MINUTES
UNIVERSITY OF HAWAI‘I BOARD OF REGENTS’
MEETING OF
January 20-21, 2005

I. CALL TO ORDER

The meeting was called to order by Chairperson Patricia Y. Lee on Thursday, January 20, 2005 at 10:15 a.m., in the Tamarind Banquet Room, 2nd Floor, ‘Ohelo Building, Kapi‘olani Community College.

Attendance

Present were Regents Andres Albano, Jr., Byron W. Bender, Ramón S. de la Peña, James J. C. Haynes II, Trent K. Kakuda, Kitty Lagareta, Alvin A. Tanaka, and Jane B. Tatibouet; Interim President David McClain; Executive Administrator and Secretary of the Board David Iha; and Executive Assistant Carl H. Makino. Regents John K. Kai and Myron A. Yamasato were excused.

Also present were Mr. Walter Kirimitsu, University General Counsel; Mr. Sam Callejo, Vice President for Administration; Dr. Doris Ching, Vice President for Student Affairs; Dr. James Gaines, Interim Vice President for Research; Dr. Linda Johnsrud, Interim Associate Vice President for Planning and Policy and Acting Chancellor, University of Hawai‘i at West O‘ahu; Ms. Carolyn Tanaka, Associate Vice President for External Affairs and University Relations; Ms. Peggy Cha, Chancellor, Kaua‘i Community College; Dr. Peter Englert, Chancellor, University of Hawai‘i at Mānoa (UH-Mānoa); Mr. Rockne Freitas, Chancellor, Hawai‘i Community College; Dr. Angela Meixell, Chancellor, Windward Community College; Dr. John Morton, Chancellor, Kapi‘olani Community College; Mr. Ramsey Pedersen, Chancellor, Honolulu Community College; Dr. Clyde Sakamoto, Chancellor, Maui Community College; Dr. Mark Silliman, Chancellor, Leeward Community College; Dr. Rose Tseng, Chancellor, University of Hawai‘i at Hilo; Mr. Presley Pang, Associate General Counsel; Mr. William King, Vice President, University of Hawai‘i Foundation; Mr. Walter Niemczura, President, Administrative, Professional and Technical (APT); and others.

II. APPROVAL OF MINUTES

Upon motion by Regent Kakuda and second by Regent Lagareta, the Board approved the minutes of the November 18-19, 2004 meeting and committee meeting minutes of October 21, 2004 and November 16, 2004, as circulated.
III. PUBLIC COMMENT PERIOD

Regent Tatibouet moved to take from the table the appointment of Jon Matsuoka as Dean of the School of Social Work, University of Hawai‘i at Mānoa. Regent Tanaka seconded the motion which was unanimously carried. Regent Tanaka then moved to take out of order the appointment of the Dean for the School of Social Work, University of Hawai‘i at Mānoa. Regent de la Peña seconded the motion which was unanimously carried.

Regent Lagareta recalled that at the Board’s previous meeting, this matter was tabled due to technical questions related to the search process. Chairperson Lee explained that General Counsel would be presenting the findings of their investigation in executive session.

Chairperson Lee explained that testimonies were to address the search process and not the strengths and weaknesses of a candidate.

The following testimonies were received on the appointment of Jon Matsuoka as Dean, School of Social Work, University of Hawai‘i at Mānoa:

1. Collette Browne expressed that the process was proper and that Chancellor Englert’s choice of Jon Matsuoka was a good one.

2. Puanani Burges stated that the process was correct and above board and that she supported the appointment of Jon Matsuoka.

3. Poka Lae Nui expressed support for the appointment of Jon Matsuoka.

4. Hooipo DeCambra expressed support for the appointment of Jon Matsuoka.

5. Pam Armsberger expressed that the search process was open and fair and that she supported the appointment of Jon Matsuoka.

6. Jackie Graessle supported the process and the decision of Chancellor Englert in declaring that the process was correct and for recommending Jon Matsuoka.

7. Paula Morelli expressed support for the process and selection of Jon Matsuoka.

8. Davianna McGregor and Weiano Minerbi expressed support for the appointment of Jon Matsuoka.

9. Peter Mataira expressed confidence in the process and the integrity of the search committee, particularly its chair, Andy Hashimoto.

10. Dotty Tsipopoulos expressed that the search process was fair and that the search committee had done an excellent job.

11. Violet Horvath expressed that the process was fair and open and supported the appointment of Jon Matsuoka.
12. James Deutch expressed that the process was fair and that it was time to make a decision for a permanent dean.

13. Marty Oliphamp expressed that the School of Social Work needs a permanent dean and that all students had considerable opportunity to provide input throughout the process.

14. Hamilton McCubbin thought that the process was followed and that according to Counsel, the Chancellor had been consulted. He added that he found it highly unusual for a search process to be discussed publicly by the Board.

Regent Lagareta emphasized that the Board had supported the Chancellor’s authority to make a selection. However, the Board wanted to insure that processes are followed and as such, that was the only issue before the Board relative to this matter.

15. Jon Matsuoka expressed that he was treated fairly as a candidate and that the process was open and fair.

16. Bob Peters supported the appointment of Jon Matsuoka.

17. Michael DeMattos, stated that as a faculty of the School of Social Work, he felt that the process was open, clear, and fair.

18. Joel Fischer stated that he felt there was a lack of due process and that the process was flawed. He asked that the Board terminate the search and consider options that he had submitted. He expressed that he had experienced retribution by speaking out on this matter.

19. Kai Duponte supported the appointment of Jon Matsuoka.

Regent Lagareta moved to discuss this matter in executive session under provisions of Chapter 92, Hawai‘i Revised Statutes. Regent Tanaka seconded the motion which was unanimously carried.

Testimonies were received on the awarding of an honorary degree to Ms. Genoa Leilani Kawaihapai Adolpho Keawe (Agenda Item #1).

1. Charles Rose, Hawaiian Civic Club, expressed support for the awarding of an honorary degree for Ms. Keawe, a living treasure of Hawai‘i.

2. Antoinette Lee, Association of Hawaiian Civic Clubs, expressed support for the awarding of an honorary degree for Genoa Keawe in light of her contributions and her accomplishments in perpetuating Hawai‘i’s music and culture.

The following testimony was received on Naming Opportunities for Private Gifts to the University (Agenda Item #14).

1. Regent Emeritus Momi Cazimero stated that the Board should not sell off values of the University despite its financial challenges. She agreed that buildings can be named after individuals but based on
merit and not merely on a donation. She supported retaining the current Board policy on naming of buildings and programs.

Regent Tanaka explained that the request would apply to opportunities outside the Board’s policy. Regent Emeritus Cazimero reiterated that naming of lifetime entities such as buildings, honorary degrees, and programs need careful consideration.

President McClain clarified that the authority would still rest with the Board.

IV. AGENDA ITEMS

1. **Honorary Degree for Genoa Leilani Kawaihapai Adolpho Keawe**

   Chancellor Meixell recommended that the Board grant an honorary degree to Genoa Leilani Kawaihapai Adolpho Keawe. The honorary degree would be conferred by the University of Hawai‘i at the Windward Community College (WCC) Spring 2005 Commencement to be held on May 14, 2005.

   Board policy provides that the Board may confer honorary degrees to individuals in accordance with the criteria and conditions established and enumerated in that section. Candidates must be distinguished with the equivalent of a national or international reputation. The distinguished accomplishment may have been achieved in such general areas as scholarship, the arts, public service, the professions, or business and industry. Board policy further provides that an honorary degree is awarded by the University of Hawai‘i as a whole rather than by a campus on which the conferral shall take place. Academic ceremonies at which honorary degrees may be conferred are University celebrations, commencement ceremonies, inaugurations, and special convocations.

   Genoa Keawe, has achieved national stature and recognition for her musical achievements. The sole living member of the Hawaiian Music Hall of Fame, Auntie Genoa is the recipient of many awards. She has also distinguished herself through extensive and lengthy public service. She has given freely of her time and talent to promote traditional Hawaiian music. She continues to share her talents as a performer, and as a teacher and mentor to musicians of all ages. She has been an instructor in ‘ukulele workshops as part of the Windward Community College Hawai‘i Music Institute.

   The nomination was endorsed by the University of Hawai‘i Council of Chancellors and the Windward Community College Council.

   Regent Haynes stated that Ms. Keawe is a well-deserving individual for an honorary degree from the University of Hawai‘i. Regent Lagareta concurred and moved to award the honorary degree Doctor of Humane Letters to Ms. Genoa Leilani Kawaihapai Adolpho Keawe during commencement ceremonies at WCC in accordance with Board policy. Regent de la Peña seconded the motion which was unanimously carried.
2. **University of Hawai‘i Endowment Fund**

   a. Preliminary Performance Update as of December 31, 2004 by Wachovia Securities

   Third Party Monitor Mr. Tom Sakai, Wachovia Securities, reported that he was pleased that the total fund had outperformed the benchmark for the period. The fund realized a return of over 8.5 vs. the policy index of 7.5. Also, the recent quarter results outperformed the benchmark, 5.4 vs. 5.2. However, there were contrasts in performances by the managers.

