

**MINUTES  
UNIVERSITY OF HAWAII BOARD OF REGENTS'  
MEETING OF**

**November 16-17, 2006**

**I. CALL TO ORDER**

Chairperson Kitty Lagareta called the meeting to order at 11:04 a.m. on Thursday, November 16, 2006, in room 105 of the Laulima Building on the Maui Community College, 310 Ka'ahumanu Avenue, Kahului, Maui, Hawai'i 96732.

Regents in attendance: Chairperson Kitty Lagareta; Vice Chair Ronald K. Migita; Andres Albano, Jr.; Byron W. Bender, Ph.D.; Michael A. Dahilig; Ramon S. de la Peña, Ph.D.; Marlene M. Hapai, Ph.D.; James J.C. Haynes II; Allan R. Landon (excused for part of Friday, November 17<sup>th</sup>); Alvin A. Tanaka; and Jane B. Tatibouet (excused on Friday, November 17<sup>th</sup>).

Others in attendance: President David McClain, Ph.D.; Vice President for Academic Planning and Policy Linda Johnsrud, Ph.D.; Vice President for Administration Sam Callejo; Vice President for Budget and Finance/Chief Financial Officer Howard Todo; Vice President for Research James Gaines; Interim Vice President for Community Colleges John Morton, Ph.D.; Vice President for Legal Affairs and University General Counsel Darolyn Lendio, Esq.; Interim Executive Administrator and Secretary of the Board Presley Pang; and others as noted.

**II. APPROVAL OF MINUTES OF THE SPECIAL MEETING  
OF SEPTEMBER 6, 2006**

Proposed minutes for the special meeting conducted on September 6, 2006 were circulated. Upon motion by Regent Bender and second by Regent Tatibouet, the minutes were unanimously approved.

**III. PUBLIC COMMENT PERIOD**

Interim Executive Administrator Pang indicated that five people wished to testify on the increase in activity fees for the Mānoa Campus Center, and on West O'ahu, when those two items were respectively discussed.

**IV. REPORT OF EXECUTIVE OFFICE (Information Only)**

President McClain updated the Board on earthquake-related damage suffered on October 15<sup>th</sup>, which was assessed at about \$2.5 million. The Administration is working with FEMA. Vice President Howard Todo discussed these developments with bond counsel as well. President McClain indicated that, with the University's asset base of over \$1.6 billion, the quake would not affect the University's credit in the capital markets.

President McClain congratulated the Mānoa leadership in their handling of the fire at the lab school, which now has portable classrooms.

He also congratulated David Lassner and expressed his appreciation to Apple Computer, which wanted no publicity for an E-waste initiative during the last week of October. Forty-five containers of old computers and disc drives were collected. Each container is the equivalent of 25,000 garbage cans.

President McClain reported on distance learning initiatives, covered in a monthly report of Chief Information Officer David Lassner. The University offers over 300 courses online to about 7,000 students. About a hundred courses are offered via cable or television to about 2,500 students, and four courses are podcasted to 57 students.

President McClain reported that 90 community college accreditors conducted on-site inspections. President McClain noted that the Board turned out in full force on the first day of the visit. The Board was consistently available to answer questions and to respond to the needs of the accrediting body. The exit reviews will be followed up by a report that will allow for correction of factual errors. The ACCJC will meet in early January, after which letters will be written to the seven campuses. He thanked Vice President John Morton and the chancellors of the community colleges, as well as the faculty, staff, and students for stepping up to this once-every-six-years event.

President McClain explained that in conjunction with the University's centennial, centennial scholarships have been established. The program will apply to students entering the University in fall 2007. All ten campuses will participate, and all will provide a scholarship of \$1000 a year to Hawai'i residents who graduate from a Hawai'i high school in May 2007 or later with an unweighted 3.8 grade average, or 1800 on the three-part SAT reasoning test of SAT equivalent, and are admitted as freshman, full-time students. Students will continue to receive this grant for up to four years on a baccalaureate campus, and up to two years on a community college campus, as long as they maintain a 3.0 GPA every year. Community college recipients who transfer to a baccalaureate campus and maintain the 3.0 GPA are eligible to continue to receive the scholarship at the baccalaureate campus.

In addition, the Mānoa campus is creating the Chancellor's Centennial Scholarship of \$1,000 per year for Hawai'i students who have both a 3.8 GPA and 1800 on the SAT. The Hilo campus already has a Competitive Chancellor's Scholarship, which awards approximately 15 Hawai'i students a scholarship that covers full tuition and fees.

The Centennial Scholars program complements the existing Regents and Presidential Scholarships. The President noted that Eli Tsukiyama, presidential scholar, is a finalist for the Rhodes Scholarship this year. These Regents and Presidential Scholarships cover full tuition of \$4,000 annually, a \$2,000 academic travel grant, and are awarded to 30 outstanding Hawai'i students, based on academic accomplishment, co-curricular community service and leadership. About 1,000 students in the State have qualifying GPAs for the Centennial Scholarship, while over 1,300 have qualifying SAT scores, with some overlap between the two groups. The Centennial Scholarship will be awarded to all qualified students without regard to financial need. All Hawai'i residents who have financial need will still be eligible for federal and university financial aid, as well as the State of Hawai'i B-Plus Scholarship. The University currently awards \$16 million in need-based and non need-based financial assistance. Over the next six years

the assistance will be increased annually, parallel with the increase in tuition, the need-based opportunity grants and non-need based achievement scholarships, international student scholarships, and Pacific Islander scholarships. In addition, the University awards approximately \$5 million annually in scholarships from donations raised. A fact sheet was provided as part of a press release that summarized this initiative.

President McClain noted that at the beginning of this decade, the system office and the Mānoa campus office were separated, on the theory that this would not require additional resources. When President McClain became the chief executive officer in 2004 he discontinued the Vice President for International Education; discontinued the Vice President for External Relations; created the Vice President for Budget and Finance and CFO. The Chief of Staff position became the Vice President for Administration. The Vice President for Academic Affairs position became the Vice President for Academic Planning and Policy, reflecting the system perspective. The Vice Presidents for Research, Student Affairs, and General Counsel were continued. In 2005, in response to concerns from ACCJC, a Vice President for Community Colleges was created.

In the past several months, President McClain has talked to several state systems of higher education executive officers. Hawai'i is unique: it has one system of higher education, while most states have multiple systems. Hawai'i's system includes community colleges. Hawai'i's system is also characterized by the particular scale of UH Mānoa, which has about 40 percent of the students, but is responsible for 75 percent of the \$1.2 billion budget. UH Mānoa does about 90 percent of the research. Maryland and Wisconsin, with Madison as the dominant campus there, would be similar to Hawai'i, but there aren't too many other systems that also have the community colleges.

To provide the right balance of resources, an agreement was reached with then-Chancellor Peter Englert whereby the System would commit \$750,000 in resources, Mānoa would commit \$750,000 internally. The Legislature appropriated another \$1.5 million, which was also complemented with some service level agreements, information technology, human resources, and finance. When Chancellor Konan came into office, she looked at that arrangement, approved service level agreements that had been pending, but determined that this wasn't exactly the most productive way for the campus. The areas most in need of attention are human resources, capital improvements, external relations, and information technology services.

The President plans to propose to the Board that the Vice President for Administration continue to have a solid line reporting to the President, and also have a dotted line reporting relationship to the Mānoa Chancellor. Dr. David Lassner's office would be reorganized into an office which has a Vice President for Information Technology Service, and Dr. Lassner would be appointed to that vice presidency. Dr. Lassner would also have a solid line to the President and a dotted line to the Mānoa Chancellor.

Because the substantial amount of research is done at the Mānoa campus, President McClain intends to devolve most of the activities of the Office of Research Services to the Mānoa Vice Chancellor for Research. A decision hasn't yet been made about the Office of Technology Transfer or UH Connections, which also report to the Vice President for Research. The Vice Chancellor for Research on the Mānoa campus

will have a solid line reporting relationship to the Mānoa Chancellor, and a dotted line reporting relationship to the President. That dotted line reporting relationship with the President will ensure that the systemwide responsibilities of ORS that go to the Mānoa campus in fact are being properly addressed. President McClain would, therefore, not replace Jim Gaines when he steps down sometime by 2007 as the Vice President for Research; the Office of Vice President for Research at the system level would be eliminated.

The changes involving the Vice President for Administration and a Vice President and Chief Information Officer would be effective upon Board approval. The devolution of the Office of Research Services, or most of it, to the Mānoa campus would be done in the latter part of 2007.

In the area of student affairs, the President had formed a search committee for a Vice President for Student Affairs. It was suspended, pending the appointment of the Mānoa campus' Vice Chancellor for Student Affairs. With Vice Chancellor Francisco Hernandez's appointment, the student affairs activities at the system level have decreased. The appropriate office at the system level is an Associate Vice President for Student Affairs. The student caucus wants anyone who speaks for students at the system level to have a direct line to the President. The President will propose that the Associate Vice President for Student Affairs report directly to the President on matters that are raised by the student caucus, and report directly to the Vice President for Academic Planning and Policy for all other matters.

The President will propose that the Office of the General Counsel have a solid line reporting relationship to the President and a dotted line to the Board. In addition, he will propose that the Executive Administrator and Secretary to the Board, who currently has a solid line to the Board, also have a dotted line to the President.

The President concluded by saying that this will not be the last reorganization. He noted that corporations reorganize every two to three years to reflect their changing competitive environment. This reorganization is needed to balance resources between the system and the campuses. President McClain expressed his appreciation for the conversations with the Mānoa Chancellor and others in the system, and looks forward to a period of consultation in the next 30 days before a proposal is brought to the Board in January.

The President congratulated the Mānoa campus for completing its proposal for WASC accreditation. Chancellor Konan and Vice Chancellor Smatresk have prepared a proposal for WASC accreditation. WASC will visit in the third week of March, aimed at the '09-'10 cycle of accreditation. The System office is scheduled to be visited March 19<sup>th</sup> or 20<sup>th</sup>.

The President noted the following achievements: Tom Brislin has been selected for a faculty fellowship with the National Association of Television; UH Hilo Chancellor Rose Tseng had led the Island of Opportunity Alliances through a federal grant, the Louis Stokes Program. The President commented that it's been a good fall, real progress has been made, and the University is well positioned to continue to make good progress in its centennial year. He congratulated John Morton and his colleagues on the accreditation visit.

Regent Haynes asked how the University planned to inform the public about the scholarships. The President indicated that staff has already begun to inform the high schools, and asked Vice Chancellor Smatresk to elaborate.

Vice Chancellor Smatresk indicated that response so far has been very enthusiastic. Associate Vice President Karen Lee also added that she has been receiving phone calls about it. In response to Regent de la Peña's positive comment about the scholarships, President McClain said that he wished we could offer more, but at least this initiative acknowledges high performing students and says to them we'd like you to come to the University of Hawai'i. Regent Hapai asked if a publication was available for dissemination, which President McClain confirmed.

In response to Regent Albano's query about an asset manager, President McClain elaborated that emphasis has been placed on public/private partnership, as well as on the CIP. More talent in these areas is needed. The Administration is looking at outsourcing, as well as upgrading the position of Director of CIP to an Associate Vice President. The President will have further conversations with the Board on this matter. Regent Tatibouet commented that the Board has been very concerned about asset management, viewing it as a definite weakness needing improvement. She asked how other institutions handle this. President McClain responded that he's been looking at elevating that office, and the question is how high to elevate it.

Regent Haynes asked how many administrators will report directly to the President under the new reorganization. The President replied that he has all 10 Chancellors, 7 Vice Presidents, and David Lassner. So there are 17 or 18. The ACCJC noted that we were in the first 18 months of our three-year experiment where the community college chancellors report to both him and to John Morton. He's agreed to evaluate that experiment. After this change, the number of direct reports will drop by one. The way it would drop dramatically is to change the community college chancellors' reporting relationship, which would drop it to 11 or so.

In response to Regent Haynes' question on indirect reports, President McClain explained that several come out of Vice President Callejo's operation: Ed Yuen; Carolyn Tanaka; Dan Ishii.

Regent Migita asked how, under the reorganization, the President can ensure parity among the campuses at the services provided. President McClain answered that he is ultimately the insurance policy that all units in the system are served. There are other systems organized with councils that oversee information and technology and human resources. But ultimately the responsibility falls to the CEO of the system. He feels that he might as well be responsible at the beginning. He also represents the insurance policy on the research side because of that dotted line between the Vice Chancellor for Research and the President's office. The President doesn't support going back to the arrangement that existed from 1984 to 2001, when the system and Mānoa were unified. That relationship was good for efficiency, but it was not good for the rest of the campuses in the system, and it was certainly not good for Mānoa's identity. Under Peter Englert's leadership and now under Denise Konan's, Mānoa has been able to develop a more distinct identity.

Regent Tanaka requested the President to provide the Board with best practice information of how other campuses of similar size or organization handle the General Counsel's reporting line, as well as on the candidate searches that involves the Board.

Although legal counsel reports to the President, the legal counsel reported to the Board during the presidential search. President McClain explained that this position started as Vice President and General Counsel, then it was Chief of Staff and Vice President and General Counsel. Then it focused back on being Vice President and General Counsel. From the President's point of view, the current system is working fine. He has complete access to Darolyn Lendio and her staff at any time. He has discussed this with members of the Board, and the sense in reality is the Board doesn't need to have direct access to attorneys. It's the President who has most of the access to the attorneys; the Board only occasionally.

Chair Lagareta commented that about 95 percent of what happens in the General Counsel's office is with the system. What prompted it especially was realizing that with the direct line to the Board, Chair Lagareta must approve routine staff requests such as maternity leaves. That's the current policy, and she wants to delegate that.

