

**MINUTES  
UNIVERSITY OF HAWAI'I BOARD OF REGENTS' MEETING  
February 20, 2009**

**I. CALL TO ORDER**

Chair Allan Landon called the meeting to order at 9:20 a.m. on Friday, February 20, 2009, at Kapi'olani Community College, 'Ohelo Building, Tamarind Room, 4303 Diamond Head Road, Honolulu, HI 96816.

Regents in attendance: Chair Allan R. Landon; Vice Chair Howard Karr; Artemio Baxa; Carl A. Carlson; Michael Dahilig; Ramon de la Peña, Ph.D.; Mark Fukunaga; Chuck Gee; James Haynes II; Dennis Hirota, Ph.D.; Eric Martinson; and Ronald K. Migita. Excused: Teena Rasmussen; Harvey Tajiri; and Grant Teichman.

Others in attendance: President David McClain, Ph.D.; Vice President for Budget & Finance/Chief Financial Officer Howard Todo; Vice President for Community Colleges John Morton, Ph.D.; Vice President for Legal Affairs & University General Counsel Darolyn Lendio, Esq.; Associate Vice President for Capital Improvements Brian Minaai; Associate Vice President for External Affairs/University Relations Carolyn Tanaka; Associate Vice President for Student Affairs Karen Lee; Interim Executive Administrator and Secretary of the Board Presley Pang, Esq; and others as noted.

**II. APPROVAL OF MINUTES for NOVEMBER 2008, DECEMBER 2008, and  
JANUARY 2009**

As requested by Regent Martinson, the centennial campaign goal reported in the minutes for November 21, 2008, page 5, will be corrected to "\$250 million."

Upon motion by Regent Haynes and second by Regent Hirota, the minutes of the meetings of November 21, 2008, as corrected, December 18, 2008, and January 14, 2009 were unanimously approved.

**III. PUBLIC COMMENT**

1. Chuck Sted, President of Hawai'i Pacific Health, testified in support of the Cancer Research Center. He said that through the efforts of President McClain, UHM Chancellor Virginia Hinshaw, Vice Chancellor Gary Ostrander, JABSOM Dean Jerris Hedges, and Interim Cancer Research Center Director Michele Carbone, there is now a collaboration among Queen's Medical Center, Kuakini Health System, and Hawai'i Pacific Health to support a Cancer Research Center. Dr. Carbone has presented a vision of collaboration for cancer care in Hawai'i allowing clinical work to be performed where clinics are currently located.

2. George Massengale, representing Jackie Young of the American Cancer Society, testified in support of the Cancer Research Center. He said that there is an urgency in proceeding with the project to maintain the NCI designation. He offered the assistance of the American Cancer Society to the University.

Written testimonies in support of the Cancer Research Center were received from Jackie Young of the American Cancer Society; Arthur Ushijima, President of The Queen's Medical Center; and Gary Kajiwara, President of the Kuakini Health System.

#### **IV. REPORT OF THE PRESIDENT**

President McClain asked Kapi'olani Community College Chancellor Leon Richards to update the Board on the College's activities.

Chancellor Richards highlighted KCC's health care programs. These programs fulfill the Second Decade Project goals to increase the educational capital, expand workforce development, diversify the economy, and offer access to health education programs in underserved regions and populations. Students from the various programs introduced themselves and described their career goals.

Mr. Edward Kalinowsky, chair of the Dept. of Emergency Medical Services, described KCC's health programs, which also provide consulting services in American Samoa and a program in Hong Kong.

Mr. Aaron Koseki, chair of the Health Sciences Dept., said that KCC's health programs have established affiliations with medical facilities on every island, and with city, county, and state agencies, as well as private entities. KCC has also established critical educational partnerships to address underserved regions and populations in the State. KCC has created educational pathways with 35 public high schools linking them to KCC's health programs. He described a degree partnership with UH – West O'ahu, enabling students to complete 2 years of an Associate in Science degree at KCC, then another 2 years towards a bachelor's degree at West O'ahu.

In the coming year, Kapi'olani Community College will embark on a multi-year Department of Labor workforce training grant with partnerships with community agencies.

