MINUTES
UNIVERSITY OF HAWAI'I BOARD OF REGENTS’ MEETING
MARCH 13, 2008

I. CALL TO ORDER

Chairperson Allan R. Landon called the meeting to order at 9:35 a.m. on Thursday, March 13, 2008, at the Loui Conference Center, Honolulu Community College, 874 Dillingham Boulevard, Honolulu, Hawai'i 96817.

Regents in attendance: Chairperson Allan R. Landon; Vice Chair Andres Albano, Jr.; Byron W. Bender, Ph.D.; Michael Dahilig; Ramón de la Peña, Ph.D.; Marlene Hapai, Ph.D.; James J.C. Haynes, II; Kitty Lagareta; and Ronald K. Migita. Excused: Jane Tatibouet.

Others in attendance: President David McClain, Ph.D.; Vice President for Academic Planning and Policy Linda Johnsrud, Ph.D.; Vice President for Community Colleges John Morton, Ph.D.; Vice President for Administration Sam Callejo; Vice President for Budget and Finance/Chief Financial Officer Howard Todo; Vice President for Legal Affairs and University General Counsel Darolyn Lendo, Esq.; Vice President for Research Jim Gaines, Ph.D.; Vice President for Information Technology Services/Chief Information Officer David Lassner, Ph.D.; Interim Executive Administrator and Secretary of the Board Presley Pang, Esq.; and others as noted.

II. APPROVAL OF MINUTES

Upon motion by Regent Haynes and second by Regent Lagareta, the minutes of the meetings of January 10, 2008, and January 18, 2008, were unanimously approved.

III. PUBLIC COMMENT

1. Dr. Gavan Daws, former UH Professor, spoke in support of Honolulu Community College’s new A.S. degree in Music & Entertainment Learning Experience (MELE). He said that the music business is now global, and Honolulu CC is the right place to have this program. The program has established a partnership with Belmont University in Nashville, Tennessee, an institution with thirty years of experience and best practices in the music production business. Students will learn via live synchronous video link with Belmont, and the curriculum is transferable between the two institutions. Dr. Daws said that a World Bank report indicated that the societies that do best are the societies that invest most seriously in human capital. He said that music in Hawai’i is a tremendous place to invest in human capital because the raw materials and the talent are here.
2. President McClain read a statement from Shannon Wood in support of Jim Donovan’s appointment as UHM Athletic Director. Ms. Wood was not able to remain at the meeting to give her testimony.

Board Secretary Pang reported that letters supporting the MELE Program were received from the Mountain Apple Company, the Hawaii Academy of Recording Arts, the Festival Companies, the Musician’s Association of Hawaii, and Robert Cazimero.

IV. REPORT OF THE PRESIDENT

President McClain invited Honolulu Community College (HCC) Chancellor Ramsey Pedersen to address the Board.

Chancellor Pedersen informed the Board that HCC’s marine education center at Sand Island has become the operational headquarters for the Polynesian Voyaging Society. The College is creating an Ocean Hawai‘i Partnership. Kathy Thompson, Polynesian Voyaging Society; Kaiulani Murphy, instructor for Ocean Hawai‘i and captain of the Society; and Bob Perkins, director of HCC’s Marine Education and Training Center, spoke on behalf of the program.

Mr. Perkins said that the College has established an educational curriculum based on voyaging ideals and skill sets with the aid of a Title III grant and an endowment from the Loui Foundation.

Ms. Murphy said the Polynesian Voyaging Society has 33 years of learned experience with the knowledge of Hawai‘i’s history, heritage, and evolving culture. Its curriculum integrates modern and applied science and technology, emphasizes the importance of exploration and discovery, and instills pride and dignity in our heritage while preserving our global values. Students will have the option of participating in future Hokule‘a voyages.

Ms. Thompson described plans for the Hokule‘a to conduct a 32-month voyage around the world, tentatively beginning in 2011. The canoe will be expanded to accommodate web technology. The goal is to offer educational outreach to every classroom in the State, as well as worldwide. HCC’s Marine Education and Training Center is the locus for crew training, research, and preparation, and the educational clearinghouse for virtual education.

President McClain:

- Provided updated information on capital improvements funding requests and legislation.
- Introduced Mr. Brian Minaai, Associate Vice President for Capital Improvements.
- Reported that a study completed by Vice President Linda Johnsrud shows that since Dr. McClain has been President, 30 certificates or programs have been terminated, and 10 centers have been closed.
• Noted that the planning commission unanimously approved the University’s request for a zoning change from agricultural to commercial and mixed use residential for the West O’ahu campus property.

