

MEMORANDUM

Date: June 26, 2023
To: Carol Kirchner, Vice Chancellor for Business & Finance
Cc: Dr. Joanne Li, Chancellor
From: Adrian Dowell, Vice Chancellor of Athletics, Matt Maher, Executive Associate AD,
Donald Neal, Financial Strategy Officer
RE: **Fiscal Year 2016 – Fiscal Year 2022 Omaha Athletics Financial Statements Analysis**

Intent

In August of 2022, in preparation to align resources to successfully navigate upcoming changes to the NCAA Division I landscape, turnover in Athletics leadership positions and questions surrounding Fiscal Year 2022 budget and associated financial statements, University of Nebraska Omaha (UNO) Vice Chancellor / Director of Athletics Dowell required the athletics department to conduct a financial analysis of the current state of Omaha Athletics (Athletics). In December of 2022, at the direction of Chancellor Joanne Li, a situational analysis of Athletics was also required to be completed to better understand the history of Athletics' operations and its impact on the current state of Athletics.

Timeline

To conduct the situational analysis, **the review ranged from Fiscal Year 2016 through Fiscal Year 2022.** This timeframe was selected to capture the first operational year of Baxter Arena, previously publicized Athletics financial struggles, leadership turnover, and the COVID-19 impact. Relevant dates that impacted the situational analysis, include:

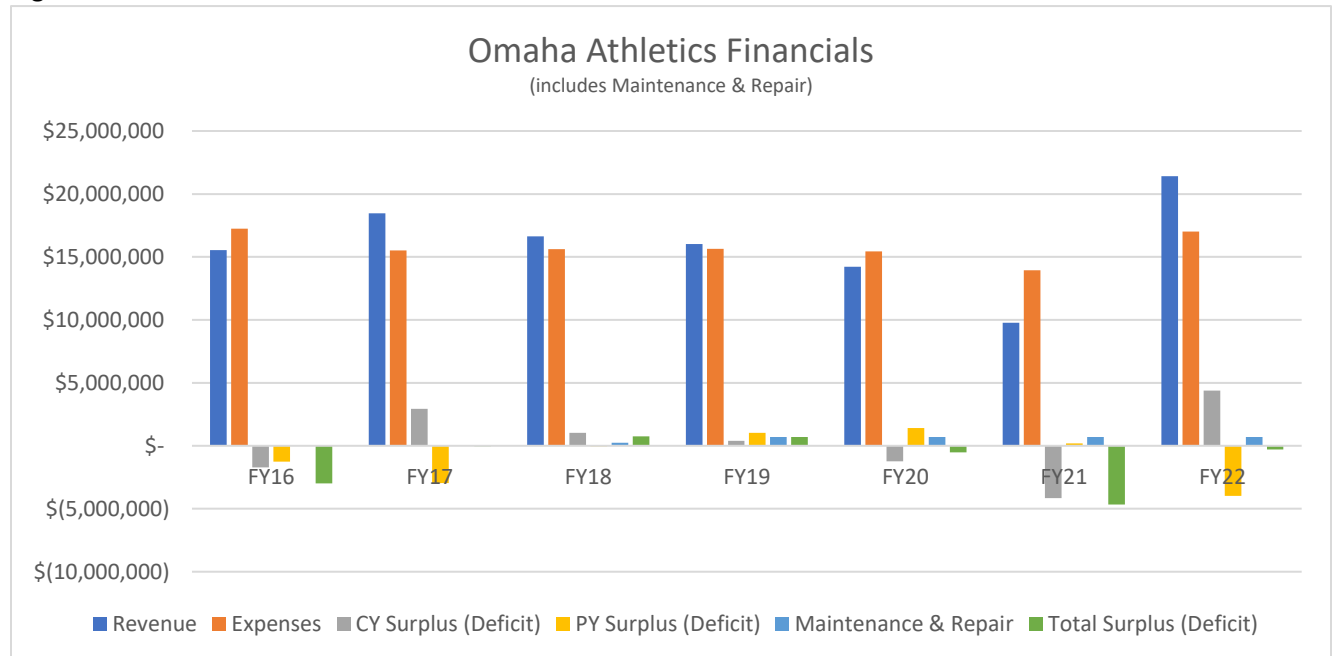
- March 2011 – UNO decided to transition from NCAA Division II to NCAA Division I in all sports.
- July 2012 – UNO officially joined the Summit League.
- Spring 2014 – Construction began on Baxter Arena.
- Fall 2015 – NCAA Division I Board of Directors elected to activate UNO's NCAA Division I membership.
- October 2015 – Baxter Arena hosted its first athletics event.
- Spring 2017 – Publicized financial struggles of Baxter Arena and Athletics.
- March 2020 – Start of the COVID Pandemic.
- May 2020 through March 2021 – Submission of estimated lost revenues to the controller's office and HEERF Funding allocation decisions.
- July 2021 – UNO Vice Chancellor / Director of Athletics departs for UNL Athletics.
- October 2021 – HEERF Funding in the form of Lost Revenue is allocated to Baxter Arena and non-Baxter Arena operations.
- November 2021 – UNO Vice Chancellor of Business & Finance departs for UNL Athletics.
- November 2021 and June 2022 – HEERF Funding in the form of Student Fees is allocated to Baxter Arena and non-Baxter Arena operations.
- December 2021 – New UNO Vice Chancellor / Director of Athletics begins position.
- February 2022 – Questions arise from university leadership surrounding Athletics financial statements and annual reports.
- July 2022 – UNO Executive Associate Athletic Director / CFO terminated.

