

MINUTES

BOARD OF REGENTS' MEETING

January 19, 2012

I. CALL TO ORDER

Vice Chair James Lee called the meeting to order at 9:00 a.m. on Thursday, January 19, 2012, at Kaua'i Community College, OCET 106 C&D, 3-1901 Kaumuali'i Highway, Lihue, Hawai'i 96766.

Quorum (13): Vice Chair Carl A. Carlson; Vice Chair James H.Q. Lee; Michael A. Dahilig; Ramon S. de la Peña; Chuck Y. Gee; Dennis I. Hirota; John C. Holzman; Coralie Matayoshi; Barry Mizuno; Saedene K. Ota; Teena M. Rasmussen; Jan Sullivan; and Matthew R. Williams.

Excused (2): Chair Eric K. Martinson; and Artemio C. Baxa.

Others in Attendance: President M.R.C. Greenwood, Ph.D.; Executive Vice President for Academic Affairs/Provost, Linda Johnsrud, Ph.D.; Vice President for Community Colleges, John Morton, Ph.D.; Vice President for Legal Affairs and University General Counsel, Darolyn Lendio, Esq.; Vice President for Student Affairs and University and Community Relations, Rockne Freitas, Ed.D.; Vice President for Budget and Finance/Chief Financial Officer, Howard Todo; Vice President for Research, James Gaines, Ph.D.; Associate Vice President for Capital Improvements, Brian Minaai; Associate Vice President for Student Affairs, Lui Hokoana, Ed.D.; Associate Vice President for External Affairs and University Relations, Lynne Waters; UH Mānoa Chancellor, Virginia Hinshaw, Ph.D.; UH Hilo Chancellor, Donald Straney, Ph.D.; Hawai'i Community College Chancellor, Noreen Yamane; Kaua'i Community College Chancellor, Helen Cox, Ph.D.; Executive Administrator and Secretary of the Board of Regents, Keith Amemiya, Esq., and others as noted.

Vice Chair Lee announced that both Chair Martinson and Regent Baxa were unable to attend the meeting because of illnesses.

II. APPROVAL OF MINUTES OF THE NOVEMBER 30, 2011 MEETING

Upon motion by Regent Gee and second by Regent Ota, the minutes of the November 30, 2011 meeting were unanimously approved.

III. PUBLIC COMMENT PERIOD

Secretary Amemiya announced that one letter was submitted by Tom Robinson, of the Graduate Student Organization, expressing concerns over the professional improvement leave terms for UH Mānoa Chancellor Virginia Hinshaw, as detailed in Personnel Actions.

Secretary Amemiya then announced that Dr. J.N. Musto, Ph.D., the Executive Director of the University of Hawai'i Professional Assembly (UHPA), would present testimony on the paid administrative leave upon termination of Chancellor Hinshaw.

Dr. Musto said that his testimony was not about Chancellor Hinshaw's abilities, service, or expertise. He believes that it is bad policy to grant a paid leave of absence at the end of an administrative appointment. In the State of Hawai'i, it is an indefensible public position to grant such leaves. He added that the Board of Regents should look at its policy regarding this issue, and that compensation to executive and managerial administrators should be sufficient to cover their needs.

IV. REPORT OF THE PRESIDENT

President M.R.C Greenwood opened her report with a discussion of the new UH Mānoa Head Football Coach, Norm Chow. Coach Chow's first public appearance and speaking engagement at the Downtown Athletic Club on January 11 was a success. President Greenwood thanked the members of the search advisory committee. They made an excellent choice and she looks forward to an exciting football season in 2012.

Summer Tuition Rates: In keeping with efforts to be wise stewards of the public's funds, be frugal with UH's own resources, and improve graduation rates by encouraging students to take classes over the summer, President Greenwood is pleased to announce that – pending the Regents' approval – Summer 2012 tuition rates will remain at the 2011 reduced rates. The reduced rate will apply to resident undergraduates at UH West O'ahu, UH Hilo, and the seven community colleges. UH Mānoa rates and all other rates will remain at the posted rates.

Kuali Financial System (KFS) Update: The implementation continues on schedule with a "go-live" planned in July 2012. With the addition of expert Kuali technical and functional consultants, UH is moving along with implementation. The Kuali implementation team has completed almost all of the functional design specifications for the required enhancements, interfaces, and conversions. The last work, for the Payroll and Purchasing areas, will be completed by the end of January. Two integration test cycles are being planned to ensure that the enhanced subsystems are operational and function correctly. The first integration test cycle will run from February 13 to March 9 and will primarily involve the project team. The second integration test cycle will run from April 2 through May 11 and will involve some campuses and central users and will include end-to-end testing of the interfaces.

A training consultant will be starting shortly to help create an efficient and effective training implementation plan for UH's statewide users, with training scheduled to begin in the Spring. The team is already drafting processing scripts for use as training materials. In anticipation of implementation, discussions with the System Financial Management Offices are identifying required resources to facilitate the Change Management impacts on users.

UH is adapting the Kuali Contract and Grant Billing module to provide automated billing, payments posting, and accounts receivable reports for extramurally-funded

projects with KFS implementation and improving the Kualii Material Management module to support catalog purchasing to improve efficiencies.

