I. CALL TO ORDER

Chair Allan Landon called the meeting to order at 9:15 a.m. on Friday, May 29, 2009, at the University of Hawai‘i at Hilo, UCB 127, 200 West Kawili St., Hilo, HI 96720.

Quorum (15): Chair Allan Landon; Vice Chair Howard Karr; Artemio Baxa; Carl A. Carlson; Michael Dahilig; Ramon de la Peña, Ph.D.; Mark Fukunaga; Chuck Gee; James Haynes; Dennis Hirota, Ph.D.; Eric Martinson; Ronald K. Migita; Teena Rasmussen; Harvey Tajiri; and Grant Teichman.

Others in attendance: President David McClain, Ph.D.; Vice President for Academic Planning & Policy Linda Johnsrud, Ph.D.; Vice President for Budget & Finance/Chief Financial Officer Howard Todo; Vice President for Community Colleges John Morton, Ph.D.; Vice President for Research Jim Gaines, Ph.D.; Vice President for Information Technology Services/Chief Information Officer David Lassner, Ph.D.; Vice President for Legal Affairs Darolyn Lendio, Esq.; Associate Vice President for Capital Improvements Brian Minaai; Associate Vice President for Student Affairs Karen Lee; Associate Vice President for External Affairs/University Relations Carolyn Tanaka; Interim Executive Administrator and Secretary of the Board Presley Pang, Esq.; UH Foundation President Donna Vuchinich; and others as noted.

II. APPROVAL OF MINUTES

Upon motion by Regent Dahilig and second by Regent Martinson, the minutes of the April 16, 2009 meeting were unanimously approved.

III. PUBLIC COMMENT PERIOD

1. Ms. Kanoe Wilson, representing the Hanakahi Council of UH Hilo and the Puko’a Council, addressed the Board on the presidential search. The Councils recommend the search process be halted. They are concerned that local candidates are not included in the final pool.

Regent Gee asked if the Councils had specific objections to the 2 finalists. Ms. Wilson responded that neither candidate possessed experience with indigenous groups. Her objections now focus on the process because there are now only two candidates when three were promised.
Chair Landon recounted that the Board selected the Advisory Committee, charged the Committee with its duties, consulted with the Committee as appropriate but let the Committee do its work. The Committee included several Regent members. At this date the Committee has completed its work and evaluated the finalists. The Board is now responsible to select the president from the final pool of candidates.

Chair Landon described the process as balancing the public’s input, interaction with the candidates, and right to know, and the candidate’s right to have their career goals confidential. Chair Landon explained that the third candidate withdrew due to concerns over privacy and reluctance to appear on the various UH campuses to meet with faculty, staff, students, and the public. Each candidate was informed that there would be a public phase. At each juncture, the Committee requested the candidates’ assurance that they understood and agreed to the process. The third candidate, at the commencement of the public stage of the process, decided to not go through with the public process.

The Regents strongly and clearly considered all of the input they have heard, including a letter from 6 State Senators requesting delaying the process to include a candidate who is a native son or daughter of Hawai’i. The Regents appreciated the input, but agreed that if there were a delay, all current finalists likely would withdraw from consideration. The value gained from having a national search consider a broad range of candidates is lost if only people born in Hawai’i need apply.

Regent Baxa asked Ms. Wilson if she had expressed her concerns to the Advisory Committee during the initial stages of the process. Ms. Wilson responded that while she personally did not interact with the Committee, members of the Puko’a Council did request the Committee that a local candidate be included.

Ms. Wilson asked if the results of the feedback survey following the campus visits would be made available to the public. Chair Landon responded that, upon Board approval, the Advisory Committee will shortly release a report to the public containing appropriate information. Chair Landon said that he personally reviewed the survey data, and found that surprisingly few persons responded—less than one hundred for each candidate—and that it may be difficult to draw conclusions from the small response.

In response to Regent Dahilig’s question about ease of use of the survey, Ms. Wilson said that she found it easy to use.

