

Minutes
University of Kentucky Athletic Association
Board of Directors Meeting
18th Floor Patterson Office Tower
May 1, 2008
2:00 p.m.

Meeting Opened and Roll Call

President Lee Todd called the meeting to order at 2:00 p.m. and welcomed everyone to the meeting. The following members of the Board were present: Frank Butler, Charles Cassis, Dermontti Dawson, Luther Deaton, Alan DeSantis, Steve Hricenak, Scott Kelley, Kathi Kern, Frank Shoop, Gerald Smith, Kumble Subbaswamy, Lee Todd, and Bruce Walcott. Absent from the meeting were S. T. Roach, William B. Sturgill, and Patricia Terrell. Bill Gatton participated in the meeting by means of telecommunication.

Athletics Director Mitch Barnhart, members of his staff, and members of the various news media were also in attendance.

Approval of Minutes

President Todd said that the February 13, 2008 Minutes had been circulated. He asked for any discussion or corrections to the Minutes. Mr. Deaton made a motion that the Minutes be approved. Dr. DeSantis seconded the motion, and it carried without dissent.

President's Report

President Todd said the main items on the agenda were Mr. Barnhart's report and the Finance Committee's report on the FY09 budget. He informed the board that the University of Kentucky has 53 student-athletes on the 2008 Southeastern Conference (SEC) Academic Honor Roll and said that speaks extremely well of Mr. Barnhart, the C.A.T.S. Center, and the coaches. The list included the following from UK: 5 from Women's Basketball, 5 from Men's Basketball, 8 from Gymnastics, 3 from Rifle, 15 from Men's Swimming, and 17 from Women's Swimming. He applauded the Athletics Department for this accomplishment.

Athletic Director's Report

Mr. Barnhart reported that the following student-athletes received post-graduate scholarships:

- Greg Dombrowski (Baseball) named State Farm Student-Athlete of the Year and received the SEC Boyd McWhorter Male Student-Athlete of the Year Award.
- Crissy Cannon (Gymnastics) received a State Farm Student-Athlete Award and the SEC Brad Davis Community Service Award.
- Ashley Dimkich (Softball) named the Boyd McWhorter Female Student-Athlete of the Year.
- Wesley Woodyard (Football) received the Brad Davis Community Service

Award from the SEC.

Other highlights of Mr. Barnhart's report include:

- Athletics had three new hires since the last meeting: Chris Thurmond (football), Kyra Elzy (women's basketball), and Matt Insell (women's basketball).
- Athletics showed its commitment to the university's diversity initiative by participating in the Diversity Fair on campus and the Martin Luther King celebration.
- UKAA recently finalized a commitment to support the Endowed Chair in Opera Studies.
- Three basketball coaches and staff participated in the Nike Coaches Consortium. One of the Women's Basketball players went to the Women's Basketball NCAA Final Four to attend a "So you Want to be a Coach" clinic sponsored by Nike.
- The Men's Basketball program went 12 and 4 in the SEC. It is the most wins in three years in terms of league play. Coach Billy Gillispie was named co-coach of the year in the league. Patrick Patterson was named as a freshman All-American and was co-freshman of the year in the league. Joe Crawford and Ramel Bradley received postseason honors in the league as well.
- Coach Matthew Mitchell completed his first year as the Women's Basketball Coach. The Women's Basketball program went to postseason play. This is the fourth year in a row to go to postseason play.
- Both Men's and Women's Tennis programs were named to postseason play.
- The Men's and Women's Track programs are in the process of qualifying for nationals.
- The Men's Golf program will most likely get a bid. The Women's Golf team did not receive a team bid but did receive a single bid for one of the golfers Mallory Blackwelder who will represent UK at the nationals.
- The Baseball team is tied for fourth place in the league. The team must be in the top eight to go to the SEC Tournament. UK will bid to host a regional in a super regional.
- The Football program completed spring practice. Four former players were drafted, which is the most players UK has had in any single draft.

- The Athletics Department and University suffered two losses recently: Men's Basketball Equipment Manager Bill Keightley and Diving Coach Mike Lyden. Condolences were expressed to the families on behalf of the department and the University.
- The spring season concluded with the CATSPY's event, which was a wonderful night of celebration for all of the athletes for their accomplishments. Head Football Coach Rich Brooks was named Coach of the Year for the accomplishments of two Music City Bowl victories and two 8 and 5 seasons. Jacob Tamme and Wesley Woodyard shared the Mr. Wildcat award, and Crissy Cannon received the Miss Wildcat award. This is the greatest honor to give a student.

