

MINUTES

BOARD OF REGENTS' MEETING

October 16, 2014

I. CALL TO ORDER

Chair Randy Moore called the meeting to order at 9:03 a.m. on Thursday, October 16, 2014, at the University of Hawai'i Maui College, Ka'a'ike Building, Room 105B/C/D, 310 West Kaahumanu Ave., Kahului, HI 96732.

Quorum (14): Chair Randy Moore; Vice Chair Jan Sullivan; Vice Chair Eugene Bal; Dileep G. Bal; Chuck Gee; Pete Hoffmann; Ben Kudo; Coralie Matayoshi; Barry Mizuno; Helen Nielsen; Jeffrey Portnoy; Lee Putnam; Michelle Tagorda; Stanford Yuen.

Excused (1): Regent Simeon Acoba

Others in Attendance: President, David Lassner; Interim Executive Vice President for Academic Affairs, Joanne Itano; Vice President for Community Colleges, John Morton; Vice President for Legal Affairs and University General Counsel, Darolyn H. Lendio; Vice President for Budget and Finance/Chief Financial Officer, Howard Todo; Vice President for Research, Vassilis Syrmos; Vice President for Administration, Jan Gouveia; Interim Vice President for Information Technology and Chief Information Officer, Steven Smith; Interim UH Mānoa Chancellor, Robert Bley-Vroman; UH Hilo Chancellor, Don Straney; UH-West O'ahu Chancellor, Rockne Freitas;; Executive Administrator and Secretary of the Board of Regents, Cynthia Quinn; and others as noted.

II. APPROVAL OF MINUTES OF SEPTEMBER 25, 2014 MEETING

Regent Sullivan moved to approve the minutes of September 25, 2014, seconded by Regent Kudo, and the amended minutes were unanimously approved.

III. PUBLIC COMMENT PERIOD

Executive Administrator and Secretary to the Board of Regents, Cynthia Quinn announced that written testimony had been received and distributed to the Board. The following persons provided oral testimony:

1. Andrew Hinesley testified in support of resident tuition for veteran's because of financial need and hardship, and the benefit of additional revenue and assisting them to transition to a new life after service.
2. Lynette LeTendre testified in opposition to taxable stipends for travel for student government which can jeopardize cost of living benefits for students and increase drop out risk.

3. Vincent Cleveland, a UH Mānoa graduate student and member of Imua Mānoa organization raised concern about lack of transparency, accountability, shared governance and answers to questions raised by the organization.
4. Rebekah Carroll, Vice president of the UH Mānoa Graduate Student Organization read resolutions of no confidence passed by the organization against President Lassner and the Board of Regents.
5. Bob Cooney raised concerns about management of UH Mānoa and professional schools, and hiring and firing processes, and encouraged a shared common vision aligned with cultural values.
6. The following persons testified in favor of the appointment of Lui Hokoano as UH Maui College Chancellor:
 - a. Kulamanu Ishihara
 - b. Jeanne Skog of the Maui Economic Development Board
 - c. Leni English
7. Keali'i Gora of the Pūkoa Council raised concerns about budget requests submitted by Pūkoa Council not included in the System's biennium budget proposal.

V. REPORT OF THE PRESIDENT

President Lassner shared the following events and activities of the month:

1. The community colleges received a \$10 million grant from the federal government.
2. A \$250,000 donation was received for community college students to transfer to the college of engineering.
3. The work on a land use plan for UH West O'ahu is completed that will help inform the long range development plan, that includes a photovoltaic farm to serve the University, the concept of a master developer, and access to the Honouliuli Interment Camp for the National Park Service; Rights of Ways for the light rail transit system that will serve the UH West O'ahu campus are underway, and the formal easements will come to the board for approval in the future.
4. A proposed executive policy change is underway to allow the chancellors to set the percentage of financial aid for non-need based financial aid, while keeping the percentage for need-based aid intact, in order to empower the campuses to respond to their unique needs accordingly.
5. In response to community interest in divesting investments into fossil fuels, University's investment consultants are reviewing the issue to assess the impact on endowments.
6. Hurricane planning resulted in canceling a tour to the ASTS solar telescope on Haleakala and will be rescheduled.

President Lassner then yielded the floor to Acting Chancellor David Tamanaha of Maui College.

