

MINUTES

BOARD OF REGENTS' COMMITTEE ON INTERCOLLEGiate ATHLETICS MEETING

April 1, 2015

I. CALL TO ORDER

Committee Chair, Jeffrey Portnoy, called the meeting to order at 3:01 p.m. on Wednesday, April 1, 2015, at University of Hawai‘i at Mānoa, Information Technology Building, 1st Floor Conference Room 105A, 2520 Correa Road, Honolulu, Hawai‘i 96822.

Committee members in attendance: Committee Chair Jeffrey Portnoy; Committee Vice Chair Michelle Tagorda; Regent Barry Mizuno; Regent Stanford Yuen; Regent Simeon Acoba.

Others in attendance: Regent's Chair Randy Moore, Regents' Vice Chair Eugene Bal III; Regent Lee Putnam, Regent Chuck Gee, Regent Helen Nielsen (ex officio committee members); President David Lassner; Vice President for Administration Jan Gouveia; Vice President for Legal Affairs and University General Counsel Darolyn H. Lendio; Vice President for Community Colleges, John Morton; Vice President for Budget & Finance/Chief Financial Officer Kalbert Young; UH Mānoa Interim Chancellor Robert Bley-Vroman; UH Hilo Chancellor Don Straney; Executive Administrator and Secretary of the Board of Regents Cynthia Quinn; and others as noted.

II. APPROVAL OF THE MINUTES OF THE FEBRUARY 12, 2015 MEETING

Regent Yuen moved and Regent Tagorda seconded the motion to approve the minutes of the February 12, 2015 meeting. Regent Gee requested the minutes be changed to reflect his attendance at both the February 12, 2015 meeting and the continuation of the meeting that was held on February 16, 2015. Regent Yuen moved to amend the motion as stated. Regent Tagorda and Gee agreed. The motion, as amended, was unanimously approved.

III. PUBLIC COMMENT PERIOD

Executive Administrator and Secretary of the Board Cynthia Quinn announced that no written testimony had been received and one individual had signed up to give oral testimony.

1. Shannon Wood, Windward Ahupua'a Alliance, testified that about her support for the Board to work with the Stadium Authority with input from the general public regarding the Stadium Authority because it is important to the State of Hawai‘i.

IV. AGENDA ITEMS

1. **Discussion of the Status of the Aloha Stadium and Its Potential Impacts on UH Mānoa Athletics**

Committee Chair Portnoy explained that this item was put on the agenda because an editorial that appeared on March 23, 2015 in the *Honolulu Star Advertiser* entitled “UH Role is Key to Stadium Future” that raised a number of interesting and salient points about the future of Aloha Stadium (stadium), and other possibilities of a new or alternate site, and the impact on the future of the football at the University of Hawai‘i (UH). Any substantive discussion on this matter will be deferred until next month after the new athletics director comes is hired. It is then expected that discussion will begin with the new athletics director, UH, and Stadium authorities. Given the importance of the matter, this item will continue to be an agenda item for upcoming committee meetings.

Athletics Director Ben Jay commented that the university has open and continuous communication with the Stadium Authority board. The university also holds an ex officio non-voting seat on the Stadium Authority board and he or a representative normally attends the monthly meetings as part of their communication efforts. In addition, regular monthly meetings are held with Stadium Manager Mr. Chan, who was present at this committee meeting, which will continue under the new athletics director. He added that UH is a tenant of the stadium.

The committee inquired as to the decision making process, UH’s role and involvement in that process, and concerns about the financial viability of the stadium operations. Mr. Chan explained that the decision making process requires legislative and governor approval, in addition to approval by the Stadium Authority. The stadium is in its Phase 5 of an 8 phase process. Two years ago, the Authority commissioned Foley & Lardner LLP (F&L), a consultant that has extensive background in developing and building stadiums across the country, to assist them in the planning and issuing a Request for Information (RFI), that solicited ideas from companies. A summary report of the responses is being reviewed to vet ideas submitted to include in a Request for Proposal (RFP), which would be Phase 6. Phase 7 would be evaluation of the RFP, and recommendations would be taken to the board, and then be presented to the Legislature and Governor.

Mr. Chan confirmed that that UH has been very cooperative and continues to work closely with the Stadium Authority. UH, through AD Jay, has a seat on the Stadium Authority board. He continues to hold monthly meetings with AD Jay and the department, which will continue with the new athletics director. As the Stadium Authority gets into future phases of the report, UH will have a larger role in the direction taken because it is one the main tenants.

Mr. Chan reported that the stadium is self sufficient, although it has been difficult the past few years. They are mindful of spending and have looked at other options to cut, such as utilizing part time seasonal employees. Three of the four major revenue sources for the stadium are shared with the university, being advertising, parking, and rental agreements. Other revenue opportunities are exclusive to the vendors, such as food and beverage concessions.

Mr. Chan indicated that the Stadium Authority had the final say and was tasked with the responsibility for determining the future of the stadium, but recognizes that

collaboration is essential to move forward. No decisions or commitments have been made on the future of the stadium other than concepts and ideas. Only when the report is completed may the Authority be able to make statements in terms of what is in the best interest for everyone regarding the stadium's future. The UH Mānoa Athletics Department played a major role as a major stakeholder throughout the process in this particular report, and expects that role increasing as they get closer to making tougher decisions.

