April 4, 2023

Dr. Luke Premo  
Department of Anthropology  
College Hall 230  
Pullman, WA 99164

Dear Dr. Premo:

I would like to thank you for sending along your letter dated February 21, 2023, with several important questions concerning the Cougar Athletics budget. There were two primary questions that I will address in the next two sections: Refinancing of Debt and Internal Debt Repayment Plan.

**Refinancing of Debt**

The budget for Cougar Athletics, as well as any refinancing of debt, was carried out under the auspices of the Washington State University Board of Regents in open public session. The timeline and actions taken on debt refinancing are as follows.

**September 2020:** As part of the WSU Regents Information Item “FY2021 Integrated Financial Forecast and Planning Tools,” the Board discussed various financial tools that might be available to deal with unprecedented revenue shortfalls attributed to the COVID-19 pandemic. Working closely with the University’s financial advisor (PFM) and special attorney general and bond counsel (K&L Gates), the University explored several opportunities to address the short-term financial impacts of COVID-19 and take advantage of low interest rates. One option included debt refinancing. The WSU Regents information item noted that “the savings from a refunding will be managed at the University level, using best practices for internal debt service payment and management. It is important that the savings accrue to the University level in order to help address declines in university cash flows.” The Board moved to take immediate action on the refinancing opportunity and approved a resolution authorizing the refinancing plan. [https://s3.wp.wsu.edu/uploads/sites/3087/2022/08/200918-Meeting-Minutes-for-Posting.pdf](https://s3.wp.wsu.edu/uploads/sites/3087/2022/08/200918-Meeting-Minutes-for-Posting.pdf)

**November 2020:** Finance and Administration reported back to the Board on the successful refinancing transaction, noting savings of $11.2M. The report to the Board called out that “the transaction results in a cash benefit of $11.2 million in FY 2021.”
April 4, 2023
Page 2 of 3

The refinanced 2010, 2012, and 2014 bonds included these projects:

<table>
<thead>
<tr>
<th>Bond</th>
<th>Project</th>
<th>Savings</th>
<th>% of Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing and Dining (2010 H&amp;D)</td>
<td>Yakama Village</td>
<td>$0.5</td>
<td>4%</td>
</tr>
<tr>
<td>Athletics (2012 GRBs)</td>
<td>Martin Stadium Premium Seating</td>
<td>$8.6</td>
<td>77%</td>
</tr>
<tr>
<td>Housing and Dining (2014 GRBs)</td>
<td>Northside Hall Phase II</td>
<td>$2.1</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$11.2</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The information item to the Board stated that the “cash benefit of this transaction provides strategic reserves centrally to help mitigate these financial challenges. Savings generated by the transaction will be managed at the University level, using best practices for internal debt service payment and management. This will ensure that savings accrue at the University level to help offset expected declines in reserves during FY2021.”

**March 2021** Presented a second information item on the “Athletics Budget Update and Plan for Fiscal Recovery.” This document outlined the plan to use $11M of the savings from refinancing to help offset the COVID-related revenue losses for FY2022. I would note that we used $10.9M in COVID relief funds to cover shortfalls in WSU Housing and Dining. We specifically elected NOT to use COVID relief funds to cover shortfalls in the Cougar Athletics budget.

**May 2021:** Regents approved the FY2022 Athletics budget using $11M of savings from refinancing.

**May 2022:** Regents approved revised budgets utilizing $10M of savings from refinancing in FY2022 and $1M for FY2023. Same $11M amount overall.

**Internal Debt Repayment Plan**

Over the last several years, we have advocated for a three-step plan for Cougar Athletics moving forward to include the development and implementation of a balanced budget, establishment of a reserve fund, and graduated repayment of internal debt.

Across many of our sports programs, we have seen renewed fan engagement and increased revenues that will support our ability to cover operating costs in the 2022-23 fiscal year. With a favorable home football schedule and our women’s basketball team’s recent Pac-12 Championship win, we anticipate these revenues will continue to increase in the year ahead.

Starting with the 2023-2024 fiscal year, we are asking Cougar Athletics to begin the process of building an internal reserve fund similar to those we have established at the college and campus level across the WSU system.
April 4, 2023
Page 3 of 3

I am asking Dr. Nancy Swanger, Founding Director of the Granger Cobb Institute for Senior Living and WSU Faculty Athletics Representative (FAR), to work with the Faculty Athletics Council (https://president.wsu.edu/committees/athletics-council/) to develop a plan to examine Cougar Athletics internal debt starting in the Fall 2023 semester. Additionally, I have asked Dr. Swanger to meet with you and any of your interested colleagues to get your input and suggestions.

The Pac-12 recently announced that a distribution partner is seeking a return of overpayments totaling more than $50M. While the timing of a potential resolution and impact on member institutions is unclear at this time, I intend to continue to be open and transparent about our Cougar Athletics budget with the university community and WSU Board of Regents.

I would be happy to answer any additional questions or concerns you might have.

Regards,

Kirk H. Schulz, Ph.D.
President