• Congratulated UH Hilo Chancellor Rose Tseng on her invitation to address the next meeting of the National Science Board on how the University System approaches the relationships between science and the community.

• Noted that WASC Senior Commission informed UH Mānoa that it sees a clear sense of direction and commitment for the University community to work together to address remaining challenges.

President McClain invited David Hafner, Assistant Vice Chancellor for Campus Services at UH Mānoa to describe efforts to manage repairs and maintenance at Mānoa. Mr. Hafner noted the following:

• He used the APPA, the Association of Physical Plant Administrators’ Facilities Performance Indicator Review, a structured, self-evaluation that can be used as a benchmark and method of comparison with other institutions.

• Mānoa has about 8 million gross square feet with a current replacement value of $2.8 billion.

• Mānoa is an aging plant, with a high deferred maintenance backlog, historically underfunded R&M budget, a low renewal rate compared with size, and a marked increase in operating cost per gross square foot.

• There are about 950 work orders a month, half of which are alterations.

• The projected utility expenses will be about $23 million this year, which is over 54 percent of his budget. Sewage expenses has increased 81 percent. Electricity has increased 17 percent, although usage has gone down, due to mechanical upgrades.

• Compared to other institutions, Mānoa is a high-cost provider for floor space, spends more on utilities, and comparatively less on operations and maintenance. Mānoa leads in operating costs per gross square footage.

• Deferred maintenance backlog is ongoing, ranging between $120 million to $400 million, depending on what assessment instrument is used.

• Mean age of most buildings is 33 years.

• Virtually every academic program has a single point of failure, e.g., broken elevator, lack of fire alarms, mold, etc.

• The R&M budget requires an increase from the current $5 million to $20 million. The ongoing replacement budget must be sustained between $15 and $45 million annually just to prevent further deterioration.

• The UHM Facilities Budget will require an increase from the current annual budget of $61 million to $89 million and $120 million.
• The campus needs an integrated master plan to prioritize application of resources.

• UHM needs to increase facilities funding, decrease costs per gross square footage, and manage the total gross square footage to match available funding profile and goals.

• Short-term responses include better energy management, closing buildings at night, assessing total building closures, such as Edmondson Hall, and re-prioritizing maintenance over renovation.

• Long-term responses include recent hires to focus on repair and maintenance.

Regent Lagareta expressed her appreciation for the information provided by Mr. Hafner and asked if this information has been shared with the legislators and Governor. President McClain responded that he gave three speeches within the last two weeks to the community using Mr. Hafner’s information.

Regent Migita asked if utility usage is being reduced sufficiently. Mr. Hafner responded that the price for energy is rising faster than the campus’ ability to derive new mechanical efficiencies from the system. Mr. Hafner has specific plans to reduce usage.

Regent Haynes expressed his appreciation and compliments to Mr. Hafner for providing information on which to base future decisions.

Regent Lagareta asked how is safety and security balanced with electricity conservation, especially at night. Mr. Hafner responded that they have a variety of lighting projects that involve cheaper lighting systems that do not compromise safety and security.

Regent Albano asked about the status of Edmondson Hall. Mr. Hafner responded that it has been reconditioned and is being used on a limited basis, adding that they are in the middle of a study that will provide a life cycle cost of a building’s current status and what future investments are needed to get it back to its original condition.

Mr. Hafner concluded by saying that they need community input on building utilization as well as programmatic input before making final decision on future structural use. He advised that the University should take care not to build buildings that it cannot afford to maintain.

V. REPORT OF THE UNIVERSITY OF HAWAI‘I FOUNDATION

Foundation President Donna Vuchinich reported that by mid-February, $207 million were raised, which is about 83 percent of the campaign goal. She provided breakdowns of the funds by distribution and donors.

The Foundation will look at how foundations interface with universities around the country, possibly to change the way the Foundation structures itself and interfaces with the System, as distinct from the ten campuses. Its current contract with the University terminates on December 31, 2009.
VI. EXECUTIVE SESSION

Regent Lagareta moved and Regent Hapai seconded to enter into executive session pursuant to HRS §92-5(a)(2) to discuss personnel matters identified on the agenda. Upon unanimous approval, the executive session commenced at 11:28 a.m. and ended at 1:45 p.m. Following a lunch recess, the Board returned to public session at 2:20 p.m.