Report of Host Campus

Acting Chancellor David Tamanaha welcomed everyone to UH Maui College,

expressed regrets from Chancellor Sakamoto, who was on travel, and introduced the lead faculty Western Association of Schools and Colleges (WASC) liason Laura Nagle, and grants development officer Susan Wyche to discuss the status of the campus. He recognized Chancellor Sakamoto's secretary for her support and leadership, and recounted Chancellor Sakamoto's accomplishments during his over 40 years of service.

Laura Nagle reported that WASC conducted a site visit and noted that in its response it commended the faculty and staff commitment, collaborative process, community, and outreach quality assurance. The recommendation included considering additional revenue sources, sustainability measures, and equitable distribution of funds and alignment with assessment and program planning for student success efforts. The accreditation is granted to 2022, with visits expected in the Spring of 2017, 2018 and 2022.

Susan Wyche, director of the Office of Development gave an update that Maui College received a \$10 million grant, adding to a \$44 million grant presently, and new funding is anticipated to focus on workforce innovation grants. The \$10 million grant will fund planning for certificates in new areas of need such as cyber security, entry level for healthcare, and support for student services.

Upon conclusion of the President's report Chair Moore welcomed the new Regents Bal, Hoffmann and Neilsen.

VI. REPORT OF THE UNIVERSITY OF HAWAI'I FOUNDATION

President Lassner introduce President Vuchinich of the University of Hawai'i Foundation (UHF), who provided a report on both the quarterly and monthly results. The last fiscal year was record-setting in UH history of \$98.6 million raised. Most of the donations are over \$10,000, and individual, corporate and foundations share a larger participation. The endowment was significant with \$40 million in usable cash, restricted for scholarship and research, 1 percent is unrestricted for UHF personnel assigned to raise money for individual units. The endowment increased from \$86 million to \$262 million with a return of 14.9%. The UH Alumni Association solicitation for distinguished alumni is underway for May 2015. Regent Gee commended the efforts and encouraged recognition of emeriti faculty who continue to make monetary contributions. President Vuchinich recognized the attendance of former UHF President Donna Howard.

VII. REPORT ON GIFTS, GRANTS, AND CONTRACTS

VP Symos summarized the reports provided to the Regents that the monthly income was at \$80 million, down from \$90 million, but the 1st quarter is at \$190 million, which is 15% more than last year. He anticipates October to also have a positive outcome. He announced a \$10 million grant for 3 years for the John A. Burns School of Medicine.

VIII. COMMITTEE REPORTS

A. Report from the Committee on Academic Affairs

Committee Chair Regent Gee reported that the committee recommends approval of two programs: 1) a sustainability program at Kapi'olani Community College, that has a program coordinator and revenue is expected but may not be able to sustain a fulltime coordinator once the grant is completed, but it is well supported; and 2) a risk management program at UH West O'ahu, initiated with the insurance industry that has provided scholarships; it includes online delivery; there is demonstrated national and statewide need with an expectation that future demand will double; it prepares students for licensure and fulfills workforce development mission in the regions, and graduates are employed.

The committee also reviewed the status of programs, noting delays in a number of provisional programs, and a number of low enrollment courses, and asked administration to consider a policy on all campuses regarding low enrollment, and a timetable to take appropriate action. The committee received a presentation on the success of distance education, noting the growth in enrollment, and varied and blended methods of delivery that are effective, recognizing an area for significant investment and that the committee will look at other aspects in the Spring. The committee also reviewed in executive session the proposed awards for emeriti faculty.

B. Report from the Committee on Budget and Finance

Vice Chair Sullivan summarized that the Committee recommends approval of the biennium budget request with a minor adjustment from administration that is up for discussion and approval later in the agenda. In summary, utility costs are the biggest issue at 70% of the budget request, and 15% is for Title IX requirements. The Capital Improvements Projects budget (CIP) is proposed at approximately \$200 million for the first of the 2 years of the 6 year CIP Plan. \$197 million is financed through general obligation bonds.

There is an action item that committee recommends approval to revise the board policy to allow the board to take action in a timely manner regarding decreases in tuition.

The committee reviewed the financial report for 2014 fiscal year end, in the original format, and the the new format that begins this fiscal year will reflect actual to budget figures. The report showed \$60 million in revenues, with the majority from UH Mānoa, and the last projection was \$8.5 million in unrestricted reserves. There is a negative trend that will be explained later in the meeting. Chair Moore clarified that the tuition schedule was approved in 2011, with scheduled 7% increases for the next two years. On the table is to not increase as high depending on the funds appropriated for the operating budget in May.

