center, 405 SE Spokane Street, Pullman, WA. An Executive Session will be held to consider matters as allowed by the Open Public Meetings Act from 7:00 a.m. to 8:00 a.m.

NOTE: The Board of Regents is scheduled to act on four agenda items on June 9. Public listening of the business portion of the retreat is available as follows:

+1-253-215-8782 (United States)
Meeting ID: 983 8089 2408 Passcode: 946870
YouTube Live Stream: <https://youtube.com/live/eb4W7GMulro>

Meeting Agenda

- I. Executive Session
- II. Retreat Kickoff
- III. Action Item 1: Athletics Budget Adjustment Approval for Fiscal Year 2023
- IV. Action Item 2: Athletics Budget Transfers for Fiscal Year 2023
- V. Action Item 3: Athletics Budget Approval for Fiscal Year 2024
- VI. Action Item 4: Delegation of Authority to Assign Media Rights
- VII. Presentation: WSU Online Learning Portal – Mandatory Trainings
- VIII. Presentation: President's 2023-2024 Goals and Objectives
- IX. Presentation: WSU System Strategic Plan Progress and Update
- X. Board of Regents Lunch
- XI. Focused Discussion: WSU's Strategic Position
- XII. Public Comment
- XIII. Closing

Questions about the Board of Regents meeting and schedule may be directed to Desiree Jacobsen, Executive Assistant to the Board of Regents, 509-335-4200.

cc: Attorney General's Office
WSU News Service



WASHINGTON STATE
UNIVERSITY

Cougar Athletics – FY23 & FY24 Budget Adjustments & Financial Management Oversight



June 9, 2023

Executive Summary

- FY23 - anticipated \$11.5 million budget overage
- FY24 - proposed budget of \$83.4 million in expenditures
 - \$1.8M increase over FY23 Budget
 - \$3.7M reduction to expected FY23 actual expenses
- FY24 - \$82.9 million in operating revenues, a 6% increase from FY23 actual (before Pac-12 shortfall)



Executive Summary

- Multiple factors contributed to the FY23 variance:
 - Expected decrease in the Pac-12 Conference revenue distribution: -\$3.5M
 - Revenues falling short of projection: -\$2.5M
 - Operational costs exceeding the approved budget: -\$5.5M
 - Transitions in the Athletics CFO Role
- Aggressive review of the factors driving the FY23 budget overage is underway along with renewed efforts to improve budget monitoring and accountability measures.



Pac-12 Conference Revenue Distribution

- The Pac-12 Conference will experience a revenue shortfall due to media partner overpayment and cost overrun of capital project to relocate production operations.
- As a result, Conference revenue distributions for FY23 are expected to decrease by \$3.5M per institution.
- The decrease in the Pac-12 Conference revenue distribution is expected to also impact FY24, down \$4.0M from the FY24 budgeted planning rate.



FY23 Budget to Projected Actual

(through May 15, 2023)

