MINUTES
UNIVERSITY OF HAWAI'I BOARD OF REGENTS
MEETING OF
January 11-12, 2007

I. CALL TO ORDER

Chairperson Kitty Lagareta called the public session meeting to order at 9:13 a.m. on Thursday, January 11, 2007 at the University of Hawai‘i at Mānoa, Campus Center Ballroom, 2465 Campus Road, Honolulu, Hawai‘i 96822

Attendance

Regents in attendance: Chairperson Kitty Lagareta; Vice Chairperson Ronald K. Migita; Andres Albano, Jr.; Byron W. Bender, Ph.D.; Michael A. Dahilig; Ramón S. de la Peña, Ph.D.; Marlene M. Hapai, Ph.D.; James J.C. Haynes, II (excused for Friday); Allan R. Landon; and Alvin Tanaka.

University Officers in attendance: President David McClain, Ph.D.; Vice President for Academic Planning and Policy, Linda Johnsrud, Ph.D.; Vice President for Administration, Sam Callejo; Vice President for Budget and Finance/Chief Financial Officer, Howard Todo; Interim Vice President for Community Colleges, John Morton, Ph.D.; Vice President for Legal Affairs and University General Counsel, Darolyn Lendio, Esq.; Interim Executive Administrator and Secretary of the Board, Presley Pang, Esq.; and others whose appearance are so noted.

II. PUBLIC COMMENT PERIOD

1. Grant Teichman, president of UH Mānoa’s Associated Students of the University of Hawai‘i (ASUH) student government, testified on the proposal to allow the UH Mānoa Chancellor to increase student housing fees up to five percent annually. He expressed concern over the various increases facing students: the tuition increase; the Student Activities increase; and now a student housing increase. He distributed a flyer that was placed on cars advertising Ohia Student Suites in Puck’s Alley for $300 per month kama‘aina rates for Hawai‘i state high school graduates, and asked how Student Housing could be competitive. When asked by Chair Lagareta for ideas on funding sources, Mr. Teichman suggested cutting operating expenses, such as campus security. Housing pays campus security overtime or for off-duty guards to be at Housing on Thursday, Friday, and Saturday nights. Mr. Teichman felt that since the residence halls are part of the campus, Housing should not have to pay for security. He added that over the three-and-a-half years he has resided there, he has seen the facilities falling apart, but there’s always money for such things as elaborate ID scanners. He suggested that it might be more prudent to wait until the housing audit is released before making decisions on repairs and raising rents. He stated that if there really is a funding crisis in Housing, the
Administration should cut expenses at the same time that it’s asking students to pay more.

2. J. N. Musto, Executive Director of University of Hawai’i Professional Assembly (UHPA), testified on disclosure of proposed executive salaries. He stated that in the State of Hawai’i, there are only two groups of public employees whose salaries are subject to public disclosure: the faculty of Bargaining Unit 7; and the executive and managerial administrators of the University of Hawai’i. All other public employees’ salaries are not subject to public disclosure. There have been, since 2001, substantial increases in executive and managerial salaries. UHPA needs to know what those salaries are to be able to comment on whether it’s appropriate to give those salaries. The Board will be making another salary adjustment today in . The agenda simply lists it as a salary adjustment. It does not state the reason why, nor does it state the amount proposed. In the past, the Regents’ response has been “Those are not subject to disclosure because we haven’t yet approved them.” After they’ve been approved, they are subject to public disclosure, but by that time the Board has already acted, so there’s no opportunity to make effective public comment prior to the decision. Mr. Musto felt that he had to raise this issue one more time. He will think about possible legislation. He would like to find some other resolution to this dilemma. He stated that if the construction of executive and managerial salaries cannot be understood, it is more difficult to make a rational argument for the construction of faculty salaries. He thanked the Regents for their attention.

Approval of Meeting Minutes

Chair Lagareta asked Board Secretary Presley Pang to comment about the new process of producing meeting minutes. Secretary Pang explained that the meetings are now being transcribed by a court reporter, with backup audio tape. The process of producing the minutes from verbatim transcripts is long and tedious. Approximately 300 pages of initial transcriptions are reduced to possibly 35 pages of minutes. Part of the reason for using a court reporter is to ensure accuracy in what is said, and to have an external source recording the meeting for Sunshine Law purposes.

Secretary Pang indicated that he expected to have a package of minutes from the August, September, and October meetings for the Board at the February meeting.

Regent Landon questioned why the process takes so long, and commented that there should be a balance between accuracy and time limits.

Chair Lagareta noted that the Board has increasingly wanted to make its minutes public, and sometimes a full transcription is requested. An audio recording system usually isn’t very accurate, so the Board decided to use court reporters to produce verbatim transcripts. If delays continue, the process will be reconsidered. Chair Lagareta further explained that the Board office was often behind in producing the minutes. It was often very difficult to get the full or accurate transcript off the audio tapes. This new process seeks to produce minutes that are much more accurate and true to form, as well as provide full transcripts in compliance with Sunshine Law.
III. REPORT OF THE EXECUTIVE OFFICER (For Information Only)

President McClain spoke about the upcoming Centennial, giving some historical highlights. The University was chartered on March 25, 1907 by Act 24 of the Territorial Legislature. In 1909 the University won its first football game against McKinley High School, fielding two faculty members on its team. The first doctorate was conveyed in 1933, concerned about the control of ants in pineapple fields. By the end of the '40s, enrollment was 5,000; by the early '60s it was at 10,000. In the early '60s, the community college system was created. Hilo had been established more than a decade before that. Ten years later enrollment reached 45,000. About half of those students were at Mānoa, the other half at other campuses. During this period, the John A. Burns School of Medicine, Richardson Law School, Cancer Research Center, and the Travel Industry Management School were created.

