Chair Michelle Tagorda called the meeting to order at 9:07 a.m. on Thursday, November 7, 2019, at University of Hawai‘i at Hilo, ʻImiloa Astronomy Center of Hawai‘i, Moanahoku Exhibit Hall, 600 ʻImiloa Place, Hilo, Hawai‘i 96720.

Committee members in attendance: Chair Michelle Tagorda; Vice-Chair Kelli Acopan; Regent Simeon Acoba; Regent Michael McEnerney; and Regent Ernest Wilson Jr.

Others in attendance: Board Chair Ben Kudo; Regent Eugene Bal; Regent Wayne Higaki; Regent Jan Sullivan; Regent Robert Westerman (ex officio committee members); President David Lassner, Vice President (VP) for Administration Jan Gouveia; Interim VP for Community Colleges Erika Lacro; VP for Legal Affairs/University General Counsel Carrie Okinaga; VP for Research and Innovation Vassilis Syrmos; VP for Information Technology/Chief Information Officer Garret Yoshimi; VP for Budget and Finance/Chief Financial Officer Kalbert Young; University of Hawai‘i at Mānoa Provost Michael Bruno; University of Hawai‘i at Hilo Chancellor Bonnie Irwin; University of Hawai‘i - West O‘ahu Chancellor Maenette Benham; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Kendra Oishi; and others as noted.

II. APPROVAL OF MINUTES OF THE OCTOBER 3, 2019 MEETING

Regent McEnerney moved to approve the minutes of the October 3, 2019, seconded by Regent Acopan, and the motion carried unanimously.

III. PUBLIC COMMENT PERIOD

Board Secretary Oishi announced that the Board Office did not receive any written testimony and that no one signed up to deliver oral testimony.

IV. AGENDA ITEMS

A. Information on Special Adjustments in Executive and Managerial Annual Compensation Program

President Lassner provided a brief overview and summary of the general compensation of State employees, as well as specifically reviewing salary and special adjustments to the compensation of Executive and Managerial Personnel (EMs). He noted that most State employees, including UH employees, are covered by collective bargaining (CB) agreements and that excluded employees (those not covered by CB) are
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generally attached to a related CB unit for compensation and benefit package purposes e.g. UH EMs are attached to Bargaining Unit 7 and excluded employees in the Attorney General’s Office are attached to Unit 13. When the State calculates CB appropriations, the employment data used to calculate these appropriations include all included and excluded employees and each bargaining unit must provide those personnel figures to the State. Funds appropriated for the salaries of EMs are included in CB Unit 7 (UHPA) agreements. If those agreements provide for included employees to receive a two percent salary increase, a pool of money is set aside by the State to provide for a two percent salary increase for excluded employees, including EMs. He also stated that all of the funding for both included and excluded employees at UH are approved and provided by the Legislature through their budgeting process.

President Lassner explained that while most employees belonging to a CB unit almost exclusively receive percentage-based salary increases, as well as step movement increases, UH has the opportunity to build in a performance based component for excluded employees. For EMs, UH uses a performance-based evaluation system that evaluates and rates EMs on an annual basis and classifies employees as either Meets Expectations, Exceeds Expectations, Exceptional, or Does Not Meet Expectations which is one component of an annual formula used to calculate their salaries, the other being the across the board percentage increase to base salaries, which is a fixed amount. In the recent case of EM salary increases, as reported in the minutes of the last Committee meeting, there was a flat amount of $1,500 if the EM was classified as Meeting Expectations, plus the percentage increase to their base salary amount, and a one-time increase of either one percent or one-and-a-half percent if the EM was classified as Exceeds Expectations or Exceptional, respectively. He further noted that performance assessments were conducted by supervisors and included a 360 evaluation and an employee self-evaluation.

President Lassner noted that UH has followed a practice for a number of years of providing special adjustments to a small number of employees (approximately 10 or less) based on certain criteria such as equity, retention, and growth in job, and that when this adjustment is made, it takes the place of the formulaic adjustment that is used to make salary adjustments to other EMs. Recommendations are provided for special salary adjustments only for EM personnel with Exceptional evaluation ratings.

President Lassner further noted that the Board has delegated salary increase and adjustment authority to the President of the University but that the practice by the President’s Office has been to brief the Regents prior to the increases and adjustments taking place. The Board also retains the authority over the salaries of the three EMs who report directly to the Board including the President, the Executive Administrator and Secretary of the Board of Regents, and the Director of the Office of Internal Audit.

