

ATHLETICS FISCAL SUSTAINABILITY WORKING GROUP

REPORT
MAY 14, 2020

EXECUTIVE SUMMARY

In January 2020, Interim Chancellor Ron Mitchelson and Director of Athletics Jon Gilbert charged this working group with a review of athletic funding, all sources and uses, with an emphasis on revenue opportunities, capital investments, and efficiencies. During our work the landscape in higher education, including athletics, changed significantly as a result of the global pandemic. Across the nation, including at ECU, higher education leaders must now make difficult decisions in response to revenue shortfalls, ongoing operational disruptions, and projected deficits.

The reality is the fiscal model for ECU Athletics was not sustainable prior to COVID-19. Therefore, the need for meaningful change has only been accelerated. While the total impact of revenue losses resulting from the pandemic is to be determined, the initial analysis indicates the operational deficit in Athletics may grow by five million dollars, or more.

This report includes a summary of facts and a set of recommendations for implementation over the next five years. Note, many of the realities presented in the report are prior to the pandemic. The recommendations included in this report are intended to provide institutional leadership with a framework for change in the following categories:

1. Operational Efficiencies
2. Competition Scheduling
3. Fundraising
4. Facilities
5. Tower Operations & Revenue
6. Scholarships
7. Number of Sponsored Sports
8. Institutional Support
9. Student Fees
10. Longer Term Considerations

ECU Athletics has been, is, and will always be an important part of the University and the broader community. The near term is undeniably challenging; however, the institution has an opportunity to make necessary, although difficult, changes and emerge from the current crisis with a more sustainable model.

ECU ATHLETICS

ECU Athletics connects more than 180,000 alumni, the faculty, staff, and students, and the people of this region. A home football Saturday afternoon in Greenville, NC brings tens of thousands of fans and supporters to Pitt County and impacts the local economy. As energy builds from the tailgating lots to Dowdy-Ficklen Stadium, the sense of pride and indomitable spirit of ECU are palpable. This same spirit permeates a raucous Williams Arena at Mingos Coliseum or the Jungle at Clark-LeClair Stadium. The national exposure, through multimedia channels, associated with the American Athletic Association (AAC) pairs us with prestigious universities and therefore elevates ECU's brand. We know prospective students identify athletics as a distinguishing feature when considering ECU as a destination. Whether in an airport or while on vacation, it is common to spot someone wearing licensed ECU merchandise and exchange an ARRRGH! Pirate Nation includes a passionate fanbase, many of whom invest time and treasure in the success of ECU Athletics.

While acknowledging ECU's primary commitments are to maximize student success, serve the public, and lead regional transformation, there is also an acknowledgment ECU Athletics are often the most visible components of the University. As stated in the mission statement for ECU Athletics, "we guide and support our student athletes in their pursuit of excellence – academically, athletically, and personally", and "above all else, we protect the safety, health, and well-being of our student-athletes".

Interim Chancellor Ron Mitchelson and Director of Athletics Jon Gilbert charged this working group with a review of athletic funding, all sources and uses, with an emphasis on revenue opportunities, capital investments, and efficiencies. This report includes a summary of empirical realities and a set of recommendations for implementation over the next five years. A prosperous future in athletics at ECU combines competitive excellence and a more predictable financial model.

COVID-19 Impacts

During this fiscal examination, our world changed as a result of COVID-19. On March 12, 2020, the NCAA announced the cancellation of winter and spring NCAA championships. The global pandemic resulted in transitioning the spring semester to alternate delivery methods, shifting all summer 2020 instruction to online, and disrupted the Pirate Club annual fund and season ticket renewals for football. To reinforce the latter point, annual fund contributions declined \$500k in March 2020, compared to March 2019, and \$1.4 million in April 2020, compared to April 2019. The Pirate Club expects to have higher receipts in May and June than in years past with a later premium seats deadline. Historically, March and April are the most successful months during the annual fund campaign. Another example is the projected change in the NCAA distribution. Athletics projects \$715,000 from this year's NCAA distribution, which is \$1 million less than originally projected. In an April 28, 2020 update, Jon Gilbert stated the following, "Due to the pandemic, we anticipate revenue shortfalls in these main buckets: NCAA/AAC distributions, Pirate Club donations, corporate sponsorship, baseball and softball ticket sales, concessions and licensing revenue. Due to these shortfalls, we anticipate our deficit will grow by at least five million dollars". Athletics, and the University, face additional challenges as we emerge from this crisis; therefore, there is increased urgency to respond.

EMPIRICAL REALITIES

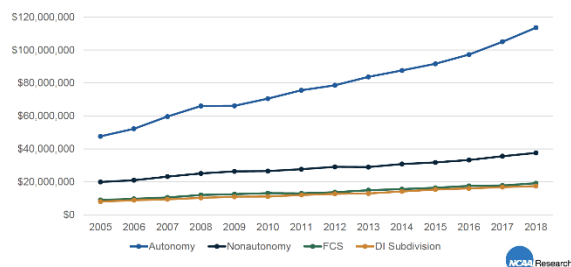
NCAA Trends

In a report published by the NCAA for years 2004-05 through 2017-18, 351 Division I institutions provided fiscal data. The summary data provides a national context and outlines trends over this period of time. For example, all three divisions (FBS, FCS and Division 1 Subdivision) reported spending just over \$18 billion on athletics in 2018 and generated revenue of \$10.3 billion. Financial aid for student-athletes accounted for \$3.5 billion of total expenditures. Among FBS schools, operating results ranged from a loss of \$53 million to a surplus of \$47 million with only 29 institutions generating revenues exceeding expenses in 2018. It is noteworthy that this figure represents the highest number of institutions to achieve this benchmark.

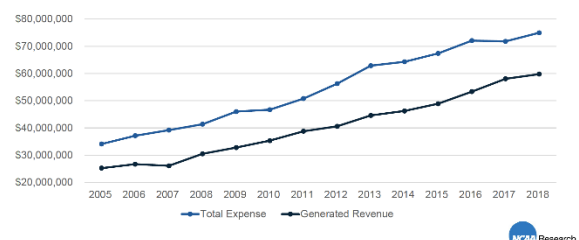
The trend among FBS schools demonstrates a clear financial divide between the autonomy and nonautonomy institutions. Members of the Atlantic Coast (ACC), Big Ten, Big 12, Pac-12, and Southeastern (SEC) conferences comprise the autonomy institutions. Since 2005, the expense gap between the median autonomy institution and nonautonomy institution grew from \$20 million to approximately \$80 million. Over the same 14-year period, median generated revenues among the nonautonomy five conferences grew by 44% while expenses grew by 87 percent. Institutional support from direct allocation or student fees decreased by 23% at the median autonomy school but increased by 18% at the median nonautonomy five schools. The FBS autonomy schools accounted for approximately 73% of all generated revenues. Among the autonomy institutions, the median institution is almost 100% self-sufficient; in contrast, the median institution among the nonautonomy group is only 40% self-sufficient.