Since then, the tide of the University's contributions, both scholarly and to the community, has turned into a flood. Accomplishments such as Professor Yanagimachi's 1998 cloning of the mouse and investments in Kali'ako are chronicled in a new booklet called "Faces and Places, A University of Hawai'i Portrait." The University's reach is broader than many think. In addition to the 80,000 students enrolled today -- 50,000 for credit and 30,000 non-credit -- there are nearly 700,000 admissions to athletic events every year and nearly 130,000 admissions to performing arts events every year. The Aquarium has over 500,000 admissions every year.

The University is sponsoring a UH Day at the State Capitol. There will be well over a hundred exhibit tables and displays on the third and fourth floor lanais of the Capitol and on the ewa lawn, organized into thematic areas, including work force development, sustainability, and science and technology.

Since 1996, a document called "Measuring Our Progress" has been produced and indicates how the University is measuring up on a variety of indicators.

The President also indicated that the Centennial Scholars Program announced last November is up and running. A brochure describing the program is available.

Information on the Centennial Scholars Program is handled by Karen Lee, Associate Vice President for Student Affairs. Linda Johnsrud, Vice President for Academic Planning and Policy, is responsible for "Measuring Our Progress." Carolyn Tanaka in External Affairs can be contacted regarding "Faces and Places."

IV. UNIVERSITY OF HAWAI'I FOUNDATION REPORT

Donna Vuchinich, UH Foundation President, reported that they raised $41.4 million for this fiscal year so far, bringing the total for the campaign to $159 million. Foundation Vice President Bill King reviewed the graphs in the written report he submitted, noting that the Foundation received two commitments from donors to match funds provided by Mr. Shidler. John and Sue Dean have
proposed a gift for an endowed professorship, and another donor offered a scholarship.

Mr. King reported that the first half of the year is typically slower than the second half, so they should exceed $17 million going forward for the rest of the year without any very large gift, which would put them in excess of $35 million.

The net assets increased from $200 million at year-end '06 to $230 million as a result of the regular activity as well as the gift.

The service fee on gifts includes the $150,000 from Shidler, as well as nearly $100,000 from the other bequest. The development personnel cost is unfavorable to budget, but it indicates that the Foundation is now well staffed. The $3 million received from the University is used specifically for the payroll accounts of the development group.

President McClain summarized that the Foundation has sufficient staffing to reach their goal and made great progress under President Vuchinich's leadership. He recognized the University's indebtedness to Jay Shidler for his generosity. The University expects to exceed the $250 million target.

Chair Lagareta congratulated the staff of the UH Foundation, citing the growth of the alumni list of activities and the energy building there. She also recognized Terry Wells, who was acknowledged by the National Society of Fundraising Executives as their fundraiser of the year, adding that that was a reflection on the whole team.

V. AGENDA ITEMS

Approval of Wai'anae Lease Agreement Amendment #7, Leeward Community College

Peter Quigley, Chancellor of Leeward Community College (LCC), requested approval of Amendment 7 to a 1988 lease between LCC and Mr. Lambert Lau in Wai'anae. The building occupies 7,000-plus square feet of space on the second floor of a two-story building along Farrington Highway in Wai'anae. This space includes four classrooms, a learning resource center, a computer lab, offices, parking, and is ADA accessible. This present lease expired in June of '06 and has been under negotiation since that time. He provided Exhibit A for other highlights.

LCC moved into the facility in 1993. The lease payment at that time was $12,000 per month or $1.70 per foot, which increased to $12,900 per month, $1.83 per foot, in July 1994. In subsequent years the rent was reduced due to the landlord's recognition that the State and the UH system were having financially difficult years. For the past five years the lease has been $7,000 per month, unadjusted, $.99 per square foot. Comparable leases for malls in the area are $3.37 to $4.62 per foot for the Wai'anae Mall, and $.97-$1.97 for the Pacific Shopping Mall. Even with the adjustments that LCC has agreed to, the rent fits a fair market value profile. The increases average between 2.5, 2.7 percent a year, which, indexed against inflation and increasing office space
costs, are more than reasonable. To ensure flexibility given its biennium request, LCC has the option to exit the lease with a 60-day notice.

In response to President McClain's request to explain that biennium request, Chancellor Quigley reported that their first priority is to purchase the building next door. LCC has been in this lease for many years, been in the Wai'anae area for over 30 years, renting all that time. LCC requested $4.8 million to buy and refurbish the building next door. There is also a request for a permanent operational budget.

President McClain added that Leeward's request is the Administration's fourth priority after health and safety, repair and maintenance, and the West O'ahu initiative.

Chancellor Quigley summarized by stating that the amendment would take them from the current $84,000 annually up to a high point of $120,000 annually in four years, at $1.42 per square foot.

Regent Landon moved for approval, which was seconded by Regent Haynes.

Regent Haynes asked if the lease had been reviewed by General Counsel, which was confirmed.

The motion was unanimously approved.

Approval of the Bachelor of Education (BEd) Degree in Elementary Education, University of Hawai'i at West O'ahu

UH West O'ahu (UHWO) Chancellor Gene Awakuni requested approval of a Bachelor of Education degree program to alleviate the State's teacher shortage.

He acknowledged Kathy Au, formerly of UH Mānoa's College of Education, who helped develop a program that was responsive to the Leeward Coast; and Jackie Carol, an educational consultant who helped draft the proposal submitted to the Hawai'i State Teachers' Standards Board (HSTB).

Chancellor Awakuni noted that the program was developed in 16 months, although the original estimate that the Standards Board gave was about three years. UHWO received their approval last November, in record time, through the hard work of the people he mentioned, including Vice Chancellor for Academic Affairs Steve Sylvester and Curriculum Development Specialist Melinda Woods.

Dr. Mary Heller, their Director of Teacher Education, continued the presentation. Dr. Heller joined the college this past fall from Kansas State University, where she was a tenured full professor in education and a nationally noted teacher.