Analysis

The situational analysis was conducted using the university’s Systems Applications and Products in Data Processing (SAP) software, which integrates or unifies all business functions of an organization into one software package. **Each fiscal year’s analysis was separated between Baxter Arena revenues and expenses and non-Baxter Arena revenues and expenses.** Within the revenues category, further analysis was conducted to evaluate what totaled in the sub-categories of self-generated revenues, student fee support, university support, and other additional university support. Within the expenses category, further analysis was conducted to evaluate what totaled in the sub-categories of personnel services, operating expenses, and debt service principal. Lastly, and because the university system carries forward revenues and expenses to the next fiscal year, **the inclusion of the previous fiscal year’s surplus or deficit was included in the analysis.**

From these data points, **Athletics evaluated one-time or specific additional university support that would have been challenging to budget** for entering the fiscal year. **There were three specific occasions where additional university support significantly assisted the Athletics’ deficit.** In Fiscal Year 2016, the university provided just under \$3.2 million in unbudgeted support. The second occasion was Fiscal Year 2017, where the university provided slightly over \$4 million in unbudgeted support. The most recent year was Fiscal Year 2022, where the university provided COVID-19 financial assistance in the form of HEERF Funding of \$1,867,609 to non-Baxter Arena operations and \$4,419,140 to Baxter Arena operations. In addition, Athletics was also provided \$852,093 from the Chancellors Discretionary cost center for non-operational purposes. In total, the university provided Athletics with COVID-19 related HEERF Funding of more than \$7.1¹ million.

