

MINUTES OF THE FINANCE & BUDGET COMMITTEE MEETING OF THE
UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.

April 16, 2021

In Open Session

Members of the Finance & Budget Committee of the University of Louisville Athletic Association, Inc., Board of Directors met both in-person and virtually at 9:06 a.m. on April 16, 2021, with members present and absent as follows:

Present: Dr. Neeli Bendapudi, Chair Pro Tem, presiding
Prof. Eric Berson
Ms. Sabrina Collins
Mr. Dan Durbin
Dr. Jasmine Farrier
Dr. Lori Gonzalez
Mr. Andrew Grubb, Chair
Mr. Dennis Heishman
Mr. Sam Rechter
Prof. Karen Turner
Prof. Krista Wallace-Boaz

Other Directors

Present: Mr. Tom Andrews
Mr. Ben Barberie
Dr. Larry Benz
Prof. Sheldon Bond
Prof. Gerry Bradley
Mr. Ryan Bridgeman
Prof. Dawn Heinecken
Mr. Steve Jones
Mr. Tom Meeker
Prof. Sharon Moore
Prof. Eugene Mueller
Prof. Whitney Nash
Ms. Shannon Rickett
Mr. Jim Rogers
Mr. Mark Watkins
Dr. Ron Wright

From the
University: Mr. Vince Tyra
Ms. Angela Curry
Mr. Josh Heird
Ms. Amy Shoemaker

Ms. Amy Calabrese
Mr. Jeff Spoelker
Mr. Kenny Klein
Mr. John Karman
Ms. Jessie Murnock
Mr. Jake Beamer

I. Call to Order

Chair Grubb, while attending virtually, experienced technical difficulties and requested Dr. Bendapudi preside over the meeting as Chair Pro Tem. There were no objections.

All viewers of the meeting's public live stream could see the Chair Pro Tem of the committee, multiple remote committee and board members, and the Financial Updates presentation; and could hear the full audio of the meeting throughout the proceedings.

Chair Bendapudi called the roll. Having determined a quorum present, she called the meeting to order at 9:06 a.m.

II. Action Item: Approval of Minutes, 1-15-2021

Mr. Rechter made a motion, which Prof. Berson seconded, to approve the minutes of the January 15, 2021 meeting. The motion passed.

III. Action Item: Approval of Lacrosse and Field Hockey Video/Scoreboard Replacement

Mr. Spoelker briefed the committee on the recommendation to approve the replacement of the videoboards and scoreboards at the Lacrosse and Field Hockey Fields which are original dating back to 2008.

He explained the replacement was critical to guarantee that each sport has functioning video/scoreboards when competition begins in the Fall.

Mr. Spoelker then fielded questions from committee members.

Dr. Gonzalez made a motion, which Prof. Turner seconded, to approve the

Athletic Director's recommendation that the Board of Directors approve a video/scoreboards replacement project at the Lacrosse and Field Hockey fields at a cost not to exceed \$1.5M, from two fund sources: a reserve fund; and savings from the refinancing of debt.

The motion passed.

IV. Action Item: Approval of Award for New Debt Restructure and Working Capital Debt Facility

Mr. Spoelker and Mr. Tyra briefed the committee on the recommendation to approve the awarding of a contract to Republic Bank for its proposal to the Athletic Association's request to provide two credit facilities totaling \$31,000,000.

They then answered the questions of committee members.

Mr. Heishman noted that he is recusing himself from the discussion.

Mr. Rechter made a motion, which Dr. Gonzalez seconded, to approve the

Athletic Director's recommendation that the Board of Directors approve the awarding of a contract to Republic Bank for the restructuring of existing debt and issuance of a new debt facility for working capital needs, as described in the attached resolution.

The motion passed with Mr. Heishman abstaining.