   Bank of Hawai‘i, for the year to date, returned 4.2 percent vs. 4.7 percent for the benchmark. Bishop Street Capital was at 4.1 percent, underperforming the policy’s index of 6.9 percent. NWQ’s performance was at 12.7 percent vs. the 9.3 percent index. Brandes Investment had a return of 27.2 percent vs. their benchmark of 20.7 percent and Bank of Hawai‘i’s short term fixed income was at .5 percent vs. its 1.3 percent policy index.

   Mr. Sakai reported that Bishop Street was first placed on probation on October 4, 2002 because of their underperformance in 2000 and 2001. In 2000, they underperformed their policy index by five percentage points. They had a negative return of five percent vs. the policy index which declined just two percent. In 2001, they underperformed their policy index by nine percentage points. They had a decline of 13.5 percent and the policy index was down by 4.7 percent. Therefore, Bishop Street was placed on probation and for the first six months’ probation, they met that probation. The probation was extended for another six months and the expectation was that for the twelve-month period, their performance would match or exceed the policy. They achieved that. Another extension was given for a full year. The idea of this probation is to allow the manager to make back the underperformance of the previous years but it was felt that another extension should not be given if they underperformed before they recovered their underperformance of 2000 and 2001.

   When it was noted that they were underperforming again, a letter was written to the Board with a copy to the manager, with the expectation for them to achieve a return for the last twelve months equal to the benchmark. They failed to do that and the recommendation was to place Bishop Street back on probation. Mr. Sakai noted that Bishop Street returned -.5 percent for the quarter ending September 30th which was the first quarter following the removal of the manager’s probation. This return was .9 percentage points below the policy index. Also the performance for the last twelve months and the last three years ending September 30, 2004 ranked in the lower 75th percentile and 95th percentile respectively.

   Bishop Street responded, requesting another extension. Mr. Sakai mentioned that Wachovia’s recommendation did not factor in contributions made to the University by First Hawaiian Bank. He indicated that some institutions might take such factors into consideration but it would be a Board decision. Mr. Sakai added that Bishop Street Capital Management had made organizational improvements but contends that it was difficult to make up the lost ground in the short time frame. He suggested that the review period be through the fiscal year ending June 30, 2005. Mr. Sakai emphasized that his recommendation was based strictly on performance. Regent Lagareta stated that she would not consider factors such as financial contributions to the institution.
Mr. Sakai reported that as of December 31, 2004, the Endowment Fund’s value increased to $55,348,438. This was attributable to the performance of Brandes and Bank of Hawai'i. He then compared the performance of three other investment managers against Bishop Street as well as their policy indexes. These managers were Golden Capital Management, Neuberger Berman, and New Amsterdam Partners. He pointed out that among the three, Neuberger Berman performed the best as compared to New Amsterdam, Golden Capital, and Bishop Street. He also discussed the manager philosophy of the three firms. Regent Albano asked who would determine asset allocations. Mr. Sakai stated that it was by policy and a University committee.

Mr. Sakai said there were three options: 1) to provide Bishop Street an extension as they requested; 2) terminate them and find another manager; or 3) reduce the equity exposure to that manager. President McClain asked if the Board were to replace Bishop Street if Mr. Sakai would recommend Neuberger Berman. Mr. Sakai stated that from the standpoint of the Board’s fiduciary responsibility, if a new manager were to be selected that his recommendation would be Neuberger

Regent Lagareta stated that when she became a Regent, Bishop Street was already on the watch list. Bishop Street was given another chance and the results are now being presented. She said the Board needs to take action and therefore moved to terminate Bishop Street and replace them with Neuberger Berman as recommended by the Third Party Monitor. Regent Tatibouet seconded the motion. During the discussion, Regent Haynes stated that based on the comprehensive report provided by the Third Party Monitor, the Board had a fiduciary responsibility to act expeditiously. Upon call the motion was carried unanimously.

Chairperson Lee instructed the administration to begin the necessary transactions to implement this action.

b. Endowment Fund Report by Bank of Hawai'i

Representing Bank of Hawai'i were Vice President David Chung; Chief Investment Officer Toby Martin; and Institutional Equity Manager Roger Khlopin.

Mr. Martin reported that Bank of Hawai'i made organizational changes but recognized that Bank of Hawai'i had performance issues. Changes have been instituted to the portfolio management team. The fixed income portion has been a solid performer so the equity piece will be addressed. Regent Lagareta asked what would be a reasonable time frame to give Bank of Hawai'i and to assess the improvements made. Mr. Chung responded that the Board has a process in place so the next report would show whether the Bank is performing to expectations. Mr. Khlopin provided further information on changes made by Bank of Hawai'i to insure their future performance.

The meeting was recessed at 12:13 p.m. and reconvened at 1:15 p.m. in the same location.

3. Consolidated Financial Statements, University of Hawai'i

Mr. Jim Hasselman of PricewaterhouseCoopers (PWC), noted that Athletics continues to struggle with its financial management and report. They have since hired a Chief Financial Officer (CFO) and hope to reduce their deficit budget. Flood losses are not reflected in the financials since they occurred after closing. The financials look strong on paper which is good for the University’s bond rating. He
indicated that the financial picture for the University, while improving, still has challenges. Capital assets grew by $170 million between 2002 and 2004. As of 2004, the net assets amounted to $362 million with $150 million in liabilities for a working capital of $212 million.

A statement of revenues, expenses and changes in net assets revealed that in 2004, State appropriations amounted to $460 million; grants and contracts, $314 million; tuition and fees, $110 million; sales and services, $94 million; and others, $18 million. In the expenses, compensation and benefits accounted for 66% of all expenses, followed by supplies and materials, telecom and utilities, scholarships and fellowships, and depreciation.

Reporting on internal controls, Mr. Hasselman said that the University should be operating with periodic testing with reports to management. Regent Lagareta commented that the issue of not reconciling cash had caught the Board’s attention. She asked if that was an internal control factor and what would be the ramifications. Mr. Hasselman responded that it was a finding and that it will appear in the next month’s report along with PWC’s recommendations. He added that he understood the University had taken steps to get caught up with its cash reconciliation. Acquiring a new CFO should help to ensure for tighter internal controls; however, he reiterated that there is a need for a larger internal control department.

President McClain acknowledged that reconciliations were ten months behind. The administration did encourage those in financial management to alert the administration when these problems arise so that corrective steps can be taken. He added that the figures indicate that the University does not receive enough from tuition to pay for all of the costs to educate a student. Therefore, as enrollments increase, there isn’t enough money to serve some of the accompanying needs. He inquired about the flood damage. Mr. Hasselman said that it will be reflected as a loss in the next financial report.

Regent de la Peña moved to receive the consolidated financial statements as prepared by PricewaterhouseCoopers. The motion was seconded by Regent Lagareta and unanimously carried.

4. **Draft Request for Proposal for Student Housing, University of Hawai‘i at Hilo**

Chancellor Tseng explained that UH-Hilo needs to increase its student housing to meet the anticipated growth in enrollment. Mr. Miles Nagata, UH-Hilo Student Housing Director, informed that UH-Hilo makes every effort to find housing for its students, including off-campus rentals. Currently, 620 students or about 18% of the current student body can be accommodated. However, the demand for housing exceeds the supply and the Housing Office had 350 on the wait list in Fall of 2004.

The Strategic Plan for UH-Hilo calls for the enrollment of students to grow to a target population of 5,000. UH-Hilo student enrollment has been increasing but this growth has slowed due to the lack of available housing in the Hilo area. Many new freshmen and transfer students accepted to UH-Hilo chose not to attend due to lack of available housing.

UH-Hilo entered into a public/private partnership with Geo International Explorer, Inc. to build apartment housing on University land adjacent to campus. The China-U.S. Center project will house 760 students and is expected to open during
the 2005-06 academic year. It is anticipated that these spaces will be quickly filled by the students who are now living in many of the off-campus locations.

To create additional housing to accommodate future growth, UH-Hilo wishes to solicit interest in the development of new on-campus student housing for 600 students with associated facilities as the first phase of developing university housing at its Nowelo Street location. This site is designated for student housing use in the UH-Hilo Long Range Development Plan. It is envisioned that at some point this site will contain housing for over a thousand students.

Director Yokota explained that the objective of the request for qualifications (RFQ) is to select a developer through a two-step process. The first step is to solicit information in the form of a statement of qualifications from interested developers. A short list of from three to five of the most qualified developers would be invited to participate in the second step which would require the submission of proposals for design, construction, financing and management. She explained that the tentative schedule would be to issue a request for qualification towards the ending of February with a selection of a short list by April 2005. The second phase would commence around April with developers making presentations in June. A final developer will be selected and brought to the Board in September 2005. She added that the RFQ’s would be on the website and in order to have a consistency of information, there will be only one contact person. The University intends to enter into an agreement with the most qualified team that demonstrates knowledge, experience, organization and financial ability that serves the best interest of the University.

Regent Tanaka asked if there would be an interest in the project. Director Yokota said there was a strong response. In response to Regent Lagareta’s inquiry, Director Yokota clarified that developers would provide different thoughts on how they might fund it. This would be a public/private partnership and the best qualified would then be selected.

Chairperson Lee requested an update on the U.S. China Center. Interim Vice Chancellor Bill Chen responded that there will be a meeting with developers on a weekly basis. Currently, the plan is for four buildings with a total of 760 bed spaces.

Regent Albano inquired about Geo’s financial capabilities. Interim Vice Chancellor Chen said he did confirm their financials and that Geo’s problem is no longer its financial capability but obtaining the necessary permits.

