

## MINUTES

### BOARD OF REGENTS' MEETING

October 18, 2012

#### I. CALL TO ORDER

Chair Eric K. Martinson called the meeting to order at 8:00 a.m. on Thursday, October 18, 2012, at the John A. Burns School of Medicine, 651 Ilalo Street, MEB 314, Honolulu, Hawai'i 96813.

Quorum (15): Chair Eric K. Martinson; Vice Chair, Carl A. Carlson; Vice Chair, James H.Q. Lee; Jeffrey T. Acido; Artemio C. Baxa; Michael A. Dahilig; John C. Dean; Chuck Y. Gee; John C. Holzman; Benjamin A. Kudo; Coralie Matayoshi; Barry Mizuno; Saedene K. Ota; Tom Shigemoto; and Jan Sullivan.

Others in Attendance: President M.R.C. Greenwood, Ph.D.; Executive Vice President for Academic Affairs/Provost, Linda Johnsrud, Ph.D.; Vice President for Community Colleges, John Morton, Ph.D.; Vice President for Legal Affairs and University General Counsel, Darolyn Lendio, Esq.; Vice President for Budget and Finance/Chief Financial Officer, Howard Todo; Associate Vice President for Capital Improvements, Brian Minaai; Associate Vice President for External Affairs and University Relations, Lynne Waters; Executive Administrator and Secretary of the Board of Regents, Keith Amemiya, Esq., and others as noted.

John Morton introduced the Accrediting Commission for Community and Junior Colleges' team of Helen Benjamin, Marie Smith, and Ted Wieden.

#### II. PUBLIC COMMENT PERIOD

Secretary Amemiya announced that no testimony was received.

#### III. BRIEFING AND WORKSHOP ON BOARD GOVERNANCE AND BEST PRACTICES CONDUCTED BY THE ASSOCIATION OF GOVERNING BOARD'S DR. TERENCE MACTAGGART

Chair Martinson introduced Dr. Terrance MacTaggart, a Senior Fellow with the Association of Governing Boards (AGB). Dr. MacTaggart provided an overview of the day's workshop. He spoke about the "Magic of Dialogue," and how member interactions will result in better ideas and more agreement about the ideas. He said that all members must contribute, and members should be hard on the issues, but easy on each other.

#### Introductions

The Regents, President Greenwood and Secretary Amemiya all introduced themselves, including providing their professions and why they chose to serve on the Board of Regents.

Dr. MacTaggart explained the role of AGB, which is a non-profit organization that is involved with 1,250 colleges, universities, and systems.

High-performing institutions feature boards that work with their presidents, chancellors, and the institution's leadership to build and sustain great universities. Good boards are concerned with budget, branding, reputation, integrity, and fiduciary responsibilities. Better boards focus on relationships, connections, and communication. The best boards work with the institution's leadership.

The current turmoil being experienced by the University is common across the country, with varying degrees of culpability. It will occur more often in the future due to the "new economic normal." The Board's role is to do something about it.

### Formation of a Commission

Dr. MacTaggart suggested forming a commission on executive employment practices, or a similar entity. Its membership would consist of individuals who are sensitive to political realities, have credibility, who are authoritative in financial and compensation practices, and know how to run complex, high-powered organizations, with a non-Regent Chair. The commission's charge would be to look at current practices for senior executives, and their tenure, sabbaticals, professional leave, etc. He also mentioned the commission's budget, scope (range of employee categories, date to deliver report), and the messages it would send to the public (i.e. "We get it.").

The Regents discussed entrusting the work of the proposed commission to the Committee on Personnel Affairs. Dr. MacTaggart recommended that it be a separate group that was connected to the Committee, due to the time and attention required to complete the work. Regent Holzman said that it is a good idea to bring in external members because the public perception is that the Board of Regents is a part of the problem and is not transparent. Other Regents agreed that it is a good idea to have outside, expert participation. Regent Matayoshi, the Chair of the Committee on Personnel Affairs, said that the Committee already planned to take up these issues prior to the State Senate Special Committee on Accountability hearings.

Regent Holzman said that the Regents should not delegate the work to a commission for decision making. Instead, the commission should provide recommendations, and the decision making remains with the Board. The Regents should avoid the perception of avoidance of responsibility. Regent Baxa agreed that the decision making should remain with the Board.

Regent Ota said that the Board needs to get the message out that it is taking a stand. Whatever the drastic change is, it needs to happen.

Regent Dahilig said that there needs to be a balance, because the Regents are responsible to the public. Whether the response is reactionary or progressive, balance needs to be maintained. A commission is a good idea, but he is cautious about its membership. The Regents must look at it from a decision perspective, and an educational perspective, because higher education is a mystery to the general

population. It is healthy to have a blended membership. Regent Gee agreed that the public doesn't understand salary levels for higher education.

Regent Shigemoto said that the importance is in how the commission is set up. The Board of Regents does not have a positive reputation. He added that outside recommendations would be helpful.

Regent Acido agreed that there should be balance.

Regent Baxa said that a full, open, and civilized discussion is important. However, the Board agenda is too full and larger issues are not vetted. Regent Holzman agreed with Regent Baxa. He added that the Board of Regents has an overreliance on executive session, so the public has no understanding of how the Regents arrive at the decisions that they make.

Regent Sullivan said that the Advisory Task Group on Operational and Financial Controls Advisory Task Group is performing its work in phases. Phase 1 focused on the financial transactions of the Stevie Wonder Concert. However, there are to be subsequent phases, which have yet to be defined, but should include delegation of authority, etc. That advisory task group may be reconstituted. Additionally, there is an internal element to how the topic of executive employment practices is being handled and discussed. There is a more complicated issue, and her concern is that the two commission/advisory task group entities will intersect, and she doesn't think that it is wise to have two different entities, which will take away from the Board's credibility.

Regent Dean said that he is comfortable expanding the commission to include external membership, but the Board has to own the commission's work. The Regents will be open to do the best possible job, but also leverage what they already have in place, meaning the Committee on Personnel Affairs.

Regent Kudo said that the commission could be the mechanism by which the Regents will address the swelling controversy and the issues that have been raised in the past few months. However, the commission would just be the form/mechanism: the messages are the critical part. If the Regents disagree with the messages, then the form could change. The Regents are facing foundational issues regarding their message that 1) they get it; 2) they will take action; and 3) the public will see change. The Regents need to face the issues in the public head on. The first step is to decide how they will deal with those issues.

Vice Chair Carlson said that actions deliver more than words. Committees are open to the public, and they can become more active and deliver messages. They could be part of the solution. This proposed commission could be an offshoot of a Board of Regents' Committee.

Chair Martinson said that the messages are spot on, but the Regents need to own the process and control the product. It is the Board's responsibility to govern the University. The Regents are the filter to gather the information, distill it, and take action. A separate commission could be a subset of the Committee on Personnel Affairs, which would have oversight.

Regent Gee said that the issue is not new – it comes up every time a new president or chancellor is selected. He likes the idea of making better use of the Regents' Committees. The issue could be reviewed by the Committee and brought back to the Board for a full and open discussion. However, he likes the idea of an external membership. Regent Baxa said that the commission is a good idea, but the collective knowledge of the Board is superior to any task force, and he would like to reinforce the idea that any important issue should be discussed by the Board.

Vice Chair Lee asked about best practices regarding professional leaves and tenure. The University must remain competitive.

Regent Holzman said that he started off thinking that the commission was a good idea, but as there already is an Advisory Task Group on Operational and Financial Controls Improvement, it may confuse people. He likes the idea of the Committee on Personnel Affairs taking the lead, but its duties may have to be reformulated.

Regent Dahilig asked if the Board "gets it." That needs to be resolved. If the Regents let the public run the University, then everything could potentially be all about football. The Regents need to acknowledge the public's concerns but also ensure that UH is competitive amongst others across the nation, and there are things that the Regents can't waver on.

Dr. MacTaggart said that there is a certain sense of urgency. Practically speaking, how would the Regents show movement on the issue? Regent Dahilig said that the idea of the commission is a great start, but the scope of the work is important.

Chair Martinson said that the Advisory Task Group on Operational and Financial Controls Improvement was the "We get it," and an additional commission would be another "We get it." He agreed with Regent Sullivan, in that if a new commission is not defined properly, people will be confused. People are concerned with the University's employment practices, and compensation is the biggest issue. The commission would address this topic. There is an opportunity for the Regents to take a high-interest topic and address it. Vice Chair Lee said that the University's employment practices are of a bigger public concern than the Stevie Wonder concert issue. The Regents need to address it.

President Greenwood said that executive compensation is an issue for boards across the country. She asked if there are assessments or reports that the University may receive about analyzing the issue. Dr. MacTaggart agreed to provide the information.

Regent Matayoshi said that she looked for related reports but could not find information on Professional Improvement Leaves. Regent Gee said that the Regents don't want unintended consequences. Professional Improvement Leaves are already included in Board of Regents' policy.

Dr. MacTaggart suggested that the Board move fairly quickly on the issue, and on the formation of a commission.

Regent Gee asked how to get the message across that the public “will see change.” Dr. MacTaggart said that the best way is to actually do it, and the Regents will need to make changes to the University’s employment practices. Regent Holzman said that the message is not that the Board needs to change, but that it is going to change and it is a matter of who changes the Board – the Regents or someone else.

Regent Matayoshi said that as long as the Committee on Personnel Affairs does not make any decisions regarding the matter, it can note during its October 19, 2012 meeting that it is considering discussion of such issues to address the topic.

#### Executive Session/Public Discussion

The Regents discussed executive session, structuring the meetings to allow more opportunities for in-depth discussions, and the work of committees.

Regent Holzman asked how other Boards handle the issue of speaking frankly in public, especially when dealing with controversial issues and taking votes when there is no consensus. Dr. MacTaggart said that it is done with great difficulty. He recommends developing a thicker skin, and continuing to have candid conversations.

Regent Gee said that executive session is valuable, especially when dealing with personnel issues. However, sometimes the problem is self-inflicted, because the proceedings in executive session are not explained. If the Board publicly explained its deliberations then their decisions might satisfy the public.

