



To: Rob Mullens, Athletic Director
Jamie Moffitt, Vice President for Finance and Administration

From: Kelly B. Wolf, Associate Vice President for Business Affairs/Controller

Date: June 19, 2020

Re: Interfund Loan Agreement – Athletics

Background:

The COVID-19 pandemic has created unprecedented stresses on University of Oregon (UO) finances. These stresses are being acutely felt in the Auxiliary Enterprises, including Intercollegiate Athletics. The NCAA cancelled all spring sports including the Division I men's and women's basketball tournaments – a significant revenue source for the NCAA, the PAC-12, and participating schools.

The Athletic Department has already taken and continues to take steps to manage its operational budget in light of these revenue reductions, including staff reductions under the UO Extended Benefits Program. However, the semi-annual debt payments due on construction bonds are expenses that cannot be mitigated in the same manner.

The Athletics Department has two (2) sources of contingency funding available to support these debt payments. The first is the Legacy Fund, a donor-supported quasi-endowment housed at the university foundation. The purpose of the Legacy Fund is to provide a financial backstop and alternative source of payment on the debt incurred to construct Mathew Knight Arena. However, the recent volatility in the US stock market has served to reduce the monetary value of the Legacy Fund. To pull money from that fund at this time would only result in an extension of the time needed to rebuild its value to a point prior to the COVID-19 pandemic.

The second source of financial reserve is the Arena Bond Reserve Fund, created by the university and outlined in a 2008 letter from UO President Dave Frohnmayer to Senator Kurt Schrader and Representative Mary Nolan of the Oregon Legislature. The Arena Bond Reserve Fund receives \$1.00 for each ticket sold to athletic and other events, and the current cash balance in the fund is approximately \$5.9 million. This Fund was established to provide monies in the event that net operating revenues and ongoing donations (including withdrawals from the Legacy Fund) are insufficient to meet debt service requirements. The Fund is not housed at the university foundation and thus is not subject to the same market volatility.

Agreement:

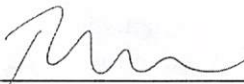
Monies to support the semi-annual debt service payments in the amount of \$5,800,000 will be loaned from the Arena Bond Reserve Fund (Fund 120700) to Intercollegiate Athletics Revenue/Expense Fund (Fund 120100).

There will be no interest charged on this Interfund Loan.

Repayment of the loan shall be complete by June 30, 2024. There will be no penalty for early payoff of this Interfund Loan.

The terms of this Interfund Loan will be monitored for compliance by the AVP/Controller. Any modifications to these terms must be approved by the Signatories or their successors. All modifications must be made in writing.

Please acknowledge approval of this loan agreement by signature:



Rob Mullens, Athletics Director

6/19/20

Date



Jamie Moffitt, Vice President for Finance and Administration

6/20/20

Date