MINUTES OF REGULAR MEETING OF THE
UNIVERSITY OF HAWAI‘I BOARD OF REGENTS

September 10, 2004

I. CALL TO ORDER

The monthly meeting of the Board of Regents was called to order by Chairperson Patricia Y. Lee on Friday, September 10, 2004 at 8:50 a.m., in the Performing Arts Center, Kaua‘i Community College.

Attendance

Present were Regents Andres Albano, Jr., Byron W. Bender, James J. C. Haynes II, John K. Kai, Trent K. Kakuda, Charles K. Kawakami, Kitty Lagareta, Jane B. Tatibouet, Alvin A. Tanaka, and Myron A. Yamasato; Interim President David McClain; Executive Administrator and Secretary of the Board David Iha; and Executive Assistant Carl H. Makino.

Also present were Mr. Walter Kirimitsu, University General Counsel; Mr. Sam Callejo, Chief of Staff; Dr. Doris Ching, Vice President for Student Affairs; Dr. James Gaines, Interim Vice President for Research; Dr. Linda Johnsrud, Interim Associate Vice President for Planning and Policy and Acting Chancellor, University of Hawai‘i at West O‘ahu; Ms. Carolyn Tanaka, Associate Vice President for External Affairs and University Relations; Ms. Peggy Cha, Chancellor, Kaua‘i Community College; Dr. Peter Englert, Chancellor, University of Hawai‘i at Mānoa; Mr. Rockne Freitas, Chancellor, Hawai‘i Community College; Dr. Angela Meixell, Chancellor, Windward Community College; Dr. John Morton, Chancellor, Kapi‘olani Community College; Dr. Clyde Sakamoto, Chancellor, Maui Community College; Dr. Mark Silliman, Chancellor, Leeward Community College; Dr. Rose Tseng, Chancellor, University of Hawai‘i at Hilo; Dr. Neal Smatresk, Vice Chancellor for Academic Affairs, University of Hawai‘i at Mānoa, Mr. Presley Pang, University Associate General Counsel; Mr. J. N. Musto, Executive Director, University of Hawai‘i Professional Assembly; Ms. Lei Desha, Field Services Officer, Hawai‘i Government Employees Association; and others.

II. APPROVAL OF MINUTES

Upon motion by Regent Tatibouet and second by Regent Lagareta, the Board approved the minutes of the July 16, 2004 meeting, as circulated.

III. RECOMMENDATION FOR ACTION AND
GENERAL INFORMATION

Extension of the Contract for Investment Monitoring Services with Wachovia Securities

Chief of Staff Callejo recommended that the Board approve a one-year extension of the current contract with Wachovia Securities, Inc. (Wachovia) for investment monitoring services of the University’s endowment fund. The term of this extension would be from April 1, 2004 to March 31, 2005.

The cost of the contract extension is estimated at $10,000. Funds are to be provided by the University endowment fund.

The Third Party Monitor will assist the Board of Regents in accomplishing its fiduciary responsibility for the investment of the University’s endowment fund including investment monitoring, the allocation of funds to various asset classes, and the engagement of professional investment managers.

The University’s endowment investment policy is contained in Section 8-6 of the Board of Regents’ Policies. Wachovia Securities, Inc., formerly known as First Union Securities, Inc., was contracted to perform investment management services for the University beginning April 1, 2001. The initial contract period was for three years with the option to renew for an additional three-year period. Although the contract can be extended for three years, a one-year extension will give the new Board members an opportunity to evaluate Wachovia’s performance during the year and determine if the contract should be terminated or extended for an additional term.

During the term of the initial contract, Wachovia has met all of the contract terms, conditions, and deliverables and has provided the University with prudent and rational advice in managing the University’s endowment. Wachovia representatives have worked closely with the University administration and the Board of Regents to ensure that the goals and objectives of the endowment were being met.

Regent Tatibouet moved to extend the contract for investment monitoring services with Wachovia Securities, Inc., for a period of one year from April 1, 2004 to March 31, 2005, as presented in Item A-1 of the Board of Regents’ agenda dated September 10, 2004. Regent Haynes seconded the motion which was unanimously carried.

Request to Supplement Existing Contract with Bearing Point

Interim Vice President Gaines requested that the Board approve a supplement to the existing consulting contract with Bearing Point, increasing the contract from $120,000 to $300,000. The additional cost of $180,000 would be paid from the Research and Training Revolving Fund (RTRF). The purpose of the request is to provide the additional funding needed to complete the new indirect rate proposal.

Bearing Point was selected to provide consulting services to the University of Hawai‘i (UH) to prepare the new indirect rate proposal that is to be submitted to the Department of Health and Human Services (HHS). The actual indirect cost rate will be negotiated with HHS but based on the submitted proposal from the University of Hawai‘i.
Designation, by the Navy, of the University of Hawai‘i as the fifth University Affiliated Research Center (UARC) creates great future funding opportunities but also produces some short term complications. An additional rate category for the UARC will have to be created which will impact the basic on-campus system rate. This new rate category will have to be submitted as part of the proposal. The additional work in the same time frame will require additional financial resources.

Regent Tatibouet moved to approve a $180,000 supplement to the existing contract with Bearing Point increasing the total value to the contract from $120,000 to $300,000, as presented in Item A-2 of the Board of Regents’ agenda dated September 10, 2004. Regent Haynes seconded the motion which was unanimously carried.

**Capital Improvements Program and Repairs and Maintenance Project Contracts for FY 2004-2005**

Regent Tatibouet moved to amend the agenda to add the following contracts for approval as item A-2.5:

1. University of Hawai‘i at Hilo, Panaewa Farm - Construction of Roof and Access Improvements; Cost: $1,000,000; Contract Date: June 2004
2. University of Hawai‘i at Hilo, Construction of Fire Hydrants and Waterline Improvements; Cost: $1,700,000; Contract Date: June 2004
3. University of Hawai‘i at Hilo, Replace/Upgrade Air Conditioning, College Hall and Redwood City; Cost: $1,800,000; Contract Date: June 2004

Regent Haynes seconded the motion to amend the agenda which was unanimously carried.

Regent Tatibouet moved to approve the three contracts as stated above. Regent Haynes seconded the motion which was unanimously carried.