V. Information Items

Financial Updates as of March 31, 2020

Mr. Spoelker presented to the committee the **attached** financial update reflecting the source and application of funds as of March 31, 2020. The update included summaries of revenue, expenditure, endowments, operating funds, and changes in net position.

Messrs. Spoelker and Tyra then fielded questions from committee members.

No action was taken.

VI. Adjournment

Having no other business to come before the committee, Prof. Wallace-Boaz made a motion, which Mr. Rechter seconded, to adjourn the meeting.

The motion passed and the meeting adjourned at 9:37 a.m.

Approved by:



Signature on file
Assistant Secretary

RECOMMENDATION TO THE UNIVERSITY OF LOUISVILLE
ATHLETIC ASSOCIATION BOARD OF DIRECTORS REGARDING THE REPLACEMENT
OF VIDEO/SCOREBOARDS AT THE LACROSSE AND FIELD HOCKEY FIELDS

Finance and Budget Committee – April 16, 2021
Board of Directors – April 16, 2021

RECOMMENDATION:

The Athletic Director recommends that the Board of Directors approve a video/scoreboards replacement project at the Lacrosse and Field Hockey fields at a cost not to exceed \$1.5M, from two fund sources: a reserve fund; and savings from the refinancing of debt.

BACKGROUND:

The video/scoreboards at Lacrosse and Field Hockey fields are original dating back to 2008. The existing video boards made by Daktronics are 23mm with a resolution of 128 x 256 pixels. Each of these boards have this year required extensive maintenance utilizing spare parts from other video boards. With no additional spare parts for future problems, replacement of the board systems after this season is essential to guarantee that next fall each sport has functioning video/score boards.

The new boards will be in the 10-15mm range, provide an output closer to true HD, and will be more energy efficient. The total projected cost of replacing both video/scoreboards is between \$1M and \$1.5M. This includes the purchase and installation of both video/scoreboards.

This project will be funded from a combination of funds liquidated from the Athletic Reserve Fund (\$1.5M, as approved by the Board on January 15, 2021) and savings from the refinancing of debt.

To ensure the project is complete for the fall season, Athletics will issue a request for proposal (RFP) for qualified bidders in April or early May, anticipating the awarding of the contract in May. Approval is being sought to award a contract to the lowest bidder contingent on the total cost not exceeding \$1.5M.

This recommendation is consistent with Section II(h) of the Financial Transactions Policy of the Athletic Association Board of Directors.

COMMITTEE ACTION:

Passed X

Did Not Pass _____

Other _____

 DS
Signature on file _____
Assistant Secretary

BOARD ACTION:

Passed X

Did Not Pass _____

Other _____

 DS
Signature on file _____
Assistant Secretary

RECOMMENDATION TO THE BOARD OF DIRECTORS OF THE
UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.
REGARDING THE AWARDING OF A CONTRACT TO
RESTRUCTURE DEBT AND ISSUE NEW DEBT FACILITY

Finance and Budget Committee – April 16, 2021
Board of Directors – April 16, 2021

RECOMMENDATION:

The Athletic Director recommends the Board of Directors approve the awarding of a contract to Republic Bank for the restructuring of existing debt and issuance of a new debt facility for working capital needs.

BACKGROUND:

COVID-19 has negatively impacted Athletic Department revenues by more than \$45M in the past 12 months. Approximately \$25M of this revenue shortfall has been mitigated through Department-wide expense reductions. Despite these aggressive measures, operating expenditures will exceed revenues in fiscal year 2021.

In February, with the assistance of the University, a request for proposal was issued to provide two credit facilities totaling \$31,000,000. The request included refinancing approximately \$11,000,000 in existing debt and the creation of a \$20,000,000 for working capital facility.

