MINUTES

BOARD OF REGENTS’ JOINT MEETING OF THE
COMMITTEES ON PLANNING AND FACILITIES
AND COMMUNITY COLLEGES

JANUARY 22, 2014

I. CALL TO ORDER

Committee on Planning and Facilities Chair, Barry Mizuno, called the meeting to order at 2:47 p.m. on Wednesday, January 22, 2014, at University of Hawai‘i, Kaua‘i Community College, Office of Continuing Education & Training (OCET) Room 106 C&D, 3-1901 Kaumualii Highway, Līhu‘e, HI 96766.

Committee members in attendance: Committee on Planning and Facilities Chair, Barry Mizuno; Committee on Planning and Facilities Vice Chair, Jan Sullivan; Committee on Community Colleges Chair Saedene Ota; Committee on Community Colleges Vice Chair Tom Shigemoto, Carl Carlson, Benjamin Kudo, Eugene Bal III, Jeffrey Portnoy.

Committee members excused: John Dean

Others in attendance: Regents’ Vice Chair John Holzman; Interim President David Lassner; Interim Executive Vice President for Academic Affairs Joanne Itano; Vice President for Community Colleges John Morton, PhD; UH Community Colleges Associate Vice President for Administrative Affairs Michael Unebasami; Vice President for Budget and Finance/Chief Financial Officer Howard Todo; Kaua‘i Community College Chancellor Helen Cox, Leeward Community College Chancellor Manuel Cabral; UH Maui College Chancellor Clyde Sakamoto; Honolulu Community College Chancellor Erika Lacro; University of Hawai‘i at Hilo Donald Straney; Hawai‘i Community College Chancellor Noreen Yamane; Secretary to the Board Cynthia Quinn; and others as noted.

II. APPROVAL OF MINUTES OF FEBRUARY 20, 2013 AND NOVEMBER 22, 2013 MEETINGS

Upon motion by Vice Chair Shigemoto and seconded by Vice Chair Sullivan, the minutes of both the February 20, 2013 and November 22, 2013 meetings were unanimously approved.

III. PUBLIC COMMENT PERIOD

No persons submitted written testimony or signed up to orally testify regarding today’s agenda items.

IV. AGENDA ITEMS

Chair Mizuno welcomed Regent Portnoy to his first committee meeting.

College of Pharmacy Update (For Information Only)
University of Hawai‘i at Hilo (UHH) Chancellor Donald Straney provided an update on the status of the funding request for the College of Pharmacy Building. The college is in its eighth year of educating students; it spent two years in incubation before the first class was admitted, and the fourth class of students will graduate this year. Ninety students are admitted per year. The tuition is $9,500 in-state and $1,700 out-of-state dollars per semester. The budget is $10 million, with $1.3 million from general funds. It is unique in the system, and is the only program where tuition pays a vast majority of the operating systems. Only twelve percent of the college’s budget comes from general funds. This was a decision made by the Board of Regents when the college was established. The college has successfully passed the initial accreditation review, then had a two-year re-review, which is standard for new programs. At that point it was made clear that without dedicated facilities for the college, the accreditors felt that the college was not meeting nation-wide standards and the college would risk its accreditation if the new building was not created. A decision by the accreditors will be made in June. UHH has kept the accreditors apprised of the plans to fund the building.

The building was initially proposed in his first year as chancellor and the proposal had been developed prior to his arrival. It was a three-story, $66 million building, and the Legislature advised that the budget should be cut in half. The budget was cut but the building was not re-designed at that time, but it has since been re-designed. The proposal before the Legislature this year is a two-story building that will be used for instruction in pharmacy and faculty research. UHH is requesting $33 million for the building; 25 general obligation bonds for construction; $3 million for furnishings and equipment; and $5 million in revenue bonds to be paid for by the College’s tuition. Prior to the start of this year’s Legislative session, State Representative Issac Choy, chair of the House of Representatives’ Committee on Higher Education, worked with the College of Pharmacy on an alternative formulation for how the building may be funded. Rep. Choy asked if it is possible to find a set of assumptions under which the college could meet its goals and serve its mission but also pay the entire debt service on the full $33 million for the building out of some form of revenue bonds or loan to be determined. The college worked with him to run scenarios if, in principle, there could be a combination of events that would allow it to happen. They concluded that it could happen, and Rep. Choy introduced a bill that outlined a different model as to how the College of Pharmacy could be structured and could appropriate money through Legislation instead of through the CIP process for the construction of the building.

