

MINUTES

BOARD OF REGENTS MEETING

APRIL 20, 2017

I. CALL TO ORDER

Chair Jan Sullivan called the meeting to order at 9:30 a.m. on Thursday, April 20, 2017, at the University of Hawai'i Kaua'i Community College (KauCC), Office of Continuing Education & Training (OCET), Room 106 C&D, 3-1901 Kamuali'i Highway, Līhu'e, Hawai'i 96766.

Quorum (11): Chair Jan Sullivan; Vice Chair Ben Kudo; Vice Chair Randy Moore; Regent Simeon Acoba; Regent Wayne Higaki; Regent Michael McEnerney; Regent Jeffrey Portnoy; Regent Lee Putnam; Regent Michelle Tagorda; Regent Ernest Wilson Jr.; and Regent Stanford Yuen.

Excused (3): Regent Eugene Bal; Regent Brandon Marc Higa; Regent David Iha.

Others in attendance: President/Interim UH-Mānoa (UHM) David Lassner; Vice President for Academic Planning & Policy Risa Dickson; Vice President for Administration Jan Gouveia; Vice President for Community Colleges John Morton; Vice President for Legal Affairs & University General Counsel Carrie Okinaga; Vice President for Research & Innovation Vassilis Syrmos; Vice President for Information Technology & Chief Information Officer, Garret Yoshimi; Vice President for Budget & Finance & Chief Financial Officer Kalbert Young; UH-Hilo (UHH) Chancellor Donald Straney; UH-West O'ahu (UHWO) Chancellor Maenette Benham; Kaua'i Community College (KauCC) Chancellor Helen Cox; Executive Administrator and Secretary to the Board Cynthia Quinn; and others as noted.

Vice Chair Kudo open the meeting with special remarks to Chair Sullivan and family upon the passing of her father, Roy Takeyama, Emeritus Regent and former special assistant to the UH President; UH Secretary; and Board Secretary. He acknowledged the exemplary service of Mr. Takeyama, the key role Mr. Takeyama played in the welfare of the university, and how he started the Association of Emeritus Regents (AER). He read aloud a letter from the AER offering condolences to Chair Sullivan and her family. At the conclusion, Vice Chair Kudo requested a moment of silence in honor of Mr. Takeyama. Chair Sullivan expressed her thanks for the kind words and condolences.

II. PUBLIC COMMENT PERIOD

Executive Administrator and Secretary of the Board Cynthia Quinn announced that the board office received one late written testimony from Marguerite Butler raising

comments and concerns regarding the Integrated Academic and Facilities Systemwide Plan. The following individuals provided testimony:

1. Gregory Wong, Director of Customer Services at Honolulu Seawater Air Conditioning (HSWAC), provided testimony in support of the HSWAC Agreement on the agenda for approval.
2. John Casken, Chair of the UH Mānoa Faculty Senate (UHMFS), provided testimony regarding UHMFS resolutions in support of faculty concerns related to the framework of the systemwide integrated academic and facilities plan; results of a comprehensive survey of UHM faculty regarding extending the dual roles of the president and the UHM chancellor, and finding common ground between regents, administration and faculty. He extended an invitation to regents to attend the award ceremony for UHM Board of Regents Medals for Excellence in Teaching and Research.
3. Marguerite Butler, UHM Associate Professor and member of UHMFS Executive Committee, summarized her written testimony regarding concerns about the consultation process related to the systemwide integrated academic and facilities plan, statements made in the plan, and leadership, and requested the board consider delaying adoption of the plan.

III. REPORT OF THE PRESIDENT

President Lassner provided a report that included the following highlights:

1. Registration is underway for summer and fall 2017 using the award winning new STAR Graduation Path System (GPS) systemwide, that contains S-designated courses to identify courses related to sustainability, and the campuses are continuing with other sustainability opportunities (e.g. micro grid and photovoltaic projects).
2. UHH's Office of Mauna Kea Management and Kahu Kū Mauna and Pacific Consulting Services were recognized with the highest honor by Historic Hawai'i Foundation for their work in preservation, rehabilitation, and restoration, and interpretation of the state's architectural, archaeological and work on Maunakea.
3. A joint grant from the National Science Foundation and the National Endowment for the Humanities, led by UHH Ka Haka 'Ula O Ke'elikōlani Hawaiian Language College and UHM Linguistics Department, was awarded to build a Hawaiian Spoken Language or 'ōlelo Hawai'i digital repository to preserve the heritage and advance the university's role as a model indigenous serving institution, which will initially be released via Ulukau: The Hawaiian Electronic Library.
4. Earth Day activities were underway on all campuses and include a March for Science statewide, led by UHM faculty and around the country as a nonpartisan effort on the importance of science in advancing the society and wellbeing for all.
5. Capital improvement projects (CIP) updates are provided quarterly to the planning and facilities committee and the full board, and to date, regarding major projects, the Culinary of the Pacific has been completed and issued a certificate of occupancy and will serve multiple campuses; the UHH College of Pharmacy