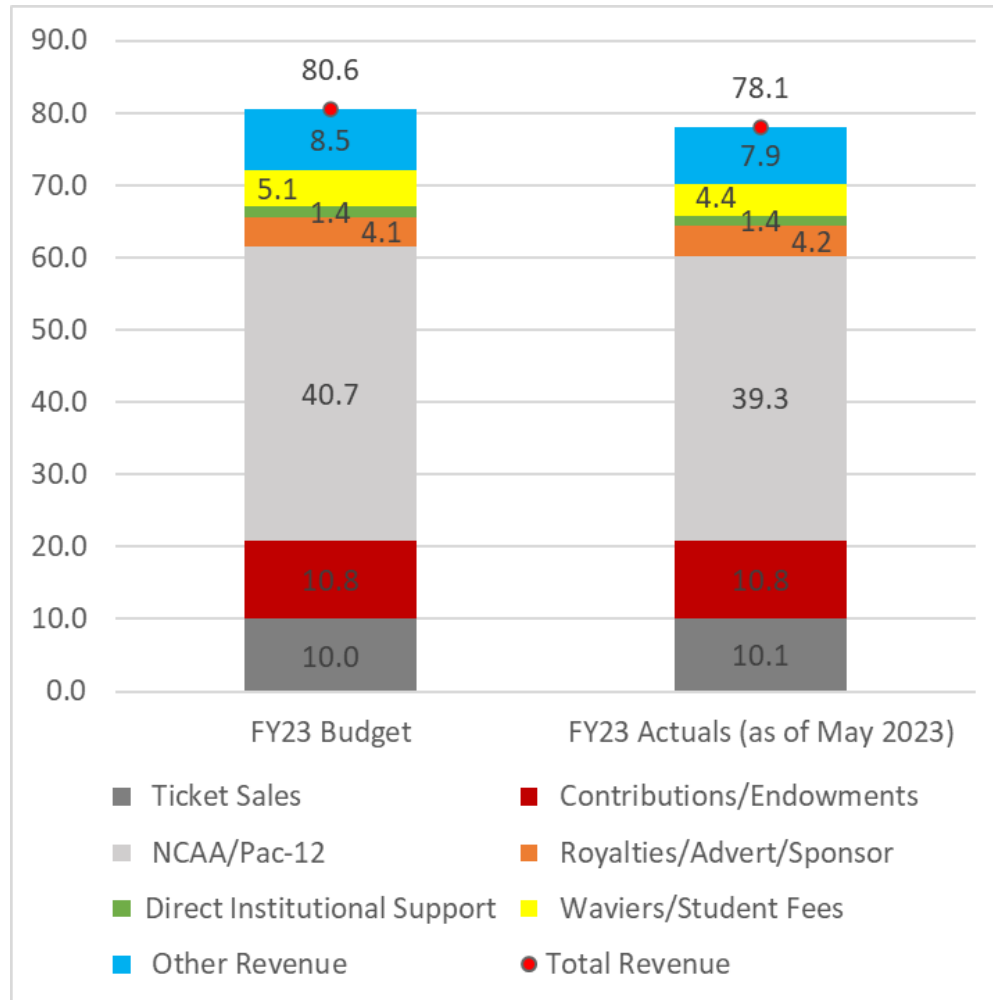


Athletics Budget - Projected				
	FY22 Actuals	FY23 Budget	FY23 Proj.	Variance
REVENUES:				
Ticket Sales	9.3	10.0	10.1	0.1
Contributions/Endowments	10.7	10.8	10.8	0.0
NCAA/Pac-12	38.7	40.7	39.3	-1.4
Royalties/Advert/Sponsor	4.9	4.1	4.2	0.1
Direct Institutional Support	0.0	1.4	1.4	0.0
Waviers/Student Fees	5.0	5.1	4.4	-0.7
Other Revenue	6.4	8.5	7.9	-0.6
Total Revenue	75.0	80.6	78.1	-2.5
EXPENSES:				
Compensation	29.1	29.4	29.7	-0.3
Scholarships	12.2	12.1	12.5	-0.4
Sport Programs	13.6	13.5	15.3	-1.8
Marketing/Fund Raising	1.5	1.9	2.0	-0.1
Debt Payments	10.8	10.0	10.0	0.0
Direct Admin/Dues	3.6	4.5	5.0	-0.5
Other Expense	12.2	10.2	12.6	-2.4
Total Expenses	83.0	81.6	87.1	-5.5
Net Income from Operations	-8.0	-1.0	-9.0	-8.0
Savings from Bond Proceeds	10.0	1.0	1.0	
Net Income After Financing	2.0	0.0	-8.0	-8.0

Pac-12 Shortfall	-3.5	
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*There may be minor differences in subtotals shown above due to rounding to dollars million

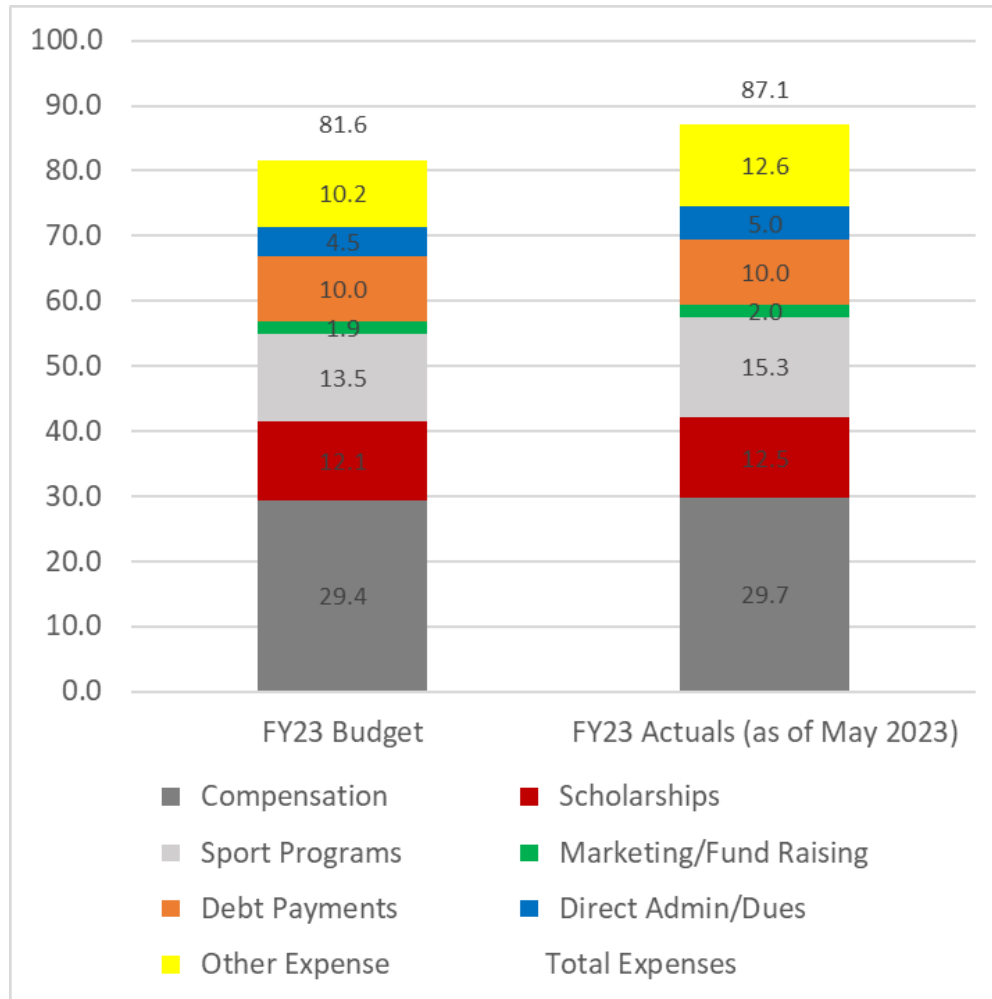
FY23 Revenue Variances



- Revenues are expected to miss budget levels by \$2.5M.
- Positive Variances:
 - Ticket sales +\$.1M
 - Royalties and sponsorships +\$.1M
- Negative Variances:
 - \$1.4M shortfall in Pac-12 and NCAA distributions (on top of the impact of the Pac-12 media in the prior slide).
 - \$0.7M decline in student sport pass, fees, and waivers from decreased enrollment.
 - \$0.6M shortfall in other revenue related to parking, facility fees, and bowl revenue



