

MINUTES
BOARD OF REGENTS MEETING

APRIL 19, 2018

I. CALL TO ORDER

Acting Chair Ben Kudo called the meeting to order at 9:31 a.m. on Thursday, April 19, 2018, at Honolulu Community College, Norman W.H. Loui Conference Center, Building 2, Room 201, 874 Dillingham Blvd., Honolulu, Hawai'i 96817.

Quorum (11): Acting Chair Ben Kudo; Vice Chair Randy Moore; Regent Eugene Bal; Regent Brandon Marc Higa; Regent Wayne Higaki; Regent Michael McEnerney; Regent Lee Putnam; Regent Douglas Shinsato; Regent Michelle Tagorda; Regent Ernest Wilson Jr.; and Regent Stanford Yuen.

Excused (3): Chair Jan Sullivan; Regent Simeon Acoba; and Regent Jeffrey Portnoy.

Others in attendance: President/Interim UH-Mānoa (UHM) Chancellor David Lassner; Vice President for Administration Jan Gouveia; Vice President for Community Colleges John Morton; Vice President for Legal Affairs/University General Counsel Carrie Okinaga; Vice President for Academic Planning & Policy Donald Straney; Vice President for Budget & Finance/Chief Financial Officer Kalbert Young; Interim UH-Hilo (UHH) Chancellor Marcia Sakai; UH-West O'ahu (UHWO) Chancellor Maenette Benham; Executive Administrator and Secretary to the Board of Regents Kendra Oishi; and others as noted.

II. PUBLIC COMMENT PERIOD

Executive Administrator and Secretary to the Board Kendra Oishi announced that the Board Office received written testimony from Christine Sorensen Irvine, Chair of UHM Faculty Senate Executive Committee (UHMFSEC) and Nani Azman, Academic Senate Chair of UH Maui College (UHMC) offering comments related to shared governance.

The following provided oral testimony:

1. Christine Sorensen Irvine, Chair of UHMFSEC, provided oral testimony summarizing her late written testimony thanking Vice Chair Moore for inviting the co-chairs of the All Campus Council of Faculty Senate Chairs (ACCFSC) to the Personnel Affairs & Board Governance Committee discussion regarding shared governance; expressing concerns that the UHM faculty trust in System administration has been seriously broken; inadequate time to review and provide feedback on the proposed merger of Mānoa human resources with System human resources, and providing detailed analysis from an October 2015 assessment of UHM Human Resources functional areas; and the need for early,

open, honest, and continuous communication and genuine consultation on the part of System administration regarding actions that impact UHM.

Questions were raised regarding who prepared the matrix on UHM Human Resources Assessment of Functional Areas, and whether UHM Faculty Senate had taken any action on the assessment. Ms. Irvine explained that matrix was prepared by individuals at UHM in 2015 identifying the areas that made sense to collaborate with System, move to System, or remain functionally at Mānoa. No action was taken on the assessment, it was being provided to show that thoughtful work had been done on this topic that appeared to not be taken into consideration before decisions were made.

2. Nani Azman, Academic Senate Chair of UHMC, provided oral testimony summarizing her written testimony regarding avenues available for faculty to discuss shared governance issues; the relatively functional model of shared governance at UHMC; support of the formalization of a position on the board to interact specifically with faculty; and welcoming regents to attend the August retreat for the ACCFSC.

Board Vice Chair Moore requested that the ACCFSC submit a formal invitation for the August retreat to the board office to coordinate attendance.

III. REPORT OF THE PRESIDENT

President Lassner started by thanking HonCC for hosting the board meeting and then provided a report highlighting the following:

Hawai'i Graduation Initiative (HGI)

- The Debt-Free College Act legislation introduced by U.S. Senator Brian Schatz, that takes a new approach on college affordability that is more in line with the Hawai'i Promise Program. This need-based legislation identifies a state-federal partnership approach through matching grants to address the total cost of attendance (room and board, books and supplies, and other expenses) and allow students to graduate without debt.
- The Hawai'i Promise bill currently in conference at the Legislature enables the program to serve the students at the four-year campuses and administration is optimistic that funding will be received for at least the community college program.
- Moloka'i High School won the Hawai'i P-20 Partnerships for Education's second annual statewide Cash for College Challenge for the Free Application for Federal Student Aid (FAFSA) with 73% of seniors completing the FAFSA and the greatest increase over applications last year of 14.5%.