In addition to work on KFS, last fall UH implemented “myGRANT”, or Kualii Coeus. Kualii Coeus is based on the MIT software for electronic research administration. In February, UH will completely transition to “myGRANT” for the preparation, review, and submission of proposals. UH is looking forward to full integration between “myGRANT” and KFS, which will be a huge advantage in how UH manages its finances.

UH/Pacific Command (PACOM) Partnership: UH and U.S. Pacific Command continue to explore areas of common interest in sustainability and resilience to include water, energy, disaster management, climate change, and food security. At a meeting two weeks ago, the Governor, Admiral Willard, and President Greenwood decided to expand efforts to include the State in these vital areas as well.

UH is making progress in identifying international partners for this initiative. Accordingly, UH is anticipating a visit from Tohoku University, which is located in the Sendai region that was devastated by the earthquake, tsunami, and radiological incident last year. Following the joint statement of intent by many of the public, private, and philanthropic organizations signed at APEC this past November, President Greenwood intends to continue to collaborate to further define the various players.

Legislature Update: Opening Day of the 2012 Hawai'i State Legislature took place yesterday (January 18). UH's budget briefings were the day before with the Senate Ways and Means Committee and the House Finance Committee.

President Greenwood shared with both committees that when the Regents approved UH's supplemental budget request, it was with the understanding that it should align to support UH's three key initiatives. The supplemental request asks the Legislature to contribute \$5 million in general funds to support the operating budgets for the following key projects, which have the Governor's support (this represents about half of the amount requested for items in the Board of Regents' approved budget request):

- \$700,000 for statewide Institutionalization of Nā Pua No'eau that builds greater academic capacity for Hawai'i K-12 Native Hawaiian students and builds their readiness for college.
- \$1,300,000 for the Office of Mauna Kea Management, which oversees the comprehensive management plan, and prepares reports to the Board of Land and Natural Resources.
- \$900,000 to address critical workforce needs at UH West O'ahu due to the opening of new facilities and additional programs.
- \$600,000 to address workforce support for facility management and to reduce maintenance backlog.
- \$500,000 to establish a UH Engineering Consortium to coordinate efforts to meet statewide workforce needs.
- \$1,000,000 to establish a UH Innovations and Technology Transfer program.

While these items represent those included in the Executive Budget, the Board of Regents also endorsed a request for \$10 million in performance-based funding. While this item was not included in the Executive Budget Request, the Regents remain committed to the idea that a portion of the University's operating budget should be based on graduation and transfer outcomes.

With respect to UH's capital improvement project budget request, UH's goal is to leverage government financing with UH's ability to use revenue bonds based on tuition reserves, along with private funds. One key project is the Kapi'olani Community College Culinary Institute of the Pacific, which will leverage state and federal funding with private financing. This project will be located on the former Cannon Club site adjacent to Diamond Head Crater, as a state-of-the-art sustainable campus.

UH will also be proceeding to chip away at deferred repair and maintenance projects at all campuses, which will focus on roof repairs, air conditioning replacement, and maintaining the external building and grounds to support a functional and architecturally sound learning environment for UH's students.

President Greenwood distributed the most recent dashboard titled "Serving the State of Hawai'i. University of Hawai'i System Performance Measures, 2011. Based on Strategic Outcomes Intended to Meet the Needs of the State." President Greenwood covered the benchmarks and goals that UH has met or surpassed.

President Greenwood noted that Hawai'i State Senate President, Shan Tsutsui, announced in his opening day address that "The Invest in Hawai'i Act of 2012" will aggressively address the backlog of repair and maintenance issues on all 10 UH campuses, as well as Hawai'i's public schools and State hospitals. She will keep the Regents updated on this initiative as it pertains to the University system.

Campus Highlights

UH Mānoa: The School of Nursing and Dental Hygiene celebrated the completion and opening of a new state-of-the-art, \$8 million simulation center earlier this month. The UH Translational Health Science Simulation Center in Webster Hall will allow students, educators, practicing healthcare providers, and researchers to utilize the simulation and learning laboratory, which features a range of care delivery settings, realistic robotic patients, and other tools that will enhance practical learning for our nursing students. The existing simulation labs among the UH nursing programs on Maui, Kaua'i, and Hawai'i Island will also be linked.

Hawai'i is one of 10 states that was awarded grants by the Rockefeller Philanthropy Advisors to help their K-12 and postsecondary education systems align to the Common Core State Standards and assessments that will measure them. The grant program, called Core to College: Preparing Students for College Readiness and Success, aims to foster long-term collaborations between state higher education and K-12 entities. UH has long been an active participant in early education awareness, and this recognizes that and provides additional resources. Hawai'i will receive \$200,000 per year for three

years, and serve as a model for other states, showing how to create connections among educational entities that serve our younger generation.

Windward Community College: The Lani-Kailua Outdoor Circle recently donated \$5,000 to fund scholarships.