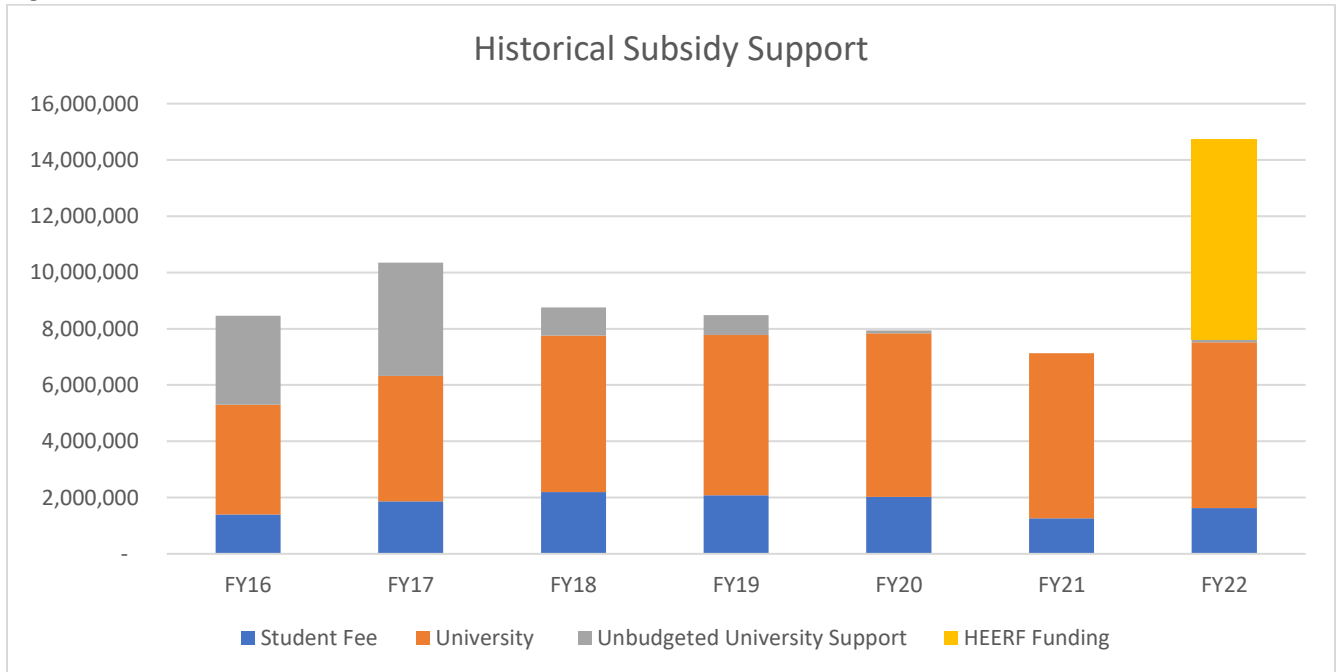
Figure 1



¹ Athletics received 21.2% of the \$33.6m HEERF funds received.

Figure 1 illustrates the analysis previously mentioned for visual purposes. **One takeaway is that the additional university support in Fiscal Year 2017 and Fiscal Year 2022 did not result in a surplus or balanced budget for either year. Another key takeaway was Baxter Arena’s Maintenance and Repair value which was disguised as revenue available to offset operational expenses. This would be an inaccurate use of the funds.** This is illustrated above as its own bar line in the chart and separate from Baxter Arena revenues. Separating the Maintenance and Repair value demonstrated that Athletics did not earn sufficient self-generated revenues (illustrated above for Total Surplus (Deficit) to increase the support in the Maintenance and Repair Cost Center. **As a result, no financial support was placed in the Maintenance and Repair Cost Center in Fiscal Years 2020, 2021, and 2022,** despite what was communicated to project donors and the university.

Figure 2



*HEERF Funding includes additional support of \$852,093 for Debt Service and Fund B Lost Revenue.

Figure 2 further breaks down the university support to Athletics for each fiscal year. **Fiscal Year 2022 specifically illustrates the COVID-19 related HEERF Funding. In Figure 1, HEERF Funding is captured in the overall revenues bar line, which is why Athletics’ revenues exceed the previous fiscal years’ revenues.**

In analyzing the **HEERF Funding in Figure 2**, below is a further explanation:

Figure 3

HEERF Funding to Support Non-Baxter Arena and Baxter Arena Operations					
FY	Non-Baxter Student Fee	Baxter Student Fee	Non-Baxter University Support	Baxter University Support	Total HEERF Funding to Support Athletics Operations
2022	\$1,232,988	\$330,804	\$634,621	\$4,088,336	\$6,286,749

In analyzing the **Unbudgeted University Support in Figure 2**, below is an explanation per fiscal year:

Figure 4 – Non-Baxter Arena Unbudgeted University Support

Unbudgeted University Support for Non-Baxter Arena						
FY	Additional General Support	Prior Year Deficit Coverage	Current Year Transition	Prior Year Deficit DI Transition	Prior Year Deficit SL Transition	Total Unbudgeted University Support
2016	\$1,512,500	\$59,898	\$28,867	\$205,000	\$50,000	\$1,856,265
2017	\$1,606,070	\$1,767,048	\$25,178	\$205,000	\$50,000	\$3,653,297
2018	\$250,000	\$0	\$0	\$205,000	\$50,000	\$505,000
2019	\$250,000	\$0	\$0	\$205,000	\$50,283	\$505,282
2020	\$0	\$0	\$0	\$0	\$0	\$0
2021	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$0	\$0	\$0	\$0	\$0	\$0

