

MINUTES

JOINT MEETING OF THE BOARD OF REGENTS' COMMITTEES ON INTERCOLLEGIATE ATHLETICS AND BUDGET AND FINANCE

FEBRUARY 4, 2021

Note: On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 a public health emergency of international concern, subsequently declaring it a pandemic on March 11, 2020. On March 16, 2020, Governor David Y. Ige issued a supplementary proclamation that temporarily suspended Chapter 92, Hawai'i Revised Statutes, relating to public meetings and records, "to the extent necessary to enable boards to conduct business in person or through remote technology without holding meetings open to the public."

I. CALL TO ORDER

Chair of the Committee on Intercollegiate Athletics Simeon Acoba called the joint meeting to order at 9:00 a.m. on Thursday, February 4, 2021. The joint meeting was conducted virtually with regents participating from various locations.

Committee on Intercollegiate Athletics members in attendance: Chair Simeon Acoba; Vice-Chair Robert Westerman; Regent Kelli Acopan; Regent Eugene Bal; and Regent Wayne Higaki.

Committee on Budget and Finance members in attendance: Chair Jan Sullivan; Vice-Chair Randy Moore; Regent Alapaki Nahale-a; Regent Michelle Tagorda; and Regent Robert Westerman.

Others in attendance: Board Chair Benjamin Kudo; Regent Ernest Wilson (ex officio committee members); President David Lassner; Vice President (VP) for Administration Jan Gouveia; VP for Community Colleges Erika Lacro; VP for Legal Affairs/University General Counsel Carrie Okinaga; VP for Research and Innovation Vassilis Syrmos; VP for Information Technology/Chief Information Officer Garret Yoshimi; VP for Budget and Finance/Chief Financial Officer Kalbert Young; UH-Mānoa (UHM) Provost Michael Bruno; UH-Hilo (UHH) Chancellor Bonnie Irwin; UH-West O'ahu Chancellor Maenette Benham; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Kendra Oishi; and others as noted.

II. PUBLIC COMMENT PERIOD

Board Secretary Oishi announced that the Board Office did not receive any written testimony, and no individuals signed up to provide oral testimony.

III. AGENDA ITEMS

A. Review of the Findings and Recommendations of the Athletics Blue Ribbon Committee

UHM Athletic Director (AD) David Matlin explained that an Athletics Blue Ribbon Committee, also known as the Strategic Visioning Committee (SVC), was formed in the fall of 2020 in light of the deficits and increasing economic challenges that the UHM Athletic Department (UHM Athletics) will undoubtedly encounter in the near future given the current fiscal conditions being experienced by intercollegiate athletics nationwide. Among other things, the SVC was tasked with providing strategic recommendations for the future of athletics at UHM; assessing actions that can be taken to bring revenues and expenses into alignment; discovering ways to address current and future challenges; finding possible opportunities for UHM Athletics to achieve sustainability; and formulating a plan to address these issues by the end of the calendar year.

The membership and organizational structure of the SVC, as well as the process used to gather information and develop recommendations for UHM Athletics, was reviewed by AD Matlin. He noted that the SVC created a focused workplan that took a more comprehensive approach to address the issues facing UHM Athletics; established committees and subcommittees to focus discussions on areas identified as needing evaluation and assessment; and used baseline data and information shared by UHM Athletics, along with information attained through various meetings, to formulate its plan and recommendations.

AD Matlin briefly reviewed the myriad of options, strategic suggestions, and recommendations made by the SVC stating that its work was guided by several overarching themes that included increasing the effectiveness and efficiency of UHM Athletics; greater integration of academics and athletics; increasing student and fan engagement and support; enhancing and improving partnerships with the community and relevant entities such as the Hawai'i Tourism Authority (HTA); outsourcing certain UHM Athletics' functions to take advantage of expertise in areas such as corporate sales, marketing, fundraising, and brand management; and expanding outreach and marketing efforts, particularly in the Asia-Pacific region, that will be beneficial to both athletics and academics. The SVC also stressed the importance of UHM Athletics maintaining its current Division I level status, as well as conference affiliations, as athletic programs are beneficial to university students and athletes, as well as the community and the State.