As part of Chancellor's Richards' report, the Regents were presented with ceramic bowls made by KCC faculty member Kauka De Silva. Because this was President McClain's last meeting at Kapi'olani Community College, he was presented with a special ceramic bowl. Mr. De Silva explained that he named the bowls "Pohā kea," which means "bursting forth of light," to commemorate the beginning of a new year, and a new Board. The bowls symbolize the challenges we face. For the President's bowl, Mr. De Silva used a shape unique to King Kamehameha because President McClain embodies the spirit of Kamehameha. Mr. De Silva said that under

President McClain's leadership, with the assistance of Vice President for Community Colleges John Morton, the University has become a system again.

President McClain and the Regents expressed their appreciation and gratitude to Mr. De Silva and the College.

Continuing his report, President McClain said that he invited the public comments on the Cancer Research Center to illustrate two changes which support University's effort to complete this development project. With the actions of the 2007 and 2008 Legislature, the University now has a dedicated revenue source from the cigarette tax. Second, in the past the University envisioned two buildings — a research facility and a clinical facility. Interim Cancer Research Center Director Dr. Michele Carbone, working with the leadership of Hawai'i's major hospitals, has developed a matrix model which is used in two-thirds of the cancer centers around the country. This model requires one University building for research and possibly clinical trials, while using existing hospitals for clinical care. With this "matrix model" and a dedicated revenue source, the University can move ahead.

Continuing with his President's Report, President McClain asked Dr. Jerris Hedges, Dean of the John A. Burns School of Medicine (JABSOM), to update the Board on UCERA (University Clinical, Education and Research Associates).

Dean Hedges reported that UCERA is a 501(c)(3) entity that provides an opportunity for JABSOM physicians to practice outside of JABSOM in their partner teaching hospitals. UCERA bills and collects for the services rendered by the physicians. UCERA is similar to the structure most academic medical centers use to have physicians interface the clinical side with the academic component. UCERA provides a financial base for the clinical faculty. About 26% of the expenditures in the clinical departments are covered by state funds; the remainder is generated by the clinical departments largely through research grant funds and clinical services.

Thus a practice plan like UCERA is essential for supporting clinical faculty members with a heavy educational commitment as required for accreditation of JABSOM. The practice plan also ensures clinical training opportunities for the students, i.e., it creates the opportunity for students to be trained under the supervision of practicing physicians. It provides an opportunity to bring specialists to Hawai'i, as well as creating partnerships with teaching hospital affiliates. An estimated 20-30% of the specialists in Hawai'i are part of this practice.

UCERA is intended to provide a revenue stream for medical school stability and enhancement. For medical schools on the mainland, a faculty practice plan can provide up to 40%, and sometimes more, of a total medical school budget.

Dean Hedges had previously reported that UCERA was under-capitalized when it was initiated and had a flawed revenue collection process. Starting in 2008, there has been increasing investment in the requirements of a modern billing, collecting and contracting process, investments in computer hardware/software and technicians, investments in security systems to protect patient health information, and in hiring

specialized personnel to carry out these procedures. Dean Hedges reported that UCERA is close to where it needs to be in terms of infrastructure and is taking important steps toward enhancing the operations.

UCERA has hired a new Chief Operating Officer and a Chief Financial Officer. These personnel are now working closely with the JABSOM financial team and sharing information, resulting in better transparency of actual finances. Dean Hedges said that the teaching hospitals have been actively involved in this transformation and supported funding of a chief medical officer (CMO), who will also be an associate dean for clinical affairs in JABSOM. The partner hospitals, not UCERA administration, will fund the CMO's time and effort spent on the practice activities.

Dean Hedges said that work still needs to be done on the billing and collections processes. He noted that this is not a one-time fix; they must diligently ensure day-to-day operations. There are very thin operating margins for physician practices in Hawai'i, in part related to low reimbursement, which is approximately 33% less than on the West Coast in absolute dollars for the same service. Work continues on addressing central administrative expenses. There are some extraordinary expenses incurred during this transformation, and the day-to-day expenses going forward will need to be brought under better control. There are personnel issues requiring attention, including right-sizing the central administrative staff and optimally utilizing individual skills.

Dean Hedges reported that they have turned the corner on many of the problem areas: departmental budgeting is on target; central administration operations and expenses should be improved by the end of the year; extraordinary expenses incurred during the transformation should cease. A portion of past uncollected billing will most likely not be collected, however, but going forward UCERA will be in a much stronger position.

Chair Landon commended Dean Hedges' remarkable achievements and the dramatic turnaround of UCERA. The Chair acknowledged Dean Hedges, as well as Chancellor Virginia Hinshaw and Vice Chancellor Gary Ostrander, for their work.