**Audit Plan for FY 2004-2005**

Chief of Staff Callejo recommended that the Board approve the proposed Audit Plan for FY 2004-2005. By policy, the Board of Regents and President are responsible for the proper and effective financial operation of the University, and independent audits and reviews of University organizations and activities are conducted to assist management in carrying out their fiduciary responsibilities.

No requests were received from the Senior Management Team and Council of Chancellors for external audits. Therefore, external audits for this period will be limited to mandatory external audits.

Mandatory audits have been scheduled in accordance with the Board’s approval of June 8, 1984, authorizing the Administration to appropriately dispatch future mandatory and annually-required audits.

The proposed Audit Plan for FY 2004-2005 is as follows:
Mandatory External Audits

General Audit (U.S. OMB Circular A-133) - University of Hawai‘i

Under the provisions of the U.S. Office of Management and Budget Circular A-133, colleges and universities are required to undergo a comprehensive review by independent certified public accountants. Specifically, it requires an audit of the financial statements, extensive testing and certification of the University’s internal control structure and the performance of compliance reviews.

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<thead>
<tr>
<th>Type of Engagement:</th>
<th>Financial Statement/Compliance</th>
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<tbody>
<tr>
<td>Period of Engagement:</td>
<td>July 1, 2003 - June 30, 2004</td>
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<tr>
<td>Engagement Cost:</td>
<td>$397,531</td>
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University Bond System

The nine programs of the University Bond System (Bookstore System; Mānoa Campus Center including Hemenway Hall; Mānoa Kau‘iokahaloa Nūi Faculty Housing; Mānoa Faculty Housing at Wa‘ahila; Mānoa Parking; Mānoa Food Services; Student Housing Programs at Mānoa, Hilo and Maui Community College; and Mānoa Telecommunications) will undergo an annual financial audit in accordance with Section 6.08 of the Bond Resolution adopted by the Board of Regents.

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<tr>
<th>Type of Engagement:</th>
<th>Financial Statement</th>
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<tr>
<td>Period of Engagement:</td>
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<tr>
<td>Engagement Cost:</td>
<td>$116,691</td>
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Intercollegiate Athletics - University of Hawai‘i at Mānoa

The National Collegiate Athletic Association requires that intercollegiate athletic programs of member institutions be independently audited on an annual basis. It also mandates an audit of the records of all support groups, athletic foundations, and booster organizations of the University of Hawai‘i at Mānoa Intercollegiate Athletics program. This audit encompasses both the Mānoa Intercollegiate Athletics program and its booster organizations administered by the University of Hawai‘i Foundation.

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<tr>
<th>Type of Engagement:</th>
<th>Financial Statement/Agreed-Upon Procedures</th>
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<tr>
<td>Period of Engagement:</td>
<td>July 1, 2003 - June 30, 2004</td>
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<tr>
<td>Engagement Cost:</td>
<td>$31,378</td>
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Review of Selected University Non-General Funds and Accounts

Pursuant to HB200 HD1 SD1 CD1, Sec. 55, PricewaterhouseCoopers was contracted to perform a follow-up review of selected University non-general funds and accounts for the period December 1, 2002 to November 30, 2003. The review disclosed several deficiencies and the auditors recommended areas for improvement. A review will be conducted to report on the extent of corrective actions taken by the University.

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<tr>
<th>Type of Engagement:</th>
<th>Financial/Compliance</th>
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<tr>
<td>Period of Engagement:</td>
<td>December 1, 2003 - June 30, 2004</td>
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<tr>
<td>Estimated Cost:</td>
<td>$80,000</td>
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Sales Audit of the Hanauma Bay Gift Shop

The University entered into a concession agreement with the City and County of Honolulu for the management and operation of the gift shop concession at the Hanauma Bay Nature Preserve for a period of five (5) years. As part of the agreement, the University is required to furnish a sales audit report prepared by an independent certified public accountant within 180 days of the close of each fiscal year.

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<tr>
<th>Type of Engagement:</th>
<th>Sales Audit</th>
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<tr>
<td>Period of Engagement:</td>
<td>July 1, 2003 - June 30, 2004</td>
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<tr>
<td>Estimated Cost:</td>
<td>$4,375 per year</td>
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<td>(second year of a five-year contract)</td>
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Internal Audits to be Performed by the Office of the Internal Auditor

Review of the Financial Statements of the Associated Students of the University of Hawaiʻi at Mānoa (ASUH)

The ASUH Constitution requires that an annual audit be performed of the financial statements of ASUH, and Senate Resolution 7-84 stipulates that a certified audit be performed every three years. A certified audit was conducted for the year ended June 30, 2002. The Office of the Internal Auditor performed a review of the ASUH financial statements for the year ended June 30, 2003 and will conduct a review for fiscal year ended June 30, 2004.

Sales Audit of Rainbowtique at Ward Centre

The University entered into a lease agreement for the operation of a gift shop at Ward Centre. As part of the agreement, the University is required to furnish a sales audit report prepared by the University’s Office of Internal Auditor within 60 days of the close of the calendar year.

Financial and Compliance Audits of Selected University Organizations

Internal control and compliance audits are planned for programs and activities not externally audited, which will provide the Regents and management an assessment of accounting and management controls over assets, liabilities, revenues and expenditures, and compliance with policies and procedures of the University. Audits scheduled for this period are:

a. School of Architecture  
b. School of Travel Industry Management  
c. School of Nursing  

Follow-Up Review of the School of Medicine

A follow-up review will be performed of the corrective measures taken by the School of Medicine to the recommendations contained in the State Auditor’s financial audit for fiscal year ended June 30, 2002.

Follow-Up Review of University Health Services-Mānoa

A follow-up review was performed of the financial audit of the University Health Services for fiscal year ended June 30, 2001. However, the implementation of the
perpetual drug and medical supplies inventory system was not fully completed when the follow-up audit was performed by external auditors in August 21, 2002; therefore, a follow-up review will be conducted to evaluate the internal controls and accuracy of the perpetual inventory system.

Regent Yamasato moved to approve the execution of the proposed Audit Plan for FY 2004-2005, as presented in Item A-3 of the Board of Regents’ agenda dated September 10, 2004. Regent Kai seconded the motion which was unanimously carried.

Grant Established Status to the Ph.D. Degree Program in Nursing, School of Nursing and Dental Hygiene, University of Hawai‘i at Mānoa

Vice Chancellor Smatresk requested that the Board grant established status to the Ph.D. degree program in nursing in the School of Nursing and Dental Hygiene on the Mānoa campus.