C. Report by the Committee on Independent Audit

Committee Chair Ben Kudo reported on audit status updates and follow up reports that the committee received:

1) Cancer Center review and report explained to the committee that the scope of the review focused only on its financials, and the committee requested the review include reviewing management, and to provide periodic reports; 2) P-Card review that started in 9/1/14 to determine cost savings by avoiding paperwork and processing for purchases under \$500 is still ongoing and will be reviewed again; 3) student fees management, controls and oversight briefing provided a summary of the student-driven structure, with campus oversight, and that given the concerns raised by students and some legislators regarding how the fees are utilized and managed, the committee requested a written response to submit to the public and legislature; and 4) Accounts receivables report confirmed that the receivables are properly managed and collected. The committee received the audit on the Kapi'olani Community College Chancellor's Office Account with UH Foundation that was initiated by the former Committee Chair James Lee, and Rainbowtique. The KCC audit revealed delayed reimbursements that has since been collected and corrected to avoid the problem again. The Rainbowtique audit was a close out upon vacating the leased premises, which raised no significant issues, other than a small sum owed to the Landlord that was accepted.

D. Committee on Planning and Facilities

Committee Chair Mizuno reported that the committee met to review the CIP budget request, which the committee found it to be a thoughtful and reasonable plan, and is recommending approval, to be discussed later in the meeting. Regent Sullivan stated for the record that she will be voting in favor of the Daniel K. Inouye Center, with two conditions:

1) Planning/development funds also be utilized to clarify and develop an operational plan for the use of the center. This should address potential issues associated with parking/loading as well as meeting the new PRU requirements from the City prior to finalizing design; 2) That the university enter into an MOU with the foundation to clarify what costs the foundation will be covering, and that design utilize value engineering to minimize maintenance and operation costs.

E. Committee on Student Affairs

Committee Chair Tagorda reported that the committee met and reviewed the proposal for tuition waiver of nonresident tuition differential for veteran's honorably discharged that is on the agenda. The committee is recommending approval. The committee deferred discussion on mental health services for students to the next meeting.

IX. ITEMS FOR DISCUSSION/BOARD ACTION

A. Approval of Revision to Board Policy Chapter 6: Tuition, Financial Assistance, and Fees

Interim Executive Vice President for Academic Affairs Joanne Itano presented for approval a change to the board policy to allow the board to reduce tuition in a timely manner, and maintain the requirement for a public hearing one semester prior to raising tuition. She explained that other amendments in the action memo relate to changes that had already been approved by the board. This committee also recommends approval. Upon motion by Vice Chair Sullivan to approve as presented, and seconded by Regent Gee, the motion carried by unanimous vote.

B. Approval of Revision to Board Policy Chapter 6: Board Exemptions to Non-Resident Tuition

Interim Associate Vice President for Student Services Jan Javinar presented for approval a change to the board policy to allow the board to add a category of veterans to exceptions to allow tuition at the resident rate, upon being honorably discharged and establishing residency in the following 12 months. Concerns were raised about costs, whether the residency requirement was allowed under the new federal law, and clarity for demonstrating intent to reside. Administration responded that the policy will be amended to align with the federal requirements that are still pending, and that there are clear guidelines on evidence of intent to reside already in place. The initiative will cost and estimated \$1.7 million annually. Upon motion by Committee Chair Tagorda to approve as proposed, and seconded by Regent Gee, the motion passed by unanimous vote.

C. Approval of Resolution in Recognition of Chancellor Sakamoto

Chair Moore presented for approval a resolution in recognition of Chancellor Sakamoto and his more than forty years of service at the University of Hawai'i and Hawai'i. Vice Chair Bal moved for approval, seconded by Regent Nielsen, the motion carried by unanimous approval. Acting Chancellor David Tamanaha accepted the resolution on behalf of Chancellor Sakamoto, who was on travel.

D. Appointment of members to committees and task groups

Chair Moore announced that he defers appointing new members to board committees until after the board retreat. He appointed Regent Dileep Bal to the University Clinical, Education, and Research Associates (UCERA) board.