Early in this dataset, athletics expenses were growing up to 5% faster than institutional expenses. From 2014-18, athletics expenses grew at a rate 2-3% faster than institutional expenses. In 2005, the median ratio of athletics expenses to institutional expenses was 4.5%; in 2018 the median ratio of athletics expenses to institutional expenses was over 6 percent.

Division I Median Total Revenues by Subdivision and Year (2005-2018)



Comparison of FBS Generated Revenue and Total Expense Trends (2005-2018)



ECU – Budget Overview

Most projections included in this section are based on data prior to COVID-19. The related impacts on FY 20 are not yet final, but as stated above, the initial analysis is an additional \$5M operating deficit, which brings the total FY 20 operating shortfall to approximately \$12.5 million. Adjustments to the FY 21 budget depend on outcomes from major revenue sources (e.g., annual fund and

football ticket sales), academic year 2020-21 calendar and billing, and fall competition decisions. Therefore, projected revenue shortfalls in this section are underreported.

In FY 2019, ECU Athletics revenue was \$34,677,069; the primary revenue categories were student fees (44.1%), Pirate Club support (16.0%), football revenue (14.5%), NCAA and AAC distribution (11.4%), and sports marketing (5.2%). All other revenue categories were less than 2% of the total. Operating expenses in FY 2019 totaled \$40,757,349; the primary operating expense categories were football (19.1%), men's basketball (7.0%), baseball (4.1%), and women's basketball (3.5%). All other sports were less than 2% of total operating expenses. Transfers from other sources (e.g. vending, university reserves, and university auxiliaries) closed the operating shortfall gap of over \$6 million and additional investments gap of over \$4 million to balance the FY 2019 budget. Operating shortfalls of \$7.4 million in FY 2020 and \$5.6 million in FY 2021 were projected prior to COVID-19. In addition, there are additional investments (e.g. capital investments) planned in FY 20 and FY 21, which add \$5.5 million and \$3.8 million respectively to the budget gap; therefore, additional institutional transfers to balance the athletics budget are also projected. Beginning in FY 2022, an athletics budget shortfall of a minimum \$4 million is projected in perpetuity.

Below is a summary of revenue and operating expenses, including the original FY 20 and FY 21 projections.

ECU Athletics (nonstate funds) 08.12.19							
	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Budget FY 2020	Budget FY 2021
Student Fees	13,517,117	14,249,768	15,159,430	15,794,966	15,277,318	15,764,500	16,789,500
Pirate Club Support	5,970,725	6,306,000	6,407,713	6,408,000	5,555,010	5,968,000	6,360,000
Football Revenue	6,252,805	5,964,572	6,254,795	5,868,505	5,042,424	5,000,000	5,300,000
NCAA and AAC Distribution	4,244,689	4,323,738	4,123,259	4,669,320	3,957,558	3,883,243	5,883,243
Sports Marketing (IMG)	1,563,005	1,666,095	1,728,029	1,726,606	1,799,325	1,900,000	2,000,000
Logo Licensing	599,285	677,062	677,899	945,363	393,328	525,000	525,000
Men Basketball Revenue	536,292	451,576	438,736	382,873	431,942	450,000	450,000
Coaches Fees	450,373	424,659	525,358	414,613	419,422	415,000	415,000
Baseball Revenue	251,598	295,631	354,272	328,585	395,959	395,000	395,000
Athletic Guarantees	1,556,500	1,592,000	1,204,500	267,020	317,000	1,450,000	300,000
Nonathletic Events	75,333	340,308	539,345	142,418	179,577	165,000	165,000
Transfers in	-	-	-	-	-	-	-
Transfers in- Capital	-	-	-	-	-	-	-
Processing Fee	167,247	134,969	118,716	300,486	103,386	105,000	105,000
Parking Revenue	34,435	46,353	63,879	86,645	78,265	373,500	373,500
Rental Income	131,030	101,642	108,538	113,380	79,307	65,000	65,000
Other Revenues	72,129	101,898	93,943	84,857	143,511	45,000	45,000
Women's Basketball Ticket Sales	61,455	47,093	41,465	33,481	21,461	25,000	25,000
Other Women Sports Ticket Sales	23,479	21,909	23,238	23,559	19,604	10,000	10,000
Interest Income	-	-	-	-	-	-	-
Football Bowl	1,098,621	-	-	-	-	-	-
Baseball Regional	-	-	-	205,104	243,773	-	-
NCAA Special Assistance (1x scholarship)	-	-	787,417	-	-	-	-
Total Revenue	36,626,087	36,745,473	38,650,522	37,175,001	34,677,069	36,039,243	39,206,243
Football	6,831,405	7,682,398	6,571,423	6,562,773	7,764,336	7,621,166	7,848,801
Men's Basketball (longevity bonus FY23)	2,411,234	2,473,969	2,758,396	2,279,548	2,942,679	3,100,000	3,193,000
Women's Basketball	1,581,195	1,636,774	1,443,907	1,519,041	1,423,870	1,625,000	1,673,750
Baseball	1,077,964	1,146,256	1,410,952	1,384,471	1,690,776	1,586,125	1,633,709
Swimming Men	296,809	277,848	330,259	264,084	283,864	320,000	329,600
Swimming Women	297,858	277,904	325,645	276,672	282,437	320,000	329,600
Golf Men	215,234	202,095	190,342	226,068	243,281	245,124	252,478
Golf Women	219,737	254,059	237,572	218,232	229,773	252,876	260,462
Tennis Men	154,150	145,442	166,420	173,852	176,375	183,187	188,683
Tennis Women	171,612	170,719	193,623	193,057	186,582	191,405	197,147
Track Men	313,905	260,825	287,507	268,343	284,448	297,000	305,910
Track Women	338,038	266,197	298,596	291,195	284,255	297,000	305,910
Soccer	411,006	413,341	413,222	392,560	392,078	430,000	442,900
Volleyball	470,093	478,901	495,890	467,635	456,517	502,430	517,503
Softball	579,623	556,039	617,581	525,363	597,426	595,000	612,850
Women's Lacrosse	-	-	243,542	387,112	394,089	528,204	544,050
Game Day Operations	1,620,184	1,364,439	1,453,727	1,786,813	1,795,121	1,735,000	1,787,050
Conference and NCAA Championship Travel	652,370	695,305	702,789	619,404	819,386	700,000	700,000
Football Bowl	790,828	-	-	-	-	-	-
Pop Band/Cheer/Marching Pirates/Dancers	282,601	329,473	232,257	216,611	213,974	237,132	246,706
Athletic Support Functions (2)	2,282,807	2,236,802	2,496,752	2,413,624	2,421,481	3,236,060	3,333,142
Athletic Business Office	243,277	267,278	264,521	218,716	225,331	234,204	241,230
Administrative Units (3)	4,338,489	4,722,190	4,592,524	4,379,799	4,524,537	4,033,706	4,156,777
Compliance	75,944	61,370	74,996	-	350,411	336,073	346,155
Facility/Grounds Operations	1,744,497	1,630,917	1,809,897	1,629,677	1,566,525	2,407,555	2,479,782
Media Relations/Sports Marketing	1,406,011	1,432,302	1,497,311	1,386,246	1,411,133	1,599,000	1,646,970
Debt Payments- East End Zone	340,000	1,325,000	1,320,000	1,384,038	1,228,999	1,233,656	1,314,588
Transfer Dues	-	-	-	-	-	-	-
Interest Expense	11,737	26,389	35,461	52,717	-	-	-
Traveling Table Operating	-	-	-	-	-	500,000	500,000
Wrk Comp, Unemployment, Admin Fee (17-18)	276,830	285,961	288,277	298,534	27,772	30,600	31,518
Scholarships	7,241,633	7,404,510	7,585,459	8,585,505	8,640,383	9,061,000	9,432,830
Concert Refunds	-	-	-	434,935	-	-	-
NCAA Special Assistance (1x scholarship)	-	-	787,417	-	-	-	-
Total Operating Expenses	36,947,611	37,929,902	39,117,263	38,636,602	40,757,349	43,440,503	44,854,100
Shortfall from Operating	(21,524)	(1,184,430)	(466,742)	(1,461,601)	(6,080,280)	(7,401,260)	(5,647,857)