The granting of established status to the Ph.D. program in Nursing will not incur any additional costs for the University. A three-year training grant awarded by the Health Resources and Services Administration of the U.S. Department of Health and Human Services provided initial support funds for the implementation of the program. The School of Nursing and Dental Hygiene has assumed all operational costs of the program from its existing general fund budget and the tuition generated by the program since the termination of the grant.

The Ph.D. program in Nursing has completed its provisional cycle. The program is designed to prepare nurse scholars to teach in nursing education programs, especially those with minority student populations, and to conduct culturally appropriate clinical scholarship to improve the health of a diverse society. The program seeks to address the severe state, national, and international shortage of doctoral faculty in nursing that is associated with the increasing need for more nurses. Further, the program is attentive to the cultural aspects of care giving, especially relevant to the health of Hawai‘i’s multi-cultural population.

The Ph.D. program in Nursing was granted provisional status by the Board of Regents in 1998. Board of Regents’ Policy 5-1(a) provides that all new academic programs, once approved, shall have provisional status until a review is conducted. Reviews are initiated once a full cycle of graduates has been completed. In Fall 2004, there will be 26 continuing and six newly-admitted students in the program. In 2002-2003, the first three students graduated from the program; as of Spring 2004, six students had graduated from the program.

When provisionally approved, the stated goals of the program were to admit five to six students per year with a projected maximum enrollment of 24 full-time equivalent students and to increase research funding. In Fall 1998, the first four students were admitted to the program. Enrollment has steadily increased each year with 32 students projected for Fall 2004. The program has attracted high quality students which is reflected in their professional accomplishments. As of March 2000, Ph.D. students had five papers published or in press, with several additional papers in review or revision.

The doctoral program has been a positive factor in attracting top faculty and in obtaining research awards for the School. In fact, research funding over the five-year
period that the Ph.D. program has been operational has increased 51% over the previous five-year period (from $7.7 million to $11.6 million).

As required by Board policy, the program has been reviewed by the University of Hawai‘i at Mānoa’s Council on Program Reviews (COPR). In their review, COPR noted that the program “has stabilized and matured with an established track record of students admitted to and graduated from the program” and recommended that the Ph.D. program in Nursing be granted established status.

In addition, the program has undergone extensive reviews by two external consultants, funded as part of the Health Resources and Services Administration training grant received by the School. Between 2000 and 2002, two consultants conducted five separate positive reviews of the program. As noted by one of the consultants, “the faculty and administration of the University of Hawai‘i at Mānoa Nursing Program are to be commended for the development, implementation, and evaluation of a strong Ph.D. curriculum. The program is well-organized and competitive with other Ph.D. Nursing programs around the U.S.A.”

Regent Bender moved to grant permanent status to the Ph.D. program in Nursing in the School of Nursing and Dental Hygiene, University of Hawai‘i at Mānoa, subject to the Regents’ policy on established academic programs, and as presented in Item A-4 of the Board of Regents’ agenda dated September 10, 2004. Regent Kakuda seconded the motion which was unanimously carried.

Termination of the M.S. and Ph.D. Degree Programs in Pharmacology in the John A. Burns School of Medicine, University of Hawai‘i at Mānoa

Vice Chancellor Smatresk recommended that the Board approve the termination of the M.S. and Ph.D. degree programs in Pharmacology in the John A. Burns School of Medicine on the Mānoa campus to be effective upon Board approval.

Admission to the M.S. and Ph.D. programs in Pharmacology was stopped out in Fall 1999 largely due to the loss of a critical mass of faculty in the discipline. The recent reorganization of the John A. Burns School of Medicine (JABSOM) combining six basic science units into three units reflected JABSOM’s intent to focus its resources on interdisciplinary collaboration in research and graduate education. Consequently, the continuation of a small specialized graduate program in Pharmacology cannot be justified.

In Spring 1999, the graduate programs in Pharmacology were reviewed by the Graduate Council. The review team identified a number of problems with the program including a continuing loss of senior faculty, a lack of new faculty hires, and limited budget support for the program. Based on the review, the Graduate Council recommended that admissions to the program be suspended until additional resources could be made available to the program. An admissions stop-out was authorized effective Fall 1999.

The graduate programs in Pharmacology are extremely small programs. In Fall 1996, the programs enrolled a total of six students (one master's degree and five doctoral). In the seven years between 1992 and 1999, the programs graduated a total of 14 masters’ degree students and two doctoral degree students; this is an average of two masters’ degree graduates per year and less than one doctoral graduate annually.
In November 2003, a reorganization was approved by the Board which consolidated JABSOM’s six basic science units into three units. Since JABSOM did not have the resources to rebuild all of the existing basic science departments up to a critical mass that would be required for them to sustain successful individual research and graduate training programs, consolidation was proposed. As part of the reorganization, the Department of Pharmacology joined the Department of Tropical Medicine, Medical Microbiology, and Pharmacology.

JABSOM has decided to focus its limited resources on interdisciplinary programs built upon its strongest existing programs in tropical medicine, cell and molecular biology, and anatomy and reproductive biology. The last student in the Pharmacology program has graduated. Therefore, the School recommends the termination of the programs in Pharmacology.

Pharmacology faculty will continue to offer undergraduate courses and graduate courses as part of the interdisciplinary graduate programs in the School as well as for the basic science component of the M.D. program. The decision to close the program was made with the concurrence of the faculty concerned and with the Biomedical Sciences Program Committee.

Regent Bender moved to terminate the M.S. and Ph.D. degree programs in Pharmacology in the John A. Burns School of Medicine with the understanding that those currently in the programs shall be allowed to complete their academic objectives, as presented in Item A-5 of the Board of Regents’ agenda dated September 10, 2004. Regent Kakuda seconded the motion which was unanimously carried.

**Grant Established Status to the Graduate Certificate in International Cultural Studies, University of Hawai‘i at Mānoa**

Vice Chancellor Smatresk requested that the Board grant established status to the interdisciplinary Graduate Certificate in International Cultural Studies, University of Hawai‘i at Mānoa (UH-Mānoa). The program is supported by UH-Mānoa’s College of Arts and Humanities, College of Social Sciences, College of Languages, Linguistics and Literature, School of Hawaiian, Asian and Pacific Studies and the East-West Center.