Chair Moore shared that he and Regent Gee met with UH Mānoa Faculty Senate Executive Committee and that in result they have a better understanding of faculty concerns. He shared the concerns raised by the faculty regarding support for the University, board governance, system organization, athletics, and faculty involvement in decision making. In response to the concerns, Chair Moore reiterated that the Board governs and does not manage. The President reports to the Board. The chancellor is accountable and reports to the President and not the Board as that would undermine and diminish the authority of the President. Athletics is the chancellor's responsibility, and accountable to and selected by the President. Due to decreasing state support, the

University cannot be all things to all people, and the President must prioritize. Regarding the organization of the board, openness of meetings, and engagement of faculty, these topics will be discussed at the retreat, but the board must hold executive sessions by law to protect the confidential information of others. Faculty representation on the board creates conflicts of interest, and involvement is better addressed by having the faculty senate chairs attend and make presentations at board meetings, and they are always invited to testify at any meeting. Chair Moore concluded that there was good dialog and an initial step to continue with all constituencies. Regent Portnoy added that, contrary to certain public comments he has heard, there is no control by 'political forces' nor a kabal' between the regents and the president. He continued that he supports the president regarding personnel, recognizes that the regent's role is to evaluate the performance of only the President, which includes the team he puts together. A regent's opinion of a chancellor is irrelevant. It is the president's prerogative. Regent Portnoy added that he appreciates the right to speak and protest but also asks that people get the facts first and be prepared to listen. We must work together, and not get distracted by personalities from doing the work that must be done.

F. University of Hawai'i System: Approval of Indemnification Provision in a Material Transfer Agreement from the Aarhus University Hospital/Skejby Department of Molecular Medicine, Denmark and from University of Texas Southwestern Medical Center

Vice President Vassilis Syrmos explained that this proposal for approval is a standard waiver of liability of the originator in order for the University to conduct research, and it is required by law to obtain board approval. The project involves transfer of prostate tissue and urine to JABSOM for research, waives liability of and provides indemnification for the originator. The provision has been reviewed and approved by the Office of General Counsel and the President. Vice Chair Sullivan moved to approve as proposed, seconded by Vice Chair Bal, and the motion carried upon unanimous approval.

G. University of Hawai'i System: Approval of 6 year Capital Improvements Plan for Fiscal Years 2016 - 2021

Vice President for Administration Jan Gouveia provided a powerpoint presentation of the 6 year Capital Improvements Plan (CIP) for Fiscal Years 2016 – 2021 for board approval, that was presented to the Planning and Facilities committee. The committee voted to recommend that the board approve this plan. She explained that the proposal is a reasonable 6 year plan that has been vetted by the campuses and system, with a total cost of \$1.2 billion, broken out into six primary areas by campus and category, and including approximately \$290 million a year for deferred maintenance projects. She presented a chart that showed how the deferred maintenance projects decreases over the six year period, and that neither UH West O'ahu or UH Hilo have deferred maintenance projects. She added that the plan has a small amendment regarding the special project Daniel K. Inouye Center to show a cost of \$1000 as a placeholder as the operating budget is still under review. The dollar amount is the form acceptable to the

format required by the state.

The board raised concerns about affordability, and realistic expectations and goals given the historical lack of funding by the Legislature and challenging economic times. VP Gouveia responded that the request is modest in comparison to prior years, vetted to focus on what is necessary and the 'bare bones' with attention to present a realistic, reasonable request. Regent Hoffmann raised concern about being asked to make a decision on a very important matter without sufficient background and preparation as a newly appointed Regent attending his first board meeting, and indicated he would abstain. Regent Kudo added that the budget and 6 year CIP plan is a departure from prior budget requests to the legislature and is not a wishlist. The request is more fiscally responsible to only that what is needed to function and operate, and to significantly lower the deferred maintenance backlog. The University is acting more prudently to yield a higher return on the request. It has retooled and trying a different strategy by addressing the need for priorities, on a consolidated basis, which has been a long-awaiting request by the Board. Upon motion to approve by Regent Mizuno, seconded by Regent Sullivan, the motion carried, with one abstention by Regent Hoffmann.

H. University of Hawai'i System: Approval of Biennium Budget Proposal for Fiscal Biennium 2015-2017

President Lassner explained that the Operating Budget Proposal was a work in progress and the outcome is a recommendation to separate budgeting into two activities: 1) a request to the state and 2) an operating budget with all activities, including tuition, extramural funding from contracts and grants, and special funds, in addition to state funds. The request is structured to maximize the chances of success, in a format that is required by the state. The budget request is for \$35.5 million in the first year, and \$38 million in the second year, with the largest amount for the increase in utility rates. The state has supported other agencies in this way in the past.

He further explained that in response to testimony regarding the Pūkoa council budget request, he recounted how the legislature has consistently refused to fund Pūkoa budget requests, and performance based funding in the past, and, instead imposed a matching requirement of current funds, and last year simply appropriated monies out of tuition funds. The new strategy is to change the request to free up operating funds to reallocate for these campus priorities.