Regent Dean said that there are discussions in executive session that could take place in the public session. The Regents will always do better by discussing as much as they can during the public session.

Regent Holzman said that discussions on policy issues should take place during the public session. It is important for the public to see the process of how a conclusion is reached.

Vice President for Legal Affairs and University General Counsel, Darolyn Lendio, explained that there are only certain matters that are allowed to be discussed in executive session.

- Personnel matters: When discussing a specific individual(s)
- Legal matters: Discussion arising out of an attorney’s opinion or strategy, or litigation
- Sale of land, leases, public acquisition and negotiations
- Collective bargaining negotiations and strategy

Discussions on broad policies should be in public session. For example, the discussion regarding a pay range in hiring a new Chancellor can be discussed in the public session.

It is the Board's privilege to waive the exemption that allows discussions to take place in executive session, if the Board would like to discuss an item in public. However, personnel discussions may result in a violation of privacy.

The Regents discussed how that pertained to the executive session discussion regarding the Stevie Wonder concert and the release of the Fact Finders' Report. Lendio said that the report included names of individuals, and revealing specific names in public did not recognize their due process rights to notice if they were going to be disciplined. Regent Holzman said that an issue like that should be discussed in public so that the public understands why the report would or would not be released. VP Lendio said that is the prerogative of the Board.

Dr. MacTaggart said that the public could be educated through the Board's discussion about some of the realities and consequences of the Regents' decisions. Regent Holzman said that if people see the process and understand how a conclusion is reached, then things make more sense.

### Consult Meetings

Regent Sullivan said that the Board Consult group – the agenda-setting meeting with the Board Chair and Vice Chairs and President Greenwood – needs to improve its communication with the other Regents. The Board shares in the responsibility and the blame, but the other Regents feel like they didn't know what was going on. You need trust, and once trust is broken, it is hard to repair, and Regent Sullivan feels like that is the position that the Board is currently in. Dr. MacTaggart explained that is why self-evaluations and more transparency and public discussions regarding issues are important to a Board. Regent Sullivan said that individual Board members should have a say on the issues.

The Regents discussed the frequency of meetings, in comparison to other national Boards. Dr. MacTaggart said that other national Boards meet four to six times a year, with multiple Committee meetings. Article IV of the Board of Regents' Bylaws states that the Board shall meet not less than 10 times annually (July 1 through June 30).

Regent Dahilig asked about the nationwide practices of best functioning delegation of authority with Board leadership and the institution's executive. Dr. MacTaggart said that it is an item that could be placed on the agenda for the Board's self evaluation session. The Board deals with policy and the Administration handles implementation. A more complex and accurate view is that the Board deals with fundamental policy and strategy, but consults, brainstorms, and talks to management about issues.

President Greenwood asked Dr. MacTaggart to comment on Consult meetings. There is concern that the information is centralized. Dr. MacTaggart said that the more people who have input, the better the decisions. The Consult meetings are better than just discussions between the Chair and President. However, mechanisms for including the whole Board is something that needs to happen.

Regent Dahilig provided historical perspective. In 2008, the Board grew from 12 Regents to 15. There have been some growing pains.

Chair Martinson said that the Consult meetings occur in each of the two weeks prior to the Board meeting, specifically to set the agenda. The struggle is in effectively communicating and getting the information, between Board meetings, out to the Regents in an effective manner. A solution would be to eliminate one of the Consult meetings, but that would leave only one Consult meeting to set the agenda. Dr. MacTaggart suggested sending the list of issues discussed in the Consult meetings to the other Regents. VP Lendio said that there cannot be deliberation, discussion, or reaction to the issues in that meeting. Chair Martinson said that is counter to dialogue. VP Lendio said that the Consult meetings are only for approving the agenda, which is the only action allowable by the Office of Information Practices.

#### Board Self-Evaluations

Regent Gee asked if today's meeting satisfies the requirement for Board Self-Evaluations. Dr. MacTaggart answered affirmatively. However, he said that the Board can evaluate itself at any time – it does not have to wait for a scheduled self-evaluation.

Secretary Amemiya said that Board of Regents' Policy Section 2-4d states that the Board shall have a self-evaluation and that "at least eight hours of meeting time shall be allotted, preferably split between two consecutive days." Dr. MacTaggart said that the AGB can provide a survey on best practices that would poll the Regents electronically. Then, a Board workshop could discuss the results.

Dr. MacTaggart summarized the morning's meeting, and thanked the Regents. He encouraged the Regents to get in front of the "messages." Chair Martinson and the Regents thanked Dr. MacTaggart.

#### **IV. ANNOUNCEMENTS**

None.

#### **V. ADJOURNMENT**

There being no further business, Regent Gee moved and Vice Chair Lee seconded the motion, and with unanimous approval, the meeting was adjourned at 11:04 a.m.

Respectfully Submitted,



Keith Y. Amemiya, Esq.  
Executive Administrator and  
Secretary of the Board of Regents

## MINUTES

### BOARD OF REGENTS' MEETING

October 18, 2012

#### I. CALL TO ORDER

Chair Eric K. Martinson called the meeting to order at 11:50 a.m. on Thursday, October 18, 2012, at the John A. Burns School of Medicine, 651 Ilalo Street, MEB 314, Honolulu, Hawai'i 96813.

Quorum (15): Chair Eric K. Martinson; Vice Chair Carl A. Carlson; Vice Chair, James H.Q. Lee; Jeffrey T. Acido; Artemio C. Baxa; Michael A. Dahilig; John C. Dean; Chuck Y. Gee; John C. Holzman; Benjamin A. Kudo; Coralie Matayoshi; Barry Mizuno; Saedene K. Ota; Tom Shigemoto; and Jan Sullivan.

Others in Attendance: President M.R.C. Greenwood, Ph.D.; Executive Vice President for Academic Affairs/Provost, Linda Johnsrud, Ph.D.; Vice President for Community Colleges, John Morton, Ph.D.; Vice President for Legal Affairs and University General Counsel, Darolyn Lendio, Esq.; Vice President for Budget and Finance/Chief Financial Officer, Howard Todo; Vice President for Research, James Gaines, Ph.D.; Associate Vice President for Capital Improvements, Brian Minaai; Associate Vice President for External Affairs and University Relations, Lynne Waters; UH Mānoa Chancellor, Thomas Apple, Ph.D.; UH Hilo Chancellor, Donald Straney, Ph.D.; UH West O'ahu Chancellor, Gene Awakuni, Ph.D.; Honolulu Community College Chancellor, Erika Lacro; Executive Administrator and Secretary of the Board of Regents, Keith Amemiya, Esq., and others as noted.

#### II. APPROVAL OF MINUTES OF THE SEPTEMBER 28, 2012 MEETING

Regent Dahilig moved to approve the minutes.

Regent Matayoshi requested that the sentence, "The other aspect is the organizational structure and what the Chancellor should be doing versus what the President should be doing," be removed from page 21 of the minutes.

Regent Gee requested that page 21 of the minutes be changed to "Regent Gee said that Kubota may have just proposed a solution: To be a non-voting member, which would help avoid the appearance of possible conflict of interest. Voting issue aside, it is really important that Kubota remain as a member of the Advisory Task Group for the insights he can provide. As UH's external auditor, Kubota knows where leakage and other problems lie with regard to financial controls."

Regent Dean seconded the motion, and the Regents unanimously approved the minutes as amended.



### III. PUBLIC COMMENT PERIOD

Secretary Amemiya announced that five people submitted written testimony on the Appointment Agreement of M.R.C. Greenwood agenda item:

1. Dane Lee
2. Leilani Nautu
3. Mike G.H. Chun
4. Barry Taniguchi and Ron Terry, Mauna Kea Management Board

Secretary Amemiya then announced that eight people submitted written testimony on the agenda item, Biennium Budget Proposal:

1. Kalena Silva, Director, Ka Haka 'Ula O Ke'elikōlani College of Hawaiian Language
2. Alohalani Housman, Hanakahi Council Executive representative
3. Melody Kapilialoha MacKenzie, Associate Professor and Director, Ka Huli Ao Center for Excellence in Native Hawaiian Law
4. Vanessa Chong Kuna, Kūali'i Council Member
5. Momi Kamahale, Nā 'Ewa Council Executive Representative to Pūko'a Council
6. Tom Robinson, Graduate Student Organization President
7. Keali'i Gora, Pūko'a and Kūali'i Councils Administrator
8. Healani Chang, Kūali'i Council Member

Note: In addition to the eight pieces of written testimonies noted by Secretary Amemiya, the Board Office received four pieces of testimony after the meeting regarding the Biennium Budget Proposal that were distributed to the Regents:

9. Kamakana M. Aquino, Kūali'i Council Member
10. Lilikalā Kame'eleihiwa, Kūali'i Council Member
11. Kupu Ka Wai Council
12. Tanya Uyehara, Nālimakui Council

Secretary Amemiya further announced that the following persons signed up to provide oral testimony.

1. Momi Kamahale, of Leeward Community College's Nā 'Ewa Council, testified on the Biennium Budget Proposal. She thanked Chair Martinson for his commitment to higher education and steadfast leadership, along with the Regents. Nā 'Ewa Council's request for six full time equivalent (FTE) positions, or \$300,000, for each year of the Biennium Budget, is for teaching faculty in Hawaiian Studies and Language and Native Hawaiian counselors. A \$2 million CIP request is for a facility for Native Hawaiian academic and support programs.
2. Keali'i Gora, Pūko'a and Kūali'i Councils Administrator, testified on the Biennium Budget Proposal. He thanked the Regents for their support of Native Hawaiian programs, services, and initiatives. However, he raised concerns about the current proposal and requested support of the Pūko'a Council's goal of 165 FTE and \$9.2 million. The requests are needed to ensure that Native Hawaiian

programs, services, and initiatives are enhanced, improved, promoted, maintained, and perpetuated.