The granting of established status for the certificate program will not incur any additional costs for the University. The four Mānoa units share the cost of a graduate assistant for the program and a course release for the program director from their existing allocations. The East-West Center provides office space for the program and classrooms for instruction and colloquia.

The Graduate Certificate in International Cultural Studies has completed its provisional cycle. In accordance with Board of Regents’ Policy 5-1, it has been reviewed for established status. The program focuses on the cultural interactions across local and national borders, with an emphasis on contemporary issues in the Asia/Pacific/U.S. region. Issues such as nationalism, human rights, education, trade, and communication all have a fundamental cultural dimension to them, and the certificate program develops tools for a more informed and critical understanding of the role of culture in public debates and policy.

The interdisciplinary Graduate Certificate in International Cultural Studies was granted provisional status by the Board of Regents in 1999. Board of Regents’ Policy 5-1(a) provides that all new academic programs, once approved, shall have provisional
status until a review is conducted. Reviews are initiated once a full cycle of graduates has been completed.

The certificate program offers an interdisciplinary course of study that enhances existing degrees in arts and sciences, area studies, and the professional schools. Applications are accepted from currently classified graduate students working towards an M.A. or Ph.D. degree, East-West Center Scholars (degree fellow or affiliate), or unclassified graduate students.

The program was initiated in Fall 1999. As of Spring 2003, 54 students had been admitted to the program and 16 had graduated. When provisionally approved, the program projected an annual enrollment of 15 to 20 students, a goal which has clearly been met.

There are less than twenty cultural studies programs in the United States. Mānoa’s certificate program is the only international cultural studies program that focuses on the critical study of cultural production relating to Hawai'i, Asia, and the Pacific. It supports the UH-Mānoa Strategic Plan’s goals of initiating learning centers that respond to societal needs such as public policy, environmental sustainability, and other interdisciplinary areas of inquiry, as well as expands leadership in international affairs, emphasizing Hawai'i, Asia, and the Pacific.

The program has 36 affiliate faculty who teach in the program, make invited presentations, or advise students completing their capstone project. Faculty are drawn from the four units within UH-Mānoa and the East-West Center.

The program has been reviewed by the Graduate Council which found the program and its faculty and students to be of high quality. Based on their review, the Graduate Council recommended that the Graduate Certificate in International Cultural Studies be granted established status.

Regent Bender moved to grant permanent status to the Graduate Certificate Program in International Cultural Studies, University of Hawai'i at Mānoa, subject to the Regents’ policy on established academic programs and as presented in Item A-6 of the Board of Regents’ agenda dated September 10, 2004. Regent Kai seconded the motion which was unanimously carried.

**Creation of a College of Pharmacy at the University of Hawai'i at Hilo**

Item A-7, “Creation of a College of Pharmacy at the University of Hawai'i at Hilo” was deferred at the request of President McClain.

**Change in Status from Provisional to Permanent of the Travel and Tourism Program, Kapi'olani Community College**

Chancellor Morton requested that the Board approve the change in status of the Travel and Tourism Program at Kap'iolani Community College (KCC) from provisional to permanent, effective Fall 2004.

The program proposal approved by the Board on March 21, 1998 states: “The purpose of this competency-based program is to prepare students for employment in the complex and expanding industry of Travel and Tourism. This program will allow students to study a variety of courses that will expose them to the entire breadth of this diverse and interdependent field. Classes are designed to present contemporary
trends and topics vital to the success and growth of the visitor industry. Complementing the specific Travel and Tourism courses will be a strong general education component featuring classes that relate to this field of study. Additionally, students will be offered a comprehensive core of hospitality courses that will also be taken by Hotel and Restaurant Operations students."

The Travel and Tourism Certificate of Achievement curriculum is designed as a two-semester course sequence. The program is career-laddered, allowing students to continue on to the Associate in Science level if they choose. This course of study is proposed to allow students the option of either a Certificate of Achievement or Associate in Science Degree with the certificate program designed to allow students to seamlessly continue on to their associate degree. This program will eventually be articulated with the Tourism and Transportation emphasis within the School of Travel Industry Management at UH-Mânoa.

Students upon completion of the program will be well-prepared for a variety of positions such as travel agents, travel agency managers, ticketing and reservation personnel, tourism special event planners, tour and itinerary planners and related jobs in the tourism industry and with the overall knowledge gained, will be well-armed for promotions and job mobility throughout the spectrum of jobs available in a career in Travel and Tourism.

The program will apply for accreditation along with the Hotel and Restaurant Operations program with the Council on Hotel, Restaurant and Institutional Education (CHRIE) after it has attained permanent status within the college.

Long-term industry projections from the 1999 World Travel and Tourism Council (WTTC) Report forecast continued growth in employment opportunities and economic activity in Travel and Tourism, both nationally and locally. However, there is no other comprehensive Travel and Tourism program offered in the community college system. Some similarities in courses offered in this program can be seen in the curriculum of the School of Travel Industry Management (TIM) at UH-Mânoa. This alignment of the curriculum was designed intentionally to provide students with a solid background in the entire tourism field so that they are either well-prepared to continue their education and study advanced subject material in tourism at the TIM School or other four-year program, or well-prepared to begin and be successful in a career in Travel and Tourism.

Student demand for the program grew steadily from 72 students in fall 1998, 159 students in fall 1999, 175 students in fall 2000, and to 185 students in fall 2001. Since fall 2001, there has been a slight decline in enrollments: 141 majors in fall 2002 and 129 majors in fall 2003. The level of student interest in the program is expected to remain high with the majority of students being Hawai‘i residents. However, there has also been an increase in interest from international students, particularly those from Japan and Korea, with 10 students in fall 1998, 20 students in fall 1999, 33 students in fall 2000, and 50 students in fall 2001. In fall 2002 and 2003, approximately 63 and 66 international students respectively enrolled in Travel & Tourism and Travel Industry Management at KCC.

Recent Travel and Tourism graduates have found employment in the industry or are pursuing their Bachelor’s Degree in Travel Industry Management at either the University of Hawai‘i at Mānoa or at Hawai‘i Pacific University. This list does not represent all of the graduates; tracking graduates into employment has been particularly challenging up to this point. However, with the new mandates entailed in
Perkins Achieving Standards funding, better mechanisms to track them through employment will be implemented.