Proposals were reviewed by an evaluation committee consisting of staff from Athletics and the University with the counsel of Robert W. Baird and Company. After careful consideration, the committee scored the proposal from Republic Bank as the best option of all the proposals received. Below is a summary of the proposal:

	Working Capital	Refinance
Amount	\$20,000,000	\$11,000,000
Type	Non-revolving LOC to term loan	Term loan
Term (years 1-10)	Fixed at 2.93%	Fixed at 2.93%
Term (years 11-20)	Floating Constant Maturity Treasury +150BP	Floating Constant Maturity Treasury +150BP
Amortization	20 Yrs after 2 Yrs interest only period	20 Yrs after 2 Yrs interest only period
Security	Co-second lien by a pledge of all ULAA revenues, subordinate to general receipt bonds	
Financial Covenant	ULAA annual year-end net position must be \$90M or more	
Fees	Closing costs and a refundable \$25,000 fee refunded at closing	

If approved, Athletics anticipates closing on the loan in April and immediately drawing funds on the working capital facility to replenish cash balances.

The refinancing facility will be used to pay off the following outstanding debt: (totals are estimates as of March 2021):

	Total
Lynn, Patterson & Ulmer Expansion	3,656,000
Cardinal Stadium Seat Painting	1,500,000
ACC Network Studio	5,973,779
	<u>11,129,779</u>

Athletics is in the process of obtaining the payoff balances and anticipates closing these issues in calendar year 2021. This restructuring will reduce cash requirements for debt by over \$6.5M total for fiscal years 2021, 2022 and 2023.

COMMITTEE ACTION:

Passed

Did Not Pass

Other

BOARD ACTION:

Passed

Did Not Pass

Other

Signature on file

Signature on file

RESOLUTION OF THE BORD OF DIRECTORS OF
UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.

Re: Approval of Debt Restructuring and Working Capital Financing with
Republic Bank and Trust Company

WHEREAS, the University of Louisville Athletic Association, Inc. (“ULAA”), a Kentucky nonprofit corporation, previously released a request for proposals identified as “RP-035-21” (the “RFP”) soliciting eligible financial insitutions to provide one or more credit facilities to ULAA to: (1) refund the existing obligations of ULAA and the University of Louisville (the “University”) identified within the RFP and (2) provide a working capital loan to ULAA; and

WHEREAS, ULAA, in consultation with its municipal advisor, Robert W. Baird & Co., Inc., has determined that it would be in the best interests of ULAA to award the work sought pursuant to the RFP to Republic Bank and Trust Company (the “Lender”); and

WHEREAS, ULAA desires to enter into one or more loan transactions with the Lender whereby ULAA will (1) refinance the three outstanding credit facilities described within the RFP, including any associated swap termination fees, the proceeds of which were used by ULAA and the University to (i) finance the costs of renovations to the Unviersity’s baseball and softball stadiums and to finance part of the costs of the University’s soccer stadium (ii) finance the costs of renovations of the seats at the University’s baseball and football stadiums, and (iii) finance the costs of the ACC television broadcast and production studio utilized by ULAA in connection with the University’s athletic teams, such credit facilities being outstanding in an approximate principal amount of \$11,000,000 (the “Refinancing Facility”), and (2) obtain a working capital loan in the amount of approximately \$20,000,000 (the “Working Capital Facility”); and

WHEREAS, the Refinancing Facility and the Working Capital Facility (together, the “Credit Facilities”) will be secured on a parity basis with one another by a pledge of all moneys and revenues collected or received by ULAA, including, but not by way of limitation, all charges, ticket sales, revenues of every description, television, radio and news media receipts, royalties, fees, commissions, concession revenues and governmental payments, excepting only donations and grants received by ULAA for specified and limited purposes, however, subject and subordinate only to the prior and senior pledge of such moneys and revenues by ULAA and the University for the benefit of the University’s outstanding and future general receipts bonds issued pursuant to the Trust Agreement dated as of March 1, 2007, by and between the University and U.S. Bank National Association, as trustee, as supplemented by the parties thereto from time to time; and

WHEREAS, the terms of each of the Credit Facilties are to be as set forth in the RFP and the Proposal received by ULAA from the Lender, a copy of which is attached hereto as Exhibit A (the “Proposal”); and