Regent Dahilig commented that the President's change of the Associate Vice President for Student Affairs position creates a good balance between system-level policy issues that impact the campuses, and also give students a direct line to the President.

Regent Hapai suggested having the General Counsel report to both the Board and the President, since one of the main functions of the Board is to ensure University accountability. Chair Lagareta commented that dual reporting was raised as another possibility, and should be considered.

Regent Hapai questioned how, in the area of research, campuses would function at the system level if the Vice Chancellor for Research is a Mānoa position. President McClain clarified that he is proposing to devolve much of the ORS to Mānoa, and in that capacity ORS would have a lot of systemwide responsibilities, including supporting Hilo and the community colleges. ORS will not be burdened with some of the things it currently seems to have. This structural change is accompanied by some devolution of authority to the campuses to handle things on their own. Vice President Morton and his chancellors welcome this capability.

These issues of sustaining support while trying to locate resources really need to be addressed. Mānoa's research is heterogeneous, while the community colleges' and Hilo's research is less so. Because research at Mānoa is complex, that skill set is better positioned at Mānoa. Some areas, for example, federal compliance, haven't been resolved.

Regent Dahilig commented that the OGC has assisted the Board in the past, but the majority of their work is at the system level. When does the OGC represent the Board and not the System, and vice versa? This needs to be defined. The Board needs legal expertise to support its accountability to the public. Chair Lagareta remarked that the Board was informed that the General Counsel is the counsel to the University. According to the Attorney General, the Board of Regents is the University in terms of decision-making at that level. So when General Counsel came to that crossroad, they hired legal counsel or they approved the hiring of legal counsel for the President, and then it was clear the General Counsel was representing the University represented by the Board. Regent Dahilig voiced the need for clarification, since the policy seems to conflict with the practice. Regent Tatibouet added that the Board must comply with the

Attorney General's interpretation – that the Board is the University and the General Counsel works for the University.

## **V. AGENDA ITEMS**

### **Return of Kalaeloa Property to the Federal Government for Eventual Transfer to the State Government**

Honolulu Community College Chancellor Ramsey Pedersen explained that when the Barber's Point properties were first made surplus, two buildings came to the University: one used for HCC's aviation program, still in operation; second, a dormitory that, with funding, would be used if outside students were brought into the aviation program. Funding was never obtained. About six weeks ago, the Governor wanted to use the dorm facility to house the homeless in the leeward area. Since HCC had no short-term/long-term plans, as well as no funds, it was willing to give the building to the State. The Navy and the U.S. Dept. of Education are willing to take the property back and reconvey to the State. The State Dept. of Accounting and General Services is willing to expedite this return. HCC is recommending that the building be declared surplus, returned back to the Dept. of Education, which will return it to the Navy for conveyance to the State.

Regent Tatibouet moved to approve this request.

Because this information was just distributed to the Regents, further deliberation on this agenda item was deferred.

### **Approval of Supplemental Resolution Authorizing the Issuance of Revenue Bonds for University Housing Projects**

Vice President and Chief Financial Officer Howard Todo summarized his memorandum dated November 3, 2006, requesting approval of a supplemental resolution authorizing the issuance of revenue bonds for University projects in a par amount not to exceed \$100 million. The memorandum also requested a delegation of authority to perform the acts specified in the Supplemental Resolution and to sign on behalf of the Board and the University all documents necessary to implement the intent and purposes of the Supplemental Resolution.

A portion of the revenue bond proceeds (\$46 million) will be used to supplement \$25 million of general obligation bond proceeds to finance the construction of Frear Hall student dormitory at Mānoa. Eight million dollars will be used to expand the food service facilities to accommodate the additional students who will be housed in the new dorm. Two million dollars will be used for Hilo student housing. The remainder of the bond proceeds will be applied toward maintenance of student and faculty housing at Mānoa.

Vice President Todo introduced Frank Lauterbur, managing director of UBS Investment Bank, the underwriter for this issue, and Sean Tierney, Esq., of Hawkins Delafield & Wood, the University bond counsel, for further explanation.

Mr. Lauterbur presented the UBS market and financing report on the Series 2006A University Revenue Bonds, dated November 16, 2006. As noted in the report,

interest rates continue to be extremely attractive. The yields are near historic lows over the last 26 years. The rates have dipped slightly since the University refunding which was priced at the end of September. The plan is to sell the bonds the week after Thanksgiving.

When the University issued revenue bonds in 2001, the rates were above 5 percent. The bonds issued in 2002 were about the same rate. The refunding of the 2002 bonds in September 2006 were at substantially lower rates, resulting in significant savings for the State and the University. It is expected that the rates for the proposed \$100 million may even be a bit better.

Page 3 of the UBS report summarized the financial assumptions for the 2006A Revenue Bonds, including the \$100 million par amount and the proposed uses. Because the proceeds will be used for new construction, the portion of the interest related to the Frear Hall construction will be capitalized through the projected construction period. The date for the final principal payment reflects a thirty-year amortization period. MBIA, a municipal bond insurer, charged 20 basis points, or .2 percent as insurance premium for the refunding bonds. For this proposed issued, MBIA lowered the insurance premium by one basis point to 19, to reflect a belief in a strong University credit, resulting in savings for the University.

Page 4 of the UBS report summarized the financial pro forma. Assuming a \$100 million bond issuance, once the cost of capitalized interest during construction is netted, the net proceeds available to the University are just below \$99 million. The True Interest Costs, which is like an average interest cost for the financing, is estimated to approximate 4.6%, which is an extraordinary rate for 30-year money.

Page 5 of the report summarized the marketing plan and proposed timeline. If the Board approves the financing at this meeting, a preliminary official statement will be posted on Monday, November 20, 2006. A local advertisement would be published in the business section of the Honolulu Advertiser on Sunday, November 26<sup>th</sup>. The hope is to attract individual purchasers among University alumni and other prospective buyers. To encourage and facilitate sale to local investors, the ad will identify all brokers with local offices and include them in the selling group. The actual bond sale to all large institutions, including the in-state institutions and national buyers, would occur on November 29. Closing is scheduled for December 13, 2006. At closing, the bonds would be delivered and the University will receive the funds.

Regent Albano asked Vice President Todo to describe the process after the funds are received to the point where the funds are paid to the contractor. Vice President Todo responded that if the Board approves this financing at this meeting, the sale will occur at the end of the month. The sale is a commitment to purchase at a specified price. The actual transfer of funds to the University, which is at closing, is scheduled for mid-December. In further response to a question from Regent Albano regarding timing for release of funds by the State, Vice President Todo indicated that the proceeds will be held in a University account, rather than an account at the State Department of Accounting and General Services, because these are University revenue bond proceeds, not proceeds from a state-issued general obligation bond. The University will invest the funds pending need for actual disbursement.

In response to questions from Regents Landon and Haynes, Vice President Todo and bond counsel confirmed that these are fixed-rate bonds and redeemable. In

ten years the University could call them with no premium. As a new money financing, under the tax code the University has the opportunity to refinance these revenue bonds once in advance of that call date, just as it did with the refunding of the medical school bonds.

Regent Albano moved to approve the supplemental resolution and the associated delegation of authority set forth in the November 3, 2006 action memorandum. Regent Landon seconded the motion.

Regent Tanaka requested a status report on the construction of the Frear dormitory. Vice President Todo reported that the final \$71 million development agreement with American Campus Communities has been negotiated and agree to. Groundbreaking is scheduled for November 21, 2006. He thanked the underwriting team and bond counsel, as well as Financial Management Office Director Russell Miyake and his staff for putting this financing together, along with the prior refunding, in a short time. He also noted that Vice Chancellor Hernandez, Vice President Callejo, and General Counsel Lendio put in tremendous effort over the past weeks to finalize the development agreement with ACC.

The Supplemental Resolution authorizing issuance of revenue bonds for University housing projects, and a delegation of authority to perform the acts specified in the Supplemental Resolution and to sign on behalf of the Board and the University all documents necessary to implement the intent and purposes of the Supplemental Resolution was unanimously approved.

**Amendment to Board of Regents Policy to Increase Campus Center Operations Fee, University of Hawai'i at Mānoa**

Jan Javinar, director of the Office of Co-Curricular Activities Programs and Services at the University of Hawai'i at Mānoa that oversees the student union facilities spoke on behalf of Vice Chancellor Hernandez. They request an increase to the operations fee of the Campus Center for all students at UH Mānoa regardless of credit load, in accordance with the proposed fee schedule that was attached to the action memo. They also request renaming that fee from the Campus Center Operations Fee, which was last amended in June 2002, to the Campus Center Operations and Recreation Fee. Sean Burke, president of the Campus Center Board (CCB) described the Campus Center renovation and expansion project as one of the most important projects that will affect this University and its student for the next 20 years. They envision the Campus Center as the community center of the University, providing students with late-night services currently available only off-campus. Campus life experience should not be limited to just attending classes and returning home or to the dorm. They also want to continue to have the Campus Center be the learning lab on leadership. To pay for just part of this vision, an increase in Campus Center Operations Fee is needed.

Ms. Summer Chun, honorary CCB member, described student support for this project. Three public hearings were held at the start of fall 2006, and no opposition was voiced. ASUH passed a resolution in the spring of 2006 in support of this increase. A petition of over 2,800 signatures also supports the increase.

Regarding the renovation aspect, they wanted to ensure that whatever improvements made reflect and supplement what is learned in the classroom. The

Campus Center will become a 21<sup>st</sup> century campus, meaning wireless computer access, a multi-media function in every corner of the building, and energy efficiency, since the existing 30-plus-year-old Center is one of the most inefficient buildings on campus.

Regarding the expansion aspect, they are planning a work area for the chartered student organizations. Currently, those organizations are separated throughout the facility. A common work area will bring everyone together to network and learn. Also planned are a full-service coffee and juice bar, a recreational facility with strength and cardio equipment, multi-purpose studios and courts, as well as a shower and locker room. Ms. Chun shared ideas brought back from a visit to mainland colleges.

Mr. Brandon Yamamoto, CCB member involved in the Campus Center for four years, discussed costs. The CCB projected a cost of \$28 million, based on a 50 percent inflation rate of the 2001 master plan. One million has already been received from State appropriations, and the request is in the CIP budget, with \$14 million financed through GO bonds and the other \$14 million through revenue bonds. UH Mānoa students pay \$45 per semester in activity fees, compared to \$120 to \$180 per semester at universities with comparable student unions and recreational centers. To finance the \$28 million themselves, CCB needs a \$26 fee increase every fall for five years. On the other hand, the \$14 million investment is a much more feasible increase for students, since it means an \$18 increase every fall for five years.

Mr. Yamamoto remarked that the Campus Center Board is trying to change the face of the University by creating a community for students that will enhance student life and the students want this project.

In response to President McClain's question on the range of the fee increase, Vice Chancellor Hernandez clarified that they are seeking the maximum and would build to that maximum. President McClain further asked what would happen if costs went beyond the \$28 million, to which Vice Chancellor Hernandez replied that they are requesting a fee increase only—they will later request Board approval for construction costs.

Regent Tanaka commented that the Campus Center is for students, faculty, and staff, yet only the students are paying the fees to do this project. What happens if faculty/staff usage encroaches upon student usage? Vice Chancellor Hernandez responded that students have free usage, while others will probably have to pay a fee. A policy to this effect will be established.

Regent Tanaka also asked if summer students will have access to the facility without a comparable increase in their fees. Mr. Javinar responded that the amount of revenues that will be generated will be sufficient to absorb the operating cost for a 12-month operation. They are capturing the revenue from the summer session students, so they are paying for it, but not to the extent that the academic school year students are.

Regent Hapai asked if rental space rates would be raised to generate revenue to lessen the burden on students. Mr. Javinar replied that the intention is to take a look at increasing revenues from those vendors, who are operating 12 months as well, so to some extent, they are offering their services throughout the school year, including summer. They are looking at additional sources of revenue to help subsidize the

operations. Vice Chancellor Hernandez added that new contracts for food service and others will be soon negotiated. However, without the fees they cannot incur the debt.

Regent Tatibouet suggested that when negotiating new contracts, extended hours should be mandatory, and the summer fee should be increased so that regular students are not subsidizing summer students.

Regent Dahilig asked if the Campus Center will be able to negotiate its food service contracts based on its own specific needs, since new revenue bonds are being issued. Chancellor Konan responded that since the Sodexo contract expires in December 2008, they are looking at modifications to it.

Regent Landon moved to approve up to a \$36 per semester fee increase, subject to the Administration's review of the optimal use of the facility. Regent de la Peña seconded. Regent Landon then amended the maximum to \$26, seconded by Regent de la Peña.

Regent Dahilig followed up on Regent Tanaka's comments regarding the summer fee, saying that summer students still have full access to everything, so some prorated amount added on to their fees is appropriate.

Regent Landon moved, seconded by Regent de la Peña, to add the renaming of the fee to the amended motion.

Chair Lagareta invited testifies to present their testimony at this time before the vote is taken.

1. Jim Tiles, chairman of the Mānoa Faculty Senate, read a motion passed by a voice vote as follows: "The Mānoa Faculty Senate instructs its executive committee to ask the Board of Regents to postpone consideration of the proposal to finance improvements to the Campus Center by charging every student a fee increasing each semester until the fee reaches a level of between \$135 and \$175 a semester, and ask them not to decide whether to approve the proposal until the Board meets in February, when the faculty senate standing committee on student affairs will have had time to consider the proposal with sufficient care." Mr. Tiles emphasized that the Mānoa Faculty Senate is not opposed to the proposal to improve the Campus Center. The faculty had not heard how the proposals were going to be financed, only heard about two weeks ago that it would involve an increase in student fees and it's that which they would like to have more time to consider. Adding student fees impinges and could prejudice upon other proposals to charge student fees for various matters. One that most concerns the faculty was a proposal for a technology fee which would remedy the severe crisis in classroom technology. Until a coherent policy of charging student fees is formulated, the Faculty Senate believes caution should be exercised.