John A. Burns School of Medicine (JABSOM): JABSOM is taking part in the national Joining Forces initiative to improve health care for the country's active duty military, veterans, and their families. The medical school joins the Association of American Medical Colleges and the American Association of Colleges of Osteopathic Medicine in the effort to create a new generation of doctors, medical schools, and research facilities that will make sure our military heroes receive care worthy of their service. This is important for Hawai'i, which has a large base of military members and their families.

UH Maui College: A consortium including UH Maui College, the Hawai'i State Energy Office, Honolulu Clean Cities, and 30 other Hawai'i government, business, and organization partners recently launched the Maui Electric Vehicle Alliance, which will create an overall county-wide plan and infrastructure for the adoption of electric vehicles. The initiative was seeded with a \$300,000 grant from the U.S. Department of Energy. The college will play a critical role in preparing the workforce needed to sustain this effort by training auto repair technicians as well as electricians, contractors, engineers, and managers through its Sustainable Construction, Trade Apprenticeship, Engineering Technology, and Sustainable Science Management programs.

UH West O'ahu: The Schuler Family Foundation donated \$20,000 to create the Schuler Family Foundation Scholarship.

Nā Pua No'eau: Awarded a grant, along with UH, from the Office of Hawaiian Affairs to increase Native Hawaiian participation in higher education. The two-year award totaling nearly \$2.5 million will provide a pathway for Native Hawaiian students to the various UH campuses statewide.

Report of the Host Campus – Kaua'i Community College

Kaua'i Community College (KCC) Chancellor, Helen Cox, gave a brief overview, including KCC's mission that reads: "Kaua'i Community College provides open access education and training in an ethical and innovative student centered and community-focused environment, nurturing life-long learners who appreciate diversity and lead responsible and fulfilling lives." Chancellor Cox also noted KCC's enrollment numbers, degrees, and certificates offered, and performance measures.

The following are KCC's guiding questions:

- How does KCC ensure that all students have access to and opportunity for success in higher education? (Access and Success)
- How does KCC get Kaua'i back to work now and create a workforce for tomorrow? (Workforce Development)

- How does KCC lead Kaua'i toward cultural, economic, environmental, and social sustainability? (Community Development)

KCC's Strategic Priorities for 2011-2012 are:

- Increase success of remedial/developmental students
- Increase and improve design and delivery of distance education offerings
- Improve K-12 partnerships to strengthen college preparation and to ensure students are aware of specific KCC opportunities
- Increase transfer rates by strengthening four-year pathways, particularly in STEM

Chancellor Cox highlighted two programs: Ho'ouluwehi: The Sustainable Living Institute of Kaua'i, and the Wai'ale'ale Project.

Ho'ouluwehi offers an innovative Sustainability Learning focal point by embedding sustainability principles within KCC offered curriculum; advancing partnerships with UH, government, private business, non-profit agencies, and individuals; and implementing research and projects to foster a more vibrant future for Kaua'i, and fueling related employment vitality.

The Wai'ale'ale Project is designed to help students who may otherwise not attend college. It has a comprehensive commitment to reducing barriers to student access and success, provides 100% of tuition, books, and fees, and academic and other support, which is guaranteed up to the attainment of an Associate degree.

Eric Knutzen, the Director of Ho'ouluwehi, said that the five steps to realize the institute's dream are:

1. People, Organize for Effectiveness
2. Define Sustainability, Reach a common understanding
3. Agree on Strategic Plan on how to address island wide sustainability
4. Agree on Scope, Clarity
5. Doing it Now

The Ho'ouluwehi Center at Ka'apuni will provide affordable, sustainable living housing; progressive food production on-site with aquaponics; an apiary combined with carbon neutral solutions integrating renewable energy; and catchment and gray water usage, which involves the use of roof and sink water for agricultural production. The on-campus prototype model homes will come in two different designs, both at low cost. Knutzen said that there will be free online access to design plans, material purchase lists, and budgets.

Next, Kimo Perry spoke about the Wai'ale'ale Project. The premise of the program is that by attending a 13th year of school, a student can enjoy both health, financial, and employment benefits. As explained earlier by Chancellor Cox, the project is designed to help students who may not otherwise attend college. It also provides comprehensive services that help to address barriers to a student's admission to school. The students who enter the program perform at a comparable level to other KCC students. The first-

year students (the program is in its second year) were slightly below in success indicators, significantly higher in persistence, and comparable in terms of GPA and completion of credits. The second-year students perform slightly better than KCC students in terms of GPA and completion of credits.

Wai'ale'ale Project recipient, Wendell Keaweamahi, spoke about his experiences as a student with the program. He recently completed his first semester at KCC, after dropping out of high school more than 30 years ago (he obtained his GED in prison). The Wai'ale'ale Project gave him the chance to go to school.

Regent Gee said that the sustainability program intrigues him, and asked if there are benchmarks in place to determine if KCC is accomplishing its goals. Chancellor Cox said that KCC has measurements for the photovoltaic and small commercial farming. There are no measurements yet in renewable energy, but KCC is tracking the students who go through the program.