WHEREAS, in connection with the Credit Facilities, it is necessary for the Board of Directors of ULAA (the “Board”) to approve, adopt, and otherwise authorize the excecution and delivery of various loan documents, and such other documents, agreements, certificates, and instruments as be necessary in connection with Credit Facilities contemplated by this resolution and hereinafter authorized and approved;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC. AS FOLLOWS:

THAT, the Board hereby approves and authorizes the Credit Facilities in accordance with this Resolution, the terms of such Credit Facilities to be determined by the Authorized Officers (as defined herein) of ULAA in a manner consistent with the terms of the the RFP and the Proposal; and

THAT, the Chair, Vice-Chair, Treasurer, Secretary, Assistant Secretary, and Associate Athletic Director - Finance (collectively, the the "Authorized Officers") be and are hereby authorized and directed to take, upon the advice of legal counsel where appropriate, any and all actions necessary to carry out and give effect to the transactions contemplated to be carried out by ULAA in order to accept and implement the Credit Facilities, including the execution and delivery of any other documents, agreements, instruments, or certificates, including without limitation Uniform Commercial Code Financing statements, necessary to consummate the transactions contemplated by the documents and transaction authorized herein.

Adopted by the Board of Directors on this 16th day of April, 2021.

Signature on file _____

Attest

Signature on file

v

EXHIBIT A
TO
RESOLUTION

PROPOSAL OF REPUBLIC BANK AND TRUST COMPANY

(See attachment)

University of Louisville Athletic Association

Q321 Financial Review



Revenue by Category

REVENUES	2020-21			2019-20		
	Adjusted Budget	Actual YTD	Percent of Budget Realized	Actual YTD	Year Over Year \$ Change	Year Over Year % Change
Operating Funds						
ACC/NCAA	27,715,100	10,514,798	38%	10,184,073	330,725	3%
Ticket Sales	23,671,700	4,972,788	21%	27,539,044	(22,566,256)	-82%
Marketing	15,729,900	14,284,876	91%	11,534,847	2,750,029	24%
Donations	14,158,000	6,144,120	43%	17,188,899	(11,044,779)	-64%
Rentals/suites	6,421,600	3,170,758	49%	7,467,239	(4,296,481)	-58%
Concessions/Parking	3,261,400	590,900	18%	1,920,900	(1,329,999)	-69%
Game Guarantees	120,000	54,000	45%	550,000	(496,000)	-90%
University Support	2,669,900	2,669,900	100%	2,613,091	56,809	2%
Other	1,352,400	760,657	56%	2,063,376	(1,302,720)	-63%
Operating Total	95,100,000	43,162,797	45%	81,061,469	(37,898,673)	-47%
Restricted Funds						
Admin/Support	6,546,000	8,895,592	136%	25,367,763	(16,472,171)	-65%
Sport Restricted	1,885,000	1,071,630	57%	2,076,329	(1,004,698)	-48%
Capital/Debt	5,460,000	11,455,865	210%	17,128,998	(5,673,133)	-33%
Endowment	0	131,446	NA	163,491	(32,045)	NA
Transfers	0	13,662,133	NA	6,101,696	7,560,437	124%
Restricted Total	13,891,000	35,216,666	254%	50,838,278	(15,621,611)	-31%
Total Revenues	108,991,000	78,379,463		131,899,747	(53,520,284)	-41%