ECU – Revenues

Athletics fee revenue supports scholarships, salaries, travel, maintenance and operation of athletics facilities. The athletics fee at ECU increased from \$386.00 in 2005-06 to \$773.00 in 2019-20. As noted below, ECU's 2019-20 fee ranked 11th in the UNC System (source: ECU Athletics).

2019-20 UNC Athletics Fees

INSTITUTION	2019-20 RATE
ECSU	\$ 899.31
NC A&T	\$ 870.00
UNCA	\$ 855.00
NCCU	\$ 847.00
UNCC	\$ 824.00
ASU	\$ 783.00
WCU	\$ 782.00
UNCG	\$ 780.00
WSSU	\$ 780.00
UNCW	\$ 774.55
ECU	\$ 773.00
UNCP	\$ 771.52
FSU	\$ 768.00
UNC-CH	\$ 279.00
NCSU	\$ 232.00
UNCSA	N/A
AVERAGE	\$ 734.56

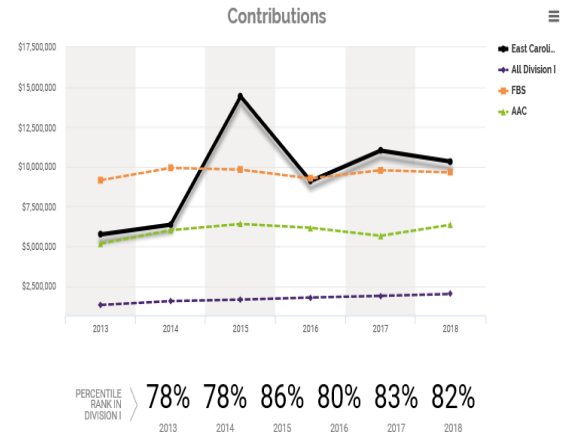
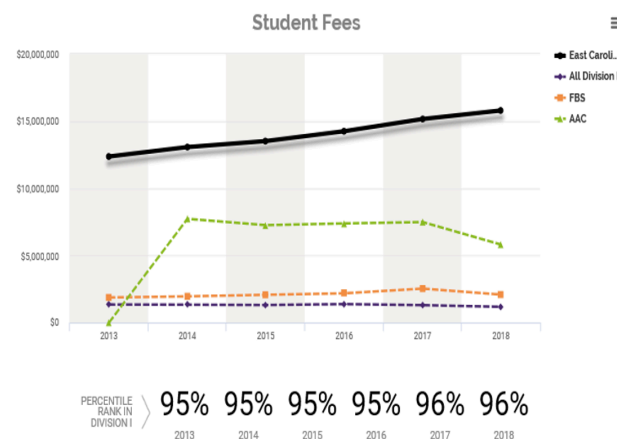
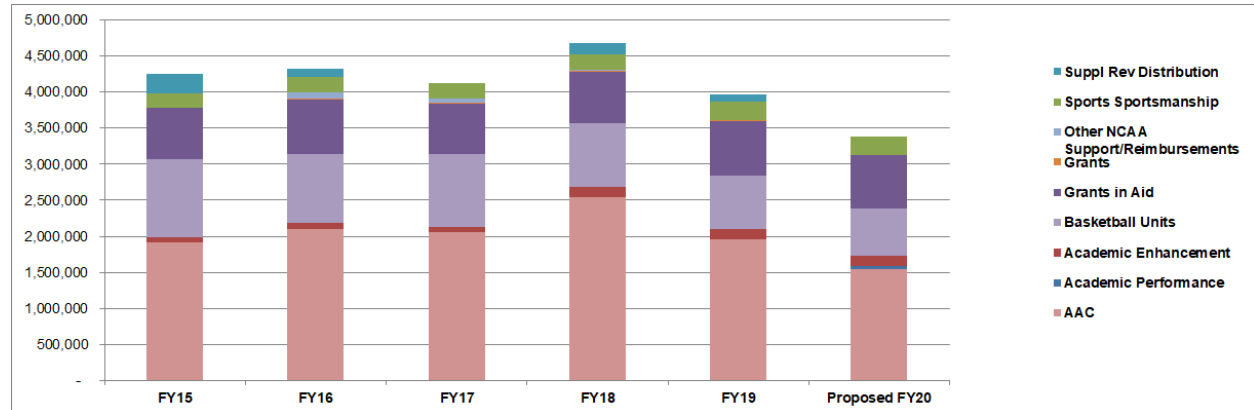
The two lowest athletic fees in the UNC System are UNC-CH (\$279.00) and NCSU (\$232.00); these are also the only two System institutions among the autonomy institutions.