UHM Athletics continues to evaluate and analyze the feasibility and quantifiable impacts of the recommendations offered by the SVC taking into consideration a number of factors including the financial impacts to UHM Athletics; timeframe to the realization of benefits after implementation; and resource and approval requirements. Consideration of these factors will allow UHM Athletics to proceed with the recommendations and opportunities presented in an efficient and effective manner. Nevertheless, UHM Athletics is currently working on the implementation of selected recommendations that are presently feasible, developing plans for addressing other recommendations, and will continue to build on the efforts of the SVC.

Chair Acoba commended UHM Athletics on the exceptional job it has done on managing the impacts of the COVID-19 pandemic as well as the successes realized in advancing the athletic programs at the university. Of special note was the initiative and expertise of AD Matlin and the athletic department in obtaining an invitation for the

football team to participate in a post-season bowl on the mainland with all the benefits that accrue and additionally winning the bowl game.

Noting that a recommendation made by the SVC was to establish online apparel opportunities, Chair Acoba stated that it was his understanding that a company already performed this function for UHM Athletics. AD Matlin responded that, at present, UHM Athletics has an agreement with a sports equipment company to provide equipment and apparel and works with the UHM bookstore to sell athletics-related items online. This recommendation proposes that agreements with third-party companies that specialize in online retailing of athletic wares be established to broaden sales of all UHM Athletics-branded merchandise thereby potentially expanding market share, increasing brand exposure, and generating additional revenue.

Regent Acopan stated that one of the overarching themes that guided the SVC was enhancing and improving community partnerships and asked about the extent to which this was already occurring with regard to UHM Athletics. AD Matlin replied that community support of an athletics program is essential to its sustainability and that UHM Athletics understands that it must be a good community partner. As such, UHM Athletics attempts to remain as engaged as possible and regularly searches for opportunities to assist the community. He highlighted a number of community-driven initiatives in which UHM Athletics actively participates in each year, including literacy programs, get-out-the-vote campaigns, and coaching clinics throughout the state.

Chair Sullivan expressed her concerns regarding an SVC recommendation regarding the increasing of student-athletic fees as a possible means of generating immediate revenue for UHM Athletics. She stated that, while this issue has been discussed in the past, UHM Athletics needs to remain cognizant of the financial difficulties presently facing students given the current economic downturn when considering this recommendation. She also stated that there must be a balance between the amount of the financial needs facing UHM Athletics that is borne by the students and the amount that is borne by the general community. AD Matlin acknowledged this dilemma and concurred with Chair Sullivan's comments.

Referencing an SVC recommendation concerning reductions in compensation for administrative and coaching staff, Chair Acoba asked how these reductions would be accomplished. AD Matlin replied that it remained unclear how fiscal savings through reduced compensation for administrative and coaching staff would be accomplished. He noted that some personnel cost-savings had already been achieved through retirement, attrition, the implementation of a hiring freeze, and the application of a 9.23 percent salary reduction for executive and managerial employees. However, the salaries for coaches and other administrative personnel are governed by collective bargaining agreements and any compensation reduction with regard to these individuals will require negotiation and consultation with appropriate collective bargaining unit representatives. In addition, any potential cost savings from a 9.23 percent reduction in salaries for all personnel belonging to collective bargaining units in the form of two-day-a-month furloughs will not be realized as this action will no longer be implemented as originally proposed by the State.

Chair Acoba commented that the idea of working more collaboratively with HTA in establishing initiatives that were beneficial to UHM Athletics appears promising and asked whether someone from UHM Athletics, aside from the AD, is assigned to work with HTA on this issue. AD Matlin stated that, to date, he has been the primary individual working with HTA on a number of promotional events that have taken place over the last few years but that it would be prudent to specifically assign an individual from UHM Athletics to take the lead and focus on this particular issue.