Dr. Heller highlighted the characteristics of the proposed B.Ed., with emphasis in elementary teacher education. In fulfilling the teacher education agenda within their 2002-2010 Strategic Plan, the proposed B.Ed. degree is designed to prepare teachers to meet the needs of the State in general and in Central and Leeward O'ahu in particular. UH West O'ahu's institutional mission is
designed to prepare teachers to meet the needs of the State in general and in Central and Leeward O'ahu in particular. UH West O'ahu's institutional mission is to serve the educational needs of non-traditional and under-represented students. In keeping with this mission, UHWO intends to increase the enrollment of teacher candidates currently under-represented in the teacher force in Hawai'i, namely Native Hawaiians and Filipino. The B.Ed. prepares teachers who believe in standards-based education, student-centered learning, and is oriented to social justice. The fundamental outcome is to develop teachers who can meet the performance standards set by the Hawaii Teachers Standards Board, consistent with the program's philosophy.

The Hawaii Teachers Standards Board, finding all standards met, with no citations given, recently granted UH West O'ahu a three-year provisional approval for its program, effective December 1, 2006, allowing UHWO to begin recruitment plans and program implementation.

The B.Ed. is a 120-credit-hour program. Several scheduling models will be available to allow non-traditional, employed students to complete their upper division course work over three years. A schedule for the more traditional college student wishing to complete upper and lower division courses in four years will also be available, as well as a range of course deliveries, including on-campus and on-line.

Standards-based check points are in place ensuring program effectiveness, beginning with criteria for initial entry into the program and ultimate entry into student teaching. Example criteria include passing scores on the PRAXIS exams for pre-professional skills, principles of learning and teaching, overall GPA of 2.5 for entering into the program, and 40 hours of experience working with children prior to entry into the program.

Transferrable lower-division course requirements from the system campuses are fully aligned with the University of Hawai'i general education hallmarks: foundation, diversification, and focus. The upper division elementary education curriculum is organized according to three strands: foundations of education, teaching methods, and field experiences. Foundations courses will build upon the strengths in humanities and sciences that are already present at the UHWO. The balance among the three strands encourages teacher candidates to develop knowledge of the concepts, theory, and research.

The UH West O'ahu Teacher Education Program is anticipated to grow quickly over the next three to five years. The initial core faculty will comprise six full-time teacher education positions that have already been funded. With the expected increase enrollment, two additional full-time faculty positions may be needed by 2011. Additionally, one full-time student services position will also be needed to support the field base components of the program and service-related activities.

Regarding the budget, enrollment and tuition increases over time will generate additional revenue. For planning purposes, although conservative enrollment figures are estimated, rapid enrollment growth is anticipated.
A range of data will be gathered every year, including teacher performance on required PRAXIS exams, GPAs, assessments of candidate knowledge, and skills. The findings will be reported to the HTSB as part of the ongoing review process.

Regent Migita expressed his wholehearted support for the program, commending UHWO for reaching out to teacher candidates from under-represented groups, and attracting teacher candidates who reside in the respective communities they will be serving.

Regent Hapai asked for clarification that UHWO is requesting provisional status, then permanent status. President McClain confirmed that provisional status, subject to customary review for permanent status, is requested.

Regent Hapai asked how nontraditional students would be able to go into the schools when the program will be offered during the afternoons, evenings, weekends. Dr. Heller responded that they are currently working this out and have possible options.

Students entering the program will know that the final semester is full-time student teaching, when they cannot work at all. UHWO will work with the students to individualize their practicum experiences prior to their entry into student teaching, as well as working with elementary school principals on the Leeward Coast and Central O'ahu to develop the practicum experience.

Regent Hapai recommended that they consider non-DOE situations, such as the Imiloa Astronomy Center on the Big Island. She also suggested team-teaching for the methods courses because of the program's many content areas.

Regent Tanaka asked whether UHWO has plans to house this program if the new campus is not built. Chancellor Awakuni responded that although they are optimistic that the campus will be built in the next three years or so, one of their fallback options is to increase class offerings at the Pearl City campus, which currently enrolls about 700 students. That campus can serve a thousand students with evening and weekend classes. The other option is to increase the lease space at Kapolei with Island Pacific Academy (IPA). UHWO has five classrooms, IPA has about nine classrooms. In addition, UHWO has been negotiating with the Campbell Estate for space in the Campbell Building in Kapolei. Chancellor Awakuni added that one of Dr. Heller's areas of expertise is the current version of the Lab School concept, the Professional Development School, which she presented to the DOE and various teacher organizations. The DOE is very excited about training sites for teachers that can benefit both the DOE and those teachers.

Regent Landon commented that previously the Board was presented with an opportunity to develop a foundation program for teacher education at a community college but the articulation was outside of the UH system. UHWO's B.Ed. could become the second phase of that program, where community college students could stay in Hawaii to get their training. Chancellor Awakuni agreed with Regent Landon, elaborating that their plan is to make a seamless connection with Leeward CC's and Kapi'olani CC's programs, so students could
choose a small campus setting that provides high-quality education here in Hawai‘i.

Regent Dahilig moved to approve the program; Regent Haynes seconded. By unanimous vote, the motion to approve the B.Ed. program at UH West O‘ahu was approved.

**Authorize Public Hearing on Proposed Amendment to Chapter 20-12, Hawai‘i Administrative Rules, University of Hawai‘i at Hilo Parking Regulations**

UH Hilo Chancellor Rose Tseng stated that Chapter 20-12 of the Hawai‘i Administrative Rules governs the schedule of penalty and disabled parking violation. The State’s Disability and Communication Access Board (DCAB) informed UH Hilo that its schedule deviates from the State’s penalties established by State law, HRS §291-57. In 2000, University of Hawai‘i Mānoa amended their rules but UHH was not involved. UHH is requesting authorization to change its penalty schedule from $25 to $250, via public hearing on rule amendments.

Regent Albano asked if this increase in fees is due to excessive parking violations or a means to increase revenues. Chancellor Tseng clarified that UHH currently charges only $25 for handicapped parking violations. Since the State imposes $250, Hilo must also charge $250 to be in compliance with State law.