FY23 Expense Variances



- Expense expected to exceed budgeted levels by \$5.5M.
 - Compensation exceeded budget by \$0.3M due to student wages, overtime pay, and increases to contractual employees.
 - Financial Aid was \$0.4M over budget due to a larger than anticipated amount of medical and degree completion aid awarded.
 - Team expenses (travel, recruiting, student-athlete meals, and medical expenses) and Other Expenses exceeded budget by \$4.8M.



Remediation Efforts for FY23

- Since early May, Athletics has implemented the following steps to help mitigate the shortfall:
 - Current and future vacant positions will remain frozen until further review and start dates will be delayed.
 - Non-essential travel and purchases are halted. All pending expenses are under review by a Sport Administrator or Deputy AD.
 - All new professional development is paused. Moving forward, a revised professional development and travel policy will be implemented.
 - All expenses/purchases must receive advance approval by a Sport Administrator or Deputy AD. All procurement card transactions/receipts must be reconciled in Workday within one week of the incurred expense.



FY24 Budget

Washington State University									
	FY19	FY20	FY21	FY22	FY23 (as of 5/25)	FY24	FY25	FY26	FY27
REVENUES:									
Ticket Sales	9.5	8.6	0.0	9.3	10.1	10.1	10.3	10.3	10.8
Contributions/Endowments	12.4	10.7	8.5	10.7	10.8	11.1	11.7	12.0	12.2
NCAA/Pac-12	34.2	34.7	22.5	38.7	39.3	42.1	45.9	47.7	49.0
Royalties/Advert/Sponsor	4.6	4.3	3.4	4.9	4.2	4.3	4.5	4.0	4.1
Institutional Support	0.0	0.0	0.0	0.0	1.4	2.4	2.5	2.6	2.6
Waivers/Student Fees	5.2	5.2	4.8	5.0	4.4	4.3	4.5	4.6	4.6
Other Revenue	5.8	6.6	0.8	6.4	7.9	8.7	8.3	8.3	8.5
Total Revenue	71.7	70.1	40.0	75.0	78.1	83.0	87.7	89.5	91.8
EXPENSES:									
Compensation	27.7	28.5	25.6	29.1	29.7	30.3	31.1	32.1	33.0
Scholarships	11.0	10.5	11.4	12.2	12.5	12.9	13.5	14.0	14.4
Sport Programs	11.4	10.7	7.4	13.2	15.3	12.7	14.2	14.7	15.2
Marketing/Fund Raising	1.8	1.3	1.2	1.5	2.0	1.8	2.0	2.1	2.1
Debt Payments	9.2	9.2	10.0	10.8	10.0	10.0	11.0	10.3	10.3
Direct Admin/Dues	4.7	4.6	4.6	3.6	5.0	4.6	4.7	5.0	5.1
Other Expense	10.3	12.5	4.8	12.6	12.6	11.1	11.2	11.3	11.7
Total Expenses	76.1	77.3	65.0	83.0	87.1	83.4	87.7	89.5	91.8
Net Income from Operations	(4.4)	(7.2)	(25.0)	(8.0)	(9.0)	(0.4)	0.0	0.0	0.0
Proceeds from Financing/Savings from Debt Refinance			35.6	10.0	1.0	0.0	0.0	0.0	0.0
Net Income After Financing	(4.6)	(7.1)	10.6	2.0	(8.0)	(0.4)	0.0	0.0	0.0

Pac-12 Shortfall	(3.5)	(4.0)
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* General Revenue Bond had \$1M payment for FY2023 (FY23 total Athletics debt service of \$11M). In 2021, WSU borrowed \$37.8M, of which \$1.9M was capitalized interest to cover payments in FY22 and FY23, for net bond proceeds of \$35.6M.

**There may be minor differences in subtotals shown above due to rounding to dollars million



Improve Budget Monitoring and Financial Accountability Measures



An aggressive review of the factors driving the FY23 budget overage is underway.

Moving forward, several operational changes and a series of new budget monitoring and financial accountability measures will be implemented.





Implement New Executive Oversight

- Athletics Director (AD) and the Executive Vice President for Finance and Administration (EVPFA), and staff will conduct monthly budget-to-actual reviews for the full Athletics budget including all revenues and expenses at the department level. This Athletics Financial Oversight meeting will include a member of the Board of Regents and a member of Faculty Senate.
- In follow-up, the President, AD and EVPFA will meet monthly to review budget-to-actual summary and discuss any variance and corrective adjustments required to maintain balanced budget.
- WSU Administration will resume budget-to-actual reporting at each Board meeting.