Expense by Category

	2020-21			2019-20		
	Adjusted Budget	Actual YTD	Percent of Budget Realized	Actual YTD	Year Over Year \$ Change	Year Over Year % Change
All Funds						
Salaries/Benefits	41,263,348	30,637,561	74%	35,074,208	(4,436,647)	-13%
Financial Aid	15,150,214	14,570,480	96%	13,715,665	854,814	6%
Operating	25,633,900	34,160,712	133%	58,775,674	(24,614,961)	-42%
Game Expenses	8,389,602	3,087,107	37%	4,950,899	(1,863,792)	-38%
Equipment	1,072,277	1,049,579	98%	1,582,482	(532,904)	-34%
Travel	4,252,409	3,331,748	78%	6,842,992	(3,511,244)	-51%
Meals	1,245,848	1,377,568	111%	1,770,185	(392,616)	-22%
Recruiting	289,852	84,882	29%	1,517,550	(1,432,668)	-94%
	97,297,450	88,299,638	91%	124,229,655	(35,930,017)	-29%
Revenues Over/(Under) Expenses		(9,920,175)		7,670,092	(17,590,267)	-229%



COVID-19 EXPENSES

As of 3/31/21

(Funded from Restricted Budget)

	<u>FY21</u>	<u>FY20</u>	<u>Total</u>
Testing	\$578,818	\$20,634	\$599,452
Supplies/Equipment	\$228,585	\$13,369	\$241,954
Housing	\$115,008	\$0	\$115,008
Meals/Snacks	\$55,999	\$1,341	\$57,340
Services	\$56,146	\$7,600	\$63,746
Signage	\$20,322	\$0	\$20,322
Total Expenses	\$1,054,878	\$42,944	\$1,097,822
CARES Reimbursement	(\$74,191)		

Current Financial Outlook

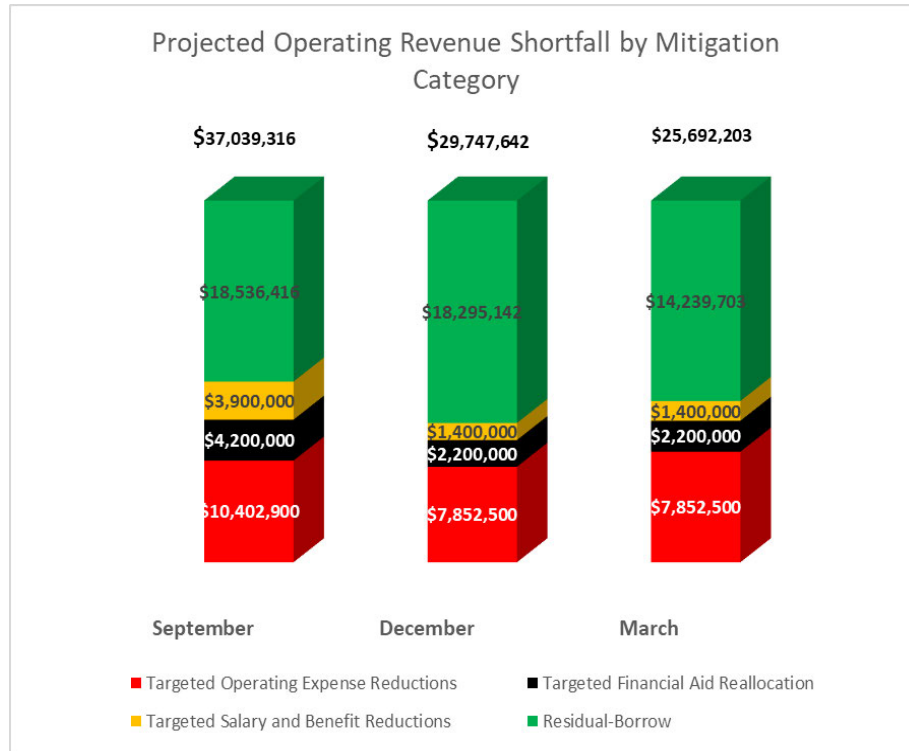
As of 3/31/21



FY21 Financial Forecast

Quarterly Comparison

UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION FY21 Projection and Mitigation Strategy