Mr. Barnhart concluded his report by expressing appreciation to the coaches and the students for everything they do for the program.

Finance Committee Report

Frank Butler, chair of the Finance Committee, reported that the committee met prior to the board meeting. The committee reviewed the proposed budget for 2008-09 and voted unanimously to approve the budget and present it to the board for action. He called upon Rob Mullens to make the budget PowerPoint presentation. (His PowerPoint presentation follows the minutes.)

Mr. Mullens noted that everyone is facing budget challenges. He pointed out that the Athletics Department has found some creative solutions and ways to keep making progress that needs to be made to reach the short and long-term goals. He gave the board an overview of the \$67.035 million budget, noting some of the information is repetitious from previous budget presentations. Below is an outline of his presentation, which he elaborated on each item:

Budget Goals
 FY 09 Challenges:
 Escalating Expenses
 Limited Revenue Opportunities
 Revenues:
 Football
 Men's Basketball
 Student Activity Fees
 K Fund
 Expenses:
 Football
 Men's Basketball
 Facilities and Operations
 Scholarships
 Postseason

Mr. Mullens noted in his presentation that the Athletics Department is at the end of a Request for Proposal (RFP) to purchase private charter plane lease time for the head coaches of football, men's basketball, and women's basketball for recruitment purposes. Upon conclusion of his report, he entertained questions from the board.

Mr. Butler recommended approval of the FY09 budget, and Dr. DeSantis seconded his motion. President Todd asked for any discussion, questions, or clarifications. He agreed with Mr. Mullens that the budget is tight at this time and said that he respected what the Athletics Department has done financially. He mentioned that the National Association of College and University Business Officers (NACUBO) is working with the National Collegiate Athletic Association (NCAA) to look at athletic departments' spending around the nation.

Mr. Cassis asked if the Council on Postsecondary Education (CPE) was going to approve the proposed tuition increases. President Todd provided background information about CPE and tuition. He said that he hoped CPE did not change UK's proposed increase.

President Todd called for a vote, and the budget was approved without dissent.

Other Business

Mr. Butler reported that the university does multiple internal audits each year, and Internal Audit picks one area of athletics to audit. This year an internal audit was done of the handling of complimentary tickets in the Ticket Office. The Athletics Department received a clean report, and that compliments the department on how it is managed.

Mr. Barnhart said that he wanted to continue to congratulate the coaches and the athletes. Out of the 22 sports programs, UK will be in the range of having 16 to 18 of the 22 sports programs competing in NCAA postseason play by year's end, which is a remarkable accomplishment.

Mr. Shoop congratulated the Athletics Department for their success with the CATSPY's event. Several board members attended and were very pleased with the outstanding presentation.

Dr. Todd thanked Dr. Smith for his service on the board. He noted that Dr. Smith is ineligible for reappointment at this time. Dr. Smith received a round of applause.

President Todd also mentioned that Mr. Hricenak will be rotating off the board, and the new president of the K Association Charles Arnold will be joining the board at the next meeting. He expressed appreciation to Mr. Hricenak for his service, and the board gave Mr. Hricenak a round of applause.

Mr. Deaton said that he attended the Kentucky Athletic Hall of Fame dinner, and the University of Kentucky was well represented by Joe Federspiel, Tubby Smith, Jamal Mashburn, and the new recruit E. J. Fields. They were first-class individuals.

President Todd informed the board that Tubby Smith would be receiving an honorary doctorate at Commencement for his humanitarian contributions.

Meeting Adjourned

With no further business, the Athletic Association Board meeting adjourned at 2:45 p.m.