2. Grant Teichman, president of ASUH, thanked the Campus Center Board for their time and effort in creating the proposal. He responded to the Faculty Senate's concerns, stating that ASUH passed a resolution in support of this fee increase. ASUH, composed of 30 senators from the various colleges, deliberated this thoroughly, deciding that this was in the best interest of the students. Although ASUH is not a big fan of fees, this has a direct benefit to students, warranting the cost. ASUH will be testifying at the Legislature on this. Mr. Teichman expressed his excitement for this project and shared his personal experiences with the unavailability of on-campus

facilities. He said that it's really an issue of capacity, of creating an environment for the 21<sup>st</sup> century student. They can keep students on campus, and they should keep building that environment. Chair Lagareta asked if ASUH will support the technology fee, to which Mr. Teichman replied that a decision hasn't yet been made, and the next issue for them is the student housing rent increases. ASUH looks at issues on a case-by-case basis and tries to determine what's in the best interest of students.

Regent Tatibouet asked if the Board were to vote in the affirmative and it moves to the Legislature with the backing of the various parties, was there a possibility that the Faculty Senate would testify against it. President McClain advised making the decision based on the information presented at this point.

Regent Hapai asked if there was any request made to have the technology fee incorporated into the tuition increase. Regent Dahilig explained that when the tuition increases came up, a technology fee was proposed at the last minute. This upset everyone, so it was removed. Chancellor Konan informed that a request to the Legislature for about \$700,000 for technology was put in the biennium budget. Mānoa is also earmarking tuition revenue increases toward the improvement of classroom technology. Vice Chancellor Smatresk is developing a technology classroom plan and has made an inventory of all classrooms.

Regent Dahilig asked to amend the motion to prorate the increase for the summer term. Regent Landon declined to further amend his motion on the basis that under his motion the Administration is authorized to raise the fee to \$26 per semester without regard to whether it is a summer semester or regular semester. Chair Lagareta concurred.

The request to amend Board of Regents policy to increase Campus Center operations fee to a maximum of \$26 per semester, and to rename that fee from Campus Center Operations Fee to Campus Center Operations and Recreation fee, was unanimously approved.

The meeting was recessed for lunch at 1:00 p.m. and reconvened at 2:10 p.m.

**Approval of the Doctorate of Pharmacy Program, College of Pharmacy, University of Hawai'i at Hilo**

UH Hilo Chancellor Rose Tseng explained that the Board approved the Pharmacy program in October 2004, but the meeting minutes did not indicate that the curriculum was approved. This curriculum approval will allow courses to be scheduled in a timely manner.

College of Pharmacy Dean John Pezzuto stated that the curriculum meets the criteria for accreditation of the ACPE, the professional accrediting body. It has been viewed by WASC, which will meet in January. Also scheduled is a meeting with ACPE in January. This curriculum reflects the Pacific region and meets accreditation standards.

Upon a call for a motion, Regent Tanaka so moved, seconded by Regent Tatibouet.

In response to Regent Haynes' request for clarification of the accreditation process, Dean Pezzuto explained that the WASC process is underway, and the accreditation will officially be determined in January. From the site visit and exit interview, no issues were identified. In part due to the failed pharmacy college on O'ahu, the accreditation standards have become quite stringent and well-defined. Dean Pezzuto in January in San Diego will present the current program's status. That council will then determine if a site visit in February or March is needed. They would then review the program, see the facilities, staff, etc., and report back to their board for an official action in June. Simultaneously, the program is now looking at applicants for the August class, and the Campus won't have a good sense before June of applicant interest. The Pharmacy program does not intend to accept students if the ACPE is not supportive. In June they will make an official action that would confer pre-candidate status. With that status, the program can accept students, and those students will graduate from an accredited program. After the class enters, the ACPE will return for a second visit. Based on those results, candidate's status is the next step until the class graduates four years later with a Doctor of Pharmacy degree. The graduates will then be eligible to sit for the licensure exam, then licensed as registered pharmacists. The key is the pre-candidate status before any student begins.

Regent Tanaka commented that at a reception held by Long's Drug Stores, Dean Pezzuto was starting to build support for the Pharmacy program, as well as solid relationships with pertinent professional entities.

Regent Hapai requested clarification on program assessment. Dean Pezzuto responded that after the doctorate is received from an accredited college, graduates take the Naphlex, a national pharmacy exam administered by the National Association of Boards of Pharmacy. Two parts, science and practice, must be passed to be a registered licensed pharmacist. The pass rate could be used as an assessment of the program. Good schools typically have pass rates of about 95 percent on the first test, 100 percent overall. The national average is about 80 percent.

Regent Hapai commended Dean Pezzuto on a very thorough and impressive presentation. Chair Lagareta concurred.

Regent Bender asked what the ACPE would be able to see early in the year, and would it change between then and August or September. Dean Pezzuto explained that they will go to the ACPE board to report on plans and progress, and the board will then schedule a site visit to verify that, look at the classrooms, the faculty, and the student applications. The site visit team then reports back to the board, which will take official action in June. The Pharmacy program is making daily progress. About 25 out of 100 or so applicants have been invited to interview for slots. The American Association of Colleges of Pharmacy is allowing Hilo to use their centralized application service. Chancellor Tseng added that one member of the WASC site visit team indicated her pleasure at the program; the associate director of ACPE came on a preliminary visit, and he was very impressed with the strong support of the local pharmacy association.

Chair Lagareta called for the motion, which was unanimously carried.

**Gift and Donor Recognition: The Leis Family Class Act Restaurant, Maui Community College**

Maui Community College Chancellor Sakamoto welcomed the Board to Maui, and requested Board approval to accept a \$1 million commitment from Dorvin and Betty Leis to establish a fund at the University of Hawai'i Foundation to be known as Dorvin and Betty Leis Sustainable Fund; and also to rename the existing Class A restaurant at the Pa'ina Culinary Center as the Leis Family Class Act Restaurant, in recognition and in honor of their commitment. The purpose of the gift is to advance all aspects of sustainability at the College, and includes but is not limited to environmental, economic, programmatic, and academic initiatives. He informed that Dorvin Leis' company received the Build Hawai'i Award for excellence from the General Contractors Association of Hawai'i in both 2004 and 2005. Dorvin himself was named Entrepreneur of the Year by the Maui Chamber of Commerce and Island Business Magazine in 1999, and was the Chamber's TS Shin Award recipient in 2004, the highest annual honor awarded by the Chamber; and was also the recipient of a recent Boy Scouts Distinguished Citizen Award by the Maui County Council of the Boy Scouts of America. Dorvin and Betty have been magnanimous through a whole range of community charities, and in 2003, Dorvin was named Outstanding Philanthropist by the Association of Fundraising Professionals' Aloha Chapter. Chancellor Sakamoto stated that Dorvin Leis has been a tremendous supporter of community development, community improvement, and has seen fit to support MCC's continuous improvement efforts. Maui Community College is very grateful.

Regent Tatibouet moved to accept the donation and rename the restaurant. Regent Haynes seconded, and added that he knows Mr. Leis very well. The family has made tremendous philanthropic contributions to Maui. Regent Haynes expressed his personal appreciation. Chancellor Sakamoto elaborated that the grant will create a sustainability fund to support initiatives that must be creative and sustain whatever kinds of activities that may be introduced. Maui Community College intends to promote that concept of sustainability in all of their applicable academic and programmatic areas.

The motion was unanimously approved.

**Approval of Long-Range Development Plan, Maui Community College**

Chancellor Sakamoto described the Long-Range Development Plan as a broad-based long-range effort involving the administration, faculty, and students. The LRDP reflects a multi-disciplinary technical input, updates a 1990 LRDP, and serves as a guide for future development on the Kahului campus. The LRDP methodology is a rigorous planning process based on campus strategic plans, demographic plans, educational specifications, and campus design expertise. Chancellor Sakamoto noted that, while they're very proud of their distance learning technology and facilities developed to serve all of the residents of the County, this plan focuses specifically on the Kahului campus. The plan integrates their programmatic and institutional goals with space needs to include a physical plan guiding long-term growth and development of the campus. He introduced Wendy McCallister, senior associate planner, prime contracting consultant and author of the plan.

Ms. McCallister explained that the plan has a 20-30 year time frame, so it's a big picture look of how this campus might grow over time. One of the major objectives is to

have this master plan structured so that nearer term projects can be implemented without compromising the longer-term vision. Certain assumptions had to be made, since they were looking so far into the future. The first one is a campus of up to 5,000 full-time equivalent (FTE) students. The current FTE is about 1,700 to 1,800, but the 5,000 FTE is a UH standard for maximum growth for a community college. If this campus reached such an enrollment, would it be able to support that enrollment and still maintain the physical character that it desires. Looking at growth projections, Maui's growth doubles between 1990 and 2030, growing faster than the statewide average projected growth. The non-school age population of Maui almost doubles, whereas the school-age population is a little flatter, indicating that adults are in-migrating to Maui without children. Another factor is the growth of nonresident students. Twenty to 30 percent of the first-time students come from out-of-state high schools. Some of that number are students who moved to Maui in high school, but there is a potential for nonresident students at MCC. Another factor impacting growth is the expansion of courses, such as the new applied business school, and the projected and proposed allied health program, which will attract students.

The campus today is 76 acres located in the heart of Kahului. It has a diverse mix of land uses surrounding it: to the south are single-family residential and the commercial shopping center; to the east is a mid-rise 12-story condominium and some industrial land; to the north, the new Maui Cultural Arts Center; and to the west the county parks. On the campus itself, are all the many new buildings built since 1990 master plan. The student center is under renovation. Some of the older facilities are the vocational technology complex, which is in the southeast corner, buildings from the 1940s, and the Hale classrooms from the 1960s. Southeast of the campus off-site is student housing, under construction, that will house 400 students in about 100 apartments.

The LRDP process was a multi-stepped process, and the first step is gathering data. This consisted of studying the strategic plan, enrollment projections, course catalogues, meeting with county and Maui representatives. Numerous meetings with the administration, faculty, and the executive committee were held; over 20 interviews with department heads and faculty were conducted. Specific program space requirements were determined, which were then translated to how much land area was needed to support future growth and what were the optimal functional relationships between the different land uses. Physical constraints were considered, such as topography, drainage, views, climate conditions, circulation, land regulations, and part of the analysis was a student housing study. Different sites, unit configurations, and densities for housing both on and off campus were examined.

Several planning principles were established, which came directly from the Maui Community College ohana, and were incorporated into every step of the process. The first principle is to enhance the campus character, to create a strong sense of place, by creating focal points, strong, attractive entry statements, good signage that helps people find their way and be oriented, as well as identifying buildings. They wanted to see a variety of outdoor gathering spaces, whether it's plazas, whether it's attractive, comfortable, tree-shaded walkways, places where students can stop and talk enroute, can meet in a corner and study or catch up, but within an attractive landscape setting. They also wanted to see a central core area to the campus, which they have a really good start on now with the new student center and the central lawn.

Another principle was to provide efficient and multi-module circulation, maintaining the pedestrian feel of this campus, but at the same time promoting the use of bikes, and keeping the vehicular traffic to the outskirts and disbursing parking around the campus for convenience and safety.

The next principle is to meet the program, space, and facility requirements for optimal educational experience; to reuse existing buildings to the extent practical, such as the student services building being renovated; and to build incrementally in response to demand. MCC sees itself as a leader in incorporating sustainability and energy conservation principles into all aspects of its campus. By having mixed use on the campus through off-hour entertainment and student gathering areas and housing, all of that helps keep students on campus and reduce the need for vehicles.

The actual site planning process was also three steps, and the first step is the site utilization plan. Basically it's the creation of bubble plans, looking at the big land uses that need to be sited, whether it's housing, general instruction, academic support, student services, and finding the optimal location and the relationship with the other land uses. Each bubble plan was evaluated against established criteria, then the preferred plan was used as a basis for developing two alternative site plans, incorporating more detail, including actual building footprints, circulation routes, roads, and pedestrian paths, plazas, open spaces. The alternative plans were evaluated by MCC and UH, and the preferred features from each were incorporated into the ultimate site plan, which is equivalent to the 1990 master plan. The ultimate site plan is really a composite of many different layers of information and analysis, and incorporates and represents a multi-disciplinary and integrated planning approach.

One of the first steps with the ultimate site plan was to identify the open space framework which defines, organizes, and unifies the campus. This system of open spaces is not only for circulation but provides visual amenities and outdoor gathering areas. Some of these spaces are along the exterior of the campus. Entries and the campus edges present opportunities for MCC to define its identity and create a strong and attractive sense of arrival to the campus.

The ultimate site plan represents the spatial arrangement of the buildings, but there were many other layers including landscape, circulation, open space, plaza, and utility plans. These footprints are based on the required square footage for a 5,000 FTE population; however, even a 3,000 FTE population would require 80 percent of that 5,000 square footage. To maintain the open space and the character desired, buildings are designed to be four-story rather than two-story, so fewer students would not change the footprint plan as much. It could be a matter of one less story to certain buildings.

