

MINUTES

BOARD OF REGENTS COMMITTEE ON INSTITUTIONAL SUCCESS MEETING

NOVEMBER 2, 2023

A video recording of this meeting may be viewed at the Board of Regents website as follows:

[Meeting Video](#)

I. CALL TO ORDER

Chair Gabriel Lee called the meeting to order at 10:15 a.m. on Thursday, November 2, 2023, at the University of Hawai'i (UH) at Mānoa, Information Technology Building, 1st Floor Conference Room 105A/B, 2520 Correa Road, Honolulu, Hawai'i 96822, with regents participating from various locations.

Committee members in attendance: Chair Gabriel Lee; Vice-Chair Lauren Akitake; Regent Neil Abercrombie; Regent Diane Paloma; and Regent Wayne Higaki.

Others in attendance: Board Chair Alapaki Nahale-a; Regent William Haning; Regent Laurel Loo; Regent Abigail Mawae; Regent Laurie Tochiki; Regent Ernest Wilson (ex officio committee members); President David Lassner; Vice President (VP) for Administration Jan Gouveia; VP for Academic Strategy Debora Halbert; 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; Interim VP for Community Colleges Della Teraoka; UH-Mānoa (UHM) Provost Michael Bruno; UH-Hilo (UHH) Chancellor Bonnie Irwin; UH-West O'ahu (UHWO) Chancellor Maenette Benham; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Yvonne Lau; and others as noted.

II. APPROVAL OF MINUTES

Chair Lee inquired if there were any corrections to the minutes of the October 5, 2023, committee meeting which had been distributed. Hearing none, the minutes were approved.

III. PUBLIC COMMENT PERIOD

Board Secretary Lau announced that the Board Office received written comments in support of the Academy for Creative Media (ACM) System from State Senator Carol Fukunaga, the Honolulu Film Office, the faculty and administration of the New Media Arts Program at Kapi'olani Community College, Janel Quirante, Sharla Hanaoka, Rachel Whitley, John Burns, Katie Doyle, Ryan Perroy, Candy Suiso, Sumner La Croix, Jonathon Goebel, Joel Moffet, Kevin Nguyen, and Francis Ray Cristobal.

State Senator Michelle Kidani, Beckie Stocchetti, Adam Moura, Heather Haunani Giugni, and Ty Sanga provided late written comments in support of the ACM System.

Frankie Harriss, Beckie Stocchetti, Sumner La Croix, Stephen Watkins and Sky Kauweloia provided oral comments in support of the ACM System.

Written testimony may be viewed at the Board of Regents website as follows:

[Written Comments Received](#)

[Late Written Comments Received](#)

IV. AGENDA ITEMS

A. Fiscal Year (FY) 2023-2024 First Quarter UBS Legacy Endowment Fund (Fund) Investment Performance Report

Kyle Yoneshige and Lori Hamano from UBS provided a report on the Fund for the first quarter of FY 2023-2024, reviewing both asset allocation and investment performance. Ms. Hamano stated that the Fund's investment portfolio was comprised of cash, fixed-income, and equity assets, and reviewed allocations for each asset class. She provided the rationale for UBS's decision to raise \$3 million in cash at the end of the 2021 calendar year stating that this was a strategic maneuver to address concerns regarding the impact of market volatility on the Fund and drew attention to a \$2.5 million distribution made from the Fund in January 2023 to support the Regents and Presidential Scholars Program.

Mr. Yoneshige presented an overview of the Fund's portfolio performance noting that, as of September 30, 2023, the value of the Fund stood at just over \$83.8 million. While the Fund experienced a decline in gross returns of 4.22 percent for the first quarter of FY 2023-2024, he noted that the Fund continues to outperform asset category benchmarks established within Regents Policy (RP) 8.207 for calendar year 2023, particularly in regard to United States equities. However, he cautioned that expectations for the Fund to continually outperform established benchmarks must be tempered. He also mentioned that internal compliance reviews confirmed that the Fund was in accord with fossil fuel divestiture mandates and all investment policies; that no material changes or weaknesses have been identified with respect to the management of the Fund, save for a change in ownership of the international investment performance manager utilized by UBS; and that the total cost of investments for the Fund is 0.44 percent and includes 0.2 percent in fees charged by UBS and 0.24 percent in fees charged by the investment manager.