3. Vanessa Chong Kuna, UH Mānoa's Kūali'i Council Member, testified on the Biennium Budget Proposal. She thanked Chair Martinson for his efforts to further Native Hawaiian initiatives at UH. The Kūali'i Council's request is for 57.5 FTE and \$3.5 million to support the following programs: Native Hawaiian Student Services, College of Tropical Agriculture and Human Resources, Ka Huli Ao Law School, 'Ike Ao Pono Nursing, John A. Burns School of Medicine 'Imi Ho'ola and Native Hawaiian Center of Excellence, Study Abroad, Hawaiian Biosciences, and the Center for Island Climate Adaptation and Policy.
4. Stephanie Nagata, of the Office of Mauna Kea Management, testified on President Greenwood's Appointment Agreement. On behalf of Barry K. Taniguchi and Ron Terry, of the Mauna Kea Management Board, she spoke in support of President Greenwood, who consistently demonstrated understanding that community involvement is critical to the successful management of Mauna Kea. Under President Greenwood's leadership, the protection and preservation of Mauna Kea's unique cultural and natural resources and astronomy research have a bright future.
5. Gail Makuakane-Lundin, of the UH Hilo Hanakahi Council, testified on the Biennium Budget Proposal. The Hanakahi Council is requesting 35 FTE and \$1.633 million. The requested programs and positions would increase the quantity and quality of students. The positions will focus on attracting more Native Hawaiian students to UH Hilo, retaining them by engaging them in high-impact retention strategies, and graduating them to become leaders in the community.
6. Kalena Silva, the Director of the Ka Haka 'Ula O Ke'elikōlani College of Hawaiian Language, testified on the Biennium Budget Proposal and in support of the Pūko'a and Hanakahi Council's requests. Ka Haka 'Ula O Ke'elikōlani College of Hawaiian Language needs additional faculty, staff, and graduate assistant positions and funding. A 29 percent reduction in faculty and staff over the past two years is placing the College's programs in jeopardy. Lacking the necessary resources to sustain the Board of Regents' approved and established programs has serious implications for accreditation.
7. Tanya Uyehara, of UH West O'ahu's Nālimakui Council, testified on the Biennium Budget Proposal. The Nālimakui Council is requesting 20 FTE and \$1.2 million. UH West O'ahu currently has no permanent Native Hawaiian positions within its Student Services office, while enrollment is projected to increase by 350-400% in the next 5 to 7 years. Without the requested funding, Native Hawaiian support positions will cease to exist.
8. Lilikalā Kame'eleihiwa, Kūali'i Council Member, testified on the Biennium Budget Proposal. Native Hawaiian faculty comprise 4 percent of the UH Mānoa faculty. Kūali'i Council is requesting 57.5 FTE at \$3.5 million. Of the FTE positions, 42 FTE are current temporary positions that are about to lose federal funding. The positions are essential to keep Native Hawaiian culture and language alive and keep Native Hawaiians in school.
9. Healani Chang, Kūali'i Council Member, testified on the Biennium Budget Proposal. She reiterated Pūko'a Council's support of Chair Martinson. She supports the Pūko'a Council's and Kūali'i Council's Biennium Budget requests, including six research faculty positions at the Pacific Biosciences Research

Center (PBRC). The Hawaiian Biosciences program will supplement lab training with additional enrichment activities. The program parallels the UH Mānoa' Chancellor's proposal for diversity in hiring and increasing the hiring of Native Hawaiians and Indigenous peoples with doctorate degrees.

10. Nalani Minton, the Director of the School of Nursing's 'Ike Ao Pono, testified on the Biennium Budget Proposal. 'Ike Ao Pono requests support for the Pūko'a Council's biennium budget request to implement the positions and programs necessary to achieve desired outcomes. 'Ike Ao Pono is a nationally award-winning program and one of the fastest growing and successful health professional programs in the Pūko'a Council. 'Ike Ao Pono is requesting five FTE faculty positions and 5 FTE Administrative/Professional/Technical (APT) Staff positions for \$700,000 to place Native Hawaiian nurses and educators in the most underserved and underrepresented communities.

Chair Martinson thanked all who provided oral testimony and submitted written testimony.

#### **IV. REPORT OF THE PRESIDENT**

President Greenwood presented her monthly report.

Complete College America: UH is receiving national attention for the Hawai'i Graduation Initiative and its aggressive 15-to-Finish campaign that urges full-time students to take 15 credits per semester and graduate on time. The University is among the handful of universities across the country leading the charge on this initiative. UH is on its way to achieving its goal of increasing the number of UH graduates by 25 percent by 2015. UH welcomed visitors from Complete College America for a two-day conference that involved UH's Chancellors and teams from each campus.

Executive Vice President for Academic Affairs/Provost, Linda Johnsrud, said that UH increased the number of graduates since 2008 by 20 percent. At the aforementioned conference, UH administrators discussed further improving graduation and retention rates. The 15-to-Finish initiative media campaign began in Fall 2011. In its first year, 14.7 percent more students took 15 credits. It is not only the result of a media campaign, but also the work by campus advisors and registrars, among others, to ensure that required courses are available. UH was asked to present the campaign in December in New Orleans. EVP Johnsrud played a short video on the results of the 15-to-Finish campaign.

Community College Accreditation Visit: The Western Association of Schools & Colleges (WASC) visited UH and gave it high marks on its progress in securing federal grants to support leading edge research and financial planning during the recession and its ability to educate more students despite funding decreases.

Vice President for Community Colleges, John Morton, discussed the current Community College accreditation visit. The exit interview was taking place later that afternoon. Accreditation teams visited six of the seven Community College campuses as part of the regular accreditation cycle. He will inform the Board of any recommendations, along with a plan to implement any recommendations.

President's Travel: President Greenwood will deliver the Institute of Human Nutrition's annual Wu Lecture at Columbia University on "From Complex Organisms to Complex Organizations".

She is also participating in the Kauffman Fellows Summit on "Smart Connect Capital," in New York City, and will attend board meetings including the Association of Governing Boards, the Association of Public Land Grant Universities, and the National Security for Higher Education Advisory Board, and meet with Hawai'i's congressional representatives, staff, and federal agencies.

EVP Johnsrud will be the acting President during this time.

Mountain West Conference: President Greenwood will be formally completing transmittal of the responsibility of representing UH Mānoa in the Mountain West Conference (MWC) for football to Chancellor Tom Apple by the conference winter meeting in December. President Greenwood is in discussions with MWC leadership for the most appropriate and easiest transition.

### Campus Highlights

Kaua'i Community College: Recently broke ground on its affordable housing prototype project, which involves turning a shipping container into an affordable home. This project serves the Kaua'i community and provides a hands-on learning experience for Kaua'i Community College carpentry students who will learn everything from foundation work to green design.

UH Hilo's College of Pharmacy: Welcomed its sixth class of pharmacists on October 14 with the traditional White Coat Ceremony. The Class of 2016 is comprised of 89 students who took the Oath of the Pharmacist as they affirmed their commitment to professionalism, respect, integrity and caring. Ninety-four percent of the college's last graduating class passed the required national licensing exam.

Kapi'olani Community College: Hosted more than 700 O'ahu high school students on October 16 for the college's first ever Health-E Fair. The fair was designed and developed as a model for student engagement for both Kapi'olani health education students and visiting high school students. The visiting high school students experienced interactive demonstrations and exhibits that showcased the various health academic programs. Many of the health education students will receive credit for their participation in the event.

The Pacific Islands Climate Center, a partnership led by the U.S. Geological Survey, UH Mānoa, UH Hilo and the University of Guam, was recently awarded \$1.3 million for five projects that will enhance our understanding of how climate change will impact the ecology of Pacific Islands over the next several decades. The interdisciplinary nature of the ecological issues is illustrated by the fact that the scientists involved in these five projects span UH Hilo, four different schools and colleges at UH Mānoa, and federal and other mainland partners.

University of Hawai'i Community Colleges: Will receive \$434,000 from the Kresge Foundation as part of a multi-state initiative called "Credit When It's Due: Recognizing the Value of the Quality Associate Degree." The initiative is supported by five national foundations that joined forces to award \$6.4 million in grants to encourage partnerships between community colleges and universities. The goal is to expand programs that award associate degrees to transfer students when the student completes the requirements for the associate degree while also pursuing a bachelor's degree. Hawai'i is one of 12 states to receive funding. The grant money will be used to improve the "reverse transfer" pilot program and scale up activities to include all seven Community Colleges, the three public universities and some private universities.

William S. Richardson School of Law: Ranked tops in the nation as the "Best Environment for Minority Students" in the annual *Princeton Review* rankings that rate the country's top 168 law schools. *Princeton Review* also ranked the UH Law School fourth in the country for the "Most Diverse Faculty."

UH Maui College's Maui Culinary Academy: Its biggest fundraising event of the year, Noble Chef, sold out before the invitations were mailed out.

UH Mānoa's Academy for Creative Media (ACM): Its work will be showcased at ACM Night at the Hawai'i International Film Festival at the Regal Dole Cannery Theatres. The event features 10 student films, including award-winning dramas, comedies and documentaries. Shanghai Shorts, an anthology of short films from ACM's SMART Exchange Program with Shanghai University, will also be shown.

### Report of the Host Campus

UH Mānoa Chancellor, Tom Apple, said that UH Mānoa is in the top 100 to 150 universities in the world in an annual ranking by Shanghai Jiao Tong University. The ranking was started as a means for international students to pick universities. The ranking will have a tremendous impact on UH Mānoa's ability to attract international students, particularly from Asia, at the undergraduate and graduate levels.

Chancellor Apple's latest 'Ohana letter received hundreds of replies and there are many topics and concerns to address. He met with the UH Mānoa Faculty Senate recently and will have a Town Hall meeting with the campus to discuss additional issues.

Regent Gee asked VP Morton whether the Community Colleges' Accreditation debriefing resulted in any budgetary implications and about the timetable for the issuance of the report. VP Morton said that the debriefing was scheduled for later that afternoon. The teams will submit their draft reports for findings, and the report will then go to the Commission. UH will likely receive the results in January 2013. Regent Gee noted that the Committee members asked many insightful questions.