Because this plan is so extensive and reaches so far into the future, improvements are going to take place gradually. Influencing factors are time and funding, educational program requirements, the population growth, and the enrollment growth, and community demands. The incremental development provides the College with the greatest degree of flexibility in responding to the changing external conditions. Phase One were the improvements identified by MCC as their near-term priority elements, such as the science building, allied health, and student housing. Ancillary improvements are the creation of the extension of circulation patterns to tie the new facilities with the existing campus, vehicular and access parking improvements needed to support the near-term growth, and landscape improvements, particularly campus entries and edge areas. Long-term improvements were intentionally not prioritized,

because this plan is so far reaching it wasn't really advantageous to try to predict beyond Phase One, which is a 10-year horizon.

President McClain asked about the cost of this plan and the time frame. The plan calls for \$530 million over time. Phase One is about \$164 and Phase Two is \$372 million. He asked if these Phase One costs would be incurred over a decade from now. Upon Ms. McCallister's confirmation, the President determined that the cost is about \$15-\$20 million a year CIP, up to 2035. He asked what the FTEs will be, assuming no change in program mix, in ten years. Chancellor Sakamoto responded that the change in program mix is very important. One of the things they're grappling with is how MCC provides the kind of education and training that allow MCC graduates to continue to live on Maui. There is active collaboration going on with the private and public sectors in trying to work through specific kinds of connections between the curricula and what they project to be requirements. MCC's programs are going to be driven by the community needs. Population growth is clearly increasing. A second hospital has been proposed, so health care is going to be a huge part of their agenda. Accountants, engineers, teachers, are also in demand.

President McClain asked how quickly the FTE would increase from 1,700 to 3,000, which is 80 percent of the total. Chancellor Sakamoto explained that he is hesitant to give a definitive answer because Maui County has had some developments in terms of different kinds of requirements for affordable housing, as an example, that now require developers to plan for a 50 percent commitment. How that expresses itself going forward will impact how quickly the community will grow and the way in which it will grow.

Regent Landon observed that the traditional student population growth was slower than the total population growth. So the service consumers outstripped the providers, pushing up demand for providers, but we don't know how fast. Or another way to look at it, there's no factor for becoming a four-year institution. Chancellor Sakamoto responded that the kinds of programs that would be added would influence the character of the facility requests. He commented that Regent Landon's point about the lower student growth from the high schools is reflected in MCC's student average age of about 27. They have many single parents, primarily women with children, who are looking for occupations that would allow them to live on Maui. The health programs are consequently extremely active and growing.

Regent Albano asked what are the near-term facilities to be built. Chancellor Sakamoto replied that the next facility requested is a science building, which has \$3.4 million for planning and design that has been appropriated but not released. Following that would be an allied health building. These are two areas clearly heavily in demand.

Regent Tanaka asked, going back to 1991 until now, how much CIP money was obtained. Chancellor Sakamoto responded that it's roughly \$80 million. Regent Tanaka further asked if, going forward 30 years, another \$500 million would be required. Chancellor Sakamoto indicated that it's only the first phase that they're looking at. Even in the first phase there are elements that they are going to have to make judgments about presenting to the Board, given the rate of growth that occurs on the campus, in the community, and what those relationships between the community and the college look like.

To facilitate further discussion, Chair Lagareta called for a motion. Regent Albano moved to approve the LRDP, seconded by Regent Tatibouet.

Regent Hapai brought up a safety issue, noting that since the LRDP doesn't include a tsunami inundation zone, does the campus have safe areas and emergency evacuation plans for students as well as children in the childcare facility, given that the harbor is across from the campus. Chancellor Sakamoto responded that there are open spaces through which people can quickly get to high ground directly across the campus. The childcare center is on the mauka side of the campus, on much higher ground, but this placement will be assessed again.

Chair Lagareta asked how \$2 million from the County would be used. Chancellor Sakamoto said that the Mayor had proposed \$2 million for the educational expansion essentially supporting a four-year development. The County Council reviewed the request, decided to focus on nursing and dental assisting, and awarded \$500,000 with a provision that the College match those resources. That resulted in opening a class of nursing students this spring semester.

The Maui Community College Long-Range Development Plan was unanimously approved.

### **Approval of Revised University of Hawai'i at West O'ahu Mission**

As part of the public testimony, Mr. James Tiles, chair of the Mānoa Faculty Senate, read a resolution approved by the Senate by a vote of 49 in favor and none opposed:

#### **Resolution Regarding the Development of the University of Hawai'i at West O'ahu (UHWO)**

##### **Background Statement**

"Plans to build a new four-year campus to be known as University of Hawai'i West O'ahu in the Ewa district are proceeding. The University of Hawai'i has selected a development partner to purchase approximately 287 acres within the 500-acre property designated for the development of UHWO located off the future North-South Road. The proposed complex includes a University Village, mixed use parcels, student housing, and other extensive infrastructure. A Draft Environmental Impact Statement has been issued.

Plans call for the creation of a 7,600 student campus with 1,040 faculty and staff. The present UHWO campus has an enrollment of approximately 850 students. So the proposed new campus calls for a ninefold increase in the number of students.

##### **Resolution**

Whereas, Information regarding the capital and operating costs of this project have not been disclosed; and

Whereas, The need for a new West O'ahu campus has not been sufficiently determined; and

Whereas, An analysis of where the future UHWO students will come from has not been disclosed; and

Whereas, An analysis of the impacts of the new proposed UHWO campus on the University of Hawai'i at Mānoa as well as other campuses in the system in terms of enrollments, majors, transfers, financial resources, and the higher education system in Hawai'i, has not been made available; and

Whereas, Other strategies for meeting the demand for higher education in the Ewa area such as branch campuses, distance learning centers, relocation of schools and colleges, and other approaches haven't been sufficiently discussed; and

Whereas, the Mānoa Faculty Senate is deeply concerned by the lack of information, analysis and public deliberation regarding the development of the UHWO campus; therefore be it

Resolved, That the Mānoa Faculty Senate urges the University of Hawai'i System to provide written information within 30 days on:

1. the timetable for development of the UHWO campus,
2. enrollment figures for prospective students attending UHWO including estimates of in-state versus out-of-state students, transfers from with the UH system by campus; and a breakdown by major as to expected enrollments;
3. projected enrollments for Hawai'i high school students, by county and high schools; as well as projected enrollments to each University of Hawai'i campus by in-state and out-of-state students for the next 15 years;
4. estimated capital costs and annual operating and maintenance costs and expected sources of revenue for the UHWO campus;
5. the impact of the creation of the UH West O'ahu campus on the University of Hawai'i at Mānoa and other campuses of the system, including the impacts on enrollments, transfers, finances, student aid, tuition, and higher education in Hawai'i; and be it further

Resolved, that copies of this resolution be sent to the Governor, Legislature, Board of Regents, University of Hawai'i President, University of Hawai'i at Mānoa Chancellor, the Faculty Senates of each campus, and other campus organizations."

Mr. Tiles reiterated that this resolution passed with 49 votes in favor and no votes opposed.

President McClain indicated that Vice President Linda Johnsrud would address Mr. Tiles' testimony in the course of the presentation by UH West O'ahu Chancellor Gene Awakuni.

Chancellor Awakuni requested a change in the UH West O'ahu mission statement to more accurately reflect the current direction of the Campus. The current mission statement reads: "UH West O'ahu is an upper division institution that will eventually become a four-year campus. It offers baccalaureate degrees in liberal arts

and selected professional studies.” In 2004 the Board agreed in principle that UH West O’ahu should become a regional comprehensive campus to allow, among other reasons, Mānoa to focus on graduate and more research-oriented missions. The proposed change to the statement is as follows: The mission of the UH West O’ahu is to become a four-year comprehensive university with an emphasis on baccalaureate education founded in the liberal arts serving professional career-related and applied fields based on state and regional needs. UH West O’ahu is committed to providing access to residents throughout the State of Hawai’i through its partnerships with the UH community colleges and its delivery of distance education programs.” The latter half of that statement reflects that they will not diminish efforts to reach out to the entire State via their distance education program as well as continue to aggressively create more articulation programs with their community college partners. UH West O’ahu has already established an early childhood education program that enrolled 44 students. Another 40 are expected to enroll this fall. A bachelor’s in elementary education will be presented for Board approval at the January meeting, and also considered are programs in social work and nursing. By revising the mission of the Campus, the Board will enable UH West O’ahu to realize its commitment to increasing educational opportunities to historically underserved constituencies in leeward and central O’ahu, enabling these residents to obtain better, more secure jobs, and meet a growing demand for a more educated workforce across the State.

Regent Tatibouet moved to approve, seconded by Regent Albano.

Regent Hapai asked, in reference to partnerships with community colleges, why UH Mānoa and UH Hilo were not included. Chancellor Awakuni responded that their primary transfer articulation agreements are with the community colleges. Mānoa serves as the research flagship campus, and West O’ahu and Hilo are in a comprehensive college/university category. West O’ahu has relationships with Hilo and Mānoa, but their direct line of articulation and matriculation are with the community colleges.

The request to approve the revised mission statement of the UH West O’ahu was unanimously approved.

#### **Approval of General Education and Lower Division Curriculum, University of Hawai’i at West O’ahu**

President McClain asked Vice President Johnsrud to respond to the Mānoa Faculty Senate resolution. Vice President Johnsrud explained that when she was interim chancellor at West O’ahu, she gave extensive presentations on the academic plan for the future of West O’ahu to this Board, to a senate hearing held in Kapolei, to community councils. In January of last year she produced the Second Decade Project, an effort to do a very systematic analysis of the needs of the State and exactly what the priorities ought to be for future growth and expansion of resources. It clearly indicated that western O’ahu had to be the top priority, given the growth in the region. She was invited by four campuses to give the Second Decade presentation directly to their senates, and in the case of Hilo, their congress. The Mānoa Faculty Senate did not request a presentation, but she did give it several times in several venues on the Mānoa campus. That set of priorities has been instrumental in the thinking about West O’ahu and why the mission statement reads as it does. It is absolutely critical that as the growth of West O’ahu is considered, a more effective pipeline from the community colleges through a baccalaureate education is created, in ways that aren’t necessarily

appropriate for Mānoa. For example, the applied science degree that's going to be before the Board today is not the kind of degree Mānoa would consider, nor should it consider, but it's an appropriate degree for a comprehensive institution.

Regarding the impact of the growth of West O'ahu, the Institutional Research Office has a dynamic enrollment model, which was presented to the Chancellors, and was used to test the impact of growth at West O'ahu. It builds in a series of assumptions by looking at current home zip codes of all students currently enrolled on the various campuses, looked specifically at what would happen if a West O'ahu campus was built. So if some assumptions are built in that a certain percentage of students who live in western O'ahu go to other campuses, what percentage of them might shift.

Vice President Johnsrud stated that she would not support the plans if all we were doing in building this campus is reallocating existing students. This Campus has always had an average age of about 32. West O'ahu is the answer to returning adults, career changes, the people who have dropped out of the pipeline who are critical to the workforce development needs in the State.

Considerable analysis has been done. This enrollment projection model looked at what percentage of students could be increased; what percentage of those not going to college could go to college by having this campus; what percentage would be taken from Leeward, what percentage would be taken from Mānoa. Although these are assumptions, it was modeled. Vice Chancellor Smatresk and Vice President John Morton and Peter Quigley, Chancellor of Leeward Community College, the campuses most impacted, were consulted. The model indicated that there very well may be a slight impact on Leeward and Mānoa in that first year and it will increase. But the evidence suggests that it will be modest, and most systems that do this sort of thing find the whole population increases when they have another offering; it isn't just a redistribution of the current number of students. The notion that there hasn't been analysis, information, or public deliberation is simply not the case.

President McClain suggested that the Mānoa Chancellor and Vice Chancellor speak to their Faculty Senate chair on this matter since they have in fact received this information and it has been presented in public sessions at which some of those same individuals were present.

Chancellor Awakuni commented that it's been an extraordinary path for UH West O'ahu. They are now on the threshold of doing something really momentous not only for the University of Hawai'i but for the State of Hawai'i. He introduced some of the principal players at UH West O'ahu who have been instrumental in creating this proposal: Dr. Melinda Wood, Faculty Specialist; Dr. Steve Sylvester, Vice Chancellor for Academic Affairs; Dr. Mark Hansen, Chair of the Academic Senate; Dr. Lynn Hodgson, Chair of the Gen Ed Committee, Professor of Biology; Jean Osumi, Dean of Students; and Cliff Togo, Director of Financial Services.

Chancellor Awakuni discussed the rationale for why they want to do this and do this now. He said that the term "eventually" has been one that has characterized UH West O'ahu's historical experience, and "eventually" always seemed to be an elusive target, but they believe that "eventually" is now, that the timing is right. There's a growing interest in and attention to the Kapolei area, and they want to capitalize on that, rather than wait the three years when they expect to be in the new facility. They want to

establish UH West O'ahu's unique brand of general education within the framework of the hallmarks approach that was adopted by UH Mānoa and the community colleges. UH West O'ahu believes that this is important for articulation and for the movement and matriculation of community college students across the system. They want to build it on a strong foundation of the liberal arts and develop these professional academic career disciplines and programs on top of that. Their small classes characterize their campus, and that will continue. They also have a capstone experience that's required of all students. The current mission reads, "UH West O'ahu meets the educational needs of both recent high school graduates and non-traditional students." This is something they will continue to aggressively pursue.

Goal One of their strategic plan that was developed in 2001 even then talked about the development of an academic plan for a full four-year curriculum. With the growth of Kapolei in housing, business relocation and commercial activities, it's going to be a central hub for that part of the island and the State. UH West O'ahu established a Faculty Senate Committee that will be looking specifically at courses that will be part of the general education requirement. They have vetted this program with the Council of Chief Academic Officers and the Vice President for Academic Planning and Policy, who has contributed to strengthening the curriculum.

