

MINUTES OF THE REGENTS'  
COMMITTEE ON FINANCE AND FACILITIES

Date: Thursday, July 15, 2004

Place & Time: Campus Center Conference Room 220  
University of Hawai# at M~noa  
1:55 p.m.

Committee Members Present: Regents Tatibouet (presiding)  
Albano  
Haynes  
Tanaka  
Yamasato  
Lee (ex-officio)

Committee Member Excused: Regent: Kawakami

Other Regents Present: Regents Bender  
Kai  
Kakuda  
Lagareta

Others Present: David McClain, Acting President, University of Hawai#  
Carolyn Tanaka Wilson, Associate Vice President,  
University and External Affairs  
Rose Y. Tseng, Chancellor, University of Hawai'i at Hilo  
Rodney Sakaguchi, Vice Chancellor for Admin., Fin. &  
Operations, Chancellor's Office  
Andrew Rossiter, Director, Waik&SAquarium  
Jan S. Yokota, Director of Capital Improvements  
Debbie Kutara, Licensing Administrator, External Affairs,  
and University Relations  
Dexter Aoki, Wachovia Securities  
David Iha, Executive Administrator and Secretary of the  
Board  
Carl Makino, Executive Assistant to the Board

Subjects:

1. University of Hawai'i Fund Managers' Performance Report

2. Five-Year Lease of the Atherton YMCA Building by the College of Education, University of Hawai'i at Mānoa
3. Contract Between the University of Hawai'i and Licensing Resource Group, Inc.
4. Increase in Admission Fees of the Waikīkū Aquarium
5. Lease Agreement Between the University of Hawai'i and the High Technology Development Corporation
6. Capital Improvements Program & Repairs and Maintenance Project Contracts for FY 2004-2005

#### University of Hawai'i Fund Managers' Performance Report

Mr. Aoki reported that the value of the Endowment Fund was up by 3.1% for the period ending March 2004. This represented approximately a \$11.4 million increase in the value of the Fund.

The performance of Brandes led to the overall performance of the fund. Brandes performed 86% over a 12-month period. As of the second quarter ending June 30, 2004, the Fund was up by 13.2%. He also recommended that Bishop Street Capital Management be removed from probation based on their performance in accordance with the policy.

Regent Yamasato moved to remove Bishop Street Capital Management from probation as recommended by Wachovia Securities in accordance with Board policy. Regent Haynes seconded the motion and was unanimously carried.

Mr. Aoki reported that while Bank of Hawai'i was recently removed from probation, they had been placed on watch status due to their recent performance. However, he expects that due to some personnel changes, Bank of Hawai'i will be able to return to their benchmark performance.

#### Five-Year Lease of the Atherton YMCA Building by the College of Education, University of Hawai'i at Mānoa

Acting President David McClain requested that the Committee defer this matter because of several details that were not done properly. He commented that the material from the YMCA had stipulated that they no longer wished to lease to multiple entities. However, they did mention in the newspaper that they did not mind University of Hawai'i subleasing which is a contradiction of sorts.

The following testimonies were received:

1. Anthony Usi expressed support for Coffeeline remaining at the location.
2. Dennis Suyeoka, owner of Coffeeline, asked for consideration in remaining at the YMCA location.
3. Michael Speidel asked that the University consider the other groups and classes currently using the YMCA. They will be displaced if they cannot continue using the facilities at the Atherton YMCA.
4. Mary McDonald expressed support of Coffeeline as a unique service.
5. Ken Kipness expressed support of Coffeeline and recommended that the University can be a good neighbor to the community surrounding the YMCA.
6. Julia Hammer expressed support of Coffeeline.
7. Joseph Matto expressed support of Coffeeline.
8. Raymond Madigan expressed support of Coffeeline.

Chairperson Lee stated that the Regents will take into consideration the testimonies. Acting President McClain said that he would ask that the M~noa Chancellor address some of the details of the proposed lease before he brings it back to the Board.

#### Contract Between the University of Hawai'i and Licensing Resource Group, Inc.

Associate Vice President Carolyn Tanaka Wilson requested that the Committee authorize the administration to enter into a contract with Licensing Resource Group, Inc. to provide collegiate licensing services for the University of Hawai'i.