	As of <u>September 30</u>	As of <u>December 31</u>	As of <u>March 31</u>
Original Revenue Projection	\$109,100,000	\$109,100,000	\$109,100,000
Phase I Revenue/expense adjustments	<u>(\$14,000,000)</u>	<u>(\$14,000,000)</u>	<u>(\$14,000,000)</u>
Currently Budgeted Revenues	\$95,100,000	\$95,100,000	\$95,100,000
Currently Budgeted Expenses	<u>\$95,100,000</u>	<u>\$95,100,000</u>	<u>\$95,100,000</u>
Net	\$0	\$0	\$0
Projected Negative Revenue Impacts			
Ticket sales	(\$20,588,400)	(\$19,646,867)	(\$18,699,989)
Seat donations	(\$12,658,016)	(\$10,993,480)	(\$9,456,758)
Suite/other rentals	(\$6,295,000)	(\$5,884,833)	(\$4,474,284)
Parking/concessions/advertising	(\$1,989,400)	(\$2,045,400)	(\$1,802,910)
Royalties/sponsorships	\$1,855,900	\$1,225,000	\$1,755,000
Game Guarantees	(\$100,000)	(\$96,000)	(\$66,000)
ACC: Media	\$2,441,500	\$5,561,934	\$4,661,934
ACC: other distributions	(\$143,300)	\$161,788	(\$111,212)
Donations	\$990,000	\$1,434,300	\$1,447,100
Other	(\$295,000)	(\$400,100)	\$118,900
NCAA	(\$257,600)	\$936,016	\$936,016
Total of Negative Revenue Impacts	(\$37,039,316)	(\$29,747,642)	(\$25,692,203)
Internal Operating Mitigation Strategies:			
Lever 1: Operating reductions	\$10,402,900	\$7,852,500	\$7,852,500
Lever 2: Financial Aid reductions	\$4,200,000	\$2,200,000	\$2,200,000
Lever 3: Salaries and Benefit reduction	\$3,900,000	\$1,400,000	\$1,400,000
Total Mitigation Strategies	\$18,502,900	\$11,452,500	\$11,452,500
Projected Deficit	(\$18,536,416)	(\$18,295,142)	(\$14,239,703)



MITIGATION STRATEGY

Fiscal Year 2020-21

Overview

	<u>Operating</u>		<u>Financial Aid</u>		<u>Salaries & Benefits</u>		<u>Total</u>	
	<u>Revised Goal</u>	<u>Actual</u>	<u>Revised Goal</u>	<u>Actual</u>	<u>Revised Goal</u>	<u>Actual</u>	<u>Goal</u>	<u>Actual</u>
Phase II: FB shortfall (End Sept 30th)	\$2,500,000	\$2,238,512	\$0	\$0	\$100,000	\$53,000	\$2,600,000	\$2,291,512
Phase III: MBB shortfall (End Dec 31st)	\$1,900,000	\$2,743,583	\$200,000	\$200,000	\$100,000	\$1,426,100	\$2,200,000	\$4,369,683
Phase IV: (January-June)	\$3,452,500	\$3,868,984	\$2,000,000	\$375,210	\$1,200,000	\$221,000	\$6,652,500	\$4,465,194
TOTAL	\$7,852,500	\$8,851,079	\$2,200,000	\$575,210	\$1,400,000	\$1,700,100	\$11,452,500	\$11,126,389