Stabilize Athletics Financial Operations

- AD and EVPFA will review and revise the Athletics AFO position description:
 - Athletics AFO will report directly to the AD
 - Athletics AFO will have a dotted line report to the EVPFA
- Begin search for new Athletics AFO.
- Finance and Administration will continue to be involved in the search process.
- Once the new Athletics AFO is in place, the Assistant VP for Business and Financial Services will provide 12-18 month onboarding and training assistance.
- Athletics will create a Budget and Finance Manager position to report to the Athletics AFO.

Provide Interim Support for Athletics Financial Management

- Designate the Assistant VP for Business and Financial Services as Interim Athletics Area Finance Manager (AFO), effective June 12, 2023.
- In the interim capacity, the Assistant VP for Business and Financial Services will attend weekly Athletics executive meetings and other major initiatives and project meetings.
- Athletics Business Office Staff will report to Assistant VP for Business and Financial Services during the interim and through the onboarding of the new Athletics AFO.
- Assistant VP for Business and Financial Services will have weekly one-on-one update meetings with the AD.



Strengthen Financial Management

- Conduct a review of cost center and program structure in Workday to identify opportunities to streamline reporting to align with responsible unit leaders within the Athletics organization.
- Document and train responsible individuals on departmental procedures and processes for expense approval and budget oversight.



Strengthen Financial Management

- Implement a formal budgetary approval process to ensure that new or expected revenues are not expended or committed prior to being officially authorized for use via signed memo by the AD and Athletics AFO and transferred to the appropriate budget.
- Review approval levels for hiring, compensation, operating, and capital expenses to ensure that approvals are obtained at the proper level of the organization.
- Ensure that the athletics business office completes a monthly reconciliation of purchasing card activity and travel expenditures.



Proposed Calendar Athletics Financial Oversight



	FY2023	FY2024
May 2023	Budget variance to actual identified Athletics CFO resigns	
	AVP for Finance & Administration begins work on FY23 actual and FY24 budget projection	
	Jon Haarlow appointed Interim Athletics CFO Search for new Athletics CFO begins with revised title and reporting	
June 2023		
	Board of Regents - Action Item - FY23 Budget Forecast	Board of Regents - Action Item - FY24 Budget Proposal
	Board of Regents - Action Item - Year End Transfers for FY2023	
		Create new budget-to-actual reporting and dashboards Review Workday structure and alignment of budget responsibilities Review approval authority for hiring, compensation, operating and capital expenditures
	AD, EVPFA, Athletics CFO and Athletics Staff - Budget-to-Actual Review	
	President, AD and EVPFA Meet	President, AD and EVPFA Meet



Proposed Calendar

Athletics Financial Oversight - Continued

July 2023	Fiscal Year End Closeout	Refine and implement new budget-to-actual reporting and dashboards Begin documentation and training of policies and processes Develop and implement formal budgetary approval and documentation process
		EVPFA and Athletics CFO Meet
	AD, EVPFA, Athletics CFO and Athletics Staff - Budget-to-Actual Review	Athletics Financial Oversight Meeting - Budget-to-Actual Review
	President, AD and EVPFA Meet	President, AD and EVPFA Meet
August 2023	Fiscal Year End Closeout complete	Complete documentation and training of policies and processes
	Begin NCAA AUP Work	Athletics Financial Oversight Meeting - Budget-to-Actual Review
	President, AD and EVPFA Meet	President, AD and EVPFA Meet
September 2023		EVPFA and Athletics CFO Meet
	Board of Regents - Information Item - FY23 Year End Actual	Board of Regents - Information Item - FY24 Budget-to-Actual
	Continue NCAA AUP Work	Athletics Financial Oversight Meeting - Budget-to-Actual Review
	President, AD and EVPFA Meet	President, AD and EVPFA Meet
October 2023	Equity in Athletics Disclosure Act (EADA) Reporting due to Department of Education - October 15, 2023	Athletics Financial Oversight Meeting - Budget-to-Actual Review
	Complete NCAA AUP Work	President, AD and EVPFA Meet



Proposed Calendar

Athletics Financial Oversight - Continued

November 2023		EVPFA and Athletics CFO Meet
	Board of Regents - Information Item - FY23 Year End Actual (if necessary)	Board of Regents - Information Item - FY24 Budget-to-Actual
		Board of Regents - Information Item - Multi Year Budget Planning
		Athletics Financial Oversight Meeting - Budget-to-Actual Review
		President, AD and EVPFA Meet
December 2023		Begin preliminary work on FY25 budget development
		Athletics Financial Oversight Meeting - Budget-to-Actual Review
		President, AD and EVPFA Meet
January 2024	Complete Athletics Financial Statements	
		EVPFA and Athletics CFO Meet
		Board of Regents - Information Item - FY24 Budget-to-Actual
		FY25 budget development continues
		Athletics Financial Oversight Meeting - Budget-to-Actual Review
	NCAA Annual Report Due - January 15, 2024	President, AD and EVPFA Meet