The University currently has a Collegiate Licensing Program with approximately 125 licenses issued in the University's name. The intent is to expand the program and increase the number of licensee and retail participation through a comprehensive management program. The program includes trademark enforcement, an electronic database for license information archival and reporting, and the aggressive pursuit of marketing opportunities in both the Hawai'i tourist markets and the continental United States.

Over the years, the demand for University of Hawai'i emblematic merchandise has grown into a valuable resource generator at the retail level. The licensing program has evolved from being an independently operated program, to being a member of a national consortium and more recently to being agent-represented by BHPC Marketing Inc., a company whose forte was in the area of international marketing.

In early September 2002, BHPC Marketing Inc., served notice that it would terminate its collegiate licensing relationship with the University. Upon termination of the contract, the University examined various options and decided to begin a search for a collegiate licensing agent with the expertise and ability to: 1) provide contract administration and compliance services; 2) provide trademark protection and enforcement services; 3) provide licensing-related education programs; and 4) expand the market and availability of

University emblematic merchandise in the State of Hawai'i and in the continental United States.

In September 2003, after extensive research and discussions with peer institutions across the country, an RFP was issued to solicit proposals to provide licensing services to the University. The two major companies in the collegiate licensing business responded to the RFP. Both companies came to Hawai'i to make presentations and were interviewed extensively by a selection committee made up of representatives of the Office of External Affairs and University Relations, the University's Collegiate Licensing Office and the UH Mānoa Athletic Department.

The proposals were independently reviewed based on the contractor's qualifications, including their years in business, visibility in the industry, experience in contract management and compliance services, their management teams and client references, and the quality of each proposal, including the costs associated with providing the requested services, contract compliance and administration, trademark enforcement and protection programs, and their ability to provide promotional, marketing and customer services. On this basis, Licensing Resource Group, Inc. (LRG) was selected. The net benefit to the University will be to have access to specialized resources and individuals with national collegiate licensing expertise to assist in: 1) developing local, regional and national educational and promotional campaigns; 2) developing and promoting new non-traditional retail markets for collegiate merchandise; 3) increasing licensing-related revenues; 4) and increasing the visibility of the University through emblematic merchandise in retail venues nationwide.

The term of the proposed contract would be for a period of three years. Thereafter, the contract may be renewable from year to year for two additional years. In addition, the University may terminate this contract at any time, upon 30 days prior written notice.

All compensation to LRG is based on a percentage of the royalty fees generated by the program. Based on historical data, it is estimated that the base value of the contract is between \$129,000 and \$149,000 for the three-year period. The net revenues generated from this program are used to support the operations of the University's licensing office. Excess revenues are distributed to the University of Hawai'i at Mānoa and University of Hawai'i at Hilo Intercollegiate Athletics Departments for use in supplementing student scholarships, and used by the Vice President for External Affairs and University Relations for branding and licensing-related purposes.

Associate Vice President Tanaka added that the Committee that selected LRG was impressed with its creativity. In addition, LRG was the smaller of the groups so the University should get more attention.

Regent Lagareta noted that the contract called for \$3,000 in travel and asked what

would happen if they exceeded that amount. Associate Vice President Tanaka said that LRG would pay their travel costs above \$3,000.

Debbie Kutara added that what the consultant was needed for was to help market on the mainland since the University's licensing program is now handled by one person. LRG would have to perform because their fees are based on percentage of revenue.

Regent Yamasato moved to authorize the administration to enter into a contract with Licensing Resource Group, Inc (LRG) for collegiate licensing services. The motion was seconded by Regent Haynes and unanimously carried.

Regent Lagareta asked about the revenues expected through the consultant. Licensing Administrator Kutara said that by the third year they should be realizing more than they currently do. However, the major reason was to help promote on the mainland.

#### Increase in Admission Fees of the Waikōkō Aquarium

Vice Chancellor Sakaguchi explained that the Waikōkō Aquarium had not raised its admission fee rates for over ten years. During that 10-year span, expenditures for personnel, maintenance, and operations have risen steadily, and it has become necessary to increase revenues in order to meet these higher costs.

