

EXECUTIVE SUMMARY

Item Name: **Review and Approval of First Amended Multiple-Year Employment Agreement for Men’s Basketball Head Coach (UArizona)**

Action Item

Requested Action: The University of Arizona (“UArizona”) asks the board to approve the First Amended Multiple-Year Employment Agreement for Tommy Lloyd as Men’s Basketball Head Coach, as described in this executive summary.

Background

- UArizona seeks review and approval of a First Amended Multiple-Year Employment Agreement ("First Amended Agreement") for Men’s Basketball Head Coach Tommy Lloyd (“Lloyd”) through the period ending March 31, 2027. This First Amended Agreement would result in a new five-year contract, while also amending the salary terms and certain other terms agreed to between Lloyd and UArizona after an exemplary first season for Lloyd.
- In September 2021, following board approval, UArizona entered into the Multiple-Year Employment Agreement (“Agreement”) with Lloyd with a base annual salary of \$1,800,000, with annual increases through the end of the term of March 31, 2026, along with Additional Duties compensation of \$700,000 per contract year. Based on Lloyd’s overwhelmingly successful first season as men’s basketball coach, UArizona wishes to enter into the First Amended Agreement adjusting his base annual salary and other terms.
- Lloyd was the first UArizona coach to receive multiple national coach of the year honors when he earned AP Coach of the Year, NABC Coach of the Year, and USBWA Coach of the Year honors in only his first year as head coach. He had the most wins by a first-year head coach in conference history, and was second all-time overall for most wins by a first-year head coach in NCAA history.
- Lloyd led the Wildcats to a 33-4 overall record and UArizona became the first team in Pac-12 history to win 18 conference games in a season. UArizona enjoyed a victory over No. 4 Michigan and began the season with a 5-0 record. With this undefeated start, Lloyd became the first coach in Division I history to win his first five games, win by an average of thirty points per game, and beat an AP top-5 team.
- In January 2022, UArizona was ranked No. 3 in the AP poll, which was its first time

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in the top five since the 2017-2018 season. Just a month later, UArizona was ranked No. 2 in the nation.

- UArizona earned the No. 1 seed in the Pac-12 tournament and defeated Stanford, Colorado, and UCLA to win UArizona's eighth conference tournament title overall.
- Not only did Lloyd receive multiple head coaching awards, but his players also excelled. Ben Mathurin, Christian Koloko, Azuolas Tubelis, and Dalen Terry all received a host of national and Pac-12 conference awards. And more recently, Mathurin, Koloko, and Terry have all declared for the NBA draft.
- In light of this success, as well as the individual and team accomplishments, UArizona is seeking approval to amend Lloyd's current contract to increase Lloyd's compensation, to provide him a new five-year contract, and to modify the buyouts by the University or Lloyd in the event of a termination without cause. This modification of financial terms demonstrates Lloyd's and UArizona's commitment to each other and commitment to the success of the men's basketball program.
- Based on due diligence, UArizona is not aware of any issues negatively affecting Lloyd's continued employability, including but not limited to NCAA violations, claims or litigation related to his prior employment as an assistant coach, allegations of wrongdoing, or significant press controversies.

Discussion

Duties, Length, and Compensation/Salary Adjustments

- The proposed First Amended Agreement term will be five years, from April 1, 2022, through March 31, 2027. The first year will be from April 1, 2022, through March 31, 2023. Each successive year will be from April 1 through March 31.
- Lloyds's program duties will continue to be those customarily associated with the head coach of a Division I men's basketball program. This includes, among other items, overseeing all aspects of the Program, supervising the coaches and other employees, and coaching the student-athletes, athletically and academically, all in accordance with applicable University, ABOR, Pac-12, and NCAA policies, rules, and regulations.
- Lloyd's annual compensation from UArizona includes base salary as well as additional duties compensation. These additional duties are related to Lloyd's public facing duties as coach, including engaging in regular interviews with

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television, radio, and internet programs, supporting promotional and advertising activities, and other activities that further the interest of the Program and University. The additional duties compensation will remain \$700,000 for each contract year of the First Amended Agreement. Lloyd's base salary will start at \$2.9 million for the first year of the proposed contract, and increase by \$100,000 each year, for a combined compensation amount from UArizona in each year as follows:

- Year 1 - \$3,600,000 (\$2.9 million base salary + \$700,000 addtl. duties)
- Year 2 - \$3,700,000 (\$3.0 million base salary + \$700,000 addtl. duties)
- Year 3 - \$3,800,000 (\$3.1 million base salary + \$700,000 addtl. duties)
- Year 4 - \$3,900,000 (\$3.2 million base salary + \$700,000 addtl. duties)
- Year 5 - \$4,000,000 (\$3.3 million base salary + \$700,000 addtl. duties)

In addition to the amounts above, Lloyd will also receive compensation for arrangements he is expected to enter into with Nike and Learfield, and Lloyd may also earn incentive compensation for certain academic and athletic achievements, as set out below.

