

**Teaching Note:
Unprecedented
Challenges -
Athletics Director
Decision-Making
During A Pandemic**



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Teaching Note: Athletics Director Decision-Making During A Pandemic

This case accurately describes the uncertainty and difficult decision-making that confronted many athletics directors during the summer of 2020.

Athletics departments had just finished the 2019-2020 year in which the pandemic ended up cancelling winter sport championships - including the NCAA basketball tournaments - and most of the spring sport seasons and championships. The cancellation of the NCAA men's basketball tournament significantly reduced NCAA financial distribution received by member schools. However, for the most part, schools were able to collect on other significant sources of revenue for the 2019-2020 year (e.g., football and basketball gate, football and conference basketball media rights income, etc.) before the pandemic started. Additionally, most schools did not generate net income from spring sports, so the cancellation of spring seasons ended up being an unfortunate situation for student-athletes but a financial savings for most athletics departments. Reduced costs from no travel and no recruiting in the spring far outweighed the direct revenue produced by most spring teams. Many athletics departments were thus able to balance their budgets in 2019-2020, even with the revenue losses from the NCAA men's basketball tournament being cancelled.

However, the real challenge faced by athletics directors in the summer of 2020 was how to plan for the 2020-2021 year under a cloud of uncertainty about the potential impact of COVID-19. For example, when could student-athletes return to campus? Would football be played? Could football tickets be sold? What would the implications be for media rights agreements if games were impacted? Would the NCAA men's basketball tournament be played? What should reasonable expectations be for fundraising, given the uncertainty in the economic environment?

An examination of the Newfound State Intercollegiate Athletics Financial Summary shows the difficulty of planning ahead at the time. Janine Janice Smith had to create a financial projection to help her decision-making, but her projections could still have been inaccurate by millions of dollars if certain assumptions changed as the fall approached. For example, there remained tremendous uncertainty in whether the student fee revenue could be counted on, whether there would be any football or basketball tickets sold, and whether she could count on revenue from playing the usual guarantee games in football. Changes in these line items would have significant consequences for the eventual projected surplus or deficit of NSU in FY21, which would in turn dictate whether or not additional cost reduction actions (e.g., layoffs, furloughs, or even sport cuts) would be necessary and how aggressively Janine would need to pursue loans or other bridge financing.

In addition to the financial uncertainty, there was still not clarity about how athletics departments would need to handle the operational challenges of dealing with COVID-19. Athletics directors who were thinking ahead could anticipate that student-athletes and coaches would need to manage through a number of different and new processes in 2020-2021 because of the pandemic - including testing, symptom screening, contact tracing, and additional education about health and safety. However, the specific new operational requirements were not evident at the time, so athletics

directors had to plan for an eventual increase in the operational agility of their organizations without knowing exactly what to plan for.

Let's consider the specific questions that Janine was contemplating at the end of the case.

1. Should she pay coach bonuses and provide raises in situations where they are contracted? What options does she have? What are the consequences?

Janine must navigate the issue of whether to pay the contracted bonuses and raises. If she chooses to pay the contracted bonuses and raises, the coaches who benefit (including the football and basketball coaches) will be pleased that the university is following through on its contracted commitments, even during a challenging time. This will be a positive morale boost for high-performing coaches. However, coaches who don't have raises built into their contracts - but instead usually receive cost-of-living raises based on the broader university salary program, which is not awarding any raises this year because of the pandemic - will be left out. These coaches will perceive being left out as unfair, which may cause a morale issue. NSU Athletics is also under significant financial duress, and every dollar saved is important for its financial health. Furthermore, university administration may question the wisdom and optics of paying bonuses and providing raises, especially if future cost reductions include layoffs and furloughs.

Janine should consider discussing with coaches that she would like to create a policy where no bonuses or salary increases will be paid during 2020-2021. She should discuss this individually and privately with the impacted coaches to see if they will voluntarily agree to it before she announces her intentions more broadly.

2. It was clear that a significant revenue decrease was on the horizon, but precisely how much of a decrease was not. What are the cost cutting options available to her and the impacts and consequences of pursuing each? Which options should she pursue first and which should she seek to avoid? What should her guiding principles be in deciding about cost reductions?

Janine must find substantial cost savings to offset significant revenue losses. A primary challenge in this situation is the uncertainty at this point of the summer. There is still not clarity on the degree of revenue losses or the amount of cost savings that might be achieved if sport operations are curtailed again in the fall like they were in the spring. Perhaps the least problematic savings option will be the natural spending reductions that occur if competition is reduced in the upcoming year. Reducing travel and recruiting costs because of NCAA rules and shortened schedules will help achieve some degree of savings.