After an extensive one-year self-study by program faculty, staff and advisory committee members of the Travel and Tourism and Hotel/Restaurant Operations programs in the Hospitality Education Department, the program was granted accreditation for four years (February 2001 - February 2005) from the Commission on Accreditation of Hospitality Management Programs (CAHM).

Regent Bender moved to grant the Travel and Tourism program at Kapi‘olani Community College permanent status subject to the Regents’ policy on established academic programs effective Fall 2004, as presented in Item A-8 of the Board of Regents’ agenda dated September 10, 2004. Regent Tatibouet seconded the motion which was unanimously carried.

**Amendment to the Board of Regents’ Policy, Section 5-19c**

Interim Vice President Gaines requested that the President of the University of Hawai‘i be delegated the authority to service order personnel hiring and procurement through the Research Corporation of the University of Hawai‘i (RCUH) which was established by State law to assist in the University’s research mission. Oftentimes, conditions stipulated in research and training grants require the hiring and purchasing of goods within the life span of the grant. Terms of the grant may also have requirements such as the use of specialized equipment and materiel which could not be acquired fast enough when working through the State’s purchasing systems. To take full advantage of such grants, RCUH was created as an agency that could operate outside of State personnel and procurement policies and statutes in order to facilitate the University’s research and training efforts.

Service ordering of personnel hiring and specialized procurement through RCUH was delegated to the Administration. Over the years, however, abuses were cited during external audits of the University’s use of RCUH. In addition, public employee unions expressed concerns that the hiring of personnel through RCUH was not being monitored nor administered as originally intended by the Legislature. The Board also expressed serious concerns when the Medical School project at Kaka‘ako was, without its knowledge nor consent, was service-ordered to RCUH. A recent report showed that RCUH had over 1,000 grant-funded employees on its payroll, many of whom inappropriately left on the RCUH payroll for several years or serviced ordered inappropriately in the first place such as fiscal officers, secretaries, and a marketing specialist. Consequently, in October of 2002, the Board affirmed its responsibility to comport with State law, restoring, by policy, the service ordering to RCUH to the intended purpose.

Section 5-19 of Board policy, “Research Corporation of the University of Hawai‘i (RCUH),” in part, reads as follows:

a. The University may service order certain aspects of research contracts and grants to RCUH. However, RCUH shall not be used to circumvent statutes, Board policies, contracts, settlements, or regulations. Consequently, in order for the University to approve a service order to RCUH, it must be clearly substantiated that despite capabilities under its constitutionally granted autonomy, terms of the research or training grant or contract precludes the University from maximum utilization of the funds.
b. Service ordering to RCUH shall be for the direct support of a research or training project and shall not include major construction (CIP) and repair and maintenance (R&M) projects, employment of any person in excess of one year, purchases in excess of $100,000 (total value), as a means to supplement existing University contracts or salaries, and contracting of services exceeding $100,000 in total value unless prior Board approval is obtained.

c. No University fund, regardless of source, shall be directed to RCUH or any external agency without being received by the University’ office responsible for the administration of research and training grants and contracts. Upon receipt, a determination by the University shall be made as to service ordering to RCUH based on this policy.

d. A monthly report of all service ordered actions to RCUH shall be submitted to the Board in a format determined by the Board.

e. The Board of Regents shall execute a document of relationship between the University and RCUH delineating the parameters of service to be rendered. This document shall be executed annually to allow for periodic amendments as necessary.

The Hawai’i Government Employees' Association complimented the Board for having restored the use of RCUH to its intended purpose through the adoption of the above stated policy. The administration, however, expressed concerns that the Board’s policy would be prohibitive to researchers and the operation of specialized equipment such as oceangoing research vessels. The administration, therefore, requested that the Board approve amendments to its policy on service ordering of personnel and procurement to RCUH.

The purpose of the requested amendments is to permit researchers to expeditiously hire through RCUH for more than one year, research-related personnel meeting certain criteria. Because RCUH is exempt for civil service and other public employment laws, RCUH possesses the authority to hire personnel in accordance with its procedure that do not require compliance with public employment laws. As research contracts and grants are time sensitive, it is imperative that researchers be supported in their efforts to hire the personnel necessary to fulfill the requirements of their grants in the most timely and efficient manner.

At the September 2003 meeting of the Board, researchers expressed their concern that the restriction of one-year employment via RCUH will have very significant adverse impact on their ability to conduct their research, and as a consequence, may jeopardize the University’s research enterprise. In regard to researchers’ concerns, the Task Force received the results of a survey conducted by the Social Sciences Research Institute, UH Association of Research Investigators (UHARI), Survey of Research Infrastructure Problems and Priorities.

In the analysis of the responses to the UHARI survey, it was noted under “Problems: UH personnel issues clustered as fourth most important. The inadequacy of UH salaries and benefits to attract and retain qualified staff and the inflexibility and cumbersomeness of the UH personnel system. These were ranked as high by about sixty percent of respondents.”
With respect to existing Board language restricting employment at RCUH to one year, the researchers noted that research personnel will need to be hired through the University’s human resource management system and be subject to collective bargaining agreements. Researchers expressed the concern that existing University and collective bargaining requirements are cumbersome and delay the hiring of essential research related personnel.

Researchers also noted that RCUH is better able to address retirement benefits for research support personnel who may only be employed from three to five years. RCUH is able to offer vested retirement benefits after only one year of service, whereas, the State’s retirement plan offered by the University requires ten years of service in order to vest. Hence, valuable research personnel may not be eligible for retirement benefits for their service should they be employed through the University if their projects’ funding, and in turn the basis for their employment, ends in less than ten years.

Representatives of the Hawai’i Government Employees Association (HGEA) as the exclusive representative for administrative, professional and technical personnel of the University have historically, and continue to, express concerns relating to the employment of certain personnel at RCUH. HGEA’s willingness to engage in a problem solving dialogue with the University with regard to employment of these personnel has lead to the formulation of the recommendation being submitted to the Board.

RCUH currently employs a number of employees who have supported University research projects for a number of years, such that it would be detrimental to these employees and possibly negatively impact on-going research projects should the RCUH positions be abolished, as a consequence of the one-year limitation. It is essential to the University’s research enterprise that there be staff to support the continuous and efficient operations of research.