The athletics fee, which is an institutional fee, is a component of the total cost of attendance calculation. ECU's 2019-20 cost of attendance for regular full-time undergraduate residents is \$22,389, which includes institutional fees totaling \$2,787 (note, the cost of attendance for academic year 2020-21 was not available at the time of this report). UNC constituent institutions are required to remain in the lowest quartile for undergraduate resident tuition and fees among public peer institutions. ECU's cost of attendance ranked 18 of 19 among public peer institutions in 2018-19.

Other primary revenue sources include disbursements from the NCAA and AAC, Pirate Club contributions, royalties from the IMG contract, game guarantees, ticket sales, and licensing.

Below is an internally generated illustration of NCAA and AAC disbursements, followed by comparative graphs of student fees and contributions (source: NCAA IPP database).

NCAA & AAC Disbursements



There is a significant gap in the current IMG contract between historical revenue performance and the established thresholds for any revenue sharing. Between 2020-2025, guaranteed royalties from the IMG contract range from \$2,025,000 to \$2,425,000. During this same period, revenue sharing thresholds range \$5.1-\$5.9 million. Even the lowest revenue sharing threshold in the current agreement, at \$3,745,000, far exceeds historical collections.

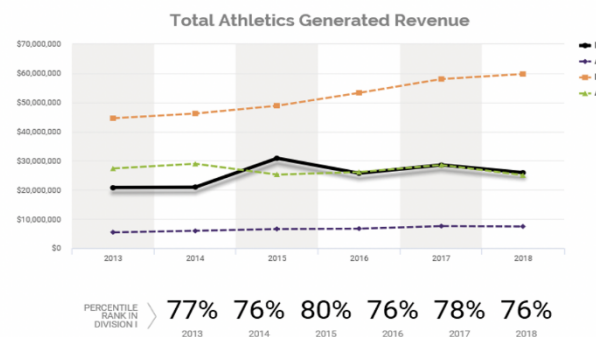
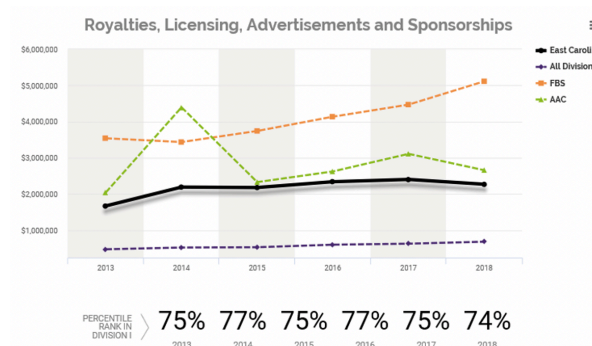
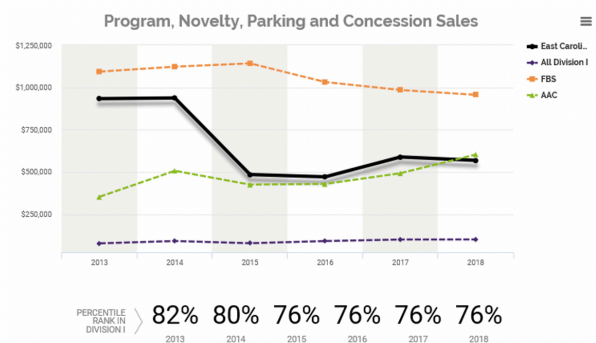
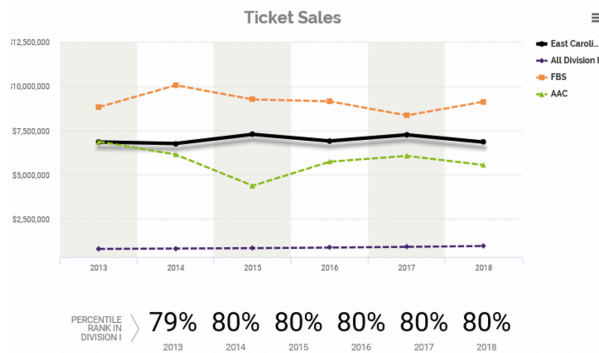
Anticipated revenue from game guarantees range from \$200,000 to \$2 million through FY 2027. Specifically, the next five years include the following revenue guarantees, all from football: FY 21 = \$450,000; FY 22 = \$250,000; FY 23 = \$250,000; FY 24 = \$2 million; and FY 25 = \$200,000. Between FY 2015 and 2019, in addition to football, men's basketball, women's basketball, baseball, softball, and women's volleyball all generated additional revenue from at least one guaranteed game.

Football season ticket sales, which is a key revenue driver, declined from 19,050 in 2016 to 12,908 in 2018. Historically, football ticket sales account for 14-17% of ECU athletics revenue which is higher than the AAC average. Season ticket sales increased to 14,063 in 2019, and the 2020 sales goal was 16,000 before COVID-19. The revised 2020 sales goal is 10,000, which is informed by sales data at the time of this report. Below is a summary of sales revenue (source: ECU Athletics).



Data from Paciolan Ticketing System- immaterial differences compared to financial system

The series below illustrates ECU's comparative performance across other key revenue sources and total athletics generated revenue. (source: NCAA IPP database).



Pirate Club

The mission of the East Carolina University Educational Foundation, Inc. (Pirate Club), is to be the fundraising arm of East Carolina University's Division I athletics program. The Pirate Club conducts annual fund, endowment, and capital campaigns in support of student-athlete scholarships, athletic facility enhancements and other programmatic needs. Gifts are either

restricted by the donor or unrestricted and are used to fund Pirate Club personnel as well as operating, scholarships, facilities, and programs. At the time of this report, there is a pipeline of \$27.4M in planned gifts (source: University Advancement). This sum includes \$22M in bequests, some of which have estimated payouts over the next 40 years. The donor management system used by the Pirate Club differs from the donor management system used by the other ECU affiliated foundations.