Regent de la Peña said that he is glad that KCC mentioned its energy solutions, but also wanted to note KCC's work in solar energy, and the community's Farmers Market, which has expanded tremendously. Chancellor Cox added that KCC is supportive of local food production, and want to provide a way for local growers to develop their entrepreneurial talents.

Regent Rasmussen asked about KCC's online tutoring program, which is available 24 hours a day, seven days a week. Chancellor Cox said that the student receive both online support and direct correspondence with tutors, via a commercial service.

Regent Rasmussen asked if the containers used for Ho'ouluwehi are meeting building codes. Chancellor Cox replied that yes, KCC worked with Kaua'i County on the permitting process. KCC has its first community project lined up with the County.

Regent Holzman asked how much the container houses cost. Knutzen answered that they cost between \$82,000 and \$100,000, and can house up to two tenants per container, which measures about 600 square feet.

Regent Matayoshi asked if KCC is trying to monetize the Ho'ouluwehi program. Chancellor Cox said that down the line, KCC would like to see a return on its investment, but currently is just working on the proof of concept.

Regent Ota asked if the Wai'ale'ale Project could exist with other community colleges. Chancellor Cox said that Kapi'olani CC is beginning a similar project, and Windward CC is looking into it. President Greenwood emphasized that the program is a donor-initiated project. Vice President for Community Colleges, John Morton, added that Kapi'olani CC does have a donor who is interested in funding the program. Regent de la Peña said that the Wai'ale'ale Project gives students no excuse to not attend school.

Regent Gee asked President Greenwood about her goals for the current calendar year. President Greenwood responded that the Regents would hear from her in detail about the topic further in Executive Session, but said that two projects: Kapi'olani CC's

Culinary Institute of the Pacific and Hawai'i CC's Palamanui Campus, will begin to move this year. Conceptually, she would like to see UH continue to be a high-performing system, and facilitate campus collaboration, as well as improve the ability for UH to build its research industry.

V. REPORT OF THE UNIVERSITY OF HAWAI'I FOUNDATION

University of Hawai'i Foundation (UHF) President, Donna Vuchinich, said that at year end (December 31, 2011), UHF raised \$28 million toward its \$50 million goal. To date (as of January 17, 2012), UHF raised \$28.6 million. That amount does not include a \$5.4 million gift for the Palamanui Campus.

UHF President Vuchinich also provided an update to UHF's campaign. It developed its prospectus and will come to the Board of Regents with recommendations in May.

Regent Ota asked how UHF coordinates a targeted and cohesive message. UHF President Vuchinich said that UHF is guided by System leadership, especially Associate Vice President for External Affairs and University Relations, Lynne Waters, to focus on its brand.

President Greenwood added that AVP Waters has been working on some changes regarding UH System-wide communications, and will report to the Board at an upcoming meeting.

VI. REPORT ON GIFTS, GRANTS AND CONTRACTS

Vice President for Research, James Gaines, said that UH received \$22,113,803 in both Research and Non-Research Extramural Sponsor Awards in October 2011. In comparison, UH received \$45,252,741 in October 2010. VP Gaines expects UH to receive about \$180 million from now to the end of the Academic Year 2012 (June 30, 2012).

Regent Matayoshi asked VP Gaines to elaborate on the \$180 million estimate, given the status of the economy. VP Gaines said that there are certain awards that stretch out over multiple years, and UH can count on the monies from those awards as a standard stream of revenue. There are also other awards, for instance the Maui High Performance Center, which will bring in funds if UH's application is successful, and the Pacific Disaster Center, which is doled out in incremental amounts over a period of years.

VII. ITEMS FOR BOARD ACTION

University of Hawai'i System

Approval of Capital Improvements Program and Repairs and Maintenance Project Contracts for Fiscal Year 2011-2012

Associate Vice President for Capital Improvements, Brian Minaai, presented the quarterly report to the Regents. AVP Minaai said that, currently, there is more than \$500 million in construction underway for projects in excess of \$4 million, and \$100 million in projects to go out to bid in the upcoming months, primarily repairs and maintenance jobs.

He is requesting approval for a \$6 million project for the Bilger Complex – construction for air conditioning system upgrades.

Regent Dahilig moved and Regent de la Peña seconded the motion.

Regent Hirota requested a summary to make sure that the fees being paid are representative of the industry, noting that the fee paid to design consultants is typically 6%. AVP Minaai said that his office can provide a summary of projects, and that they are cognizant that the fees being paid meet a cost-reasonableness test.

Regent Rasmussen asked about the total amount of the accumulated deferred maintenance projects. AVP Minaai responded that it is about \$450 million, and is always growing. Its size is a function of funding support from the Legislature.

Regent Gee asked if the Bilger construction for the air conditioning system would help with energy efficiency. AVP Minaai answered affirmatively. Chancellor Hinshaw added that by replacing old mechanical air conditioning systems, UH Mānoa has reduced its energy consumption by 7%.

Vice Chair Lee asked if UH did a cost analysis of the savings. AVP Minaai said that there are positive savings, but no specific amounts.

With a motion on the floor, the Regents unanimously approved the Capital Improvements Program and Repairs and Maintenance Project Contracts for Fiscal Year 2011-2012.