To address researchers’ concerns, retirement benefits, exclusive representative concerns, and current RCUH employees, it is being proposed that Section 5-19c of the Board Policies be amended to permit the service ordering of personnel to RCUH for more than one year on an exception basis for employees meeting specific requirements. The University’s administration, researchers, and the HGEA participated in the development of the exemptions, which will be administered in accordance with an Interim Executive Policy for Research Personnel a draft copy of which was provided to the Board for information purposes only.

The proposed amendments to Section 5-19 of the Board of Regents’ Policies would read as follows:

c. Service ordering to RCUH shall be for the direct support of a research or training project and shall not include major construction (CIP) and repair and maintenance (R&M) projects, employment of any person in excess of one year except for (1) shipboard personnel, personnel hired for work out-of-state, personnel who work in a classified environment, or part-time intermittent personnel, (2) extramurally funded personnel whose work directly supports the research and training mission of the university; (3) current employees of RCUH hired on behalf of the University, or (4) other personnel who because of the unique nature of their services, the urgency of need, the limited duration of employment, or other exceptional circumstances make it impractical to follow the normal UH and State recruitment procedures provided that such exceptions shall be in accordance with procedures established by the
President. Purchases in excess of $100,000; $300,000 (total value), as a means to supplement existing University contracts or salaries, or the contracting of services exceeding $100,000; $300,000 in total value unless prior Board approval is obtained.

Interim Vice President Gaines stated that the most important part was providing for exceptions to the one-year hiring at RCUH. Provided in this particular amendment is the provision that the Office of the Vice President for Research will be the gatekeeper for the process and that monthly reports will be provided to HGEA and the Board of Regents.

Regent Tanaka moved to approve the requested amendments to the Board of Regents’ Policy on RCUH as presented in Item A-9 of the Board of Regents’ agenda dated September 10, 2004. Regent Yamasato seconded the motion which was unanimously carried. Regent Kakuda expressed that while he voted for the amendment, he did so with reservations. Continuation of the new policy would depend upon how well the gatekeeping functions are performed by the administration.

**Fiscal Biennium Budget, 2005-2007**

Chief of Staff Callejo requested that the Board approve the University’s operating and capital improvements budget recommendations for the 2005-2007 fiscal biennium. Upon Board approval, the budget will be finalized in the format prescribed by the Department of Budget and Finance, and transmitted to the Governor and the 2005 Legislature for review and incorporation in the State’s biennium budget.

In accordance with Section 8-3 of the Board of Regents’ Policy, the President shall review and approve for submittal to the Board the recommended budget requests for UH-Mānoa, UH-Hilo, UH-West O’ahu, the Community Colleges, and university-wide support programs. The Chancellors of the respective campuses presented their budget proposals at public meetings through the stocktaking process. The proposals were reviewed by the Biennium Budget Committee, a systemwide committee with representatives from senior administration, faculty, and students. The President and his Budget Team have had an initial meeting with the State Department of Budget and Finance based on Finance Memorandum 04-10 regarding the Fiscal Biennium 2005-07 Budget Preparation.

**University of Hawai‘i System Strategic Plan**

The “general program, policy and management objectives” that will guide the preparation of the 2005-2007 biennium budget are included in the document: *University of Hawai‘i Strategic Plan: Entering The University’s Second Century, 2002-2010*. The Strategic Plan, approved by the Board of Regents on June 21, 2002, resulted from months of work by more than 2,000 faculty, staff and students. (This plan is the basis for the biennium budget.)

**Benchmarks**

Section 304-4.5, Hawai‘i Revised Statutes, requires the Board of Regents to adopt the following benchmarks and apply them to the development of the University’s annual budget request to the Legislature:

1. Expanding access to educational opportunity throughout the State;
2. Striving for excellence in undergraduate education;
3. Requiring the university to continue to gain prominence in research and distance learning;
4. Revitalizing services to the State;
5. Enhancing the international role of the university; and
6. Maintaining diversity by clarifying campus missions and coordinating campus plans.

These benchmarks are included in the planning assumptions for the strategic plan (Environmental Context for Strategic Planning, Spring 2002).

Environmental Context

The environmental context for the budget is included in the planning assumptions for the System Strategic Plan (Environmental Context for Strategic Planning, Spring 2002). Specific assumptions are as follows:

ECONOMY AND FINANCE

State Support. State funding for public higher education is closely tied to the health of a state’s economy. The better the economy, the more funding made available to higher education.

Economic Impact. The interrelationship between state economic development and quality University programs, services, and access is a fundamental assumption that must drive UH planning efforts. The University of Hawai‘i is a major economic force in Hawai‘i generating business sales, jobs, household income, and state and local taxes. The integration of Hawai‘i into the global academic, business and technology communities is not possible without the human capital formation and knowledge infrastructure created by UH.

Finances. The University of Hawai‘i system must continue to seek additional state funds, but it is not likely that UH funding needs can be met through reliance on increased state appropriations. UH must do all of the following at the same time: seek increased state and federal support; reallocate and increase operating efficiencies; continue to increase revenues from tuition; and aggressively ramp up private fund raising.

System Configuration. The University of Hawai‘i system operates in an environment that sets it apart from most other states and challenges it to achieve an efficient system configuration. The state’s higher cost of living is beyond the University’s control. Geographic isolation and the need and commitment to provide Hawai‘i residents (spread across and island state) with access to higher education diminish efficiencies.

Shared Priorities. Over the past few years, the University has gained a significant measure of control over the disposition of its revenues and the management of its internal affairs. With increased control comes the need to demonstrate the University’s commitment to meeting the needs and priorities of the State for education and training. Thus, the University Biennium Budget Proposal focuses on four key priorities:

- Serving Native Hawaiians through expanded recruitment and support services to increase retention and graduation rates, and honoring the host culture through expanded curricular offerings and staffing in Hawaiian Language and Cultural Studies.
Meeting enrollment demands by clarifying institutional missions in order to ensure student access to affordable and appropriate education and training opportunities.

Expanding workforce development and economic diversification Initiatives to meet the needs of the State in areas of occupational growth as well as personnel shortages, and leveraging the resources of the University for economic expansion and job creation.

Addressing infrastructure, repair, and maintenance needs in order to protect the State’s investment in the physical plant and sustain the facilities for future generations, and challenged underfunded areas like compliance with Title IX requirements.

Each of these priorities represents a compelling State interest and evidences the University’s commitment to use its resources in service to the citizens of the State. The budget proposals submitted by each of the ten Chancellors reflect these priorities within the mission and context of each campus.