Respectfully submitted,

Barbara W. Jones
Secretary

FY09 BUDGET



UNIVERSITY OF KENTUCKY
ATHLETICS ASSOCIATION

OVERVIEW



- UKAA is 100% self supporting (no State or University funds)
- UKAA budget is only approximately 3.5% of the University budget
- UKAA continues to transfer \$1.0M to President's Office for scholarships
- UKAA will make 4th payment on a ten year commitment to the Singletary Scholars
- Approximately 25% of UKAA's budget will be spent back on campus, keeping the University the #1 vendor for UK Athletics

OVERVIEW



- UKAA has broadest program in SEC (22 sports) with only average SEC budget

\$75+M



\$70+M



\$60+M



Less than
\$50M



BUDGET GOALS



- Match resources to expectations
- Fiscal Accountability
- Inclusive process

BALANCED BUDGET:

\$67.035M

FY09 CHALLENGES



Escalating Expenses

- \$750,000 +9% resident; +6.6% non-resident; +9% fees; +16% boarding costs
- \$800,000 Football salary retention pool
- \$400,000 35% increase in University Service Assessment
- \$325,000 Other contractual obligations
- \$200,000 1% employee benefits
- \$200,000 11% campus projected increase in utilities
- \$725,000 One-time facility requirements
- \$1.0M Post-season (including football)