In response to a question from Chair Lagareta, General Counsel Lendio explained that not all campuses are consistently complying with State law. General Counsel’s staff is working with Vice President Sam Callejo to have all campuses in compliance. Regent Landon asked if there could be one Board motion to authorize all campuses to hold their public hearings to raise their fees, rather than repeating this motion with each individual campus. Chair Lagareta thought that the Sunshine Law allowed the Board to consider only Hilo’s request at this meeting, which General Counsel confirmed. General Counsel Lendio stated that she will work with Vice President Callejo to develop a plan consistent with Sunshine law.

Regent Albano moved to approve Hilo’s request, seconded by Regent Haynes. Upon a call for a vote, the motion was unanimously approved.

**Approval of Authority to Increase Student Housing Rental Rates, University of Hawai‘i at Mānoa**

Mānoa’s Vice Chancellor for Students Francisco Hernandez updated the Board on activities related to housing. Construction has begun on the new Freear Hall. He will request Board authorization to hire a project management group to handle the renovation, refurbishment, and repairs necessary for housing, currently estimated at about $40 million and involving about 30 projects. They will announce a national search for a permanent director for Housing, which has not had a director for several years.

The request to authorize the Chancellor to increase rental rates up to a ceiling of five percent over each of the next five academic years is intended to
meet the increasing costs of personnel, utilities, and other services. They will also control personnel and services costs and work toward reducing utilities, as well as to increase income streams in other areas that include meal plans, vending, and summer conferences. Vice Chancellor Hernandez indicated he will consult with student groups prior to any final decision on the increase.

President McClain asked Vice Chancellor Hernandez to respond to ASUH President Grant Teichman’s suggestion to defer action until the housing audit is public. Vice Chancellor Hernandez’s response was that this question came up when he met Tuesday night with ASUH. He did not think that the issues that would be raised in the audit would stop the Mānoa administration from increasing rental rates. They would take into account what was said in the audit as they consult with students.

President McClain asked about the time frame. Vice Chancellor Hernandez said that he would need until the end of February to do the consultation and analysis.

Regent Landon said that, based on the Regents’ preparation materials, the maximum increase is allocated to cover expenditures. What wasn’t shown was the budget without that rate and how much increase went into which categories. Since the Board has heard a lot of commentary about the lack of repair and maintenance, he was surprised to see that the largest increases seem to be in utilities and personnel rather than in repair and maintenance. Vice Chancellor Hernandez clarified that the largest expenditures for repairs, renovations, or deferred maintenance is in the debt service because they will be borrowing the approximately $40 million to make the renovations and refurbishments. The repairs and maintenance expenditures listed under expenditures are actually for routine, daily things, e.g., replacing light bulbs. The budget indicates that borrowed funds will go to make the repairs and maintenance that should have been made many years ago.

President McClain said that, looking at the revenue line, it is about $12.5 million now, and five percent would increase it to about $17.5 million. One percentage point is worth about a million dollars on revenues. The debt service is currently about $2.2 million, then it’s going to rise to $3.7 million, then to $6.3 million. About $50 million will be borrowed to refurbish these facilities, and the debt service will be about $4 million more than it is now. The full R&M backlog at the Mānoa campus is a little over a $100 million.

Vice Chancellor Hernandez confirmed, adding that they will need increases just for the debt service, as well as for increases in personnel costs, utilities and other expenses. They hope to increase their food and beverage commission by renegotiating the upcoming contract, as well as increase the interest income. But the planning was conservative with regards to revenues, so the five percent is a prudent approach over time to all these increases, including debt service.

President McClain said that one of Mr. Teichman's concerns was that this money be spent on refurbishment. It seems that will be the case. He also raised issues of management, an area of concern which the Chancellor is addressing by hiring new leadership in the area.
Regent Landon offered a different analysis. He said that one percent increase in fees would add $120,000, so five percent a year would add $500,000. To meet a $4 million increase in debt service requires about five or six years, if it all went to debt service.

Vice President Todo said that the University has just closed on the $100 million revenue bond offering for Housing in December, and of that, $46 million is going to Frear Hall; another $8 million is to expand food service at Gateway; and $2 million housing in Hilo. The rest of it, some $40-plus million, is for work on deferred maintenance in the housing area. The debt service on that is what is increasing from $2 million now to $6 million-plus. Vice President Todo summarized that Vice Chancellor Hernandez is asking for that five percent to pay not only for Frear Hall but also for the deferred maintenance that will be done.

Regent Dahilig asked if increasing the rental rate would, by default, set the base rents for Frear Hall. Vice Chancellor Hernandez responded that those rates are proposed rates, and students would be consulted.

Regent Hapai expressed her concern that only one student appeared today. When the Board met over the increase for the Pacific Islanders, many testified, and the students were represented. When the fee increase was proposed, the students were all there on Maui to say they were in favor of that increase. They're not here today. To compare professionals, with professional salaries, to students who are taking out loans and their parents who are funding them, is not a true comparison. She would feel better if many students said they could live with this. She asked if tuition, coupled with increase in housing, will keep more students on their home islands or increase the number of students going to mainland institutions offering higher education at comparable prices. She asked if the increases could be spread over a longer period of time than five years. Regent Landon commented that if only one student testified, an assumption could be made that the others have no opposition.

Regent Dahilig asked if GSO and ASUH were consulted prior to this presentation. Vice Chancellor Hernandez responded that the Housing director met with ASUH on 11/28 and presented all of the numbers, including different scenarios for zero, four, five, and six percent, what it meant, what the costs were, what the increase was meant to cover. They had general sessions, one on 12/6 and then one on 1/8, at the Housing cafeterias to inform students about the increase. He said that they would not request an increase without thorough consultation. He thought the Board gave him the responsibility to conduct analyses and bring forth solutions to some of the problems.

He indicated that the students' concerns about management and repairs and maintenance will be addressed. Some halls will cost more than others. The students asked to have one hall that was much less expensive than the others; Johnson Hall is designated.