Regent Albano asked if any of the rooms were set aside for Hawai‘i Community College students. Mr. Nagata explained that there was no set allocation for Hawai‘i Community College students. However, the Student Housing Office regarded all students equally, both UH-Hilo as well as Hawai‘i Community College. He added that freshmen at UH-Hilo and Hawai‘i Community College are given the highest priority for student housing on campus.

5. **Establish a Student Health Fee at the University of Hawai‘i at Hilo**

Chancellor Tseng requested that the Board approve retroactively the establishment of a Student Health service fee of $7.00 per semester for all students at UH-Hilo and requested that the effective date from this action be made retroactive to May 15, 2003. She explained that in May 2003 former President Dobelle had approved a Student Health fee of $7.00 per semester for all students at UH-Hilo. The Office of the General Counsel recently discovered that by Board policy,
President Dobelle did not have the authority to approve the implementation of such a fee without Board approval. This request for approval by the Board of Regents to establish the Student Health fee at UH-Hilo retroactively, effective Fall, 2003 is to correct the procedure of May 15, 2003.

The Student Health fee was requested to provide additional funds to enable the Student Health Center to expand services in order to provide better health service for the students at UH-Hilo. The students at the University and their student government, the Associated Students of the University of Hawai‘i at Hilo, strongly supported the establishment of this Student Health fee. Since its implementation in Fall, 2003 the program has been developed and it has been highly successful. The two part-time physicians added as a result of the new fee, working in the Student Health Center, have served up to 200 student/patient visits per month and the program has been met with high student satisfaction. The Student Health fee of $7.00 per semester for all students at UH-Hilo has been collected and deposited in a sub account of the Auxiliary Enterprise Special Fund account of UH-Hilo to be used by the Student Health Center for expanded services.

Regent Tatibouet moved to approve retroactively to May 15, 2003 the establishment of a Student Health fee in the amount of $7.00 per semester per student at the University of Hawai‘i at Hilo Student Health Services and that the Board’s policy be amended accordingly. The motion was seconded by Regent Haynes and it was unanimously carried.

6. Amendments to the Board of Regents’ Approved Student Housing Rental Rates

Chancellor Tseng requested that the Board approve amendments to the student housing, increasing the rental rates at the University of Hawai‘i at Hilo by 20% effective Fall 2005, 15% effective Fall 2006, and 10% effective Fall 2007.

Mr. Miles Nagata, Housing Director, explained that student housing program at UH-Hilo has addressed much of its deferred maintenance, made significant improvements and upgrades, and has replaced much of the old furnishings, including improvements in fire safety, utility grid, ADA compliance, data communication, painting and reroofing projects. The UH-Hilo housing program has replaced window coverings, light fixtures, carpeting, flooring, mattresses and other furnishing. It is imperative that the Housing Program continues to modernize and to improve the quality in residential life. While much work has been done, much more is required. Staffing levels are not adequate to meet the needs of the residents. With the increase in services and other requirements, staff must be added to better meet increasing student demands by providing a quality residential life program.

The University of Hawai‘i at Hilo administration understands that a good housing program requires the attention and support of the entire University community. The University has provided much financial support to enable the housing program to work toward accomplishing its goals. However, it appears that the University will no longer be able to provide the current level of financial support in the future. The cost to continue this quest to improve the quality of residential life at UH-Hilo is continually rising. To ensure success, the UH-Hilo housing program must be able to meet future needs. The following is an overview of the reasons for the increase, benefits to students, and some comparison information.
All residence halls are aging and will require increased maintenance and replacements in the future, including painting of interiors and exteriors, and replacements of furniture, mattresses, appliances, windows and doors. Operating costs continue to rise and are expected to rise for years into the future. Collective bargaining unit wages rose by 2 percent on July 1, 2004 and will increase by another 7 percent on January 1, 2005. UH-Hilo Housing is currently understaffed. Specialized staff is needed to better service the resident students. A new staff person will maintain the residence hall computer network (ResNet) and to provide education and assistance to address computing problems. This position will also help in assisting students with other technologies. A second educational program development position is required. This position will assist with the delivery of educational programs for student living. Improvements and upgrades need to be made to the living environment in the residence halls. The most requested improvement is for cable TV connection to be available in each room and this proposal will allow this request to be addressed. Finally, Board policy mandates that the housing program be self sufficient. Previous increases have not been funded at the level necessary to ensure self sufficiency. The University of Hawaii at Hilo has provided substantial financial assistance by funding improvements and repairs of the residence halls, but, cannot continue to do so in the future. For these reasons, according to Mr. Nagata, the University of Hawaii at Hilo, student housing program is seeking an increase in the student housing rates to begin with the Fall Semester 2005. Because of the economic impact on students, a great deal of care has been given to assure that these proposed rate increases are as low as possible while at the same time are sufficient to upgrade and maintain the residence halls to the level of quality and self sufficiency desired. Housing costs will still remain below that of most comparable institutions.

Information sessions on the proposed increase were given to current housing residents, student government groups, and the general campus community on the Maui and Mānoa campuses. UH-Hilo housing residents were also contacted via email. Few comments have been received, however, most are very supportive of the proposed increase.

Dorm resident Cinnamon Brown testified that the increases are necessary and that the student residents understand that while the increases will be high the revenues are needed to upgrade the facilities. She added that the rates are reasonable and even with the increases, the rates will be low in comparison to peer institutions.

Regent Albano asked if the buildings would be wired for wireless networking. Interim Vice Chancellor Chen said that it would be difficult to cover the entire area since the buildings are concrete. In addition, wireless is not secured and difficult to reach all the individual rooms in a concrete building.

Regent Tatibouet asked if there would be a mixture of rooms. Mr. Nagata responded that there are some singles to accommodate different student needs.

Regent Tatibouet asked how were peer institutions chosen. Interim Vice Chancellor Chen said that they used the NCHEMS list.

Chairperson Lee said that she supported UH-Hilo's goal of being a residential campus. There seems to be a special bond between students and the institution that occurs at residential campuses as opposed to commuter campuses.
Regent Tatibouet moved to approve the rate increases at UH-Hilo Student Housing for Fall 2005 by 20%, Fall 2006 by 15% and Fall 2007 by 10% and that the Board's policy be amended accordingly. The motion was seconded by Regent de la Peña and unanimously carried.

7. **Commercial Activities on Mauna Kea**

Chancellor Tseng explained that the Board is being requested to accept the delegation of permitting of commercial activities on Mauna Kea from the Board of Land and Natural Resources. Mr. William Stormont, Director of the Office of Mauna Kea Management (OMKM), clarified that the requested action was for the Board to:

- Accept the delegation from the Board of Land and Natural Resources (BLNR) to the University of Hawai‘i transferring the authority to regulate commercial tour activities on Mauna Kea.

- Authorize the Office of Mauna Kea Management (OMKM) through its Director to continue to regulate the nine permit holders who operate commercial tour activities under the same terms and conditions imposed by the Board of Land and Natural Resources until the OMKM develops and the Board of Regents approves temporary permits.

- Grant the OMKM authority to issue permits and collect fees under the same terms and conditions that exist through the Board of Land and Natural Resources.

- Authorize the OMKM to deposit the fees generated from commercial tour activities into the University of Hawai‘i Auxiliary Enterprises Special Fund. This fund authorizes the OMKM to utilize the amounts deposited for the cost of providing auxiliary services.

In December 2000, according to Mr. Stormont, the BLNR authorized the transfer of authority and function of permitting, including all existing revocable permits, for commercial tour operations to the University of Hawai‘i. This transfer was subject to review and approval by the Attorney General. Even though the BLNR transferred the authority and function of permitting of commercial tour operations to the University of Hawai‘i, this transfer was conditioned on an opinion from the Attorney General regarding the legality of the transfer. The Attorney General rendered an opinion that the transfer to the University of Hawai‘i was legal.

The University of Hawai‘i does not currently have a policy regarding the permitting of commercial tour companies, nor does it have a process for issuing permits to these companies. Until such time that the University of Hawai‘i develops and approves procedures for issuing permits for commercial tours, current commercial tour companies will continue to operate under BLNR rules, and fees will continue to be paid by the permit holders. There are currently nine companies permitted to operate tours to Mauna Kea.

Fees are currently paid to the Department of Land and Natural Resources. With the acceptance of responsibility by the University of Hawai‘i to manage commercial tour activities, fees will be paid to the University. OMKM is developing permit conditions and fees which will reflect current conditions. It is anticipated these permits and conditions will be finalized in Spring 2005. They will be proposed to the Board of Regents as replacements for the interim BLNR-based permits.
There are issues that require the assistance of someone with expertise. These issues include maximum number of permits that Mauna Kea can withstand (which will determine the number of permits that may be granted), fee schedules, eligibility criteria of commercial operators, duration of the permits, and the impact of commercial tours on the summit and at the Visitor Information Station at Hale Pohaku, etc. OMKM does not have the internal expertise to address these issues and must seek outside expert opinion. The policy which will eventually be adopted will take these issues into consideration, including permanent permits, rules and conditions.

In the absence of a permanent policy, OMKM is proposing to issue temporary permits, conditions, and fees for commercial activities including film/photography and special events. It is anticipated that these will be presented to the Board of Regents for consideration in Spring 2005. Regent Tanaka asked if administrative rules are required. Director Stormont stated that they will be coming to the Board with rules but only the existing permits would continue.