Figure 5 – Baxter Arena Unbudgeted University Support

Unbudgeted University Support for Baxter Arena							
FY	Prior Year Deficit Coverage	Prior Start Up	Current Year Start Up	Donor & Infrastructure Debt Int.	UNCA to Baxter	Transfer from Chancellor's Central Savings	Total Unbudgeted University Support
2016	\$0	\$192,420	\$758,612	\$351,700	\$0	\$0	\$1,302,732
2017	\$64,825	\$0	\$0	\$315,700	\$0	\$0	\$380,525
2018	\$0	\$0	\$0	\$198,700	\$300,000	\$0	\$498,700
2019	\$0	\$0	\$0	\$198,700	\$0	\$0	\$198,700
2020	\$0	\$0	\$0	\$0	\$0	\$95,800	\$95,800
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$0	\$0	\$0	\$0	\$0	\$95,800	\$95,800

Conclusion

As Athletics prepares to conclude Fiscal Year 2023, there is currently no plan of additional university support to assist with the projected deficit caused by systemic reasons. Furthermore, the current student fee support and university support, as well as projected self-generated revenues, is not enough to project a balanced budget for Fiscal Year 2024 and beyond. This is due to several factors, including but not limited to:

- a historical lack of fiscal discipline by Athletics with respect to the development of an accurate and realistic operating budget,
- a lack of monitoring a projected operating budget against real-time results,
- a financial system and practice of allowing carry forwards from deficits from the preceding fiscal year into the next fiscal year, making it unrealistic to operate in a balanced manner without additional university support, and
- the conclusion of any unbudgeted university support under the pretense of transitioning to Division I, transitioning to the Summit League, transfers from Chancellor's Central Savings, COVID-19, etc.

Recommendation

Based on this information, Athletics requests university or system support for integrating a realistic and manageable financial plan. This plan will be established with the following requirements:

- Athletics will work with campus on developing a realistic operating budget plan for non-Baxter Arena operations and Baxter Arena operations, with an understanding that all revenues and expenses reside within the overall operations of the department.
- Athletics will monitor the budget in real-time through the creation of monthly budget reports for each sports program and departmental unit. Athletics implemented this process in October 2022 for the sport programs and in July 2023, will establish the monthly reports for all departmental units. This exercise will enhance accountability, accuracy, and projections throughout the department.
- Athletics will continue with weekly expenditure request reports, requiring all operational expenses of \$1,000+ to be reviewed and approved by the Athletics Cabinet during its weekly meeting. Athletics implemented this process in March 2023.
- Athletics will continue with weekly personnel request reports, requiring all FTE, GA, part-time and volunteer requests to be reviewed and approved by the Athletics Cabinet during its weekly meeting. This process will precede any personnel request to university leadership for approval. Athletics implemented this process in March 2023.
- Athletics will establish an internal labor review committee and conduct a labor review of all non-FTE positions beginning in August 2023. The committee will meet frequently throughout Fiscal Year 2024 to make real-time adjustments.
- Athletics will work with campus to reduce the number of active cost centers. This process has already begun and will reduce the amount of subjectivity where an expense is reported. This is important for budget projection purposes, as well as financial audit reports and transparency.

- Athletics will reduce the number of Accounts Receivables recognized at the end of the fiscal year. At the conclusion of June 2022, there were several instances where the department recognized Accounts Receivable that either never materialized during Fiscal Year 2023 or were less than the Accounts Receivable reported. Recognizing revenues when received will eliminate these errors.
- Athletics will continue to increase the Baxter Arena Maintenance and Repair account through facility fees. For the first time since 2019, Athletics placed approximately \$350,000 into the account. Further, Athletics established a Maintenance and Repair account for Maverick Park and Caniglia Field.
- Athletics will propose a staffing personnel reduction plan to be implemented over Fiscal Years 2024 and 2025.
- Athletics will review sport sponsorship and develop a recommendation that may include the possibility of discontinuation of a sport(s).
- Athletics will continue to increase self-generated revenues through ticket sales, royalties, donations, naming rights, and corporate sponsorships.
- Athletics will work with campus to determine what level of university support and student fee support is appropriate for the department.
- Athletics issued an RFP for bus services to address travel inflation and associated expenses. This award was issued in Fiscal Year 2024.
- Athletics issued an RFP for air and hotel travel to address travel inflation and associated expenses.