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

President McClain recommended that the Board approve a continuation of a monthly stipend for Vice Chancellor Gary Ostrander; the appointment of Jim Donovan as UH Mānoa’s Athletic Director, effective March 24, 2008 through March 23, 2013; promotion of Nancy Bushnell, Kaua‘i CC; and emeritus professor titles to S. Cromwell Crawford, David Easa, Michael Graves, and Karl Seff. Upon motion by Regent de la Peña and second by Regent Haynes, the recommendations were unanimously approved.

VIII. ITEMS FOR BOARD ACTION

Authorization for the College of Tropical Agriculture and Human Resources to Negotiate a Long-Term Lease for Property in Kunia

Vice Chair Albano recused himself from this item.

Vice President for Administration Sam Callejo, representing CTAHR Dean Andrew Hashimoto, requested authority to negotiate a long-term lease for two field lots for agri-business incubator programs and a long-term sublease for office space.

In response to Regent Migita’s question about the extent and exposure of environmental remediation, Vice President Callejo explained that the remediated areas are not part of the requested acreage.

Regent Haynes asked if any environmental assessment is involved. Dave Kula, Chief Financial Officer of the Hawai‘i Agricultural Research Center, explained that there have been at least three assessments. At the end of March, all environmental issues will be resolved.

Upon motion by Regent Dahilig and second by Regent de la Peña, the requested authorization was unanimously approved, with the recusal of Vice Chair Albano.

Vice Chair Albano returned to the meeting.
Approval of the Establishment of the Lloyd Fujie and Deloitte Foundation Distinguished Accounting Professorship, Shidler College of Business, University of Hawai‘i at Mānoa

Lloyd Fujie passed away in December 2006. He was a graduate of the Shidler College of Business, a member of its Hall of Honor, and a senior vice president of Hawai‘i Pacific University. He had been the managing partner at Deloitte & Touche, having worked there for 32 years.

The UH Foundation received a pledge of $250,000 from Deloitte & Touche, LLC, and the Deloitte Foundation to endow a professorship in the Shidler College of Business, which will be matched by $250,000 from an unrestricted gift from Mr. Jay Shidler.

Upon motion by Regent Lagareta and second by Regent de la Peña, the establishment of the Lloyd Fujie and Deloitte Foundation Distinguished Accounting Professorship was unanimously approved.

Approval of Conveyance of Real Property and Easements to Hawaiian Electric Co., Inc.’s New Kalo‘i Substation

Regents Dahilig and Lagareta recused themselves from this item.

UH West O‘ahu Chancellor Gene Awakuni requested approval of the conveyance of one acre of University land valued at about $2.1 million to Hawaiian Electric to build a substation that he and President McClain be authorized to finalize and execute necessary documents.

Vice Chair Albano asked why HECO wants the substation at that site, rather than on selected lower-valued lands. Mr. Kirsten Wong of HECO explained that the site is selected not on its land value but on its strategic grid location to accommodate the campus and other developments. Chancellor Awakuni added that having the substation closer to commercial retail zone would be more attractive to potential private development partners.

Because this conveyance will be at no cost to HECO, Chancellor Awakuni explained that the projected cost of UH building a substation is $3 to $5 million, so conveying the land at no fee is a fair exchange.

In response to Regent Haynes’ concern about HECO meeting the campus’ development timetable, HECO reassured that if the substation were not ready when needed, temporary power will be provided.

Upon motion by Regent de la Peña and second by Regent Hapai, the conveyance was unanimously approved, with the recusals of Regents Dahilig and Lagareta.

Regents Dahilig and Lagareta returned to the meeting.
Approval of the Associate in Science Degree in Music & Entertainment Learning Experience (MELE) Program, with Concentrations in Music Business & Production, and Audio Engineering Technology, Honolulu Community College

Honolulu Community College Chancellor Ramsey Pedersen requested approval to establish an associate degree in music business production and audio engineering technology. HCC is partnering with Belmont University and Middle Tennessee State, the two largest single music enterprise programs in the world, to create a program that allows access to those institutions’ entire curriculum at no franchise fees.

HCC will have access to two private production studios and has solid support from the music industry. The College has already received $100,000 from a private donor and expects more commitments once the program has been approved.

Regent Migita asked what benefits Belmont University receives from this partnership. Chancellor Pedersen responded that the president of Belmont wants to be part of Hawai’i’s efforts to be the bridge to music in Asia and to develop a new generation of music.