Dr. Steve Sylvester discussed their general education program, indicating that it has been handled at the upper division level. They have a singularly experienced faculty, dedicated to what's worked in the past, but a very progressive group. They're fortunate to recognize that the hallmark system works perfectly for them. They are committed to interdisciplinary studies the hallmark system adopted by Mānoa and all the O'ahu community colleges. Basically, the general education program consists of core courses, foundations, writing particularly, and diversification, and graduation requirements, for a total of 40 credits. There are also lower division requirements and electives that have to be developed at West O'ahu. The foundation courses are written communication such as English 100. Dr. Sylvester stated that writing skills are absolutely vital, as is college algebra and global and multi-cultural perspectives. The College hasn't developed these specific courses, but in their articulation agreements they can bring in students from community colleges and finish out with upper division courses. A schedule template for the first two years at Kapolei has been designed that will accommodate student needs. Students can enroll in 12 credits a semester, complete their general education requirements, and take introductory major courses; transfer students will be able to complete their educational requirements. What UH West O'ahu needs to do is get started, and to do that, they need to have the program approved.

Chancellor Awakuni continued that they want to enroll a modest target of 100 new first-time freshmen, offering six classes per semester. Island Pacific Academic (IPA) in Kapolei just added a middle and upper school, completed that construction, and is now moving up to 7<sup>th</sup> and 8<sup>th</sup> grades. They are willing to lease this facility to UHWO for about \$1.13 a square foot, or about \$24,000 a year for the needed three classrooms. IPA also has labs and lounges where UHWO can set up their student services personnel. However, they have to do it after 5:00 p.m.

Chancellor Awakuni continued that they want to assure leeward residents that they are here, committed to this community, and can offer those services now. They're identifying the target populations, creating new pathways for new populations to access higher education. First is to increase the going rate of high school graduates who will

enter UHWO and the UH system. They also want to serve under-represented groups that comprise a large part of this region, and provide high demand workforce programs for career changes and advancement. They will initially target students intending to go to the mainland. They believe, of the 496 students that were tracked, a number of them would prefer to attend a small university. Those intending to go to a private university numbered 181. UHWO thinks a number of those students would choose a lower-cost alternative in a smaller campus environment. UH West O'ahu will never compete against UH Mānoa—it has a different niche in this marketplace. But there are some students living in the central and leeward areas who don't want to drive two hours to get to the Mānoa campus and might seek UHWO as an alternative. Also, there are many cultural barriers in the leeward O'ahu preventing some from making that socio-cultural leap to a big research university environment like Mānoa.

Gail Awakuni, principal of Campbell High School in Ewa, increased the rate of Campbell students going on to college from 4 percent to 74 percent in a span of five years. There are working adults residing in the area who want a college education, career changers, military personnel and family members, under-employed young adults and retirees. These are the students West O'ahu thinks they can get. They believe that the 100 student target is a modest one.

The college going rates are some of the most revealing statistics: the statewide average is 11.9 percent; east O'ahu is 18 percent; central O'ahu is 13 percent; Ewa, north shore, and Waianae 6.4, 5.8, and 3.9 respectively. There is tremendous opportunity for UH West O'ahu to develop aggressive programs that can help some of these students get into the educational pipeline. Projections are: 100 freshmen in 2007, another 100 in 2008. By the time the campus is built, it will be increased by 50 student increments to 200 by 2012. By 2010, they expect to be at the enrollment projection that had been established a few years back. They don't think it's possible to increase from where they are now to get to 1,400 or 1,500 students if they were to wait two years. So this is a gradual increase and an establishment of their identity as a four-year baccalaureate, and by the time they enter the new facility, they'll have the ability to more aggressively recruit additional freshmen.

Dean of Students Jean Osumi described their admission requirements. She explained that the College assessed what they wanted their student profile to look like. They looked at available DOE data, reports such as the Second Decade Project, and consulted with constituents like Gail Awakuni. They reviewed admissions requirements for the three largest private universities on O'ahu, as well as for Mānoa and Hilo. They established a set of criteria that reflects the needs of the students in communities they have been designated to serve. UH West O'ahu will require four admissions criteria: 1) a high school GPA of at least 2.7; 2) 22 high school credits, which include four credits of English, three credits of math, three natural sciences, three social studies, four additional credits of college prep courses, such as language or additional math or science, and five credits of electives; 3) two letters of recommendations from teachers or counselors; and 4) ACT/SAT scores. They have decided on a model in which students with the first two criteria will be accepted. For those falling below a 2.7 GPA, SAT/ACT scores and letters of recommendation will be looked at. In response to President McClain's question if they currently require letters of recommendation, Chancellor Awakuni said that they do not.

The Chancellor stated that UH West O'ahu is committed to transfer students and will continue to increase the articulation agreements with their community college

partners. They seek to ensure a seamless tradition building more agreements as they go along, increasing awareness of opportunities for dual enrollment and cross registration at multiple UH campuses. Currently they have early childhood ed, which a number of community colleges participated in developing from the very beginning. They are about to launch a respiratory therapy program with Kapi'olani Community College. Also ready are the culinary arts, paralegal, and a number of allied health programs. Plans are to develop computer technologies and fire science at Honolulu Community College. Other areas are accounting and business technology. West O'ahu will continue to be the transfer campus of choice for the next decade and beyond.

The Campus has asked for five faculty positions in the first year and five in the second. By year two, in temporary leased quarters in Kapolei, they will see a net revenue surplus of \$332,000. In this scenario, space is not rented in the Campbell building in Kapolei because there would be no positions to house, a one-time cost that was anticipated. Taking all of those expenses away and looking at the most efficient way of providing and delivering service, which is to hire instructors and provide overload, with minimal student service support, they estimate that in the first year they would realize an excess revenue of \$54,000, and in the second year \$242,900. They used Leeward CC as a benchmark and added money for long-term capital repair and maintenance. They used 45 percent of the total base operating budget as the non-personnel cost that might be incurred, then divided it, 50 percent for the lower two years and 50 percent for the upper two years, and got a deficit. What isn't taken into account is ongoing operational cost. These costs can be covered through lease rents of their 53 acres in the corner of the property that have been held back in a land bank for future consideration.

West O'ahu is also looking at program efficiency, developing a cost-effective general education and lower division curriculum by limiting the number of class days offered to Monday through Thursday, as well as limiting the number of courses available. The faculty want to teach freshman classes. They're renting space for \$24,000 a year, three classrooms, upgraded space at \$1.13 a square foot. It's fortuitous that IPA opened this fall and they could take advantage of that. They will continue to create and develop their assessment program in keeping with the WASC expectations and recommendations. They believe that growth will happen.

Chancellor Awakuni cited two campuses as models for what West O'ahu --the University of Washington Tacoma, and the University of Washington. Tacoma's enrollment target was 125 students, and they enrolled 190. The entire University of Washington system experienced an increase in overall enrollment rather than a redistribution of students from one campus to another.

West O'ahu wants to continue the ease of transferability through program flexibility. Follow-up outcome studies with alumni are being done to ensure success in the work world. The College feels the time has come to take this momentous and very important step to create another four-year baccalaureate in the University of Hawai'i system.

Regent Tatibouet moved to approve the Chancellor's request, seconded by Regent Dahilig.

President McClain asked the Chancellor to speak to the perspective of the WASC senior commission on this initiative. Chancellor Awakuni responded that they

were very supportive of this initiative and would not trigger a sub change review, which adds up to 18 months to the time frame. In response to Chair Lagareta's remark about their innovative office space planning, Chancellor Awakuni commented that it gives them visible identity in Kapolei. Regent Tanaka observed that the timing is right because the Department of Homelands is developing hundreds of homes to be built over the new few years in that area. Chancellor Awakuni responded that they have been talking with Hawaiian Homes for the last year and a half, to create a pathway for the students who are going to be residing in those surrounding areas.

Regent Landon asked what else was needed besides classrooms. Chancellor Awakuni indicated office space. They are looking at space in the Campbell building in Kapolei, where rents are even higher than downtown average rents, which is about \$2.81 per square foot. In Kapolei, rent is over \$3.00 per square foot with common area charges. They haven't been successful.

At this point in the discussion, Regent Landon recused himself for the balance of this item.

Regent Hapai asked if UH West O'ahu has all of the general ed and lower division courses in place for the projected start-up of fall 2007. Chancellor Awakuni explained that they have all of the courses assigned and they're developing the curriculum for those courses. They are working very aggressively on a marketing plan, alerting high school counselors and principals. Once authorization is received, marketing materials will be available for college fairs, as well as reaching out to the high schools on a one-to-one basis.

Regent Bender noted that laboratory science courses such as astronomy and environmental science are expensive. Chancellor Awakuni concurred, adding that they are not staffed to offer the full array of sciences that require equipment and wet and dry labs. But if they wanted to, it could be done at Island Pacific Academy, which has state-of-the-art labs, although West O'ahu would have to purchase their own equipment.

Regent Dahilig expressed his support of the plans, adding that at a technical ed conference he attended, one of the biggest issues was bridging the gap between high school and college. This model provides freshmen with a very close, tight-knit environment, which will help with retention and also help them as they move on to the upper division curriculum.

The request to approve the General Education and Lower Division Curriculum of the UH West O'ahu was unanimously approved, with an abstention by the recused Regent Landon.

### **Approval of the Bachelor of Applied Science Degree, University of Hawa'i at West O'ahu**

UH West O'ahu Vice Chancellor Sylvester explained that the purpose of the program is to meet the academic and professional needs of Associate of Arts and Associate of Science graduates of Hawai'i's community colleges. Hawai'i needs to meet the increasing demand for bachelor's degrees in technical fields, to meet the needs of skilled workers who want to move into management. Critical thinking and communication skills vital to management are the hallmarks of a liberal arts degree, and this Bachelor of Applied Science combines both skills with management skills and

liberal arts general education. Essentially, it's an inverted degree; major courses are taken at the lower division level in the community college and the general education in liberal arts takes place in the upper division. The general education is designed to incorporate courses taken at the lower division end. The unique capstone course, part of this degree, is a writing-intensive experience, with writing-intensive courses spread throughout the degree, and modeled on Bachelor of Applied Science degrees at Arizona State. The program requires combining professional expertise of the community college faculties with liberal arts tradition, ensuring a well-rounded liberal arts foundation.

The degree has three components: degree requirements, core courses, and concentration requirements, which are similar to a minor. There are nine credits of writing-intensive courses. Students will develop an understanding of the philosophical and ethical foundations of science and applied science, critical thinking, research communication skills, and leadership skills. Market surveys and working with workforce development have indicated that employers are looking for people who can think and communicate and have people skills.

It's important to UHWO's mission to serve students who seek career-related education. West O'ahu is preparing graduates for leadership roles. Hawai'i workforce data indicates long-term need for qualified workers, particularly in health care. They anticipate seven to nine students per concentration per year growth in health care. They are looking at four-year programs in restaurant management and other applied science fields because those continue to grow and show a need for a flexible BA program. Right now they're on the edge of a respiratory therapy degree with Kapi'olani Community College, and will be looking at about seven students by 2007, and probably 31 by 2012. Culinary arts at KCC is very close to articulation, as is occupational therapy. Physical therapy is a possibility. Fire science, computing, electronics and networking technology from Honolulu Community College. Those are all agreements that Dean Osumi has been working on and very close to having them in place if the degree is approved.

The program can begin with current faculty and staff. The cost will exceed revenue in the first year by about \$7,000, primarily for materials. They have a new faculty on campus now in allied health that began in the fall. They will be asking for five and one half positions over five years if they meet their growth expectations. They use a combination of full-time and qualified adjuncts. They will probably be requesting three full-time positions between 2007 and 2011: two faculty, and one full-time student services person for the fourth year. Flexors will be funded out of tuition and they will be four to 20 over time.

Two portable buildings have been added for office space. Their current classrooms are adequate. Lab space and specialized classrooms are available at involved community colleges. Faculty may have to do some travel back and forth, and it will be arranged as part of the articulation agreement.

Construction costs are about \$21,600 by 2007. By the fourth year on they will be looking at \$307,000 in costs. Other personnel costs include about \$45,000 for the student services specialist in the fourth year. Unique costs are about \$9,000 a year for library collections. The total cost is about just under \$30,000 in the first year, and about \$376,000 in year five.

For revenue, the tuition projection is about \$22,000 by 2007, which leaves about a \$7,000 cost. At the end in 2012 they will be looking at about \$577,000 in revenue, which will give a surplus. The revenue assumes that students will enroll part-time nine credits per semester. UHWO has relatively high summer enrollments. Students in some concentrations will enroll full-time to complete the program in two years. They may get a few out-of-state and international students to enroll full-time. More and more international four-year degrees in technical areas are important. Faculty will cost a little less than the \$65,000. Tuition revenues will cover costs as enrollments increase.

This is a very efficient degree because of a multifaceted agreement with community colleges. They're very careful to ensure that they are offering the right sorts of courses, and the community colleges have been singularly cooperative in that. Discussions with the Vice Chancellor at Kapi'olani have made this very clear. From a student services perspective, because transcript review and transfer of credits is streamlined by the articulation agreements, the admissions process is easier, and doesn't take the kind of personnel that new admissions do. In the first year there's only one new course, technology literacy. Most courses are already taught regularly, so what will happen is those six or seven students will grow the enrollment in courses already offered.

Student learning outcomes, course evaluations, outcome specimens and practicum evaluations will be measured. Student demand is demonstrated growth, there are students already waiting to enter. They will be looking at postgraduate outcomes, doing alumni surveys and looking at the number of graduates who move on to graduate school.