Hawai'i Innovation Initiative (HII)

- Marjorie Mau, Director of Research at the John A. Burns School of Medicine (JABSOM) Department of Native Hawaiian Health has been named a fellow in the half-century-old Royal College of Physicians.

21st Century Facilities (21CF)

- The EB-5 loan to build the UH West O‘ahu campus was paid off with help from a legislative CIP appropriation that enabled UH to pay off the balance. This means an additional \$2 million in operational funding is available to support students rather than paying off the loan.
- Kelvin Ro, award winning chef and owner of Diamond Head Market and Grill pledged \$1 million donation to support the Culinary Institute of the Pacific, which helped UH reach the Phase IIa fundraising goal of \$5 million in private support needed so the state would release the first \$10 million of a total \$20 million state appropriation. The Phase IIa money will be used to contract a teaching facility on the site of the old Cannon Club and a single structure housing two advanced teaching labs. Phase IIb fundraising is underway, and approximately \$1.5 million of the fundraising goal of \$5 million in private support has been raised to date.
- Kiewit Building Group and Next Design LLC were selected as the design-build team for the \$32 million UH West O‘ahu Creative Media facility, which is scheduled to be completed in fall 2020.

High Performance Mission-Driven System (HPMS)

- The university’s international “Make the Ala Wai Awesome” Student Design Challenge was open to students of all ages and recognized student groups for creative ideas to on how to address critical urban watershed and island issues. These ideas are being resurrected by a new Ala Wai collaboration looking at how the federal, state, and local government can address the issues in a holistic manner. Two UHM alumni from the Philippines requested to use the collateral materials for the challenge and utilize them for to start a similar student challenge in their community to address challenges of a regularly erupting volcano.

President Lassner ended his report by announcing the UH nominees for the annual Governor’s Awards for Distinguished State Service, including: UH Nominee for Employee of the Year Shannon Oshiro, UHM Administrative Services Manager; UH Nominee for Manager of the Year Joni Onishi, Hawai‘i Community College Vice Chancellor for Academic Affairs; and UH Nominees for Team of the Year was the UH System Office of Human Resources and Office of Systems Integration team of Jan Gouveia, Donna Kiyosaki, Katherine Wong-Nakamura, Diane Ho, Brenda Shin, Clifford Shinchi, Donna Bulosan, Krysti Uranaka, Diana Hamasaki, Donna Matsumura, Victoria Moore, and Mikayla Muranaka.

Report of the Host Campus

HonCC Interim Vice Chancellor for Academic Affairs (IVCAA) Karen Lee welcomed everyone and provided a progress report and demographic information on enrollment of credit students and average credit load for fall 2017; performance funding for FY 2018; apprenticeship programs model, enrollment, and wage schedule examples, including information on the apprenticeship contract with Pearl Harbor. IVCAA Lee noted that this past year was the first time HonCC met all of its goals and was able to receive UH Community College System performance funding. HonCC met the majority of the UH

System performance funding goals except for transfers to UH 4-year institutions and IPEDS success rate.

Director of the Pacific Center for Advance Technology Training (PCATT) and Continuing Education Steve Auerbach provided information on efforts on non-credit high school outreach including summer STEM academies that expose students to the campus, and provide them opportunities to learn about different programs and meet fellow students and faculty; continuing education programs and enrollment; and IT apprenticeship program expansion including the American Apprenticeship Initiative Grant and Amazon Web Services Data Center Technician Apprenticeship Training.