## **V. REPORT OF THE UNIVERSITY OF HAWAI'I FOUNDATION**

UH Foundation (UHF) President, Donna Vuchinich, reported that UHF received \$10.7 million year to date toward its \$56 million goal. UHF has enjoyed high productivity

and engagement with donors with respect to making meaningful gifts that will impact UH's communities. UHF worked with UH Communications and Hawai'i Business to publish a magazine. UHF has returned to print newsletters for select constituents.

Regent Matayoshi asked for a fuller explanation on whether the \$66 million in total FY 2012 donations were budget relieving for UH. UHF President Vuchinich said that UH's Deans and Directors make decisions based on the donors' designations. Ninety-nine percent of the donations are designated by the donor for specific purposes and go into specific accounts and are not budget relieving. Most of the donations are for students' scholarships and faculty salary supplements (endowments, chairs, and professorships). Regent Matayoshi said that the categories seem broad – between FYs 2010 and 2012, \$51.8 million was for faculty and academic support. Are those monies specifically earmarked? UHF President Vuchinich answered affirmatively. Regent Matayoshi said that to the extent that restricted donations fall into broad categories, some of the money should be able to be used for budget relieving purposes. Otherwise, the \$66 million is not being used for budget relieving items that may be a higher priority than things in addition to the budget. UHF President Vuchinich said that UHF's role is to create areas of excellence because donors do not give unrestricted money, but give in areas that they are passionate about.

Regent Gee said that the new UHF magazine looks and reads well. UH has large alumni donor participation. The stories of \$1 and \$2 million gifts receive a lot of play, but people are interested in hearing about the difference a small gift can make as well. People may believe that gifts in amounts of \$1,000 will not make a difference, but they do have an impact. He would like to see this addressed editorially. UHF President Vuchinich said that UHF appreciates the feedback, and she will pass along those comments.

Regent Sullivan said that the Regents regularly receive quantitative data, but it would add another dimension if they periodically receive more qualitative data. She asked whether UHF performs outreach for input from donors and constituents, and whether they voice concerns about areas of improvement. UHF President Vuchinich said that UHF does perform outreach. She is happy to change UHF's reporting, and will discuss and present different options. President Greenwood noted that topic is often discussed by the UHF Board. UHF President Vuchinich said that UHF regularly recognizes its donor societies at all levels. Every gift makes a difference. UHF surveys the groups for information on event experience, which she would be happy to share.

## **VI. REPORT ON GIFTS, GRANTS AND CONTRACTS**

Vice President for Research, James Gaines, said that in the month ended July 31, 2012, UH booked \$57 million in research and non-research grants, compared to \$32 million in July 2011. In the month ended August 31, 2012, UH booked \$60 million in research and non-research grants, compared to \$46 million in August 2011. UH is poised to have another \$400 million year in research and non-research grants.

VP Gaines noted that the total amount of grants for the month ended July 31, 2012 (\$56,417,661) does not correspond with the unofficial year-to-date total (\$57,096,920) due to some Federal de-obligations and additional monies.

VP Gaines commented on Chancellor Apple's announcement of UH Mānoa's international rankings. Additionally, UH Mānoa was No. 174 among research universities in the world by the National Taiwan University, including 67<sup>th</sup> in Physics (and 35<sup>th</sup> in the U.S.), 84<sup>th</sup> in Plant and Animal Sciences, 83<sup>rd</sup> in Environment Ecology, and 75<sup>th</sup> in Natural Sciences.

Regent Gee said that the rankings were impressive. He asked about the Renovate to Innovate initiative and whether it has changed UH's overhead structure. VP Gaines said that there has not been an impact yet, but in the long term, it will have an impact. UH is currently in negotiations for a new indirect cost rate, but that was based on last fiscal year as the base year. Current projects will show up in future negotiations. President Greenwood said that UH has a stronger case for a substantial rate increase this year, and she is hopeful for an increase. Upon inquiry by Regent Gee, VP Gaines said that there are about 20 different rates, but noted that the current rate is 37.3 percent, which is low. That doesn't apply to JABSOM or the Cancer Research Center, because those are newer and have a rate closer to 50 percent. President Greenwood said it is a major issue for UH going forward, given the circumstances it faces with decreasing State support and the inclination toward revenue bonds instead of general obligation bonds for UH's facilities. It is important that the rate of return on funding increases so that UH is able to use that money to support revenue bonds for facilities that UH needs for the future. Regent Gee said that he would like to see a set of metrics developed; if research is to be another sector of the economy, then the returns, jobs created, and advances in research add up. President Greenwood said that the University of Hawai'i Economic Research Organization (UHERO) is working on that exact issue. She is hoping to have the opportunity to present the report at a future Board meeting.

Chair Martinson asked, in regard to the positive trend in grants this year, if there are pockets of opportunity in which UH is seeing more flow of funds. VP Gaines said that there will be more available funds in areas such as cyber security, cyber-infrastructure, informatics, etc. While UH is currently not strong in these areas, it wants to grow.

## **VII. ITEMS FOR BOARD ACTION**

### **Board of Regents**

#### **Operational and Financial Controls Advisory Task Group Status Update**

Vice Chair Lee, a member of the Advisory Task Group, provided the update. He noted that the chair of the Advisory Task Group, Larry Rodriguez, was out of town.

The Task Group on Operational and Financial Controls Improvement met on October 12. KMH LLP, the accounting firm engaged to assist in the preparation of the Advisory Task Group's report, stated that it would not be able to complete the report and have it properly and fully vetted by the Advisory Task Group in time for today's meeting. The report will be completed in time for the Board of Regents' meeting on November 15. At that meeting, the findings and recommendations of the Advisory Task Group will be presented to the Board and provided to the public.

KMH reported that it is progressing along in their task. It leveraged the Factfinder Report and its exhibits and attachments and conducted follow up interviews with some of the individuals connected with the Stevie Wonder transaction. KMH reviewed all policies and procedures associated with the key financial transactions and completed their review of all documentation.

KMH will meet with senior management of the University to see what policy and procedural modifications were implemented since the incident and discuss what other policy and procedural modifications the senior management is planning to implement. The senior management was advised by the Advisory Task Group to move forward and not delay implementation of necessary policy and procedural modifications and to provide the Board of Regents with a list of such modifications. Similarly, senior management was advised by the Advisory Task Group to complete their discussions and coaching with University personnel involved in the Stevie Wonder matter.

Within the scope of Phase 1, the report will address the following questions:

1. What were the relevant agreements entered into, who were they with and what was each party responsible for?
2. Who was authorized to approve each of the transactions and was there proper authorization?
3. What responsibility was each person assuming when authorizing each stage of the transaction?
4. Were documented policies and procedures followed?
5. Was there a lack of policies and procedures or were existing policies and procedures unclear or ambiguous?
6. Was the manner in which the transactions were completed unusual or out of the ordinary?
7. What were the key failures in the transactions?
8. What are the recommendations to prevent the issues and/or findings identified from occurring again?

The next meeting of the Task Group will be on October 29.

Chair Martinson thanked Vice Chair Lee for the report. He said that although the Board previously determined that the target date was the October 18 Board of Regents' meeting, it did not want to cut the process short.

Regent Holzman requested that, in the future, the Status Reports to the Board be provided in writing to the Regents in advance. Vice Chair Lee agreed.

## **UH System**

### **Approval of the Biennium Budget Proposal**

Vice President for Budget and Finance/Chief Financial Officer, Howard Todo, thanked the Regents for the opportunity to present the 2013-2015 Biennium Budget request for approval. The budget information has been publicly available online for



almost two weeks, and the Administration has been available to respond to Regents' questions and requests.

The Biennium Budget development process was done in accordance with Board of Regents' Policies. The President and System leadership developed the Biennium Budget Policy paper for Board consideration and approval, which occurred at its April meeting. The paper articulated the substance of three initiatives: The Hawai'i Graduation Initiative, the Hawai'i Innovation Initiative, and Stewardship of Facilities: Renovate to Innovate. After robust discussion by the Board, revisions were made to the paper, such as the increase in the use of educational technology and the integration of research opportunities as key to UH's educational mission. The Administration revised the paper and submitted it for information to the Board in May.

The Administration shared the revised paper with the Council of Chancellors, who then provided their feedback to the President and System leadership, which further shaped the three initiatives. Following that, the Biennium Budget Advisory Committee was formed. The Committee, composed of representation of faculty, student, Native Hawaiian and leadership constituencies, met in July and August and heard presentations from System leadership about the three initiatives, which they were asked to discuss with their constituent groups and provide feedback.

The Committee's feedback was presented to President Greenwood for her consideration and included in the Biennium Budget Proposal that was presented to the Board at the September 5 Biennium Budget Workshop. The Administration responded to requests for information and posted such information on the Budget Office website homepage. Based on that and other input, the following revisions were made to the proposal that was presented on September 5:

- In the operating budget, Administration expanded the request within the Hawai'i Graduation Initiative for Support for Native Hawaiian Student Success by \$1.8 million.
- In the Capital Improvements Program (CIP) budget, funding requests for four UH Mānoa renovation projects were withdrawn and substituted with three new UH Mānoa renovation projects, for a net reduction of \$2.215 million.
- As a result of a Board of Regents' Committee on Planning and Facilities meeting discussion, the UH West O'ahu Capital Renewal funding request of \$14,000 for FY 2013-2014 and \$15,000 for FY 2014-2015, were deleted.

The Fiscal Biennium of 2013-2015 Budget request was developed in conformance with Board of Regents' Policy 8-3 and reflects the reaffirmation of UH's Strategic Plan and the Second Decade Project. At the July 19 Board of Regents' meeting, EVP Johnsrud reviewed UH's progress from a System perspective and VP Morton reviewed the Community Colleges' progress. The Chancellors of UH Mānoa, UH Hilo, and UH West O'ahu presented their respective campuses' progress at the September 5 and 28 Board meetings.