Regent Tanaka asked if the permits will be balanced against the culture concerns of the Native Hawaiian community. Director Stormont said they would.

In response to Regent Albano, Director Stormont informed that permit rates were $50 per month, $2.00 a person for a potential income of $80,000.00 annually.

Chairperson Lee inquired about the liabilities that would be incurred by the University. Associate General Counsel Presley Pang said, in his opinion, acquiring the permitting authority would definitely increase the University’s liability but would also provide the University with the ability to control operations, which might minimize some of the risk. As such, it would be better to take control of the permitting. Director Stormont added that those who receive permits will be expected to carry insurance with the University as additional insured.

Regent Tanaka moved to accept the delegation from the Board of Land and Natural Resources, transferring of authority to regulate commercial activities on Mauna Kea. The motion was seconded by Regent Haynes and unanimously carried.

8. Amendment and Retitling of Executive Class - Vice President for Academic Planning and Policy

Vice President Callejo requested that the Board amend and retitle the executive class, Vice President for Academic Affairs to Vice President for Academic Planning and Policy, in accordance with the system level reorganization.

Board policy requires that the establishment, amendment, and abolishment of executive classes be approved by the Board of Regents. On November 18, 2004, the Board of Regents approved a reorganization proposal which made several changes to the organizational structure of the system level offices of the University. Specifically, the reorganization combined academic affairs with planning and policy development functions. The new organizational unit was retitled Academic Planning and Policy. Therefore, as part of the implementation of the system level reorganization, it is now proposed that the Board of Regents approve the amendment and retitling of the executive class Vice President for Academic Affairs to Vice President for Academic Planning and Policy to be consistent with the approved organizational changes. The Vice President for Academic Planning and Policy will continue to be responsible for providing executive leadership and
collaboratively setting forth the systemwide academic vision and goals for the University.

Following a brief discussion, Regent Tatibouet moved to approve the amendment and retitling of the executive class, Vice President for Academic Affairs, to Vice President for Academic Planning and Policy, effective upon Board approval. The motion was seconded by Regent Haynes and unanimously carried.

9. **Subcontract for the Institute for Astronomy Pan-STARRS Project**

   Associate Director Robert McLaren requested that the Board authorize the administration to enter into a subcontract for an environmental planning firm to assist the University’s Institute for Astronomy in preparing both an Environmental Impact Statement and State of Hawai‘i Conservation District Use Application for the installation of “The Panoramic Survey Telescope and Rapid Response System (Pan-STARRS)”. This project is administered by the Research Corporation of the University of Hawai‘i.

   The Institute for Astronomy (IfA), through competitive solicitation, will subcontract an environmental planning firm to assist the University of Hawai‘i in preparing both an Environmental Impact Statement (EIS) and a State of Hawai‘i Conservation District Use Application (CDUA) for the proposed installation of the Pan-STARRS Project. The IfA has the responsibility to prepare an EIS, in accordance with the requirements of the National Environmental Policy Act [42 U.S.C. 4321 et seq.], and a CDUA in accordance with the requirements of the Hawai‘i Administrative Rules (HAR) 13-5. The consultant will work directly for the IfA. Estimated amount of the contract is $1,500,000. The subcontract will be covered by the Air Force Research Laboratory (AFRL) grant already received by the University. These University of Hawai‘i funds have already been budgeted to this project.

   The purpose of this request is to obtain approval to enter into a subcontract for the preparation of both an Environmental Impact Statement (EIS) and a State of Hawai‘i Conservation District Use Application (CDUA) for the proposed installation of the Panoramic Survey Telescope and Rapid Response System, in accordance with the Board of Regents’ bylaws and policies.

   In accordance with Section 8-1 of the Board of Regents’ bylaws and policies, it is requested that the Board of Regents authorize the subcontract for the Institute for Astronomy Pan-STARRS Project. A proposal entitled “The Panoramic Survey Telescope and Rapid Response System (Pan-STARRS)” was submitted by the Institute for Astronomy to the AFRL in May, 2002 in response to BAA-02-DE-01. AFRL Grant F29601-02-1-0268 was received on September 23, 2002. Total grant amount awarded to date is $23,429,596.00 for project years one to three. The total estimated cost of this project for completion of all work is expected to reach $60,000,000.00.

   Pan-STARRS is a new survey telescope system being developed by the IfA. Taking advantage of rapid recent advances in electronic detector technology, it will repeatedly scan the entire sky, and will be able to detect very faint objects. Its unique time resolution capability will open up new opportunities for the study of transient, variable and moving objects. A major goal of the project is to detect and catalog most of the “killer asteroids” that present a threat to the Earth. Pan-STARRS
will also tackle a wide range of other scientific objectives ranging from the solar system to the properties of the Universe on the largest scales.

Pan-STARRS will be an array of four robotically operated telescopes, each with a diameter of 1.8 meters. The telescopes will have an extremely large field of view, making them more powerful for survey work than all currently existing telescopes combined. The proposed project would be located within the Mauna Kea Science Reserve on the island of Hawai‘i or within the Haleakala High Altitude Observatory Site on the island of Maui.

This proposal was submitted with the University of Hawai‘i, Institute for Astronomy, as the lead institution. Collaborating institutions on the proposal included the Science Applications International Corporation, the Massachusetts Institute of Technology Lincoln Laboratory, and the Maui High Performance Computing Center.

Regent Albano asked why an RFQ was necessary. Associate Director McLaren stated that the Research Corporation of the University of Hawai‘i had recommended this process.

Regent Tatibouet moved to authorize the administration to enter into a subcontract with an environmental planning firm to assist the University of Hawai‘i in preparing both an Environmental Impact Statement (EIS) and a State of Hawai‘i Conservation District Use Application (CDUA) for the proposed installation of the Panoramic Survey Telescope and Rapid Response System. The motion was seconded by Regent de la Peña and unanimously carried.

10. **Maui Community College Long Range Development Plan Update**

Chancellor Sakamoto stated his report was intended to provide information on the status of the Maui Community College (Maui CC) Long Range Development Plan (LRDP) Update.

The current Maui CC Long Range Development Plan (LRDP) was developed in 1990. In accordance with the 1990 LRDP, the College has constructed and/or renovated seven new facilities and has added over 200,000 gross square feet of space. These facilities have addressed a critical need for general education classrooms, laboratories, and office space, as well as specific program areas such as culinary, agriculture, high technology and continuing education and training.

Maui CC assessed the need and viability for comprehensive postsecondary programs in Maui County. Community surveys identified a demand for four-year programs at Maui CC. After extensive review and discussion, the College developed the Applied Business and Information Technology (ABIT) degree. In Spring 2004, the accrediting commission for the community colleges, the Western Association of Schools and Colleges (WASC) Accrediting Commission for Community and Junior Colleges (ACCJC), approved Maui CC’s Substantive Change request to develop the ABIT degree. On June 1, 2004, Maui CC was granted eligibility for the ABIT degree program by the review panel of the WASC Accrediting Commission for Senior Colleges and Universities (ACSCU) Eligibility Committee. The College will begin offering 300 level courses in Spring 2005.
The Maui CC Strategic Plan, which was developed with community and campus-wide input, identified as a high priority action strategy, the development of additional baccalaureate programs which are appropriate, viable and sustainable.

In response to community demands, Maui CC’s Nursing program has expanded and is currently offering a Dental Assisting program and developing a Dental Hygiene program. Dental/Oral health is a priority of the U.S. Surgeon General and the State of Hawai’i Health Department. Currently, Maui CC has more than 300 pre-health students. In addition, Maui CC has established a Maui Oral Health Center. The purpose of the Center was to prepare dental auxiliary care providers and to respond to the critical need for oral health services for the underserved, low-income, uninsured families of Maui.

Maui CC is uniquely qualified to begin a Biotechnology A.S./Certificate program in Hawai’i. This is due in part to its close proximity to the high tech research park, Dekalb Genetics (Monsanto), and a biotechnology company called Micro Gaia, all of which are located in Kihei, as well as seed companies operating on Maui and Molokai. In addition, Maui CC’s venture into baccalaureate programs has placed higher demands on its science-related curriculum. The current science facility was constructed in 1970 and houses three outdated labs. The lack of up-to-date facilities prevent the College from expanding its science programs.

Critical to Maui CC’s long-term financial plan is to increase the proportion of non-resident students to support the overall operating costs of the institution. Several of Maui CC’s programs have gained statewide as well as national recognition, such as the Allied Health and Culinary programs. As Maui CC becomes a comprehensive postsecondary institution and strengthens its baccalaureate offerings, the College will be well-positioned to market, recruit and attract out-of-state students. To accommodate this growth, the expansion of student housing facilities is critical.

Director Yokota informed that she would bring an updated Long-Range Physical Development Plan to the Board later in the year for approval. By design they will be trying to create changes to the campus such as creating entry points. Phase I of the development plan would include student housing.

11. Maui Oral Health Initiative

Chancellor Sakamoto requested that the Board approve the Maui Community College (Maui CC) Oral Health Initiative (MOHI), which involves the operation of the Maui Oral Health Center in Wailuku, Māui and the operation of the Mobile Dental Van.