Approval of Tuition Schedule Proposal to Reduce Summer 2012 Rates and Delegate Authority to Set Summer Rates

Executive Vice President for Academic Affairs/Provost, Linda Johnsrud, requested approval to keep tuition rates at nine of the campuses (sans UH Mānoa) for Summer 2012 at the same level as Summer 2011 rates (which were reduced in 2011 to match the 2010 Summer rate). This effort supports the Hawai'i Graduation Initiative by incentivizing students to take additional credits in the summer sessions. Historically, summer rates across the System were tied to UH Mānoa's summer undergraduate

rates. EVP Johnsrud also requested approval to delegate the setting of summer school tuition to the President, to work quickly to adjust the rates. The delegation is based on the condition that summer rate increases are capped at the rate of increase of the academic year immediately preceding summer within a respective tuition category. UH does not receive direct state support for summer school.

Upon inquiry from Regent Rasmussen, EVP Johnsrud explained that UH Mānoa's summer school tuition cost is the same as during the Fall and Spring semesters. At the other nine campuses, summer school is currently more expensive than the other terms. It thus resulted in a decrease in enrollment in the summer. Last summer, when the Regents approved a decrease in summer school tuition, enrollment increased by 2% for residents and 7% for nonresidents. The Chancellors agreed to hold tuition at the 2011 rates to determine if UH can get more students to attend summer sessions.

Regent Gee asked if setting the resident and nonresident rates the same was a break for nonresidents. EVP Johnsrud answered that traditionally at UH Mānoa, the resident rate was afforded to nonresidents because it could be done on a break-even basis, and UH was trying to attract nonresidents to stay over the summer. William Chismar, the Interim Associate Dean of the Outreach College, was charged by Chancellor Hinshaw to take a look at the Outreach College in its entirety, including summer school.

Regent Matayoshi asked about the overall fiscal impact, and whether a rise in attendance would help to cover the costs. EVP Johnsrud said that is what UH is hoping will happen. The Chancellors believe that they will maintain revenue by an increase in students attending summer school. That is a reason why UH would like to delegate the setting of the summer school tuition to the President, so that UH can quickly adjust the rates every summer by looking at the previous summer. It makes a difference for the campuses to know, because the more classes that they place on their schedules, the more likely it is to increase student enrollment. Summer revenues and attendance have not been analyzed previously because they were a derivative of the regular schedule. Chancellors are much more cognizant now of the need for more summer school courses to produce additional revenues. President Greenwood added that a big UH objective is the Hawai'i Graduation Initiative, and a big push is coming to educate students and their families about "15 To Finish" and how much savings they can amass by taking 15 credits a semester, along with summer school classes.

Regent Matayoshi applauded the effort, but if the Regents approved delegating the authority to the President to set the summer school rates, she would like to see a report on whether maintaining the cost of summer school courses at the 2011 rates does increase the head count. Otherwise, UH would be losing revenue if summer school enrollment doesn't increase. President Greenwood agreed to provide an annual report to the Regents. EVP Johnsrud added that every Chancellor is monitoring summer school enrollment, because every dollar that they make is being used for programs during the regular school year.

Regent Holzman said that he would like to see the UH Mānoa resident rate for summer school tuition drop as well, to increase the enrollment in summer school. EVP

Johnsrud replied that the Outreach College's Associate Dean Chismar is looking into it. Regent Holzman asked for a rationale for the resident summer rates at UH Mānoa. EVP Johnsrud said that Chismar is looking into the rates, because if they are the same as the regular school year, it does not incentivize students to take summer courses if they have other options such as working. Chancellor Hinshaw added that UH Mānoa has two new programs for the summer: 1) Attempt to get freshmen to take summer courses; and 2) Working on financial aid for the summer.

Regent Rasmussen said that it is important to find the balance so that students don't change their behavior depending on the rates. EVP Johnsrud said that UH was unintentionally creating a disincentive to attend summer school previously. The request is intended to rectify that situation.

Regent Hirota asked about a facility utilization study. EVP Johnsrud said that housing tends to be an issue during the summer because there are special events in the summer.

Regent Matayoshi asked if classes were consolidated into fewer buildings to save on energy costs. VP Morton said that UH does consolidate its classes.

Upon inquiry from Regent Mizuno, EVP Johnsrud clarified that she is requesting approval to lower the rates for the non-UH Mānoa campuses so that the rates revert back to the 2011 rates (which are actually 2010 rates, as the Regents gave approval in 2011 to keep the summer school rates at the 2010 cost).

Regent Dahilig moved, and Regent Rasmussen seconded the motion, to approve the Tuition Schedule Proposal to Reduce Summer 2012 Rates and Delegate Authority to Set Summer Rates, which was approved unanimously.