Proposed Calendar

Athletics Financial Oversight - Continued

February 2024		FY25 budget development continues
		Athletics Financial Oversight Meeting - Budget-to-Actual Review
		President, AD and EVPFA Meet
March 2024		
		EVPFA and Athletics CFO Meet
		Board of Regents - Information Item - FY24 Budget-to-Actual
		FY25 budget development continues
		Athletics Financial Oversight Meeting - Budget-to-Actual Review
		President, AD and EVPFA Meet
April 2024		
		Complete Board of Regents material for FY25 Budget Proposal
		Athletics Financial Oversight Meeting - Budget-to-Actual Review
		President, AD and EVPFA Meet
May 2024		
		EVPFA and Athletics CFO Meet
		Board of Regents - Information Item - FY24 Budget-to-Actual
		Board of Regents - Action Item(s) - FY24 Year End
		Board of Regents - Action Item(s) - FY25 Budget Proposal
		Athletics Financial Oversight Meeting - Budget-to-Actual Review
		President, AD and EVPFA Meet
June 2024		
		Athletics Financial Oversight Meeting - Budget-to-Actual Review
		President, AD and EVPFA Meet

ACTION ITEM #1

Athletics Budget Adjustment Approval for Fiscal Year 2023 (Leslie Brunelli/Pat Chun)

June 9, 2023

TO ALL MEMBERS OF THE BOARD OF REGENTS

SUBJECT: Athletics Budget Adjustment Fiscal Year 2023

PROPOSED: That the Board of Regents approve an Athletics budget adjustment for Fiscal Year 2023.

SUBMITTED BY: Leslie Brunelli, Executive Vice President, Finance & Administration/CFO
Pat Chun, Athletics Director

**SUPPORTING
INFORMATION:**

Fiscal Year 2023 (FY23) brought several financial challenges. While work continues closing FY23, multiple factors contributed to an increase in the anticipated FY23 budget overage: (1) a decrease in the Pac-12 Conference revenue distribution, (2) WSU Athletics revenues falling short of projection, (3) operational costs exceeding the approved budget and (4) transitions in Athletics CFO role. Based on the information available at this time, WSU Athletics is projected to end FY23 with a negative \$11.5 million variance to budget.

Decrease in the Pac-12 Conference Revenue Distribution

The Pac-12 Conference will experience a revenue shortfall due to media partner overpayments and a capital project cost overrun in the relocation of production operations.

As a result, the Pac-12 Conference revenue distribution for FY23 is expected to decrease by \$3.5 million per member institution. The decrease in the Pac-12 Conference revenue is also expected to negatively impact FY24 by \$4.0 million from the budgeted planning rate.

WSU Athletics Revenues Falling Short of Projection

For FY23, some areas exceeded budgeted revenue expectations, including ticket sales, concessions, royalties and sponsorships, and returns from endowed gifts. However, these positive variances were overshadowed by a series of incremental shortfalls. The Pac-12 distribution was twice re-forecasted during FY23 and is expected to result in a \$1.4 million shortfall on top of the \$3.5 million impact of the media

and relocation issues described above. Revenues from the student sport pass and fees were lower than budgeted due to decreased enrollment. Overall, revenues are forecast to fall short of budget by \$2.5 million for FY23.

Operational Costs Exceeding the Approved Budget

Operating expenses exceeded the approved budget in nearly every operational category except game guarantees. Rising inflation affected the cost of team travel, recruitment, game expenses, and other expenses creating a \$4.8 million overage. Additionally, financial aid expenses were \$0.4 million higher than anticipated due to an increased number of student athletes on athletic aid. Furthermore, compensation exceeded budget by \$0.3 million, due to contracted employees and labor expenses that increased as the result of new State of Washington laws regarding workforce compensation. Overall, total expenses are expected to exceed budget by \$5.5M.

Transitions in Athletics CFO Role

The Athletics CFO position is critical to facilitating the budget process, monitoring revenue and expenses against the budget, ensuring prompt reconciliation, updating forecasts, providing timely information to department leadership, and facilitating necessary adjustments to meet the approved budget. Given the current vacancy, WSU Athletics requested temporary assistance from the WSU Office of Finance and Administration. WSU Athletics is working collaboratively with Finance and Administration to ensure a detailed reporting of FY23 and FY24.

FY23 Budget Remediation and Improved Budget Monitoring and Financial Accountability

Athletics has implemented multiple immediate steps to mitigate additional budget shortfall at the conclusion of the 2023 fiscal year to include a hiring freeze, reductions in travel and professional development and advance approval of expenditures.

The Athletics Director and the Executive Vice President for Finance and Administration are working collaboratively to ensure a detailed reporting of FY23 actuals to the Board as the fiscal year closes and are developing improved budget monitoring and financial accountability measures.

Attachments:

FY23 Budget Forecast as of May 31, 2023
Proposed Calendar for Athletics Financial Oversight

FY23 Budget Forecast as of May 31, 2023

Athletics Budget - Projected				
	FY22 Actuals	FY23 Budget	FY23 Proj.	Variance
REVENUES:				
Ticket Sales	9.3	10.0	10.1	0.1
Contributions/Endowments	10.7	10.8	10.8	0.0
NCAA/Pac-12	38.7	40.7	39.3	-1.4
Royalties/Advert/Sponsor	4.9	4.1	4.2	0.1
Direct Institutional Support	0.0	1.4	1.4	0.0
Waviers/Student Fees	5.0	5.1	4.4	-0.7
Other Revenue	6.4	8.5	7.9	-0.6
Total Revenue	75.0	80.6	78.1	-2.5
EXPENSES:				
Compensation	29.1	29.4	29.7	-0.3
Scholarships	12.2	12.1	12.5	-0.4
Sport Programs	13.6	13.5	15.3	-1.8
Marketing/Fund Raising	1.5	1.9	2.0	-0.1
Debt Payments	10.8	10.0	10.0	0.0
Direct Admin/Dues	3.6	4.5	5.0	-0.5
Other Expense	12.2	10.2	12.6	-2.4
Total Expenses	83.0	81.6	87.1	-5.5
Net Income from Operations	-8.0	-1.0	-9.0	-8.0
Savings from Bond Proceeds	10.0	1.0	1.0	
Net Income After Financing	2.0	0.0	-8.0	-8.0

Pac-12 Shortfall	-3.5	
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*There may be minor differences in subtotals shown above due to rounding to dollars million.