Chair Landon said that the process resulted in a pool of 14 semi-finalists who were interviewed: 4 are connected to Hawai’i; 3 live in Hawai’i; 2 were born in Hawai’i; and 1 has had substantial interaction with the University as well as being a part-time resident. Of the 14 candidates, one withdrew. All thirteen candidates were qualified for consideration to be president. The 13 were reduced to 7 and one other was considered but withdrew. Then the final three were selected to be the best overall fit for the University.
Chair Landon said that the Advisory Committee was composed of local residents. Of the 13 members, 11 were born in Hawai‘i, and 3 are Native Hawaiians. Vice Chair Karr added that of the 13 members, 9 have degrees from the University of Hawai‘i.

Ms. Wilson asked if replacing the withdrawing third candidate was considered. Advisory Committee members Regents Haynes and Fukunaga, responded that replacing the third finalist was considered, but the decision was to proceed with the two finalists. Regent Fukunaga elaborated that one of the key criteria in the qualifications is whether the final candidates possessed the appropriate style, sensitivity, and understanding to work with various constituencies in Hawai‘i and to appreciate the history of the University and its place in the community. The criteria were not weighted purely on academic credentials and national positions. The fit and style were major considerations.

Chair Landon assured Ms. Wilson and the public that the Board is sensitive to the concerns expressed. He said that Ms. Wilson’s concerns are also shared by others in the University community, and the Board acknowledges those concerns.

2. Ms. Doodie Downs, Hawai‘i Community College Ho‘olulu Council and Puko’a Council, shared her concerns about the selection process and the lack of local candidates.

Ms. Downs said that the Board includes many Regents with ties to the University, yet the Board looks out-of-state for a president. This sends a message to our students, faculty, and staff that local residents are not good enough because when we look for a president, we look elsewhere.

Ms. Downs said that she wants a president who understands our culture, who can work with the Legislature in securing funding for the University. She said that the University doesn’t have the luxury of training someone for three years on how to work with the Legislature. We need someone who can immediately step in and work to retain funds and staffing in these difficult economic times.

Ms. Downs said that Hawai‘i is unique in its culture and politics. We need someone who understands this.

Ms. Downs asked that the Board appoint an interim president while it continues to search for the right president. She said that two candidates are not enough.

Regent Baxa said that he shares Ms. Downs’ concerns. He said that an individual is a sum total of all of his/her experiences in life. Regent Baxa felt that the experiences that we have in this island state are not exclusive to Hawai‘i, and not only locals have a special sensitivity to Hawai‘i. He assumes that any citizen of the U.S. has a special sensitivity to any part of the Union. If we can identify an individual who has the experiences, background, integrity, intellectual capability, and a special sensitivity, we need not single out a local candidate.

Ms. Downs agreed with Regent Baxa, but stressed that at this time, we need a president who can secure immediate funding and support from the Legislature. Regent
Baxa commented that funding support also comes from national and federal grants and contracts, so a combination of all sources must be sought by the president.

Regent Gee commented that sources of funding were a major concern, as well as the ability to take the University to new heights. The Board and the Advisory Committee seriously considered all concerns. In difficult economic times, we need people who can find resources outside the State, especially in the Capitol.

IV. REPORT OF THE UNIVERSITY OF HAWAI‘I FOUNDATION

UH Foundation President Donna Vuchinich reported that, as of May 15, 2009, $274 million has been received, which is 110% of the centennial campaign goal of $250 million. She noted that alumni participation has increased significantly to 17.8%, and 1,703 new accounts were established. UH Mānoa has received $195.2 million; UH Hilo $12.8 million; UH West O‘ahu $1.5 million; and the Community Colleges $29.3 million.

Ms. Vuchinich compared the comprehensive campaign versus the centennial campaign, noting that for UH Mānoa, the centennial campaign more than doubled, from $83.3 million to $195.2 million, and the Community Colleges growing from $9.3 million to $29.3 million. UH Hilo increased from $4.1 million to $12.8 million, while UH West O‘ahu increased from $1.1 million to $1.5 million. Bequest intentions that are not included in other campaign totals amount to $49 million from fewer than 90 donors.