The impetus for this initiative from the educational perspective is the Dental Assisting Educational Certificate Program, which requires hiring dentists to provide instruction to the dental assistant. In order to provide an accredited certificate in Dental Assisting, the Board is requested to approve dentists who will serve as faculty and provide services to economically disadvantaged community members.

Recognizing that the County of Maui and Rural Development grant funds were awarded with the expectation of the Dental Assisting Program and overall MOHI sustainability, the MOHI faculty and staff worked with the University of Hawai’i Office of the General Counsel to develop a process for accepting Medicaid and other Department of Human Services reimbursements for dental services.
Additional grant funding for the Dental Assisting Program was obtained from Hawai‘i Dental Service, Hawai‘i Medical Service Association, and Carl Perkins Vocational Education.

Based on current reimbursement for services, the Maui Oral Health Center and Mobile Dental Van reimbursements for service will support the cost of facilities, dental staff, equipment, supplies, and the 11-month full-time Dental Assisting faculty member.

The Maui Oral Health Center is providing general dentistry services by licensed dentists and dental hygienists. Students practice skills and provide services under the licenses of the MOHI professionals. All dental providers are covered by malpractice insurance. The Maui Oral Health Initiative follows quality assurance procedures and meets national standards of practice, as evaluated by the ADA Commission on Accreditation for the Dental Assisting Program. The Quality Assurance program requires independent review of patient records. All these actions are part of an effective risk management program. In addition, Maui Community College will be working with the State on issues of shared liabilities and responsibilities and consider partnerships in the delivery of dental care services.

The establishment of the dental assisting program and the establishment of the Center arose out of the Maui Community College’s Oral Health Initiative (MOHI). MOHI resulted from a conglomerate of identified needs for provision of dental services to the greater community and the desire of the MCC to proactively find a solution to these needs by providing educational programs to address the needs. Undoubtedly, the MOHI also includes a component, which addresses the social needs for proving affordable dental services and dental care services to those whose needs are currently unmet. What MCC is proposing is the MOHI which addresses the identified needs through the creation of an educational program which serves MCC’s and the University’s educational objectives.

The MOHI has two objectives. First, it furthers the dental assisting education in ways that are described more fully below. Second, it serves the greater community need by providing dental services to the needy whose needs are currently unmet.

A survey of Maui County dentists was conducted in August 2001 and completed with 95% of the dentists indicating a shortage of dental assistants and 94% indicating a shortage of dental hygienists. At this time, MCC had 300 pre-nursing students. A number of these students expressed interest in other health careers. To meet this unmet need, MCC established the dental assisting program as a certificate program. Once the program was established, letters were sent to the pre-nursing students. Forty-six students applied for the first class. Student interest remains strong and the selection for admission is a competitive process.

The Maui Oral Health Center was opened in August of 2002 with a dual mission; one which served the educational needs of MCC serving as a classroom and clinical site for the MCC Dental Assisting Program and the second related mission which served the greater community need of providing affordable and accessible oral/dental health care to the underserved, low-income, uninsured families of Maui. The Maui Oral Health Center is located in a 3,000 square foot
facility in central Wailuku and has a large waiting room, a reception area, a
classroom, seven operatories, x-ray facilities, and a primary care office.

MCC has taken the responsibility for signing for the facility and for operating
the facility. While there is no question that both the County of Maui and the State
of Hawai’i interests in meeting the needs of the underserved residents of the
community are benefitting from the Center’s services for reasons provided
heretofore, MCC will be embarking on an effort to make the operation of the Center
a truly collaborative effort. The State and the County have been and will continue
to be enlisted in a cooperative endeavor to assure continued operation of the Dental
Assisting Program and Center. When approved by the Board, the Mobile Care
Dental Van will provide an additional clinical site for the Dental Assisting Program
as well as enhancing the provision of dental services to the people of Maui. It is a
40 ft. AirStream mobile unit that is ADA accessible. The van is fully equipped with
two dental operatories, separate sterilization and patient intake space. The Mobile
van has digital x-ray and a DENTRIX, advanced software for dental office
management. These features provide significant augmentation to students’ learning
in the Maui Oral Health Center. When all permissions are granted and issues
resolved, including the approval by the Board for the MCC to operate the van as an
additional clinic site, then the Mobile Dental Van will provide dental services similar
to those offered by the Oral Health Center.

Chairperson Lee asked if the oral health centers would be using University
employees or contracting. She also inquired about the fee schedule which may be
subject to adoption under Chapter 91. Chancellor Sakamoto stated that the dentists
would be contracted and the fee deposited in a special fund which would exempt
them from Chapter 91.

Regent Tatibouet asked if this would only be for Māui. Professor Nancy
Johnson said that they will do dental screening on Moloka‘i but no dental care would
be provided aside from Maui.

Regent Tanaka expressed concerns that Māui Community College might be
deviating from its mission, extending into a human service function. Chancellor
Sakamoto said that the primary focus will still be training but in carrying out the
training, MCC will be able to benefit the community’s human services needs.
Regent Tanaka, however, reiterated his concerns that there still needs to be a policy
rationale to venture into a role outside of the educational and training mission of the
Community College System. Regent Bender agreed, adding that MCC as well as
all community colleges need to keep in mind its primary role. However, he did
recognize that often, in carrying out its mission, community colleges respond to
community needs and do deliver human services.

In response to an inquiry from Chairperson Lee, Chancellor Sakamoto
informed that the program’s van had been donated and that the fees would be
deposited in a special fund.

Regent Kakuda moved to approve the Maui Community College Maui Oral
Health Initiative as described. The motion was seconded by Regent de la Peña and
unanimously carried.
12. **Courtside Seating for Volleyball Events, University of Hawai‘i at Mānoa**

Director Frazier requested Board approval of courtside seating at UH-Mānoa Men’s and Women’s volleyball games.

In an effort to better utilize the courtside area during Men’s and Women’s volleyball events, offer more seating options for high-end donors and sponsors, and increase revenue for the program, the University of Hawai‘i at Mānoa (UH-Mānoa) Athletic Department is proposing to add courtside seats on the floor of the Stan Sheriff Center.

The proposed plan would move media, statisticians, officials, and VIPs in order to add additional seats on the floor. Specific details regarding which side of the court, number of seats per row, and pricing would be provided after they are finalized.

These seats would be sold by those interested high-end donors and corporate sponsors with the funds deposited at the University of Hawai‘i Foundation. The cost of courtside seats includes two seats in the first row for the entire season, parking, access to a courtside concession, and tax donation. Other amenities may be included as the package is developed.

Historically, seating on the floor was restricted to only media, officials, VIPs, and team related staff (players, coaches, trainers, equipment personnel, etc). Boosters, marketing sponsors, and donors were given complimentary tickets to floor seating dependent on availability.

Upon Board of Regents’ approval, the UH-Mānoa Athletic Department will offer men’s volleyball courtside seats for single game tickets for the 2004-2005 season, while women’s volleyball will begin by offering courtside season tickets for the 2005 season. Applicable precautions instituted for Men’s basketball will be utilized to ensure a safe viewing environment.

Creating a permanent section for sale would fill the market need for courtside seating and allow better cultivation for those supporters of the Athletic Department and the University of Hawai‘i at Mānoa.

Director Frazier added that he had consulted with the Office of Risk Management and they had made recommendations that would be implemented as part of the plan for courtside seating this season. Insurance would be purchased later.

Regent Haynes stated that as a former player he had concerns about affecting the performance of the players since the affected area would be where balls could be in play. He suggested that the Athletic Department ask visiting coaches their opinions on courtside seating. Regent Haynes noted that while the University of Hawai‘i coaches may have supported the revenue-generating plan, opposing coaches may differ. Regent Tanaka agreed that there should be concern for the players.

Regent Tatibouet commented that in the letter from the Office of Risk Management, the coaches did not fully endorse this proposal but were, as the letter stated, “ambivalent” towards the proposal. Associate Athletic Director Tom Sadler
acknowledged that Coach Shoji had expressed concerns about the plan and that Coach Wilton had expressed concerns over the use of the area for warmups.

Regent Kakuda stated that he could not support the proposal unless insurance was purchased as recommended by Risk Management. General Counsel Kirimitsu clarified that the insurance, which would cost approximately $35,000, would not be for specific sports but would cover all operations at the Stan Sheriff Arena since the University of Hawai‘i currently has no insurance for athletic events.

Regent Tatibouet inquired as to the number of seats involved. Director Frazier said the plan involved about 64 seats and could generate between $1,000 to $2,000 per seat.

President McClain suggested that this measure be given a trial approval subject to purchasing additional insurance for the Stan Sheriff Arena in the near future.

Regent Bender moved to approve the courtside seating plan for UH-Mānoa Mens’ and Women’s volleyball games at the Stan Sheriff Arena with the understanding that insurance will be purchased as soon as possible. The motion was seconded by Regent Lagareta and carried by majority vote. Regent Kakuda voted in opposition to the motion and Regent Tatibouet abstained.


Director Yokota requested approval of the repair and maintenance contract for design consultants for design services for drainage of the Biomed building and design of a chiller plant in the electrical transformer building for the Hamilton Library. In accordance with the Regents’ policy, the Board approves contracts for consultants in excess of $100,000.