Regent Migita expressed his compliments for the work done, and requested periodic updates to the Board.

Chair Landon asked Dean Hedges to request the UCERA board to include a Regent on the UCERA board. Dean Hedges responded that he will take this request to a UCERA board meeting at the end of the week, and that such representation would strengthen the relationship between UCERA and JABSOM.

Vice Chair Karr asked what has been done about UCERA's under-capitalization and cash flow. Dean Hedges responded that reserves within JABSOM were used to continue to cover the salaries of the practitioners that would have normally been covered by the practice plan, thereby allowing UCERA to use that unpaid transfer for operating capital to fund the changes.

Regent Gee complimented Dean Hedges on his presentation, and commented that there is a new sense of excitement on campus about the medical school. He asked if indemnification or liability is covered by JABSOM or the partner hospitals. Dean

Hedges responded that JABSOM and UCERA are both contributing and have jointly obtained practice liability insurance coverage.

Regent Fukunaga asked what key operations are being examined. Dean Hedges replied that several business processes needed to be corrected. UCERA's billings differ from nonmedical business processes in that most of UCERA's collection and billing process are geared to the requirements of commercial insurers rather than directly billing the customer (i.e., patients). Efforts are under way to enhance a system designed to ensure that the large volume of payment requests are sent to the right place with the right information.

Regent Haynes complimented Dean Hedges for his work. He asked if JABSOM submits a UCERA financial statement to the Board of Regents. Dean Hedges responded that it hasn't been done, but summary information might be communicated through Regent representation on the UCERA board.

Chair Landon commented that one of the challenges was that UCERA was outside of the University's financial and operational oversight. With Regent representation on the UCERA board, UCERA will be brought into the University's family.

Dean Hedges said that the UCERA board, to which he has been appointed as chair, is very much aware of the need for stronger ties with the University. He expressed his appreciation for the Regents' interest and support.

Regent Martinson asked that measurable milestones and a timeline for the transition be included in the next update to the Board.

Vice Chair Karr asked the percentage of Medicare/Non-Medicare patients served by UCERA. Dean Hedges estimated about 20% of the patients are Medicaid. This is a disproportionate share when compared with other community providers overall, but JABSOM sees this service as part of its mission of community service. Medicaid pays below cost, so a blend is needed with Medicaid and commercial insurers to maintain a viable cash flow. This is a difficult balance, and JABSOM must maintain its commitment to the community, as well as ensure that there is adequate exposure across the socio-economic spectrum for its trainees.

Chair Landon congratulated Dr. Michele Carbone for organizing a cancer research symposium recently held in Hawai'i which included a Nobel Laureate as keynote speaker. It was a very impressive event for JABSOM and Hawai'i. Dean Hedges said that the symposium attracted many cancer specialists whom the Cancer Center and JABSOM hope to jointly recruit.

## **V. ITEMS FOR BOARD ACTION**

### **Report on the Status of the Presidential Selection (information only)**

Ms. Donna Tanoue, chair of the UH Advisory Presidential Selection Committee, reported that the Committee is making steady progress in its search for the next president.

For context, she informed the Board that State University of New York (SUNY) recently appointed the former president of the University of Cincinnati as its president. SUNY is the largest higher educational system in the nation with an operating budget of \$10 billion, half a million students, and 64 campuses. The president's annual salary will be \$490,000, in addition to housing, retirement, and transportation benefits. The former president of SUNY was a retired navy vice admiral. The University of Texas system appointed a physician as its head.

To make the search process open and transparent, a website has been created at [www.hawaii.edu/offices/bor/presidential-search](http://www.hawaii.edu/offices/bor/presidential-search), where candidates can find information about the search, and University members and the public can monitor the search. The website contains an email link to the search firm, as well as an email link to provide comments directly to the Committee. Public comments have been received.

A communications plan has been developed, with the assistance of the University's Office of External Affairs and University Relations.

The Committee continued its outreach efforts by conducting listening tours at all of the campuses. These meetings were well received.

The search consultant has contacted more than 200 individuals who are either prospective candidates or sources of referrals of candidates. The firm has received 27 applications and 22 nominations to date.