HonCC Faculty Senate Chair Chris Ann Moore provided information on behalf of the Career and Technical Education faculty that the success of their programs is measured in jobs as opposed to degrees or certificates. They provide vocational rehabilitation services for the disabled, career adults, and adults changing careers. Ms. Moore shared examples of students who took only a few semesters of classes and went on to well-paying jobs. She also provided information on behalf of university college program faculty which consists of Hawaiian studies, liberal arts, natural sciences, early admit program, and a small percentage of unclassified students. She indicated that 25% of students enrolled in credit programs have historically and consistently been enrolled in the university college program, with 40% coming from the area immediately surrounding the campus. Students being served by HonCC are choosing to do so because the campus is in their community, and are unable or unwilling to go to campuses farther outside their community.

Questions were raised regarding the reason for the decline in enrollment between FY16 and FY17 for trades, early childhood education, and advanced technology programs; high stakes testing; whether anything could be done about the discrepancy between male and female enrollees in apprenticeship programs; and clarification on whether enrollment counts included apprenticeship and non-credit students.

Mr. Auerbach explained that the decline in enrollment was due to a restructuring of new programs in the advanced technology programs; due to the seasonal approach in early childhood education; and due to an anomaly in trades programs. IVCAA Lee indicated that HonCC does not directly recruit students into the apprenticeship program. Students are recruited through apprenticeship agreements, and the fields are traditionally male-dominated. The credit programs are still weighted towards males, but have more even enrollment between males and females than the apprenticeship programs. She clarified that apprenticeship and non-credit students were not included in the official enrollment numbers.

IV. UPDATE FROM UNIVERSITY OF HAWAI'I STUDENT CAUCUS

This presentation from UH Student Caucus (UHSC) was deferred due to a scheduling conflict. Chair Kudo requested that Regent Higa provide a short report on his student engagement activities instead. Regent Higa recognized HonCC student Christopher Rallustian, who was instrumental in activating HonCC student government and attended the most recent UHSC meeting on Maui, the first time HonCC had

representation. He explained that UHSC is the official governing body of the 10 campuses, representing over 50,000 students throughout the UH System. He provided some background and history on UHSC and its relationship with the board. This year UHSC focused on the four priority areas of open educational resources, mental health, transportation, and affordability. Each campus provides an update at the monthly meetings, which is a great way of keeping everyone informed.

The UHSC has also been active with legislative lobbying, including testifying in strong opposition to Senate Bill 2319 which sought to amend the composition and term length of members of the Board of Regents, citing concerns regarding eliminating the opportunity for students to serve. UHSC has been very active in providing the student perspective on the future direction of UH. Regent Higa has attended the monthly UHSC meetings and has shared ways for students to testify and engage with the board. The relationship has been very productive. New UHSC delegates will be selected next month; training will take place over the summer and recruitment will begin soon for a permanent UHSC advisor.

Regent Higa thanked VP Straney and Interim Associate VP of Student Affairs Hae Okimoto for keeping the relationship active and inviting him to the meetings.

V. COMMITTEE & AFFILIATE REPORTS

A. Report from the Committee on Independent Audit

Committee Chair McEnerney summarized the committee report. No additional comments or questions from the board were raised.

B. Report from the Committee on Personnel Affairs & Board Governance

Committee Chair Moore thanked Regent Higa for his excellent work with the UHSC and building upon the work Regent Tagorda was first challenged with. He also recognized the HonCC students for organizing themselves and meeting with regents this morning. He summarized the committee report. No additional comments or questions from the board were raised.

C. Report from the Committee on Planning and Facilities

Committee Chair Yuen summarized the committee report. No additional comments or questions from the board were raised.

D. Affiliate Reports

Mauna Kea Management Board (MKMB): Greg Chun, Chair of the MKMB, was invited to speak about the ranger reports. Dr. Chun explained the ranger reports are received weekly and cover public access issues (e.g., number of vehicles that go the summit, commercial tour activities, incidences involving visitors that rangers need to respond to, etc.). The Office of Maunakea Management worked closely with the Department of Land and Natural Resources to bring an action in front of the Board of Land and Natural Resources in January 2018 against two unpermitted tour operators, both of which were cited and fined. Since then, there has been a notable trend in the decrease of unpermitted tour activities on

the mountain, although access to the mountain remains high. There are occasional incidences requiring police reports. Regent Higaki added that for March there was at least one week where the road was closed due to inclement weather, yet over 1,200 vehicles still ascended the mountain.