Based on the feedback the Administration received since beginning the process in April, and what has been confirmed by the progress reports from System leadership and Chancellors, the Administration believes that the Biennium Budget request reflects its

theme of rewarded success and staying the course. VP Todo respectfully requested support for the Biennium Budget proposal.

In the course of the various meetings and discussions with the Board, there was useful dialogue regarding the base budget and the efficiency of the use of funds. In this proposal today, the Administration is addressing the augmentation of the base budget. The Administration has provided the Board, and posted publicly, the base budget information. The State budgets by program ID, which is a separate budget for each campus, with the Community Colleges identified as one campus. The State appropriates separate funds for each campus.

Discussions included the efficiency of the use of UH's base budget and measures of efficiency. Administration always strives for efficiency. Using metrics is one useful way to do that. The Administration is willing to engage in a discussion with the Committee on Budget and Finance to examine metrics to aid decision-making regarding effectiveness.

Regent Gee noted that the Engineering Consortium shows requests of \$1.2 million and 12 FTE position in Year 1 and \$2.9 million and 28 FTE in Year 2. He asked if the requests are cumulative. VP Todo answered affirmatively. The first year reflects the money that is being requested. The second year is cumulative of the first year, plus whatever is being added on. Regent Gee said that he is sympathetic to the Pūko'a Council, but knows that the process is complicated to get requests from the campus level to the System level. The Pūko'a Council will gain about 60 positions by the end of the Biennium. VP Todo clarified that the request reflected in the second year of the request is for the total number of positions requested in the Biennium Budget request. For the Engineering Consortium, the total request is for \$2.9 million and 28 FTE. Regent Gee asked for an explanation on the Engineering Consortium. President Greenwood said that UH is encouraging cooperation across the System to make Community College engineering courses articulate well with UH Mānoa's engineering programs, along with some applied engineering programs that are emerging on the other campuses. The Engineering Consortium is a creative initiative because the UH Mānoa College of Engineering works with other campuses to hire the faculty that develops programs for a smooth and obvious path to a degree. Upon inquiry by Regent Gee, President Greenwood said that most of the positions are primarily instructional.

Regent Holzman said that it would allow a student to take two years at a Community College, and then transfer to UH Mānoa, and save a lot of money. President Greenwood agreed. The Engineering Consortium is exciting because the campuses came together to build a solution. EVP Johnsrud said that the Engineering Consortium is one of UH's more successful systemwide academic planning efforts.

Regent Gee asked about the classification for the 30 positions for support for Native Hawaiian student success. EVP Johnsrud said that their classifications are not yet determined. It is part of the Hawai'i Graduation Initiative: Native Hawaiian student support increases the enrollment and success of Native Hawaiians. UH needs more Native Hawaiian tutors, advisors, and faculty members on its campuses. President Greenwood said that support for programs for indigenous people and minorities is also occurring on the national level. It has created a need for UH to have those positions now. Pūko'a Council makes a case for more positions, but 30 seemed like a reasonable

start for this biennium. However, President Greenwood has no objection to additional positions if the Board is so inclined. Regent Gee suggested that, to some extent, some of the instructional positions not solely be located in Hawaiian Studies, but scattered around other fields of study as well. President Greenwood said that one of the appealing aspects of the Pūko'a Council's proposal is that it is not just about Native Hawaiian language and culture, which are important. It is also about individuals in science, history, and a variety of other programs. The mix of instructional faculty versus specialists depends on the programs and the needs and where funding is possible.

Regent Dahilig recalled that UH West O'ahu has no permanent Native Hawaiian student services positions. By the end of the 2013-2015 Biennium, UH West O'ahu enrollment will triple from its 2005 numbers. UH should anticipate an increased demand for Native Hawaiian services, especially with the new campus. The budget includes one line item specific to UH West O'ahu for \$900,000 for adjustments to the new campus. However, more than just infrastructure, human capital is needed to ensure that the campus can accommodate the growth. Are Program Change Requests (PCRs) aligned with the projected growth at UH West O'ahu? EVP Johnsrud said there is no easy answer. UH West O'ahu came to fruition at a tough economic time, while balancing the operational needs of opening a new campus and the required new positions for custodians, landscaping, etc. The \$900,000 is for infrastructure needs. In the previous Biennium Budget request, UH included special line requests for UH West O'ahu to address the concerns that Regent Dahilig voiced. In the area of Native Hawaiian student success, UH West O'ahu received Federal funding, like many of the UH campuses. EVP Johnsrud previously asked Lilikalā Kame'eleihiwa to find out how many of the 165 FTE positions that the Pūko'a Council is requesting are temporary positions that are currently being federally funded and could be eliminated as the Federal budget changes. UH West O'ahu has Native Hawaiian support, but it is modest and federally supported. Regent Dahilig asked if the Native Hawaiian issue is indicative of UH West O'ahu programs such as laboratory science, history, etc. UH West O'ahu Chancellor, Gene Awakuni, said that it is surprising to UH West O'ahu that there are no requests for faculty positions included in the Biennium Budget proposal. Last year, UH West O'ahu requested, and the Regents approved, a \$1.5 million request of which \$1 million went toward faculty and \$500,000 was for the transition. However, at that point, UH West O'ahu didn't fully understand what the transition would require. For this Biennium Budget, UH West O'ahu requested \$2.5 million, but the System request only included positions for the transition. UH West O'ahu has had to hire lecturers. UH West O'ahu is paying \$1 million in fringe benefits because it has no position line items for faculty and transition positions such as custodians and groundskeepers. Chancellor Awakuni was surprised that there wasn't additional support for UH West O'ahu included in the budget request. UH West O'ahu is also paying more than \$2 million in utility costs – an expense that it had not incurred previously.

President Greenwood said that the Regents would have a chance to talk about the financial status of UH West O'ahu during the agenda item on the UH West O'ahu Status Update. The financial plan for the campus was predicated on a different financial model than other campuses. The model for providing UH West O'ahu financial relief by selling and leasing property to pay for some of the costs will likely need to be revisited. VP Todo said that if you add up the outcome based funding for enrollment and graduation, it comes out to about \$1 million. UH West O'ahu will receive additional money from

tuition due to growing enrollment. President Greenwood said that it is the Board's discretion – if the Regents would like to amend the proposal to include additional support for the campus, it can be done at this meeting.

Regent Holzman said that after hearing testimony on Native Hawaiian student success, he would wholeheartedly support adding positions. President Greenwood said that because the Governor has already requested the budget proposal, then the Regents should provide the UH Administration with brackets, and then give the UH Administration the discretion. UH cannot wait until the November Board meeting for budget approval. Regent Holzman asked for clarification on the definition of bracket. President Greenwood said that the Administration can scrub the budget. The request for 165 positions is not realistic, but 50 positions can be justified. Regent Holzman asked if that adjustment would damage other programs. President Greenwood said that you never know how it will affect other programs. If all of the Chancellors were allowed to argue for their programs and needs, then the Regents would see what a balancing act the Biennium Budget proposal is. Regent Holzman said that he is unsure of what the requested number should be, but he would like to see the Regents do everything they can to increase the number.

Regent Dean asked if giving more to one program takes funding away from another. President Greenwood said that UH typically asks for more and the Governor decides what will be included in his executive budget. The Legislature decides which of UH's requests that it will support. The rule is that if an item is not in the Board-approved budget, then it is not something that UH will lobby for or support. Regent Dean clarified to be sure that requesting more for one program would not negatively impact other programs. President Greenwood confirmed, and added that it would be a great signal that UH is supporting the model indigenous university position. Regent Dean then said that he would second Regent Holzman's request. VP Todo noted that UH is currently asking for 30 FTE and \$1.8 million for Native Hawaiian student success positions.

Regent Acido said that other line items increase in the second year of the Biennium Budget. However, Nā Pua No'eau, Support for Native Hawaiian Student Success, and UH West O'ahu Campus Build-Out Support requests do not increase in the proposal's second year. The requests for support for Native Hawaiian student success should be more than 30 and they should be spread out among other programs. He supports the increase in Native Hawaiian faculty as well as other minority groups because you can increase graduation rates and support for those communities. You can count the Filipino faculty on one hand at UH Mānoa. He hopes that an increase in this area doesn't negatively impact other groups. There is no harm in rallying together the Native Hawaiian community with the Board of Regents and going to the Capitol and saying "We want more."

Regent Baxa recalled that Native Hawaiians and Filipinos are the largest ethnic groups at UH West O'ahu. There are a disproportionately small number of positions for the work required in that area. He strongly supports increasing the support for Native Hawaiian student success. President Greenwood said that she is hearing a fair amount of support for an amendment. She said that it would be helpful to have a cap – for instance, up to 50 positions – for the Administration to explore justifications of measures and examine what positions are threatened by a lack of federal funding. Requesting 30

positions in the first year of the biennium, and up to 50 in the second year, will provide the Administration the opportunity in the supplemental budget year to do additional justification of the request. Going into the supplemental year, UH can look at funding for faculty in other areas. The model indigenous university is part of UH's mission and there is a report from last year that is specific about building up Native Hawaiian participation across the University, and it wouldn't be hard to include in this year's budget. To get more detailed than that, in this discussion, at this point, probably would take UH back to earlier discussions. VP Todo clarified that an additional 20 FTE positions would be another \$1.2 million, in the second year of the Biennium Budget, for a total of 50 FTE positions and \$3 million.

Regent Kudo asked if the matter is something that members of the Committee on Budget and Finance should review first, whether they have already looked at the issue, or if they have an opinion on this matter. Vice Chair Carlson said that there was a Committee on Budget and Finance meeting on August 20, 2012. Native Hawaiian student success support was not discussed at that meeting, but President Greenwood's suggestion is something that the Committee can discuss at a future meeting.

Regent Dean said that his concern is losing the opportunity that Regent Holzman recommended. He doesn't know what else needs to be reviewed. The Regents are only saying that they would like to increase support. They heard from a lot of people today, and if the request can be justified for next year, then it should be forwarded to the Governor.