The Committee last met on February 17<sup>th</sup> and will meet on March 2<sup>nd</sup> to thoroughly discuss the candidates and nominees received. If on March 2<sup>nd</sup> the Committee feels that it has strong candidates, those candidates will be interviewed by the Committee off-campus possibly in early April. If a final list of candidates can be developed, campus visits by those candidates could occur in late April or early May to afford faculty, staff, and students the opportunity to hear these candidates while the campuses are still in session.

Ms. Tanoue indicated that they have received a very broad range of comments about the selection criteria and the process. As an example, she shared comments from an individual who said that the president selected should have significant academic accomplishment, experience with funding, and substantial experience within a major multi-campus state institution. The individual said that rumors indicate that a non-academic will be selected from the business community, and urged against such an appointment.

Chair Landon indicated the quality of candidates to date is excellent, and thanked Ms. Tanoue for her leadership. He observed that the search and selection schedule will largely depend on the circumstances of the candidates whom the University considers best for the University. The schedule must remain flexible to accommodate the candidates' personal situation.

#### **IV. REPORT OF THE PRESIDENT (continued)**

President McClain reported on the following:

- Spring 2009 enrollment increased nearly 6%, to nearly 52,000 students, a record for spring semesters.
- Scholarship funding from the State, the Foundation, and from the University has increased to nearly \$83 million this year, an increase over last year's total of \$72 million. Of this year's \$83 million total, the University's portion of this is \$73 million, the UH Foundation is providing \$8 million and the State of Hawai'i \$1.5 million.
- For the current fiscal year the University has been asked by the Governor's Office to absorb another 2% budget restriction on top of the previous 4% restriction. For the next biennium, we expect to have to reduce our general fund expenditures by at least \$30 million.
- The federal stimulus package has significantly increased Pell Grants. Hawai'i's share will increase from \$37 million to \$52 million. The State expects to receive up to \$192 million as part of the package; of that, 82% will be spent on elementary, secondary, and post-secondary education; the other 18% goes for public purposes which may include education.
- In his State of the City address, the Mayor of Honolulu announced a streamlining of the permitting process, which should help expedite UH CIP projects on O'ahu.
- The Council of Revenues meets on March 12<sup>th</sup>; we expect a lower revenue forecast than that issued in January.
- The Centennial Campaign total of funds raised is now at \$261 million; the goal of \$250 million was surpassed last November 2008.
- The University has 3 legislative bills concerning increased bonding authority, exemption from portions of the State procurement code, and authority to promulgate public rules for Mauna Kea.
- The sustainability brochure has been well received in the community. The sustainability website continues to provide weekly updates.
- Five Rubber Slipper Tours are scheduled for the spring at Mānoa, Hilo, Kaua'i, Kapi'olani, and Maui campuses.

**V. ITEMS FOR BOARD ACTION (continued)**

**Approval of Sublease between UCERA and the John A. Burns School of Medicine (JABSOM)**

JABSOM Dean Hedges requested that JABSOM be allowed to sublease office space in the Gold Bond Building from UCERA, which itself leases space from the building owner. Ms. Lauren Kwak, contracts officer of JABSOM, said that the sublease structure was beneficial because it insulates the University from the landlord's terms. The University is not obligated to indemnify the landlord; the University limits its responsibility to UCERA only; the University has an option to cancel; and all payment obligations are subject to funding. Another benefit of this sublease structure is that office space could be blended for various uses between JABSOM and UCERA.

Ms. Kwak said that the terms would be effective retroactive from June 2008, so JABSOM currently owes UCERA \$390,000. This sublease would allow JABSOM to commence payments to UCERA.

In response to Regent Haynes' question, Ms. Kwak said that the owner of the Gold Bond building is a Michigan-based company.

Regent Martinson asked for clarification of the ground lease and liability pass through. Ms. Kwak said that sublease insulates the University from any type of direct exposure to the ground lease. The sublease was drafted by legal counsel.

Regent Fukunaga asked if the rent JABSOM owes to UCERA could count toward the University's contribution to UCERA's capital. Dean Hedges noted that they will follow the advice of legal counsel.

Regent Gee asked if JABSOM or UCERA assumes responsibility for any building improvements as sublessor. Ms. Kwak said that they do not anticipate the need for further improvements.

Vice Chair Karr requested Ms. Kwak to reconcile a discrepancy in the action memorandum regarding base rent for the first year of the lease. He also asked if it was normal to have a 3.75% annual base rent increase. Ms. Kwak responded that an appraiser recommended between 3.5% and 4% as an industry standard at the time of the appraisal. Vice Chair Karr suggested that the landlord is justifying the 3.75% base rent increase because of the early termination option given to the University.