- In the event that the NCAA (including the Independent Accountability Resolution Process or IARP) imposes: (a) a post-season ban on the Program, and/or (b) imposes a scholarship reduction penalty of two or more scholarships during any academic year for the Program, and/or (c) imposes any other material restriction upon recruiting visits or recruiting days on the Program (hereinafter "Restriction" or "Restrictions") as sanctions for events occurring wholly prior to Lloyd's employment as coach of the Program, UArizona will request at the next scheduled ABOR meeting after the sanctions are imposed that ABOR approve an extension of Lloyd's Agreement, as follows:
 - By a period of one year if all of the Restrictions are imposed during one or less academic year, with a base salary of \$3,400,000 for that additional year; or
 - By a period of two years if any Restriction is imposed during more than one academic year, with a base salary of \$3,400,000 for the first additional year and a base salary of \$3,500,000 for the second additional year.
 - UArizona will make this request in accordance with ABOR Policy and will not be obligated to make this request if UArizona has suspended Lloyd or is in the process of terminating Lloyd's Agreement with or without cause.

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- If one or both years are requested and approved as a result of any NCAA penalties, UArizona's buy out for a termination without cause in either of these years will be 80% of the remaining value of the contract, and Lloyd will be subject to the existing mitigation provisions.
- Lloyd's salary and additional duties compensation will be paid entirely from revenue generated by the Athletics Department. No part of his salary or additional duties compensation will be paid from appropriated funds or donor contributions.

Annual Performance Incentives

- Lloyd may earn annual performance incentives as set forth below if the men's basketball team meets designated academic and athletic performance thresholds. Payments are for the highest-ranked achievement in each category and are not cumulative to any lower-ranked achievements, unless specifically noted otherwise.
- The Agreement will require that Lloyd return sums earned as performance incentives for any accomplishments that are subsequently lost, vacated, or diminished due to NCAA infractions or violations of other binding rules or other penalties, whether self-imposed by UArizona or imposed by the conference or the NCAA.

I. **Academic Performance Incentives**

The following academic metrics will be measured annually, and progressive and sustained success (i.e., continual improvement) will be incentivized:

Cumulative Grade Point Average (CGPA):

Lloyd may receive one-time compensation on an annual basis for CGPA achievements. Lloyd will be incentivized to achieve at or above the average grade point average for all UArizona male non-student athletes, which was 3.06 for the 2020-2021 academic year. Therefore, Lloyd should be working toward team grade point averages that are at or above average University grade point averages. (Men's Basketball CGPA for the most recent academic year available was 2.32.)

CGPA

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(highest amount only)

3.00 – 3.29 (no rounding)	\$125,000
3.30 – 3.68 (no rounding)	\$175,000
3.69 or above	\$200,000

Multi-Year Academic Progress Rate (MYAPR)

Lloyd may receive one-time compensation on an annual basis for MYAPR team achievements (Men’s Basketball MYAPR for 2020-2021 was 990).

<u>MYAPR</u>	<u>BONUS</u> (highest amount only)
971 or above (no rounding) *	\$25,000
1000 (no rounding)	\$50,000

* MYAPR bonus methodology: This threshold was derived by using the most recent MYAPR average available for all Pac-12 Men’s Basketball.

II. Athletic Performance Incentives

Lloyd may receive additional one-time compensation on an annual basis for the following athletic performance team achievements in a given year:

- Pac-12 Conference Regular Season Champion
\$50,000
 - Pac-12 Conference Tournament Champion
\$50,000
 - NCAA Tournament (cumulative)
 - National Champion
\$500,000
 - Final Four Appearance
\$175,000
 - Elite Eight Appearance
\$50,000
 - Sweet Sixteen Appearance
\$50,000
 - Round of 32 Appearance
\$25,000
- Final AP or USA Today Coaches Poll Ranking (highest amount only)