In response to Regent Gee’s question about the amount of alumni participation, Ms. Vuchinich said that alumni participation at peer institutions is just over 14%. UH’s alumni are performing at a higher rate of 17.8%.

V. REPORT OF THE PRESIDENT

President McClain introduced UH Hilo Chancellor Rose Tseng, who welcomed the Regents and gave a presentation highlighting recent initiatives and developments on the campus. The President then reported as follows.

The Pacific Business News has selected Karen Lee, Associate Vice President for Student Services, as one of the “Forty Under Forty” leading young executives in Hawai‘i.

Nearly 5,200 individuals received diplomas and certificates during the May commencement exercises held on the University of Hawai‘i’s 10 campuses.

Two bills sponsored by the University won passage from the Legislature and are awaiting the Governor’s signature. The President acknowledged the leadership of UH Hilo government affairs director Gerald DeMello in managing the Mauna Kea rulemaking bill, and the leadership of VP and CFO Howard Todo in securing an increase in the University’s bonding authority from $100 million to $200 million.
The President distributed operating and capital expenditure budgets for the University as approved by the Legislature, and noted that these budget results are available via the University’s website. Last October, following the Governor’s directives, the BOR approved a biennium budget that reflected 10% reductions in the University’s discretionary general funds. In this budget, UH Mānoa absorbed a $7.9 million reduction in each fiscal year; UH Hilo a $1.2 million reduction; UH West O’ahu a $191 thousand reduction; and the Community Colleges a $3.5 million reduction.

The Legislature’s actions on the operating budget reduced UH Mānoa general funds by an additional $11.6 million in each year of the biennium, reduced UH Hilo general funds by an additional $1.1 million in FY10 and by $1.0 million in FY11, reduced UH West O’ahu general funds by an additional $171 thousand in each year, and – reflecting the 2,000-student enrollment surge at the seven UH Community Colleges during the past academic year – added $3.5 million to their budgets in each year, as compared with the Executive Budget, leaving the Community Colleges with fractionally more general funds in FY10 and FY11 than they had in FY09.

However, these budget results depend on the use of $54 million in Federal stimulus funds in FY10 and FY11, and don’t reflect yesterday’s Council of Revenues revised projections, which estimated the State’s budget shortfall at $186 million in FY09, $208 million in FY10 and $218 million in FY11.

Prior to the Council of Revenues revision, the Governor had directed in mid-May that the University implement a third FY09 general funds budget restriction, of $2 million. Earlier FY09 restrictions were $4 million last fall, and $2 million in the first calendar quarter. The Governor has expressed interest in using the Federal stimulus funds to address budget shortfalls in FY09, which would reduce the amount available for FY10 and FY11.

President McClain stated that the budget situation remains fluid, noting that UH represents more than 10% of the State’s budget and thus may expect to be asked to make further reductions, either in programs or via collective bargaining discussions currently under way.

The capital improvements budget included $107 million in FY10 for capital renewal and deferred maintenance, and $27 million in FY11 for that purpose. Taken together, these amounts would not be sufficient to permit UH to make progress in reducing the repair and maintenance backlog, which has risen by 5% to nearly $370 million in recent estimates.

President McClain reported the conclusion of the mid-course tuition review promised as part of the six-year tuition increase approved in 2005 to start in academic year 2006-2007. The review concluded that UH was on course, but not by any means ahead of schedule, in the effort to achieve its objective of bringing UH tuition to parity with peer institutions by the conclusion of the 2012 academic year.

The President announced that the faculty mortgage assistance initiative would be formally rolled out in the next few weeks, with $1.6 million in UH System funds provided
to guarantee partial down payment financing for first time home buyers. In the initial pilot phase, which will be at UH Mānoa, the focus of the program will be on retaining recently tenured UH Mānoa faculty.