Acceptance of the University of Hawai'i Financial and Compliance Audit Reports for the Year Ended June 30, 2011 including the Audited Consolidated Financial Statements for the Years Ended June 30, 2011 and 2010

Vice President for Budget and Finance/Chief Financial Officer, Howard Todo, explained the Financial and Compliance Audit Reports, which are performed annually. He thanked auditors Accuity LLP, as well as UH Controller Paul Kobayashi, for the timeliness of the audit. He went on to provide some of the highlights of the report, including:

- Schedule of Expenditures of Federal Awards. UH's total expenditures of Federal Awards were \$589 million.
- Schedule of Findings and Questioned Costs. For the Financial Statements, the type of auditor's report issued was unqualified. Also, in regard to internal control over financial reporting, there were no material weaknesses identified, no significant deficiencies identified that are not considered to be material weaknesses, and no noncompliance material to financial statements noted. For Federal Awards, in regard to internal control over major programs, there were no material weaknesses identified, nor significant deficiencies identified that are not

considered to be material weaknesses. Also, the type of auditor's report issued on compliance for major programs was unqualified. However, there were audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a) (VP Todo noted that there are no materiality thresholds).

- The document also includes UH's corrective action responses, in which UH agreed with the auditor's findings, and has planned corrective action.

Regent Holzman asked if UCERA was not included in these reports, and VP Todo answered affirmatively.

- **Management's Discussion and Analysis. Current Assets and Liabilities.** VP Todo pointed out the statement that reads: "At June 30, 2011, 2010, and 2009, working capital amounted to \$287.6 million, \$205.5 million and \$150.9 million, respectively. The University is working toward maintaining a prudent level of working capital to fund operations, including pre-funding its approximately \$500 million in extramural grants, which are on a cost reimbursement basis, and dealing with increasing enrollment, and to provide for uncertainties such as possible cuts to federal programs and the impact of the economic situation in Europe. Based on the \$1.435 billion of operating expenses for the fiscal year ended June 30, 2011, the working capital at year end represents approximately 73 days of operating funds." VP Todo noted that a statistic published by Moody's Investor Service, for UH's category (AA), said that the median cash reserve on hand is 114 days by other institutions in that category.
- **Consolidated Statements of Net Assets.** VP Todo noted that a lot of the cash is in operating investments, and there are a lot of liabilities that go along with that. However, what is good is that UH's total net assets continue to increase (\$1.8 billion in 2010, \$1.9 billion in 2011).
- **Consolidated Statements of Revenue, Expenses and Changes in Net Assets.** Operating Revenues continue to increase, because of increases in tuition and fees, as well as federal appropriations, grants, and contracts. Nonoperating revenues continue to decline, mainly due to the decline in state appropriations. Overall, net assets increased to \$1.39698 billion in 2011, from \$1.25889 billion in 2010.

Regent Gee asked about the statistic regarding working capital. What should UH be doing to change the discrepancy between the 73 days of operating funds that UH currently has, as opposed to the 114 days that Moody's recommends? VP Todo said that the priority is to prevent the Legislature from taking those funds. President Greenwood said that the Moody's recommendation was helpful, because UH has tried to make the argument that UH needs to have 3-6 months of working capital.

Regent Sullivan asked if the UH Administration would be willing to come to the Board with reasonable parameters to set a target in Board policy regarding cash reserves. President Greenwood agreed, adding that the information from Moody's helps to establish a baseline. The Committee on Budget and Finance would help to establish the policy.

Regent Holzman said that it is a good idea, and asked that the Administration provide alternatives for the Regents to review. VP Todo said that the Administration would provide additional data.

Regent Rasmussen also liked the idea, and added that UH should include in the policy statement the justifications of the amount of the cash reserves.

Vice Chair Carlson said that Committee on University Audits met and reviewed the University of Hawai'i Financial and Compliance Audit Reports for the Year Ended June 30, 2011 including the Audited Consolidated Financial Statements for the Years Ended June 30, 2011 and 2010. The Committee vetted the financial statements and reviewed the compliance issues with Vice President Todo. The committee voted unanimously to recommend that the Board of Regents accept the University of Hawai'i Financial and Compliance Audit Reports for the Year Ended June 30, 2011 including the Audited Consolidated Financial Statements for the Years Ended June 30, 2011 and 2010.

Vice Chair Carlson moved to accept the Reports. Regent Hirota seconded the motion, and the Regents unanimously approved the Acceptance of the University of Hawai'i Financial and Compliance Audit Reports for the Year Ended June 30, 2011 including the Audited Consolidated Financial Statements for the Years Ended June 30, 2011 and 2010.

Approval of Supplemental Resolution Authorizing the Issuance of Not to Exceed \$9,600,000 Principal Amount of Revenue Bonds, Series 2012A (R)

VP Todo said that UH is requesting approval to move forward with a re-funding of existing bonds. He compared it to re-financing the mortgage on a home to take advantage of lower interest rates. UH would have liked to re-fund the bonds earlier, but was constricted because the bond document required a certain time period before re-funding the bonds. VP Todo thanked underwriter and senior manager Bank of America/Merrill Lynch, which was being represented by Frank Lauterbur, the managing director.

The bonds are not an obligation of the State, and UH needs the Governor's approval to move forward with revenue bond issuances, which he has already done.

