MINUTES OF THE REGENTS’ COMMITTEE
ON UNIVERSITY AND EXTERNAL AFFAIRS

Date: Thursday, March 18, 2004

Place & Time: Campus Center Conference Chamber, Room 220
University of Hawai‘i at Mānoa
1:07 p. m.

Committee Members Present:
- Regents
  - Tatibouet (presiding)
  - Bender
  - Lagareta
  - Nunokawa
  - Lee (ex-officio)

Other Regents Present:
- Regents
  - Haynes
  - Hong
  - Kakuda
  - Kawakami
  - Tanaka
  - Yamasato

Others Present:
- Evan S. Dobelle, President, University of Hawai‘i
- Sam Callejo, Chief of Staff
- Rodney T. Sakaguchi, Vice Chancellor for Administration, Finance and Operations
- David Morihara, Director, Governmental Relations
- Jan Yokota, Director, Office of Capital Improvements
- Elizabeth B. Sloane, President, University of Hawai‘i Foundation
- Jeffrey Piper, UH Foundation Counsel
- William King, Vice President for Administration/CFO
- Donna Vuchinich, Vice President for Development
- David Iha, Executive Administrator and Secretary of the Board
- Carl H. Makino, Executive Assistant to the Board

Approval of Committee Meeting Minutes

It was moved by Regent Bender and seconded by Regent Nunokawa that the minutes of the meeting of the Regents’ Committee on University and External Affairs held on January 15, 2004, be approved as circulated.
Amended Service Agreement Between University of Hawai'i and University of Hawai'i Foundation

Chief of Staff Callejo explained that the proposed amended service agreement between the University of Hawai'i and University of Hawai'i Foundation would replace the old memorandum of agreement that was in effect since November 1997 and the current service agreement in effect since October 2002. This was as a result of the Auditor’s report on non-general fund accounts from 2003. The agreement would address the Auditor’s concerns. In response also to Regent Tatibouet, Mr. Piper explained that the two documents essentially tried to do the same thing. Therefore, it currently makes more sense to develop one document. Hopefully this would minimize confusion by having to refer to two documents, running the risk also of having some minor portion in conflict with the other document.

Vice President King, Foundation Counsel Piper, Chief of Staff Callejo, Associate General Counsel Pang, Associate Vice President Unebasami, and Internal Audit Director Uyeda had worked on the agreement. The amended service agreement would run through 2008.

Chief of Staff Callejo explained that the various changes in the service agreement would expect $2.5 million from the University as a fee for fund-raising. That figure would increase to $2.65 million when adding the cost of the development officers. This would be a fixed amount rather than being charged 50% of each development officer. There would also be an additional cost for alumni affairs. Regent Tanaka asked that these amounts be clarified in the agreement.

Regent Hong noted that there was no mention about response time and suggested five business days. In response to Regent Hong, Mr. Piper explained that the Foundation
keeps donor records confidential because they do not want to inadvertently cause them to become a government record and thereby disclosable.

Regent Tatibouet asked that the Board’s concerns be addressed in the agreement. Chief of Staff Callejo stated that he had electronically shared the draft with the Regents and had not received comments. Regent Lagareta clarified that the Board was told the draft was not a complete document and had received some material only recently.

Regent Tatibouet asked if the question as to the official recipient of gifts to the University was clarified. Mr. Piper explained that the Foundation is currently able to accept gifts on behalf of the University. The Foundation a 501(c)3 organization, according to Mr. Piper, and is able to receive gifts. Regent Tatibouet pointed out that Board policy and State law seem to indicate that the Board is the official recipient and as such, the issue needs clarification.

Regent Lagareta commented that since the Foundation is the fund-raising vendor for the University, its records relating to such endeavors should be audited by an independent auditor of the Board. She added that much of the proposed language appears to focus on what the Board and University cannot do as opposed to outcomes. Mr. Piper said it would be appropriate to audit the protocol fund provided certain safeguards could be incorporated in the audit structure. Regent Lagareta inquired why it was not specified as to what happens to the records upon termination of the contract. Mr. Piper stated that such issues could be resolved when working out the definition of confidential and what will constitute confidential information. Regent Lagareta expressed that building trust between the Foundation and the Board is important and if the agreement provides that opportunity it’s important that the Regents examine the agreement.