In evaluating cost-reduction options, Janine should establish a set of principles by which she will make decisions. For example, the first principle could be to impact the student-athlete experience as little as possible. The second principle could be to preserve jobs by avoiding

layoffs to the extent possible. A third principle should be for sacrifices to be shared among teams, coaches, and staff as equally as possible.

These principles point to a mix of cost-reduction initiatives that, in order of preference, would include (a) realizing savings from reduced operations, including reduced travel and recruiting; (b) temporary salary reductions on a proportionally equal basis, including no bonuses or contracted raises; (c) and equal number of furlough days for all coaches and staff; and (d) reducing team budgets by a proportionately equal amount.

If the revenue decrease was too much for these cuts to cover, then Janine would need to consider additional measures, such as a bridge loan from the university or an external funding source.

Of course, one of the additional options considered might be to eliminate teams. However, this would be the least viable option of all cost reduction efforts because of the political costs, Title IX considerations, impact on student-athletes, and impact on team morale. NSU is in compliance with Prong I of Title IX, but doesn't have much room to spare, so any team reductions would need to fully consider these circumstances.

3. The upcoming year would be filled with the potential for unusual expenses related to COVID-19 testing and scholarship aid for student-athletes who've had their eligibility extended. What should Janine do to account for these additional expenses? Should she approach the donor base to ask for help? If so, what approach should she take and what are the risks and opportunities involved?

COVID-19 will create unusual expenses for FY21, such as costs for testing and costs for student-athletes who return after receiving eligibility extensions. NSU will need to find ways to control or mitigate these costs to the extent possible. For example, Janine should consider policies to control the amount of scholarship spending for returning student-athletes by limiting team scholarship budgets to existing totals. Scholarships could remain guaranteed for student-athletes who haven't reached the point of graduation, but those who otherwise would have graduated could return on scholarship if their team could remain under its usual scholarship budget.

Additionally, Janine could consider how to appeal to the NSU donor base to help cover some of these increased costs. NSU Athletics was not able to hold its annual "Give Day" in the spring due to optics concerns about raising funds for its teams during the early stages of COVID-19. Accordingly, since the fundraising environment appeared to be bouncing back - the stock market had recovered most of its springtime losses by the summer - Janine could ask her development staff to plan an annual giving campaign for the fall months that would help replace the lost annual giving revenue from "Give Day".

The risk of creating a special campaign to help with the financial challenges created by COVID-19 is donor fatigue. Even though the financial markets appear to be recovering well, there remains a significant amount of uncertainty about the economy and NSU will want to demonstrate sensitivity and express appreciation for any help donors can provide during a challenging time. Additionally, NSU will need to create messaging that helps donors understand that the expectations of this campaign would be for people to give incrementally to their annual gift.

4. What is the best way to help NSU prepare for the coming operational challenges? Would technology products or services be able to help NSU deal with the operational challenges posed by COVID-19?

Even during periods of financial uncertainty, organizations often invest in resources to address new obstacles brought about by the change in circumstances. In these scenarios, the best solutions solve short-term challenges and enable long-term operational efficiencies. An ideal solution would also immediately impact areas such as organizational cohesion, student-athlete experience and performance across staff and players. In this scenario, a technology solution like Teamworks checks those boxes.

Janine knew that NSU Athletics would need to improve its operational acumen, but wasn't precisely sure what would be needed in the fall. Despite this uncertainty, she could predict that NSU Athletics would benefit from a technology product that could create more efficient communication, allow for better documentation of operational processes, and assist in safely returning student-athletes to campus and sport.

A communications and operations platform like Teamworks can accomplish many important functions that would be critical in ensuring Janine and the athletics staff operate at the highest caliber during the pandemic. Teamworks has helped streamline administrator communication to student-athletes and coaches, allowing for versatility in sending mass and individualized messages regarding rapidly evolving COVID-19 policies and procedures. This has helped departments instill a strong culture of accountability and adherence to new guidelines while also preventing any breakdowns in communication from occurring.

While it is likely Janine will need to leave vacant positions in the department unfilled, technology solutions allow Janine's coaches and support staff to optimize their resources at hand. Teamworks allows all communication, scheduling, documentation and resource-sharing to funnel straight to student-athletes' phones. Coaches can remain focused on their competitive responsibilities, such as developing their current and future rosters, without feeling drastically set back from the pressures of being understaffed due to financial contractions.