The President noted that the Sustainability Matters agenda continues to be active. On June 6, UH Mānoa will host an all-day Hawai‘i Clean Energy Day conference featuring Christine Ervin, president and CEO of the U.S. Green Building Council.

VI. ITEMS FOR BOARD ACTION

Approval of PBS Hawai‘i Lease Agreement

UH Mānoa Vice Chancellor for Administration Kathy Cutshaw requested approval of a lease with PBS Hawai‘i, in accordance with the major term sheet submitted: the lease term is five years, from June 1, 2009 through May 31, 2014, with an option to extend on a year-by-year basis for up to two years; UH will continue to have the use of the same portions of the building as it does now; PBS will pay all operating expenses, including those attributable to the portion of the building used by UH; PBS will pay for certain repairs and improvements to the building, including air conditioning improvements, roof repairs, and other miscellaneous repairs at an approximate cost of $380,000; PBS will provide the University with an average of $19,798 per year in in-kind services over the life of the lease.

Upon motion by Regent Dahilig and second by Regent Haynes, the lease with PBS Hawai‘i was unanimously approved.

PBS Hawai‘i President and CEO Leslie Wilcox expressed her appreciation to the Board for this approval.

Approval of the Bachelor of Applied Science in Engineering Technology, Maui Community College

Maui Community College Chancellor Clyde Sakamoto requested approval of a Bachelor of Applied Science in Engineering Technology. At the April 2009 meeting, Chancellor Sakamoto presented the program proposal to the Board for information. The Board is now being asked to formally approve the degree program.

Chancellor Sakamoto noted that adding this second bachelor’s degree program approval will move Maui CC accreditors from the WASC junior commission to the WASC senior commission. The standards for both the 2-year and 4-year programs will be defined by the WASC senior commission.

Although the BAS program will commence in Fall 2010, provisional upper-division courses will be offered in Fall 2009 to fully develop the curriculum by Fall 2010.
President McClain reported that Senator Daniel Inouye submitted a letter of endorsement for the program. President McClain said that he is recommending approval of the program, but not recommending any name change of Maui Community College at this time. He expects Chancellor Sakamoto will later request a name change.

Vice President Morton said that the Board’s approval today will trigger the process of transferring accreditation authority from WASC junior to WASC senior commission even though the program does not officially commence until Fall 2010.

Vice President Linda Johnsrud, a WASC commissioner, explained that the senior commission accredits colleges, and not programs. They can be asked to begin the transfer from junior to senior commission when the program commences in Fall 2010 rather than immediately upon Board approval.

In response to a question from Chair Landon, Chancellor Sakamoto confirmed that this new program does not involve any additional staffing.

Regent Hirota asked if the System is committed to fund additional support once the campus becomes a full college rather than a community college. Chancellor Sakamoto responded that the College has received extramural funding for the first baccalaureate program and continues to receive generous extramural funding. This year $3.2 million has been received, with another $3.9 million expected next year. There is no immediate demand for additional resources.

President McClain commented that this new program reconfigures existing programs and does not require additional resources, nor does it commit the University to fund another four-year campus.

In response to a question from Regent Haynes, Vice President Johnsrud explained that most colleges offer an associate degree in engineering technology, not a bachelor’s degree. Federal contracts in Maui require a bachelor’s degree in any field. Vice President Johnsrud’s concern is how the University responds to this workforce need. She suggested exploring a systemwide academic response because of the accreditation ramifications.

President McClain commented that the county workforce needs must override accreditation concerns, and this program is a superior way to meet those needs.

Regent Fukunaga commented that an overall strategy should guide the Board. Establishing a 4-year degree at a community college should be part of a larger strategy to convert Maui CC to a 4-year institution. Regent Fukunaga indicated that he does not have enough information at this time to consider the long-term strategic impact of today’s request to establish a 4-year degree program.