On July 16, 2004, September 10, 2004, October 22, 2004, and November 18, 2004, the Board of Regents authorized the University Administration to enter into consultant and construction contracts for capital improvement projects (CIP) and repair and maintenance (R&M) projects for fiscal year 2004-2005. This request is an addendum to the previous action to include additional projects that meet the criteria of the Board of Regents’ Policy, Section 8-1(c).

Chairperson Lee inquired about the repairs to Hamilton Library resulting from the recent flood. Vice President Callejo reported that the contractor’s expenses will amount to about $6 million for merely cleanup of the damage. The dehumidifiers will run about $300,000 and the cost of fixing the elevators and escalators will amount to $500,000.

Regent Tatibouet moved to authorize the administration to enter into consultant contracts for R&M projects as recommended. The motion was seconded by Regent Haynes and unanimously carried.
14. **Naming Opportunities for Private Gifts to the University**

University of Hawai‘i Foundation (UH Foundation) Vice President William King explained that this proposal had been brought to the Board in November 2004 but at that time, the General Counsel had expressed concerns. Those concerns have since been addressed. He stated that the “Private Gift Naming Opportunity Guidelines at the University of Hawai‘i” was developed by incorporating the results of UH Foundation’s research on naming opportunities at other higher education institutions and the current needs of the UH, as enumerated through the priority setting process for the Centennial Campaign.

The recommended naming opportunities policy will do the following:

a) The University of Hawai‘i System and the University of Hawai‘i Foundation will follow a consistent and coherent set of guidelines that recognize and honor private donors at appropriate levels of giving.

b) The proposed guidelines will provide the University of Hawai‘i System and the University of Hawai‘i Foundation with standards for minimum endowment levels offered as donor recognition for campus improvements and academic programs funded by private gifts.

Currently, the Board of Regents’ policy allows each Chancellor to develop his/her own procedures for developing recommendations for naming facilities or programs (Section 11-4 (g)). While we recognize the value of this process, it does not allow for cross-campus and system-wide uniformity in the naming process. And without a system-wide set criteria enumerated, there are no consistencies in providing naming opportunities for private support of UH programs, faculty, students, or facilities.

The Board of Regents’ approval of the proposed guidelines will provide the UH and the UH Foundation with the tools and system needed to successfully engage private donors in support of the Centennial Campaign.

This will also require some changes to the Board’s policy and the Foundation is working with General Counsel to bring the proposed amendments to the Board. The amendments would be separating the naming of buildings between those funded by public funds and those funded by private funds.

Regent Tanaka clarified that his understanding was that the proposed amendments would add to the current Board policy, making a distinction between those named using private funding.

Regent Tatibouet expressed that some of the suggested figures, such as the $50,000 to name a scholarship, were relatively high. Her familiarity with such rates at other institutions led her to believe that such a figure might discourage someone who wanted to make an initial donation. Chairperson Lee, therefore, suggested that General Counsel and the Foundation should also work with the Board’s Task Group on this matter to refine the details and proposed amounts. Regent Tatibouet agreed that the Board’s Task Group on these matters would be an appropriate process to work out some of the details.
Regent Lagareta commented that she would expect that in most cases the facilities to be built through donations would be considered on the University’s priority list and that funds would not be solicited for anything unnecessary.

Regent Albano noted that the Board had recently approved a naming concept for the Culinary Institute of the Pacific at Kapi‘olani Community College. He asked if the Foundation’s proposal was consistent with that plan. Vice President King said it was.

Regent Kakuda commented that although the proposal was an improvement from the Foundation’s initial submittal, he still could not support the auctioning off of University buildings, agreeing with Regent Emeritus Momi Cazimero’s testimony that the University should not sell off its values. Regent Lagareta said if there was a better way to raise such funds she would consider it but there needs to be movement in the Foundation’s fundraising campaign. Chairperson Lee added that this would be an approval in concept to allow the proposal to move forward in order to work out the details. Regent Tatibouet inquired if one of the details could be to clarify if maintenance could be included in the donations.

Regent Lagareta moved to approve in concept the Private Gift Naming Opportunities Guidelines at the University of Hawai‘i as proposed by the University of Hawai‘i Foundation with the understanding that the final form, as developed by appropriate groups including the Board’s Foundation Task Group, shall be brought back to the Board for approval. The motion was seconded by Regent Haynes and carried by majority vote. Regent Kakuda voted in opposition to the motion.

15. Implementation of Revised Administrative Procedures for the Procurement of Goods, Services and Construction

Vice President Callejo requested that the Board authorize the administration to implement interim revised procedures for the procurement of goods, services and construction consistent with Act 216, SLH 2004. He explained that in July, 2004, Act 216 was signed (HRS), to now require that the University’s internal procurement policies and procedures be subject to the requirements of Chapter 103D, HRS, effective January 1, 2005. In light of this amendment, University procurement actions must also comply with the State’s administrative rules on procurement issued by the Department of Accounting and General Services.

Interim University procurement procedures have been drafted which incorporate the requirements contained in Chapter 103D, HRS, and the accompanying State administrative rules (HAR 3-120 to 3-132). Some of the major changes to the University’s procurement procedures include the re-establishment of the President as Chief Procurement Officer for the University for all purposes of Chapter 103D, HRS, including the approval of formal sole source and emergency procurement requests, the elimination of modified procurement procedures for many categories of goods and services not expressly exempted from procurement requirements under State law or rules, a return to the advertised bidding threshold of $25,000, reinstatement of vendor preferences intended to promote Hawai‘i businesses over non-Hawai‘i businesses in the awarding of State contracts, implementation of State-mandated selection criteria for the procurement of professional services, and the imposing of additional mandatory certifications required to be obtained from prospective contractors regarding State labor and business registration laws.
The interim revised procedures will still retain all Board approval requirements for particular procurement matters as set forth in Section 8-1 and other sections of the Board of Regents’ Bylaws and Policies, such as those pertaining to construction contracts, the retaining of consultants, and all procurement contracts exceeding $500,000.

The proposed interim procurement procedures would remain in effect to June 30, 2005, in order to determine the outcome of proposed legislation to be introduced in the next session seeking the reinstatement of the University’s former statutory exemption from Chapter 103D, HRS. At that time, further approval will be requested from the Board for the implementation of these interim procedures on a permanent basis or for the re-implementation of the University procurement procedures previously in place prior to Act 216.

Vice President Callejo added that the pre-certification requirement of the new law has been a major problem not only for the University but for all State agencies.

Regent Tatibouet moved to approve the implementation of revised administrative procedures for the procurement of goods, services and construction consistent with the requirements of Chapter 103D, HRS, as required by Act 216, SLH 2004, to be implemented on an interim basis from January 1, 2005 to June 30, 2005 or until a new law is enacted, whichever comes first. The motion was seconded by Regent de la Peña and unanimously carried.

16. **Purchase of an Electronic Research Administration System from InfoEd**

Interim Vice President Gaines requested that the Board approve the purchasing of an Electronic Research Administration System from InfoEd at a cost of approximately $1.1 million and to service order this purchase to RCUH.

In accordance with Regents’ policy, service ordering to RCUH shall be for the direct support of a research or training project, shall not include purchases in excess of $100,000, and shall not include contracting of services exceeding $100,000 unless prior Board approval is obtained. In addition, Board policy further requires that the procurement of goods or services exceeding $500,000 shall require the prior approval of the Board. He therefore requested that the Board approve the purchase of an Electronic Research Administration System (eRA) from InfoEd, a system that is in use in a number of other universities and research institutions. UH would like to purchase the following six modules from InfoEd:

- Proposal Development (PD)
- Proposal Tracking (PT)
- Human Subject (HS)
- Lab Animals (LA)
- Project Management (PM)
- Technology Transfer (TT).

Implementation of an eRA system has been of interest to UH administrators, faculty and researchers for a number of years as they have watched many peer institutions implement their own. The number of proposals processed by the Office of Research Services (ORS) has been increasing annually, and the manual paper system has resulted in backlogs and friction. UH’s efficiency at processing proposals
will be greatly improved with the implementation of an eRA system, and result in operational cost savings over time. More proposals will be able to be processed in less time compared to the current system, and management information for senior administrators as well as deans and directors and even department chairs and the researchers themselves will be vastly superior to the current system. This will also result in more planning lead-time in the management of the research facilities. As UH and the Research Corporation of the University of Hawai‘i (RCUH) both service the research enterprise of UH, this will be a joint venture between UH and RCUH and will help align the information processing systems of both, again providing better management information for senior administrators.

The UH Information Technology Officer, RCUH, and the Office of Research Services (ORS), a joint UH-RCUH committee, evaluated electronic research administration software packages from GAMMS, InfoEd and Indiana University during 2004, after inviting each organization to demonstrate their eRA systems at UH. System presentations and hands-on demonstrations were held for principal investigators, fiscal and administrative officers, and central office staff from UH and RCUH on three different occasions. Based on these presentations and demonstrations, feedback from UH faculty and staff and discussions with research administrators from other universities, the joint UH-RCUH committee concluded that the InfoEd eRA system and modules best fit UH’s needs, and identified six InfoEd modules for purchase: Proposal Tracking (PT), Proposal Development (PD), Human Subject (HS), Lab Animals (LA), Project Management (PM) and Technology Transfer (TT). Additionally, a team of research administrators from UH visited Texas A&M and the University of New Mexico to seek further feedback on the InfoEd modules and to assess the training and staff support needs associated with each of the module deployments. At the conclusion of their visits, the team confirmed the recommended modules for purchase.