Regent Albano asked why Johnson Hall was not in the cash flow for the last three years and when will a long-range plan be presented to the Board with respect to additional dorms. Vice Chancellor Hernandez replied that taking Johnson Hall out of service was to determine what net effect it would have. He asked for Board guidance as to when it would want to receive a long-range plan,
noting that all their time has been focused on determining what happened during the past five years and catching up over two months.

Regent Albano said that he thought a long-range plan showing a master plan for constructing new dorms would be presented at this time.

Vice Chancellor Hernandez responded that Regent Albano was referring to the Strickler Report, which calls for replacing both Johnson Hall and Hale Noela. They will review the financial feasibility, because the key assumption is an increase in debt service of $2 million to borrowing over $480 million in a ten-year period, an occupancy rate of 96 or 97 percent, both of which he thought were not sustainable. Mānoa will review the timing of these assumptions. Johnson Hall will be assessed first, then Hale Noela.

Regent Albano asked if, up to 2012 at least, the only new additional space would be Frer, assuming that Johnson Hall will have the same number of rooms. Vice Chancellor Hernandez indicated that that was incorrect. What was presented were numbers and beds they have now. Changes may occur.

Chair Lagareta noted that there have not been any new dorms since 1978, which was almost 40 years ago. The buildings have not been repaired or maintained. It's been a priority of this Board to move along as quickly as possible. Vice Chancellor Hernandez commented that for whatever reason, there was a great deal of neglect in the basics of housing, and it really wasn't until the concern rose to the level of the Regents, which then brought forth the resolution of a new hall. But both the State and the University had many other priorities.

Chair Lagareta commented that the Board has clearly heard the students on this issue, and approving the new dormitory and the revenue bond were done to move forward on this issue quickly. She was grateful for the courage of the student regents: the student regent voted in favor of the tuition increase; the student regent makes the motion to approve the rate increase.

Chancellor Konan noted that in the past 20 years Mānoa was viewed as being more of a commuter university, where students would come during the day and return to their home and perhaps work in the afternoon. That no longer meets the current student needs. Students today are looking for a more engaged campus experience; they recognize that there's advantage to being a full-time student, fully engaged in the campus, having 24-hour opportunities on campus, and more students are saying that commuting to campus is difficult. Mānoa's administration is responding with an aggressive plan for student housing that provides for a total living experience that supports their engagement with the campus. She saw the campus as being in a transformational period right now, and this request for a five percent authority is a small part of supporting that broader vision.

Chair Lagareta thanked the Chancellor for the clarification that as programs have expanded and students from outside of O'ahu have been attracted, there has been a greater need for housing. She added that the draft auditor's report clearly and decisively details a lot of the things we've all known and been working on for two or three years.
Regent Tanaka asked how the increased housing rates compare to what the market is or comparable institutions, given the flyer which Mr. Teichman shared that advertised a $300 monthly rent. Vice Chancellor Hernandez replied that UHM has rental rates lower than other institutions. With regards to the market, the plan is to be competitive and to outline the benefits of living on campus, such as full Internet connections, proximity to the campus, and other benefits not provided by off-campus rentals.

Regent Tanaka commented that every room that isn’t filled doesn’t lose just five percent, but the entire rent. Vice Chancellor Hernandez responded that Housing has a wait list, and the aim is to maintain and increase occupancy. Frear Hall will go a long way towards maintaining a 95 percent level of occupancy. Vice Chancellor Hernandez used a conservative estimate of 92% occupancy for break-even.

Regent Hapai requested that the Vice Chancellor work with the students to develop an acceptable increase.

Regent de la Peña shared Regent Hapai’s concern over the absence of students at this meeting. Chair Lagareta clarified and Chancellor Hernandez confirmed that once the authorization has been approved, the Chancellor’s office will implement a thorough consultation process and public meetings.

Chair Lagareta called for a vote on the motion by Regent Dahilig to approve the request, which motion was seconded by Regent Albano. The motion was unanimously approved.

The meeting recessed at 11:13 a.m. and resumed at 11:29 a.m.

Posthumous Award of Regents’ Medal of Distinction to Alice Augusta Ball, University of Hawai‘i at Mānoa

Vice Chancellor Smatresk commented that it isn’t often that a long-standing injustice can be addressed. On the eve of the Centennial celebrations, UH Mānoa would like to appropriately honor and reflect on its graduates, one in particular—Alice Augusta Ball. Her family lived in Hawai‘i, moved from the West Coast. She came back to this University to pursue her master’s degree. She was the first woman and African-American graduate of the University, which, in 1915, was not an insignificant achievement. Her base degree was in pharmacological chemistry. She had a tremendous gift for applied research. During her time here, not only was she the University’s first African-American instructor, but she adapted techniques she had used for treatment of diseases to Hansen’s disease. She took a compound called chaulmoogra oil -- there’s a tree on campus commemorating this -- and created extracts that were used very successfully in treating this disease. She was never appropriately honored for her amazing discoveries and achievements because she died at the age of 24. It would be very appropriate for the entire University system to celebrate what she achieved in her short life, to celebrate what she was and what she represented by awarding her the Regents’ Medal.

Regent Hapai moved to approve this award, seconded by Regent de la Peña.
Regent Hapai asked if there were family members who would receive this on her behalf. Vice Chancellor Smatresk replied that although they haven’t been able to identify any immediate family members, there is a small group anxious to see her recognized through this award, as well as her biographers. Chair Lagareta added that since Ms. Ball passed away in Seattle, this award should also be publicized there.

The motion was unanimously approved.

University of Hawai’i at Mānoa Intercollegiate Athletics Department 2006 Audit Report

Vice President Howard Todo requested Kent Tsukamoto, managing partner of Accuity, formerly PwC, and Cory Kubota, in charge of the audit, to describe the audit results.