Additionally, Teamworks provides NSU Athletics operational and risk management solutions through a variety of its connective features and mobile capabilities. COVID-19 symptom

screening surveys could be administered on the platform and filled out by student-athletes and staff through their mobile app. The platform could help ensure full distribution and acknowledgement of athletics department policies related to COVID-19 through secure, electronic file sharing capabilities.

The messaging capabilities of the Teamworks platform can help ensure timely communication with student-athletes who might have been exposed to COVID-19, and the calendar matching function could help the sports medicine personnel with efficient contact tracing as well as assisting the facilities staff with coordinating the expected disruptions in training and competition schedules as positive cases occur.

Lastly, Teamworks could help athletics departments communicate externally with alumni to support any fundraising activity that NSU wanted to initiate related to COVID-19 relief.

5. Given the financial and operational challenges of the upcoming year, what campus partners will Janine especially need to rely on for campus support? What can Janine do to make sure she will be best supported by these partners?

COVID-19 represents a convergence of several issues that will impact NSU Athletics, and Janine will need to lean on a number of important partners on campus in order to successfully navigate the coming months.

For example, the risk management function of the university must be consulted extensively and be supportive of decisions made by the athletics department to resume athletics activity.

Government affairs will likely be the conduit to local, regional, and state public health officials. Janine probably doesn't interact regularly with government affairs (except for recent dialogue about NIL), so she'll need to develop and strengthen this relationship in order to maintain the appropriate dialogue with public health officials moving forward.

Additionally, the athletics department will need extensive support from the campus legal affairs. The pandemic presents a number of complexities related to game contracts and force majeure clauses that will need attention. Additionally, campus legal will help NSU Athletics understand how information about the COVID-19 status of student-athletes can be communicated without making disclosures that violate HIPPA or FERPA.

University human resources will need to be consulted as coach and staff testing becomes part of the regular operational routine. There will be nuances to figure out regarding how coaches and staff are paid if their jobs and contracts are impacted by COVID-19, and there will be details about how communication about the COVID-19 status of employees can proceed from a privacy standpoint.

The university CFO should be closely kept in the loop about anticipated revenue and expense impacts that affect NSU Athletics. With so much financial uncertainty, it is important that Janine is in regular communication with the CFO so options can be assessed as circumstances change.

Lastly, Janine will need to rely on the medical school and university health care system for testing support, medical advice, and help. Eventually, the distribution of a vaccine may proceed through student health or the campus medical center.

Note About The Decision-Making Scenario

A conference-only schedule for 2020 means that the guarantee games NSU was slated to play will be cancelled. Financially, this creates a net shortfall of \$2M from Janine's original projection depicted in Appendix A that she now needs to plan for. She must describe and justify her plans to the NSU President.

The chart below contains some notes and commentary about one path to accounting for the \$2M shortfall.

Option	Savings realized	Notes
Reduce football team operations budget to account for cancelled games.	\$300k	This savings will happen naturally because the games aren't played.
More reductions in non-football team budgets.	\$700k	Reduce travel to driving-only non-conference competition. Reduce recruiting budgets in anticipation of restrictions on travel impacting recruiting.
Furloughs	\$306k (five furlough days for everyone)	Five furlough days for every employee will damage morale slightly, but it is a one-time event and the cost savings are relatively significant.
Layoffs of various staff and coach positions.	\$0	Still try to avoid layoffs to the extent possible.
Hold open operations positions and rely more heavily on a technology solution.	Net savings of \$200k.	Technology platforms (e.g., Teamworks) can help assistant coaches and others to continue operating teams for the time being rather than filling open operations jobs. This also solves for Janine's anticipation of operational challenges surrounding mass communication and coordination for bringing student-athletes back to campus and returning to play.

Cancellation of some non-revenue sport seasons.	\$0	Inequity concerns don't make this a feasible option.
Renegotiate retention bonus owed to football coach.	\$250k	Renegotiate with the football coach to defer this retention bonus to a future year and provide an extension of one year in exchange. Creates a future obligation, however.
Interest-free loan.	\$250k	Modest loan amount that could be paid off relatively quickly, but this creates a future obligation.
Cut sports.	\$0	Cutting sports is an absolute last resort, after all other options have been exhausted.

The solution above makes \$1.5M in cuts and finds an additional \$500k in funding or savings that must be paid back at a future date.