Chancellor Straney continued with an analysis of different scenarios for the college of Pharmacy. The different scenarios were the full $33 million worth of debt with 30 years of repayment; the college paying the full price of the building from its operating tuition; a 50-50 scenario where the college would pay half of the total cost from debt service; and what is in the Governor’s and the Board’s budget proposal, in which the college would cover $5 million in debt service and the rest is made up with general obligation bonds. The scenarios cover different percentages of interest. The zero percent interest, which is looked at by Rep. Choy and the college, does not seem achievable, but the two to four percent interest represents where the college would end up with revenue bonds and loans. There is a gap between what it would cost to cover the debt service and what the college has to pay for it. Six or seven faculty positions would have to be adjusted to make up the gap. The college would need to make changes in how the college allocates its costs.

An option that has been proposed and has been included in Rep. Choy’s bill, is that the college could be exempted from the requirement that a portion of the tuition go to pay
financial aid. Most of the students in the college take out loans to afford school, so the financial aid for the college is spread throughout the UHH campus as a whole. Compared to other professional programs in the university, such as the John A. Burns School of Medicine or the William S. Richardson School of Law, twelve percent of the college’s budget is general funds, while the other two colleges have up to forty percent. A portion of the pharmacy financial aid might be exempt, such as exempting the financial aid from in-state students and have it go directly to the college budget, and take the appropriate percentage out of out-of-state tuition. It will be necessary for the college to increase its tuition. From a financial point of view, it has to be addressed how much debt service the college can handle.

Regent Bal asked which faculty pool would be adjusted, to which Vice Chancellor for Administrative Affairs Marcia Sakai said that there would be about forty faculty who would be adjusted. Chancellor Straney said that, alternatively, it could come from a reduction of 35% of the tuition set aside for financial aid.

Regents’ Chair Holzman asked how adjusting that amount of faculty would affect accreditation, to which Chancellor Straney said the college would have to adjust its mission. The fourth year of the pharmacy program is taught in a practicum setting with placements in real pharmacies across the state and the mainland, and some of the costs are for faculty in those places to supervise the students. Chancellor Straney added that finding $850,000 to pay for this and keep the accreditation would not be a welcome thing.

Vice Chair Sullivan asked if the operational cost was included in the income after the debt service numbers. Vice Chancellor Sakai said that the extra cost for facilities was not budgeted.

Vice Chair Sullivan said that the bill being introduced at the Legislature introduces the concept of privatizing schools at the university. It is a policy issue that the Board should discuss and take a position on. She is completely opposed to privatizing the school as it is contradictory to the mission of the university. When looking at how to analyze this, it is something that needs to be considered carefully. It is setting a precedent.

Chancellor Straney said that the College of Pharmacy is the only UH professional school where privatizing the school could be possible. The amount of general fund support is low relative to the total. It is an idea that is worth exploring, but the College of Pharmacy could pay more of its debt service without setting up a separate administrative structure.

Regent Portnoy asked what needs to be shown to the accreditation team in June in order to receive extra provisional accreditation. Chancellor Straney said that an appropriation needs to be presented. Interim President Lassner added that a plan for suitable facilities needs to be included.

Regents’ Chair Holzman asked for clarification on where the university stands on the issue. Chancellor Straney is indicating that the numbers for a 50-50 scenario at a four percent interest will be a real struggle and may not be doable. It is not possible without a real fundamental shift in how the university thinks of academic programs at UH.

Regent Portnoy asked if the goal is to have a good College of Pharmacy that is recognized locally and throughout the country or to just survive and have a school that barely makes
accreditation. Chancellor Straney said that the goal is to have a pharmacy school that justifies being named after the late U.S. Senator Daniel Inouye, and to be a good College of Pharmacy that serves the state and Pacific region well.

Chair Mizuno asked if the tuition scholarship totals are considered. Chancellor Straney said, yes, as the annual assessment against the tuition for that year. Chancellor Straney explained that the resulting gap can be used to determine how much can be forgiven to permit the debt service as opposed to reducing expenses for operating and personnel.

Chair Mizuno asked if having a building under the Governor’s and Regents’ scenario meant that scholarships would not be awarded. Chancellor Straney said that the plan awards scholarships as required by Board policy. It adds an additional burden on the college that, with the debt service, yields a gap of what is indicated. When the tuition assessment is added on top of everything else, that is how much is short.

Interim President Lassner said that, using this example, the university is short $166,000 in that situation. There are other options and variables, such as this assumes some flexibility with increasing tuition and changing the number of students involved. The percentage is a policy for the UHH campus. There is some discretion there, but he wants to lay all the options out on the table. The dean, who was recruited from a world-class pharmacy school, would like the College of Pharmacy to become a top 25 pharmacy school in the country. This is part of the cost; it is a high performing research unit, with $35 million in grants. Chancellor Straney added that he will be submitting public testimony at the Legislative Committee hearing.