Committee Chair Portnoy said he saw this as an opportunity for UH to discuss the present situation and consider other options such as building its own stadium, although the latter was not very likely given the current funding and geographical environment. Mr. Chan agreed this was an opportunity being considered as they are at a crossroads where the facility is 40 years old, and they need to take action and decide what would be in the best interest of the state and the university. Expending funds on the current stadium would only address the prioritized health and safety issues and not provide any new opportunities for revenue generation such as the current amenities or ancillary development around the property. Moreover, a deed restriction would need to be changed in order to consider public and private partnerships to alleviate some of the costs to the state, such as mass transit and Transit-Oriented Development (TOD). He added that he will continue working with the new athletics director to do what is right for the state and the university because they want to see them succeed.

2. Discussion of Current Legislative Status on Budget as it Relates to the UH Mānoa Athletics Budget Planning

VP Young reported that the current status on the budget for both the House and Senate version does not include specific funding to be directed towards athletics. The regents' budget request included a request for \$3.5 million to support the anticipated shortfall in the athletics department budget. However, the Governor did not include the request in his budget request to the Legislature, and neither version of the legislative budgets include any specific appropriations for athletics. The Senate version does include additional funding of approximately \$7 million, it is expected that there will be provisos to expend the funds on certain programs other than athletics. Under either version, the university may receive additional funding above current levels up to \$7 million more, but none of which is specifically earmarked for athletics. Neither house made suggestions at the hearings that any of that money should go to athletics.

The Committee acknowledged that the committee would have to prepare for detailed discussions regarding the athletics department budget and remedies with the new athletics director, who will probably follow up on what AD Jay has put in place as well as having some ideas of his own. As a university, they must acknowledge what it costs to run an athletics program, especially without support from the Legislature to make a specific allocation for athletics.

The committee asked what the optimal size budget with state support would be, what was considered a fair amount of contributions from the private sector, and how does UH compare to other universities. AD Jay responded that the report showed when compared to other schools across the country, specifically mid-major conference (Mountain West

and Big West) schools, the level of institutional funding for athletics at UH is subsidized at a lower rate. Mountain West schools are subsidized at 40% to 65%, and Big West schools are subsidized at 50% to 85%. One of the biggest differences is the level of student fees. Most peer schools are larger than UH and charge higher fees, which is something he has been reticent to do at UH; he appreciates the \$1.7 million they currently receive from student fees. UH is on average for institutional support; of the schools that receive state support, UH is lagging and has to raise 75% of their expense budget through other means, e.g., ticket sales, television and radio rights, sponsorship, and fundraising. Fundraising is likely the key for the future, and must shift beyond transactional fundraising, such as ticket sales and parking, to philanthropic giving, which is more about the future and building endowments for scholarships, but does not pay the bills today. It will require more than winning teams. Even with 10,000 more paying fans per game, only \$1.5 million more revenue is generated, which is not enough given the athletics department is facing a \$3.5 to \$4.5 million deficit, not including the upcoming cost of attendance and the \$5,000 per student likeness compensation currently in the courts. There are a number of things facing the athletics department and finding the revenues to support it will be crucial. The institutional support for UH is good and has been growing, but the athletics department is not driving enough revenue. The annual deficit used to be \$2 to \$3 million, but what happens at the university also hits the bottom line of the athletics department in terms of grants-in-aid. Costs that they are not in their control, e.g., the 5% giveback and 4% increase for APTs, all add to the bottom line.

Committee Chair Portnoy recognized there were major philosophical issues about funding athletics between UH and the Legislature. UH tried suggesting that athletics was a statewide program and hoped there would be recognition of that, which would result in additional statewide support from the Legislature. That effort does not appear to be successful, so they have to go back to the drawing board and look at the issue in other ways. They have to consider whether they are willing to run a deficit for athletics every year or not, and look at options for cutting expenses. He indicated that AD Jay and his department did a very good job of providing options in the report, but he felt it was not likely that administration would be giving the athletics department another \$13 million. He explained that this discussion was intended to provide an update on the legislative outcomes. The committee commented that the board sets policy and it is for the new athletics director and administration to come up with solutions. Chancellor Bley-Vroman added that although they were not successful with the initial \$3.5 million request to the Legislature, they remain resolute on seeking legislative support going forward.

3. Status of UH Manoa Athletics Director Selection

Interim Chancellor Bley-Vroman said a press conference was held that can be viewed online, at which he announced his selection of Dave A. K. Matlin as the athletics director. He indicated the salary will be coming to the board for approval at the April 16, 2015 meeting. He said Mr. Matlin was definitely the right choice and he was optimistic about the future.

V. EXECUTIVE SESSION

Upon motion by Regent Mizuno and seconded by Chair Moore, the committee unanimously approved convening in executive session, pursuant to HRS §92-5(a)(4).

The committee convened in executive session at 3:41 p.m. Following a motion to come out of executive session by Regent Mizuno and second by Regent Tagorda, which was unanimously approved, executive session was adjourned at 4 p.m.

The meeting reconvened at 4 p.m. and Committee Chair Portnoy said the committee met in Executive Session to discuss confidential matters as indicated on the agenda.

VI. ADJOURNMENT

Having no further business, Regent Mizuno moved and Chair Moore seconded the motion to adjourn. Having no objections, the meeting adjourned at 4:01 p.m.

Respectfully Submitted,

/S/

Cynthia Quinn
Executive Administrator and
Secretary of the Board of Regents