Regent Wilson opined that the expertise, knowledge, passion, and drive of faculty and students of various programs and fields of study at UHM, such as the School of Travel Industry Management and Shidler College of Business, are an often-untapped resource and that UHM Athletics should seek to involve individuals from these programs to assist with the development and implementation of some of the SVC's recommendations. He noted that such a relationship would not only be beneficial for UHM Athletics but could also provide real-world experience for students in their chosen field of study. AD Matlin agreed with these sentiments and remarked that UHM Athletics has worked with various academic programs at UHM in the past, highlighting a proof-of-concept athletics' master plan for 2050 project that was conducted by the School of Architecture and used to secure funding from the Legislature for proposed design work. He stated that UHM Athletics will continue to look for opportunities to work collaboratively with academic programs in the future.

Chair Acoba noted a recommendation to develop alternative retirement plans for certain personnel of UHM Athletics that was made by the SVC and asked what that concept entailed. AD Matlin replied that this concept involved the creation of a portable retirement plan that would help reduce some of the fringe-benefit costs for UHM Athletics that are associated with retirement while providing coaches, many of whom do not achieve a vested status with the State, with a transferrable retirement option. However, uncertainty remains on the details involved in creating this type of retirement plan which would require the enactment of legislation.

Mentioning the proposed recommendation to outsource certain functions of UHM Athletics, Chair Acoba questioned whether the primary purpose of this recommendation was to reduce expenses. AD Matlin stated that while this recommendation could potentially reduce expenses, he believed the main purpose of this recommendation was to gain expertise and increase resources that may not be readily available to the university in a more efficient and effective manner, as well as to develop revenue-enhancement opportunities.

B. Future Financial Projections and Strategies for University of Hawai'i Athletics including Potential Stadium Facilities Upgrades

AD Matlin stated that UHM Athletics, like other institutions, is facing a dynamic and uncertain situation that is unprecedented in intercollegiate athletics. Despite UHM Athletics' efforts to reduce costs and increase revenues, fiscal challenges continue to be an issue. UHM Athletics is currently projecting a net deficit of \$5.5 million for fiscal year (FY) 2021 which was attributable to substantial reductions in generated revenue due to the impacts of COVID-19 being tempered with equally substantial reductions in

operating expenses. He briefly reviewed some of the factors impacting the ability of UHM Athletics to generate significant revenues, as well as efforts undertaken to reduce expenses; reported on estimated revenue and expense forecasts for UHM Athletics through FY 2025, noting that the fiscal impacts related to COVID-19 are anticipated to continue through FY 2023; and provided examples of possible effects the implementation of several SVC recommendations would have on the future finances of UHM Athletics beginning in FY 2022.

While Aloha Stadium has been an effective facility for a number of decades and has had numerous positive impacts on the UH football program, its deteriorating condition and lack of amenities considered standard in modern football stadiums has resulted in the decision to demolish the current facility and begin construction of the New Aloha Stadium Entertainment District (NASED). Although UHM Athletics remains committed to working with the Stadium Authority in developing a partnership and returning to Aloha Stadium once the NASED is completed, current plans to demolish the existing stadium has required UHM Athletics to find a new venue that would potentially allow fan participation to host home games for the university's football team for possibly the next three to four years.

AD Matlin summarized the wide range of factors considered in identifying and selecting a suitable location to host home games. Some of these factors included overall costs and potential for revenue generating opportunities, as well as the ability to address the health and safety needs of players, students, and fans; meet National Collegiate Athletic Association (NCAA) and Mountain West Conference (MWC) requirements or obtain waivers from these requirements; and accommodate anticipated fan attendance while providing facilities that were easily accessible for both students and fans. While a number of alternatives including the use of existing off-campus facilities and neighbor island venues were considered, the Clarence T.C. Ching Athletic Complex (Ching Athletic Complex) on the UHM campus was selected as the most feasible option. He noted that work has already begun on identifying and planning for improvements to the Ching Athletic Complex to accommodate home games and highlighted some of the required improvements such as the expansion of seating capacity; addition of supplemental restroom facilities; development of press boxes and media accommodations; and enhancement of food, beverage, and merchandising options to address fan expectations. However, it was underscored that if the unavailability of a stadium within the NASED extends beyond a few years, further improvements to the Ching Athletic Complex may be required.