Regent Portnoy asked who is advocating for the Regents’ and the Governor’s plan. Chancellor Straney said that the strongest advocates are Senator Gilbert Kahele, who obtained the funding included in the Senate budget last year, and the entire House Big Island delegation, which consists of Rep. Richard Creagan, Rep. Cindy Evans, Rep. Faye Hanchano, Rep. Nicole Lowen, Rep. Mark Nakashima, Rep. Richard Onishi, and Rep. Clift Tsuji, listed the College of Pharmacy as one of their three top priorities. Interim President Lassner added that the Regents are supporting this, especially through the Legislative Task Group, and that the Governor’s office is advocating for this.

Regents’ Chair Holzman asked Chancellor Straney if it would be helpful for him if he had a sense of where the Regents’ stand on this issue. Chancellor Straney said that it would be helpful. He added that the bill introduced by Rep. Choy grants autonomy to the College of Pharmacy and establishes a special fund that receives all the revenue, including donations and interest. It does not anticipate that the College receives any general funds and exempts it from assessments and fees, customarily applied. It establishes a five-person Board of Governors that manage all planning and operations in the college. Interim President Lassner added that it is a starting point for discussion.

Regents’ Chair Holzman said that, from his perspective, the Regents’ should maintain their proposal, as it matches the Governor’s proposal.

Chair Mizuno asked about Chancellor Straney’s testimony. Chancellor Straney said that he agrees with Regents’ Chair Holzman that the Regents’ budget is the preferred way to fund the building. He appreciates Rep. Choy’s raising the question as to whether the College
could fund more of it by paying a higher debt service, and he is willing to look at how that might play out. Interim President Lassner said that his observation is that moving the project forward through the budget provides greater flexibility as negotiations occur and clarity increases over the course of the Legislative Session. The way that it appears in the budget now is as $28 million general obligation bond appropriation and a $5 million revenue bond appropriation. That is a sliding scale as budgets are developed. Other projects had a shifting balance or the G.O. fund request was moved to revenue bonds. That could develop over time as discussions take place. A bill is a harder thing to work with and it could die in Session along the way.

Vice Chair Shigemoto asked how many students can be accommodated in the building. Chancellor Straney said that it is a 40,000 square foot building that will provide classrooms that are currently in modular trailers. The building will provide a backfill for other college facilities located elsewhere in town. Vice Chair Shigemoto asked if it is for the students who are currently enrolled in the pharmacy program, to which Chancellor Straney said yes. There are about 360 students now, and going above that number is difficult because the cap on enrollment is from the ability to find practicum placements in the 4th year. The current situation is saturated, so 90 students are who can be placed in the practical experiences. Revent Shigemoto asked if those who want to enroll in the program are not able to, and Chancellor Straney said that the program is very selective. Chair Mizuno clarified that 90 students enter the program and 90 students graduate, so the maximum number of students is maintained. Chancellor Straney added that 360 students is the running capacity of the college.

Vice Chair Sullivan commented that the cost per square foot seems high, even higher than the University of Hawai‘i Cancer Center facilities. Chancellor Straney said that the building has laboratory facilities and that the construction costs in Hilo are fifteen percent higher than on O‘ahu. The numbers come from the architect and the cost consultants. Vice Chair Sullivan is concerned that with revenue bonds, it is a thirty year commitment to debt service. There is no idea what to commit to the enrollment for the pharmacy school in the future. To properly map out the impacts is not an easy thing to do. Chancellor Straney shared Regents Sullivan’s concern.

Chair Mizuno asked Vice Chair Sullivan if she is suggesting a thirty year cash-flow rejection. Vice Chair Sullivan said that she shared with Vice President for Budget and Finance Howard Todo other bond projections that are based on historical trends, but she is not sure if the university has the ability to provide those. Chancellor Straney said that the campus will look at a thirty year time horizon.

Regent Kudo thanked Chancellor Straney for the update and status report on the situation and suggested that, since this impacts the entire budget, the discussion at the meeting be folded into the Legislative Task Force and that the task force assist Chancellor Straney with his response to Rep. Choy. Chair Mizuno thanked Regent Kudo for the idea.

Chair Mizuno thanked Chancellor Straney for his update.