Regent Tatibouet moved to approve the degree; Regent Dahilig seconded.

Regent Tanaka questioned how a surplus can be projected. Chancellor Awakuni explained that they project a portion of their student body coming from out of state. They may be building student housing earlier than anticipated, soon after they get into the new facilities. So part of it is predicated on that, five and ten percent going up to a maximum of 15 percent. Regent Tanaka further asked if expenses stabilized after 2010, which Chancellor Awakuni confirmed.

President McClain summarized by explaining that by placing a small number of students into existing classes, the extra cost of serving the student is minimal because they're coming into a class where the instructor has already been hired. As campuses come to the Board with programs, they should also provide an average cost analysis. Profit can be made because if you have excess capacity, it doesn't cost anything more to serve one more student. But at some point average cost numbers as well as some marginal cost numbers must be examined. The President will ask Vice Presidents Johnsrud and Todo to work on that for future programs that come to the Board. Regent Tanaka asked if a surplus is being projected to cover that potential increase in cost, which Vice President Todo confirmed. In response to Regent Hapai's question, he also confirmed that all courses for the first two years are 100 and 200 levels.

The request to approve the Bachelor of Applied Science degree at the University of Hawai'i West O'ahu was unanimously approved.

**Authorize the Negotiation of a 65-Year Lease at Waimanalo for College of Tropical Agriculture and Human Resources and Cancel Executive Order and Transfer Waiale'e Livestock Research Station to Department of Land and Natural Resources**

Dean Andrew Hashimoto explained that the College of Tropical Agriculture and Human Resources (CTAHR) has been in informal conversations with the DLNR as well as the Hawaiian Homelands. The Waiale'e farm, which houses the livestock, is quite far from campus. Due to its proximity to the shoreline, there are some environmental issues, so removal of the livestock was always planned. CTAHR wants to consolidate facilities in one location at Waimanalo.

Regent de la Peña so moved, and Regent Hapai seconded.

To prevent the UH from selling land, DLNR is granting only a lease for the additional Waimanalo land. The College felt that the main issue is to consolidate their employees and the program. Dean Hashimoto felt that as long as they are actively using the land, the 65-year lease will be extended. Besides consolidation, they want to use the additional land to institute their bioenergy research.

Regent Migita asked if an environmental study will be done. Dean Hashimoto confirmed. CTAHR has documentation from the Department of Health indicating satisfaction with the condition of the land. There was a spill of some petroleum products where they fueled the equipment, and they've analyzed the site and had some test wells. The results were negative. CTAHR feels very comfortable that the environmental issues that were previously raised have been addressed. Regent de la Peña added that transferring the Waiale'e animal research station in Waimanalo allows our scientists to integrate the livestock and science. Dean Hashimoto agreed that would be critical in terms of any feasible operation of biofuel production. The fuels generated from bioenergy crops is just a portion of what is produced, and being able to find ways in which other products, such as animal feed, can be used is very important. They will have to look at synergies like this to make these systems economically viable.

In response to Regent Landon's question if any reservoirs or dams were on the land, Dean Hashimoto replied that there were animal waste lagoons that had been covered up. There is a portion that is executive ordered from DLNR to the Department of Agriculture, the Wayne King reservoir, about two acres. That has been covered up. So there is no liability relative to the reservoirs that may breach. Regent Landon asked if the capital investment is minimal, which Dean Hashimoto confirmed. He also asked if CTAHR had long-term plans. Dean Hashimoto confirmed, adding that whatever is negotiated will be presented to the Board for final approval.

Dean Hashimoto confirmed Regent Albano's query that an environmental assessment is required before either conveyance of the land or return to DLNR. He elaborated that if an environmental assessment and remediation is too costly, they may not continue to pursue the plans. However, DLNR has documentation from the Department of Health that there are no problems.

The request to authorize negotiation of a 65-year lease at Waimanalo for the College of Tropical Agriculture and Human Resources, to cancel the Waiale'e

executive order, and to transfer the Waiale'e Livestock Research Station to the Department of Land and Natural Resources was unanimously approved.

**Exemption of Board of Regents Policy 5-19c Relating to Procurement for Renovations to the Marine Science Building**

Vice Chancellor Smatresk explained that UH Mānoa is attempting to build space very quickly because they have several projects regarding SOEST research for the ocean observing program and for the new \$19 million programs David Karl has been awarded. The Campus is extremely tight on space, there are a number of grant commitments that they don't want to lose due to lack of research space for faculty. They've asked for a procurement exemption to use RTRF funds to do a \$900,000 renovation on a 2400 square foot space and an approximately 1,200 square foot space

Regent Tatibouet so moved and Regent Hapai seconded. The motion was unanimously approved.

**Return of Kalaeloa Property to the Federal Government and Transfer to the State Government (continuation)**

Vice President Morton reiterated that Honolulu Community College hasn't used the facility, and that in order for the State to use the property for homeless shelters, the University has to return it to the U.S. Department of Education, who will then give it up to the Navy, who will then reconvey it either directly to the State or via Housing and Urban Development to the State.

Regent Tanaka so moved, seconded by Regent Albano.

Regent Albano asked who is paying for the Phase One environmental assessment. Vice President Morton responded that they want the Department of Accounting and General Services to pay, since they proposed this new usage and the homeless, not the University, are the beneficiaries of this action.

Regent Hapai asked whether Chancellor Pedersen will need this facility later. Vice President Morton replied that HCC may look for housing, but not in this facility.

The motion was unanimously approved.

**Approval of Capital Improvements Program and Repairs and Maintenance (R&M) Contracts for Professional Services Consultants and Construction Projects**

Vice President Callejo stated that Board policy requires Board approval for construction contracts over \$500,000 and consultant contracts in excess of \$100,000. Attachments 1 and 2 list the projects that require consultants and also construction projects. He called attention to the first project on Attachment 1, which is the facilities assessment/audit advisory consultant. Because the attachment was not provided to the Board, further discussion was deferred until copies of the attachment were made available.

**Approval of Changes to BOR Policy Chapter 6 to Delegate to the President Authority to Set the Amounts of Certain Non-mandatory Fees and Charges**

Chief Information Officer David Lassner explained the need for changes to Chapter 6. There were different ways the law describes the responsibility of the Board of Regents in the setting of fees. One section says clearly that the Board shall establish fees and charges at a public meeting, while another section says that the authority to change them shall be subject to the approval of the Board of Regents. There is subtle language that essentially complies with both sections of statute by requiring that the Board establish all fees and charges, but then at the same time the Board is delegating to the President the authority to set the amounts of certain fees and charges. Dr. Lassner noted that there were many charges that were no longer in effect, and that they were not organized coherently in terms of where authority lies.

Dr. Lassner reviewed each section. Section 6.1 established this alignment with statutory responsibility. There are other sections of statute where the Board's responsibility for monitoring was established, and that is assigned to the President.

Section 6.2 is about tuition. The only significant changes there are entrepreneurial sorts of tuition, which are externally delivered programs, contract programs, telecommunications programs, executive education, all of which have been approved by the Board. Those are being delegated to the President as entrepreneurial activities. Authority for the standard tuition for credit instruction remains with the Board of Regents to be established after public hearings of the Board.

Section 6.3 is about professional fees. Some of the professional programs have fees because these apply to residents and are mandatory parts of the cost of education. The Board keeps responsibility for all of those, but those are grouped together now. Similarly, authority for mandatory student fees remains with the Board. Those affect the cost of education.

Section 6.5 are lab fees. These are delegated to the President and are associated only with specific kinds of courses and do not affect the cost of instruction for all students. These are, however, filed with the Board.

Section 6.7 contains ancillary and auxiliary service fees: parking, transportation services, library fines, photocopying in the library. These are being delegated to the President, and filed with the Board.

Section 6.9 is commercial enterprise and other self-supporting operations, such as the Bookstore, conferences, non-credit offerings, food service programs. In general, these are the programs that have a program manager responsible for balancing a budget, so those are delegated.

There are no changes to any of the financial assistance or any of the other remaining sections of Chapter 6.

President McClain credited Vice President Morton for his assistance with this.

Regent Dahilig asked if all the fees were included. Dr. Lassner explained that this was circulated to the cashier and the deans of students. He added that other fees may surface, but there now is a structure. Regent Dahilig suggested that the verbiage

be flexible to indicate that the technology fee is not a student organization fee. The section seems to be more tailored towards student involvement. Dr. Lassner responded that the section heading was renamed from student organization fees to mandatory student fees for exactly that reason.

A motion was made by Regent Tatibouet and seconded by Regent Dahilig.

Regent Landon noted that these amendments are very specific to each type of fee. An easier solution is to say that tuition, housing, service charges and such should be approved by the Board, and any other case is delegated to the President. This structure eliminates the possibility that someone didn't think of something, then the Board is negligent because it wasn't identified. Dr. Lassner indicated that everyone who reviewed this, including the Board Office, General Counsel, previous General Counsel, had no disagreement with that, but the statute is clear that the Board of Regents shall establish fees. What is before the Board is having the Board actually establish a fee but then delegate the authority to set the amounts of those fees.

Regent Migita asked when the Board would see those fee changes that are approved by the President. Dr. Lassner explained that once the President approves them, he can send a copy to the Regents. Regent Landon asked if it will be a periodic report, to which the President responded that every time he approves anything, the Board gets a copy. Regent Landon suggested every six months to lessen the workload of the Board office staff.

The request to approve changes to BOR Policy Chapter 6 to delegate to the President authority to set the amounts of certain non-mandatory fees and charges was unanimously approved.

### **Delegation of Authority to Approve Personnel Actions**

President McClain noted that last month the Board amended Section 9-14 concerning personnel and compensation policies of executives. At the March 16, 2006, Board meeting, the Board retained authority for a number of sections listed in the attachments. Last month, the Board approved major revisions to its policies in this area. Those decisions included additional delegation of authority to the President for executive personnel. In regard to multi-year appointments, there were some statements in the new policy that indicated that multiple year appointments, appointments longer than one year are allowed. President McClain recommended that the Board delegate authority to approve all personnel actions to the President except for those specifically retained as indicated in Attachment A. He also requested that the Board authorize the President to approve multiple year appointments of coaches.

The President reviewed attachments A, B, and C. He noted that these attachments are not consistent with respect to coaches.

The inconsistency is that the second sentence of Attachment A says everything comes to the President involving coaches, but he wasn't sure that the Board wanted a complete delegation, so the President indicated that off-scale appointments, reappointments, and off-scale salary adjustments remain with the Board.

Further discussion was deferred until after an executive session.

**Capital Improvements Program and Repairs and Maintenance Project Contracts for FY 2006-2007 (continuation)**

Vice President Callejo presented a list of consultant contracts for award in the third quarter of 2007. The UH Mānoa education complex is \$500,000, but method of funding is general funds including \$390,000 from the Dept. of Education that was allocated to the UH Charter School for planning. The College of Education asked the Administration for assistance in acquiring a consultant to plan the rebuilding of the lab school facility that burned down, using these DOE funds. A third project for Mānoa is a feasibility study to construct a research laboratory in one of the biomedical science courtyards, using revolving funds rather than C or A funds. The two UH Hilo projects were previously approved by the Board, but because of scope changes that have increased the cost, they require re-approval. If there's an increase in cost for the three projects, they will be brought to the Board for approval. Two projects previously approved at the \$200,000 level increased to \$350,000. The last project is the Kaua'i Community College One Stop Center design. Appropriations have been obtained, so a consultant contract is needed. The bid opening days are in February and March 2007. The big project is the UH Hilo Science and Technology Building at \$25 million.

Regent Tatibouet moved, seconded by Regent Albano.

Regent Albano questioned the consulting cost as a percentage of the construction cost. There is a variability because of complexities, for instance, remodeling as opposed to new construction. In the private sector it makes a difference, but it never goes beyond 7 percent as far as the consulting cost for architectural and engineering. But the UH Hilo project has \$3.3 million consulting costs for construction cost of \$24 million, which amounts to 13 percent. He asked for an explanation. Vice President Callejo responded that he needed to research this and report back.

Regent Albano asked why the construction consulting cost for the two buildings in Hilo increased. Vice President Callejo explained that the scope of work changed. The consultants assessed the existing buildings, but they later realized that the scope of work was a lot larger than initially estimated, due to such things as air quality improvements due to mold. So the project was stopped, a new scope of work was re-done and the cost rose, along with the construction cost. Regent Albano said that he understood that it's often difficult to identify the scope of work, but there should be some idea of what the percentage is for consulting costs in relation to the construction cost for new projects, to which Vice President Callejo agreed. Regent Albano expressed that 13 percent was high. Vice President Callejo again concurred, but indicated that degree of difficulty is involved, and because it's science and technology, he was uncertain if there are labs requiring special consultants, citing as an example the medical school's second building that was a lot more expensive to design because specialty consultants had to be brought in. He will again research the specifics and report back to the Board.

Regent Albano asked how is it determined whether a particular fee is too high or not. Vice President Callejo explained that for a consultant contract, a scope of work based on the planned project is developed. The consulting fee is on a fee for each discipline and based on the degree of difficulty. In that case they will show hours for designer, for draftsperson, etc., a complete breakdown. That may or may not tie into the exact construction cost, because it's actual time and material cost, and that's how the consultants negotiate their fee. Tied into that as a quick check is a construction cost. If

it's way out of line, it will be questioned. Both the construction cost and the hours they put down for each discipline will be checked by Vice President Callejo and reported back.