Chair Landon asked JABSOM to consider any adverse effect on the University's tax status because of the structure of this arrangement and because UCERA will be brought under the University's umbrella. In substance, UCERA's obligations may ultimately fall on the University.

Upon motion by Regent Migita and second by Regent Carlson, the sublease by JABSOM from UCERA for office space in the Gold Bond Building was unanimously approved.

**Approval of Lease Renewal for JABSOM with Kuakini Medical Center, Hyperbaric Treatment Center**

Dean Jerris Hedges requested that the University be allowed to renew and amend its lease with Kuakini Medical Center to allow JABSOM to continue to operate its Hyperbaric Treatment Center. The Hyperbaric Treatment Center is the only public hyperbaric treatment center in the state. There is a private center as well as a federal center. Kuakini's chamber is larger and can accommodate several patients as well as a care provider in the dive chamber with the patient. It is a high-tech facility that provides a unique service to the state. The State Legislature has authorized JABSOM to oversee this center and has included funding in the state budget to provide service.

Ms. Lauren Kwak of JABSOM clarified that the renewal period is for 5 years and includes a 7% rent increase.

Regent Gee recused himself because he is a board member of the lessor, Kuakini Medical Center.

Upon motion by Vice Chair Karr and second by Regent Haynes, the lease renewal with Kuakini Medical Center for the Hyperbaric Treatment Center was unanimously approved, with a recusal by Regent Gee.

Chair Landon urged JABSOM to consider how these various office space leases at several locations fit JABSOM's overall long-term space utilization plans.

**Approval of a Supplemental Resolution Authorizing Issuance of University Revenue Bonds Not to Exceed \$100 Million**

President McClain requested that the Board of Regents approve the Supplemental Resolution authorizing the issuance and sale of the University Revenue Bonds, Series 2009A ("Series 2009A Bonds") in the aggregate principal amount not to exceed One Hundred Million Dollars (\$100,000,000.00). The Supplemental Resolution would be in substantially the same form and manner as the draft accompanying the action memorandum dated January 30, 2009, submitted for the Board's consideration. Drafts of the Certificate of Determination, the Preliminary Official Statement and the Contract of Purchase were also submitted for the Board's information.

In addition, the Board was requested to permit such changes (including, but not limited to, typographical changes) that may be required to finalize the various sale documents and consummate the issuance and sale of the Series 2009A Bonds.

The bond proceeds will finance or refinance the costs of constructing and/or maintaining one or more University Projects approved by the Board at its regular meeting on September 19, 2008.

President McClain further requested that the Board delegate authority to the chairperson of the Board of Regents (or the vice chairperson in the chair's absence), the President, the Interim Executive Administrator and Secretary of the Board of Regents, and the University's Vice President for Budget and Finance/Chief Financial

Officer, as needed, to perform all acts, make such determinations, apply and transfer such moneys, and do all things as may be necessary to implement, carry out, and effectuate the intent and purposes of this Supplemental Resolution. These delegated authority include, without limitation, the authority to: (1) perform the acts specified in the Supplemental Resolution and (2) sign on behalf of the Board of Regents and the University any document, certification, or contract which may be required or deemed necessary to implement, carry out, and effectuate the intent and purposes of the Supplemental Resolution.

Vice President for Budget and Finance/Chief Financial Officer Howard Todo explained that in 2007 the Legislature authorized the University to issue \$100 million in general revenue bonds for University projects. Governor's approval for these bonds has been obtained. In September 2008, the Board approved a list of projects proposed by the campuses for bond financing. The costs of all projects on the approved September 2008 list totaled \$202 million. By the end of September 2008, however, the stock market plummeted steeply and credit markets were frozen.

At this time, the municipal bond market is still functioning. The University intends to issue these revenue bonds by March 31, 2009. The University has until June 30, 2009 to encumber the proceeds from the sale. The University has asked the Legislature to extend the June 2009 lapse date and grant authority to issue an additional \$150 million in general revenue bonds.

Vice Chair Karr asked whether legal counsel has reviewed the bond documents. Vice President Todo replied that several of the documents were drafted by the University's bond counsel, and drafts have been reviewed by bond counsel, underwriter's counsel and the University's Office of General Counsel. Vice President Todo reiterated that the documents submitted for the Board's consideration are the most current draft, and might possibly be amended at the time of sale. General Counsel Darolyn Lendio said that bond counsel and general counsel will be reviewing the final documents.