Foundation President Sloane advised that the Board should not get into the management of the Foundation. Regent Lagareta responded that if anything should go wrong, it’s not the Foundation nor its Board but the Board of Regents that would be held accountable. Consequently, in order to address its fiduciary responsibility it is indeed appropriate that the Board of Regents continue to not only ask critical questions but also expect forthright responses and information, adding that it is not about managing but about trust and being responsible.

Chairperson Lee recognized that this was the last meeting for Foundation President Betsy Sloane and wished her well in her future endeavors at Harvard University.

Regent Nunokawa moved to defer the proposed agreement to allow for further review by the Board and counsel. Regent Lagareta seconded the motion which was unanimously carried.
Proposed Increase in University of Hawai‘i Foundation’s Gift Assessment

Regent Nunokawa felt that because gift assessment rates are tied to the new agreement that it (the agreement) should precede this action. He therefore moved to defer this matter. The motion was seconded by Regent Lagareta followed by a discussion.

Foundation Vice President King informed about how other universities pay for fund-raising. Nationally, nonprofit organizations reported paying approximately thirty five cents to raise one dollar.

In response to Regent Lagareta, Vice President King explained that other universities either pay for the full support of fund-raising or through mechanisms such as interest earned from large endowments in combination with gift assessments. He stated that the recommended gift assessment is comparable to other universities and would be a tiered schedule:

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Gift Amount</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>5%</td>
<td>$ 0</td>
<td>$ 499,999</td>
</tr>
<tr>
<td>4%</td>
<td>$ 500,000</td>
<td>$1,249,999</td>
</tr>
<tr>
<td>3%</td>
<td>$1,250,000</td>
<td>$2,499,999</td>
</tr>
<tr>
<td>2%</td>
<td>$2,500,000</td>
<td>$5,000,000</td>
</tr>
</tbody>
</table>

For gifts in excess of $5 million, the maximum assessment will be $100,000.

Effective April 1, 2004. For pledges made prior to this date, the 2% rate will apply for all payments made through March 31, 2005. After that time, pledge payments will be subject to the new gift assessment rates.

Concurrence by the University Board of Regents on the proposed tiered gift assessment policy is necessary for the UH Foundation to:

1. Bring its gift assessment and endowment fees in line with peer institutions;
2. Increase the operating revenue of the Foundation to support the infrastructure necessary for The Centennial Campaign for the University of Hawai‘i; and
3. Lower the endowment fee, thus providing the potential to increase the annual payout from the endowment to the University units and to support higher, long-term endowment growth for the future of the University.

Pursuant to Article IV, Paragraph 2, of the Memorandum of Understanding between the University of Hawai‘i, the University Board of Regents, the UH Foundation and the UH
Foundation Board of Trustees, executed as of November 12, 1997, the UH Foundation may charge reasonable service fees in support of its operations, which fees shall be mutually agreed upon by the parties. The current service fee (now commonly referred to in development as the gift assessment) is 2% on all levels of gift and non-gift income received by the UH Foundation.

The fundamental driver for this increase is to support the increased infrastructure and operations associated with The Centennial Campaign. However, over time, the new gift assessment policy will allow the Foundation to reduce the endowment fee and have the potential to increase the percentage of annual payout to fund the programs and initiatives designated for support by the donors. Moreover, the reduced endowment fee will support higher, long-term endowment growth for the future of the University. Based on the expected number and size of gifts raised over the life of the Campaign, the average effective gift assessment will be approximately 3%. Foundation Vice President King added that gifts in kind to be held by the University would have no assessment but those sold would be assessed the fee.

Mr. Piper explained that the Foundation determines what expenses charged by the President to his protocol account are appropriate and reimburses accordingly. President Dobelle added that all of his records are available and that the press has also seen them.

Regent Haynes stated that he understood the rationale to refine the agreement but in the case of the gift assessment he felt that the University and the Foundation need to move forward so he supports the plan as presented. Regent Lagareta concurred, stating that she was more comfortable with the plan. She stated that the major remaining issues would be related more to the agreement. The agreement must structure the relationship between the University where the Board of Regents is comfortable in the relationship and that appropriate records are clearly accessible. She, therefore, withdrew her second to the motion. To enable decision-making, Regent Tatibouet turned the meeting over to Chairperson Lee, ex-officio member of the Committee. She then seconded the main motion. Upon call, Regents Nunokawa and Tatibouet voted in favor of the motion and Regents Lagareta and Bender against. Chairperson Lee, exercising her privilege as an ex-officio member expressed that she felt that the gift assessment was tied to the agreement and felt that the agreement should be worked on first, voting for the motion.