President McClain responded that community colleges across the nation are beginning to add 4-year degrees routinely to respond to their community needs. He is recommending only that a second baccalaureate degree be added, and not suggesting today a structural change to Maui Community College.
Chair Landon commented that we need to respond to community needs and not be guided by the unique structures of accrediting commissions overseeing Hawai‘i. He agreed with Regent Fukunaga that the long-range ramifications are embedded in today’s proposal for a second baccalaureate degree at a community college. Regent Fukunaga questioned whether today’s decision sets the University on an irrevocable path toward a 4-year institution.

Chancellor Sakamoto said that Maui Community College remains committed to an open admissions policy and is developing a new type of community college structure.

Regent Carlson said that he fully supports this request for a BAS degree because it is one way that the University can meet the special needs of an island-bound community.

Regent Gee commented that although he is comfortable with this “hybrid” program, he shares Regent Fukunaga’s concern about transforming a community college into a four-year college. He supports this degree so long as the specific mission of a community college remains intact.

Regent Dahilig asked, first, whether the University could switch accrediting bodies, and if not, will WASC senior force MCC to become a four-year institution, against the desires of UH. MCC will be the test case for this transformation.

President McClain said that WASC senior has historically been more flexible in its requirements.

Regent Rasmussen expressed her strong support for this program. She said that Maui needs to diversify its economy, and this is one way the University can show support.

Regent Baxa expressed his strong support for this program, noting that the planning for the program began in 2001, and that the UH Mānoa College of Engineering Dean supports this program. He said that, although there are challenges ahead, sometimes too much caution is dangerous.

Upon motion by Regent Rasmussen and second by Regent Haynes, the Bachelor’s of Applied Science in Engineering Technology at Maui Community College was unanimously approved, with the acceptance of upper division-seeking students, effective Fall 2010.

**Approval to Amend BOR Policy, Chapter 9-10a(5)(i)(a) to Remove Electricity and Gas Charges from the Base Rental Rates at the Wa‘ahila Faculty Housing**

This item was deferred.
Approval to Amend Chapter 20-12, Hawai‘i Administrative Rules, Relating to UH Mānoa Parking Regulations to Increase Parking Rates and to Comply with the State’s Regulations Relating to Disabled Parking Violations

UH Mānoa Vice Chancellor for Administration Kathy Cutshaw requested approval to amend Chapter 20-12, HAR, to increase parking rates and fines for disabled parking violations. She noted that in addition to increasing annual parking rates, the campus is increasing daily upper campus rates from a flat rate of $3 per day to a metered rate of $4 per hour. After 4:00 p.m., rates increase from a flat rate of $3 to $5 per hour, including the lower campus. She reported that ASUH submitted a request to the Board Office last evening to consider allowing students to park at lower campus after hours at a rate lower than the rate to be charged to event goers. Since the setting of daily parking rates is a delegated authority to the Chancellor, the campus will work with ASUH to accommodate this request.

Vice Chancellor Cutshaw said that the parking service is a self-supported, revenue-generating operation, and without these increases, the current backlog of deferred repair and maintenance and operational costs are projected to have a deficit of about $1.3 million in FY 2010 and up to $8 million in FY 2014.

Regent Dahilig moved, seconded by Regent Teichman, for approval of the proposed rate schedule.

In discussion, Vice Chair Karr said that he presided over the public hearing on this matter. He analyzed the financials submitted by the campus, and questioned whether the cost estimates for repair and maintenance are realistic. He also noted that the background financial documentation was not provided to the full Board. He also noted that some projected expenses may be reduced in the next few years. Therefore, Vice Chair Karr recommended that the Board approve only the first two years of the proposed increases, and defer approving the remaining three years. In two years, Mānoa Parking should update the Board with a plan, taking into consideration prioritization of repairs and maintenance. He noted that the current proposal does not include the effect of U-Pass bus ridership on parking needs. This should be included in the next request.

Regent Haynes asked why the parking rates were not raised since 1993. Vice Chancellor Cutshaw responded that there was a five-year proposal in 1993, and another in 1997. The Administration decided that it was not the right time for increases, due to the poor economy at that time.