and UHM Law School Community Legal Outreach Center, and the UHWO Administration Building are all underway, on budget, and on time.

6. The UHWO Academy of Creative Media (ACM) design-build is proceeding with charrettes including external and internal stakeholders on programming that will drive the design. The Life Sciences Building is also proceeding, although bids exceed budget estimates, the demolition is moving forward for summer pending permitting.

Report of the Host Campus.

President Lassner introduced KauCC Chancellor Helen Cox, who provided a slide presentation showing an even balance of student demographics, enrollment holding, with an increase in distance learning, and highlighting exceeding performance measures in degrees. The Community College Survey of Student Engagement results aided in identifying areas the campus is strong and biggest barriers to student success. Based on the survey results, the student success pathways focus on connection and entry points, and placement programs were modified to accelerate students through the program. Pass rates for below college level courses have increased, and more offerings are provided for early college programs to increase connections. The campus is revamping program assessment to focus on completion and employment, enhancing innovation programs, and increasing international experiences to broaden student perspectives.

Comments and questions were raised regarding the percentage gap between student success in the 2 year technical certificates versus 4 year broad liberal programs, increasing success rates for developmental programs and high school participation, and workforce development status with the Pacific Missile Range. Chancellor Cox explained the 30% career & technical education versus 70% liberal arts proportion fluctuates at entry and the gap narrows upon completion, at which time either they transfer or leave for employment. Improvements to the developmental education program is in its first year with the expectation that math will improve, while English is a work in progress to find the right model. The electronics and engineering programs are working with the Pacific Missile Range base personnel on needs in areas including project work on sustainability in areas such as the marsh, water, photovoltaic systems, and the telescope.

Chancellor Cox introduced the Kaua'i Faculty Senate Chair Victoria Mathis, who reported on the student success on a small campus, with high demand for small courses responsive to the community and workforce needs. The programs are agile, meet schedule needs, provide social and peer cohort support, utilizes existing space and resources. She highlighted the hybrid and electronic technology programs, medical assisting, and the recent creative media program. Discussion regarded the policy for terminating small programs, and impact on students in the program, and the impact of STAR GPS in managing course offerings. Chancellor Cox shared the many options utilized to address courses with low enrollment, such as revamping required program

courses, and offering certain elective courses less frequently, while still assuring students that a course will be held if it is in the STAR system.

IV. COMMITTEE REPORTS

A. Report from the Committee on Independent Audit

Committee Chair Moore summarized the committee report attached. No additional comments or questions from the board were raised.

B. Report from the Committee on Intercollegiate Athletics

Committee Chair Portnoy summarized the committee report attached. No additional comments or questions from the board were raised.

C. Report from the Committee on Research and Innovation

Committee Vice Chair Kudo summarized the committee report attached. No additional comments or questions from the board were raised.

V. ITEMS FOR DISCUSSION & APPROVAL

A. For Action

1. Consent Agenda:

a. Minutes of the March 23, 2017 Meeting

Vice Chair Moore moved to approve the consent agenda item, seconded by Regent Wilson, and the motion passed, with Regent Higaki excused.

2. University of Hawai'i System

a. Approval of Agreement for Chilled Sea Water for Air Conditioning at JABSOM

Chair Sullivan noted that the item did not go to committee, and thanked Regent Yuen, Chair of the Committee on Planning and Facilities, who agreed to allow the item to come directly to the full board due to time constraints as the next board meeting is not until June 1, 2017.