Should the Board approve the purchase, an UH implementation project team will be designated to formulate an implementation and training strategy, and will work closely with the InfoEd implementation team.

The total cost of the eRA software modules and professional services from InfoEd are $1,427,000.00. RCUH has agreed to provide $285,000.00* toward this purchase. Exclusive of annual software maintenance costs, the net cost to UH will be: $1,142,000.00 or less. As the costs of the professional services are InfoEd estimates based on their standard hourly rates and typical experience with implementations, and are negotiable down, UH is expecting some cost savings.

The RCUH Board of Directors recently approved the financial commitment of $285,000.00 toward the purchase of the software from InfoEd. The decision of the RCUH Board of Directors is based on the University’s ability to secure its portion of the funding. A number of years ago, ORS set aside funds at RCUH for the automation of their paperwork system. UH plans to use these funds and other amounts from RTRF to pay for its share of the purchase price and the costs for professional services (training and technical support). As mentioned earlier, UH will work with InfoEd to reduce the cost of the professional services, and to conduct as much of the training and technical support costs in-house as possible, so as to develop a pool of local expertise rather than relying on on-going service from New York.
Fifty percent of project total costs including software and professional services ($713,500.00) are due at contract signing. Of the fifty percent, UH would pay $428,500.00 and RCUH would pay $285,000.00. The remaining balance due is paid on a per module basis as the modules are deployed and implemented. Each module purchased includes 12 months’ free maintenance, which starts post deployment. After all modules are implemented and the initial 12 months free maintenance (per module) has expired, the annual software maintenance charge of 18% will be $155,160.00, and will be paid from RTRF. Travel expenses for InfoEd consultants or for UH staff to train at InfoEd are not included in the above pricing, nor is the cost and support of the third party computer hardware and software required to run InfoEd programs. It is estimated that travel costs will not exceed $40,000.00 and the cost of purchasing an additional server will not exceed $50,000.00.

During the discussion Chairperson Lee inquired if RCUH would increase its contribution. Vice President Gaines said he would inquire but that RCUH had agreed to half of the cost.

Regent Tanaka asked if the system would be servicing the entire University system. Vice President Gaines said it would.

With the understanding that Vice President Gaines would be asking RCUH to increase its contribution, Regent Albano moved to authorize the purchase of the eRA software from InfoEd at the suggested cost of $1.1 million. The motion was seconded by Regent Tatibouet and unanimously carried.

17. **Amend Board of Regents’ Bylaws, Article II, A. Membership**

Secretary Iha informed that the attendance requirement for members of State boards and commissions was amended by Act 234, 2004 Session Laws of Hawai‘i and incorporated into Hawai‘i Revised Statutes as Chapter 92-15.5. It was explained that the new law stipulates that the term of a Board member shall expire upon the failure of the member to miss three consecutive meetings without being excused and where the Board failed to constitute quorum necessary to transact Board business. The chair or acting chair of the Board shall determine if the absence of the member is excusable. Therefore in order to comply with the law, Secretary Iha suggested the following amendment to the Board’s bylaws:

“Notwithstanding the term of office, the term of a Board member shall expire upon the failure of the member, without valid excuse, to attend three consecutive meetings duly noticed to all members of the Board and where the Board failed to constitute quorum necessary to transact business. The chair or acting chair of the Board shall determine if the absence of the member is excusable. The expiration of the member’s term shall be effective immediately after the third consecutive unattended meeting and unexcused absence. This provision shall not apply to ex officio members of the Board.”

Regent Lagareta requested clarification as to who would determine excused absences. Secretary Iha explained that the law allows for Board chairs or whomever is in charge of the meeting to make that determination. The language for the bylaw amendment was suggested by the Office of the Governor and reviewed by General Counsel.
Regent Bender moved to approve the amendments to the Board’s Bylaws to comply with Chapter 92-15.5, Hawai‘i Revised Statutes. The motion was seconded by Regent Kakuda and unanimously carried.

Regent Lagareta moved to enter into executive session on personnel, legal, and collective bargaining matters pursuant to Chapter 92-5a(2)(3) and (4). The motion was seconded by Regent Albano and unanimously carried. The meeting was recessed at 5:17 p.m. and reconvened in public session at 8:47 p.m. at which time the meeting was recessed.

**Friday, January 21, 2005, Reconvening of Board of Regents’ Meeting**

The meeting was reconvened at 9:11 a.m. Friday, January 21, 2005 in the same location.

V. APPOINTMENTS, CHANGES IN APPOINTMENTS, LEAVES OF ABSENCE, PROMOTION, TENURE, WAIVER OF MINIMUM QUALIFICATIONS, EMERITUS TITLES, SHORTENING OF PROBATIONARY PERIOD, SALARY ADJUSTMENTS, POSITION ACTIONS, CLASSIFICATION AND PRICING

President McClain recommended the appointments, changes in appointments, leaves of absence, promotion, tenure, waiver of minimum qualifications, emeritus titles, shortening of probationary period, salary adjustments, position actions, classification, and pricing as follows:

**UNIVERSITY OF HAWA‘I, SYSTEM**

**Executive**

GAINES, JAMES
Interim Vice President for Research
Office of the Vice President for Research
Salary Adjustment
July 1, 2004

JOHNSRUD, LINDA
Interim Associate Vice President
Off of the VP for Academic Affairs
Temporary Assignment as Acting Chancellor, University of Hawai‘i - West O‘ahu
January 1, 2005 - June 30, 2005, unless sooner relieved.

WILSON, CAROLYN
Associate Vice President
Office of External Affairs & University Relations
Salary Adjustment
July 1, 2004
YOKOTA, JAN
Director of Capital Improvements
Office of the President
Salary Adjustment
July 1, 2004

Managerial

LU, CHRISTOPHER
Interim Assistant to Senior Executive
Office of the Vice President for Academic Aff
Reassignment
March 1, 2005 - August 31, 2005, unless sooner relieved

SAMAAN, JANETTE
Director of International Affairs
Off of the Vice President for Academic Affairs
January 1, 2005 - June 30, 2005

UNIVERSITY OF HAWAI’I AT MĀNOA

Executive

CUTSHAW, KATHY
Acting Vice Chanc for Admin, Finance & Ops
Office of the Chancellor, UH Mānoa
January 1, 2005 - December 31, 2005 or unless sooner relieved

MATSUOKA, JON
Dean
School of Social Work
Upon Approval by the Board

Administrative, Professional and Technical

COOLEN, ROBERT
UH Head Softball Coach
Intercollegiate Athletics
Reappointment, Salary Adjustment & Incentive Plan
July 1, 2004 - June 30, 2008 with possible extension through June 30, 2009 for satisfactory performance
Resignations and Retirements of Board of Regents’ Appointees

The list of resignations and retirements of Board of Regents’ appointees and retirements of Civil Service employees was presented for information. (The list of resignations and retirements is presented in Attachment #2 of the Board of Regents’ agenda dated January 20, 2005.)

VI. GIFTS, GRANTS AND CONTRACTS

Vice President Gaines reported that during the period October 1, 2004 through November 30, 2004, the University of Hawai‘i system received a total of $40,265,021 in gifts, grants and contracts. The University of Hawai‘i at Hilo received a total of $5,054,783 during the same period.

Vice President Gaines said that there still no totaling of the gifts, grants and donations for the flood damage, but he expected a dip in the awards due to research proposals that were never written at that particular time. More than 80% of the research contracts come through peer-reviewed processes and the agencies that use the peer review for the award of their research contracts have budgets that are either flat or slightly decreased from last year. At the present time, the University of Hawai‘i is running 9 percent ahead of last year at this point.

Regent Bender moved to accept with thanks the gifts and grants and ratify the actions of the administration in executing the necessary contracts as presented. Regent de la Peña seconded the motion which was unanimously carried. Chairperson Lee recused herself from this vote.
VII. UNIVERSITY OF HAWAI’I FOUNDATION REPORT

Vice President King reported that the months of October and November were challenging months for the University of Hawai’i Foundation (UHF). The month of November ended at $12.7 million and December was a fairly strong month. The first half of the year ended at just over $15 million. The focus will be on large donors. UHF is at the stage of recruiting volunteers for the campaign, building President McClain’s cabinet, his advisory group, and working with him for a case support for this recruitment of volunteers. The gaps at the high levels of gifts will be filled soon.

Vice President King reported that during the first quarter, the actual fundraising results were very strong. The fund balance started with $134 million in September 2003, up to $158.2 million in September 2004, and presently over $160 million. There were some strong performances in UHF’s investment portfolio as well as just the gifts that were received during the course of the last year which were stronger than the year before. Those combined have created a very healthy environment for UHF’s overall fund balance.

Regent Lagareta inquired about the UHF’s portfolio manager. Vice President King informed that it has been Cambridge Associates since May 2003.

There is a nationwide trend, moving away from unrestricted gifts. In the first quarter, there was some backlash at the annual giving level from the situation with former President Evan Dobelle, but this has since dissipated.

In February, the UHF will be hosting an East Coast visit in Washington, D. C. and New York City, featuring President McClain and a few key administrators from the University of Hawai’i. In March, the University of Hawai’i Alumni Affairs (UHAA) will host its annual Life Member Luncheon at the Honolulu International Country Club in Salt Lake.