Accumulated Deficit			
	FY22 Actuals	FY23 Budget	FY23 Proj.
Cash Deficit without Capital Contributions and Donations at 6/30	(89.6)	(89.6)	(101.1)
Capital Donation Cash Balance at 6/30	38.0	42.9	37.0
Cash Deficit after Capital Contributions and Donations at 6/30	(51.6)	(46.7)	(64.1)

Proposed Calendar for Athletics Financial Oversight

	FY2023	FY2024
May 2023	Budget variance to actual identified Athletics CFO resigns	
	AVP for Finance & Administration begins work on FY23 actual and FY24 budget projection	
	Jon Haarlow appointed Interim Athletics CFO Search for new Athletics CFO begins with revised title and reporting	
June 2023	Board of Regents - Action Item - FY23 Budget Forecast Board of Regents - Action Item - Year End Transfers for FY2023	Board of Regents - Action Item - FY24 Budget Proposal
		Create new budget-to-actual reporting and dashboards Review Workday structure and alignment of budget responsibilities Review approval authority for hiring, compensation, operating and capital expenditures
	AD, EVPFA, Athletics CFO and Athletics Staff - Budget-to-Actual Review President, AD and EVPFA Meet	President, AD and EVPFA Meet
July 2023	Fiscal Year End Closeout	Refine and implement new budget-to-actual reporting and dashboards Begin documentation and training of policies and processes Develop and implement formal budgetary approval and documentation process EVPFA and Athletics CFO Meet
	AD, EVPFA, Athletics CFO and Athletics Staff - Budget-to-Actual Review President, AD and EVPFA Meet	Athletics Financial Oversight Meeting - Budget-to-Actual Review President, AD and EVPFA Meet
August 2023	Fiscal Year End Closeout complete Begin NCAA AUP Work President, AD and EVPFA Meet	Complete documentation and training of policies and processes Athletics Financial Oversight Meeting - Budget-to-Actual Review President, AD and EVPFA Meet
September 2023		EVPFA and Athletics CFO Meet
	Board of Regents - Information Item - FY23 Year End Actual Continue NCAA AUP Work President, AD and EVPFA Meet	Board of Regents - Information Item - FY24 Budget-to-Actual Athletics Financial Oversight Meeting - Budget-to-Actual Review President, AD and EVPFA Meet
October 2023	Equity in Athletics Disclosure Act (EADA) Reporting due to Department of Education - October 15, 2023 Complete NCAA AUP Work	Athletics Financial Oversight Meeting - Budget-to-Actual Review President, AD and EVPFA Meet
November 2023		EVPFA and Athletics CFO Meet
	Board of Regents - Information Item - FY23 Year End Actual (if necessary)	Board of Regents - Information Item - FY24 Budget-to-Actual Board of Regents - Information Item - Multi Year Budget Planning Athletics Financial Oversight Meeting - Budget-to-Actual Review President, AD and EVPFA Meet
December 2023		Begin preliminary work on FY25 budget development Athletics Financial Oversight Meeting - Budget-to-Actual Review President, AD and EVPFA Meet
January 2024	Complete Athletics Financial Statements	EVPFA and Athletics CFO Meet Board of Regents - Information Item - FY24 Budget-to-Actual FY25 budget development continues Athletics Financial Oversight Meeting - Budget-to-Actual Review President, AD and EVPFA Meet
	NCAA Annual Report Due - January 15, 2024	
February 2024		FY25 budget development continues Athletics Financial Oversight Meeting - Budget-to-Actual Review President, AD and EVPFA Meet
March 2024		EVPFA and Athletics CFO Meet Board of Regents - Information Item - FY24 Budget-to-Actual FY25 budget development continues Athletics Financial Oversight Meeting - Budget-to-Actual Review President, AD and EVPFA Meet
April 2024		Complete Board of Regents material for FY25 Budget Proposal Athletics Financial Oversight Meeting - Budget-to-Actual Review President, AD and EVPFA Meet
May 2024		EVPFA and Athletics CFO Meet Board of Regents - Information Item - FY24 Budget-to-Actual Board of Regents - Action Item(s) - FY24 Year End Board of Regents - Action Item(s) - FY25 Budget Proposal Athletics Financial Oversight Meeting - Budget-to-Actual Review President, AD and EVPFA Meet
June 2024		Athletics Financial Oversight Meeting - Budget-to-Actual Review President, AD and EVPFA Meet

ACTION ITEM #2

Athletics Budget Transfers for Fiscal Year 2023 (Leslie Brunelli/Pat Chun)

June 9, 2023

TO ALL MEMBERS OF THE BOARD OF REGENTS

SUBJECT: Fiscal Year 2023 Transfers to Cover Cumulative Athletic Department Deficit

PROPOSED: That the Washington State University Board of Regents approve transfers necessary at Fiscal Year 2023 year-end to cover the deficit balance.