Vice Chair Carlson said that Regent Dean's point is well taken. He would like to hear from the Chancellors, who need to be involved in the conversation. He supports the idea of 50 positions, but at the Committee level, it would be helpful to have the input from the campuses. President Greenwood said that because the budget needs to be forwarded to the Governor, the solution could be that the Regents approve the proposal. The appropriate committees could discuss the supplemental budget and additional requests with the Chancellors. The comments, concerns, and support by the Regents will be included in the meeting minutes. The budget process will come up again shortly.

Regent Gee said that he supports the view of the President. The Regents have to be very cautious about building a budget at the Board level. The process is very complicated. If someone gets more, others will get less. There are all kinds of programs that are critical to the entire University. He would not like to see any of the sciences, professional schools, or humanities suffer because the Regents decided to make a decision at the top. That is not the way to build a budget. He also notes, from his old Deanship days, what it was like to go to the State Legislature, and if he couldn't have what he wanted from the Administration, he would go down and state his case. If he made his case and received more, then someone got less. He is sympathetic to the requests from the Pūko'a Council – it is important and a priority. But it should go into a supplemental budget, and it needs to be considered in the budget process.

Regent Baxa said that he respects Regent Gee, who has been in education for a long time and he must know the budget process. Regent Baxa doesn't know anything about the budget process. He would put great reliance on Chancellor Awakuni. There

are times when the Regents have to act to meet a certain need of the moment. Inaction is not the proper solution. There are times when the Regents have to make exceptions.

Regent Holzman said that the Regents should not act in haste, and he agrees with Regent Gee in that one of the Regents' requirements is to do no harm. In this case, the Regents are creating an opportunity for potential future growth by increasing the budget proposal by \$1.2 million to increase Native Hawaiian student success support positions to 50 FTE. When there is the opportunity for more support, the Chancellors and campuses can move quickly. Thus, the Regents can accommodate the request. He hopes that the Regents support him, because he believes that it is an important statement to make to the Pūko'a Council – they thought through the issue carefully and made careful presentations.

Regent Dahilig said that he is struggling with the UH West O'ahu enrollment projections, which are based on an increased demand for services. He is trying to understand how a projected enrollment increase of almost 500 students over the next biennium doesn't warrant any faculty requests by the System to meet the teaching demand unless what is implicitly being told to the Regents is that the human capital in terms of faculty and staff is adequate to meet the increased enrollment. How is the campus equipped to meet the nearly 30-percent increase in enrollment? From a fiduciary standpoint, he would like an explanation of whether UH's request to the Legislature will meet what UH already knows is going to be an increased demand on the System. VP Todo said UH West O'ahu's share if it achieves its goals for the Hawai'i Graduation Initiative for Outcome Based Funding would be \$301,000 for degrees and certificates and \$1,000,079 in enrollment, and the proposal includes a request for \$913,000, for a potential total of \$2.214 million. Chancellor Awakuni requested \$2.5 million. UH West O'ahu has been a challenge to build and it has relied on other sources such as land sales or rentals. It could use the help.

President Greenwood noted that the Regents have asked for a new business plan for UH West O'ahu. Regent Dahilig said that enrollment growth will occur whether the business plan is resolved or not and the services need to be there to accommodate the potential growth. He is looking at it from an urgent need versus projected need from a financial standpoint. President Greenwood estimated that the projected need would be \$1 million.

Regent Dahilig moved to approve the Biennium Budget proposal for FY 2014-2015, with considerations for 50 FTE for Support for Native Hawaiian Student Success in FY 2015, and an additional \$1 million for instructional support for UH West O'ahu in both FY 2014 and FY 2015. Regent Holzman seconded the motion. VP Todo asked if the 50 FTE request included a monetary amount as well. Regent Dahilig clarified that the request is to add another 20 FTE positions in FY 2015 for a total of 50 FTE positions and \$3 million for the biennium. In regard to UH West O'ahu, he requested an additional 23 positions/\$1 million in each year of the biennium, specifically in instructional support.

Regent Matayoshi said that she is sympathetic to the issue of support for Native Hawaiian student success, which is valid. However, she agrees with Regent Gee that it is hard to do in a vacuum. The process started a long time ago and a lot of things were vetted, and thus presented. It is hard to insert something during the discussion of the

agenda item at today's meeting. It is hard to know whether something else will be negatively impacted. She is uncomfortable changing the budget request from the top.

Vice Chair Carlson echoed Regent Matayoshi's sentiments. He is sympathetic, but there is a process that was followed, and the UH Administration has spent more time on this budget and provided more information about the budget formulation process than any other issue. It is a wonderful request; Vice Chair Carlson has Native Hawaiian grandchildren and would love to support the request. However, he is concerned about the process. There were Committee meetings, Budget Workshops, one-on-one conversations, and many opportunities to discuss the topic. He would prefer to deal with it as a supplemental budget.

Regent Dean withdrew his support, because he defers to Vice Chair Carlson. He requested that the supplemental budget include the 50 FTE positions in FY 2015. He doesn't feel that the Regents should incrementally be changing the budget proposal, which went through a process.

Regent Kudo agreed with Vice Chair Carlson as well. The Regents have to follow the process and seriously think about what they are doing. He agrees that the Regents shouldn't be doing this in a vacuum. The requests are meritorious, and in his heart they are well deserved. The 500-pound elephant in the room is the uncertainty of what the Legislature may do. VP Todo has previously stated that there will likely be more state money due to the Council on Revenues projection up to this point, and whether that translates to any increases for the University or other agencies is still unknown. UH is in uncertain waters. If monies are not forthcoming from the Legislature, something needs to give. He would feel more comfortable if the Committee on Budget and Finance were to look at the budget more seriously, look at the ramifications, make the priority decisions, and make recommendations to the full Board, after they have the opportunity to talk to the Chancellors and others who are concerned about the positions, before adding them to this particular budget.

Regent Holzman reminded the Regents that the conversation began with an invitation from the President, which he gladly accepted. In so accepting, his assumption was that President Greenwood knew the process extremely well, knew how to scrub a budget, and that possibly, if you scrubbed hard enough, that good things would come from it. That was where he was coming from. There was no intention to tinker with a finished product, but he had the impression that it could have been tuned up. President Greenwood said that her invitation was possibly too broad for her intent. Her intent was that the budget needed the Regents' support, and if the Regents felt strongly about an amendment, then the Administration would be willing to look into it. Modifications would be unusual – it hasn't been done before – but if the Board wanted to make a change, it wouldn't be impossible. The Board can revisit the issue during the supplemental year, which is her preference.

Regent Baxa said that he disagrees with the assumption that the Board is acting from a vacuum. They are not doing so. He would like to vote on the motion.

Regent Sullivan said that the motion with the amendments is well intended and worthy of attention. However, there was a process, and at this point in the process, her preference is to stick with the currently proposed budget.

Regent Sullivan requested that the Board reconsider the entire budget process in the future. She thanked VP Todo and VP Morton, who spent a lot of time with her and Regent Matayoshi. She has three reservations regarding the current budget process:

- 1) The Board's role in establishing strategy and policy over the budget. There is never enough money, so you must prioritize. Prioritization has to be in accordance with Board of Regents' policy and strategy. The current biennium process is a historic artifact from a time when the University was almost entirely funded by general funds, and must be updated. Most of the information is structured around a Legislative request for general funds, which as of FY 2012, comprised 27 percent of UH's budget. UH has not evolved to reflect prioritization and the processes for, for example, tuition funds. By all projections, tuition funds are going to eclipse general funds.
- 2) 2) Board of Regents' Policy Section 6-2e requires the Board to monitor the "Impact of tuition increases on enrollments, program operations, and educational policy shall be monitored annually." The Board approved a five-year tuition increase a year ago. She has yet to see a report that would allow the Board to review and comply with its own policy. The Board needs to consider how UH spends tuition monies and how it prioritizes those types of revenues.
- 3) 3) The Board has not adopted any clear metrics to allow it to track the effectiveness of spending. In the April meeting, she asked that UH include measuring financial accessibility and spending analysis as part of the Budget Policy paper. She also brought it up in the September meeting, and for lack of having better data, brought up the U.S. Chamber of Commerce's Report Card, which gave UH an "F" in efficiency and cost effectiveness. The responses were that there were errors in the methodology and that it was not the best measurement, but if that is the case, then UH needs to come up with better methodologies. The draft WASC report includes recommendations that UH address issues on how it spends tuition and affordability. It is an extremely important issue that the Regents must pay attention to.

UH cannot do business as usual. There is a lot at stake. The University gained and then lost a procurement exemption. It is taken for granted that it took over 20 years for the Regents' predecessors to gain autonomy. Whether it is right or wrong, the University can lose its autonomy overnight on the current Board's watch if the Regents fail to demonstrate that they are not properly exercising their fiduciary duty over their ability to manage their revenue base. They owe it to the students and public to be more transparent and to establish a better way of looking at how money is being spent.

Regent Sullivan said that she is going to vote in favor of the original budget if the motion is modified. However, these are her reservations, and she hopes that they can do a better job going forward.

Regent Matayoshi said that she agrees with Regent Sullivan. In previous meetings, she voiced her disappointment at what she felt was a lack of information needed to



approve the \$1.4 billion budget. She thanked the Administration for taking the time and providing more information. There was an attempt to show efficiency through staffing ratios and cost-per-degree. She agrees with Regent Sullivan that more needs to be done. Most of the proposal focuses on three percent of the budget, and UH is not being transparent and the Regents don't have enough information about the other parts of the budget. Efficiency metrics need to be improved and developed. She will vote in favor of the Biennium Budget, but the Administration needs to do a better job in developing cost efficiency metrics. VP Todo said that the Administration is willing to do so.

Chair Martinson said that, in response to Regent Sullivan's remarks, the Committee on Budget and Finance should look into her concerns. There is always room for improving the budget process.

Regent Dahilig said that given the discussion, he would like to withdraw his motion, and restate it. He moved to approve the Biennium Budget proposal for FY 2014 and 2015, as presented by the President. Regent Gee seconded the motion.

