MINUTES

BOARD OF REGENTS’ COMMITTEE ON BUDGET AND FINANCE MEETING

March 4, 2015

I. CALL TO ORDER

Committee Vice Chair Barry Mizuno, called the meeting to order at 9:01 a.m. on Wednesday, March 4, 2015, at the University of Hawai‘i at Mānoa, Information Technology Building, 1st Floor Conference Room 105A, 2420 Correa Road, Honolulu, Hawai‘i 96822.

Committee members in attendance: Committee Vice Chair Barry Mizuno, Regent Coralie Matayoshi, Regent Lee Putnam.

Committee members excused: Committee Chair Jan Sullivan, Regent Peter Hoffmann.

Others in attendance: Regents’ Vice Chair Eugene Bal III, Regent Michelle Tagorda, Regent Stanford Yuen, and Regent Helen Nielsen (ex officio committee members); President David Lassner; Vice President for Legal Affairs and University General Counsel, Darolyn H. Lendio; Vice President for Budget & Finance/Chief Financial Officer Kalbert Young; UH Mānoa Interim Chancellor Robert Bley-Vroman; UH Hilo Chancellor Don Straney; Executive Administrator and Secretary of the Board of Regents Cynthia Quinn; and others as noted.

II. APPROVAL OF THE MINUTES OF THE FEBRUARY 13, 2015 MEETING

Regent Matayoshi moved and Regent Putnam seconded the motion to approve the minutes of the February 13, 2015 meeting, which was unanimously approved.

III. PUBLIC COMMENT PERIOD

Executive Administrator and Secretary of the Board Cynthia Quinn announced that the Board Office received no written testimony, and no individuals had signed up to give oral testimony.

IV. AGENDA ITEMS

1. Request to recommend approval of an increase in the mandatory student U-Pass transportation fee for UH Mānoa students

   Kelly Zakimi, Vice President, of the Associated Students of the University of Hawai‘i at Mānoa (ASUH) ASUH and Sean Mitsui, ASUH Senator of the College of Arts & Science, presented a powerpoint (Attachment 1) regarding ASUH’s proposal to increase the UPASS fee from $30 to $40 for the 2015-2016 academic year, and $40 to $50 for the 2016-2017 academic year. She also provided the background of the U-Pass Pilot
program; reasons why the program is necessary; results of a Fall 2013 student survey on the U-Pass program; summary of the negotiations with the City and County of Honolulu Department of Transportation Services; explanation of the fee proposal; comparison information for the bus program costs at other public institutions; the benefits of the U-Pass program to UH Mānoa; and student support for the program. Also present from the City and County of Honolulu were Eric Stoetzer, Planner, and Eileen Mark, Mass Transit Administrator.

VP Zakimi explained that the program was open to undergraduate and graduate students, but did not include professional schools and outreach program students who opted out of the program but may join in the future at a higher rate than the mandatory fee rate. The fee is a straight pass through to the city.

The committee noted the programs alignment with UH’s sustainability efforts and raised concern about whether actual usage justified the $1.4M program cost. Mr. Mitsui responded that the survey was open to all students utilizing MyUH, and 1,300 students (10%) responded. Bonnyjean Manini, Director of Student Involvement & Leadership Development at Mānoa, said that over 12,000 students pick up the U-Pass. Mr. Stoetzer added that most recent figures show 81% of students picked up the U-Pass. Information on actual usage would need to wait until they get the smart card technology, but they did know that usage at UH bus stops has increased significantly. Ms. Mark noted that fare box recovery ratio across the board is 28%, so for every pass/fare/ride taken the city subsidizes approximately 70% of the cost. Students would only need to take 2 round trips per month to break even on the U-Pass fee.

Regent Putnam moved that the committee recommend the board approve an increase of the mandatory student U-Pass transportation fee for UH Mānoa students as proposed. Regent Matayoshi seconded the motion, and the motion carried upon unanimous approval.