With respect to the underwriter's fee, Frank Lauterbur, managing Director for the underwriter Merrill Lynch & Co., indicated that the fees were negotiated with the State Department of Budget and Finance. The selling commission on the bonds is 0.5% plus expenses associated with legal costs and regulatory fees to issue the bonds.

With regard to the projected interest rate, Mr. Lauterbur indicated that at this time the municipal bond market is functioning well and there is a demand for high grade municipal bonds. The True Interest Costs would probably range between 5 – 5.5%.

In response to Regent Gee's question, Vice President Todo confirmed that these bonds have a fixed rate of interest. Mr. Lauterbur clarified that the University is the issuer, not the State of Hawai'i. The University's own credit rating is currently Aa3 from Moody's, A+ from S&P, and A+ from Fitch. Rating agency presentations are scheduled, and it is not expected that the ratings will drop. Mr. Lauterbur also clarified that because of the condition of the bond insurance industry, the University does not intend at this time to insure the bonds, but will rely on the University's underlying credit.

In response to Regent Fukunaga's inquiry, Vice President Todo commented that the retail buyers are currently in the market and the institutional buyers are expected to enter.

In response to Regent Haynes' question of using the proceeds to refinance existing debt, Vice President Todo said the University can purchase bonds that were issued by Hawai'i Finance Development Corp. which funded one of the faculty housing units. Those bonds are at a higher interest rate, and the University will buy them back and re-fund them at lower interest rates. The projected savings are estimated to be about 10% of the par value, or \$1.3 million. No premium will be assessed if these HFDC bonds are called.

In response to Regent de la Peña's question on the use of the proceeds, Vice President Todo said that there is some flexibility to add or change projects on the list of projects to be funded.

Regent Martinson asked if the University were in compliance with any bond covenant to maintain the University's bond-funded projects in light of the deferred maintenance backlog. Vice President Todo responded that there is a University bond system that encompasses specific projects funded by bonds, and all these projects as well as the revenues of the University are pledged against the bonds. Each project should be able to support its own maintenance. A \$1 million reserve fund has been established to which the University annually adds 50% of the depreciation.

Regent Gee asked how many outstanding bonds does the University currently have. Mr. Lauterbur responded that there is approximately \$18 million outstanding from 2001 series of revenue bonds, another \$100 million from a 2006 revenue bond series, and a little less than \$150 million from bonds used to construct the JABSOM complex in Kaka'ako. The University has not had any problems servicing the debt. Mr. Lauterbur said that the UH has a fairly low debt load compared to other major university systems.

Regent Fukunaga asked if the rating agencies have changed how they view universities. Mr. Lauterbur responded that municipal credits including public higher education institutions, tend to have a low risk of default. As states' ratings come under pressure from their budget problems, there may be some effect on state-supported public universities and their ratings.

Regent Haynes asked how the last bond sale by the State of Hawai'i concluded. Mr. Lauterbur responded that the State intended to issue \$650 million, but sold approximately \$227 million at about 5.5% interest in December 2008. The inability to sell the total amount was due to lack of money in the market, and was not a reflection of the State's ratings.

Chair Landon referred to the paragraph entitled "Against Encumbrances" in the subsection "Selected Covenants of the Board" on page 9 of the draft Preliminary Official Statement. Chair Landon inquired whether this covenant would prevent the University from issuing additional debt. Bond Counsel Sean Tierney responded that the intent of this covenant is to prevent encumbrances other than parity bonds permitted by

the bond resolution. Bond Counsel would clarify the language in the final drafts as necessary.

Chair Landon disclosed that the Bank of Hawai'i, of which he is the Chairman and CEO, manages funds for a certain tax-exempt mutual fund and for investors. From those relationships there might possibly be inferred an interest in the Bonds by the Bank of Hawai'i. No actual or implied interest has been suggested, but Chair Landon is recusing himself from voting to avoid any appearances of impropriety and to preclude possible challenges to the Board's decision. He emphasized that his abstention should not be viewed as any indication either way on the underlying merits of the proposed supplemental resolution. If the supplemental resolution passed, he will execute the necessary bond documents in his capacity as Chair of the Board of Regents on behalf of the University.