At 10:30 a.m., the board went into recess. The meeting reconvened at 10:39 a.m. VP Young provided a slide presentation on the item for approval, highlighting critical points regarding the need to find an alternative service for the John A. Burns School of Medicine (JABSOM) prior to 2025, when the current service with the Board of Water Supply (BWS) expires. He explained that the objective is to find a service that will reduce costs, is more ecologically friendly, and utilizes modern efficient technologies, to replace the current service that requires an electrical cooling system. The proposed agreement with the service provider Honolulu SeaWater Air Conditioning, LLC (HSWAC), provides cold seawater cooling, utilizing technology tested in Hawai'i and

internationally, and the terms contain early trigger safeguards for the university from financial liability and commitment with opt out provisions if milestones or performance requirements are not met. Administration believes that the agreement meets the objectives, mitigates risk if the contractor is unable to complete the project and deliver uninterrupted service as stated, and incorporates redundancies to deliver service as stated. It was noted that while entitlements are obtained, there is still a substantial amount of work to be done. The fees are fixed for the 20 year term. The financial pro forma was explained regarding the projected rates and resulting \$475,000 in annual savings. Construction can start as early as 2018. He noted that representatives from UH administration, JABSOM, the service provider HSWAC, and Natural Energy Laboratories of Hawai'i (NELHA) were available to answer questions.

Questions and concerns raised by the board included the urgency warranting accelerating the process for two months to bring matter directly to the board without the benefit of committee review; level of expertise and experience of the service provider and integrity of the groundbreaking project; significance and benefit to the service provider in having the university as part of the customer base; impact on service as other users come on board; assessing the benefit of fixed price versus rates that fluctuate with inflation; and responsibility for and feasibility impact from paying the fee to cancel the BWS contract.

Eric Masutomi, President & CEO of HSWAC, explained that the initial plans did not include the JABSOM site. The timing is warranted to ensure the entitlements remain in place upon amendment to include the JABSOM site, secure financing, and begin construction, as the project has been under discussion for over two years and due diligence was conducted by UH administration, who is recommending approval. The university would be the second largest customer next to the state of Hawai'i as compared to the 10 current customers, which would benefit the service provider in terms of securing financing and establishing creditworthiness. The system has a fixed capacity, so the university would receive its service regardless of additional customers. There are no plans to include the Cancer Center as that facility has different needs and a relatively new system is in place. The fixed fee is a negotiated rate set by the service provider and not subject to the Public Utilities Commission, likely at the lowest rate and provides stability. However, if the rate exceeds market rates in the future, the fee would not be affected, although that is not a foreseeable projection. Payment of the cancellation fee for the BWS contract is part of the agreement to be the responsibility of the service provider. The estimated rate of return for the service provider is projected to be approximately 12 percent.

VP Gouveia disclosed that she was the attorney for the BWS in 2005 when the chilled water services agreement was signed with UH, and has recused herself from the direct negotiations.

Eric Crispin, Vice President at 'Ohana Real Estate Investors, sister company to Ulupono Initiative, a majority investor in HSWAC, added comments regarding background, experience, and financial qualifications of the investors of Ulupono, and

explained how the driver of the project is the environmental benefit for renewable energy, and if successful is projected in totality to represent 1% of renewable energy for the state of Hawai'i, and 4% for the university, which is the second largest consumer of energy to the military. The favorable returns ensure the stability of the project even if HSWAC were to go bankrupt.

Additional concerns and questions were raised regarding needing time to review and address questions, an inconsistency noted in the presentation stating the Cancer Center would not be included in the project, whereas the materials state otherwise and was not amended nor stated upfront until questioned, and the marketing and research value of the project. It was explained how the project provides the university a solution to a known need to be weighed with the unknown cost of not proceeding to find a replacement with a better and cheaper solution and the risk of criticism for not moving forward. The agreement acknowledges the risks and mitigates risks with opt out provisions. Further delays could result in higher financing costs.

Chair Sullivan added comments regarding her respect for process, and explained that administration informed her that the agreement had been in discussion for two and a half years warranting moving forward for a vote to conclude matters. She recognized that the decision is difficult although forward looking and overdue, and Hawai'i is geographically unique to be able to take advantage of the opportunity that align with and make a big statement regarding the university's sustainability goals. She noted that administration should be commended on its due diligence, as any project requiring construction and financing involves risk, and administration worked hard to mitigate risks with opt out provisions. She asked for a motion to approve with the condition that the university will not have to absorb the costs associated with the termination of the BWS contract, and if financial cost savings as presented change significantly, the action item will return to the board for review and evaluation. Regent Wilson so moved, seconded by Regent Yuen.