2. Request to recommend approval of change in investment consultant/advisor for the ASUH stadium stock fund

ASUH VP Zakimi and Krista Ann Lee, ASUH Senator at Large, presented a powerpoint (Attachment 2) regarding ASUH’s proposal to change investment consultant/advisor for the ASUH stadium stock fund. They provided the history of the ASUH stadium stock fund; who benefits from the fund; the current financial advisors and the need to change because the current advisor would no longer participate in managing such funds; the process undertaken to find a new financial advisor; and the firm they are proposing as the new financial advisor. Also present from Graystone Consulting were Peter Backus and Davin Kubo.

VP Zakimi explained that ASUH selected Graystone Consulting as the proposed financial advisor because of their willingness to serve as financial advisors and approach to investing in an educational manner by making quarterly meetings an education experience; communication style was aligned with current advisors, which the students enjoy and benefit from; enthusiasm for and experience in working with students; assurance that the ASUH investment committee would have a defined role in the
decisionmaking process; fee being the lowest at 0.25 basis points and having the highest number of analysts. In addition, both Backus and Kubo are easily accessible as they are based in Hawai‘i. Graystone also offered a non-discretionary relationship, which ASUH prefers; showed an understanding of ASUH investment policy and emphasized wanting to create an asset allocation that was optimal to meet ASUH needs instead of a pre-determined standard; and had experience working with transitioning board members.

The committee inquired as to return levels of total asset amounts and willingness to divest from fossil fuels that is currently under consideration by the board. Ms. Lee responded that the current value was $8,327,220.50 million with annual withdrawals of 5% a year, or approximately $408,000 from the portfolio, and $100,000 in student fees from full-time classified undergraduates. The portfolio and student fees are the two main sources of revenues, but they also receive $50 a month from payphones near Sinclair Library.

As to any consideration to divestment of fossil fuels, Mr. Backus responded that they work with a wide range of socially responsible nonprofits and using separately managed accounts (SMAs) that gives Graystone the flexibility to accommodate most divestment restrictions under the open platform system. The 0.25% fee is what Graystone charges for the investments; there is a separate fee for each manager. They pass through negotiated rates they get from investment managers, which can bring down fees extensively, and those negotiated fees do not change regardless of the type of investment and whether it is socially responsible. If there are certain things that require managers that do not have those negotiated fees, Graystone would negotiate on behalf of ASUH to get the lowest fees possible given the restrictions being applied. However, Ms. Lee indicated that ASUH recently passed a resolution that supported sustainability but did not want limitations such as divestment to impact the portfolio.

Regent Matayoshi moved that the committee recommend the board approve change in investment consultant/advisor for the ASUH stadium stock fund. Regent Putnam seconded the motion, and the motion carried upon unanimous approval.

V. ADJOURNMENT

There being no further business, on the motion of Regent Matayoshi and second by Regent Putnam and with unanimous approval, the meeting was adjourned at 9:36 a.m.

Respectfully Submitted,

/S/

Cynthia Quinn
Executive Administrator and
Secretary of the Board of Regents
A PROPOSAL TO EXTEND THE U-PASS PROGRAM

Associated Students of the University of Hawaiʻi
Topics

- Background
- Survey
- Proposal
Background: U-PASS Pilot

- 2 year pilot program commenced in Spring 2010.
- Renewed in Fall 2012
- Mandatory $30/semester fee
- Graduate and undergraduate students
  - Does not include Medicine, Law, and Outreach program students
- Students receive U-PASS stickers on ID’s during validation
Why We Need It

- Parking spaces are limited
  - 18,000 students commute to school
  - 3,300 available parking spaces on campus
  - Land to build new parking structure is limited
- To instill the importance and value of public transportation in future generations
- Sustainability
Survey

- Surveys: email announce sent to all students
  - Method: Online via MyUH
  - Fall 2013: 1,386 responses
Fall 2013 Survey Results

- 94% of students picked up their U-PASS during the Fall 2013 semester.
- 56% of students took 30 or more bus rides during the semester.
- 59% of the students who took the survey are willing to pay more than $30 per semester.
- 80% of students agreed that the U-PASS program should continue beyond the current agreement.
Fall 2013 Survey Results (Cont.)

My primary mode of transportation to and from campus is...