Upon motion by Regent Migita and second by Regent Gee, the motion to approve the Supplemental Resolutions, including the delegation of authority, as more specifically detailed in the action memorandum dated January 30, 2009, was unanimously approved, with abstention by Chair Landon.

#### **Approval of Upgrading of Post-Baccalaureate Kahuawaiola Indigenous Teacher Education Certificate to Graduate Level**

Board Secretary Pang announced that the Board office received a letter from the Office of Hawaiian Affairs supporting the upgrading of the Kahuawaiola Indigenous Teaching Education Certificate.

UH Hilo Chancellor Rose Tseng explained that upon the establishment of a master's degree in Hawaiian Language in 2004, the courses for the post-baccalaureate education certificate were also upgraded to the graduate level. The Chancellor wishes to substitute a graduate level certificate for the existing post-baccalaureate level certificate. Board approval is required to terminate the existing certificate.

Upon motion by Regent Carlson and second by Regent Gee, the termination of the existing post-baccalaureate Kahuawaiola Indigenous Teacher Education Certificate to allow an upgrade to a graduate level certificate was unanimously approved.

#### **Approval of Accreditation Progress Report to the Accrediting Commission for Community and Junior Colleges (ACCJC) — Windward Community College**

Windward Community College (WCC) Chancellor Angela Meixell requested Board approval in principle of Windward's Accreditation Progress Report due on March 15, 2009. The ACCJC had 5 recommendations; WCC initially accomplished 3. The last 2 have since been completed: their new strategic plan now has measurables; there now is an assessment for their governance.

Vice Chair Karr recommended aligning Board policy with the ACCJC's guidelines.

Upon motion by Regent Gee and second by Regent Haynes, the Windward Community College accreditation progress report was unanimously approved.

### **EXECUTIVE SESSION**

Prior to recessing for lunch at 12 noon, the Board moved to go into executive session after lunch, pursuant to HRS §92-5(a)(2),(3), and (4), relating to personnel actions, legal matters, and collective bargaining. Following the lunch recess, executive session commenced at 1:00 p.m. and ended at 3:45 p.m., when the Board reconvened in public.

[Regent Haynes was excused.]

### **V. ITEMS FOR BOARD ACTION (continued)**

#### **Report from the Regents' Task Group on Public/Private Partnerships Concerning the Cancer Research Center Development**

Having returned from executive session, Chair Landon asked Secretary Pang to summarize the sense of the Board regarding the development of the Cancer Research Center by way of a proposed resolution. Secretary Pang reported as follows:

*Be it resolved that*

- *The Board recognizes the vision and momentum generated by interim Cancer Research Center Director Dr. Michele Carbone, particularly with respect to a collaborative "matrix" model for the clinical aspect of a comprehensive cancer research center;*
- *The Board authorizes the use of the NIST grant funds for purposes permitted by the grant, including architectural and engineering services, with the intent that any work product funded by this grant be owned and controlled by the University.*
- *The Board acknowledges and accepts the recommendation of President McClain to locate the Cancer Research Center development on the Kaka'ako parcel commonly known as "Lot A";*
- *The Board authorizes the President or his designees to negotiate with a firm for various services related to the development of a cancer research center, excluding services related to obtaining private financing, for a time period not to exceed 90 days and for a fee substantially less than any fee proposal received to date;*

- *The Board reaffirms its intent to use “Lot C” adjoining the JABSOM site for purposes related to the educational and research complex in Kaka’ako.*

Upon motion by Regent Hirota, and second by Regent Carlson, the Board unanimously approved the foregoing resolution.

[Regent Carlson was excused.]

### **Acceptance of Audit Report on UHM Athletics**

Upon motion by Regent Gee and second by Regent Dahilig, the audit report on UHM athletics was unanimously accepted.

### **Quarterly Report on Campus Development (information only)**

Associate Vice President Brian Minaai referred the Regents to the quarterly report.

Mr. Minaai reported that the University had requested over \$740 million for capital improvement projects; the Governor included only \$240 million in the executive budget, much at the expense of our backlog and capital renewal.

The University has submitted a request for \$182 million of the federal stimulus package to Hawai’i’s congressional delegation. Mr. Minaai said that he will meet with Senator Daniel Inouye to ascertain the University’s allocation.

Vice Chair Karr commented that Mr. Minaai’s report should note that the Hilton \$5 million donation is a matching donation. He asked that the Board be kept abreast of the progress of the matching funds.