Questions were raised regarding who is responsible for treating visitors who experience altitude sickness, and whether any consideration was being given to limiting the number of tourists or types of vehicles accessing the mountain.

Dr. Chun explained that tour operators are responsible for their guests and work closely with rangers when there is an incident. Rangers assist members of the general public. Rangers bring visitors down the mountain, make sure they acclimate appropriately, and occasionally call first responders. There is a close relationship with Pohakuloa Training Area, who are often the first responders. Rangers have oxygen and defibrillator equipment and received CPR training. Regent Higaki noted that hikers get in more trouble than other visitors, so they are required to check in and are provided with warnings and information on the cultural significance and aspects of the mountain. Dr. Chun indicated that draft Hawai'i Administrative Rules will be coming before the board in June that will allow MKMB to implement systems regarding access to the mountain. No additional questions from the board were raised.

VI. ITEMS FOR DISCUSSION & APPROVAL

A. Consent Agenda

1. Minutes of the March 22, 2018 Meeting

Regent McEnerney moved to approve the consent agenda, seconded by Regent Wilson, and the motion carried unanimously.

B. Approval of Selection of External Auditor and Delegation of Authority to the President

VP Young explained that this information had been reviewed by the Committee on Independent Audit. He provided information regarding the procurement process for the selection of the auditor; the External Audit Services Selection Committee; proposals received; selection criteria; selection results; background information on Accuity LLP, the selected bidder; auditor rotation; the approval request; and the scope of external audit services and estimated costs. He noted that the External Audit Services Selection Committee is recommending Accuity LLP to perform the UH external audit services for the remainder of the current fiscal year and the next two fiscal years, with the option to extend for one year.

Regent McEnerney moved to approve the selection of Accuity LLP as the external auditor and authorize the president or his designee to negotiate the contract, conditioned upon Accuity LLP rotating the lead auditor off effective fiscal year 2019 and for the balance of the contract, seconded by Board Vice Chair Moore.

Questions were raised regarding whether Accuity LLP participated in a peer review process and the genesis of the best management practice to change the lead auditor or audit firm every few years.

Cory Kubota of Accuity LLP explained the firm is registered with the American Institute of Certified Public Accountants (AICPA) National Peer Review Committee, and are peer reviewed by an independent, third-party firm every three years. Accuity LLP is also registered with the Public Company Accounting Oversight Board (PCAOB), the highest level of federal regulatory oversight, and is inspected by PCAOB not less than every five years.

The best management practice of rotating the lead auditor or audit firm originated from the Sarbanes-Oxley Act, which is a federal requirement for public companies to rotate the lead auditor every five years. There is no regulatory or statutory requirement in the United States for rotation beyond that, but many audit firms adopt a lead auditor rotation policy because it is good to have fresh eyes looking at the audit approach strategy and mitigate the potential for auditor bias.

Chair Kudo noted the difficulty audit firms face because they are paid by the companies they audit, which can be challenging if there are negative findings.

Regent McEnerney explained that there are several problems with rotating off the lead auditor in a situation like this, which is why the Committee on Independent Audit has requested the Permitted Interaction Group to meet with the auditor separately from management to ensure management is fully cooperating with the auditor. It is very difficult to find a Hawai'i-based audit firm with experience in higher education to take over from Accuity LLP, which is one of the reasons the decision was made not to pursue other audit firms, particularly because there was satisfaction with the level of services being provided by Accuity LLP.

The committee recognized the potential for conflict and tendency for auditors to be softer on management when the relationship has been going on for years, so the committee will continue to monitor the situation. Chair Kudo added that another mitigation of that potential challenge is in both statute and practice, where the board, as opposed to university administration, hires the auditor pursuant to the recommendation of the Committee on Independent Audit, which helps insulate the external auditor from being reluctant to point out issues identified during an audit.

There having been a motion that was moved and seconded, the motion was put to a vote and carried unanimously.

Chair Kudo called for a recess at 11:10 a.m. and the board reconvened at 11:17 a.m.