Regent Portnoy indicated he would vote no because he has not had the time to exercise due diligence and has questions that have yet to be addressed. He would likely be in favor of the action if it was taken up at the June meeting. He noted that despite the work of the two and a half years, he knew nothing about the project.

Regent Acoba indicated he would vote no, explaining a two level analysis regarding time to review where two more months would not make a significant difference in the outcome, and a matter of respect to allow other regents time to review, and which verifies the importance of the decision that should not be rushed.

Regent Putnam stated she found the materials satisfactory, and her questions were answered. She benefitted from the discussion. The individuals displayed a high degree of responsibility in evaluating the project, and the project is highly appropriate in terms of operations and sustainability. It was clarified that the motion was conditioned only as to the responsibility and feasibility impact regarding termination of the BWS contract that was estimated to cost up to \$3 million. President Lassner further added that upon

approval, administration will work with the service provider to resolve the matter accordingly, and if unsuccessful then administration would have to come back to the board to explain how the termination liability will be absorbed.

Regent Higaki remarked that governance is to trust the administration team and raise questions and discuss to ensure the due diligence was done properly. Vice Chair Kudo concurred and added that the trust is not blind trust, as evidenced by the probing questions in and outside of the board meeting. He noted that peers have already implemented sustainability projects to save significant costs and the future, and can empathize with the difficulty to get to net zero by promoting changes, such as with the current micro grid legislation that is meeting with significant doubt and opposition. He is in favor of the project and comfortable with the level of discussion.

Regent Yuen noted that the message to the Legislature is that the university is moving forward by incorporating new concepts, and embracing initiatives with improving technologies. He concurred that the discussion and lessons learned helped to make his decision, and asked administration to review other projects that may be in discussion for a long time for updates and eliminate blindsiding the board. He agreed the project needs to move forward and feels minimal risk with high benefit due to the discussion and his expertise as an engineer.

Regent Wilson and Regent Higaki called for the question. A motion and second on the floor, a vote was taken, and the motion passed with Regent Portnoy and Acoba voting no.

VI. EXECUTIVE SESSION

A. Collective Bargaining: (To discuss authority of persons conducting labor negotiations and conducting negotiations pursuant to HRS §92-5(a)(3))

1. Discussion of collective bargaining negotiations process

Due to time constraints, Chair Sullivan called for a motion to recess for lunch, and following lunch to go into executive session to discuss matters as indicated on the agenda, after which time the public meeting will reconvene. Regent Wilson so moved, seconded by Vice Chair Kudo, and the motion carried unanimously. The board recessed at 12:28 p.m. The board went into executive session at 1:00 p.m. Following the conclusion of the discussion in executive session, Vice Chair Moore moved to come out of executive session, seconded by Vice Chair Kudo, and the board came out of executive session at 1:20 p.m.

V. ITEMS FOR DISCUSSION & APPROVAL (cont.)

A. For Action (con't.)

The board reconvened at 1:28 p.m. at which time Chair Sullivan noted that the board went into executive session to discuss matters as indicated on the agenda.

- 3. Report of the Permitted Interaction Group for the University of Hawai'i System Integrated Academic and Facilities Plan**
- 4. Approval of University of Hawai'i System Integrated Academic and Facilities Plan**

Chair Sullivan recounted the history and board resolution creating the permitted interaction group to assist administration in developing a systemwide integrated academic and facilities plan, the number of meetings held, and that the draft was presented by administration at the prior board meeting. She expressed her gratitude to the members for their contributions and time, and asked the president to elucidate further on the plan on the minor changes made.

President Lassner explained how the action memo expands on the development of the draft with officers, was shared with academic chairs systemwide, and faculty senate chairs at all 10 campuses, and the UHMFS Chair shared the draft with all UHM faculty during the public phase of consultation. He acknowledged comments and suggestions regarding how he could make the consultation process more effective. He expressed that launching of the task group helped accelerate the pace; the draft circulated last month represented the original version strengthened with the addition of guiding principles and priorities, which the task group helped provide focus, and significantly strengthened the next steps sections, many of which were already under discussion with the board committees on planning and facilities and academic and student affairs regarding enrollment and academic planning enhancements. Subsequently, the updated plan was posted and input solicited via the UH website and email to the UH community. There were 10 -15 specific comments and suggestions received and incorporated regarding the inclusion of terms such as shared governance and quality; none were substantive as to content. While the impetus of the plan may affect the location of programs, such decisions would take place consistent with all principles of shared governance and policy and approval.