Regent Fukunaga said that, given the amount of deferred maintenance and a limited state budget, the University should carefully scrutinize the existing use of buildings and try to make intensive use of its facilities instead of simply building new facilities.

President McClain suggested that David Hafner of the Mānoa Chancellor’s office brief the Regents on this area.

[Regent Fukunaga was excused.]

### **Quarterly Financial Report (information only)**

Vice President Howard Todo summarized his report by saying that the University remains healthy, as of September 30, 2008. He cited a drop in value of the endowment.

At December 31, 2008, the value is closer to \$53 million, as compared to \$67 million in September 2007.

Vice President Todo said that the real challenge is next year, when the University potentially faces a \$30 million reduction in state operating funding. President McClain commented that a portion of that reduction can be covered by other sources of revenue, and in the context of a \$1.3 billion University budget, the University will find the means to handle potential reductions.

Regent Gee asked what the effect on staffing will be in the future. Vice President Todo responded that a partial hiring freeze has been implemented, so there may be a slight decline in personnel.

## **VI. ACCEPTANCE AND APPROVAL OF GIFTS, GRANTS AND CONTRACTS**

Vice President for Research Jim Gaines advised the Regents that the listing of gifts, grants and contracts is available on the web.

He reported that for October 2008, approximately \$38 million was received. For November 2008, \$29 million was received. He indicated that the University is running at a very positive pace compared to last year, and it may have a very good closeout at the end of fiscal year. The two largest agencies that fund the University, the National Science Foundation, and the National Institutes of Health just received \$3 billion and \$8 billion respectively.

Vice President Gaines also reported that there are 2 indemnity provisions for Board consideration: an agreement with the Joint Genome Institute at the Lawrence Livermore National Lab to indemnify the Lab; an indemnity provision to the Eli and Edythe Broad Foundation for research work by a UH researcher. Both provisions have been approved by legal counsel.

Vice Chair Karr noted a duplication in the listing of a grant, which will be corrected.

Upon motion by Regent de la Peña and second by Regent Baxa, the gifts, grants and contracts were unanimously accepted and the proposed indemnification obligations were approved.

## **VII. APPROVAL AND DISCLOSURE OF PERSONNEL ACTIONS**

President McClain requested that the Board approve amending the professional improvement leave for UH Hilo Chancellor Rose Tseng to begin July 1, 2010, and award an emeritus title to Larry Fujinaka, Professor of Psychology at Leeward Community College as more specifically described in Attachment B-1. President

McClain also referred the Regents to the compensation actions for excluded executives disclosed, pursuant to Act 6 (Attachment B-2).

Upon unanimous approval following a motion by Vice Chair Karr and second by Regent Dahilig, personnel actions related to Chancellor Tseng and Professor Fujinaka were approved.

### **VIII. ANNOUNCEMENTS**

Chair Landon announced the following appointments to the new Board Standing Committees and Task Groups:

Academic Affairs: Chair Teena Rasmussen  
members Chuck Gee and Mark Fukunaga

Budget, Planning, Finance, & Facilities: Vice Chair Dennis Hirota  
member Eric Martinson

Student Affairs: Chair Grant Teichman

Community Colleges: Chair Ramon de la Peña (with a vacancy to be filled subsequently)

Public/Private Partnerships: Eric Martinson

Career and Technical Ed Advisory Council: Chuck Gee and Mike Dahilig

UCERA: Eric Martinson (if agreed to by UCERA)

Chair Landon made the following announcements:

- Memorial service for Emeritus Regent Ah Quon McElrath will be held on February 28, 2009
- Regent Dennis Hirota was awarded 2009 Engineer of the Year
- P-20 Council will host a breakfast with the Hawai'i Business Roundtable on February 24, 2009
- The next BOR meeting will be at Honolulu Community College on March 20, 2009
- Confirmation hearings for newly appointed Regents are scheduled for the week of March 16<sup>th</sup>. Chair Landon encouraged the new Regents to meet with the Legislators prior to their hearing, or seek the advice and experience of the Regents who have gone through the confirmation process.

President McClain noted that on March 19, 2009, the Pacific Business News will be holding their Chief Financial Officer of the Year event. Vice President Howard Todo has been nominated and is a finalist.

**IX. ADJOURNMENT**

The meeting was adjourned at 4:15 p.m.

Respectfully Submitted,

A handwritten signature in black ink that reads "Presley W. Pang". The signature is written in a cursive, flowing style.

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