Regent Teichman asked if there were any disadvantages to approving a two-year plan rather than a five-year plan. Vice Chancellor Cutshaw responded that there were no drawbacks.

Regent Tajiri suggested that rate adjustments should be indexed to a CPI and automatically adjusted. The Board should not have to authorize such specific detailed operations.
Vice President for Legal Affairs Darolyn Lendio explained that Chapter 91 of the Hawaii Revised Statutes requires that changes to the public rules, which includes parking rates, require a public hearing, followed by authorization by the Board of Regents. She said that to exempt the University from this process would require amending legislation.

Regent Tajiri said that, if necessary, the University should pursue a statutory change, because the process of Chapter 91 rule-making takes an inordinate amount of time.

Regent Teichman, in response to Chair Landon’s question, said that students would be amenable to an indexing since increases would then be anticipated.

Regent Dahilig restated his motion to approve the first two years of the proposed schedule, along with the conforming changes to disability fines. Regent Teichman seconded. The motion, as amended, was unanimously approved.

Approval of a Bachelor of Arts Degree in Creative Media, UH Mānoa

Vice Chancellor for Academic Affairs Reed Dasenbrock requested approval of a BA degree in Creative Media, under the Academy of Creative Media, which was established by the Board in 2004. There are currently about 120 majors. This request for approval formalizes the degree program. The curriculum, faculty, and funding are already in place.

Upon motion by Regent Migita and second by Regent de la Peña, the Bachelor of Arts in Creative Media at UH Mānoa was unanimously approved.

Vice Chair Karr made an omnibus motion to approve agenda items #5, #6, #7 and # 8, seconded by Regent Martinson.

#5: Approval to Amend BOR Policy, Chapter 9-2f(2)(b), to Establish Appropriate Salary Ranges for Athletic Coaches — UH Hilo

The salary ranges for each of the three full-time head coaches for the Men’s Basketball, Women’s Softball, and Women’s Volleyball programs were updated, as reflected in the BOR Policy, Chapter 92f(2)(b).
#6: Approval to Terminate the Associate in Science Degree in eBusiness — Kapi‘olani Community College

The A.S. in eBusiness was provisionally approved effective Fall 2003 to meet the needs of the business industry, focusing on the demand for entry-level workers with both technology and marketing skills. Subsequent enrollments and discussions with industry professionals indicated that the curriculum, as designed, no longer aligned with the skills required in the changing marketplace.

The eBusiness program was stopped-out effective Spring 2007. After extensive consultation with industry professionals and faculty research, modifications were made to the existing Marketing curriculum, integrating relevant aspects of eBusiness. The redesigned and enhanced Associate in Science degree in Marketing was offered in Fall 2008. All former eBusiness majors have graduated or have been successfully integrated into the A.S. in Marketing program.

#7: Approval to Enter into Property/Facility Acquisition Negotiations for the Wai‘anae Education Center — Leeward Community College

The acquisition of a permanent facility for the Wai‘anae Education Center will enable Leeward Community College to better address the underserved higher education and workforce development needs of the Wai‘anae region.

The property is approximately 1.0569 acres, with an existing two-story warehouse type building of 18,000 gross square feet. A paved and lighted parking area is included, accommodating about 60 parking stalls. The University plans to renovate the existing warehouse facility for the Education Center.

Leeward Community College has been leasing space in Wai‘anae for the Education Center since the 1980s. Rather than continuing to lease space, and in light of the University’s plans to increase investment in this region, this is a prudent investment opportunity. If negotiations are successful, Leeward Community College will seek Board approval to complete the acquisition.

#8: Approval of Lease Agreement with the State Department of Transportation for the University’s Airport Training Center at Honolulu International Airport — Honolulu Community College

The lease agreement will enable Honolulu Community College (HCC) to: (a) continue operations and administration of its AERO program, one of HCC’s career and technical programs; and (b) use the premises as a training site to conduct the AERO program.