Mr. Tsukamoto clarified that Accuity has joined the Public Company Accounting Oversight Board, effective last month. They have also joined an international network called Baker Tilly International, which is the eighth largest accounting firm in the world.

Mr. Kubota stated that, as the external auditor, they are required to report certain matters to the Board as the oversight agency for the University, as well as their responses. He explained their responsibilities under Generally Accepted Auditing Standards. Their audit services are procured under a contract with the University of Hawai‘i. The basic financial statements of the Mānoa Athletics Department were audited. They also performed agreed-upon procedures required to comply with NCAA requirements.

They also assessed the Department’s accounting principles to determine conformity to GAAP. Accuity believes that they do conform to GAAP. There were no changes in the methods or accounting principles that the Department used during Fiscal Year 2006.

Significant management estimates that have an impact on the financial statements were examined. Three of the more significant estimates are: the allowance for doubtful accounts receivable; the useful lives of depreciable assets; the classification on the balance sheet of assets and liabilities as either current or non-current. Accuity had no exceptions or issues with those estimates or Management’s methodologies.

Regarding audit adjustments, two adjustments were identified during the course of the audit, but both were relatively small and did not have a material impact on the financial statements. Management made those corrections and updated their financial statements accordingly.

Regarding potential effect on the financial statements of any significant risks and exposures, Accuity found no particular significant risks or exposures to the Athletic Department at this time.

Lastly, Accuity didn’t note any significant material uncertainties related to events and conditions other than that Mānoa Athletics’ financial condition, as a
department of the University of Hawai‘i, is tied to the support provided by the University at large.

Mr. Kubota then reviewed other audit items: Regarding other information and documents containing auditor financial information—Accuity is not aware that any such annual reports are issued; Disagreements with Management—none were noted; Consultations with other accountant—none were noted; Major issues discussed with Management prior to Accuity’s retention—there were none; Difficulties encountered in performing the audit—there were none; Deficiencies in internal control—none were noted; Fraud and illegal acts—none were noted.

Accuity LLP affirmed that it is independent of the University of Hawai‘i and Mānoa Athletics. They are required to provide the University any written communications exchanged, the actual audit contract, a Management representation letter, the summary of unadjusted differences, and their internal control and business issues report.

The Summary of Unadjusted Differences are proposed adjustments that were not actually recorded by Management. There were none.

Mr. Kubo apologized for an error on the second line item under the percentages which should be zero percent.

Note one on Page 8 has a proposed adjustment for $10,234, primarily related to their recommendation to write off an old outstanding accounts receivable balance against the allowance for doubtful accounts. That actually has no zero balance sheet impact.

In terms of the ultimate conclusions on the financial statement audit, the Athletics Department received a clean, unqualified opinion on the basic financial statements.

In terms of the NCAA agreed-upon procedures, Accuity performed those procedures without exception, other than one instance related to salaries, which was corrected by Management.

In terms of the internal control and business issues report, Accuity didn’t consider any to be significant items, but rather housekeeping in nature. Management read through it and tried to take corrective actions.

Athletic Director Herman Frazier addressed the Board. Director Frazier thanked Vice President Todo for his assistance with the audit process, as well as Chancellor Konan and Vice Chancellor Kathy Cutshaw. He stated that with some adjustments, their systems will be fine. He described the relationship between Accuity and the Athletics Dept. as very cordial, adding that Accuity had done a terrific job working with Athletics and was very professional.

The last two audits have seen tremendous growth, not only in deficit reduction but also in systems control, which can be credited to one person, Tiffany Kuraoka, their Assistant Athletic Director for business, who’s been on the job for two years, and has performed over and beyond the call of duty. Director Frazier also thanked Koa Anvenue. The Premium Seat Program four years ago
was grossing $800,000 for Koa Anuenue, of which $600,000 annually was going to Athletics. Today those numbers are closing in on $3 million annually in the Premium Seat and AKA program.

Director Frazier said that the Department ended fiscal year 2003 in the red by $2.4 million. At that time, with the guidance of President McClain and Sam Callejo, Athletics embarked on a five-year deficit reduction plan. Today's report will reflect that the plan is working. In fiscal year 2003, the deficit was $2.4 million. In 2004, the loss was $545,000. In 2005, the loss was $93,000. Today, they're $7,000 in the black. The cumulative deficit is still before them, but they are working on the future.

He spoke of three things in the audit report: positive balance for the year, which just ended for June of '06; cumulative deficit reduced; and a partial loan repayment. This has been the plan all along, and has been accomplished. Over the years, the athletic teams continue to compete at an all-time high level in the WAC and the NCAA. Opportunities are offered to 500-plus male and female student athletes at Mānoa. The Athletic Department is proud to not only reduce the deficit, but to increase their budget to be competitive, and they most recently revised and have approval from the Chancellor for their new Gender Equity Plan.

Regent Haynes asked how Athletics planned to reduce the deficit. Director Frazier replied that a lot of that comes with their cash flow, mostly from either the NCAA or the WAC in June. During those times they borrow money from the University's general account, and pay interest on that money. As they get caught up with the cash balances versus whatever other plans they have, that number starts to reduce. The overall deficit is $876,000. Vice President Todo clarified the deficit situation. The total net deficit of $876,000 would be equivalent, in a private company, to the net equity. However, Vice President Todo thought that the numbers Regent Haynes was referring to was a cash overdraft to the University of $2,088,000, and a note payable to the University of $250,000, which is a reduction from a million the year before, that Athletics has been able to work down. The $2,088,000 is what he referred to as the cash flow, which goes up and down depending on timing of payments of bills versus payments coming in, versus revenues coming in, which moves daily.

Regent Miga asked what the response is to the recommendations in the internal control and business issues report. Vice President Todo responded that Tiffany Kuraoka responded to those business issues findings and asked her to distribute them to the Board. Those responses had been discussed with Accuity, who concurred with the actions planned to be taken, so the recommendations will be implemented.

Regent Haynes commended the Athletics Department for their significant progress on financial recordkeeping over the past few years.