ECU Pirate Club Donor Profile

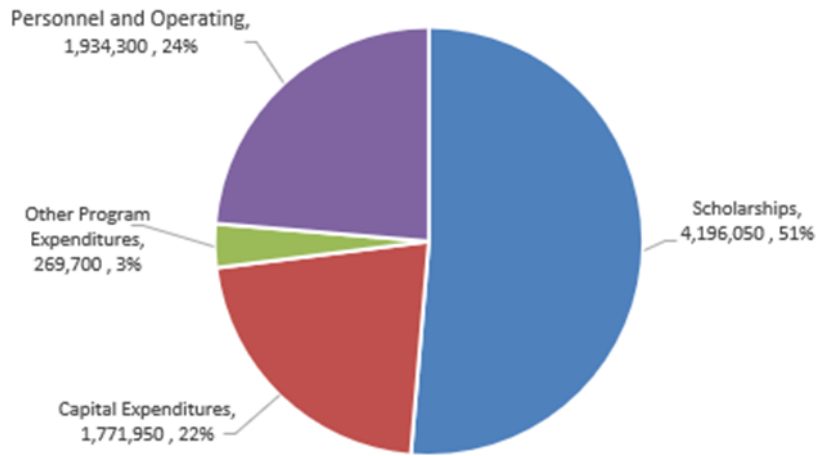
A total of 21,689 individuals have given to the ECU Educational Foundation in their lifetime with 89% of these donors being ECU graduates. Over 38% of the donor base has a net worth of \$1 million or above, 2% have given over \$50,000 in their lifetime, and 11% have given over \$27,500. The highest population of donors are between the ages of 30 to 59 (50%), and 20% are 60 or older. Most Pirate Club donors live in NC (76%), specifically in Pitt (19%) and Wake Counties (14%). In comparison to the overall donor base at ECU, 77% are graduates, .03% have given over \$50,000 in their lifetime and .04% have given over \$27,500. Similar to Pirate Club donors, over 44% are between the ages of 30-59, 17% are 60 or older, and most donors at ECU live in NC (80%), specifically in Pitt (14%) and Wake (15%) Counties.

There are 13 Pirate Club giving levels with varied benefits across each level. Below is a five-year summary of pledges across these giving levels (source: Pirate Club).

Membership Level	2020		2019		2018		2017		2016	
	Pledges	Members	Pledges	Members	Pledges	Members	Pledges	Members	Pledges	Members
Member (\$0 - \$99)	\$5,297.60	186	\$5,343.54	191	\$4,856.86	93	\$2,946.09	80	\$5,321.08	139
Crew (\$100 - \$249)	\$40,596.36	313	\$54,037.44	431	\$95,891.90	637	\$98,770.47	764	\$87,230.51	715
Swashbuckler (\$250 - \$499)	\$103,738.57	387	\$126,034.29	573	\$177,936.91	634	\$229,368.79	877	\$206,425.48	786
Buccaneer (\$500 - \$749)	\$91,646.79	172	\$106,573.37	205	\$169,002.44	303	\$206,106.55	389	\$193,989.83	373
Skull & Crossbones (\$750 - \$1,399)	\$219,206.00	278	\$288,357.73	350	\$413,371.44	499	\$495,842.64	623	\$494,924.89	634
Purple Pirate (\$1,400 - \$1,999)	\$291,737.36	237	\$362,963.69	281	\$566,915.27	410	\$645,020.85	479	\$689,952.34	503
Golden Pirate (\$2,000 - \$3,299)	\$506,750.39	248	\$594,390.84	296	\$845,527.15	415	\$1,049,616.61	515	\$974,212.50	481
Jolly Roger (\$3,300 - \$5,299)	\$426,529.13	132	\$540,633.45	173	\$844,223.37	248	\$984,031.52	290	\$921,590.55	274
Scholarship (\$5,300 - \$8,249)	\$246,552.42	74	\$361,126.86	85	\$413,970.29	89	\$533,038.00	116	\$466,412.48	107
Bronze Sabre (\$8,250 - \$10,999)	\$119,400.00	20	\$224,700.00	36	\$270,173.52	44	\$353,263.55	52	\$264,060.00	43
Silver Sabre (\$11,000 - \$16,499)	\$153,813.08	22	\$204,073.92	31	\$242,900.00	31	\$339,400.00	37	\$246,950.00	28
Golden Sabre (\$16,500 - \$27,499)	\$122,900.00	12	\$257,600.00	16	\$228,191.36	20	\$387,524.47	31	\$301,625.07	27
Platinum Sabre (\$27,500 & Above)	\$27,500.00	3	\$243,767.61	11	\$318,400.00	14	\$414,365.00	16	\$346,865.00	15
	\$2,355,667.70	2,084	\$3,369,602.74	2,679	\$4,591,360.51	3,437	\$5,739,294.54	4,269	\$5,199,559.73	4,125
Student PC	\$1,440.00	23	\$2,110.00	36	\$2,220.00	40	\$4,870.00	72	\$5,702.00	87
Total Annual Fund	\$2,357,107.70	2,107	\$3,371,712.74	2,715	\$4,593,580.51	3,477	\$5,744,164.54	4,341	\$ 5,205,261.73	4,212

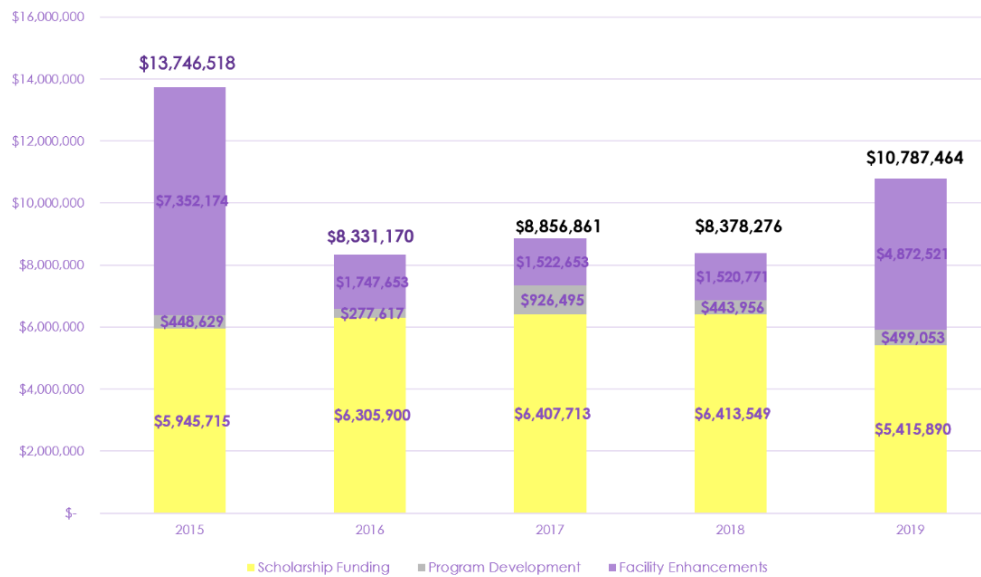
The annual fund budget is \$8.1M for FY 2020; below is a summary of the budget (source: Pirate Club). Currently, projections are a little less than \$6 million in revenue. This is merely a projection based on assumptions about prior year's giving; therefore, we do not know the actual impact given these unprecedented times.