HCC requested the Board approve the lease agreement according to the term sheet, and authorize the President to finalize and execute the lease (consistent with the
Term Sheet), and such other documents as may be necessary. Vice President Morton distributed an amended exhibit.

The foregoing items were unanimously approved.

Acceptance of UH Financial & Compliance Audit, Pursuant to OMB Circular A-133 and Presentation of Internal Control and Business Issues Reports Relating to the A-133 and Bond System Audits

Vice President Howard Todo requested acceptance of the UH Financial & Compliance Audit and various other reports as contained in a separate binder of materials distributed to the Regents. He explained that the external auditor met with the Board’s Audit Committee on these reports. The University accepts the auditor’s comments and has an action plan in response to recommendations by the auditor.

Audit Committee Chair Haynes reported that the Audit Committee recommends acceptance.

Regent Gee asked about the progress made in payment collections by UCERA for the medical school’s patient services. Vice President Todo responded that good progress has been made. The financial statements reflect reserves on past receivables.

Regent Rasmussen asked what the implications were of missing the financial reporting deadline. Vice President Todo responded that although the financials were not timely submitted, and this practice is not something the University desires, other universities were similarly delayed. There have been no repercussions.

Regent Fukunaga questioned material weaknesses report by the auditor in its Internal Control and Business Issues Report for the University Bond System regarding (1) the UH Bookstore inventory management and (2) Mānoa student housing. Vice President Todo assured that these weaknesses are being corrected. Regent Fukunaga also expressed his concern over the timeliness of reporting as noted by the auditors.

Chair Landon said the public expects accountability of the public’s money. The Board wants carry-over comments to be solved before they come up. The University has made progress in the last few years, but reiterated that the public will be watching the money even closer.

Vice President Todo reported that Vice Chair Karr commented at the Audit Committee meeting that the University needs to take a hard look especially at repeated findings.

Mr. Cory Kubota of the audit firm Accuity said that the University faces fiscal challenges in position turnovers, and stressed that the University should fill those vacant positions quickly and with the right people.
Upon motion by Regent Haynes and second by Regent Gee, the Report on the University Bond System Financial Statements and the University Bond System Internal Control and Business Issues Report, and the UH Financial and Compliance Audit in accordance with OMB Circular A-133, and the related Internal Control and Business Issues Reports were unanimously accepted.

**Endowment Fund Quarterly Performance Report by Third Party Monitor (information only)**

Chair Landon recused himself from this item.

Mr. Peter Backus of the Morgan Stanley Institutional Consulting Group reported a modest rise in the equity market. Morgan Stanley’s outlook for the national economy will still be a negative second quarter, a slightly negative third quarter, and a positive 1.5 percent fourth quarter, signaling the end of the recession in the fourth quarter.

Mr. Backus said that they are not predicting a huge economic rebound. The financial and credit crises may have ended, but there still is an economic problem that needs to worked through into next year.

The total performance of the UH account was -5% by March 31, 2009, and the value of the portfolio dropped $2.4 million to $45.9 million. However, as of today the value increased by $3.2 million to about $49 million.

Mr. Backus reported that the University’s fixed income managers have performed remarkably well. Bank of Hawai’i’s performance was +6.3% versus a benchmark of about 2%.

Mr. Backus recommended using fixed income specialists rather than generalists for the fixed income portion of the portfolio.

Chair Landon returned to the meeting.

**Approval of Internal Audit Plan, FY 09-10 (Partial, Mandatory and Discretionary External Audits)**

Upon recommendation of Audit Committee Chair Haynes, and as moved by Regent Haynes and seconded by Regent Teichman, the portion of the proposed Audit Plan for FY 2009-2010 regarding mandatory and discretionary audits performed by external auditors retained by the University under contract was unanimously approved.
Approval of CIP and R&M Project Contracts for FY 2008-2009, 4th Quarter

Associate Vice President Brian Minaai requested approval of two construction contracts totaling an estimated $5.8 million, as specified in the action memorandum, regarding off-site sewer improvements for UH Hilo and a security system for the Community College System.