Questions and comments regarded clarity of process and veto authority of faculty; resulting changes to the undergraduate program experience and implication of a Research 1 status; and timetable for next steps, if any. It was explained that under board policy and national principles of shared governance, the faculty have primary responsibility for curriculum, and administration has the responsibility to consult with faculty, but there are very few matters where faculty exercise a veto. The emphasis for the undergraduate experience in a Research 1 campus is distinguished from other campuses by bringing research faculty in greater contact with undergraduates. A Research 1 university should reflect a reputation at home that it is a destination for Hawai'i's best students and beyond, as does Stanford University where the higher academic achievers is part of the mission differentiation. It is a long term goal to raise standards at UHM, but only as enrollment stabilizes and grows, and so as not to hurt enrollment or opportunity. For example, when tracking the success of community college student transfers to UHM results in low retention but good performance, there is a need to consider whether raising the standards will ensure success. Vice Chair

Moore added that the long term the goal is for the public schools to develop high performing students that can be encouraged to go to UHM, and in the meantime, the focus is on attracting high achieving students to attend UHM in lieu of a peer school. There is no specific timetable; administration plans to provide reviews and updates periodically to the board, consistent with the principles and ideas discussed.

Vice Chair Moore moved to approve the plan as presented, seconded by Regent Higaki, and the motion carried by unanimous vote.

5. Award of The Honorary Doctorate Of Humane Letters Degree To The Honorable Richard R. Clifton

President Lassner explained the merits of the proposal as indicated in the action memo. Upon conclusion, having no further questions, Vice Chair Moore moved to approve the award as proposed, seconded by Regent McEnerney, and the motion carried upon unanimous vote.

B. For Information/Discussion

1. FY17 Q3 Extramural Awards Analysis

VP Syrmos reported that the third quarter analysis was not posted in time for the committee meeting and the report provided now shows the levels similar to the last quarter, and year to date is as expected. He cautioned that the April rate of awards is 50% lower than last year due to a delay by the federal government in transmitting awards that will not occur until after April 28, 2017. No questions were raised.

2. 2017 Legislative update

Chair Sullivan recognized Vice Chair Kudo and Regent Acoba applying for reappointment and their willingness to continue to serve. VP Young noted the confirmation hearing was completed and headed for a floor vote. With less than two weeks remaining in the session, the operating budget progression is in the midst of conference committee review. The Senate draft is more favorable than the House version for operating funds, and provides for authorization of positions and funding for the Cancer Center. Additional item highlighted included funding for the Hawai'i Promise program in the budget and a similar bill for the Hawai'i Promise Program is in conference. Funding was also provided for Title IX. Funding for Capital Improvement Project (CIP) positions for construction managers are in the operating budget that replaces a legislative bill that was deferred due to unfavorable amendments. The Senate CIP appropriations are significantly lower than the House draft with only one year of funding, but progression is expected. The Senate has not funded the Culinary Arts of the Pacific, while the House has provided \$20 million with \$10 million private matching funds required. Corrections to prior provisos are also progressing, and he noted the Senate version was more favorable than the House. Bills still moving include prohibiting smoking on all UH campuses; Hawai'i Promise Program; Hawai'i Green

Special Fund; uniform laws providing online information protections; other bills heading to conference include JABSOM physician workforce assessment fees, micro grid for UH-West O'ahu, and repealing sunset provisions on the university's accounting & financial management system. Legislative report repeals have passed and waiting for Governor's signature. Regarding collective bargaining, arbitration awards are still pending which may affect funding decision. Upon decking and conclusion of the budget conference committee, appropriation bills will follow. No questions were raised.

VII. ANNOUNCEMENTS

Chair Sullivan announced that the next committee meetings will be held on May 17 and 18, and the next board meeting is June 1, 2017 at the Sullivan Center at the UHM Cancer Center.

VIII. ADJOURNMENT

There being no further business, Vice Chair Moore moved to adjourn, seconded by Vice Chair Kudo, and with unanimous approval, the meeting was adjourned at 2:20 p.m.

Respectfully Submitted,

/S/

Cynthia Quinn
Executive Administrator and
Secretary of the Board of Regents