Given that 78% of the Waikōkō Aquarium's annual budget is derived from admissions, facilities rentals, and donations, income from gate receipts and rentals underpin the economic viability of the Aquarium. It is therefore requested that the Board approve proposed increases to the admission and rental prices charged by the Waikōkō Aquarium.

The proposed increases would be timely and appropriate to the current market while remaining true to the University's commitment to make the Aquarium accessible to the community. By increasing attendance revenues to compensate for increased costs of operations, the proposed fee schedule will permit the Waikōkō Aquarium to meet its objectives of providing excellent exhibits, educational experiences, and research opportunities, while contributing to marine life awareness and conservation.

Regent Tanaka asked what they would do with the additional revenues. Waikōkō Aquarium Director Rossiter responded that they would be primarily for CIP and badly needed repair and maintenance.

Regent Bender asked why the non-resident groups were going down. Director Rossiter said that they were trying to encourage tour groups to attend, thus increasing their overall revenues. They would still pay more than residents.

Regent Tatibouet noted the cost for children would increase to \$4, noting that this was an education institution so residents should be encouraged to go to the Aquarium by

keeping the prices low. Vice Chancellor Sakaguchi said he would discuss this matter with the Aquarium staff and find a solution.

Regent Haynes moved to approve the fee increases as proposed with resident children at \$2.00. The motion was seconded by Regent Yamasato and unanimously carried.

#### Lease Agreement Between the University of Hawai'i and the High Technology Development Corporation

Chancellor Tseng requested that the Committee approve a lease agreement by and between the University of Hawai'i (UH) and the High Technology Development Corporation (HTDC) for the recently renovated University of Hawai'i at Hilo (UHH) Small Business Incubator project (SBI) located at 117 Keawe Street, Hilo, Hawai'i.

The UHH will be responsible for the payment of the SBI's facility operating expenses totaling approximately \$67,000 annually. These expenses include: janitorial services, elevator maintenance and repair, air conditioning maintenance and repairs, and utility expenses (electricity, water, and sewer). The UHH general operating budget will be utilized to cover the SBI's facility operating expense.

The proposed lease agreement will allow the HTDC to operate and manage the SBI program on behalf of the (UHH) until such time that the newly established UHH College of Business and Economics (CoBE) is in a position to operate the SBI program. The CoBE intends to develop a small business and entrepreneurship program, utilizing the SBI facility as a "living laboratory" for its students. In the interim, the HTDC will operate and manage the SBI on behalf of the UHH to service the Hilo and the Big Island community.

The UHH serves a vital role as an economic engine to the Big Island community, providing valuable resources to promote economic development opportunities. The SBI project is the sole business incubator on the Big Island. The purpose of the SBI program is two-fold, 1) to provide "start-up" companies on the Big Island with access to business incubator facilities and business resource support; and 2) to provide the UHH business students with valuable educational experience in a "living laboratory". The overall objective is to stimulate economic development in Hilo and the Big Island through education, job creation, and technology opportunities.

The UHH selected HTDC to operate and manage the SBI facility based on their proven track-record of successfully managing business incubators statewide. The HTDC will manage the SBI program during the three-year "pilot" period. Initially, incubator tenant rent may not be sufficient to cover facility operating and program expenses. The UHH and HTDC will invest the necessary resources required to operate the facility during the three-

year pilot period in lieu of seeking funds from the State legislature. The goal is for the SBI to become self-sufficient at the end of the three-year period.

The Bank of Hawai'i donated their old bank building to the University of Hawai'i Foundation (UHF). This building is located on the corner of Kalakaua and Keawe Street in downtown Hilo. The UHF conveyed the property to the UH, who in turn made the building available for the UHH and the Hawai'i Community College's (HCC) shared use.

UHH applied for and received an EDA grant in the amount of \$625,000 to renovate the existing bank building into a Small Business Incubator facility. State capital improvement matching funds totaling \$1,336,830 was awarded to the UHH to complete this construction renovation project. The construction renovations were completed in December 2003, with construction costs totaling \$1,699,857.