Regent Shigemoto said that there was a budget approved in the previous biennium – were all of the funds expended? VP Todo responded affirmatively. Regent Shigemoto thanked VP Todo for his work. It is a lot of work to come up with a budget. The people who testified are attending the meeting and hearing the discussion. He asked if they can live with what is being proposed. It is a negotiation process. He asked if it was proper to bring them back to the podium to hear what they have to say about the proposal. Chair Martinson said that there was a process. In fairness to the process, which was adequately protected at today's meeting, those are discussions that need to be fleshed out in consideration for the supplemental budget. Regent Shigemoto said that he supports the process.

Regent Acido said that he also respects the process, the Committee on Budget and Finance, and the hard work that went into the development of the budget. He will defer to his colleagues as far as the process is concerned. At a previous Board meeting earlier that day, the Regents were asked why they chose to serve. He has been in the UH System for 10 years. He started at Honolulu Community College, went to Kapi'olani Community College, and the UH Mānoa. He received his Masters degree in theology in Berkeley, California, and then returned to UH Mānoa and received another Masters Degree and is currently in the Ph.D. program. From his freshman year at college, all the way to the Ph.D. program, it would have been great to see Filipino and Native Hawaiian teachers as his professors. When the Regents look at numbers, they should think about implications for students, for research, for being an indigenous-serving institution. He wanted to put a face behind the numbers on a spreadsheet, which can lose their profound impact on the community. He respects the work and doesn't think that the process should be circumvented. However, the Regents should remember why they serve and know that the numbers do matter.

Vice Chair Lee asked that the motion be amended to consider the increase of FTEs for Native Hawaiian student success support and increasing the budget for UH West O'ahu in the supplemental year. Regent Dahilig accepted that as a friendly amendment.

Regent Matayoshi voiced that the Board should develop efficiency measures before the next budget process. Chair Martinson said that would be reflected in the minutes.

Regent Baxa said that he respects the process. However, when a certain need must be met, and the process hasn't been mortally wounded in achieving the need, then he would still answer the need. He doesn't think that the process will be mortally wounded in this case, if the Regents choose to act.

Regent Mizuno asked if the budget proposal would now go to the Governor and then the Legislature, which adjust the budget as they see fit. President Greenwood answered affirmatively. Regent Mizuno said that he wanted to make that point.

With a motion on the floor, with a friendly amendment for consideration for the increase in FTEs for Native Hawaiian student success support and increasing the budget for UH West O'ahu in the supplemental budget, the Regents unanimously approved the 2013-2015 Biennium Budget.

### **UH Mānoa**

#### **Pacific Health Research Laboratory Project Status Update**

Chancellor Apple said that in 2005, UH Mānoa received \$32.5 million for the Pacific Health Research Laboratory (PHRL) project from the federal government through the National Institutes of Allergy and Infectious Diseases (NIAID). The Governor released an additional \$15 million in September 2012. In June 2012, the project was assigned to UH Mānoa. The Kalaeloa site was approved by the National Institutes of Health (NIH). PHRL must secure a 30-year lease on the site by December 2012. Kalaeloa is owned by the National Guard. The purpose of PHRL is to support infectious diseases research and support the NIH biodefense initiative. PHRL would be one of 14 laboratories and a major sentinel site in the U.S. PHRL would be available to local, state, and national health organizations in the event of emergencies. There are also educational opportunities with UH West O'ahu. A recent study showed that Honolulu International Airport is the third most dangerous in the world for infectious disease transmission, due to the fact that Hawai'i has direct flights from both the U.S. Mainland and points in Asia. Hawai'i is also on a major bird flyway.

In the last several months, Associate Vice Chancellor for Research and Graduate Education, Vassilis Syrmos, has been the point person on the project. He is working with the faculty and facilities people to come up with program requirements. Schematic drawings were developed. The facility will be roughly 34,000 square feet, with four Biosafety Level (BSL)-2 suites, six BSL-3 suites and four Animal BSL-3 suites. The system will have redundant plumbing and electrical systems and backup generators, and will be able to withstand Category 4 hurricanes. The laboratories are well regulated by the NIH, the Dept. of Homeland Security, the State of Hawai'i, and the Center for Disease Control.

This summer, UH Mānoa prepared a draft Environmental Assessment, which was submitted for public comment on August 8. UH Mānoa is preparing the final Environmental Assessment, which is due on November 8. In September, there was a

site visit by NIAID. There were also public meetings in Kapolei, and UH Mānoa received three major themes of concerns: 1) public safety and the regulation of the laboratories; 2) catastrophic failure of the laboratories; and 3) construction and operating costs. UH Mānoa has another public meeting planned at UH West O'ahu at the end of November/early December.

One issue is that there will probably be an operating deficit each year of about \$2 million. However, the NIAID may provide additional reoccurring funding of \$2 million, although it is still uncertain whether that policy will gain traction in the federal government. UH Mānoa also has opportunities for partnering. An expert who has run many similar laboratories for the Navy sees many opportunities for UH Mānoa to partner with the military, which could be a source of additional funding.

Regent Holzman said that there is a BSL-3 Laboratory at Kaka'ako that must be recertified annually. He asked why the lab at JABSOM is not sufficient, and whether the work is solely for Hawai'i. Chancellor Apple answered that the work done by PHRL is only for Hawai'i. Regent Holzman asked whether a lab of that size for Hawai'i alone was needed, when a BSL-3 lab exists at Kaka'ako. Chancellor Apple said that the Kaka'ako lab is small, and the PHRL is in an area of work that is critical for UH Mānoa to grow.

Regent Holzman asked what Plan B is if UH Mānoa does not receive an additional \$2 million in funding. Chancellor Apple said that there is a myth sometimes that research pays for itself – it doesn't. UH Mānoa must continually invest, even in its most successful programs. The overhead return rate will be about 50 percent if UH Mānoa goes ahead with the project. PHRL is critical to UH Mānoa's land-grant mission. Hawai'i is incredibly exposed. The impact of an outbreak would be profound because of Hawai'i's tourism industry. Regent Holzman asked that if the project is so important to the State, are there reassurances that the State will subsidize the project. If not, it will come out of UH Mānoa's budget. Chancellor Apple said that he is not qualified to talk about what the State might decide in terms of the importance of PHRL, but he is hopeful about partnering with the State Dept. of Health. Regent Holzman asked if there were discussions with the State and those authorities responsible for disaster management, so that they would consider PHRL in their planning and provide budgetary support. Chancellor Apple said that there is a feeling that the State Dept. of Health would rather have the money itself. He is hoping for more of a partnership agreement, where a State department can be a resident within the facility.

Regent Holzman said that he understands that the pathogens that need to be brought into Hawai'i to be examined or studied at the BSL-3 facility are not allowed by the Dept. of Agriculture to enter the State. The BSL-3 lab at JABSOM is also encountering this issue. Is there any intent to change that? Chancellor Apple said there are discussions, but the process has not been as rapid as he hoped. There are challenges. Regent Holzman said that UH Mānoa is acknowledging that it is taking on a \$2 million burden. Chancellor Apple said that there are whispers of help from a federal agency, and even the site visitors seemed optimistic because they work at similar facilities.

Regent Holzman asked what the Kapolei-Makakilo Neighborhood Board thinks of PHRL. Chancellor Apple said that UH Mānoa has not done a good job of informing the

public; they are doing a better job speaking to people in the community one-on-one. Previously, UH Mānoa featured panels of scientists explaining the safety of the labs, but currently is doing one-on-one discussions. Regent Holzman said that information provided to State Sen. Donna Mercado Kim for the Senate Special Committee on Accountability included a \$124,000 contract with Bright Light Marketing to perform community outreach. Chancellor Apple said that UH Mānoa is no longer using Bright Light Marketing for its community outreach.

Regent Holzman said that unless UH Mānoa can get assurances of more shared support, or have an idea of where the \$2 million budget shortfall will be covered, it is a tough vote. If the project is that important, then why aren't other entities jumping on board to support it? Chancellor Apple said that he doesn't have an answer, but may get some good news in the future. One of the problems is the decision-making timeline. UH Mānoa must secure the 30-year lease to continue the project, or it won't receive the federal money. If UH Mānoa doesn't secure the lease this year, because the money was designated in 2005, the project will not move forward. The financial commitment that UH Mānoa will make with the lease, if it signs in December, is for \$1 a year. There is some time for the other sources of funding to come to fruition.

Regent Holzman asked whether the National Guard's willingness to lease the land is contingent on a positive outcome by the Kapolei-Makakilo Neighborhood Board. President Greenwood said that is not accurate.

Regent Gee said that he echoed Regent Holzman's questions. The Board previously raised questions about a business plan going forward. The Regents' responsibility is not only advancing education and research, but that they also have a fiduciary responsibility and therefore anything that would need to be subsidized by \$2 million a year would be a concern, and thus require a business plan.

Regent Gee said Hawai'i already has a federal Center for Disease Control. How would PHRL coordinate with the federal effort? Chancellor Apple said that there is no capability of doing high-level research on infectious diseases in Hawai'i. Federal and State capabilities are limited at best. Hawai'i does not have the ability of early detection, should there be an outbreak. Without PHRL, early testing would need to go to Colorado.

Chair Martinson said that although the presentation was for information only, Chancellor Apple must come to the Board at some point for approval. Chancellor Apple agreed, adding that there was background work performed regarding a business plan. Syrmos said that the draft business plan shows the number of people who need to be hired to operate the facilities, utilities expenses, expected salaries, maintenance, custodians, etc., which comes out to \$2.2 million, or \$65 per square foot of the facility, with an error of 5 to 10 percent. More details will be forthcoming.

Regent Gee said that Hawai'i is so dependent on tourism, that when SARS broke out in Asia, it wiped out 80 percent of tourism traffic to Asia and the Pacific. It took five years to bring it back.