MITIGATION STRATEGY

Fiscal Year 2020-21

	LEVERS							
	Operating		Financial Aid		Salaries & Benefits		Total	
	Revised Goal	Actual	Revised Goal	Actual	Revised Goal	Actual	Revised Goal	Actual
Phase II: FB shortfall (End Sept 30th)								
Remove all staff travel lines	\$100,000	\$92,683					\$100,000	\$92,683
Reduce recruiting lines by 1/4	\$500,000	\$384,724					\$500,000	\$384,724
Reduce fall team travel for new sched.	\$500,000	\$488,083					\$500,000	\$488,083
Reduce game guarantees	\$600,000	\$609,000					\$600,000	\$609,000
Reduce game expenses	\$400,000	\$336,037					\$400,000	\$336,037
Reduce administrative budgets	\$200,000	\$317,685					\$200,000	\$317,685
Reduce equipment budgets	\$200,000	\$10,300					\$200,000	\$10,300
Continue hiring freeze					\$100,000	\$53,000	\$100,000	\$53,000
Total Phase II	\$2,500,000	\$2,238,512	\$0	\$0	\$100,000	\$53,000	\$2,600,000	\$2,291,512
Phase III: MBB shortfall (End Dec 31st)								
Reduce recruiting lines by 1/4	\$500,000	\$1,361,280					\$500,000	\$1,361,280
Reduce winter team travel for new sch	\$300,000	\$187,000					\$300,000	\$187,000
Reduce game expenses	\$400,000	\$370,000					\$400,000	\$370,000
Reduce admini budgets/staff travel	\$100,000	\$250,403					\$100,000	\$250,403
Reduce equipment budgets	\$100,000	\$275,400					\$100,000	\$275,400
Reduce meal budgets	\$500,000	\$299,500					\$500,000	\$299,500
Reduce summer/5th year budget			\$200,000	\$200,000			\$200,000	\$200,000
Continue hiring freeze					\$100,000	\$653,000	\$100,000	\$653,000
Retirement/Fringe Benefit Savings						\$773,100	\$0	\$773,100
Total Phase III	\$1,900,000	\$2,743,583	\$200,000	\$200,000	\$100,000	\$1,426,100	\$2,200,000	\$4,369,683
6 Month Total	\$4,400,000	\$4,982,095	\$200,000	\$200,000	\$200,000	\$1,479,100	\$4,800,000	\$6,661,195



MITIGATION STRATEGY FY21 – PHASE IV

	Operating		Financial Aid		Salaries & Benefits		Total	
	Goal	Actual	Goal	Actual	Goal	Actual	Goal	Actual
Phase IV: (January-June)								
Reduce game expenses	\$500,000	\$70,000					\$500,000	\$70,000
Reduce game expenses-Arena	\$1,902,500	\$2,959,597					\$1,902,500	\$2,959,597
Reduce administrative/other budgets	\$500,000	\$405,848					\$7,500,000	\$405,848
Reduce ULGC subsidy	\$50,000	\$100,000					\$50,000	\$100,000
Utilize Next Step funding	\$500,000						\$500,000	\$0
Charge scholarships back to endowment			\$2,000,000	\$225,210			\$2,000,000	\$225,210
Financial aid budget savings				\$150,000				\$150,000
Bonus savings					\$500,000		\$500,000	\$0
Retirement/Fringe Benefit Savings					\$500,000		\$500,000	\$0
Lapsed salaries and benefits					\$200,000	\$221,000	\$200,000	\$221,000
Reduce recruiting budgets for extended dead period	\$0	\$83,539					\$0	\$83,539
Reduce winter team travel for new schedules	\$0	\$250,000					\$0	\$250,000
Total Phase IV	\$3,452,500	\$3,868,984	\$2,000,000	\$375,210	\$1,200,000	\$221,000	\$6,652,500	\$4,465,194
GRAND TOTAL	\$7,852,500	\$8,851,079	\$2,200,000	\$575,210	\$1,400,000	\$1,700,100	\$11,452,500	\$11,126,389



Summary FY21 Projection

- Revenue forecast continues to improve, up \$4M from December
- Through first 3 quarters, operating budget reductions total \$11.1M compared to the \$11.5M target. Contingency up to \$10.3M
- On target to mitigate the FY21 operating deficit down to \$15M or less
- Current unrestricted cash position is in deficit by \$173K. Will continue to grow through June until ACC payments are received
- Working capital debt will be used to support cash flow until return of normal operations



QUESTIONS

Or email questions to:

jeffs@Gocards.com