The Biennium Budget Proposal seeks a level of appropriation from the State commensurate with the significant benefits to be derived by the State. At the same time, the University will establish a tuition schedule that moves a greater portion of the cost to the students who will directly benefit from their education and training credentials. A portion of the increased revenues from tuition will be set aside for financial aid to ensure that low-income families are not deprived of educational opportunities. Finally, the University pledges to work aggressively to increase revenues from external sources and to increase operating efficiencies to maximize productivity.

The University seeks to work with the State of Hawai’i to realize a public agenda of increased access to higher education that will, in turn, enhance the quality of life of the State’s citizens.

Regent Tanaka moved to approve in principle the recommended operating and capital improvements budget for the 2005-2007 fiscal biennium, as presented in Item A-10 of the Board of Regents’ agenda dated September 10, 2004, with the understanding that budget details, implementation, and changes shall be subject to Board policies. Regent Yamasato seconded the motion which was unanimously carried.

Reappointment of Barry Taniguchi and Appointment of Ron Terry to the Mauna Kea Management Board

Chancellor Tseng requested that the Board approve the reappointment of Mr. Barry Taniguchi to a second four-year term on the Mauna Kea Management Board (MKMB), and the appointment of Mr. Ron Terry to a four-year term on the MKMB retroactive to July 1, 2004.

The Mauna Kea Science Reserve Master Plan, approved by the Board of Regents in June 2000, called for the establishment of the community-based MKMB. The Master Plan states “Community involvement in the management of the mountain begins with the membership of the Mauna Kea Management Board....The Board’s primary role is to advise the Office of the Chancellor at UH-Hilo on management of the Mauna Kea Science Reserve...and shall be the main community voice for activities and development planned for the Science Reserve”.

The Board is comprised of seven members representing Native Hawaiians, environment, education, commercial operators, astronomy, Department of Land and Natural Resources, and the general community.

Pursuant to the Master Plan, the Chancellor of UH-Hilo nominates individuals to the MKMB and submits recommendations to the Board of Regents for its consideration. According to the By-Laws of the MKMB, individuals may serve two consecutive four-year terms.

Mr. Barry Taniguchi is the President and CEO of KTA Super Stores. He is a well-respected business leader and a tireless volunteer for many community organizations, boards and charitable events. He has served as the 2nd Vice Chair and Secretary for MKMB and his wisdom, objectivity, and balanced viewpoints have proven invaluable in the operation and decision-making of the Board over the past four years.

Mr. Ron Terry represents the environment community. He is a principal in Geometrician Associates, LLC, an environmental consulting firm based in Hilo. He is highly regarded for his analysis of and research in biology and geology, and preparation of environmental impact statements and assessments. His extensive experience in preparing state and federal environmental documents and knowledge of federal and state permitting processes, rules, and regulations will be valuable to MKMB in its review of proposed developments for Mauna Kea.

Regent Lagareta moved to approve the reappointment of Mr. Barry Taniguchi to a second four-year term, and Mr. Ron Terry to a four-year term on the Mauna Kea Management Board effective July 1, 2004 to June 30, 2008, as presented in Item A-11 of the Board of Regents’ agenda dated September 10, 2004. Regent Kai seconded the motion which was unanimously carried.

Naming Opportunities for Private Gifts to the University of Hawai‘i Foundation to Support the Culinary Institute of the Pacific at Diamond Head, Kapi‘olani Community College

Chancellor Morton requested that the Board approve the proposed naming opportunities for the Culinary Institute of the Pacific at Diamond Head. This would enable the University of Hawai‘i Foundation and Kapi‘olani Community College to plan and implement a systematic, comprehensive, and meaningful donor recognition program that encourages donors to support the Culinary Institute of the Pacific’s efforts to raise the size and quantity of private gifts for the benefit of the Culinary Institute for the Pacific at Diamond Head.

This request is in keeping with the Board’s policy on “Naming of Campus Improvements and Academic Programs,” which grants Chancellors authority to develop procedures for recommending to the Board other than functional names for a building, facility, or academic programs.

This recommended action will enable the University of Hawai‘i Foundation and Kapi‘olani Community College to:

1) Create a donor recognition program that encourages major, private gifts in support of the Culinary Institute of the Pacific; and

2) Enable the University of Hawai‘i Foundation and Kapi‘olani Community College to immediately begin soliciting lead gifts for this project.
Regent Albano moved to approve the naming opportunities schedule for the Culinary Institute for the Pacific at Diamond Head as recommended with the understanding that exceptions to Board policies shall require the prior approval of the Board, and that the schedule shall not be applicable to buildings and the academic programs but rather internal facilities, as presented in Item A-12 of the Board of Regents’ agenda dated September 10, 2004. Regent Tatibouet seconded the motion which was unanimously carried.

IV. GIFTS, GRANTS AND CONTRACTS

Interim Vice President Gaines reported that during the period June 16, 2004 through July 15, 2004, the University of Hawai‘i system received a total of $29,459,342 in gifts, grants and contracts. The University of Hawai‘i at Hilo received a total of $126,644 during the same period. Last year’s total for gifts, grants and contracts received for the University of Hawai‘i system was $330 million, which is an unbelievable performance for a small number of researchers at the University of Hawai‘i.

Regent Tatibouet moved to accept with thanks the gifts and grants and ratify the actions of the administration in executing the contracts as presented in Attachment #1 of the Board of Regents’ agenda dated September 10, 2004. Regent Haynes seconded the motion which was unanimously carried.

V. 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

Acting President McClain recommended the appointments, changes in appointments, leaves of absence, promotion, tenure, waiver of minimum qualifications, emeritus titles, shortening of probationary period, salary adjustments, position actions, classification, and pricing as follows, with the exception of personnel actions for Gary K. Ostrander and Linus T. H. Chao which were withdrawn from action.