President Lassner then said a few words about the individuals who reported directly to him, were rated as Exceptional, and who received special salary adjustments as part of their annual salary adjustment. He noted that these individuals included officers of the University, and that he, as well as these individuals, were in charge of one of the largest and one of the most complex organizations in Hawai‘i and all were accountable to the Board. He further noted that these individuals are appointed based on merit, had agreed to take positions at salaries that were lower than their predecessors, some took pay cuts
to join UH, have all declined pay raises in the past, are all paid less than the medians of their national comparisons. They have accomplishments such as taking on greater responsibilities to create programmatic areas of the University that did not exist just a few years ago such as sustainability and land management, assuming the duties of other managers and staff who left UH, have built and rebuilt offices, and have achieved substantial savings in their areas. All have contributed tremendously to the University. These individuals work together as a team to get the work done.

Board Chair Kudo commented that the comments and concerns that he has been hearing are that, even though revenue is up, enrollment is declining which to some is not a success. He questioned the justification of these pay increases in light of declining enrollment. President Lassner responded that headcount enrollment is not the most important metric and it is only one component of a university’s success. If UH only focused on enrollment as a measure of success, it would look towards slowing down graduation rates rather than trying to increase them and would try to keep people at UH for longer periods of time. While headcount enrollment could be improved, he also noted the importance of increasing the number of high school students choosing to pursue higher education and working in partnership with others, such as public high schools, to achieve this goal. He added that, in Hawai’i, the number of public high school students pursuing a post-secondary education is relatively low. He also noted that headcount enrollment numbers were not totally controllable by UH and that it was unreasonable to hold the VPs solely responsible for the low enrollment numbers. The interest is in returning to pre-recession enrollment numbers but that will take a grass roots effort, particularly at the public high schools.

Board Chair Kudo commented that perhaps it is a perception issue and that the University needs to do a better job of communicating this information. President Lassner agreed and referenced feedback from a legislator who had heard many good things about the successes of UH from individuals at mainland conferences but that information on UH’s success rates didn’t seem to be getting out to the people of Hawai’i.

Board Chair Kudo noted that the perception issue creates political problems, since some view enrollment numbers as an indicator of success. He highlighted the counter argument that UH is experiencing greater graduation success rates which affect enrollment numbers and suggested that the Administration address the perception issue to minimize criticism for doing things that are counter to what some people hold as an indicator of success.

Regent Nahale-a stated that UH is not receiving nearly enough credit for its work. He noted that discussions at the Board meeting held the previous evening also highlighted issues that have been exacerbated by perception, or the lack thereof, and communication issues and these issues need to be addressed.

Regent Acoba arrived at 9:34 a.m.

Regent Higaki observed that the salary increases may be perceived as bonuses and that if the VPs had received raises on a more consistent basis, even when they tried to refuse these raises, then perhaps we might not be in this situation.
Chair Tagorda agreed that the perception issue was important and that the University as a whole needs to continue to move forward to change this perception issue.

Board Chair Kudo added that a large, one-time increase in salaries, even if they are deserved, attracts attention and that smaller increases over a period of time may be more advisable.

**B. Proposed Revisions to Regents Policy 9.212, Executive and Managerial Personnel Policies**

VP Gouveia discussed the evolution of RP 9.212 and noted that in 2016, significant revisions were made, particularly with regard to the method by which salary schedules were constructed and which salaries the Board approved. The Board conducted a review of its role with regard to EMs, particularly with regard to hiring and salaries. Currently, the Board is involved in the initial appointment and salary consideration of EMs with initial compensation above the maximum compensation of the salary schedule. She noted that the Board delegated certain compensation and salary adjustment authority to the President and chancellors, with the exception of the direct reports to the Board. Prior to this revision in policy, any salary and compensation packages over $150,000 and any adjustments to those salaries had to go to the Board for review and approval which made the process very transactional, tedious, detail specific, and time consuming. The revisions made streamlined the process and allowed for salaries to be set in accordance with the unique needs of each division of the University.

By request, VP Gouveia drafted an amendment to RP 9.212 that shifts the authority to approve salary adjustments for EMs that report directly to the President, the Executive Administrator and Secretary of the Board of Regents, and the Director of the Office of Internal Audit and that are not formulaic in nature, back to the Board.

Regent Wilson moved to accept the proposed changes to RP 9.212 as presented and Regent McEnerney seconded the motion.

Questions were raised regarding the discussions that would occur in open session and executive session and the type of information that would be provided. VP Gouveia explained that there would be an action memo, which is public, although confidential matters might only be covered in executive session. President Lassner further stated that this would be comparable to the initial appointment process where the basis for the salary would be presented to the Board.