Pirate Club Annual Fund Budget



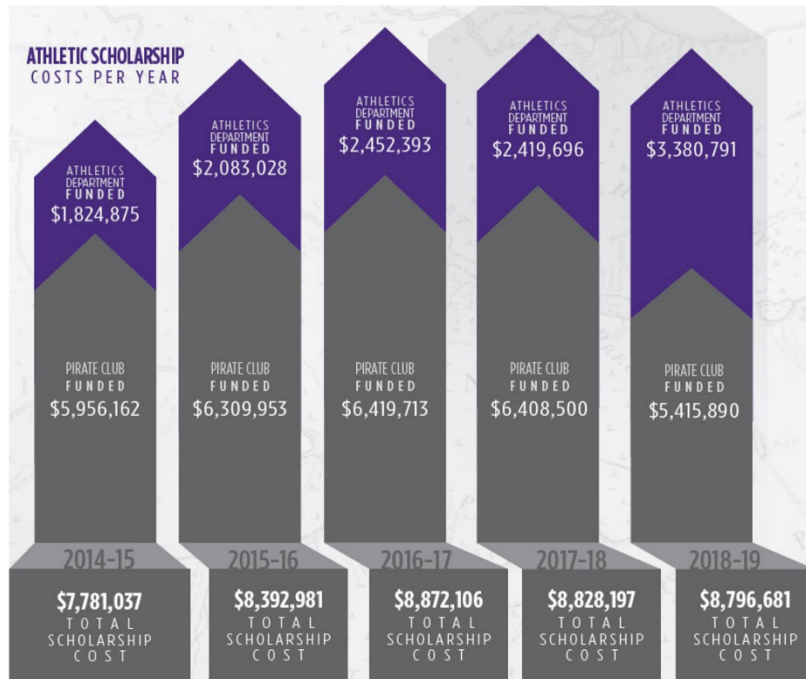
Below is a summary of Pirate Club contributions to ECU Athletics from 2015-2019 (source: Pirate Club):

Pirate Club Contributions to ECU Athletics



The 2015 contributions include funds in support of the auxiliary gym and 2019 contributions include funds in support of the football stadium renovations.

The Pirate Club funded \$5.9M of \$7.7M in scholarship costs during 2014-15. In comparison, the Pirate Club funded \$5.4M of \$8.8M in scholarship costs during 2018-19. As noted in the summary below, increasingly there is cost shifting of scholarships from the Pirate Club to the Athletics budget (source: ECU Athletics).



ECU - Expenses

Salaries and benefits account for 40% of expenses. Other major categories include scholarships (21%), travel (10.5%), supplies and equipment (4%), debt service (3%), game guarantees (3%), and food (2%). In August 2015, ECU implemented full cost of attendance, which is a requirement in the AAC for student-athletes receiving 100% athletic scholarship [tuition, fees, room, board, books and the value up to the cost of attendance]. Prior to 2015, a 100% athletics scholarship only included tuition, fees, room, board, and books. The average cost of attendance stipend for undergraduate ECU student-athletes from 2015–16 through 2019–20 is \$4,057 (in-state) and \$3,917 (out-of-state). This cost of attendance stipend includes the following components: miscellaneous personal expenses, transportation, and supplies.

The NCAA has financial aid limits for each sport and is broken into two categories: headcount (full cost of attendance); and equivalency (partial or percent). The headcount sports include men’s basketball, women’s basketball, football, women’s volleyball, and women’s tennis. The expense related to cost of attendance in the equivalency sports is approximately \$430,000. As of August 6, 2019, ECU had a total of 446 active student-athletes; of this total, 135 were on full scholarship, 224 on partial scholarship, and 95 were walk-ons with no athletic aid.

Per NCAA legislation (20.9.9 and 20.9.9.1), an institution classified in the Football Bowl Subdivision shall sponsor 16 varsity sports. ECU has 20 varsity sport programs, which include:

- Male Sports: Baseball, Men’s Basketball, Football, Men’s Cross-Country, Men’s Golf, Men’s Swimming & Diving, Men’s Tennis, Men’s Indoor Track & Field, and Men’s Outdoor Track & Field.

- Female Sports: Women’s Basketball, Women’s Cross-Country, Women’s Golf, Women’s Lacrosse, Women’s Soccer, Softball, Women’s Swimming & Diving, Women’s Tennis, Women’s Indoor Track & Field, Women’s Outdoor Track & Field, and Volleyball.

Below is a 2019-20 summary of total sports among the AAC institutions. Note, 2019-20 is the last year of competition for UConn in the AAC. Also, Cincinnati recently announced elimination of men’s soccer.