Concerns expressed regarding the ability of the Ching Athletic Complex to accommodate anticipated attendance for football games and the cost estimates to make the necessary improvements, were addressed by AD Matlin who stated that crowds of up to 20,000 individuals have been accommodated in the past. He also outlined current estimates for facility improvements which equate to an overall amount of approximately \$6 million.

AD Matlin outlined the next steps in the process for the utilization of the Ching Athletic Complex as the home field for university football including working with the Stadium Authority to determine if items such as scoreboards can be borrowed to help

minimize costs; determining any additional NCAA or MWC requirements that may be impacted by playing football at the facility and developing plans to address these issues; and identifying external funding sources to assist in offsetting costs for necessary improvements. He also stated that UHM Athletics will continue dialogues with the Stadium Authority and others in establishing partnerships regarding NASED because a new, modern stadium complex is a game-changer for any college football program and could provide significant revenue generating activities that would not only be beneficial for UHM Athletics, but for the entire community.

Regent Higaki asked whether tailgating will be allowed at games held on the UHM campus and, if so, whether consideration has been given to any negative impacts this may have on the physical environment of the campus. AD Matlin responded that tailgating will not be possible, at least for this year, but that UHM Athletics is looking at alternatives where it can host a controlled tailgating experience on campus.

Noting that the country and state are in the midst of a pandemic, Regent Tagorda asked whether social distancing protocols are being taken into consideration when determining fan capacity for on-campus football games. AD Matlin replied that UHM Athletics has taken social distancing considerations into account with regard to holding sporting events on campus. While it is hopeful that continued vaccination efforts will allow for sporting events such as football games to be held in the fall with less-restrictive social distancing requirements, it remains uncertain whether or not this situation will occur. However, UHM Athletics is assuming that the ability to host on-campus football games with 10,000 fans in attendance will be allowed over the next three-year period.

Additional comments and discussion occurred regarding the possible long-term benefits an on-campus football stadium could provide in terms of increased student engagement that could translate into a larger fan base for the program, as well as revenue-enhancement possibilities through the rental of facilities for external events.

Chair Sullivan questioned what the timeframe was for completing the necessary improvements to host on-campus football games and whether this could be accomplished by the fall. AD Matlin responded that some of the requirements, such as turf replacement, need to be addressed as soon as possible, while others, such as the enhancement of merchandising options, can be accomplished through a phased-in approach. He stated that the improvements are currently being prioritized and opined that immediate requirements could be addressed by the fall, although it will be challenging.

Chair Sullivan asked if reports that the Stadium Authority offered to allow the university football team to play its upcoming season at Aloha Stadium without fans with a concomitant reduction in fees for use of the Stadium were accurate. AD Matlin acknowledged that the Stadium Authority offered to allow the university football team to play at Aloha Stadium without fans in attendance but that a reduction in fees was not a provision of the offer. However, UHM Athletics did not believe acceptance of the offer would be in the best interest of the university since a venue to host football games would need to be acquired in the near future because of the anticipated demolition of

Aloha Stadium and it felt that beginning construction of the NASED as soon as feasible would be the most beneficial course of action for all parties involved.

Noting that UHM Athletics accounted for the cost of renting bleachers in its operating budget, Chair Sullivan asked whether it would make more economic sense to purchase the bleachers using capital improvement funds. AD Matlin replied that a decision on the bleachers has not been made and UHM Athletics is considering both the option of renting the bleachers or purchasing them. He agreed that the purchase and installation of permanent bleachers could be more economically feasible because it would allow capital improvement funds to be used and could be an asset that would increase the possibility of attracting revenue generating opportunities through future facility rentals for events such as high-school football games or graduations and concerts, but noted that construction permitting is one factor under consideration in weighing the options. Given the timeframe, Chair Sullivan suggested that the athletic department give serious consideration to purchasing the bleachers using capital improvement funds rather than renting the stands through the operational budget which is already significantly in the red.