As shown in Exhibit A of the attachments to the action memo, as a result of the re-funding, UH is looking at \$745,000 in savings, which is an average annual savings of \$96,000, as of January 3, 2012. Additionally, there is \$70,000 in savings, because the current bond requires an annual audit of the bond system. VP Todo pointed out the underwriter's fees (\$168,396.91) and bond counsel fees (\$155,000.00), but added that even with those costs, UH still saves the previously noted amount of \$745,000.

Lauterbur said that it is a relatively small transaction, but the benefits are significant. The bonds are fairly short, and produce a lot of savings.

Regent Gee said that it makes sense to re-fund the bonds, but asked about the current discount rate used for present value calculations. Lauterbur said that they are using the true interest cost on the bonds, or 2.00%.

Regent Sullivan asked about the meaning of the section in the Official Statement of the Board of Regents, titled "Against Sale or Other Disposition," which reads: "Board agreed not to sell, lease or otherwise dispose of all or substantially all of the properties constituting the Network." VP Todo explained that any property that is built with these funds and is securing the funds cannot be sold. Lauterbur added that the projects that were financed by tax-exempt bonds (there are some other tax issues involved as well) can't be used for private use and sold for other reasons. It adds further restrictions. If you finance a revenue-producing entity such as student housing, then from an investor's standpoint, it is important that you maintain that asset and continue to realize revenue that is gained from that project. Regent Sullivan asked if there would be an issue with UH selling undeveloped land. VP Todo said not as a result of this issuance. Regent Sullivan asked if the Network referred to any bond-financed projects. VP Todo said that UH created a Network that leveraged all of its assets. Most, but not all, of the bond system projects were funded by revenue bonds. UH tried to pick revenue-producing projects that would support revenue bonds.

Regent de la Peña moved to approve the motion.

After inquiry from Regent Gee, VP Todo clarified that UH is requesting approval of the Supplemental Bond Resolution, and to delegate authority to VP Todo, Chair Martinson, President Greenwood, and Secretary Amemiya to take whatever action is necessary to execute documents to consummate the bond sale.

Regent Gee said that he has no problem approving the resolution; however, he requested a report on any action taken. VP Todo agreed.

After Regent Gee seconded the motion, the Regents unanimously approved the Supplemental Resolution Authorizing the Issuance of Not to Exceed \$9,600,000 Principal Amount of Revenue Bonds, Series 2012A (R), as well as delegating authority to VP Todo, Chair Martinson, President Greenwood, and Secretary Amemiya to take whatever action is necessary to execute documents to consummate the bond sale.

VP Todo noted that Vice Chair Carlson would be travelling to San Francisco with the UH Administration to make a presentation to the bond rating agencies in late January.

University of Hawai'i at Hilo

Approval in Principle of 2011-2015 Strategic Plan

UH Hilo Chancellor Donald Straney presented the campus's Strategic Plan. The planning process ran from April 2010 to May 2011, and was a highly collaborative and consultative approach to strategic plan development. The plan reflects the main views, values, and desires of UH Hilo's stakeholders, and is an ongoing process for implementation.

UH Hilo consulted with the community by online survey and 31 “listening tour” face-to-face sessions. A Strategic Planning Community consisted of 18 members from the faculty and staff, students, and the community. The first step was to develop a statement of mission and vision, which was presented in town-hall sessions. The mission and vision statements were refined. Then, specific goals and actions were developed to allow the campus realize the mission and vision, which was again vetted in town hall sessions and revised. The Faculty Congress, Hanakahi Council, and UH Hilo Student Association, as well as individual faculty, staff, and students, endorsed the strategic plan.

UH Hilo’s Mission states: “The purpose of our university ‘ohana/family is to challenge students to reach their highest level of academic achievement by inspiring learning, discovery, and creativity inside and outside the classroom. Our kuleana/responsibility is to improve the quality of life of the people of Hawai’i, the Pacific region, and the world.”

UH Hilo’s Vision for 2020: “We will be acclaimed as a university community that works together across disciplines and diverse perspectives to prepare student scholars to thrive, compete, innovate and lead in their professional and personal lives. We will engage every student in applied learning that links theory with practice, connects to the distinctive natural and cultural environments of Hawai’i, and promotes skilled participation in a global society.”

UH Hilo is:

- Comprehensive portfolio of distinguished undergraduate programs complemented by select graduate and professional degrees.
- Excellence in higher education and learning with *aloha*.
- Inspire students to explore, investigate and discover through innovation, creativity and critical thinking.
- Seek to reflect Hawai’i – it’s people, cultures and natural environment
- Embrace our responsibility to serve the indigenous people of Hawai’i and support the Hawaiian language.

What UH Hilo Stands for:

- Access to education
- Learning from many sources
- Excellence in teaching and scholarship
- Student-faculty interaction
- Diversity and cultural infusion
- Stewardship of the natural and cultural environment
- Community partnerships and economic impact

Goals and Actions Overview:

- Goal 1: Student learning experiences and support
- Goal 2: Excellence in teaching, research and collaboration
- Goal 3: A vibrant and sustainable environment
- Goal 4: A diverse, multicultural university
- Goal 5: Impact on the community, island and state
- Goal 6: Organizational excellence

Chancellor Straney discussed how the UH Hilo Strategic Plan would fit with UH System Initiatives and UH System Strategic Outcomes.