SUBMITTED BY: Leslie Brunelli, Executive Vice President, Finance & Administration/CFO
Pat Chun, Athletics Director

SUPPORTING INFORMATION: Revised Code of Washington 28B.15.120 requires certain actions of state college and university boards related to the budgets of intercollegiate athletics programs. The statute provides that any transfers necessary at fiscal year-end to cover the deficit balance be approved by the Board.

The Athletics year end deficit transfer is calculated by taking the cash balance of the eight Athletic funds as of June 30, 2023. The cash on hand amount is a single point and time and may vary from the annual budget report that is prepared on an accrual accounting basis due to timing of revenue receipts or expenditure payments.

In accordance with RCW 28B.15.120 and given the potential timing issues around year end cash balances, the following schedule outlines the estimated, not to exceed transfers that will be made to cover the deficit.

The transfers are booked at year end to close the fund balance in athletics to zero and recorded as a due to the university obligation. At the start of the fiscal year, the transfers are reversed, so the cumulative deficit is properly recorded as an obligation of WSU Athletics.

Projected Cumulative Athletics Deficit for FY23*	(74.1)
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Projected Cash Transfer (based on April 30, 2023 cash balances)

Housing, Dining and Other Self-Sustaining auxiliaries	57.6
Parking and Transportation	5.0
Central, Non-Core Reserves	11.5
Total Available	74.1

*The projected deficit and related transfers include a \$10M buffer for timing payments in year-end cash activities.

ACTION ITEM #3

Athletics Budget Approval for Fiscal Year 2024 (Leslie Brunelli/Pat Chun)

June 9, 2023

TO ALL MEMBERS OF THE BOARD OF REGENTS

SUBJECT: Athletics Budget Approval for Fiscal Year 2024

PROPOSED: That the Board of Regents approve the Fiscal Year 2024 Athletics budget.

SUBMITTED BY: Leslie Brunelli, Executive Vice President, Finance & Administration/CFO
Pat Chun, Athletics Director

**SUPPORTING
INFORMATION:**

In accordance with RCW 28B.15.120, state legislation, and to maintain compliance with the Athletics Plan for Fiscal Recovery, the Athletic annual operating budget is presented to the Board of Regents for approval.

FY23 brought financial challenges from Pac-12 revenue shortfalls and higher than anticipated expenditures. However, despite these challenges Athletics reaffirms its commitment to the updated financial plan as presented in May of 2022. A balanced budget, developing appropriate reserve funds, and establishing a repayment plan to pay down internal debt remain top priorities that Athletics will continue to work toward with the assistance of WSU Office of Finance & Administration. Athletics continues to gather key financial information about FY24 and presents this budget for approval based upon the latest information available. Balancing the operating budget for FY24 will require increased revenues and a series of significant operating reductions. At this point, the FY24 budget proposal is within approximately \$400K of being balanced (before consideration of the expected Pac-12 distribution change of \$4.0 million). Athletics will continue to work towards the goal of a balanced budget.

Revenues for FY24 are based on several key factors. Marquee home football matchups, a primary revenue driver, are expected to perform at peak levels as were experienced prior to the pandemic. Note that FY23 saw an increase in revenue from ticket sales and continued incremental growth as projected. Donor activity continues to progress, meeting

Athletics and WSU System fundraising goals year after year. All combined, the FY24 budget calls for \$83.0 million in operating revenues, a 6% increase from FY23 actual.

As noted with the FY23 budget update, the Pac-12 Conference revenue distribution has experienced a revenue shortfall due to media partner overpayments and a capital project cost overrun in the relocation of production operations. This is expected to decrease conference distributions by \$4.0 million for FY24 versus previous conference forecasts.

Expenses are projected based on current and historical analysis, taking into consideration schedule variations, market shifts, and changes to the college athletics landscape. To maintain a balanced budget while revenues from the Pac-12 conference are expected to decline for a second straight year and the impacts of inflation, the rising cost of travel, meals, equipment, the department will manage spending through updated policies around compensation, travel, and professional development. Total budgeted expenses are \$83.4 million, down \$3.7 million from FY23 projected actual, yet up \$1.8 million versus the original FY23 budget approved by the Board in May 2022.

Athletics remains committed to managing operations to budget expectations and closely monitoring potential impacts to current and future year budgets. In collaboration with the Executive Vice President for Finance and Administration, Athletics will reestablish a series of budget monitoring and financial accountability measures, and together they will provide an update to the Board of Regents at each Board meeting in the new fiscal year.

ATTACHMENT: Fiscal Year 2024 Budget with Athletics Pro Forma through Fiscal Year 2027