Ms. Hamano and Mr. Yoneshige briefed the committee on current economic conditions that could have an impact on the Fund's performance. They noted that inflation continues to trend downward from the unprecedented highs that were witnessed earlier this year, although certain sectors remain sticky; the markets are expected to be choppy in the short- to near-term but optimism exists for the long-term; and that analysts believe the Federal Reserve is at-or-near the end of interest rate

increases. All things taken into consideration, UBS maintains its belief that equities and high-quality bonds still afford the best opportunity for long-term returns on investment. UBS will continue to monitor the financial markets, focusing on long-term returns that consider inflation and market volatility, and adjust its investment strategy accordingly.

Regent Abercrombie asked whether UBS was ever pessimistic about the future of the markets. Mr. Yoneshige replied that, given the perpetual nature of the Fund, UBS must remain focused on long-term results rather than short-term returns, which can be impacted by emotions, when making investment decisions. He also reiterated that UBS remains optimistic about the long-term performance of market.

B. Presentation on UHM Student Housing and KMH LLC Work Plan

VP Gouveia provided an overview of UHM Student Housing Services (UHMSHS) pointing out that it operates as a special fund program and, as such, is expected to be financially self-sustaining, generating sufficient revenues to cover operational expenses as well as capital investments. She reviewed the current and former organizational hierarchy of UHMSHS; spoke about the various on-campus residence halls, which include 21 facilities that encompass more than one-million gross square feet of space, noting each structure's age, room and bed counts, and related renovation date, if any; discussed data related to UHMSHS including bed rates, revenues, and expenditures for FY 2023; highlighted some of the complexity involved with operating and maintaining a university residential facility stressing that a large divide often exists between perception and reality; and discussed some of the challenges facing residence hall operations, such as the provision of custodial services. She also noted the concerted effort by UHMSMS, under its new organizational structure, to address student housing related issues using a more holistic approach and commended the work of staff on this matter.

Vice-Chair Akitake requested information on the \$6.3 million in debt service associated with student housing and the remaining payment term. VP Gouveia replied that, to the best of her knowledge, approximately \$100 million in revenue bonds were issued in or around 2009 with about \$50 million being used towards the construction of Frear Hall and \$50 million being used for renovations to Johnson Hall, Gateway House, and the Hale Aloha Towers. Given that the typical timeframe for revenue bonds to achieve maturity is 30 years, she estimated that the remaining timeframe for paying off the aforementioned debt would be somewhere in the range of 15 years. However, she underscored that the information cited were guesstimates and stated that more precise data could be provided to regents.

Referencing information presented about UHMSHS custodial staffing levels in relation to existing standards for custodial services as determined by the Association of Physical Plant Administrators (APPA), Vice-Chair Akitake asked if Level 5 was the APPA standard's bottommost ranking and, if so, what position UHMSHS would hold within this grading system in view of the poor conditions of its housing facilities. VP Gouveia replied that Level 5 was the lowest rank included in the existing standards for custodial services established by APPA but refrained from guessing where UHMSHS would stand in a hypothetical ranking system since there was no basis for positions below Level 5. However, she reiterated that the APPA Level 5 standard (Unkempt Neglect) denotes a

staffing level of one custodian per 45,600 square feet of space and that UHMSHS's current custodial staffing level was one individual per 74,898 gross square feet of space. Vice-Chair Akitake continued by questioning whether the administration considered the situation with a lack of custodians to be at the crisis stage. VP Gouveia stated that the administration understands the seriousness of the situation and is currently attempting to nearly double custodial staffing levels for UHMSHS's residence halls, although difficulties have been experienced in recruiting individuals to fill these positions. Vice-Chair Akitake followed up by inquiring about the reasons behind the recruiting challenges being faced by the administration. VP Gouveia responded that some of the impediments to recruiting for these jobs are the temporary nature of the position and the need to recruit through the State Department of Human Resources and Development (DHRD), which oftentimes results in significant hiring delays. Vice-Chair Akitake asked if there were any other options that could be taken to address UHMSHS's custodial needs such as outsourcing or requesting emergency hiring exemptions from DHRD. VP Gouveia replied that, in the past, custodial services for UHMSHS's residence halls were provided via a third-party contractor. However, legal challenges by public worker unions stopped this practice. As such, the university is prohibited from outsourcing this work even though supplementing custodial services through a private provider would be helpful in meeting the custodial needs of UHMSHS's housing facilities. With respect to requesting emergency hiring exemptions from DHRD, VP Gouveia stated that she did not believe such a request was made in the past but that this might be an option the administration can investigate further. She also suggested that the university could explore the possibility of developing its own recruitment process for these positions to help speed up the hiring of individuals.