Proposed Revisions to the Policy on “Naming of Campus Improvements and Academic Programs”

Foundation Vice President Vuchinich explained that the amendments to the policy on naming of campus improvements maintain the spirit of the original Board policy. Authority would still reside with the Board. There will be no change to naming of building, facilities, roads or other programs but gives the Foundation guidelines on minimum gift
levels and requirements on naming physical structures and academic programs that are funded by private gifts. It also allows the University and Foundation to follow a consistent and coherent set of policies and procedures that recognize and honor private donors both living and deceased at all levels of giving.

Regent Emeritus Momi Cazimero provided the following testimony, giving historical perspective on the naming of buildings policy which was developed by the Board of Regents’ University and External Affairs Committee which she chaired. She personally researched and evaluated the background material and took the opportunity to discuss the issues with other university regents in attendance at an American Governing Board conference. While institutions are not identical there is a significant difference between public and private institutions. Private institutions are more likely to tie the naming of buildings to fund-raising efforts. She also met with former regents, legislators of higher education and city council members.

In shaping the policies for the naming of buildings and the granting of honorary degrees, her committee focused on the values of the University of Hawai‘i and the goals of higher education. The committee also clarified the role and responsibility of the Board of Regents with the intent of accomplishing the following:

1. To seek the highest standards of excellence in representing the State’s public system of higher learning;
2. To depersonalize the selection process;
3. To ensure qualifications were merit-based;
4. To identify potential honorees who would be measured among their peers; and
5. To allow sufficient time following ones passing to affirm the honorees worthiness and indisputable reputation would endure throughout the passage of time.

The Board must not delegate any long-term commitment of major resources programs, nor should it abdicate its role in naming of buildings. Long-term commitments require the careful deliberation of the full board because the impact will be borne by the state’s citizens whom the board members represent. The Board has the collective memory, personal and professional histories, state citizenship, community relations and the institution’s future to guide their decisions. It is the Board of Regents who will be held accountable, individually and collectively, in making long-term commitments because they will remain in this community to enjoy or suffer the consequences of their decisions.

Several years ago the Department of Business and Economic Development conducted a series of focus groups to assist them in defining the uniqueness of the business environment in Hawai‘i. Without exception, every group identified relationships as the primary asset in doing business in Hawai‘i. But as important as relationships are,
neither relationships nor money should be the determining factor for the naming of buildings or the granting of honorary degrees. Doing so can only diminish the stature of the University of Hawai‘i.

The current five-year period provides a time for the reflection away from the emotional and personal ties that can influence, and even pressure, decisions motivated by personal relationships. The University of Hawai‘i was built on commitment, sacrifices, ideals and hopes of many generations preceding us. We are a public institution, not a political institution, and our decisions must clearly reflect universal values that will inspire the generations who will follow.

The University of Hawai‘i, according to Regent Emeritus Cazimero, does not grant doctorate degrees to those who pay for them or to those who have special relationships. Doctorate degrees are granted to those who create new knowledge and can pass the rigors of challenge by their peers. That is why we respect and honor them. The buildings we memorialize and the honorary degrees we bestow are a reflection of the University of Hawai‘i and must do no less than elevate the respect, reputation, and pride to which our citizens and graduates aspire.

Chairperson Lee expressed appreciation on behalf of the Regents for the testimony which provided the history of the policy.

Regent Kakuda urged the Committee to reject the proposal. He expressed that the naming of buildings and other facilities including programs should be done for a more noble reason than money. He also expressed that the naming authority must reside with the Board of Regents.

Regent Lagareta stated that the Board already has a policy, and therefore, why would it need to delegate. She prefers that the policy remain as is and agreed with Emeritus Regent Cazimero and preferred that Regents not get too involved in changing the policy to accommodate minor namings such as a faculty lounge. Regent Nunokawa concurred commenting that in the case of the John A. Burns School of Medicine, the name of the school would probably live a lot longer than its buildings. For example, the medical school will be moving to Kaka‘ako and if the Mānoa buildings had been named after former Hawai‘i Governor Burns, that it would no longer be synonymous with the Medical School.

Vice President Vuchinich explained that the naming opportunities would be primarily for scholarships or academic chairs as well as special projects such as the Pacific Culinary Arts Institute that would need some private funding.

