

## **Budget Workgroup (BW)**

Summary Points of Meeting

February 27, 2009

8:00 am – 9:30 am

Attendees: Chris Sorensen, Annette Chang, Tom Bingham, Peter Quigley, Francisco Hernandez, Alan Teramura, Marla Acosta, Tom Ramsey, Ann Sakuma

Not in attendance: Kathy Cutshaw, Klaus keil, Ross Christensen, Gary Ostrander, Peter Crouch

Guests: Carl Clapp, Tiffany Kuraoka - Athletics

As a follow-up to last Friday's meeting, representatives from the Athletics Department gave an overview of the current financial situation in Athletics. The following is a summary of discussion points as presented by Carl Clapp and Tiffany Kuraoka.

Information as being reported in the newspapers is fairly accurate. Athletic Director Jim Donovan is committed to being transparent with the athletic budget.

Per NCAA regulations, Athletics is audited annually. For the FY07-08 academic year, Athletics had a positive net income of approximately \$300K due to Sugar Bowl revenues. However, that positive balance was just for the year. Athletics has debt of \$5.4M, accumulated since 2002. In addition, they are projecting an additional \$3M in new debt this fiscal year.

The \$3M new debt is attributed to both increased costs and lower revenues. Athletics receives \$1.5M in g-funds annually. In return, Athletics supports the facility workers salaries and maintenance for the entire Makai Campus facilities. The current annual budget for expenditures is approximately \$29.5M for the 2009 fiscal year. The budget for scholarships is \$6M in 2009 with Manoa assisting athletics by covering \$3M in tuition costs. The remainder is covered by Athletics and includes room, board and books.

Athletics is directly responsible for raising approximately 85 percent of their revenue through ticket sales, donations, broadcast, television, and radio rights, endowment earnings, corporate sponsorships, and other sources. Very few NCAA Division I Bowl Championship Subdivision athletics programs are able to meet expenses with only self generated revenue. According to 2006 NCAA data, the median NCAA Bowl Championship Subdivision Athletics Program expenditures exceeded generated revenues by more than \$7M per year. UHM is doing better than many.

Ticket revenue has fallen short of projections by more than \$1.4M for this fiscal year. Revenue from endowed accounts and raised funds that were invested have been impacted by the economy.

UHF funds (\$6M) are for the most part not discretionary. \$3M of UHF funds are in permanent endowments and another \$2.4M are restricted as to what they can be used for with most being committed to scholarships. Only the investment income earned from endowed accounts is available to spend (when the accounts earn investment income). These permanently endowed and restricted funds can not be used to offset general operating expenses or the deficit.

75% of Athletics expenses are from three (3) areas: personnel, scholarship, and travel. Athletics is currently trying to curtail expenditures by not filling support staff vacancies. They are continuing to fill positions that directly serve student-athletes (athletic trainers, coaches, etc.) If severe cuts become necessary they may have to vertically, i.e. eliminating specific sports.

The Athletics Department is a national leader in gender equity relating to women sports and scholarships. Only women's volleyball generates revenue. The other women's sports do not generate significant revenue. Gender equity is a legal mandate. It is the right thing to do. The expenditures necessary to promote this mandate and the remaining needs have to be transparent and shared with the broader community.

Athletics is looking at all opportunities to increase revenues and decrease expenses including maximizing media revenues and strategies to fill seats at events in order to increase revenues. They are working on reducing expenditures within their control.

Students control ticket inventory valued at \$1.2-\$1.5M. Athletics gets about \$50K of this revenue through student ticket sales. They are currently reviewing the situation for potential opportunities to increase revenues.

Although the Mānoa campus pays the utility bills for lower campus, Athletics will be meeting with David Hafner (Ass't VC for Facilities) to strategize on ways to lower consumption and/or increase efficiencies.

The immediate goal of Athletics is to address the current financial situation and then develop a financial plan to reduce/eliminate the deficit.

Among peer institutions in the WAC, the Mānoa budget currently falls in the top three (3). One of our significant challenges is travel expenses due to our geographical location, an area in which peer institutions are not as impacted.

The Athletics revolving account is part of Manoa's total revolving fund operations (which includes RTRF, housing assistance, etc. Refer to last week's meeting notes for a full list). While the Athletics account is running a deficit, the Manoa revolving summary account has an overall positive cash balance. Fund balances generated by other areas are used to cover the Athletics deficit.

The Athletics Department is considering all options: adding a student fee, moving Aloha stadium to UH management (capital improvement costs, parking and food service revenues, etc), and reviewing athletic salaries, as a few examples. Athletics has renegotiated media and food service agreements, and reduced ticket prices. As a last resort Athletics may have to consider cutting a sports program.

Under the current PRU (Plan Review Use) issued by the City & County, activities of a commercial nature are not allowed in the Stan Sheriff Arena. The Mānoa campus is currently in discussions with the City & County and is requesting that this condition be reviewed.

Following the presentation by Athletics, the committee discussed potential ways to generate additional income for UHM. One recommendation was to consider increasing the number of students at UHM (thus increasing tuition income) while staying the same size administratively and in personnel. Another suggestion was to uncap non-state student enrollments. Many other institutions have already unleashed the caps and are aggressively recruiting out-of-state students.

Next meeting: Friday, March 6, 2009, Hawai'i Hall, Room 309, 8:00 am – 10:00 am.