**Update on Long Range Development Plan**
UH Community Colleges Associate Vice President for Administrative Affairs (AVPAA) Michael Unebasami provided an update on the Long Range Development Plan (LRDP) on behalf of Kaua‘i CC Chancellor Helen Cox. AVPAA Unebasami said that, in 1999, the Legislature appropriated funds to prepare an LRDP; it was based on a 3,000 full time equivalent (FTE) build out goal with 1,500 FTE as an alternate. At that time, Kaua‘i CC had 640 LTE. The design considerations in the mission for Kaua‘i CC was to create central pedestrian mall and paths, plazas and open space, landscaping, gateways and entries, buildings, edges, and parking spaces. Since 1999 and the development of the LRDP, the One-Stop Phase 1 building, the Nursing Portables, and the One-Stop Phase 2 building were all built in 2009.

The LRDP needs to be revisited and updated. The Office of the Vice President for Community Colleges is currently in negotiations with PBR Hawai‘i to provide an update of Kaua‘i CC’s LRDP. Other things that are happening on the campus include leases with Kawaikini Charter School and with Pūnana Leo Preschool. The master plan called for student housing to be built on the campus, but private developments close to the campus are being looked at; there was a recent meeting with a developer to determine whether it would be feasible to lease space for student housing for international students. The campus tried partnering with the Kaua‘i Island Utility Cooperative (KIUC) to build a solar farm and the efforts have failed to date, but the alternate energy efforts have been partnered with Chevron, and AVPAA Unebasami is meeting with Chevron and a financing company to determine whether a photovoltaic (PV) farm can be constructed on campus. The electricity rates on Kaua‘i are the highest in the state, and Kaua‘i CC benefits in finding alternate ways to produce energy and mitigate the cost. The One Stop, Phase 1 building has a roof structure PV system, which saves the campus approximately $55,000 per year. Kaua‘i CC has a performance contract with Chevron, which saves over 600,000 kilowatt hours per year, and reduced the deferred maintenance on campus.

Regent Kudo asked why the negotiations KIUC failed, to which AVPAA Unebasami said that there were some Public Utilities Commission (PUC) regulations that KIUC had to meet. It was hoped that KIUC could lease some land for a large farm, but KIUC has regulations that will not allow net metering. One of the problems at the campus is the lack of usage or consumption of electricity during the weekends and semester breaks. PIUC has a grant for battery storage, and Kaua‘i CC was hoping to tie the grant into the sustainability program in the hopes of learning and including the students. The KIUC regulations and the funding issues did not allow the agreement with Kaua‘i CC to materialize. The campus is hoping to work with Chevron. One of the issues is that, on a low day, the consumption is 120-150 kilowatt hours; when school is in session, it can go up to 750 kilowatt hours. If the campus produces more than 150 kilowatt hours, and a power purchase agreement (PPA) was created, then Kaua‘i CC could pay for power not being used because it could not be stored. Kaua‘i CC is trying to maximize what could be built.

Chair Mizuno asked if University of Hawai‘i Maui College (UHMC) has been more successful. AVPAA Unebasami said that UHMC has a performance contract with JCI on Maui, which has resulted in a savings of over 800 kilowatt hours. The PV at UHMC will be completed on February 15, 2014. Parking lot canopies were installed at UHMC and the canopies will save over than 800 kilowatt hours through PPA. Rather than paying the 30-40 cents per kilowatt hours, then the campus will pay 28 cents per kilowatt hour. O‘ahu
community college campuses will be saving, via PPA, over $250,000 per year in electricity costs.

Chair Mizuno asked when the LRDP update will be completed, to which AVPAA Unebasami said that, after negotiations and deciding on a scope of services, it should be completed within a year of entering into a contract. The funds are already allocated and the cost should be about $350,000. AVPAA Unebasami said that it remains to be determined, based on the scope of services, whether it is an appropriate amount. Interim President Lassner commented that the cost is high, especially when considering LRDPs are created for all ten campuses. Chair Mizuno said that the cost is the reason why Vice President for Community Colleges John Morton, during the November 2013 meeting at UHMC, asked whether full LRDPs need to be created for small sites, such as Moloka‘i and Lāna‘i. Vice President Morton added that Waianae is also included. Chair Mizuno assured Vice President Morton that it needs to be addressed, but at a later time.

Chair Mizuno thanked AVPAA Unebasami for his update.

Tour of the Kaua‘i Community College Facilities

At 3:42 p.m., Chancellor Cox, Interim President Lassner, Vice President Morton, and the committees took a tour of the Kaua‘i Community College facilities and returned from the tour at 5:03 p.m.

V.  ADJOURNMENT

There being no further business, upon motion by Regent Kudo and second by Vice Chair Shigemoto, and with unanimous approval, the meeting was adjourned at 5:03 p.m.

Respectfully Submitted,

[Signature]

Cynthia Quinn
Executive Administrator and
Secretary of the Board of Regents