Chair Lee inquired as to whether consideration has ever been given to incorporating UHM's custodial services personnel pool into UHMSHS's custodial services staff to assist with meeting the custodial needs of the residence halls. VP Gouveia responded that this option is currently being discussed and evaluated. However, she stated that concerns have been raised that doing so could be detrimental to the care and maintenance of upper campus facilities due to the overextension of limited staff.

Speaking broadly about the overall maintenance of UHM facilities in relation to the upkeep of UHMSHS residence halls, Regent Abercrombie asked Blake Araki, Director of Campus Operations and Facilities at UHM, if he would be able to generate a plan to meet the immediate repair and maintenance (R&M) needs for the housing facilities that included estimated financial and personnel requirements and provide this plan to VP Gouveia so that these could be incorporated into the university's operating and Capital Improvement Project (CIP) budget requests. Director Araki responded in the affirmative.

Discussions ensued on UHMSHS's organizational structure and the ability of the administration to adjust some of the noted areas of responsibility so that the immediate R&M needs of student housing could be met.

Vice-Chair Akitake sought clarification about the president's position within the hierarchy of the UHMSHS's organizational chart that was presented by VP Gouveia. President Lassner responded that the UHM Provost and VP for Administration both report to the president of the university. Due to various circumstances, it was decided

that the Director of Student Housing and associated student housing management teams would be placed under the direct oversight of the VP for Administration. Vice-Chair Akitake asked President Lassner if her understanding was correct that he had been at the top of the organizational chart for the past ten years. President Lassner responded in the affirmative.

VP Gouveia mentioned that the recently completed Residences for Innovative Student Entrepreneurs (RISE) project at UHM and the NOAA Graduate Student Housing Project that just broke ground will assist in meeting UHM's student housing needs. She also noted that custodial services for both facilities are being, or will be, provided by a third-party contractor and may serve as case studies with regard to custodial services options for other housing facilities at UHM.

Citing the three possibilities for addressing the situation with the Hale Noelani residence hall which include maintaining the status quo of inoperability, seeking funding for renovations to the point that the facility could be brought back online, or pursuing options for the construction of a new facility, Regent Abercrombie questioned if the university could use its procurement authority to rapidly renovate the Hale Noelani facility should sufficient funding be secured, submitting that it may be more efficient to complete the renovations through a partnership with a private developer. VP Gouveia responded that, in her opinion, the university could move in haste to renovate Hale Noelani should funding for this action be obtained.

Vice-Chair Akitake inquired if RISE was a State facility. VP Young replied that RISE is not considered to be a State or university facility emphasizing that it is neither owned nor operated by the university. Rather, the facility exists on parcels owned by the University of Hawai'i Foundation (UHF) and is managed, operated, and maintained solely by private interests.

In light of VP Young's response, Regent Mawae asked if her belief that the university has no control over rental rates at RISE was correct. VP Young responded in the affirmative.

Conversations took place on agreements associated with RISE that were entered into between the university and UHF, as well as existing lease agreements with the private developer. The affiliation between the university and UHF, including administrative relationships, was also discussed.

In the interest of time, Chair Lee announced that Ross Murakami, a partner with KMH LLC, would be called upon to provide information on the work plan for student housing at UHM that was being created by KMH LLC.

Vice-Chair Akitake stated that she had several more inquiries about student housing at UHM and suggested the possibility of including this matter on the agenda for another meeting. Other regents agreed that additional time was needed to examine this issue.

Mr. Murakami explained that, in June 2023, KMH LLC was contracted to develop a stable financial model for the operation and maintenance of UHMSHS's residence halls that takes into consideration all related cost factors. Formulation of this financial model

will also include an analysis of UHMSHS's current bed rate structure within the context of fiscal self-sustainability to determine the necessity and extent of any price increase so that proper upkeep of the various housing facilities can be ensured going forward. While on the surface this task may appear to be simple, Mr. Murakami stated that the myriad of issues affecting student housing at UHM combined with the recent reorganization of key components of UHMSHS's management and operational structure have presented challenges to KMH LLC's efforts. Nevertheless, KMH LLC continues to work with the administration in collating accurate student housing information to achieve its goal.

Regent Abercrombie opined that a self-sustaining financial model for student housing would be nearly impossible to achieve given current economic realities. Mr. Murakami remarked that, at present, student housing is not financially self-sufficient. He reiterated that KMH LLC will be analyzing the creation of a bed rate structure with the goal of achieving financial self-sustainability for UHMSHS but cautioned that suggested pricing could be significantly above market rates and might not be a viable option.