VIII. REPORT OF EXECUTIVE OFFICER

President McClain reported that the Western Association of Schools and Colleges (WASC) Senior Commission submitted its report on the UH System operations which was very favorable. However, there were still things to improve on, especially the relationship between the system administration and the Mānoa campus. He also said that since the last Board meeting, a letter was received from WASC stating that UH-West Oahu made remarkable progress towards becoming a learning organization and in demonstrating educational effectiveness. He congratulated Interim Chancellor Linda Johnsrud and the faculty and staff at UH-West Oahu for their efforts.

Reporting on the flood damage, President McClain informed that the estimated cost would be in the $70 to $75 million range and confirmation was received that insurance would pay for $25 million. The Governor has put in an application for federal relief which is currently being considered and when a determination has been
made by the federal government, the University will have a better idea of the State’s role in addressing the balance of the cost.

**Lyon Arboretum Update**

The following testimony was received:

Jill Nunokawa informed that the community initiated a steering committee. A final report and budget figures will be presented to Senator Hee and other members of the Senate and House. The Legislature is definitely willing to work with the community on this. Ms. Nunokawa asked for the Regents’ assistance on this matter. She added that the UH Administration is not inclusive and transparent. Those who testified to the Board in April of 2004 were excluded from this process. These are very committed people who have kept the Arboretum alive. She urged the Regents to insist that the Administration include these people and the community in the future plans for the Arboretum.

President McClain stated that when he met with the State Auditor in mid-December to review her initial draft of the report, he was astonished that the State Auditor’s staff said that anything that the University had done from mid-September had not been included in the report. There were a number of improvements made, some with the involvement of the community.

Vice President Gaines reported that he was at a hearing regarding the Lyon Arboretum and some financial questions could not be answered because the financial records of the Lyon Arboretum Association, which contributes to the budget, are not accessible to the University. Tracks of monies that go into the Arboretum’s budget include G funds; tuition monies; some revolving, training, and research funds (RTRF); monies that comes from a variety of UH Foundation accounts; and finally, monies that comes from the Lyon Arboretum Association. Vice President Gaines said that it was the money from the Lyon Arboretum Association that was generally used to balance the books, and it is very hard to account for those specific transactions.

One of the other items that was focused on at the hearing was the University of Hawai’i system’s request for capital improvements projects money in the amount of $3 million. Senator Hee requested a detailed budget with credible estimates on the funds would be spent. A meeting was held with the Capital Improvements staff and they are working on preparing an estimate. There will be time lines on spending and the details of that particular budget.

Dr. Charles Hayes, Interim Dean of the College of Natural Sciences, stated that President McClain and Chancellor Englert have been overseeing the recommendations made by the State Auditor. In terms of getting a clarification on the mission of the Lyon Arboretum, the Chancellor has formed a task force. The Auditor suggested that the Department of Land and Natural Resources (DLNR) be a part of that task force. The DLNR was invited to become a part of the task force but felt it would be inappropriate. Dr. Hayes added that the Lyon Arboretum staff is involved and represented on both the steering committee and the task force. One of the major items that was completed within the last six months is the biosafety at the Lyon Arboretum. To see how the Lyon Arboretum could be opened again, the University solicited advice from an outside consultant from AON Risk Management Office.
President McClain stated that he and Chancellor Englert were personally committed to correcting the problems at the Lyon Arboretum, which is the result of literally decades of inattentation. He welcomed and endorsed the initiative at the last legislature to have a State Auditor’s report. He recently selected Dr. Andrew Rossiter, Director of the Waikīkī Aquarium, to take the lead in the Arboretum’s recovery task force.

Regent Lagareta pointed out that, for the record, this has been a longstanding problem that began to work towards solutions only after it came to the attention of the Board of Regents. She expressed appreciation for positive activity and progress made in this matter by the Administration over the past months. She said that she wanted to make sure that this issue is not politicized and that the University tries to get the $3 million to do what is needed. She expressed concerns that issues such as this suddenly become hot topics and draw attention away from other priority capital needs at the University of Hawai‘i which need attention as well.

Regent Haynes commented that he believes strongly in preservation of indigenous species that have been protected at the Arboretum but wanted to know if the University was the appropriate manager of the Arboretum or if another organization would be better fit. Dr. Hayes said that was one of the questions posed to the task force headed by Dr. Rossiter.

Chair Lee inquired about the liability coverage for the Arboretum. General Counsel Kirimitsu explained that, as custodian of the premises, the University would be liable for any accidents and injuries. In terms of liability, the University is self insured. She asked if the University should look into getting a special type of insurance for this. General Counsel Kirimitsu responded that the University’s Director of the Risk Management would be reviewing that issue.

Kapi‘olani Community College (KCC) Presentation

Chancellor Morton reported that for several years, the KCC faculty and students have been engaged with the Palolo Community in trying to improve education and the pipeline from Palolo into higher education. Over the past year, faculty member Dr. Neghin Modhavi, Sociology Professor at KCC, was engaged in a project to assess how effective KCC has been in its engagement with the Palolo community.

A video was shown of KCC students’ involvement in various Palolo programs. Dr. Modhavi said that service learning is ongoing and she is trying to expand the program which consisted of four sites. Chancellor Morton added that KCC was invited by the Carnegie Foundation to be one of twelve colleges and universities that will be trying to create a Carnegie standard for an “engaged college.”

Tuition Plan Briefing

Vice President Johnsrud briefed the Board on tuition. The current tuition schedule has been in place since Fall 2001 and ends in Spring 2006. She said that a new five-year schedule is being proposed to begin Fall 2006. She said she was seeking the Board’s advice and counsel on tuition schedules before taking them to the public. The Chancellors and the members of the Biennium Budget Committee discussed the tuition rates, taking a variety of factors into account.
A multi-year schedule would be in the best interest for students and their families. It permits them to plan for the total tuition cost of a UH degree. Such a schedule also permits a long-term financial planning by UH campuses that has become increasingly important. Setting tuition rates aids in recruitment because the tuition is known and financial aid packages can be offered in a timely manner. Should circumstances warrant, the Board can act to modify its tuition schedule.

Vice President Johnsrud proposed the following in concept:

- Increase UH-Mānoa’s resident and non-resident tuition to national averages over a five-year period.
- Increase UH-Hilo’s resident and non-resident tuition and UH community colleges resident and non-resident tuition to the Western Interstate Commission for Higher Education (WICHE) averages over a five-year period.
- Establish a floor and ceiling for community college non-residents to allow individual campuses flexibility.
- Retain the same differential between UH-Hilo and UH-West O'ahu.
- Continue the differentials for UH-Mānoa’s professional programs. The differentials in all of these programs are currently well-justified and are generating additional revenue to maintain the quality standards of those professional programs.
- Resident summer session increases will be similar to the academic year.
- Establish a schedule from 2006 to 2007 through 2010 to 2011 with one-year advance notice.
- Establish a five-year schedule with a mid-point correction to adjust for comparisons.

The proposed tuition will be gradually increased for undergraduate residents per semester from $2,184 in 2006-07 to $3,912 in 2010-11 for UH-Mānoa; $1,524 in 2006-07 to $2,676 in 2010-11 for UH-Hilo; $1,392 in 2006-07 to $2,448 in 2010-11 for UH-West O’ahu; and $855 in 2006-07 to $1,335 in 2010-11 for the UH community colleges. The proposed tuition will also be gradually increased for undergraduate non-residents per semester from $6,180 in 2006-07 to $10,932 in 2010-11 for UH-Mānoa, $4,848 in 2006-07 to $8,160 in 2010-11 for UH-Hilo, $4,452 in 2006-07 to $7,476 in 2010-11 for UH-West O’ahu, and $4,230 in 2006-07 to $6,630 in 2010-11 at the UH community colleges.

The residency policy will be re-visited to clarify residence for tuition purposes; an optional installment payment plan will be established; the tuition waiver and the non-residency tuition differential programs will be re-visited; and commitment will be made to increase the allocation of need-based financial aid.

A time line was presented calling for the matter to come before the Board in May or June 2005. That would give students and their families a full year’s advance notice for the Fall 2006 semester.
IX. NEW OR OTHER BUSINESS

There was no new or other business.

X. ANNOUNCEMENT

Chairperson Lee thanked Chancellor Morton and the faculty, students, and staff for their hospitality and for the lunch and breakfast.

Next Meeting

Chairperson Lee announced that the next meeting of the Board of Regents would be held on Thursday, February 17, 2005 at Honolulu Community College.

Regent Lagareta moved to enter into executive session to consider personnel and collective bargaining matters and to consult with the Board’s attorney in accordance with Chapter 92 HRS. The motion was seconded by Regent Haynes and unanimously carried. Chairperson Lee announced that the Board would be entering into executive session, however, it would reconvene in public session in Bachman 203, University of Hawai‘i at Mānoa campus at approximately 3:00 p.m. The meeting was recessed at 11:21 a.m. to enter into executive session.

XI. ADJOURNMENT

The meeting was reconvened in public session at 3:33 p.m. in Bachman Hall Conference room 203. Presiding at the time was Regent de la Peña, however, due to the lack of a quorum the meeting was adjourned at 3:34 p.m.

Respectfully submitted,

David Iha, Executive Administrator
and Secretary of the Board