I. CALL TO ORDER

Chair Jan Sullivan called the meeting to order at 10:41 a.m. on Thursday, March 4, 2021. The meeting was conducted virtually with regents participating from various locations.

Committee members in attendance: Chair Jan Sullivan; Vice-Chair Randy Moore; Regent Alapaki Nahale-a; and Regent Robert Westerman.

Committee members excused: Regent Michelle Tagorda.

Others in attendance: Board Chair Benjamin Kudo; Regent Simeon Acoba; Regent Kelli Acopan; Regent Eugene Bal; Regent Ernest Wilson (ex officio committee members); President David Lassner; Vice President (VP) for Administration Jan Gouveia; VP for Community Colleges Erika Lacro; VP for Legal Affairs/University General Counsel Carrie Okinaga; VP for Research and Innovation Vassilis Syrmos; VP for Information Technology/Chief Information Officer Garret Yoshimi; VP for Budget and Finance/Chief Financial Officer Kalbert Young; UH-Mānoa Provost Michael Bruno; UH-Hilo Chancellor Bonnie Irwin; UH-West O’ahu Chancellor Maenette Benham; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Kendra Oishi; and others as noted.

II. APPROVAL OF MINUTES

Vice-Chair Moore moved to approve the minutes of the February 4, 2021, committee meeting and joint meeting with the Committee on Intercollegiate Athletics, seconded by Regent Nahale-a, and noting the excused absences of Regent Tagorda and Regent Westerman, the motion carried, with all members present voting in the affirmative.

III. PUBLIC COMMENT PERIOD

Board Secretary Oishi announced that the Board Office did not receive any written testimony, and no individuals signed up to provide oral testimony.

IV. AGENDA ITEMS
A. Use and Distribution of Legacy Endowment Funds

VP Young provided a brief overview and history of the Legacy Endowment Fund (Fund) noting that its corpus was received and invested on behalf of the university prior to the creation of the University of Hawai‘i Foundation (UHF) and is, therefore, separate and apart from the UHF endowment fund. The Fund is currently managed by UBS Financial Services, who provides quarterly investment performance and asset allocation reports to the board throughout the fiscal year.

Distributions from the Fund are controlled by Regents Policy (RP) 8.207 which currently provides the president with the authority to distribute up to 4.25 percent of the Fund’s valuation, which is based upon a 20-quarter, rolling average of its market value. While the current value of the Fund’s overall portfolio is slightly less than $91 million, VP Young explained that, under the parameters for the allocation of funds established by RP 8.207, the value of the Fund to which the distribution percentage is applicable stands at $69.7 million as of June 30, 2020. Additionally, the Fund contains both restricted and unrestricted sources of funding which also governs the overall use and distribution amounts of Fund assets.

A comparative analysis of restricted versus unrestricted fund allocations, as well as authorized versus actual Fund distributions, was reviewed by VP Young. He also provided a breakdown of the various purposes for which allocations from the Fund were made, including scholarships, faculty and staff awards, research, athletics, and faculty support, as well as actual disbursement amounts for each purpose, highlighting that, for various reasons, only $2.3 of the $2.8 million from the Fund made available for use in fiscal year 2020 was drawn down. It was also noted that $2.7 million will be available for allocation during the current fiscal year.

Stating that he believed the board possessed the authority to amend board-established designations for the use of unrestricted monies contained within the Fund, Vice-Chair Moore asked whether the initial designations made by the board for the use of unrestricted funds was considered permanent. President Lassner replied that recent amendments made to RP 8.207 removed language establishing board designations for the use of unrestricted monies contained within the Fund and delegated this authority to the administration. He stated that the administration is currently contemplating how unrestricted monies in the Fund should be utilized to better address the financial needs of the university in addition to the provision of scholarships. Ideas such as the creation of a strategic investment fund that could be used for substantial projects on a one- to three-year time horizon that would be impactful to university or student success have been discussed although no firm proposals have materialized. Vice-Chair Moore expressed his interest in reviewing an official proposal that indicates the amount of unrestricted funds available for use by the administration and the strategic manner in which these funds will be spent.

Regent Acoba inquired about the party responsible for determining the beneficiaries of, and the maximum allowable amount of, the distribution of unrestricted monies of the Fund. He also asked if there was a master document that detailed the distributions and recipients of the unrestricted funds. VP Young replied that nearly all of the purposes
and maximum percentages for the distribution of unrestricted funds were established decades ago and historical records that might indicate the intent and purpose for these decisions are almost non-existent. As such, there is no one source or master document that details or indicates the reasoning for the established use or distribution of unrestricted monies in the Fund.

Chair Sullivan suggested that the administration review the purposes for, as well as use of, the unrestricted monies contained within the Fund in order to provide greater clarity to the board with regard to how these funds are being disbursed.

**B. Recommend Board Approval of Amendments to Regents Policy (RP) 8.204, University Budget (Operating and Capital Improvements)**

Chair Sullivan provided a brief historical background of discussions that have occurred on amendments to RP 8.204 to better align the policy with current practice with regard to the university’s budget. Although the committee had initially recommended board approval of the proposed amendments, the board did not take immediate action and instead provided more time for Regents to review the proposed policy changes. Since that time, no additional recommendations have been made by Regents.