Regent Bal remarked that his concern with the proposal is that it appeared the Board would not have the opportunity to review and exercise oversight over salary adjustments for EMs below the President, the Executive Administrator and Secretary of the Board of Regents, and the Director of the Office of Internal Audit. VP Gouveia noted that the law requires public posting of the information before it takes effect, but the increase would not require official Board action or approval, except for the direct reports and those reporting directly to the direct reports.

President Lassner framed it in another way noting that presently the Board approves initial salaries of the individuals who report directly to the Board and those who report directly to those three individuals. Below that, everything is reported on an attachment
which is a public record, and from time to time Regents have asked questions about those adjustments. This proposed amendment would apply the same rules to special compensation adjustments and give approval authority back to the Board on special compensations, but not on the formulaic ones. He noted that he was initially unaware that this authority had been delegated to the President.

Regent Acoba questioned whether the Board would be able to increase or decrease authorizations or recommendations made by the President. VP Gouveia responded in the affirmative.

Regent Westerman expressed his belief that the Board shouldn’t be approving salaries of all employees and that even if the Board receives the attachment listing salaries, that salary has already been established and he would be reluctant to amend that salary. He questioned whether the Board would only approve those salaries beyond the established guidelines. VP Gouveia reiterated that the Board would see salary increases that are not formulaic in nature, except for the three direct reports to the Board. However, if special adjustments are made to EMs who report directly to the three direct reports, the Board would see those for approval.

Board Chair Kudo questioned why the proposed policy was limited to EMs who reported directly to the three direct reports, as the concerns raised extend beyond those individuals. He noted, for example, that the Dean of the Medical School does not directly report to the President or to the Board and asked if the Board would not be able to approve or disapprove a salary increase under this policy. VP Gouveia responded that under this policy, the Board would only be notified and not approve or disapprove the raise. Board Chair Kudo noted that the intent of the policy should be to address concerns raised that the Board has a fiduciary responsibility when dealing with public funds.

President Lassner explained that the University has traditionally followed a two-level rule whereby personnel actions get approved two levels above and that the proposed policy amendment reinstates the two-level rule that had been removed a couple of years ago. He noted that if the Board wishes to go back to approving every salary then it needs to have a longer discussion about that.

Board Chair Kudo expressed the need for the Board to find a balance between the delegation of certain compensation and salary adjustment authority to the President and appropriate fiduciary oversight by the Board. He suggested that the Committee should be looking at where this balance lies and which salary adjustments should fall under the Board.

President Lassner expressed the desire for direction from the Board so that the Administration understands the parameters that they should follow.

Chair Tagorda stated that her understanding that the sentiment of the Committee was to expand oversight of the Board beyond what is provided for in the proposed policy change.

President Lassner responded that based on the discussions, it might be appropriate to have the Board approve all non-formulaic salary adjustments.
Board Chair Kudo commented that a threshold could be established by dollar amount, or percentage, or a combination of both, where Board approval would be required. For example, all EMs making over $150,000 and whose special adjustment is above the formulaic percentage increase for that year would be brought before the Board for approval.

President Lassner suggested that further discussion was warranted and that the Administration could provide a few options for consideration by the Board. He also noted that this change won’t have an impact for another year so there would be time to develop a proposal.

Regent Wilson withdrew the motion, with Regent McEnerney withdrawing his seconding of the motion.

Chair Tagorda noted that the Board is being responsive to the concerns raised and that we should take the time to make sure we are making the right decisions. This will also give the Committee time to give consideration to the discussions, understand what the Board’s goal is, and determine how the correct oversight can be provided.

C. Board of Regents Committee Structure Update

Committee Chair Tagorda provided an update on a project to compare the bylaws of each committee with Board policy to ensure that they are properly aligned and having the Committee review this information to evaluate itself, the overall committee structure of the Board, and the Board as a whole to ensure that the committees and the Board are doing what they are required to do. She noted that this information could then be used to help make decisions with regard to any changes in committee structure. She is hoping to have the Board Office provide this comparison data at the February or March Committee meeting for further discussion. She suggested that committees view the goals and objectives that are more transactional in nature versus strategic.

V. ADJOURNMENT

There being no further business, Regent Wilson moved to adjourn, and Regent Acopan seconded, and with unanimous approval, the meeting was adjourned at 10:08 a.m.

Respectfully Submitted,

/S/

Kendra Oishi
Executive Administrator and Secretary of the Board of Regents