\$4.4M

FY09 CHALLENGES

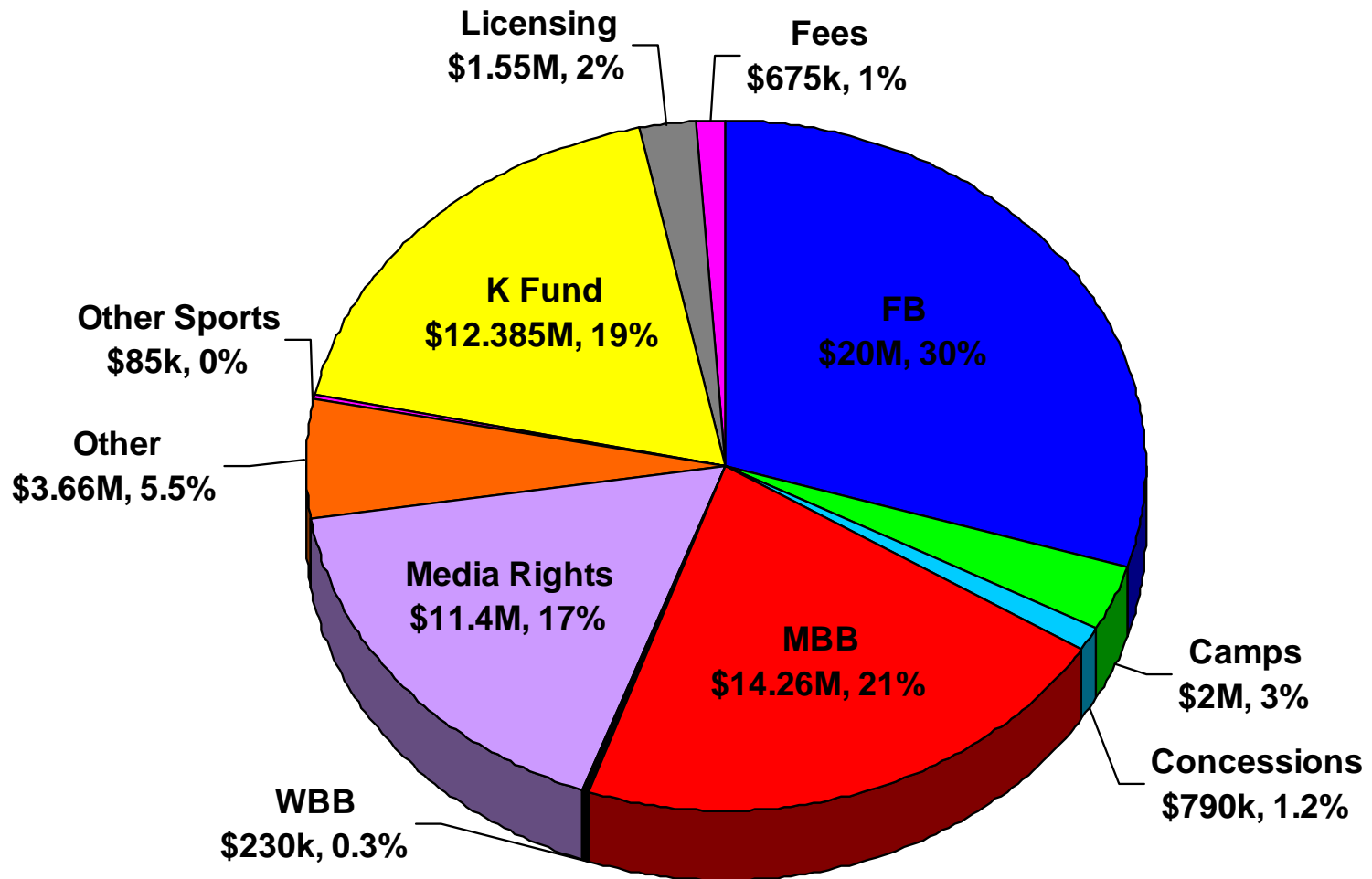


Limited Revenue Opportunities

- (\$1.4M) Football ticket revenue – return to 7 home games
 - \$750,000 Other football revenue (SEC, parking, guarantees)
 - \$200,000 Men's basketball revenue (SEC / NCAA)
 - \$100,000 Incremental revenue from record multimedia rights agreement
 - \$2.4M K Fund: modest adjustment to football priority
 - \$1.5M Other revenue: Post-season, hosting MTE, interest income
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REVENUES

\$67.035M



REVENUES: *Football*



FY09 \$20,000,000 (30%)

- Ticket revenue aggressively budgeted based on historical data and loyal fan base
- Return to 7 home games (8 games were played last year)
 - Resulting in ticket revenue decrease of \$1.4M
- Incremental revenue from SEC TV, SEC Bowl and SEC Championship game provides additional \$225,000
- Parking and guarantees add another \$525,000 in revenue

REVENUES: *Men's Basketball*



FY09 \$14,260,000 (21%)

- Leads nation in attendance
 - Attempting to maintain a 19 home game schedule for 2008-09
 - Additional home games and Indiana game played at Rupp Arena leads to \$100,000 reduction in guarantee revenue
 - Project revenues from the NCAA Men's Basketball distribution to continue to increase (\$225,000)
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REVENUES: *Student Activity Fees*



FY09 \$675,000 (1%)

- Contribute 1% of operating budget at UK
 - National Division 1-A average is 6%

 - UKAA has only received a \$3.50 increase in student fees since 1979

 - Modest increase (\$2.50/semester) in student activity fee for FY09 to return student fee revenue to the similar level as FY06 (prior to the LCC change)
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REVENUES: *K Fund*