- City Bus: 60%
- Car/Carpooling with a parking pass: 16%
- Car/Carpooling without a parking pass: 17%
- Bike/Moped/Motorcycle: 7%

Ballots cast: 1386
## Negotiations with the City

<table>
<thead>
<tr>
<th>ASUH</th>
<th>City and County of Honolulu, Dept. of Transportation Services</th>
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</thead>
<tbody>
<tr>
<td>Continue at $30 per semester</td>
<td>$50 AY 2015-2016 then $75 AY 2016-2017; Opt-In only at $250 per semester</td>
</tr>
<tr>
<td>Extension at $30</td>
<td></td>
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<tr>
<td>$5 increase per AY, ending at $45 for AY 2017-2018</td>
<td>$40 AY 2015-2016 and $50 AY 2016-2017</td>
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<td>$40 AY 2015-2016 and $50 AY 2016-2017</td>
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Proposal

- Based on the survey results and negotiation:
  - $40 per semester
    - Fall 2015 & Spring 2016
  - $50 per semester
    - Fall 2016 & Spring 2017
- ASUH and UH will not profit from the fee
## Comparison Bus Program Costs at other Public Institutions

<table>
<thead>
<tr>
<th>Institution</th>
<th>U-Pass (or equivalent) Cost Per Semester for Spring 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of California – Berkeley</td>
<td>$70.00 mandatory</td>
</tr>
<tr>
<td>University of California – Davis</td>
<td>$105.00 (including student government fee; mandatory)</td>
</tr>
<tr>
<td></td>
<td>+$18.00 (only for Unitrans; mandatory)</td>
</tr>
<tr>
<td>University of Colorado at Boulder</td>
<td>$85.00 mandatory</td>
</tr>
<tr>
<td>University of Florida</td>
<td>$8.91 per credit; mandatory</td>
</tr>
<tr>
<td>University of Minnesota - Twin Cities</td>
<td>$20 mandatory</td>
</tr>
<tr>
<td></td>
<td>+$100.00 opt-in (need to pay both fees to obtain pass)</td>
</tr>
<tr>
<td>University of Oregon</td>
<td>$212.25 mandatory (including but not limited to, free athletic tickets)</td>
</tr>
<tr>
<td>University of Washington</td>
<td>$76.00 mandatory (per quarter)</td>
</tr>
<tr>
<td>University of Wisconsin</td>
<td>$55.48 mandatory</td>
</tr>
</tbody>
</table>
Benefits to UH Mānoa

- Provides access to school, jobs, internships, community service and recreation
- Reduces the morning parking struggle on campus
- Beneficial to incoming students that are residents and non-residents
  - U-PASS provides a guaranteed mode of transportation
  - New students don’t have to worry about needing a car
  - Drivers don’t have to worry about additional traffic
Student Support

- ASUH Resolution
  - In support of a U-PASS student fee
Mahalo!
ASUH STADIUM STOCK FUND
Proposed Change in Financial Advisor

Kelly Zakimi
ASUH Vice-President

Krista Ann Lee
Chairperson
ASUH Committee on Investments & Long Range Planning
Brief History

ASUH owned 1,481 shares of Honolulu Stadium which were liquidated into $839,258.77 in 1976

ASUH has invested the principal and interest over the past 39 years

The Current Value of the ASUH Stadium Stock Fund is $8,327,220.50
Who Benefits from the ASUH Stadium Stock Fund?

ASUH uses up to 5% of the value of the portfolio each year to benefit students (BORP 8.207.E.8.c.(c.))

ASUH funds support student scholarships, graduate test preparation, undergraduate research, RIOs, campus events, campus initiatives, ASUH office operations and the ASUH senate
Current Financial Advisors

ASUH’s Relationship with Merrill Lynch (ML) since May 21, 1999

ML Advisors- Kirk Taniguchi and Keith Tanabe

Corporate- wide decision to completely withdraw from providing wealth management services to public entities
Process to Find New Financial Advisors

Invitation to Submit Proposals/Call for Proposals

List of 7 companies provided by former VP Howard Todo, in line with companies invited to submit proposals for other UH portfolios

ASUH-ILRP received 4 written proposals

ASUH-ILRP decided to interview 3 companies
Proposed Change in Financial Advisor:

Graystone Consulting
Thank You
&
Questions