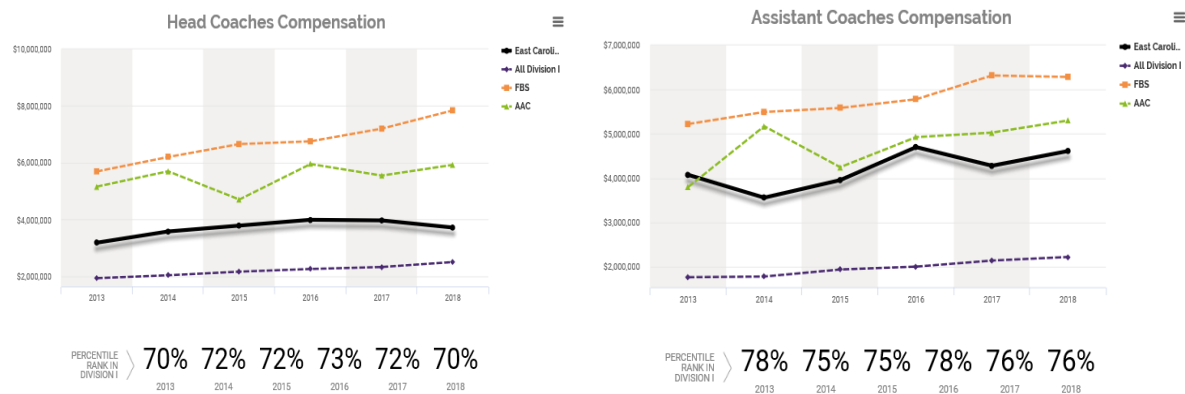
TOTAL SPORTS BY SCHOOL

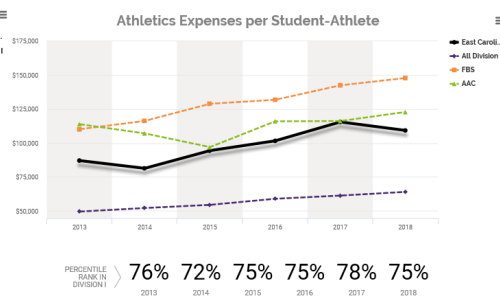
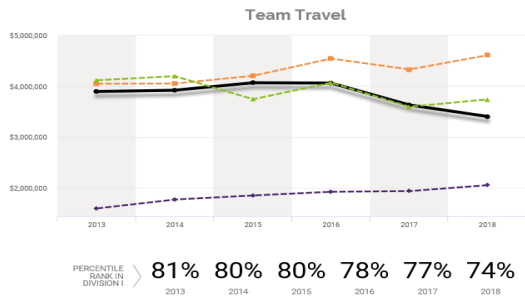
SCHOOLS	TOTAL	MALE	FEMALE	NON-AAC SPORTS
UCONN	24	11	13	M-Ice Hockey, W-Ice Hockey, W-Field Hockey
East Carolina	20	9	11	
Memphis	19	9	10	Rifle (coed)
Cincinnati	19	9	10	
Temple	19	7	12	M-Crew, W-Fencing, W-Field Hockey, W-Gymnastics
USF	19	9	10	W-Sailing
Tulane	18	8	10	Sailing (coed), W-Sailing, W-Bowling
Tulsa	17	7	10	
Houston	17	7	10	
SMU	17	6	11	W-Equestrian
UCF	16	6	10	
Wichita State	15*	7	8	
Navy	1^	1	0	

*Wichita State does not sponsor Football.

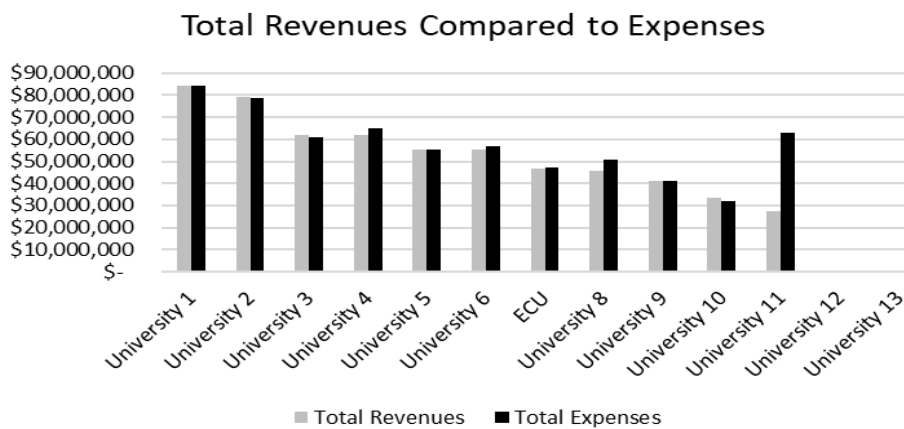
^Navy Football (FBS) is the only sport sponsored within the AAC.

As illustrated in the graphs below, ECU is below the AAC percentile in head coaches compensation, assistant coaches compensation, team travel expenditures, and athletics expenses per student-athlete (source: NCAA IPP database).





An AAC financial comparison of total revenues compared to expenses illustrates both ECU's positioning in the conference and reinforces the lack of self-sufficiency in a nonautonomous conference (source: NCAA report of 2017-18 financial data provided by AAC finance officers).



Facilities

ECU Athletics maintains a list of facility and operational needs. Although some of the needs have been funded by the University, many will require additional gifts to realize. Among the list of desired improvements, the addition of premium seating in Minges has the potential to generate more revenue. Of the current proposed projects, a second all-sports weight room is a high priority to serve the number of student-athletes at ECU. An indoor practice facility, which would benefit all student-athletes as an all sports facility, is another project on the facility wish list. The project lacks a cost projection, but based on similar facilities, a reasonable estimated cost is \$15-25 million.

Southside Football Stadium Tower Projections

The pro forma prepared in April 2018, which was informed by a feasibility study, projected revenue of \$42.7M over 30 years. The pro forma was updated in December 2019 with 2019 sales repeated for the next 29 years and maintaining the initial built-in inflation. With other adjustments detailed below, the updated pro forma now projects a loss of nearly \$6M over 30 years. Below is a comparison between the two projections (source: ECU Athletics).

	April 2018	December 2019	Change
Founders Suites	11,606,675	15,291,603	3,684,928
Suites	19,948,619	24,947,101	4,998,482
Loge Boxes	10,717,937	11,348,591	630,654
Scholarship Club	52,605,510	41,646,178	(10,959,332)
Field Level Club	14,879,065	0	(14,879,065)
Parking Experience	14,879,065	9,820,685	(5,058,380)
WC Club resales	16,069,519	4,860,892	(11,208,627)
Other Revenue	3,130,640		(3,130,640)
Gross Cash Flow	143,837,030	107,915,050	(35,921,980)
Operating Expenses	(24,408,613)	(36,265,718)	(11,857,105)
Cash Flow before debt service	119,428,417	71,649,333	(47,779,084)
LOC interest expense	0	(878,867)	(878,867)
LOC principal payment \$4.5 million	0	(4,500,000)	(4,500,000)
Bond Payment on \$55 million	(89,712,697)	(87,378,706)	2,333,992
Net Cash Flow from operations	29,715,720	(21,108,240)	(50,823,960)
Philanthropy	13,003,370	15,116,711	2,113,341
Net Available Cash Flow, All Sources	42,719,090	(5,991,529)	(48,710,619)