Regent Hapai suggested that the curriculum sequence be changed to provide Math 140 before Physics 201.

Upon motion by Regent Lagareta and second by Regent Hapai, the A.S. degree in Music & Entertainment Learning Experience was unanimously approved.

Chancellor Pedersen recognized staff who were instrumental in the creation of this program: Keala Chong, Brian Furuto, Erika Lacro, and Ken Kato.

Approval of Lease Agreement with Kawaikini New Century Public Charter School and Kaua‘i Community College

Kaua‘i Community College Chancellor Peggy Cha requested authority to lease certain lands to be used for the construction and operation of Kawaikini New Century Public Charter School. There is support on campus for the opportunity to work with Kawaikini to improve educational opportunities for Native Hawaiian students.

Regent Haynes asked about the impact of the school on KCC’s infrastructure. Chancellor Cha responded that although Kawaikini is adjacent to the College, the Charter School has agreed that it will be responsible for its infrastructure. The perimeter road would not be affected by the Charter School.

In response to Vice Chair Albano’s question about lease rents, Chancellor Cha said that the parties agreed to $500 per month for now, but the lease is re-openable at periodic intervals.

In response to Regent Haynes’ question, Chancellor Cha explained that if Kawaikini does not meet its obligations, the property reverts to the College.

Regent de la Peña noted that this agreement will centralize the Hawaiian immersion program for the Island, especially for the north shore area.
Upon motion by Regent de la Peña and second by Regent Haynes, the lease agreement and authorization to execute with Kawaikini School were unanimously approved.

**Acceptance of: UH Financial and Compliance Audit; UH Consolidated Financial Statements; and UH Bond System Financial Statements & Internal Control & Business Issues Report**

Vice President for Budget & Finance Howard Todo introduced Mr. Glenn Okimoto, newly appointed Director of the University Budget Office.

Mr. Cory Kubota, principal auditor for Accuity, LLP, the University’s independent external audit firm, reported on their various audits: (1) the Financial and Compliance Audit pursuant to OMB Circular A-133; (2) Consolidated Financial Statements; (3) Bond System Financial Statement and Internal Control and Business Issues Report. Vice President Todo said that the consolidated financial statements reports are currently in draft form, pending completion and receipt of the audited financial statements from the UH Foundation. However, the reports are substantially complete, and based on a preview of the Foundation statements, it does not appear likely that Accuity will need to revise its draft conclusions or opinions.

Mr. Kubota said that the OMB A-133 Financial and Compliance Audit is required by the Federal government by March 31st if the University is to retain its federal funding. This audit is substantially complete. Accuity expects to issue unqualified clean opinions both on the University’s consolidated financial statements as well as its compliance with its major federal programs.

Regent Haynes, chair of the Board’s Committee on University Audits, reported that the Committee recommends the full Board approve the audit reports prepared by Accuity.

Upon motion by Regent Haynes and second by Regent Migita, the reports, as currently drafted but subject to final completion upon receipt of the Foundation’s audit report, were unanimously approved.

**Approval of CIP Contracts and R&M Projects**

Regents Dahilig and Haynes were recused from this item.

Brian Minaai, Associate Vice President for CIP requested approval to enter into contracts relating to 11 design and planning projects totaling about $11 million and 9 construction projects totaling about $12.8 million.

Upon motion by Regent Lagareta and second by Regent de la Peña, the contracts and projects were unanimously approved, with the recusal of Regents Dahilig and Haynes.

Regents Dahilig and Haynes returned to the meeting.
Approval of Biennium Budget Policy Paper

President McClain requested Board approval of a Biennium Budget Policy Paper. This paper sets forth the environmental context for budget-building and the general program, policy and management objectives and institutional priorities to guide the preparation of the biennial budget. Attached to the paper are the long-range financial plan that was submitted to the 2008 Legislature and the focus of the University’s five Strategic Outcomes: Native Hawaiian Educational Attainment; Hawai‘i’s Educational Capital; Economic Contribution; Globally Competitive Workforce; Resources and Stewardship.

Vice President Todo said that the budget development process focuses heavily on fixing the physical plant, including equipment, while sustaining or increasing slightly existing levels of program funding. The current biennium focuses on the existing facility; the second and third biennium will assess the need for new buildings.

Regarding collective bargaining, the State provides some funds for collective bargaining, but those funds do not fully cover the increases.