Fiscal Year 2024 Budget with Athletics Pro Forma through Fiscal Year 2027

Washington State University									
	FY19	FY20	FY21	FY22	FY23 (as of 5/25)	FY24	FY25	FY26	FY27
REVENUES:									
Ticket Sales	9.5	8.6	0.0	9.3	10.1	10.1	10.3	10.3	10.8
Contributions/Endowments	12.4	10.7	8.5	10.7	10.8	11.1	11.7	12.0	12.2
NCAA/Pac-12	34.2	34.7	22.5	38.7	39.3	42.1	45.9	47.7	49.0
Royalties/Advert/Sponsor	4.6	4.3	3.4	4.9	4.2	4.3	4.5	4.0	4.1
Institutional Support	0.0	0.0	0.0	0.0	1.4	2.4	2.5	2.6	2.6
Waivers/Student Fees	5.2	5.2	4.8	5.0	4.4	4.3	4.5	4.6	4.6
Other Revenue	5.8	6.6	0.8	6.4	7.9	8.7	8.3	8.3	8.5
Total Revenue	71.7	70.1	40.0	75.0	78.1	83.0	87.7	89.5	91.8
EXPENSES:									
Compensation	27.7	28.5	25.6	29.1	29.7	30.3	31.1	32.1	33.0
Scholarships	11.0	10.5	11.4	12.2	12.5	12.9	13.5	14.0	14.4
Sport Programs	11.4	10.7	7.4	13.2	15.3	12.7	14.2	14.7	15.2
Marketing/Fund Raising	1.8	1.3	1.2	1.5	2.0	1.8	2.0	2.1	2.1
Debt Payments	9.2	9.2	10.0	10.8	10.0	10.0	11.0	10.3	10.3
Direct Admin/Dues	4.7	4.6	4.6	3.6	5.0	4.6	4.7	5.0	5.1
Other Expense	10.3	12.5	4.8	12.6	12.6	11.1	11.2	11.3	11.7
Total Expenses	76.1	77.3	65.0	83.0	87.1	83.4	87.7	89.5	91.8
Net Income from Operations	(4.4)	(7.2)	(25.0)	(8.0)	(9.0)	(0.4)	0.0	0.0	0.0
Proceeds from Financing/Savings from Debt Refinance			35.6	10.0	1.0	0.0	0.0	0.0	0.0
Net Income After Financing	(4.6)	(7.1)	10.6	2.0	(8.0)	(0.4)	0.0	0.0	0.0
Pac-12 Shortfall					(3.5)	(4.0)			

* General Revenue Bond had \$1M payment for FY2023 (FY23 total Athletics debt service of \$11M). In 2021, WSU borrowed \$37.8M, of which \$1.9M was capitalized interest to cover payments in FY22 and FY23, for net bond proceeds of \$35.6M.

**There may be minor differences in subtotals shown above due to rounding to dollars million.

Accumulated Deficit						
	FY22 Actuals	FY23 Proj.	FY24	FY25	FY26	FY27
Cash Deficit without Capital Contributions and Donations at 6/30	(89.6)	(101.1)	(105.5)	(105.5)	(105.5)	(105.5)
Capital Donation Cash Balance at 6/30	38.0	37.0	40.6	11.5	14.0	15.0
Cash Deficit after Capital Contributions and Donations at 6/30	(51.6)	(64.1)	(64.9)	(94.0)	(91.5)	(90.5)

Action Item #4
Delegation of Authority to Assign Athletics Media Rights
(Kirk Schulz/Nathan Deen)

June 9, 2023

TO ALL MEMBERS OF THE BOARD OF REGENTS

SUBJECT: Delegation of authority to President Schulz or designee to approve, amend, and execute contracts or other agreements related to the University's athletic media rights.

PROPOSED: That the Board of Regents approve a delegation of authority to President Schulz authorizing the President or his designee to approve, amend, and execute contracts or other agreements related to the University's athletic media rights.

SUBMITTED BY: Kirk Schulz, President

SUPPORTING INFORMATION: In order to facilitate future revenue sharing agreements with athletic conference partners, it will be necessary for the University to execute a contract or series of contracts and agreements regarding the use of its athletic media rights. The cumulative budgetary impact of said contracts or agreements will be well in excess of five million dollars (\$5,000,000), President Schulz's current delegated general contracting authority. It is highly likely business necessities will dictate that the execution of said contracts or agreements will need to occur on an expedited basis, a necessity difficult for the Board of Regents to manage as a body. Furthermore, as incoming Chair of the Pac-12 Conference Board of Directors with significant experience in NCAA and various Division 1 athletic conference governance and administration, President Schulz is uniquely qualified to responsibly execute University athletic media rights contracts or agreements in the best interests of the University. If the Regents agree to the proposed resolution, the resolution will supplement any current contracting delegations.

ATTACHMENT: Board Resolution 230609-684

BOARD OF REGENTS

Delegation of Authority to Assign Athletics Media Rights

Resolution #230609-684

WHEREAS, RCW 28B.30.095, 28B.30.100, and RCW 28B.30.150 vest the governance and management of Washington State University in the Board of Regents of Washington State University, and

WHEREAS, RCW 28B.10.528 gives the Board of Regents authority to delegate by resolution to the President of the University, or designee, powers and duties vested in or imposed upon the Board by law, and

WHEREAS, the Board has delegated broad authority to the President or designee to act in matters relating to the general business and financial affairs of WSU;

NOW, THEREFORE, BE IT RESOLVED that the Washington State University Board of Regents delegates authority to the President or designee to approve, amend, and execute contracts or other agreements related to the University's athletic media rights, said delegation being supplemental of any previous delegations;

PROVIDED, HOWEVER, that if the total cumulative budgetary impact of said contract(s) or agreement(s) is in excess of five million dollars (\$5,000,000), the President shall consult with the Chair of the Board of Regents, or in absence of the Chair, the Vice Chair of the Board of Regents, before executing the contract(s) or agreement(s).

PROVIDED FURTHER, that the delegation of authority provided for herein shall expire and be of no force and effect six months from today's date.

DATED this 9th day of June, 2023.

Chair, Board of Regents

Secretary, Board of Regents