Upon motion by Regent Dahilig and second by Regent de la Peña, the two construction contracts were unanimously approved.

Quarterly Financial Status Report (information only)

Vice President Howard Todo presented the financial status report for March 2009, summarizing that the University is in sound financial condition and is performing as planned.

Regent Rasmussen asked about the implications of yesterday’s Council on Revenues’ projection. Vice President Todo responded that the State was prepared for a 2% reduction; the Council on Revenues projected 4%. We now have to wait for the Governor’s response. The concern is that with the additional restrictions that must be made this year, the University will not have as much financial flexibility for next year.

VI. ACCEPTANCE AND APPROVAL OF GIFTS, GRANTS AND CONTRACTS

Upon motion by Regent Karr and second by Regent Haynes, two indemnity provisions with California Institute of Technology, as set forth in Attachments A-1 and A-2, were unanimously approved.

LUNCH RECESS AND EXECUTIVE SESSION

By unanimous approval, the meeting was recessed for lunch at 12 noon. Upon motion by Regent Haynes and second by Regent Dahilig, the Board unanimously approved convening in executive session following lunch, pursuant to HRS §92-5(a)(2)(3)(4), to discuss personnel actions, legal and real estate matters, and collective bargaining.

The meeting was reconvened in public session at 5:50 p.m.

VII. APPROVAL OF PERSONNEL ACTIONS

Upon motion by Regent Dahilig and second by Regent Gee, the request for approval of tenure and promotion for personnel listed in Attachment B-1, as well as
awarding an emeritus title to Donald L. Thomson, Professor at Leeward Community College, were unanimously approved.

VIII. ANNOUNCEMENTS

Chair Landon reported that the UH Advisory Presidential Selection Committee will release its report next week.

Chair Landon announced that the meeting will recess and reconvene on June 4 at Bachman 113, University of Hawai‘i at Mānoa, at 9:00 a.m. to take up the presidential selection and other unfinished business.

The Board recessed at 6:15 p.m. on May 29, 2009.

XI. RECONVENE JUNE 4, 2009

The meeting initially called to order on May 29, 2009, was reconvened in public session on Thursday, June 4, at 9:05 a.m. at Bachman 113, University of Hawai‘i at Mānoa, 2444 Dole Street, Honolulu, HI 96822.

A quorum consisting of Regents Landon, Carlson, Hirota, Rasmussen, Martinson, Gee, Haynes, and Dahilig were present. Other recognized guests included Donna Tanoue, Chair, UH Advisory Presidential Selection Committee.

Chair Landon announced that while today’s agenda item concerned the selection and appointment of a president, it was not likely that any decision or public announcement would be made today. Chair Landon wanted broader participation and input by the Regents. Chair Landon also indicated that most of this reconvened meeting would be in an executive session.

PUBLIC COMMENT

Dr. David Duffy, a member of a University association of researcher investigators, congratulated the Board on its search, and said that presidential candidate Dr. M.R.C. Greenwood is a world-class researcher. He urged the Regents to allow Dr. Greenwood the opportunity to lead the University.

Regent Gee asked what the campus sentiment was on the selection process. Dr. Duffy replied that the campus does not want an interim president—there are currently too many interim executives and lack of stability.
EXECUTIVE SESSION

At 9:20 a.m., upon motion by Regent Haynes and second by Regent Martinson, the Board unanimously approved convening in executive session, pursuant to HRS §92-5(a)(2)(3)(4), to discuss personnel actions, legal and real estate matters, and collective bargaining.

PUBLIC SESSION

The meeting was reconvened in public session at 12:30 p.m.

Chair Landon announced that the next meeting will be held on Wednesday, June 10, 2009, at the Campus Center Ballroom on the Mānoa Campus, starting at 9:00 a.m.

ADJOURNMENT

Upon unanimous consent, the meeting was adjourned at 12:45 p.m.

Respectfully Submitted,

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