C. Legislative Update

VP Young provided an update on measures and priority issues that UH is following at the Legislature. He noted that the Legislature started conference committee meetings this week, and the Senate has sent its draft of the budget to the House. The

Senate provided approximately \$4.89 million in general funds above UH's base budget, which is significantly less than the \$16.8 million UH requested. The Senate also reduced \$800,000 from the Office of Maunakea Management and \$5 million from the System UOH900 account for centralized services. In addition, the Senate added \$7.3 million for specific programs and operations for various campuses, many of which were not requested by UH.

UH requested approximately \$269 million in capital improvement project (CIP) funding, and the Senate provided \$93.5 million, but not all funding was for projects included in UH's budget request (e.g., \$11.1 million for athletics), which will most likely end up reducing the amount available for renew, improve, modernize projects or capital renewal and deferred maintenance projects throughout the UH System. The level of funded is far below the previously stated minimum threshold needed to maintain status quo on maintenance and repairs of facilities.

Questions and comments were raised regarding whether the amount for CIP is tied to House Bill 2005 seeking \$100 million revenue bond authority for UH; the impact of House Bill 1585 on the board's resolution requesting a financial management audit of Maunakea activities; and the action the Governor can take regarding the budget passed by the Legislature.

VP Young explained that there is no indication that UH should use revenue bonds to cover the difference in renewal or capital renewal, but UH has previously stated that it was seeking revenue bond capacity to help supplement in these areas, but only to the extent there is revenue to support. No specific projects have been identified and the Legislature has not specifically appropriated any revenue bonds to any projects in the budget. Everything in the budget is general obligation bond funded. If House Bill 2005 passes then UH would have that available to cover capital funding needs.

House Bill 1585 requires the State Auditor to conduct a financial, performance, and management audit of UH's activities related to Maunakea, and if this measure passes it does not mean the board's financial management audit of Maunakea activities is unnecessary. UH's has communicated to the Legislature that the regents have adopted a resolution requesting an audit that would help avoid the need for duplicative efforts by the Legislature. Regent McEnerney indicated that preliminary work had been done on the audit and have discovered there is a lot of uncertainty as to what is happening at the System level regarding Maunakea, so he strongly recommends moving forward with the audit to provide better understanding.

VP Young explained that the Governor has line item veto authority on the budget and can reduce the amounts, but cannot change or eliminate the wording of appropriations.

D. Approval of Dean Emeritus Recommendation for Donald B. Young, Jr.

President Lassner explained that Don Young, who recently retired, had been an exemplary faculty member and administrator for over 40 years. His faculty requested that he be named dean emeritus as a sign of their esteem for him and his service.

Designation of emeritus status in accord with board policy was previously delegated to the president, but the dean emeritus title is not provided for in board policy and as such is before the board to approve as an exception. Regent Wilson moved to approve the award of dean emeritus status to Dean Donald B. Young, Jr. of the College of Education, UHM, seconded by Regent Higaki, and the motion carried unanimously.

VII. EXECUTIVE SESSION

Upon motion by Regent Wilson, seconded by Board Vice Chair Moore, the board unanimously approved convening in executive session to consult with the board's attorneys on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities, pursuant to Section 92-5(a)(4), Hawai'i Revised Statutes (HRS). The board convened in executive session at 11:52 a.m. Following a motion to come out of executive session by Regent Wilson, seconded by Board Vice Chair Moore, which was carried unanimously, the executive session was adjourned at 12:55 p.m.

The meeting reconvened at 12:59 p.m. Chair Kudo stated that the board went into executive session to consult with the board's attorneys to discuss matters as indicated on the agenda.

VIII. ANNOUNCEMENTS

Chair Kudo announced the next board meeting is June 7, 2018 at the University of Hawai'i Cancer Center.

IX. ADJOURNMENT

There being no further business, Regent Wilson moved to adjourn, and Board Vice Chair Moore seconded, and with unanimous approval, the meeting was adjourned at 1:00 p.m.

Respectfully Submitted,

/S/

Kendra Oishi
Executive Administrator and Secretary
to the Board of Regents