

MINUTES OF THE SPECIAL MEETING
OF THE
MICHIGAN STATE UNIVERSITY
BOARD OF TRUSTEES

June 7, 2000

President McPherson called the Special Meeting of the Board of Trustees to order at 10:11 a.m. in the Conference Room, 450 Administration Building.

A Roll Call was conducted by Secretary Pogel. Trustees present: Joel Ferguson, Donald Nugent, and David Porteous. Trustees Dolores Cook, Dorothy Gonzales, Bob Traxler and Robert Weiss were present via teleconference.

Trustee absent: Colleen McNamara. Secretary Pogel noted that Trustee McNamara could not be present because she was testifying at a legislative hearing.

University officers present: President McPherson, Provost Simon, Secretary Pogel, and Vice President Poston. Others present: Vice President Denbow, Assistant Vice President Lindahl, Athletic Director Underwood, and Associate Athletic Director Hollis.

All actions taken were by unanimous vote of the Trustees present, unless otherwise noted.

1. On a motion by Mr. Porteous, supported by Mr. Nugent, **THE BOARD VOTED to approve** the proposed agenda.
2. There were no requests to address the Board of Trustees on issues germane to the agenda or other issues.
3. Breslin Reseating Plan

On a motion by Mr. Nugent, supported by Ms. Cook, a resolution to accept the proposed Breslin Reseating Plan was put on the table for discussion. A copy of the plan is attached at the end of the minutes.

Athletic Director Underwood presented the Breslin Reseating Plan to the Board. Director Underwood thanked the Board for the opportunity to review the proposal for the 2000-2001 men's basketball season. Dr. Underwood indicated that for the 1999-2000 academic year, the Department of Intercollegiate Athletics was able to stay within its budget. Next year, he said, for the Athletic Department to stay within its budget, additional revenue will be needed. He said that one way to generate new revenue is to reseat, for the third time, the Breslin Center. The changes would take effect in winter, 2000. The lower bowl of the Breslin Center, Director Underwood noted, would have a \$100 premium per seat for the first year. Seating would be based on a priority point system. Ticket holders who qualify, based on the point system, will keep their current seats. If they do not qualify to keep current seats, he said, they will be located to another area of the arena. In the second year, all seats would retain the \$100 premium, but center court seats would increase to a \$200

premium. In the third year, center court seats would increase to \$300. Each person who qualifies to sit in the lower bowl will have the opportunity to purchase four season tickets.

President McPherson asked Vice President Poston to expand upon infrastructure issues. Dr. Poston explained that in the future there will be financial issues because athletic facilities are expensive venues to manage and maintain. As an example, the cost of the current Spartan Stadium improvements will be between 12 and 18 million dollars. He said that the Athletic Department cannot afford those types of improvements on a 24 million dollar annual budget. Facilities costs, Dr. Poston noted, will increase substantially over the next 20 years, just as they will at other Big Ten schools. The Breslin reseating premiums will go toward future building improvements.

President McPherson noted two underlying reasons for the reseating: the need to keep the Athletic budget in balance while at the same time practicing responsible management of facilities in the years ahead. Mr. McPherson noted that the current reseating plan does not include a schedule for future reseating, but that reseating would be considered periodically.

Trustee Cook asked that President McPherson clarify whether the new cycle would be only a three-year cycle. President McPherson said that it had been four years since the last reseating. He said that the plan as it is proposed does not include an explicit three-year reseating schedule.

Trustee Weiss asked if there is a published point system so that the public will know how many points they will need in order to qualify for lower bowl seats. Athletic Director Underwood explained that there is a documented list of donors with the number of points that each currently has based on past giving. Vice President Poston said that there is not a specific point threshold to obtain lower bowl seats. He explained that one takes the top number of points and goes down the list until one runs out of seats to fill. Trustee Cook noted that the points needed to qualify could change from year to year.

Trustee Porteous asked if the point system is specific enough to show donors what they qualify for based on their contributions. President McPherson said that yes, the point system is very specific.

Responding to a question from Trustee Cook, Director Underwood explained that points are determined by total gifts. Vice President Poston added that some donors who have accumulated points have given large sums of money at one time, but many donors with accumulated points have given smaller sums of money on an annual basis.

President McPherson said that the point system would be reviewed periodically. He said that many donors pay close attention to the point system and monitor the points they accumulate.

Trustee Porteous explained to Dr. Underwood that he has been quite impressed with the efforts of the Athletic Department to work on cost control, stretch revenues, and keep expenses low. As a result, Mr. Porteous said, the Athletic Department is not

experiencing the difficulties that other universities are facing. He said that it is essential to look at revenue enhancement opportunities. Trustee Porteous noted that he believes there are two areas where the MSU Athletic Department can work on revenue enhancement. 1) marketing and advertising dollars that support athletics 2) revenue enhancement projects like the Breslin Reseating Plan. Mr. Porteous stressed that in order to maintain both a balanced budget as well as a high-quality program, revenue enhancements such as this reseating plan would be necessary. Trustee Porteous described two ways that he believes the plan could be improved. The first, he said, is to provide a greater choice of seating during the first year so that seats behind the backboard do not have the same value as center-court seats. He explained that lesser-value seats could have no premium, while center-court seats could have a significantly higher premium value than what is proposed. This would provide better choice to fans, as well as greater revenue. Trustee Porteous said that professional basketball and football have ticket prices graduated at a level much greater than the proposed Breslin prices. He asked why MSU is taking an approach that is much less aggressive than other athletic departments around the country.