Vice-Chair Moore moved to recommend board approval of the revisions to RP 8.204, seconded by Regent Nahale-a, and noting the excused absences of Regent Tagorda and Regent Westerman, the motion carried with all members present voting in the affirmative.

**C. Recommend Board Approval of Amendments to RP 8.207, Investments**

VP Young provided an overview of the proposed amendments to RP 8.207, stating that they would provide the administration with greater flexibility to diversify the university’s investment portfolio through strategic investments in real estate and thereby enhance its revenue-generating opportunities. More specifically, the amendments would allow for the direct investment of Fund monies in real estate and establishes parameters for the administration via the Chief Financial Officer to pursue board approval for these investments.

Chair Sullivan invited Mr. Richard Wacker, Chair of the UHF Board of Trustees, to comment and provide input on the proposed recommendation to amend RP 8.207.

Mr. Wacker stated that, as funding from traditional sources will be strained for the foreseeable future, it is imperative that the university look for creative and contemporary approaches to generating additional revenues and noted that investing in real estate is a normal activity for universities and university foundations across the country which is often used as a means of generating revenue to help universities accomplish their missions and goals. He also noted that UHF has embarked on its first large real estate investment venture, the Atherton Project, which is nearing completion of project financing and is well on its way towards providing a return on investment for UHF.
Vice-Chair Moore moved to recommend board approval of the revisions to RP 8.207, seconded by Regent Nahale-a, and noting the excused absences of Regent Tagorda and Regent Westerman, the motion carried with all members present voting in the affirmative.

D. Status of Higher Education Emergency Relief Funds (HEERF)

VP Young provided a report on the status of the expenditure of HEERF funds received by the university from the Coronavirus Aid, Relief, and Economic Security (CARES) Act briefly reviewing the three tranches of funding available, the amount of funds received for each tranche, and funding restrictions. He noted that, as of December 31, 2020, the university expended about $11.9 million of the approximately $12 million received for direct disbursement to students in the form of grants and about $3.87 million of the approximately $12 million received for institutional expenses related to the prevention of, preparation for, and response to the COVID-19 crisis. The university received an additional $20 million in HEERF funds for its status as a minority-serving institution, the majority of which remains unspent. VP Young also reviewed a breakdown of the use of CARES Act HEERF funds for each campus and presented information about $47.4 million in non-HEERF financial support provided to the university by the State and counties from their share of CARES Act funding.

Regent Acopan arrived at 11:19 a.m.

HEERF funds that the university has received, or anticipates it will receive, from the recently enacted Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) were also reviewed by VP Young. While the university is anticipating it will get approximately $45 million in HEERF funds from CRRSAA, an amount similar to that received from the CARES Act, to date, only UHM has received a portion of its allotment. Restrictions on the use of HEERF funds provided by the CARES Act will similarly be imposed on HEERF funds received from CRRSAA.

VP Young also stated that discussions on the provision of additional federal stimulus funding from the “American Rescue Plan” is currently taking place and that preliminary conversations indicate that any legislation enacted will include substantial fiscal support for state and local governments, as well as economic assistance for institutions of higher education and K-12 educational institutions in amounts greater than that provided by the CARES Act and CRSSAA.

Regent Acoba asked whether his understanding that the university received approximately $45 million in the CARES Act funds, $45 million in CRSSAA funds, and $47 million in non-HEERF financial support from CARES Act funds awarded to the State and counties was correct. VP Young responded in the affirmative.

Regent Westerman arrived at 11:23 a.m.

Noting that the receipt of additional funds from the “American Rescue Plan” is anticipated, Regent Acoba inquired as to whether the administration had any indication as to the amount of money that would be given to the university. President Lassner
replied that, while an exact amount is not yet known, early indications are that it will be greater than the amounts provided by the CARES Act or CRRSAA.

Vice-Chair Moore asked if the receipt and expenditures of HEERF funds received from all of the federal stimulus packages will be fully incorporated into the university’s financial statements and whether these funds were cost-reimbursable. Both President Lassner and VP Syrmos replied in the affirmative stating that HEERF funds will be recorded in the financial statements and reported as extramural funding and that these funds were cost-reimbursable.

Chair Sullivan questioned whether HEERF funds were being processed through the Research Corporation of the University of Hawai‘i (RCUH). VP Syrmos replied that some HEERF funding is being processed through RCUH but that it is dependent upon the expenditure of the allocated funds.

Chair Sullivan opined that the amount of HEERF funds being received by the university is substantial and requested that the administration provide greater detail on how these funds are strategically being used in its next report.

V. ADJOURNMENT

There being no further business, Regent Nahale-a moved to adjourn, seconded by Vice-Chair Moore, and with all members present voting in the affirmative, the meeting was adjourned at 11:30 a.m.

Respectfully Submitted,

/S/

Kendra Oishi
Executive Administrator and Secretary
of the Board of Regents