UNIVERSITY OF HAWAI‘I SYSTEM

Managerial

ITANO, JOANNE
Academic Affairs Program Officer (CC)
Off of the Vice President for Academic Aff
August 2, 2004 - August 1, 2005

PANG, CAROL
Interim Academic Affairs Program Officer (CC)
Off of the Vice President for Academic Aff
September 1, 2004 - August 31, 2005
Emeritus

SATHRE, COLLEEN O.
Vice President
Office of Planning and Policy
Upon Approval by the Board

UNIVERSITY OF HAWAI‘I AT MĀNOA

Executive

SAKAGUCHI, RODNEY
Vice Chancellor for Adm, Finance and Ops
Office of the Chancellor, UH Mānoa
Professional Improvement Leave with Full Pay
January 1, 2005 - December 31, 2005

Managerial

MOUGINIS- MARK, PETER
Acting Director of Research Institute
Hawai‘i Institute of Geophysics and Planetology
School of Ocean and Earth Science and Technology
Reappointment
July 1, 2004 - June 30 2005 or until the return
of the Director, HIGP, whichever occurs first.

Professor or equivalent

JAMIESON, WALTER
Professor
School of Travel Industry Management
Faculty Appointment and Expedited
Tenure Review
Upon Approval by the Board

Emeritus

FAN, POW-FOONG
Professor
Geology and Geophysics
Upon Approval by the Board

GRIGG, RICHARD W.
Marine Biologist
Oceanography
Upon Approval by the Board

SCHMITT, DONALD P.
Researcher
Plant and Environmental Protection Sciences
Upon Approval by the Board
VARLEY, HERBERT PAUL JR.
Professor
History
Upon Approval by the Board

VERDERBER, ANNE
Professor
Nursing
Upon Approval by the Board

UNIVERSITY OF HAWAI'I AT HILO

Executive

HIROKAWA, RANDY Y.
Dean
College of Arts and Sciences
January 2, 2005 - January 1, 2006

Professor or equivalent

HIROKAWA, RANDY Y.
Professor
College of Arts and Sciences
Faculty Appointment, Waive the Probationary Period, and Expedited Tenure Review
January 2, 2005

COMMUNITY COLLEGES

Managerial

DYKSTRA, DOUGLAS
Assistant Dean, (CC)
Leeward Community College
Salary Adjustment
July 1, 2004

LEIALOHA, MICHAEL N.
Institutional Support (Administrative Officer)
Hawai'i Community College
Temporary Assignment as the Interim Director of Administrative Services
October 1, 2004 - March 31, 2005 or until the position is filled on a regular basis, whichever occurs sooner.

MATSUI, SANDRA Y.
Interim Dean of Student Services
Honolulu Community Colleges
Upon approval by the Board - June 30, 2005 or until the position is filled, whichever occurs sooner
Emeritus

BURNETT, ROSEMARY
Professor, CC
English/Reading
Hawai‘i Community College
Upon Approval by the Board

Regent Lagareta moved to approve the personnel actions as recommended in Attachment #2 of the Board of Regents’ agenda dated September 10, 2004, excluding the two individuals withdrawn for consideration by Acting President McClain. Regent Tatibouet seconded the motion which was unanimously carried.

Resignations and Retirements of Board of Regents’ Appointees

The list of resignations and retirements of Board of Regents’ appointees and retirements of Civil Service employees was presented for information. (The list of resignations and retirements is presented in Attachment #2 of the Board of Regents’ agenda dated September 10, 2004.)

VI. REPORT OF EXECUTIVE OFFICER

Acting President McClain expressed his appreciation to the Board for its attendance at a special workshop on September 2nd to review the biennium budget proposal.

He reported that there have been a number of good things happening at the University of Hawai‘i. Athletic Director Frazier served as the Chef de Mission of Team U. S. A. for the XXVIII Olympiad and represented the University of Hawai‘i as well. Director Frazier reported that the American athletes represented the United States in ways that really brought honor to all Americans. Dr. David Karl received a $4 million grant from the Moore Foundation and during the latter part of October, he will be accepting the very prestigious Henry Bryant Bigelow award in Oceanography. Dr, Ronald Mau, a researcher in the Agricultural Extension Program has made significant impacts in eradicating the fruit fly, promoting Hawaiian agriculture.

Acting President McClain reported that he hired Dr. Shirley Daniel who is the Walker Chair and a financial management expert, to assist him in the first phase of a plan to reorganize what he called the “left side of the organization.” Dr. Daniel reported that her recommendation is to launch a search for a chief financial officer. She stated that the chief financial officer should have fairly sophisticated skills in terms of public universities, finances, audits, or experience working with external auditors and some sophistication in the use of informational technology in terms of business processes. President McClain said that under the current structure, there is a position for a Vice President for Administration and Chief Financial Officer. A position description for a separate chief financial officer will hopefully be presented to the Board for approval in October.

Regent Yamasato asked if there were any good organizational models. Dr. Daniel said there was no real best model because systems need to fit their respective institutions’ requirements needs. The key would be getting the right person for the job.
President McClain stated that his intent is to propose a reorganization plan that would eliminate the positions of Vice President for External Affairs, Vice President for International Education, and Chief of Staff. In the second phase of the reorganization plan, the only change he would propose would be to eliminate the Vice President for International Education and replacing it with an Associate Vice President who would report to the Vice President for Academic Affairs.

President McClain introduced Mr. Rockne Freitas, the new Chancellor of Hawai‘i Community College.

IX. NEW OR OTHER BUSINESS

Chairperson Lee appointed Regent John Kai to the University of Hawai‘i Foundation Task Group.

Progress Report on the JABSOM Kaka‘ako Biomedical Research Center

Regent Tanaka reported that the consulting team of the John A. Burns School of Medicine (JABSOM) Kaka‘ako Biomedical Research Center is drafting the details for a report to be presented at an open meeting of the full Board on October 1, 2004. To date, approximately 75 individuals at site visits and 75 local stakeholders have been interviewed. Some followup interviews for clarification purposes from the first interviews may be conducted. A total of 27 sites were visited. A list of the places visited and a general description will be provided with this report. The consulting team will be meeting one more time with the Board of Regents’ task force, comprised of Regents Tanaka and Albano.

X. ANNOUNCEMENT

Next Meeting

Chairperson Lee announced that the next monthly meeting of the Board of Regents would be held on Friday, October 22, 2004 at 8:30 a.m. at Hawai‘i Community College. She thanked Chancellor Cha and the faculty, staff and students of Kaua‘i Community College for their hospitality and for hosting the wonderful reception the previous night.

XI. ADJOURNMENT

There being no further business before the Board, the meeting was adjourned at 9:50 a.m.

Respectfully submitted,

David Iha, Executive Administrator
and Secretary of the Board