Regent Lagareta commented that there are administrators who firmly recognized the spirit and intent of Board policy and try to stay within that realm. The Board has also
experienced those who have tried to find loopholes in the Board’s policy and so policy amendments such as these come down to a matter of trust.

Regent Bender moved to defer this matter in light of the discussion to incorporate those considerations being mentioned. The motion was seconded by Regent Lagareta and unanimously carried.

University of Hawai‘i Foundation Reports

Vice President Vuchinich provided the monthly report of the Foundation’s efforts to date. She reported that at the end of January 2004 there was $14.7 million raised of which $3.9 million went for student support and $4.0 million went towards faculty and academic support.

Legislative Update

Director Morihara reported that the legislative session was halfway through and the Regent’s bills were doing well including the optional retirement package. He reported on several bills that have an impact on the Board including Senate Bill 3125, Senate Draft 2 and Senate Bill 2716, Senate Draft 1, “establishing a candidate advisory council for the Board of Regents to assist the Governor in determining criteria for and identifying, recruiting qualified candidates for non student membership on the Board.”

He reported on House Bill 1856, House Draft 1, which requests appropriations for the Student Caucus, and House Bill 2034, which prohibits the sale or transfer of biological resources and biological diversity and establishes a temporary bioprospecting advisory commission to address issues relating to bioprospecting including equitable benefit sharing.

Reporting on the CIP budget, Director Yokota informed that there were a significant difference between the Governor and the House versions. The Board’s CIP budget for the supplemental year 2004-2005 included eleven projects totaling $148.078 million. The Governor’s budget included two projects totaling $25.250 million; however, the first project combines the Regents’ first four priorities into a single project at $25.000 million. The House version included thirteen projects totaling $118.113 million.

The Governor’s budget included:

• $25 million for Capital Renewal, Health and Safety and Infrastructure Projects Systemwide.

• College of Hawaiian Language Building, University of Hawai‘i at Hilo - Governor’s Budget of $250,000 was deleted.

Board of Regents’ CIP Projects Included as House Initiatives:
• Capital Renewal and Deferred Maintenance - Regents’ Budget of $30,000 million was reduced to $25,000 million.

• Fire Safety Code Compliance, Systemwide - Regents’ Budget of $649,000 is included.

• Health, Safety, and Code Requirements, Systemwide - Regents’ Budget of $380,000 is included.

• Infrastructure Improvements, Systemwide - Regents’ Budget of $1.439 million is included.

• Student Life and Events Complex, University of Hawai‘i at Hilo - Regents’ Budget of $34.949 million is included.

• Student Services Building Renovation, Māneʻa Community College - Regents’ Budget of $13.036 million is included.

• One Stop Center Building, Kaua‘i Community College - Regents’ Budget of $19,787 million was reduced to $18,000 million.

• Pharmacy Building, University of Hawai‘i at Hilo - Regents’ Budget of $18,405 million in federal funds is included.

House Initiatives:

• Makai Athletic Training Room, Renovation and Expansion, University of Hawai‘i at Māneʻa - House added $92,000

• North Hawai‘i Research and Education Center, Phase II, University of Hawai‘i at Hilo - House added $3.700 million

• Temporary Facilities, University of Hawai‘i-West O‘ahu - House added $441,000

• Food Services Program, Phase II, Leeward Community College - House added $1.672 million

• Air Conditioning Plant Renovation, Kaua‘i Community College - House added $350,000

Director Yokota added that the Governor’s CIP budget also included the lapse of
$5.500 million in prior appropriated funds. The House CIP budget proposed the lapse of $2.077 million in prior appropriated funds.

Regent Tanaka instructed that when the final budgets are released, that the information be accurately and immediately transmitted to the campuses.

Regent Lagareta inquired about any student housing projects. Regent Tatibouet said that there were no student housing projects. Vice Chancellor Sakaguchi informed that the M—noa Chancellor’s Office did provide some financial figures on the two hotels being considered for the M—noa student housing program.

There being no further business before the Committee, the meeting was adjourned at 3:45 p. m.

Respectfully submitted,

David Iha, Secretary

Dated: April 21, 2004

c: Chairperson Patricia Y. Lee
Members, Committee on University and External Affairs
President Evan S. Dobelle
Associate Vice President Carolyn Tanaka