Chair Lagareta asked what the $2.7 million was under direct institutional support. Mr. Tsukamoto responded that those were the State appropriations.

Regent Tanaka asked if women's volleyball was their highest profit sport. Director Frazier confirmed, elaborating that many different variables are considered when defining what a sport like volleyball specifically makes, such as
how much weight is given to television, radio, sponsorships and so forth. The number really is a reflection of ticket sales and other minor things. President McClain clarified that it’s not that the revenues are the highest of any sports, but the net program income is superior to any other activity. Vice President Todo pointed out that the numbers reflect mainly ticket sales. But other income has not been allocated to each sport, because to do that was highly subjective. In the Total column, $11 million of departmental revenues and $8 million of departmental expenses have not been allocated to each sport.

Regent Tanaka commented that with the good football season just completed, hopefully next year’s audit will show a reduction of the deficit. Director Frazier responded that at the end of ’07 they will be in much better financial shape than now, due to the success of the football team. In the ’05-’06 season the football revenue was probably down a million dollars. He noted that even though the Oregon State game was on TV, it was still sold out. He also pointed out that the Foundation has $3 million at the close of the 2006 fiscal year.

Director Frazier concluded by saying that a lot of the credit goes to Chancellor Konan, President McClain, and Vice Presidents Todo and Callejo.

Regarding the relationship with the auditors, they’ve all come together collectively for the betterment of the Department and also the University.

Regent de la Peña moved to accept the audit report, seconded by Regent Haynes. The motion was carried unanimously.

Five-Year Lease Extension on the Mānoa Campus for the University of Hawai‘i Federal Credit Union

Vice President Todo asked to extend the lease to the UH Federal Credit Union of office space at the current rent of $300 per month.

Regent Haynes made the motion, seconded by Regent Albano.

Regent Hapai asked if the Credit Union is a University entity, and why is the rent set at $300 a month. Chancellor Konan explained the Credit Union is not a University entity, but membership is limited to University employees, and it provides a convenient service. Chair Lagareta added that there are 24,000 members on the Mānoa campus, and it does almost 5,000 transactions a month.

Regent Landon explained that federal credit unions are typically privately chartered organizations owned by members and have a special tax status, owing to the constituency of their membership. They're chartered to serve the financial good of a certain community. They differ from for-profit financial institutions that are owned privately or publicly and have a tax status.

Upon a call for the vote, the motion was carried unanimously.
Quarterly Financial Status Report (Information Only)

Vice President Todo reported that the GAAP financial statements on the balance sheet indicate stability. The one thing that changes often is cash and investments, because at the beginning of the year the State appropriations are put in, and it decreases as those appropriations are spent off throughout the year. The others are fairly consistent.

Regarding accounts receivable, they consist mainly of federal and state contracts and grants receivables. The increase over the prior years is very slight on a period-by-period basis. On the net assets there is some change, explained in Item 3 on the analytical comments.

Regarding the income statement matrix, they’re consistent from the first quarter of this year to the first quarter of last year.

There’s a $16 million increase in compensation and benefits, due to the additional pass-through cost for fringe benefits of $8 million and increases resulting from additional FTEs and collective bargaining increases.

Item 6 on the analytical comments notes that State appropriations also increased on a fiscal-year-to-date basis by some $31.2 million, $14.9 million of it due to various pass-through costs. These are costs that the State pays for, but are shown as an additional appropriation, then taken out of the University’s budget.

Item 7 in the analytical comments are State appropriations, which aren’t recorded in the financial statements until they’re released by the Governor. The change between last year and this year is due to the Governor’s release of $30.4 million less than at this time last year.

The last item is extraordinary items, which is primarily the Lab School insurance advance.

Regent Hapai asked why tuition is not included in the consolidated funding report. Vice President Todo explained that the tuition is included in the appropriated operating funds. In the consolidated funding report, it would be included in special funds, because as it’s collected, it’s called, for governmental purposes, tuition and fees special funds.

President McClain noted that the public agenda has concluded and suggested that the Board adjourn for lunch, then move into. The Board could reconvene on Friday at 9:00 a.m. in public session if necessary.

Chair Lagareta asked Board Secretary Pang to introduce a new staff person. Secretary Pang introduced Louise Miura, who has come on board temporarily on a short-term basis to help out the Board office. Her first task is to prepare the previous meeting minutes for Board approval, as well as assisting in other capacities.

Chair Lagareta called for a motion to recess for lunch, which was made and unanimously approved.
Chair Lagareta then called for a motion to enter into, pursuant to HRS §92-5(a)(2), to discuss personnel and legal matters after lunch, which was moved by Regent de la Peña and seconded by Regent Albano. The motion was unanimously approved.

The meeting was recessed at 12:19 p.m., for lunch and executive session, from 1:30 p.m. to 3:20 p.m.

Friday, January 12, 2007

Chair Lagareta reconvened the meeting on Friday, January 12, 2007 at 9:40 a.m. She thanked the Mānoa Chancellor for the campus tour, and expressed her appreciation for the reception and breakfast with the students.

REPORT OF EXECUTIVE OFFICER (Information Only)

President McClain invited Chancellor Konan to give a short presentation about UH Mānoa. Chancellor Konan welcomed everyone, and indicated that they will celebrate the Centennial kick-off the following morning.

Chancellor Konan provided a PowerPoint presentation which gave a short background on the campus' history, detailed efforts to improve their student experience, and highlighted some of their excellent faculty. Chancellor Konan also focused on some of the issues needed to support excellence on campus, one of the most important being initiatives concerning campus renewal.

The UH began in 1907 as a College of Agriculture and Mechanical Arts, with five students and a staff of 12. Today the Mānoa campus enrolls 20,000 students, and is ranked in the top 25 public universities in federal research funding. It offers 87 baccalaureate programs and 51 doctoral programs.