Focusing on the CIP 6 year plan, the plan is to make adjustments accordingly and to have a baseline that honors the moratorium. The request will maximize chance for success. In May, Administration will return to the Board with an operating budget for the next fiscal year. Other priorities can be embedded based on funds appropriated across all campuses.

The Board raised concerns about rapidly declining reserves, setting a bottom line so that reserves are not impacted, how continued declines could affect bond rating, the

need to follow the reserve policy, as well as to take into account UH Foundation funds that can be used to be budget relieving.

Vice Chair Sullivan stressed that the Board would not have supported using revenue bonds had the true fiscal health was known, and that a discussion on UH Mānoa finances is a topic that will be vetted at an upcoming Budget and Finance committee meeting.

Chancellor Bley Vroman added that historically the trend was to spend to keep from being swept; the excess was helpful in funding the shortfalls, but now the units have been charged to 'fly level,' and have budget plans, and restructure curricula and class size for efficiency. All are on task and the board will be kept apprised of the progress.

The Board raised concerns about negative impacts on the ability to graduate, admissions, and the quality of education, and raised the possibility of incentivizing units to 'fly level,' and suggested considering a budget allocation committee to work on an allocation system to provide incentives.

Upon motion by Vice Chair Sullivan to approve with the amendment to the CIP request relating to the Daniel K. Inouye Center to include \$1,000 in place of the \$1.00 figure as a placeholder until the operating budget is finalized, seconded by Regent Gee, the motion carried unanimously with one abstention by Regent Hoffmann.

J. University of Hawai'i Foundation: Approval of Naming Opportunities for Gartley Hall at UH Mānoa

Vice President for the University of Hawai'i Foundation Gregg Willems presented a proposal for naming opportunities for Gartley Hall at UH Mānoa. He summarized the minimum levels and that the building has been completely renovated and therefore the entire internal platform is available. The naming for the exterior building is subject to Hawai'i law.

Vice Chair Bal moved to approve as presented, seconded by Regent Nielsen, and the motion carried upon unanimous vote.

K. By Consent Agenda:

1. University of Hawai'i—West O'ahu: Approval of Provisional to Established Status, Certificate in Risk Management & Insurance

2. Kaua'i Community College: Approval of a New Provisional Certificate of Achievement Program in Sustainability Science

Chair Moore stated that the items were already discussed in committee, and reported on by the committee chair. Unless there were questions or members wanted to take any item individually, the items are now before the board by consent agenda. Having

no objections by the Board, Regent Gee moved to approve, seconded by Regent Matayoshi, and the motion carried upon unanimous vote.

IX. Executive Session (closed to the public):

A. Matters Related to Private Donations: (To consider matters relating to the solicitation and acceptance of private donations to HRS §92-5(a)(7))

1. Approval of Private Donation to Support the University

B. Personnel Actions Related to the Following Positions: (To discuss the following personnel matters pursuant to HRS §92-5(a)(2))

1. Discussion of Personnel Actions (Attachments B-1 and B-2)

Upon motion by Regent Kudo, seconded by Regent Matayoshi, and by unanimous vote, the board moved into executive session at 1:10 p.m. Upon motion by Vice Chair Sullivan, seconded by Regent Kudo, and by unanimous vote, the executive session was adjourned at 3:30 p.m.

The meeting reconvened at 3:40pm. Chair Moore stated that the Board went into executive session to discuss confidential matters regarding personnel and private donations as indicated on the Agenda.

X. Personnel Actions - Attachments B-1 (For approval), B-2 (Information only)

President Lassner presented the personnel matters listed on the attachment B-1 for approval by the Board. The Board expressed confidence in the selection process for the Chancellor of Maui College and appreciated the letters of support from persons who knew the candidate, and that listing the relevant characteristics for the position was helpful in decisionmaking. Upon motion by Regent Matayoshi to approve the personnel actions listed in Attachment B-1, and seconded by Regent Nielsen, the motion carried upon unanimous vote.

XI. Announcements and Adjournment

Chair Moore noted that the board retreat will be on November 7, 2014, 8am – 5pm, tentatively at the Sullivan Conference Center, University of Hawai'i Cancer Center; and the next regular board meeting would be on November 20, 2014, at Leeward Community College. Having no further business, upon motion by Regent Gee, seconded by Regent Kudo, and by unanimous vote, the meeting adjourned at 3:51 p.m.

Respectfully Submitted,

/S/

Cynthia Quinn
Executive Administrator and
Secretary of the Board of Regents