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Within the Top Ten (1 st – 10 th)	\$30,000
11 th through 15 th	\$20,000
• Regular Season Victories (excludes exhibition and post-season games) (highest amount only)	
25 or more	\$40,000
20 to 24	\$20,000
• Coach of the Year (highest amount only)	
• Recognition as Pac-12 Coach of the Year	\$20,000
• Recognition as National Coach of the Year by one of AP, National Association of Basketball Coaches, or the Atlanta Tipoff Club (Naismith)	\$40,000

Other Provisions

- Lloyd will receive all employee-related benefits normally available to UArizona employees. He will receive additional benefits as well, including tickets to UArizona sporting events, use of one automobile or a stipend, and an opportunity to have guests during road trips and during post-season men's basketball tournament appearances with prior Athletic Director approval.
- There is no UArizona buyout related to Lloyd's previous employment.
- Lloyd will have the right to operate private youth basketball camps and clinics on the campus of UArizona, subject to a separate agreement between UArizona and Lloyd for the use of UArizona facilities and/or marks. Lloyd will own all rights to the camps and will be responsible for all aspects of the camps, including payment and expenses/liabilities of the camps.
- Lloyd may enter into personal service agreements with other parties to provide services not reserved to UArizona within the Agreement, subject to UArizona approvals and compliance with applicable UArizona, NCAA, Pac-12, and ABOR policies. Lloyd has or will enter into contracts with Learfield IMG (or its parent or affiliate company) and Nike, Inc.

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- To the extent required by NCAA and Pac-12 Conference regulations or UArizona policy, Lloyd must disclose all athletics-related outside income to the Athletic Director, UArizona, and ABOR annually.
- For a period of one year after termination of the Agreement by Coach, Lloyd will be subject to a covenant not to compete that prevents him from accepting employment as a head coach, assistant coach, or consultant with any Pac-12 institution.
- The Agreement may be terminated for cause, in which case UArizona will be liable only for Lloyd's salary, additional duties compensation, and incentive payments earned as of the date of termination. Bases for termination for cause will include provisions relating to inability to perform job duties; dishonesty; substantial neglect of program duties or personal conduct that impairs the ability to serve as head coach; failure to cooperate in investigations; any NCAA Level I penalty imposed on the Program for such a violation occurring during Lloyd's employment; provisions relating to violations of certain laws, NCAA and Conference rules and regulations, and ABOR and UArizona policies and rules; and provisions relating to the failure to maintain high levels of integrity, honesty, moral character, professionalism, and dedication to UArizona and its student athletes.
- Additionally, if Lloyd violates NCAA or Pac-12 Conference regulations, he would be liable to pay UArizona \$200,000 as liquidated damages and would be required to return sums earned as performance incentives for any victories, championships, or other accomplishments forfeited, vacated, or diminished due to such violations.
- If UArizona terminates the First Amended Agreement without cause, UArizona will pay Lloyd a severance benefit calculated as follows: one hundred percent (100%) of the remainder of the value of the First Amended Agreement (Lloyd's base salary plus additional duties compensation) through the length of the term of the Agreement, except, however, for any additional year added as a result of NCAA penalties, in which case UArizona's obligation will be only 80% (as set out above). The severance benefit amount will be offset by any and all amounts Lloyd receives if he is employed or working at any other university or professional team as a coach, assistant coach, scout, analyst, recruiter, athletic director or similar title or working in a media capacity, at any time during the First Amended Agreement term. Lloyd will have a reasonable duty to mitigate by seeking employment following such a termination.

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- The First Amended Agreement may be terminated by Lloyd without cause. In that event, Lloyd will pay to UArizona liquidated damages based on the time remaining in the Agreement, calculated as follows: \$12,000,000 if terminated in Year 1; \$12,000,000 if terminated in Year 2; \$6,000,000 if terminated in Year 3; \$2,000,000 if terminated in Year 4; \$2,000,000 if terminated in Year 5. If there is an extension of the contract for an additional one or two years as a result of the NCAA penalties provision, the liquidated damages paid by Lloyd to UArizona will be \$2,000,000 in the event of termination of the First Amended Agreement by Lloyd without cause.
- All other terms of the Agreement will remain the same in the First Amended Agreement.

Statutory/Policy Requirements

- ABOR Policy 6-910 requires board approval of multiple-year employment contracts for head basketball coaches.
- ABOR Policy 6-1001 provides the requirements for multiple-year appointments of head coaches.

Committee Review and Recommendation

The Finance, Capital and Resources Committee discussed this item in Executive Session at its May 26, 2022 meeting.