Mānoa started as a rural agricultural, then expanded into a larger commuter campus. Today's students want to live, work, and play on campus. They're looking for late-night study areas and places to be engaged on campus. The students are taking the initiative to redesign the Campus Center into a late night study and gathering place.

Chancellor Konan provided some highlights:

- UHM is offering nearly 600 Centennial Scholarships to attract and retain Hawai‘i's best and brightest students.
- UHM students report being engaged in their majors and with their faculty.
- One of Mānoa's concerns is its retention rate, and the campus is working to improve it, as well as improve technology in the classroom.
- A new project for the campus is a degree pathway with Kapi'olani Community College, which sends Mānoa the most community college transfers. Students can be dually enrolled at both campuses while based
at the Kapiʻolani campus, receive advising and other support services from Mānoa to make the transfer process easier.

- Chancellor Konan spotlighted their diverse faculty and programs, such as anthropologist Terry Hunt’s research on Easter Island, Dr. Nina Elkin’s study in Nigeria on malaria prevention, sociologists developing software that could help understand cultural differences, and their Asian Theatre program, the largest of its kind in the world.

- A major concern and challenge is the need to upgrade and modernize the facilities, and the campus is focusing on this through funding and managerial changes.

- Another focus is sustainability, and the campus has developed goals to reduce energy consumption by 50 percent by 2015.

- UHM is proud to note that 12.6 percent of its student body is of Hawaiian ancestry. This past spring Dr. Laiana Wong was awarded the first doctoral degree in Linguistics for a thesis written entirely in the Hawaiian language. The campus continues its progress in sustaining Hawaiian knowledge for its students, the State, and the world.

- Chancellor Konan also noted that their institutional proposal was unconditionally accepted by WASC and praised as a model that will be used to guide other institutions in developing their proposals. She indicated that the accreditation visits will occur in spring 2009 and fall 2010.

Chair Lagareta shared her conversation with a Law School professor recently recruited from Georgetown who teaches legal writing. That professor expressed her amazement at the quality of students at the Law School, at the diversity of thinking, and the way we approach things. On behalf of the Board, Chair Lagareta thanked Chancellor Konan for the tremendous progress made.

President McClain concluded his report with comments about the biennium budget process. He stated that the University intended to hold its share of the State's budget as requested, $39 million in the first year and $58 million in the second year. The Governor completely supported the top two tiers of the executive budget and several teacher education items in the third tier, about $25 and $34 million. She also supported the CIP budgets in the usual way—health and safety and R & M, several buildings, and other projects, such as West Oʻahu and the purchase of a Waiʻanae facility, and then zeroed out everything else. The University has been before the Legislature, and the President commended the chancellors on their budget presentations to the Legislature.

The Administration has three legislative initiatives: University exemption from the State Procurement System, which is supported by the Executive Branch; to give the University its own bonding authority; a best practice approach to enabling legislation for the constitutional amendment regarding selection of regents.
President McClain ended with a cautionary note about federal funding, indicating that as the federal government tries to be more disciplined over its spending, many activities in the State that were federally funded will decline somewhat, and the University will be asked to help pick up some of that.

Chair Lagareta asked if the AIDS funding has been restored, to which the President responded that the University has appealed to NIH. Dr. Shikuma has approached the Legislature for help, and they have consistently told her to work through the President for the University’s assistance. This illustrates that the University has to be clear about its priorities and make some difficult choices.

VI. GIFTS, GRANTS AND CONTRACTS

Vice President Gaines reported that for the period that began in October and ended in November, the University took in $39 million in gifts and grants, and UH Hilo took in almost $5 million. He commented that while this was a good performance for those two months and the University is up in research, it’s down in training grants. There are issues beyond the University’s control, such as a continuing budget resolution coming out of Congress which will deny several agencies which the fund the University, such as the National Science Foundation, the increases to operate at full capacity.

Vice President Gaines recommended that the Board accept with thanks the gifts and grants and ratify the actions of the administration in executing the contracts.

Regent Bender moved, seconded by Regent de la Peña. The motion was unanimously approved.

VII. APPOINTMENTS, CHANGES IN APPOINTMENTS, LEAVES OF ABSENCE, PROMOTION, TENURE, WAIVER OF MINIMUM QUALIFICATIONS, EMERITUS TITLES, SHORTENING OF PROBATIONARY PERIOD, SALARY ADJUSTMENTS, POSITION ACTIONS, CLASSIFICATIONS, PRICING; RESIGNATIONS AND RETIREMENTS OF BOARD OF REGENTS’ APPOINTEES AND CIVIL SERVICE EMPLOYEES

President McClain requested that the Board approve the personnel actions as recommended on page 51 of the agenda and note the resignations and retirements.

Regent Albano moved, seconded by Regent Landon. The motion was unanimously approved.

VIII. ANNOUNCEMENT OF NEXT MEETING

Chair Lagareta stated that as part of the Board’s ongoing review of its processes and changes to be as effective as possible, there has been over the last year a continual movement of delegation of a number of things under Board purview to the campuses, to the Administration, and to the President’s Office. This year, the meeting schedule format will be changed. Meetings will be held on each campus throughout the year, rather than the past schedule of O'ahu
meetings at one end of the year and all neighbor island meetings at the other end.

The other change will be alternate meetings of two days for transactions where decisions are made on issues, and one day meetings to focus on major issues requiring more time. These meetings will be public, informational meetings. The coming focus meeting, on public/private partnerships statewide, will be on February 23rd in Kona, with the specific location to be announced. A possible topic for another one-day focus meeting is the Mauna Kea development. All meetings will be publicly noticed.

IX. ADJOURNMENT

The public meeting was adjourned at 10:35 a.m.

Chair Lagareta called for a vote to enter into Executive Session to continue unfinished personnel and legal matters, pursuant to HRS §92-5(a)(2). The motion was passed unanimously. The Board entered into Executive Session at 10:55 a.m.

Respectfully submitted,

Presley Pang, Esq.,
Interim Executive Administrator
and Secretary of the Board