The HTDC expressed an interest in managing the SBI program, which would add the only Big Island business incubator to HTDC's list of successfully managed incubators statewide. HTDC's experience and expertise in operating business incubators, as well as the SBI incubator tenant's ability to utilize HTDC resources available from the Maui and Oahu business incubators rendered HTDC the ideal candidate to manage the SBI program on behalf of UHH. This arrangement is an investment for the benefit of the Big Island community through job creation, technology opportunities, and community growth. No financial profit shall be realized by either UHH or HTDC.

The UHH and HTDC will use its own funds to cover facility operating expenses and program expenses, respectively, for the initial three years of the lease, in lieu of seeking operating funds from the legislature. The eventual goal of self-sufficiency through incubator tenant income is desired in three years. The HTDC will be reimbursed for program expenses from the client account (tenant rental income) up to \$45,000 per year. All funds remaining in the client account in excess of program expenses will be used to offset the annual facility operating expenses incurred by the UHH.

In lieu of rent, the UHH will receive the following non-monetary benefits from this lease agreement: 1) The HTDC will provide the requisite experience and expertise to successfully manage the day-to-day operation of the SBI on behalf of the UHH; 2) The HTDC will be responsible for the payment of all program-related expenses in excess of funds available in the client account. Program-related expenses include, but are not limited to, personnel salaries, telephone and internet fees for the manager and receptionist, telephones for the conference room and training room, office supplies, miscellaneous building related expenses, emergency expenses, and on-going activity expenses; 3) The UHH shall have access to HTDC services provided to the incubator tenants to include the use of conference rooms and classrooms and HTDC training and educational seminars at a reduced rate.

The EDA "Small Business Incubator" project scope consists of providing business incubation services to startup companies to promote and support economic development in downtown Hilo. With HTDC's management of the SBI program, the UHH will be in a strong position to accomplish EDA's requirements for this project.

Regent Yamasato moved to authorize the administration to enter into a lease agreement with the High Technology and Development Corporation for the Small Business Incubator program facility located at 117 Keawe Street, Hilo, Hawai'i, subject to legal review. The motion was seconded by Regent Haynes and unanimously carried.

#### Capital Improvements Program & Repairs and Maintenance Project Contracts for FY 2004-2005

Director Yokota requested that the Committee approve capital improvement programs and repair maintenance contracts for planning and design consultants construction projects. These projects including student housing, facility assessment, improvement to the air-quality and air-conditioning at the Edith Kanakaole Hall at UH Hilo, renovation to the 24" telescope observatory, campus wide construction management, fire hydrant and firewall installations at Leeward along with Phase II of the Food Services Program, and renovations to the Student Services Building and Fire Alarm System at M~ui Community College. Construction projects would include the Cancer Research Center-Mechanical Freezer Facility, corrective work on floodlights at Cooke Field, renovation to the Agricultural Science building, replacement of primary and secondary switchgears at Hawai'i Institute of Geophysics (HIG), and replace flooring and renovation at Klum Gym all at M~noa.

Regent Yamasato inquired about the floodlights project at Cooke Field, M~noa Campus. Director Yokota explained that the project was necessary for health and safety reasons. Basically the instability of the field lights poses a safety issue due to the number of students and outside organizations using the facility.

Regent Albano asked how they prioritized projects between campuses. Director Yokota explained that her office works with all the campuses to insure that they feel that these prioritizations were fair. Regent Albano asked if bidders know what the budgets were like for a project. Director Yokota said that they normally do not release this information because it would influence the bids. However, many of the projects are mentioned in the legislative allocation so they would have a "ballpark" idea.

Regent Kai inquired about the balancing of priorities given that the University has limited available funds. Director Yokota informed that health and safety projects have top priority. Consequently, the \$1.9 million to correct the floodlights at Cooke Field took top

Minutes of the Regents' Committee  
on Finance and Facilities  
July 15, 2004  
Page 9

priority.

Regent Haynes moved to authorize the administration to consult in construction contracts for CIP and R&M projects as presented. Regent Yamasato seconded the motion and was unanimously carried.

There being no further business before the Committee, the meeting was adjourned at 3:40 p.m.

Respectfully submitted,

David Iha, Secretary

Dated: August 23, 2004

c: Chairperson Patricia Y. Lee  
Members, Committee on Finance and Facilities  
Acting President David McClain  
Chief of Staff Sam Callejo  
Director Jan Yokota