Chair Sullivan questioned whether spending \$6 million to accommodate an on-campus football facility would require an equivalent amount to be spent on women's athletics in accordance with Title IX. AD Matlin responded that UHM Athletics has checked with Title IX compliance officials and there are no Title IX implications with regard to this issue. He noted that the litmus test for Title IX compliance with regard to facilities is not about the amount of money spent on facilities but rather if equivalent facilities exist for men's and women's athletics. However, it is an issue that needs to be continually monitored.

Referencing the figure of an estimated \$4.2 million for necessary improvements to the Ching Athletic Complex cited in the CIP budget, Chair Acoba asked if these were one-time costs and whether these figures were reflected in UHM Athletics' long-term fiscal projections presented earlier. AD Matlin responded that the CIP funding was a one-time cost that would most likely occur on the front-end. He also stated that, while the long-term financial projections presented earlier included the operating costs for hosting games at the Ching Athletic Complex, they did not include capital costs.

Chair Acoba questioned how UHM Athletics planned on addressing its long-term deficits. AD Matlin replied that it will take a multi-pronged approach and effort to address the long-term deficits. UHM Athletics will continue to look at implementing the recommendations of the SVC where appropriate, search for additional revenue generating opportunities, and work to control and limit expenditures including through adherence to actions already implemented and undertaken.

Chair Acoba requested clarification about a statement made that the complete prohibition of fans at Aloha Stadium for 2021 would not be a viable option for UHM Athletics. AD Matlin responded that the football program would realize significant impacts on numerous levels if UHM Athletics were to accept the previously mentioned offer to allow games to be played at Aloha Stadium sans fans for the 2021 season. He noted that the inability to have fans attend games at Aloha Stadium while other football

programs across the country are anticipating fan attendance on some level for the 2021 season with COVID-19 precautions in place would create an uneven playing field and disproportionately impact the football program in terms of, among other things, lost revenues, decreased engagement with fans that would result in a dwindling fan base, and recruiting talented student-athletes.

Assuming the COVID-19 pandemic ends and the maximum amount of 10,000 fans accommodated by the Ching Athletic Complex attend each game, Vice-Chair Moore asked what the anticipated net revenue difference would be for UHM Athletics playing games on campus versus playing games at Aloha Stadium pre-pandemic. AD Matlin replied that UHM Athletics is anticipating it will realize an annual loss of \$400,000 in net revenue by playing games at the Ching Athletic Complex versus playing at Aloha Stadium with pre-pandemic fan attendance.

Referencing a comment made that the Stadium Authority believes the NASED will be completed by 2024 or 2025, Board Chair Kudo questioned whether this was a realistic timetable given the long delays often experienced by State projects in the past. AD Matlin replied that the 2024 – 2025 or later completion date is what UHM Athletics is estimating the timetable will be for completion of the NASED based upon available information. However, the Stadium Authority still believes that completion of the NASED by 2023 is possible.

Vice-Chair Westerman asked whether UHM Athletics anticipated it would ever overcome the expected net revenue loss from playing games at the Ching Athletic Complex and whether it believed use of this venue for playing home games would be a long-term option. AD Matlin replied that playing games on-campus offers some revenue generating potential and could serve as a short-term opportunity to generate increased interest and engagement in the program, particularly among students. However, UHM Athletics will continue to have discussions with the Stadium Authority about an anticipated return to the NASED once it is completed.

IV. ADJOURNMENT

There being no further business, Vice-Chair Moore moved to adjourn, seconded by Vice-Chair Westerman, and with all members present voting in the affirmative, the meeting was adjourned by Chair Sullivan at 10:13 a.m.

Respectfully Submitted,

/S/

Kendra Oishi
Executive Administrator and Secretary
of the Board of Regents