Regarding program change requests (PCR), normally the University generates about 200 PCRs. The Administration will limit these PCRs to no more than 3 per campus. The final determination will be made by the President, based on how congruent they are to the strategic outcomes and whether they have measurable goals. The Legislature is more likely to fund programs with definable outcomes.

President McClain commented that these PCRs should total no more than $10 million, as compared to the last biennium request of $40 million for the first year and $60 million in the second; the University received $27 and $38 million. The additional costs for energy, repair, renewal, and replacement will total $30 to $40 million.

President McClain said that we can project tuition revenue for the next three years based on the tuition schedule.

Other revenues to consider when developing the financial plan include overhead revenues and proceeds from Foundation fundraising.

Vice President Todo outlined the three basic parts to a long term financial plan: base operating funds; capital infrastructure funding; and program performance incentive funding. President McClain indicated that stocktaking will commence in April, a biennium committee will be assembled, a biennium budget will be proposed to the Regents for discussion at the August meeting, with final approval targeted for the September meeting.

In response to a comment from Regent Hapai, the President indicated that he has routinely discussed this budget strategy with the Council of Chancellors including at last week’s meeting of the Council. He will consider the specific circumstances facing each campus as he reviews the PCRs requests.

Chair Landon noted that this budget strategy reflects a disciplined approach to balance the rising costs of utilities, the need for repair and maintenance of the facilities,
with program needs, and also recognizes the effects of the economy and the challenges faced by the University.

Upon motion by Regent Lagareta and second by Regent Haynes, the biennium budget policy paper was unanimously approved.

Regent Haynes excused himself for the balance of the meeting.

IX.   ACCEPTANCE AND APPROVAL OF GIFTS, GRANTS AND CONTRACTS

Vice President for Research Jim Gaines reported that the University received $14.7 million and UH Hilo received $679,000 in contracts for December 2007. At the end of March 2008, the University will be a minimum of $10 million ahead of last year.

President McClain asked the Board to note and specifically approve a consultant services contract to Accuity, LLP to conduct financial audits. Board Secretary Pang explained that, pursuant to the Procurement Code, a selection committee evaluated prequalified firms, ranked them on quantitative measures, and submitted the results to the President. Negotiations with the first-ranked firm, Accuity, were successful. Proposed terms of engagement were presented to the Board’s Committee on University Audits, which is recommending approval by the full Board.

Upon motion by Regent de la Peña and second by Regent Dahilig, the gifts, grants and contracts were unanimously accepted and approved.

Continuation of Agenda Items

Approval of Amendments to Board Policy, Chapter 8.1, Business and Finance — Contracts and Official Documents

Vice President for Research Jim Gaines explained that these proposed amendments to Board policy are intended to:

(1) Clarify and affirm the Board’s delegation of authority to the President or the President’s designee to approve or accept all gifts, grants, and contracts involving the University’s receipt of extramural funds; and

(2) Increase the dollar thresholds for the Board’s delegation of authority to approve and execute transactional agreements such as construction contracts, settlement agreements and procurement actions.

Vice President Gaines noted the General Counsel pointed out that if these changes were made, an additional conforming change needs to be made to Section 8-8, regarding gifts, to allow the President to accept gifts of any amount so long as no conditions are attached to the donation. Under existing policy, the President is allowed
to accept gifts without conditions valued at less than $50,000. Vice President Gaines requested that this dollar limitation be removed.

Upon further discussion, it was decided to amend Chapter 8 to change the threshold for consultant contracts to $300,000 rather than the original request of $500,000; $1,000,000 for construction contracts and procurement; and $500,000 for settlement agreements.

Upon motion by Regent Lagareta and second by Regent de la Peña, the proposed request to amend Board Policy, Chapter 8.1 as orally modified to include conforming amendments to Section 8.8 (gifts) and to set the threshold for consultant contracts to $300,000, was unanimously approved.

**X. ANNOUNCEMENTS**

The next meeting of the Board will be announced at a later date. The previous date of April 18th, 2008 was cancelled.

**XI. ADJOURNMENT**

Regent Lagareta moved to enter into executive session to discuss personnel matters, pursuant to HRS §92-5(a)(2), after which the meeting will be adjourned. Upon second by Regent Bender and unanimous approval, the meeting moved to executive session at 4:17 p.m. The Board reconvened at 4:50 p.m. in public and adjourned immediately thereafter.

Respectfully Submitted,

[Signature]

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