Regent Sullivan said that she heard that the Cancer Research Center was having trouble maintaining certification for its lab in Kaka'ako, which is considerably less

stringent than what PHRL would require. Chancellor Apple clarified that the lab is located in JABSOM, and agreed that it has had trouble. The standards are the same for BSL-3. The problems were identified and many were due to the original construction. There was ceiling damage. UH Mānoa changed its sprinkler system as well, and one of the problems that resulted from the new sprinklers was that JABSOM now appears to have too slow a response in the automatic controllers. Hawai'i doesn't have the expertise for the reprogramming of those controllers to work on the response time of the automated system and feedback. Someone from the Mainland came to Hawai'i to work on the issue. Regent Sullivan asked if the JABSOM BSL-3 lost its certification. Chancellor Apple said that the JABSOM lab is currently not certified. The restrictions are so rigorous, which is probably the reason why a person has never been injured outside of a BSL-3 lab. JABSOM's BSL-3 is not passing the tests. People's research programs are currently on hold. It is part of the reason why these labs run at a deficit – the requirements are rigorous and there is a lot of oversight and testing to keep the labs functioning. Regent Sullivan said that she hopes this is providing a learning experience. Chancellor Apple agreed. PHRL will need people who are extremely well trained.

Regent Holzman advised that a future vote would be easier if there was evidence to support assertions that PHRL would be a magnet for scientists to come to Hawai'i to conduct their research, which might sprout other industries. He asked if there were any studies conducted on the other 13 facilities around the country about this matter. If there are studies, they should be presented to the Regents. Chancellor Apple said that was a great question, and he doesn't know, but he will find out.

Regent Holzman said that Chancellor Apple earlier mentioned that the lease would need to be secured by December 31, 2012, and asked if the Regents would need to approve it in November. Chancellor Apple said that the only issue that needs to be resolved by December is the \$1/year lease. However, not long after that is resolved, UH Mānoa needs to start moving forward on the project.

Syrmos said that if there is no funding from the federal government for the \$2.2 million, it will place a strain on other UH Mānoa projects. However, in the last Dept. of Health and Human Services budget, there is language that requests that NIH go out and require information from other BSL-3 facilities about their shortfalls. It will be sad if the federal government cannot subsidize the operation, because it was a program mandated by the federal government.

Regent Matayoshi asked about the restriction on the commercial experiments that are performed at PHRL. Chancellor Apple said that there are restrictions. BSL-4 work will not be performed at PHRL. UH Mānoa spoke to the NIH and NAIAD people about their hopes to partner. There is a lot of leeway, and UH Mānoa will be able to partner with other entities. Regent Matayoshi asked if that could generate revenue, and Chancellor Apple answered affirmatively. There is a chance that PHRL can partner with local businesses and the military. Regent Matayoshi explained that is what needs to be included in the business plan.

Chair Martinson said that the Board looks forward to future reports. He thanked Chancellor Apple for the update.

## **UH West O'ahu**

### **UHWO Status Update**

VP Todo said that the presentation was an update on the short-term advance that the Regents approved on September 5, 2012. The UH West O'ahu campus development was service ordered and managed by the Research Corporation of UH (RCUH) and Chancellor Awakuni is the principal investigator on the project.

The process starts with unexecuted change orders. Those are reviewed for approval by the contractor, cost estimator, construction manager, project manager, and UH West O'ahu. Once those are approved, there is a review of change orders by UH, RCUH, and an independent consultant for propriety and appropriateness. Associate Vice President for Capital Improvements, Brian Minaai, said that process includes evaluating the guidelines as stipulated in the Board Action memo. The procedures are reviewed to prepare the change orders, along with cost reasonableness and appropriateness of the work. Thus far, \$9.3 million of change orders was approved to date. RCUH retained an independent construction consultant to assist in reviewing the change orders. The consultant did find minor errors in the calculations of markups and pyramiding of taxes. A subsequent change order will be issued that will deduct those minor overcharges.

Regent Sullivan asked what the total additional contingent liability is that the University has to complete to get a certificate of authenticity and dedicate its infrastructure to the city. RCUH Director of Finance/Project Management, Leonard Ajifu, said that it is roughly \$15 million. Regent Sullivan asked how much additional work does that cover over what has already been completed. Ajifu said that there might be additional costs, but it is already encumbered. The \$15 million in change orders relates to the contract with AC Kobayashi, Inc., the general contractor. The \$15 million in change orders should complete the project. Regent Sullivan said that change orders are being completed after the fact. She asked if \$9.3 million in change orders have already been approved, then is the \$5-plus million for work that has already occurred. Ajifu said that the work has already occurred. There is about \$800,000 that needs to be completed, but is included in the \$15 million. Most of the \$15 million in work is complete.

VP Todo continued his explanation of the process, which only relates to the \$15 million short-term loan that the Board authorized, and thus went through a special review process. Following the review, the change orders are executed, and signed by the contractor, UH West O'ahu, and RCUH. Those change orders authorize the payment requests, which the contractor will submit once the work is completed. The payment requests are reviewed by the construction manager, architect, project manager, and UH West O'ahu. Those payment requests are submitted to RCUH, which bills those amounts to UH. UH then makes payment to RCUH, who pays the contractor.

The process is currently – with the change orders that have been executed – at the step where RCUH bills UH for the \$9.3 million. Included in that \$9.3 million payment is \$3.7 million that is being funded by general obligation fund monies, which are separately appropriated for specific purposes. About \$9 million of the \$15 million that was approved by the Regents remains to complete the remaining commitments.

Regent Sullivan asked if there is policy or a financial process that UH has that requires the University to execute change orders prior to the work commencing, or if it is a common practice. VP Todo said that it is not a University process – it service ordered the project to RCUH to manage the contract. Regent Sullivan restated her question about an existing policy for executing change order before work begins. AVP Minaai said sometimes unforeseen circumstances occur at the field and a decision is agreed to about the execution of a change order, with validation from the cost estimator. UH does execute change orders in certain circumstances, but always looks at how much contingency it has budgeted to ensure that it has the funds to issue the change order. The documentation of executing the change order follows. Regent Sullivan said that if RCUH continues to manage UH projects, then the Administration should ask RCUH to follow UH's procedures. VP Todo said that he would have expected that those same procedures would be followed by RCUH, and hopes that would happen in the future, and that this will not happen again.

Regent Gee asked if the change orders are covered by the same performance bonds as the original work by the contractor. It is not unusual for a new campus to run into problems (he cited his experience with construction at the College of Business), but a lot work may not be covered by warranty. When you make a change, does the change fall under the original performance bonds, or will UH have to budget for events a year from now. AVP Minaai said that he is unsure about the warranty issue with the College of Business, but for all of UH's projects, a one-year warranty is required. Circumstances at the College of Business may have been unforeseen circumstances due to shifting soil conditions, which is out of the control of the contractor.

Vice Chair Lee asked when the report on all of the executed change orders was expected to be completed. Ajifu said that RCUH has to process another \$8-\$9 million in change orders, and expects another batch sometime next week. Vice Chair Lee asked if no payments would be made until all of the change orders are processed. Ajifu said that as the current batch is being processed, then the payments will be made because the work has already been completed and the contractor and subcontractors are waiting for payment. VP Todo clarified that \$5.5 million of the \$15 million is being billed to UH for the contractor's payment request. UH will move ahead with that and make the payments. The rest is going through the whole process.

Chancellor Awakuni provided an update on the EB-5 loan. Tom Rosenfeld, who is the President and Chief Operating Officer of CanAm Enterprises, notified him via email that the U.S. Citizenship and Immigration Services (USCIS) asked that UH West O'ahu provide additional information, but no additional documentation, for clarification purposes. After that information was submitted by UH West O'ahu, it was viewed as the final step toward approval for the project, which should move toward final adjudication.

Chancellor Awakuni said that from 2005, when he first started, the mandate from the Board during that time was that a new UH West O'ahu campus would not be solely funded by general funds to fund its operation. The methodology for funding the campus would be based partly on the sale and lease of the land. UH West O'ahu took the land through the entitlement process, which it completed a few years back. Legislation also allows UH West O'ahu to sell its land – the only State entity that can do so without prior approval by the Legislature. A special fund allows UH West O'ahu to deposit its

proceeds from the sale or lease for the purpose of building, expanding, or operating its campus. UH West O'ahu is and has been in discussions with a potential buyer since August 2009, and has reached an agreement on a Letter of Intent. In 2010, Chancellor Awakuni was asked by the President and Board leadership consult group to put together a matrix for how the campus would be funded through the transition to a new campus. Part of that was predicated on a new land sale as a bridge to when UH West O'ahu had the critical mass enrollment for 4,000 students, with the tuition increases, that would allow the campus to provide the base funding that could conceivably provide the necessary support to hire faculty and staff. UH West O'ahu's financial plan indicates that with the land sale to supplement the budget, it can go forward into the next 10 years. VP Todo said that a land sale and lease has always in the plan for the development and operation of the new campus.

Regent Sullivan asked if there was consideration of a land lease as opposed to a land sale. Chancellor Awakuni said that both land sale and land leases are expected. The land sale was expected to be in the area of residential property, while the land lease was in the BMX-3 zone near the North-South road area, with one 55-acre parcel subdivided out to generate a fairly large amount of money to supplement funds received through revenue or general obligation bond funds.

#### **VIII. ANNOUNCEMENTS**

Chair Martinson announced that the next Board of Regents' Meeting is on Thursday, October 18, 2012, at the John A. Burns School of Medicine.

#### **IX. ADJOURNMENT**

There being no further business, Regent Dahilig moved to enter into executive session and adjourn from public session. Regent Dean seconded the motion, and with unanimous approval, the meeting was adjourned at 3:21 p.m.

#### **X. EXECUTIVE SESSION**

Upon motion by Regent Dahilig and second by Regent Dean, the Board unanimously approved convening in executive session, pursuant to HRS §92-5(a)(2)(3)(4). The Board convened in executive session at 3:21 p.m. Following a motion to come out of executive session by Vice Chair Lee and second by Regent Mizuno, which was unanimously approved, executive session was adjourned at 4:30 p.m.

Respectfully Submitted,



Keith Y. Amemiya, Esq.  
Executive Administrator and  
Secretary of the Board of Regents