Chair Lee asked if there was an estimated timeframe for the completion of KMH LLC's work. Mr. Murakami replied that the timeline for KMH LLC to finish its work was initially forecast to be 2024. However, taking into consideration some of the difficulties being faced in obtaining accurate and pertinent information with respect to student housing facilities at UHM, KMH LLC anticipates that this timeframe will need to be extended.

Regent Paloma expressed her belief that addressing student housing needs at UHM will serve to positively impact overall public demand for affordable housing with the freeing up of off-campus housing units currently being rented by students. She also requested that a tour of UHM's residence halls be provided to regents who were unable to attend the initial site visit.

Referencing rental pricing for units in the RISE facility, Regent Wilson held forth that the university and board are already aware of the need to charge above-market rents for student housing facilities in order to make them financially self-sufficient.

Regent Tochiki stressed the importance of addressing the immediate needs of UHMSHS's residence halls particularly with respect to issues that could impact the health and safety of students. Mr. Murakami replied that student housing issues with the potential to affect student health and safety are presently being addressed by the administration. VP Gouveia added that funding is a key issue in attending to the numerous problems with UHMSHS's student housing facilities.

C. Recommend Board Approval Items:

- 1. Fiscal Years Biennium (FYB) 2023-25, Supplemental Operating Budget Request for the University of Hawai'i to be submitted to the Governor and the State Legislature**

VP Young presented the FYB 2023-2025 supplemental operating budget request for the university that will be submitted to the Governor and Legislature upon approval by the board, explaining that the State budget is established for a fiscal biennium and that requests made by the university in a supplemental budget year propose changes to its existing appropriated operating budget. He briefly discussed the process for developing the supplemental budget request, emphasizing that input is solicited from the various campuses; talked about some of the items that are taken into consideration when creating the budget; reviewed the current outlook for, along with risks and uncertainties related to, the State's General Fund (GF), which is a large source of funding for the university, noting that revenue growth is expected to be lower than previously anticipated; and stated that the total supplemental operating budget request for FY 2024-2025 includes roughly \$56 million in additions to the university's base budget. He also provided specifics on, and expounded upon the justification for, a number of items within the administration's request which include, among other things, the restoration of GF appropriation reductions, as well as GF subsidies provided for athletics at both UHM and UHH; full-year funding of prior appropriations made for existing university programs; monetary support to effectuate previously enacted legislation that imposed unfunded requirements upon the university; funding for the Hawai'i Promise Program at the community colleges and expansion of this Program to four-year institutions; and financial and personnel support for long-term Maui wildfire recovery efforts, the expansion of mental health support for students, workforce development initiatives, and core services.

Noting her understanding that money was being transferred from various State departments to cover financial costs for Maui wildfire recovery efforts, Vice-Chair Akitake asked if any of the university's appropriations were being reallocated for this purpose and whether the supplemental budget proposal reflected these amounts. VP Young replied that no funds from the university's base appropriations budget have been reallocated to Maui wildfire recovery efforts. However, he noted that, due to the State's fiscal needs with respect to the Maui wildfire recovery efforts, roughly \$35 million in gubernatorial discretionary funding preliminarily slated to be allocated to the university for the purposes of supporting legislatively underfunded programs has been reduced to about \$9 million. Moreover, the governor has communicated that, should additional discretionary funds become available, the total amount the university could possibly receive will not exceed \$20 million. As such, programs that were anticipating these funds for financial support will be impacted.

Regent Abercrombie sought clarification as to the procedure for adding CIP and Renew, Improve, and Modernize (RIM) requests to the supplemental budget. VP Young replied that proposals to modify the supplemental CIP budget request can be made when that budget request is presented to the committee later in this meeting. If a suggested amendment to the supplemental CIP budget request is approved by the committee, the budget request would be revised, as appropriate, and brought before the board for final approval at the board's November meeting.

Vice-Chair Akitake inquired about the rationale for converting 35 full-time equivalent positions within the UHM Athletics Department (UHM Athletics) from the Athletics Special Fund to the GF positions. VP Young went over the differences between sources of

funding for the salary and fringe benefits of employees paid for by special as opposed to general funds. He stated that the conversion of staffing within UHM Athletics from special funded to general funded positions will help to stabilize UHM Athletics' operating budget and will also protect UHM Athletics from the dramatic increases in the State's fringe benefit rates over which it has no input or control.