Regent Tanaka asked if consultant cost is not competitively bid, what's to limit them from costing it realistically, rather than conservatively, for self-protection. Vice President Callejo explained that the people who negotiate these consultant contracts are familiar with consultant work. They will have their own specialists look at the estimated hours proposed. Regarding being super conservative or on the high side, that's negotiable. The Administration has enough of a background to determine proper estimates.

Regent Tanaka commented that if some of these consultants are used on a continuing basis, after a while they may not feel they need to be the most cost-efficient. Vice President Callejo responded that they usually do, because if they don't come within a reasonable range, the University goes to the next consultant. Regent Tanaka asked if the 13 percent example was reasonable. Vice President Callejo deferred, saying that he had to look at the details, because this project may require specialty items, a different consultant that would cost more, and he didn't have that information at this time.

Regent Landon suggested a process review to help understand what process his team goes through to get to this point. The Regents just see a number, and it might look odd and it might not. So a little understanding of what his team did would really help everyone appreciate the effort that's gone into it thus far.

Vice President Callejo confirmed Regent Migita's question that the consultant contracts have not yet been awarded, but clarified that those contracts are not bid but negotiated. Upon Board approval, the Administration will go back to the campuses and they'll start the process of short-listing three consultants. They will interview the three, select one, then start negotiating with the consultant. If they come within these appropriations, the Board will not be asked for approval. The construction contracts will go out to bid in February and March. If it costs more than projected, the Board will be asked for approval.

The request to approve CIP and Repairs and Maintenance Project Contracts for FY 2006-2007 was unanimously approved.

## **VI. UNIVERSITY OF HAWAI'I FOUNDATION REPORT**

Ms. Donna Vuchinich, President of the UH Foundation, reported that as of November 15<sup>th</sup>, the Foundation is at \$36.6 million, which puts it at \$154 million towards the campaign commitment. She thanked the Board for their support in the naming for the Leis family today. She also thanked Regent Haynes and his wife for hosting the small gathering last night, so that President McClain could address some of the local families. They also had a wonderful event on O'ahu with the Culinary School of the Pacific last night that John Morton hosted, and attended by the Governor.

Related to campaign activities, they will be broadening their efforts to a larger group, and have been working with President McClain to recruit volunteers. Barry

Weinman has agreed to co-chair part of that effort. They are planning activities for the coming fall and working to create a stronger advancement team across the institution, working with public relations efforts, the centennial activities, and with Athletics. They are working with alumni chapter management and rolling out activities in each of the regions on the mainland and throughout Asia, as well as within the neighbor islands this coming fall.

There is a reception on December 9<sup>th</sup> that the Alumni Relations office will be doing as part of the East-West Center Conference. The Distinguished Alumni nominations are in and the alumni board will be voting on those tomorrow. On December 3<sup>rd</sup>, the Foundation is hosting a recognition event for a million dollar and up donors, then on December 14<sup>th</sup> for all of their Presidents Club members as well as Heritage Society members.

Ms. Vuchinich informed the Board that they're still hiring employees. They have exceeded their staffing budget. The Foundation is now focused on gifts tied to peoples' tax years. The real property committee is very busy with about 12 properties that being liquidated to benefit programs. Ms. Vuchinich thanked the Board for its support.

Regent Tanaka requested that the \$24 million Shidler donation be a separate line item from other donations, which Ms. Vuchinich agreed to. She said that about 20 percent of their annual totals come in the first quarter and about 40 percent the first two quarters. They track that quarter to quarter, year to year, and they're doing so without the Shidler gift. President McClain added that last year's target originally was \$43 million, and we wound up raising \$36 million. An expected Kellogg grant got pushed into the current year. So the Foundation has multiplied 43 times 2, giving it 86. They've subtracted the 36 that was raised last year. So this year's target for the Foundation is 50, of which the Schidler gift represents basically half. Ms. Vuchinich confirmed.

Chair Lagareta indicated that some Regents aren't familiar with the cap situation and requested Ms. Vuchinich to elaborate. Ms. Vuchinich explained that as part of the settlement or negotiations with the State Auditor, legislation capped the amount the University could pay the Foundation for services. President McClain observed that since they charge a gift fee and management fee to the donor accounts, revenues could be made through those channels and just hold to the \$3 million cap of what the University provides. Ms. Vuchinich concurred, but indicated that they would need the Board's approval to increase that fee, which was raised from two to three-and-a-half a year or so ago. President McClain commented that they could ask the Legislature to lift the cap, and that would come out of the campuses as they sent money through the system to the Foundation. Currently, this \$3 million that goes over to the Foundation comes \$1 million straight off of the system budget, and \$2 million from the campuses. So if the \$3 million were to increase, either the system or the campuses would have to fund it. The other alternative is to charge the donors more. Ms. Vuchinich indicated that the average is five to 7 percent. The Foundation is at three and a half, below standard benchmarks. What's also affected that budget is the reduction of the management fee. Their trustees were set on reducing that fee, so that's been a balancing act, too. That needs to stay reduced to stay at best practices benchmarks.

President McClain asked if they have an analysis of what they'd like to have as their budget. Ms. Vuchinich replied that they would like to have a \$10 million budget, which is in line with peer foundations. In response to Chair Lagareta's question of how much additional revenue that would bring, Ms. Vuchinich commented that their goal is

to get their operation at a \$50 million a year platform. They have higher fees because they are across five islands and 10 campuses. Funding a system budget for an organization as opposed to a single campus is more expensive. There are some savings in terms of areas, but they have very few staff traveling because they don't have a budget to support that, although 90 percent of the donors are here.

Upon request for clarification from Regent Landon regarding the efficiency of having one versus 10 foundations, Ms. Vuchinich said that serving all ten campuses through one foundation is an advantage for the donors. The Foundation is able to really maximize on investment performance. They're able to provide a much finer infrastructure and processing system than if they were ten foundations and five of them were under \$5 million. In some areas there are cost efficiencies because there are so many alumni in-state. But on the other side, travel is more expensive, so they have fewer staff traveling to really make an impact. All of the accounts to University users are online and electronic.

The Board recessed the public session at 5:41 p.m., Thursday, November 16, 2006.

#### **Friday, November 17, 2006**

The meeting was called to order by Chair Lagareta at 9:15 a.m. President McClain requested the Board to move into executive session on item 14. Regent Dahilig made the motion which was seconded by Regent de la Peña.

At 9:20 a.m., upon unanimous motion, the Board moved to an executive session pursuant to HRS §92-5(a)(2) to discuss item 14, of the public agenda.

At 10:05 a.m., the Board reconvened in public session.

#### **REPORT OF THE EXECUTIVE OFFICER (Information Only) (continuation)**

President McClain concluded his executive report with a presentation by Maui Community College Chancellor Clyde Sakamoto on activities on his campus.

Chancellor Sakamoto provided significant actions taken in pursuit of their commitment to implementing their vision and mission. Maui CC seeks to be a world class institution and to move along the lines of an island-base community college, not competing with major institutions, but focused on their community, innovative high quality programs, stimulating learning environments, and honoring their native Hawaiian past. The streets that enter the Campus come from the origins of Hawaiian mythology. Sustaining and sharing diverse but finite resources for the benefit of all is their theme, along with co-responsibility. They feel that all segments of the community ought to be part of the solutions at MCC, so they've established the Sustainable Living Institute of Maui.

One of the major student impacts is in the Stim Scholar and Intern Program. They have students from Lahainaluna, King Kekaulike at the high school levels, as well as from Costa Rica involved in an internship program. They've hosted the 9<sup>th</sup> Islands of the World Conference this past summer. Professor Ko from Cheju University will host

the 10<sup>th</sup> Island of the World Conference in Korea, so the Campus looks forward to a continuing connection strengthening its relationships with islands around the world. Hosting the Hawaiian Archeology Conference was a first for them, and it begins to suggest the kind of potential for attracting conferences that are island-based.

Maui Community College participated in the Community College Survey for Student Engagement (CCSSE) and received great marks. They will be one of four institutions in a study to examine why MCC students have such vibrant, robust interactions between faculty and themselves. There appears to be a culture that CCSSE wants to identify that could benefit others around the country.

Maui CC's student center is undergoing renovations, to be completed by fall 2007. Progress is continuing on their 400-bed student housing, with a projected fall opening. The last fiscal year they received about \$9.6 million in grants, and this year for the first quarter they've received about \$6.5 million, due to faculty and administrative leadership.

Chancellor Sakamoto introduced Mark Hoffman, an electronics and computer engineering technology instructor, who described the connection between the high tech community and Maui CC's program, and the kinds of partnerships they've created.

MCC has a two-year degree program in Electronics and Computer Engineering Technology: the Electronics component trains technicians to support the telescope industry; Computer Engineering trains systems administrators. MCC was the National Center of Excellence and High Performance Computing, with a curriculum created by their information computer science faculty. Dr. Hoffman works across the system with the NASA spacecraft consortium, which is astronomy and physics faculty from MCC and other institutions.

The program has three degree pathways. One is an electronics technician to support telescope industry, second, a systems administration that can go into a variety of industrial sectors, and third, high performance computing to support the computer industry. The opportunities on Maui are imaging. There is the AOS telescope, the largest in the Defense Department; the Maui Space Surveillance Complex; the Maui High Performance Computer Center. Dr. Hoffman works closely with the Maui Economic Development Board, his liaison into the industry partners, some of which are Textron, Northrup, Graumman, OceanIt, a Hawai'i-based company, TREX, which has operations on Maui and Kaua'i; and Boeing, which has the main contract to support the telescope. They're also working with the Pacific Disaster Center, which does imaging a little differently, looking down instead of up. One of MCC's main partners has been the Center for Adaptive Optics, located in the University of California Santa Cruz. They use the telescope facilities on Haleakala and Mauna Kea, and put together teaching and technical workshops and summer school on adaptive optics. With the Center for Adaptive Optics, he has started the Akamai Program, an internship that leads to job placement.

In 2002, MCC started working with the Women in Technology program, and Dr. Hoffman had two of his students work at the Lick Observatory in California. In 2003 they started projects with Maui Industry Partners, and those were mainly telescope operations. In 2004 the project was continued, and a pilot was started on the Big Island, working with telescope operations. Kaua'i Community College was included.

Maui CC has had projects working with instruments on Haleakala, and image post-processing.

They've begun to see a pattern of adaptive optics hardware, solar observation, telescope maintenance, and image processing as the main categories where students are working.

As a result of these partnerships, MCC has developed four courses that are out of the Exploratorium. They've done projects bringing in adaptive optics hardware. They are seeking a partnership grant from the National Science Foundation. They were solicited by the National Solar Observatory to help support their project for the Advanced Solar Telescope. The Air Force Office of Scientific Research is interested in supporting it so that MCC can get students who will work and support the advanced electro-optical system at Haleakala. MCC is looking at training an electro-optics technician, providing internship placement, and working with the Maui Education Development Board to get a K through 12 pipeline. The plans for this grant are curriculum and certificate development, bringing together the IFA's research arm, industry, and working with Hawai'ian cultural advisors to bring cultural awareness into this curriculum. The MEDB will be working on K through 12 outreach.

Working through the PCC has resulted in a good foundation for all the electronics programs with several organizations throughout the State. MCC will be planning on advanced technical certificates to pave the way, hopefully something that leads to a 2 plus 2 so students will have a pathway towards a baccalaureate, using distance ed wherever possible, and working with partners on the economic development boards.

Chancellor Sakamoto thanked Vice Presidents Gaines and Morton for their assistance and investment in helping to fund these initiatives. He also thanked the Board for their assistance in funding all of the kinds of facilities, programs, projects, and personnel.

Chair Lagareta thanked the Chancellor for the great and innovative work his team is doing, and expressed her excitement. She also thanked Dr. Mark Hoffman for his presentation and the great work he's doing.

**Transfer the Custody of Assets of the International Equity Portfolio Managed by Brandes Investment Partners (Brandes) from the Bank of Hawai'i into the Brandes Institutional Equity Trust (BIET)**

Vice President Howard Todo introduced a representative from Smith-Barney to present their quarterly investment monitor's report, and give background on one action item.

David Kubo of Smith-Barney provided an overview of the endowment funds. He stated that the U.S. economy is slowing, and S-B expects that the just ended third quarter will represent the slowest quarterly GDP growth. They expect to see that rebound slightly in the fourth quarter, and still look for modest growth by 2007, so they are not anticipating any recession.

They are also getting good news on the inflation front, although it probably is at the higher end of where the feds would like it. They do think the feds are going to be on hold at least until the middle of next year.

Recently there's been a nice break in energy prices here. The S&P 500 through the end of the third quarter was up around 8.5 percent. Since then, it's gone up another 5 percent, making the year-to-date about 14.

Regarding the Total Fund Performance Overview, the quarter was a little rough. They were 2.5 percent versus the 4.1 percent return of the benchmark. For the year-to-date period the portfolio was up 5.4 percent and the benchmark was up 6.2 percent. For the first nine months they were a little behind their benchmark.

For Total Fund Distribution, they started the year at \$57,142,000. Net flows out of the fund were just over \$1 million. Gain/loss and income was about \$3 million. Ending market value as of September 30<sup>th</sup> of \$59,178,000. So there were some nice gains this year.

They are approximately 52 percent in equities, and about 40 percent of fixed income, so it's fairly balanced right on target.

