Committee Chair Report

UNIVERSITY OF HAWAI‘I
BOARD OF REGENTS’ COMMITTEE ON BUDGET AND FINANCE
November 4, 2015

The committee met on November 4, 2015, and is recommending two actions:
1. approval of amendments to the board policies regarding summer tuition to provide the president more flexibility in setting tuition by executive policy without a cap on a multiyear basis while ensuring that the rates would keep in line with increase of the previous year and ensure nonresident tuition is not lower than resident tuition. Data shows enrollment and graduation increases. More data will be collected on the impact regarding nonresident students.

2. approval of naming opportunities for Palamanui Campus on the island of Hawai‘i. The figures are based on peer and market comparison and donor interest. The funds will be divided between funding an endowment for repairs and maintenance and the remaining cash restricted to equipping the space.

The committee also received the following reports for discussion:
1. An update by President Lassner on Performance Based Funding Methodology Model for the University of Hawai‘i System. The model was derived based on what other peers have developed, and the UHCC’s current methodology. In accordance with the budget directive, the model will use HGI metrics on student outcomes. There is a proposed weighting for each metric, and the maximum allocation per campus is established based on SSH costs that have been derived from IPEDS data. Funding may be shifted among the campus allocations if a unit fails to achieve performance goals. The available allocation may be impacted by budget restrictions set by the Governor. The outcome will be reported after the first year.

2. The Quarterly Financial Report as of September 30, 2015, which showed all indicators are on track, with most units showing improved performance compared to revenues and expenditures last year. Administration will continue to monitor. UHWO was flagged and it was noted that the upcoming EB-5 loan repayment issue must be addressed. In connection with the financial reporting, administration provided an update of a proposed FY16 Quarterly Financial Revised Format that will be further refined. Additional budget categories can be incorporated in FY17. Much discussion centered on the improvements made, consideration of the University’s preference to budget by semesters instead of by quarters, and the purpose of the reports (transparency, accountability and fiscal responsibility). The committee’s eventual goal is to have the financial reports roll up to dashboards that will summarize bigger trends and areas of concern. The committee emphasized that budgeting and financial reports should be management tools that are utilized by administration.

3. The UBS FY16 First Quarter Investment Report on the Legacy Endowment Fund as of September 30, 2015 showed negative returns largely due to the recent China market downturn, but is still up 26 basis points overall from inception. Currently the markets are rebounding. The investment of funds is in compliance with investment guidelines and policies. Divestment from fossil fuel producers is proceeding. The committee considered a...
task group to receive and review such detailed reports going forward and report back to the committee.

4. A UH Mānoa update on its progress on its Budget Allocation Model. The model incorporates both revenue and activity based budgeting. Meetings on the model were held with the faculty senate, ASUH, GSO, and Kualii Council, deans and directors. More will be reported at the next meeting.

5. A post issuance recap on the Series 2015-A through 2015-E revenue bond transaction. The transaction was complex and diverse, with one taxable series providing $8.6 million of new money for a portion of the law and pharmacy schools’ construction, two refunding of tax-exempt bonds with taxable bonds to provide flexibility in the use of the proceeds, and two tax exempt refunding bonds. The refinancing resulted in more than $15M in savings over the life of the bonds. The net increase in debt service over the life of all five series, including the new money, was only $270,000. The committee commended VP Young for the successful result, noting the especially complex and complicated transaction.