In regard to implementation and review, UH Hilo developed unit implementation plans (continuing process of collaboration, five major units of UH Hilo will submit implementation plans by June 2012); progress indicators, and a system for monitoring and reviewing.

Chancellor Straney displayed a Wordle picture, which is a graphic that shows the frequency of words within a text, which impressed the Regents.

Community member Barry Mark then spoke in support of UH Hilo's strategic plan and the importance of the community's involvement in shaping the outcomes of the strategic plan. The process employed to develop the strategic plan as applied to the community-centric based input actively encouraged and sought feedback from the community groups with long-established ties. The community stands ready to dig as deep as necessary to support its university and the generations to come.

Robin Taniguchi, a student at UH Hilo, also spoke in support of UH Hilo's strategic plan. She said that the UH Hilo Student Association wrote a letter in support, which was submitted with the plan.

Regent Ota said that she was impressed with the submission and its focused action items, with a good bottom-up approach with the departments as well.

Regent Matayoshi said that she is a proponent of applied learning and an integrated approach between teaching and research. She asked how many students have applied learning opportunities. Chancellor Straney said that a number of majors already have a practical learning requirement. He will get the exact numbers to the Regents.

Vice Chair Carlson noted that the Wordle picture would make an excellent logo. He added that he was impressed with the endorsements from The Faculty Congress, Hanakahi Council, and UH Hilo Student Association.

Regent Mizuno commented on the participation of Barry Mark, and the time he dedicated to the process. The result is a great product.

Regent Gee echoed the sentiments by the other Regents that commended UH Hilo on its strong plan that supports the mission statement. However, he was looking for

more information on how UH Hilo would stand out among the crowd. He then asked why so little emphasis was given to research. Chancellor Straney said that research is given equal play to instruction; however, at universities like UH Hilo, research is a way that professors lead students into the field individually and directly. In regard to how UH Hilo would stand out, Chancellor Straney said that UH Hilo is a practical university that focuses on how discoveries are used as opposed to how discoveries are made in some purely research and creative aspects. As a practical university, UH Hilo will make its mark by the impact it has at home; how it takes discoveries and brings them into the community, island, and state.

Regent Holzman said that the strategic plan is a great one, and he also likes the Wordle graphic. He asked about that the focus on the international component of the plan. Strategic goal No. 4 implies an international strategy, but there is no clear statement regarding reaching out across the ocean. He would like to see something addressing outreach internationally. Chancellor Straney said that the mission statement does call out UH Hilo's responsibility to enhance the quality of life in the Pacific Region as a whole. He will take the message back that the implementation plans need to reflect a mission for stronger international outreach.

Regent Hirota said that it concerns him that there is "no additional cost" noted in the action memo. He would like to see a business plan with ballpark costs. Chancellor Straney said that when he spoke to the individual units and colleges about their implementation plans, he made it clear that the money would be repurposed funds that reflect a balancing of the budget. President Greenwood said that the request did not imply that UH Hilo's budget would not increase over time. The performance funding that UH is requesting from the Legislature would presumably enhance the ability to drive toward UH Hilo's objectives.

Regent de la Peña pointed out the fine job that the College of Hawaiian Language did in translating the plan into the Hawaiian language.

Regent de la Peña moved and Regent Rasmussen seconded the motion to approve in Principle the UH Hilo 2011-2015 Strategic Plan, which was unanimously approved.

VIII. EXECUTIVE SESSION

Upon motion by Regent de la Peña and second by Regent Matayoshi, the Board unanimously approved convening in executive session, pursuant to HRS §92-5(a)(2)(3)(4). The Board convened in executive session at 12:47 p.m. and reconvened in public session at 3:59 p.m., following a motion to come out of executive session by Vice Chair Carlson and second by Regent Gee, which was unanimously approved.

Regents Hirota and Matayoshi departed the meeting before executive session adjourned.

IX. PERSONNEL ACTIONS

Regent Dahilig moved and Regent de la Peña seconded the approval of Attachment B-1.

Regent Williams said that in regard to the testimony submitted by student Tom Robinson, of the Graduate Student Organization, which expressed concerns over graduate assistantships, he would like to recommend that the Committee on Academic Affairs or EVP Johnsrud look into his concerns, specifically regarding the amount of graduate assistantships and the amount of money being utilized for them. Vice Chair Lee said that Regent Williams' request was noted and that he would pass it along to Chair Martinson.

With a motion on the floor, the Regents unanimously approved Attachment B-1. Note: Regents Hirota and Matayoshi were absent for the vote.

X. ANNOUNCEMENTS

Vice Chair Lee announced that the next Board of Regents Meeting would be on February 23, 2012, at Windward Community College.

XI. ADJOURNMENT

There being no further business, on the motion of Regent Rasmussen and second by Regent Mizuno, and with unanimous approval, the meeting was adjourned at 4:05 p.m.

Respectfully Submitted,



Keith Y. Amemiya, Esq.
Executive Administrator and
Secretary of the Board of Regents