On Investment Performance Summary, the quarter was up 2.5 percent, which was behind the benchmark of 4.09 percent. Year-to-date is up 5.39 percent, versus the 6.28 percent benchmark. The shortfall is due to the equity segments for the balance managers. There are three balance managers, the Bank of Hawai'i, NWQ Balanced, and Neuberger Berman Balanced. The Bank of Hawai'i and the Neuberger Berman portfolios had some underperformance this period, the main cause of the shortfall. Bank of Hawai'i's issues are related to their equity portfolio—they just weren't able to pick the right stocks to keep up with the strong gains in the market. Neuberger Berman had a strong bias to the energy markets, with about a third of their portfolio there. With the recent drop in energy prices, most of the energy companies had a significant pullback, causing their flat performance. The last quarter actually had a positive performance well ahead of the benchmark, and this quarter is reversed. The NWQ was a slight underperformance, but nothing too significant to report. The international portfolio managed by Brandes Investment Partners had a very good quarter both on an absolute and relative basis. Brandes is actually outperforming. There was about 16 percent return from just that segment alone, and their long-term numbers continue to be well ahead of their benchmarks.

The last piece is a short-term fund managed by the Bank of Hawai'i. It's in their Pacific Capital U.S. Government Short Fixed Income fund, a very short duration portfolio. They're only looking at primarily government securities from one to a maximum of three years. They did well this quarter, up to 1.85 percent.

The fixed income managers are in line with their benchmarks or slightly ahead, and they're all underweight showing that they have a strong preference for equities. But their equities are where the shortfalls can be seen, which are really with the Bank of Hawai'i and the Neuberger Berman equities.

Chair Lagareta questioned Bank of Hawai'i's underperformance. Vice President Todo responded that they were on warning status previously. Currently, they are underperforming but not enough to be placed on warning status. Chair Lagareta asked

why the University continues to retain Bank of Hawai'i. Vice President Todo explained that Bank of Hawai'i's investment management arm was doing their own management and using CEP, Chicago Equity Partners. They decided, for some of their underperforming accounts like the University's, to turn over the management of that portfolio to Chicago Equity Partners. Chair Lagareta questioned why the underperformance has been allowed for three or four years. Mr. Kubo explained that within the guidelines of the investment policy there are several criteria. One is that they need to be in the upper half of the universe of similar managers. They're not meeting that criterion, but they are meeting the secondary criterion, which is they need to be within 30 percent of their underlying benchmark performance over a three-year period.

Regent Albano asked if our investment policy does not require Smith-Barney to switch to another advisor, which Mr. Kubo confirmed. Regent Albano commented that the Board needed to take another look at its investment policy, to which Chair Lagareta agreed.

Vice President Todo indicated that Bank of Hawai'i is aware of their performance, thus this change to CEP. They have been underperforming. And while the Board's policy is a guideline, it can be changed. It is there to provide the fund managers with a benchmark.

In response to concerns expressed about risks, Mr. Kubo explained that they could provide additional analysis again. Bank of Hawai'i just recently came up with this transfer. S-B is familiar with CEP because the bank has been using them for several years now in a different capacity. But it appears that the Bank decided to completely turn over the management of their equity portfolios to CEP. S-B has looked at their performance numbers in the past, and they have been able to perform slightly better than their benchmarks. S-B will definitely look at that. Chair Lagareta reiterated that the Board has been looking at this for four years, so she would hope to get a better value in their endowment fund.

President McClain observed that Neuberger Berman is a well-known firm, but they're still below their benchmark. Mr. Kubo explained that a lot of their shortfall has occurred this year, due to placing a third of their portfolio on energy stocks. Still, even with this big shortfall this year, they outperform their benchmark.

Mr. Kubo, in answer to the question about policy, indicated that they have been working with the Administration about the policies and guidelines, hopes to recommend changes at the next Board meeting. Chair Lagareta indicated that this would be welcomed. Vice President Todo noted that money managers are asked to comment first. Before the next meeting he will provide a paper on what they're trying to accomplish.

Brandes, the company that runs the international fund, decided to cut back on the custodial relationships. Brandes' custodian is Bank of Hawai'i. The Administration decided to go into what is called a pooled interest fund, which is like a mutual fund. In a mutual fund you own a percentage of the mutual fund.

Vice President Todo recommended that the Board of Regents authorize a transfer of the custody of the assets of the international equity portfolio managed by Brandes from Bank of Hawai'i into the equity trust managed by Brandes. Current Board policy requires that a change in fund managers be approved by the Board.

In response to a question why this change was being made, Smith-Barney said that Brandes decided to use only a few custodians, and the Bank of Hawai'i was not on the list. The University account was too small to be placed with an approved custodian.

Vice President Todo indicated that Bank of Hawai'i will no longer be the custodian. These funds will all go into this equity trust, which is really a mutual fund managed by Brandes itself. The risk is the same. They're going to buy exactly the same stocks. Instead of owning a specific amount of shares, you are going to own a percentage of this whole fund. So there's not going to be any difference really in the performance.

Chair Lagareta called for a motion to transfer the custody of assets of the international equity portfolio managed by Brandes Investment Partners from the Bank of Hawai'i into the Brandes Institutional Equity Trust. Regent Haynes moved, seconded by Regent Dahilig. The motion was unanimously approved.

**Approval to Delegate Authority to the President to Approve Personnel Actions as Indicated in Attachment A, the Administration to Provide New Salary Scale to the Board of Regents within Six Months (continued)**

President McClain described the changes requested, including minor changes to the attachments submitted to the Board for approval. On Attachment A in the second paragraph the paragraph will conclude with the word "designee." All the words including "and after that " will be stricken. Roman numeral I, item G, after the word "reporting" is inserted before the word "directly," to now say, "leaves for personnel reporting directly to the Board of Regents." That's a personnel action that requires the approval of the Board. After the words "Board of Regents," "Board of Regents or designee" is substituted. Roman VI is being completely rewritten to read as follows: "Appointments or reappointments off scale by more than 25 percent, and salary adjustments of coaches off scale by more than 25 percent." It should be understood that Roman VI applies to coaches, so appointments or reappointments of coaches off scale on more than 25 percent, and salary adjustments of coaches off scale by more than 25 percent. Those are the changes on Attachment A.

There is an Attachment B, which clarifies the actions that require the approval of the President. Roman numeral V, which again pertains to coaches, is rewritten as follows: "Multiple year appointments of coaches; appointments, reappointments and salary adjustments of coaches within scale or off-scale by 25 percent or less."

There are no changes to Attachment C.

The action requested is "It's requested that the Board of Regents delegate authority to the President to approve personnel actions as indicated in Attachment A. The administration is to provide a new salary scale for coaches within six months."

Regent Haynes moved to approve this request, Regent Albano seconded.

In response to Chair Lagareta's request for a new salary scale for coaches, President McClain indicated that the Board will be given a new scale, as well as some adjustment to the 25 percent buffer on top of the existing scale.

Upon a call for the vote, the motion was unanimously approved.

## **VII. GIFTS, GRANTS AND CONTRACTS**

Vice President Gaines reported for the month of September \$60 million in gifts, grants and contracts into the system, with an additional nearly \$5 million through UH Hilo. Our best months are the first four months. Then we have months where the number of gifts, grants and contracts drops because smaller contracts come in. In May and June, we pick up a lot of very large contracts. So it's an unequal pace in terms of the amount of money that comes into our system. Through the first four months this year we have about \$180 million in gifts, grants and contracts in, with some \$12 million coming from UH Hilo. This is lower than the first four months last year, but the first four months last year were weighted towards training awards, and one very large training award that was put in as a lump sum, \$25 million. This year the research numbers are actually better than last year, and it's the research awards that provide the bulk of the indirect cost to recovery.

He informed the Board that, based on 2004 data, the National Science Foundation placed the University of Hawai'i in the top 25 of all public universities in research expenditures. Although 2004 was a very good year for the University, 2005 was better, and 2006 better yet. In terms of research expenditures, 2007 will be better yet. So the University is evidencing the second fastest growth in the nation in NSF funding.

The National Science Board wants to visit in early June. This Board has oversight on the National Science Foundation. Any gift, grant, or contract that goes through the NSF above certain monetary value must be approved by the National Science Board. They want to look at those facilities they're already supporting, and probably check if the University is viable for this 30-meter telescope.

Vice President Gaines asked that the Board accept with thanks the gifts and grants and ratify the actions of the Administration in executing the contracts. Regent de la Peña so moved, seconded by Regent Haynes. Regent Tanaka expressed the Board's thanks to all the researchers who are generating these grants and commended their work. Vice President Gaines said that the University was in the top 60 five years ago, so there has been phenomenal progress through the ranks.

Chair Lagareta asked if the space problem has been resolved. Vice President Gaines replied in the negative, commenting that this is very campus-specific. UH Mānoa is looking at every square centimeter of space that they can either renovate, if they have funding, or assign to research. There aren't many opportunities for additional space, except for the large hanger that Honolulu Community College has in Kalaeloa. The Administration has estimated the cost of conversion. Chair Lagareta observed that UH Hilo also has a space problem. Chair Lagareta continued that it seems that space obviously needs to be a priority if this training trend is continuing to climb. Vice President Gaines concurred that it will limit growth.

Chancellor Konan addressed the issue for Mānoa, indicating that they do have space deficits both in research and instruction, and they appreciate the Board's granting of procurement exemptions to go through RCUH to expand some of their research space. They continue to find procurement a limiting factor, and that's part of their legislative package as is a space request for a more flexible research building and an instructional building. But they're also looking internally to improve facilities operations and expand space. Regent Albano asked if they are looking at wet labs or

general office space or both. Vice President Gaines replied that the space is not wet labs, but more for physical science uses. There is one experimental setup in the Kalaeloa hanger, and it's devoted to wireless communication.

Regent Albano asked how the procurement process causes problems. Chancellor Konan replied that renovations over \$25,000 must go through a formal bid process, which is very cumbersome, staff-intensive, and lengthy. The Campus has to respond quickly to some of their space and renovation needs. When there was more flexibility and autonomy in procurement, they were able to, for projects under \$100,000, go through an internal electronic bid process that also provided the same kind of competitive process, but much more quickly and was less staff-intensive.

President McClain added that he is authorized to make exemptions, and often does, but only where it's clear that there's going to be a competitive process, because the intent of the State code is to procure ethically. When he gets things from the field that say it must be done really quickly, that's not enough for him to provide an exemption because there is a process that can be worked through. But if it's something like the lab school fire, then he has no reservations in making an exemption. It's a judgment call on his part. We're back into the Legislature asking for permission to operate outside the State code because it is getting in the way of our research enterprise.

Chair Lagareta agreed that that message must be taken forward. She added that at a UH Foundation meeting, a member made a dire prediction that if we don't do more with technology transfer, we aren't going to see research monies. Vice President Gaines said that although we should do better with technology transfer, he didn't think that prediction was correct. Chair Lagareta felt that it may be valuable at some point, because it is an area of interest with the Foundation.

President McClain asked if the University's receipt of additional funding from the increased cigarette tax to help build the Cancer Research Center and the construction of Phase II of the JABSOM facility would solve the space problem. Vice President Gaines replied that it's an issue they're wrestling with right now. The regional biocontainment lab, which received \$37.5 million in federal and state funds to build, is now estimated to cost \$60 million. President McClain concluded that the issue on space is simply the rising construction costs, which Vice President Gaines noted has risen faster here than anywhere else, adding that these kinds of biocontainment labs have been successfully built within budget in areas like Pittsburgh and Missouri. But the estimates for that specialized facility are \$1,300 per square foot. Regent Albano asked if plans are for a lab plus 150,000 square feet of space, or either/or. Vice President Gaines replied that it's both. A plan from the developer would site a 40,000 square foot regional biocontainment lab by the side of the 150,000 square foot research building, so both can be on that plot. Parking becomes a real issue because it must serve those two structures, the existing JABSOM building, and the proposed cancer research facility. He was unsure if the University could afford all of this.

President McClain commented that if your cost structure goes up you have to ask if you can raise your prices to make it work, and this is a bit of a push for us.

Upon a call for the vote, the motion was unanimously approved.

**VIII. 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**

Regent Hapai recused herself at this time.

President McClain asked that the Board approve personnel actions as more specifically described on pages 51 and received for information the other personnel actions on pages 52 through 56. He acknowledged the contributions to the University of all those who are retiring, but recognized some who are extremely well-known in the University community: former General Counsel Walter Kirimitsu is now the leader of St. Louis School; Professor Paul E. King from the Department of History at Mānoa; George Tanabe, Professor of Religion at Mānoa; Willa Tanabe, Professor of Art and Art History at Mānoa; and Tom Klobe, Professor of Art and Art History at Mānoa. These are leaders of significant magnitude in their profession, and they will be missed. We look forward to their continued contributions to the University from their retirement status.

Regent Albano moved to approve the submitted request. Regent Haynes seconded. The motion was unanimously approved.

Regent Hapai returned to the meeting.

**IX. ANNOUNCEMENT OF NEXT MEETING**

Chair Lagareta announced that the next meeting of the Board of Regents will be January 11-12, 2007 at the University of Hawai'i at Mānoa. She wished everyone a happy holiday season, and thanked President and Mrs. McClain.

**X. EXECUTIVE SESSION**

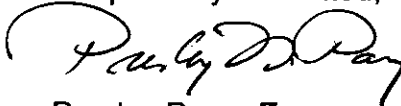
The Board of Regents concluded its public session at 11:15 a.m., Friday, November 17, 2006.

At 11:16 a.m., upon unanimous motion, the Board moved to an executive session, pursuant to HRS §92-5(a)(2) to discuss legal and personnel matters.

**XI. ADJOURNMENT**

At 1:40 p.m. the Board ended its executive session and entered into public session briefly for adjournment at 1:41 p.m., Friday, November 17, 2006.

Respectfully submitted,



Presley Pang, Esq.  
Interim Executive Administrator  
and Secretary of the Board