Athletic Director Underwood said that the Athletic Department considered many different ways to structure the Breslin reseating plan. He explained that since MSU had not had a seat-premium plan in the past, and because of the recent success of the men's basketball program, the Department wanted to take the conservative road when implementing the initial plan. He noted that other alternatives could be considered in the future.

Trustee Ferguson said that the University should not be bashful about asking those who support men's basketball to fund other athletic programs through the premium seating plan. He mentioned that MSU has an excellent product, and like any other business, the price is raised to meet demand. Mr. Ferguson said that the public would better accept the plan if the University took a truth-in-packaging approach. He said that those who support football, men's basketball, and hockey should be prepared to support other athletic programs as well. He agreed with Mr. Porteous that if there is a high-demand product, more money should be charged. Trustee Ferguson said the premium amounts could be fine-tuned later. He said he believes that in the second and third years of the plan, the University should not be locked into specific dollar amounts for premiums. Mr. Ferguson moved to amend the proposal to remove specific dollar amounts from years two and three. There was no second to Mr. Ferguson's amendment.

Trustee Cook asked what would happen when the men's basketball team isn't playing well and how would corporations be stopped from picking off the best seats in Breslin. She said that people often complain that center-court seats sometimes go unused.

Trustee Ferguson explained that when a program has reached a certain level of success, even if it experiences a downturn, fans do not give up season tickets because they are optimistic that the program will improve.

Trustee Porteous said that programs sometimes experience challenges, but that just reemphasizes the need to have a great coach, a great team, great marketing, and great facilities. He said that it is the total product that makes a successful program.

Trustee Nugent suggested that the proposal be passed as presented, and if it needs to be adjusted in the future, it can be, as long as total revenue does not fall below \$600,000.

Trustee Ferguson explained that his proposed amendment would allow for adjustment over time. He suggested that the second and third-year premium numbers be used as benchmark numbers, but that the dollar amount could rise.

Trustee Cook agreed with Trustee Weiss that the public needs to know whether the second and third-year premiums are a fixed amount, or if they are likely to rise.

President McPherson commented that support for the University comes from a partnership with the public. Strength comes from this partnership with the community. Mr. McPherson said that the administration tried to be less aggressive in the first year, and wanted to let people know costs for the second and third years of the plan. He said that the plan could be reviewed in the future.

Trustee Cook agreed that easing the public into this plan is a kinder way to accomplish what the Athletic Department needs. She also said that MSU's fans need to know what they will be paying in the future and it is important to protect credibility. Ms. Cook said gradual movement into this plan is the best way to go. She predicted some unrest among ticket holders even though other universities have implemented this type of program in the past. Any new plans, she emphasized, should be tempered with consideration for the fans.

Trustee Ferguson explained that it is impossible to keep corporations from buying the best seats. He said the general public may not be able to afford the same ticket that a corporation can, but the University cannot afford to turn down corporations. He hopes that the team is playing well enough so that all ticket holders will be interested in going to games.

Trustee Weiss emphasized that the men's basketball team is not a pro team, and he does not wish it to become one. Mr. Ferguson responded that the University cannot turn down corporate dollars.

Trustee Nugent stressed that the time span on the plan is only three years. He said that this plan is a precursor to what could be done in Spartan Stadium. Mr. Nugent noted that the financial impact from reseating Spartan Stadium would be much greater than from reseating Breslin. He said if the plan needs fine-tuning, there are two years to do it.

Trustee Ferguson commented that a similar plan would not work in Spartan Stadium because the stadium does not consistently sell-out on a yearly basis. He said that the plan would not work in the Breslin Center if the demand for tickets were not as great as it is.

Trustee Nugent said that Spartan Stadium seating must be reviewed because 50-yard line seats are in high demand. Mr. Weiss agreed that the University could charge a premium on 50-yard line seats.

Trustee Cook asked about consideration in the Breslin plan for those who are retired or who have been members of the Ralph Young Fund for many years. Ms. Cook noted that other universities have given honorary memberships to those who are members of clubs similar to the Ralph Young Fund.

Athletic Director Underwood said that some universities give premium seat credit to retired or disabled persons. Trustee Cook thanked Dr. Underwood for his consideration and hoped that his successor will remember that this issue needs to be addressed.

Trustee Traxler asked Secretary Pogel to read the resolution on which the Board would be voting. Dr. Pogel responded that the resolution was to adopt the Breslin Reseating proposal that was sent to the Board on May 31, 2000. Mr. Traxler requested that the resolution and the entire plan be included in the minutes.

Mr. Weiss asked if the resolution being voted upon would include specific guidelines for what happens in the second and third years and beyond. President McPherson said that the resolution being voted upon leaves open the possibility for fine-tuning in the future. He said that the minutes would reflect all materials presented at the meeting.

Trustee Traxler complimented President McPherson on the work that he and the staff put into the reseating proposal. He said that there is more work ahead, but this is a giant step forward in increasing revenue for the Athletic Department. Mr. Traxler noted that the public needs to be aware of the need for revenue sports to support non-revenue sports. He emphasized that both maintenance and expansion of athletic facilities need to be addressed.

On a motion by Mr. Ferguson, supported by Mr. Porteous, **THE BOARD VOTED to approve** the proposed Breslin Reseating Plan. A Roll Call vote was conducted by Secretary Pogel. All Trustees present voted Yes.

4. An Executive Session was not requested.
5. On a motion by Mr. Ferguson, supported by Mr. Nugent, **THE BOARD VOTED to adjourn** at 11:05 a.m.

Respectfully submitted,

Nancy H. Pogel, Ph.D.
Secretary of the Board of Trustees