Adjustments to the pro forma include increased revenue projection in Founders Suites and Suites by selling the original designated AD Suite and visiting AD suite. Other adjustments include lower revenue projections in club seating, parking, and Williams-Clark Club resales. The latter is due in part to retaining lifetime seat rights in Williams Clark Club for donors choosing to relocate, which impacts the premium seat inventory. Elimination of the field level club is also a significant adjustment. Operating expenses also increased after adding gameday services. Finally, the line of credit was initially to be covered by the Pirate Club operating budget; however, after evaluation of Pirate Club operating expenses and contributions, it was determined to add the line of credit to the Tower pro forma to accurately reflect all costs associated with the new structure. In addition to the changes in the pro forma, there are early indicators the new premium seating options may reduce the annual fund contributions of some donors. Total giving may remain constant in this regard, but the overall impact is a cannibalization of annual fund donations. Donors may give the same total amount of dollars but are reducing annual fund dollars to pay for premium seating.

Prior to the 2019 football season, ECU announced a \$3M pledge from TowneBank to name the TowneBank Tower. In addition, the Trade Club was named after a leadership gift of \$1 million from Edwin and Ann Clark.

Training Table

Implementation of a training table, which is located in the Multipurpose Room at the Murphy Center, is new for ECU Athletics in 2019-20. During the inaugural year, football, men's

basketball, and women's basketball participated. Training table costs are covered by a portion of the student athletes board scholarship. Athletics costs associated with the training table (and other meals incidental to participation) are estimated to be \$176K for 2019-20, which are covered by the athletic operating fund. This service is in addition to fueling stations and snacks, which are paid for from team operating budgets. There is also an all sports fueling station funded through a nutrition program. Dining provided the serving station and logo china at a cost of \$101,550 for the training table.

RECOMMENDATIONS

The current fiscal model for ECU Athletics is not sustainable. While there have been efforts to achieve efficiencies, the primary challenge is in generating sufficient revenues. Fiscal impacts associated with the COVID-19 pandemic exacerbates the challenges and accelerates the need for change. While some level of institutional support is required, at least in the near term, annual student fee increases, an increase in Pirate Club donations, and an expansion of institutional support are unlikely. The following recommendations are meant to provide institutional leadership with a framework for improved fiscal positioning.

Recommendations:

1. Operational Efficiencies – The working group recommends leadership establish an overall reduction goal for FY 21 and assign differential cuts to achieve the goal.
2. Competition Scheduling – The working group recommends ongoing exploration of regional competition models in select sports and continuing efforts to limit overall travel expenses for non-revenue generating sports. In addition, leadership should explore additional away game guarantees for all sports.
3. Fundraising – There are opportunities to improve alignment between Pirate Club fundraising and University Advancement, including a common information system, collaborative philanthropy with respect to high capacity donors, and exploration of shared services. The hiring of a qualified Pirate Club Executive Director should be a priority. A subsequent evaluation of Pirate Club staffing, operations, and events, in collaboration with the Pirate Club Board, is recommended. The working group also recommends evaluating a reduction in the number of Pirate Club giving levels and modifications of benefits within each level. Finally, leadership should redesign the Student Pirate Club such that there are clear membership benefits. For both the Pirate Club and Student Pirate Club, the working group recommends updated marketing plans to drive membership, and an intentional focus on establishing a culture of philanthropy.
4. Facilities – In order to recruit and compete, student-athletes and coaches have resource needs, including quality facilities. The working group recommends maintaining a prioritized list of facility needs with cost estimates and naming opportunities. To the

extent possible, the working group recommends facility enhancements that benefit multiple teams, enhances recruiting efforts, and/or are designed to generate additional revenue. To the latter point, the group recommends exploring an enhanced premium seating option in Minges Coliseum for men's and women's basketball.

5. Tower Operations & Revenue – At the time of this report, there is no clear plan to improve the revised pro forma. The working group recommends a review of the Tower operations, pricing structure for the premium seating, and opportunities to generate revenue from meetings and events. Such a review should result in a set of recommendations to close the anticipated operating shortfall. In addition, the working group recommends seeking a release of seat rights in the Williams-Clark Club for those individuals with seating in the Trade Club or other premium seating. Release of these rights permits the Pirate Club to expand the inventory for purchase in the Williams-Clark Club.
6. Scholarships – There is a growing gap between scholarship funds generated through Pirate Club donations and actual scholarship requirements. Therefore, the working group recommends leadership further evaluate scholarship awards and funding.
7. Number of Sponsored Sports – Current legislation requires FBS schools to have a minimum of 16 varsity athletic teams. As noted in the prior section, ECU has more sports than most of the other AAC schools but is also near the bottom of the conference in total operating budget. The working group recommends leadership consider the elimination of one or more sports. In addition to the fiscal analysis, decisions must also be informed by an analysis of related compliance.
8. Institutional Support – Prior to COVID-19, an operating shortfall of \$4M was projected in perpetuity. Even with deep cost cutting measures and the generation of new revenues, the analysis suggests an ongoing shortfall in the near term. Therefore, the working group recommends leadership establish an annual amount, not to exceed \$4-6M annually, to transfer from institutional funds in support of ECU Athletics. Such a plan should be approved by the Chancellor and reconsidered each biennium.
9. Student Fees – In recognition of the concerns expressed during the most recent tuition and fees dialog, the working group recommends a two-year moratorium on athletics fee increases. The UNC Board of Governors voted against the 2020-21 tuition and fee proposals, which included ECU's \$50.00 athletics fee increase. Therefore, academic year 2020-21 will count as the first year of the recommended moratorium. With the projected long-term declines in traditional high school graduates, which impacts strategic enrollment planning, even if increases are approved in the future, there may be fewer students paying the full fee. Therefore, budget planning cannot assume this revenue stream will continue to grow.

10. Longer Term Considerations – In addition to the more immediate recommendations noted above, the working group recommends:
- Develop budget scenarios assuming additional competitive disruptions related to COVID-19 over the next 12-18 months.
 - Develop a new strategic planning process for ECU Athletics to reflect new realities and chart a course for long-term sustainability and excellence.
 - During the next negotiation process, with IMG or other similar entity, seek to maximize base payments and revenue-sharing goals.
 - Update the inventory of facility naming opportunities to ensure there is a plan to maximize revenue.
 - Use customer and market data to annually refine pricing strategies, identify new markets, and enhance the fan experience.

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