Regent Abercrombie asked for an explanation of appropriation requests associated with an additional security position and personnel for ACM at UHWO. VP Young replied that insufficient personnel resources existed at UHWO to meet current campus security needs. Furthermore, there was a lack of adequate staff, such as custodians and general laborers, to provide facilities and core services support for the ACM facility at UHWO.

Regent Mawae queried whether the \$400,000 in GF monies being requested for UHH Athletics was for the provision of supplementary mental health services. VP Young replied that the request referenced by Regent Mawae was for the restoration of GF subsidies to UHH Athletics which had recently been converted from recurring to non-recurring appropriations.

Regent Mawae moved to recommend board approval of the FYB 2023–2025 supplemental operating budget request, seconded by Regent Abercrombie, and the motion carried with all members present voting in the affirmative.

2. FYB 2023-25, Supplemental CIP Budget Request for the University of Hawai'i (UH) to be submitted to the Governor and the State Legislature.

3. 6-Year CIP Plan Update

VP Gouveia provided a synopsis of the university's FYB 2023-2025 supplemental CIP budget request that would be submitted to the Governor and Legislature for consideration upon approval by the board. She noted that a total of \$211.5 million in CIP funding was being requested for the FYB and included \$122.3 million in RIM project funding; talked about the amount of fiscal resources needed to address preventative maintenance issues in addition to the university's deferred maintenance (DM) backlog; briefly mentioned previous RIM appropriations made by the Legislature relative to the university's funding request; and highlighted some of UHM's priority CIP projects. While UHM's RIM funding request did not include funding for student housing projects, she stated that the supplemental CIP budget request could be amended to include the addition of such funding. In the alternative, the administration could try to prioritize RIM projects so that some of the more pressing issues with UHMSHS's student housing facilities could be taken care of without altering UHM's current RIM funding request. However, VP Gouveia cautioned that doing so would impact funding for other UHM RIM projects and the administration's efforts to diminish the university's DM backlog.

Regent Mawae inquired about the amount of the UHM's overall DM backlog that was attributable to student housing. VP Gouveia replied that while she did not have this information at present, these figures were available and would be provided to Regent Mawae. She also stressed that the administration is currently working on assessing the

RIM needs for UHM student housing and will use the data that is gathered to make informed decisions on RIM funding requests for student housing going forward.

Regent Abercrombie asked if the administration had a rough estimate as to the amount of RIM funding needed to deal with some of the more serious issues facing UHMSHS's residence halls. VP Gouveia replied that, after discussions with her management team, it was believed that an additional \$40 million in RIM funding would allow the university to begin to take care of some of the issues facing UHMSHS's student housing facilities. She emphasized that this would be on top of the \$80 million in RIM funding needed to bring the Hale Noelani residence hall back online.

Conversations took place on the UHM's RIM funding request, including whether it would be necessary to include the abovementioned \$80 million in funding for Hale Noelani in the CIP budget request at this time or if some other alternative should be pursued, and the need for the board to support the provision of additional RIM funding for UHM to contend not only with the DM backlog but also with basic facility upkeep.

Regent Abercrombie moved to recommend board approval of the university's FYB 2023-2025 supplemental CIP budget request as presented with an amendment to add \$40 million in RIM funding for student housing and \$80 million in RIM funding for renovations to the Hale Noelani residence hall. The motion was seconded by Regent Mawae.

Board Chair Nahale-a inquired about the timeframe for the use of RIM funding. VP Gouveia replied that RIM money appropriated would need to be encumbered by June 2026.

Regent Mawae asked VP Gouveia if she believed the \$40 million in additional RIM funding was sufficient to address immediate facility needs for student housing at UHM. VP Gouveia replied in the affirmative stating that it would allow the administration to begin contending with the numerous issues impacting UHMSHS's student housing facilities.

There having been a motion that was moved and seconded, a roll call vote was taken, and the motion carried with all members present voting in the affirmative.

Chair Lee announced that, due to time constraints, Agenda Items IV.D (Presentation on Academy for Creative Media (ACM) System Background and Funding to Campus ACM Programs), IV.E (FY 2024 First Quarter Financial Status Report), IV.F (FY 2023-2024 First Quarter CIP Status Report), and IV.G (University Land-Related Strategic Initiatives and Partnerships Program, FY2023-24 First Quarter) would be deferred.

V. ADJOURNMENT

There being no further business, Chair Lee adjourned the meeting at 12:47 p.m.

Respectfully Submitted,

/S/

Yvonne Lau
Executive Administrator and Secretary
of the Board of Regents