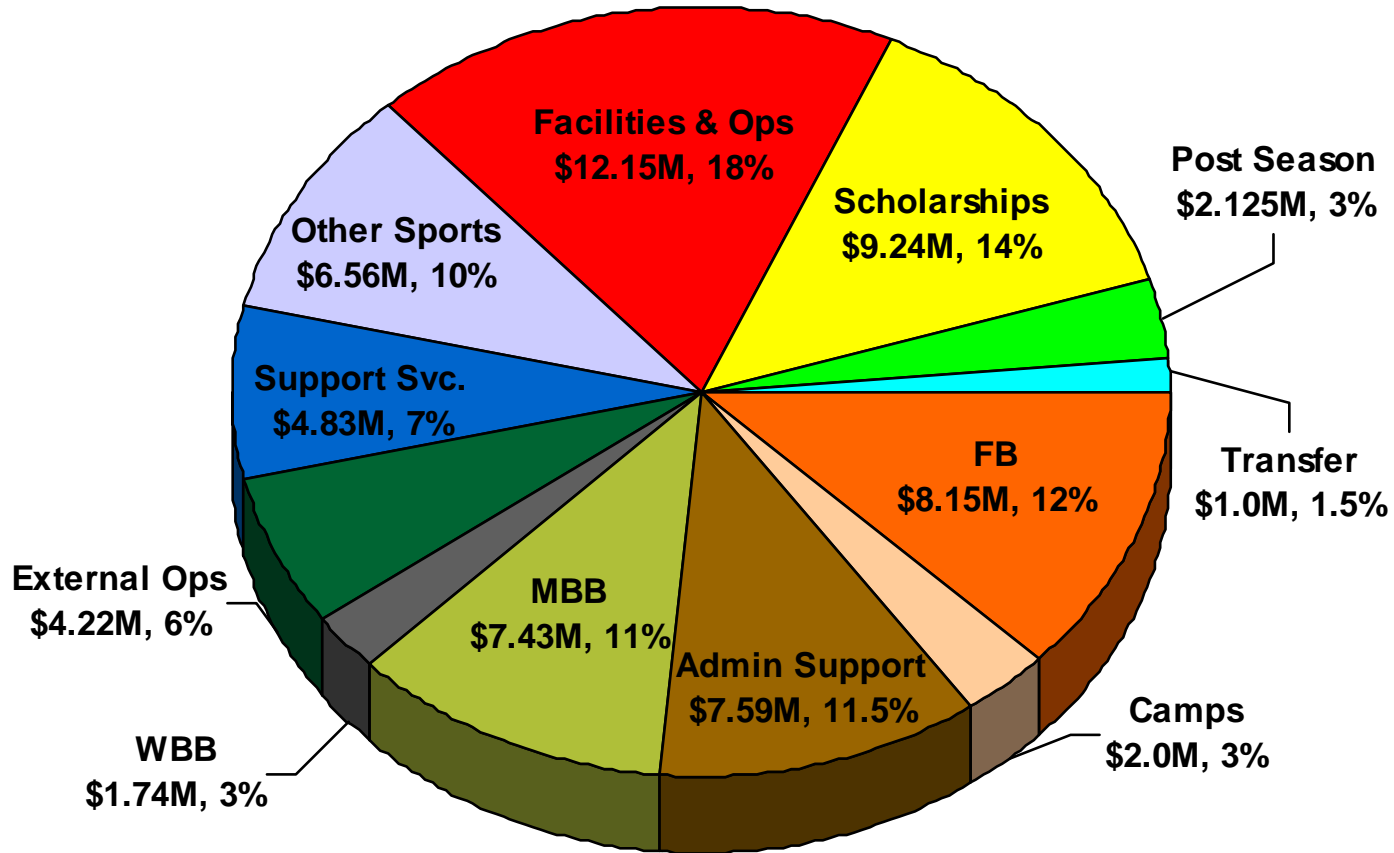


FY09 \$12,385,000 (19%)

- The Athletics Board's approval of updated K Fund plan will increase annual fund by approximately \$2.4M in FY09
- Projected FY09 annual fund of \$11M will be another fundraising record
 - Continues to rank UK 10th out of 12 schools in the SEC
- With the replenishment of Athletics Quasi Endowment from capital gift pledge payments, the spendable interest income will increase \$75,000 in FY09

EXPENSES

\$67.035M



EXPENSES: *Football*



FY09 \$8,154,542 (12%)

- Significant increase in game guarantees with late gaps created by the Mid-America Conference (\$300,000)
- New contracts for coaching staff following the successful 2007 season and another Music City Bowl win (\$800,000)
- Inflationary costs of recruiting, including private plane hours for head coach recruiting travel (\$150,000)
- Team travel (\$50,000) and medical expenses (\$65,000)

EXPENSES: *Men's Basketball*



FY09 \$7,425,910 (11%)

- Continued emphasis on recruiting and additional charter flight time increases recruiting budget to total nearly \$500,000
 - Inflationary/market adjustments in game guarantees, including guarantee for Indiana (\$200,000)
 - Annual increase in rent and other expenses payable to Rupp Arena (\$75,000)
 - Increase in cost of officials (\$10,000)
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EXPENSES: *Facilities & Operations*



FY09 \$12,152,804 (18%)

- Increase in utility costs estimated by PPD to be 11% for FY09 (\$200,000)
 - Continue to manage significant cost (\$75,000) of Emergency Medical Service at events
 - Event Management budget includes additional costs to ensure pleasurable fan experience and to ensure safety & security with increased attendance
 - UKAA will make the 3rd of 5 payments for campus utility expansion (\$310,000)
 - Debt service on bonds is \$525,000
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EXPENSES: *Facilities & Operations*



FY09 \$12,152,804 (18%)

- On-going management of required one-time facility expenses
 - Safety rails and asphalt walkways in Commonwealth Stadium (\$200,000)
 - Improved utility infrastructure in CATS and upgraded sound system in Memorial Coliseum (\$300,000)
 - Diving tower repairs in Lancaster Aquatics Center (\$50,000)
 - Continuation of graphics package in Joe Craft Center (\$175,000)
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EXPENSES: *Scholarships*



FY09 \$9,240,206 (14%)

- Includes all scholarship costs (including annual aid, summer school and exhausted eligibility) for student-athletes, graduate assistants, managers, student trainers and CATS
 - 9% increase in resident tuition
 - 6.6% increase in non-resident tuition
 - 9% increase in mandatory fees
 - 16% increase in boarding costs
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EXPENSES: *Post-Season*



FY09 \$2,125,000 (3%)

- With the uncertainty of post-season appearances, historical data is used to create budget separately as pooled funds to ensure all teams that qualify participate in post-season play
 - Included football post-season in FY09 budget
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