

MINUTES OF THE JOINT MEETING OF THE REGENTS'
COMMITTEES ON FINANCE AND FACILITIES AND
BUDGET AND LONG-RANGE PLANNING

Date: Thursday, January 17, 2002

Place and Time: Campus Center Conference Chamber Room 220
University of Hawai'i at M~noa
3:34 p. m.

Committee on Finance and Facilities

Committee Members Present: Regents: Kobayashi (presiding)
Kurusu
Dowling
Kawakami
Thurston
Ikawa (ex officio) not present

Committee on Budget and Long-Range Planning

Committee Members Present: Regents: Bergin
Dowling
Kawakami
Kobayashi
Kurusu
Lee
McElrath
Nunokawa
Poe
Thurston
Weiner
Ikawa (ex officio) not present

Others Present: Evan S. Dobelle, President, University of Hawai'i
Eugene S. Imai, Vice President for Administration
James R. W. Sloane, Vice President for Administration
and Chief Financial Officer
David Iha, Secretary of the Board
Carl H. Makino, BOR Staff

Regent Bergin announced that since the Budget and Long-Range Planning Committee was meeting again later in the day after the Personnel and Legal Affairs Committee, he would recess this meeting until after that committee meeting. The meeting was recessed at 3:35 p. m. and reconvened at 4:26 p.m.

Delegation of Authority Relating to Business and Finance

Vice President Imai requested that the Committee delegate additional authority to the administration relating to business and finance. He explained that the purpose of the requested delegation was to increase operational efficiency by relieving the Board of certain administrative responsibilities in the day-to-day transaction of the business affairs of the University.

The management and control of the University, according to Vice President Imai, is vested in the Board of Regents by the State Constitution and Chapter 304, Hawai'i Revised Statutes. The Board has in turn granted management authority to the President by specific delegation through the adoption of policies. In reviewing these various delegations relating to business and finance, the administration has concluded that further delegations would relieve the Board of Regents of certain administrative responsibilities and increase operational efficiency. This request for delegation of additional authority is premised on the administration's willingness to accept greater responsibility and accountability. It is therefore requested that the Board authorize the administration, in conjunction with the Secretary of the Board, to amend Chapter 8 of the Board of Regents' Bylaws and Policies to reflect the following delegations of authority:

Vice President Imai explained that with regard to contracts and official documents, Board policy presently authorizes the President or the President's designees to approve contracts to engage consultants in amounts of \$25,000 or less, provided such consultants are not being retained to recommend changes in Board policies and/or courses of action which would have a significant impact on University programs and operations. It is requested that this be amended to authorize the President or the President's designees to approve such consultant contracts in amounts of \$100,000 or less. All consultant contracts in excess of \$100,000 or such contracts in any amount which would recommend changes in Board policies and/or significantly impact University programs and operations would continue to require the prior approval of the Board of Regents.

The President or the President's designees currently have the authority to approve settlement agreements involving payments of \$50,000 or less as approved by the University General Counsel, provided such settlement agreements do not contravene Board policy and/or have a significant impact on University programs and operations. It is requested that this policy be amended to authorize the President or the President's designees to approve such settlement agreements involving payments of \$100,000 or less

and settlement agreements involving workers' compensation claims in any amount. Such agreements which are anticipated to require changes in Board policies, which have a significant impact on University programs and/or operations, or where the Board is named as a party to the lawsuit would continue to require the prior approval of the Board regardless of amount.

Vice President Imai requested that a new section be added to the Board's policy to authorize the President to develop internal policies and procedures for the procurement of goods, services, and construction in accordance with law. Act 115, Session Laws of Hawai'i 1998, exempted the University from the bidding requirements and other provisions of Chapter 103D, Hawai'i Revised Statutes, which governs public procurement. Act 115/98 further provided that the Board shall develop internal policies and procedures for the procurement of goods, services, and construction, consistent with the goals of public accountability and public procurement practices. Since the University's procurement procedures are internal the proposed new section would authorize the President to revise the University's procurement procedures in accordance with the autonomy conferred by Act 115/98 and consistent with all other applicable law. With the delegation of this authority, the President could act to revise the University's administrative procedures on procurement to streamline the purchasing process and to make more efficient the acquisition of goods, services, and construction for the University.

The Board's policy on the University biennium budgets, according to Vice President Imai, requires that in the event the Governor does not allot the full appropriation in any fiscal year, resulting in a need to restrict University budgetary items, the President is required to recommend for Board approval all planned budgetary restrictions. It is requested that this policy be amended to authorize the President to implement without Board approval budget restrictions imposed by the Governor not exceeding 5 percent of appropriations.

Regent Nunokawa inquired as to the amount of G Funds represented by 5% of the University's budget. Vice President Imai informed that it was approximately \$14 million.

Regent McElrath expressed that the Regents need to have a level of comfort with regard to the requested delegation since significant funds are involved. She felt that, as occurrences at the City, State and National levels have shown, abuse can be inherent in such delegated authority. As such, in light of the Board's fiduciary responsibility, it needs to make absolutely sure that in addition to entrusting the administration that the Board also insure that there are safe-guards in the system. President Dobelle assured that his administration would take this delegation seriously and responsibly.

Regent Bergin, concurring with Regent McElrath, emphasized the need for an accountability function throughout the University system that would be responsible for

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addressing the Board's overall fiduciary responsibility to govern the internal affairs of the University. Vice President Sloane added that he understood the Regents' concerns and would examine the issue of accountability. Regent Weiner concurred, expressing concern over the potential abuse of the bidding process. Regent Thurston agreed, adding that she would be interested in reviewing the bidding procedures once they were completed.

Vice President Imai added that a reporting mechanism would be incorporated in the procedures once the administration had a chance to develop procedures and guidelines relative to this requested delegation in the business and finance sectors.

With that assurance, Regent Kobayashi moved to delegate to the President the requested additional authority relating to Business and Finance as presented. With the understanding that this delegation will be reviewed for continuation at the end of two years. The motion was seconded and unanimously carried.

There being no further business before the Committee, the meeting was adjourned at 4:38 p.m.

Respectfully submitted,

David Iha, Secretary

Dated: February 18, 2002

c: Chairperson Allan K. Ikawa
Members, Committee on Finance and Facilities
Members, Committee on Budget and Long-Range Planning
President Evan S. Dobelle
Senior Vice President Walter S. Kirititsu
Vice President James R. W. Sloane
Vice President Colleen O. Sathre
Interim Vice Chancellor Rodney T. Sakaguchi