MINUTES OF THE REGENTS' COMMITTEE ON FINANCE AND FACILITIES

Date: Thursday, April 18, 2002

Place & Time: Outrigger Waikoloa Beach Hotel
Ali'i Rooms I and II
4:03 p.m.

Committee Members Present: Regents
Kobayashi (presiding)
Dowling
Kurisu
Ikawa (ex-officio)

Committee Member Excused: Regent
Kawakami
Thurston

Other Regents Present: Regents
Bergin
Lee
McElrath
Nunokawa
Poe

Others Present: Evan S. Dobelle, President, University of Hawai‘i
Walter S. Kirimitsu, Senior Vice President and University General Counsel
Rose Y. Tseng, Senior Vice President, University of Hawai‘i and Chancellor, UH-Hilo
James R. W. Sloane, Vice President for Administration and Chief Financial Officer
Doris M. Ching, Vice President for Student Affairs
Miles K. Nagata, Housing Coordinator, University of Hawai‘i at Hilo
Darryl Zehner, Director of Student Housing Services, University of Hawai‘i at Mānoa
David Iha, Executive Administrator and Secretary of the Board
Carl Makino, Executive Assistant to the Board
Approval of Committee Meeting Minutes

The minutes of the meeting of the Regents' Committee on Finance and Facilities held on March 14, 2002, were approved as circulated.

Subjects:

1. Proposed Amendments to Board of Regents’ Administrative Rules on Student Housing Rental Rates, University of Hawai‘i at Mānoa

2. Proposed Amendments to Board of Regents’ Administrative Rules on Student Housing Rental Rates, University of Hawai‘i at Hilo

Proposed Amendments to Board of Regents’ Administrative Rules on Student Housing Rental Rates, University of Hawai‘i at Mānoa

Vice President Ching requested that the Committee approve proposed rate increases to the student housing rental rates at the University of Hawai‘i at Mānoa for the coming Fall 2002 through Fall 2004.

Mr. Zehner explained that the University Bond System was established pursuant to Chapter 306, Hawai‘i Revised Statutes as amended, and by the Board of Regents Resolution dated January 18, 1993. The Board is authorized to impose and collect rent, fees, and charges for the use or engagement and services of the facilities of the University Bond System and shall revise such rents, fees and charges from time to time whenever necessary, so that the University Bond System remains self-supporting. Since student housing is part of the Bond System, its operations must insure for the continued solvency of the Bond System and its self-supporting status. Consequently, it is necessary to propose these requested rate increases. These increases were considered only after examining several factors including operating costs, occupancy level, conference business and other sources of income, rate comparisons between similar size institutions, and local apartments and dormitories.

As a result of mandated salary increases, personnel costs are expected to increase by $300,000. Utility costs including electricity, gas, water and sewer have been increasing and are expected to continue at a 5% annual rate. In addition, due to the sizeable cost of deferred maintenance, reserve funds will be utilized during 2002-03, instead of relying solely on operating funds.

In the past, the occupancy rate has dropped to approximately 85% of capacity during the spring term. In an effort to increase resident retention and subsequently occupancy
for the spring semester, a change in the rate structure and types of contracts offered is being implemented. To help reduce the occurrence where existing residents reserve housing space for the following fall semester, which they do not intend to utilize, a $100 non-refundable prepayment is being instituted. Also, the majority of the workload associated with incoming residents takes place prior to and during fall semester. Consequently, the annual cost will be prorated 55% fall semester and 45% spring semester. It is expected that these changes will increase spring occupancy 2003 by 2.5%, realizing over $100,000 in additional earnings and better reflect workload and operational expenses.

Conference business has been seriously impacted by the events of September 11th and it is expected that next year, at best, would stay even with current conference revenues. Commission from food service is expected to increase by approximately 15% or $29,000.

The requested increase in room rates will enable increases in personnel costs, driven primarily by salary increases for union employees, projected inflation in utility costs and to services and supplies, money borrowed to complete the installation of cable TV and internet services to all student rooms, along with the initial annual repayment of money borrowed to finance the cafeteria renovation project. A 5% increase will generate slightly over $438,000 in additional annual revenue.

Room rate increases for 2003-04 are projected to also remain in the 5% range, due to the need to increase the amount of ongoing annual funding dedicated to building maintenance and improvement. These costs were not included in the 2002-03 operating budget, because of the ability to utilize available reserve funds, which will have been exhausted by 2003-04. The 5% increase is expected to generate approximately $460,000 in additional revenue to also provide an acceptable level of annual funding to maintain the facilities in good order. According to industry standards, approximately 1.5% of the current building replacement value should be expended annually to maintain the building. Currently, replacement value of the various student housing facilities is almost $150 million. To meet this goal, at least $2 million of annual maintenance funding should be included in the operating budget. Currently, less than $1 million is dedicated for this purpose. Thus, an additional $1 million in revenues will be needed annually to adequately address rising maintenance costs.

In an effort to reduce the impact of meeting the housing operation’s goals it is suggested that the objectives be realized over a three-year period. This would require a 4% rate increase in 2003, 2004 and 2005 in order to ultimately reach a point where the necessary financial support for facility maintenance is achieved. In addition, a 1% increase in room rates is anticipated in each of these years simply to cover the effects of inflation.
on goods and services, as well as to deal with future mandated increases in personnel salary costs for a total proposed increase of 5% in each of those years. It is hoped that rate increases thereafter will remain at a level reflecting only inflationary increases.

On September 13, 1996, the Board required administration to inform the Board annually of the rental rates to be assessed and to conduct public information meetings on every campus at which rates are to be adjusted. The meetings are to be held no later than the semester prior to the semester to which the adjustment applies. The requested rate increases are needed to generate additional revenues to adequately operate and maintain the residence halls and apartment complexes and are in accordance with guidelines stipulated in the Board’s policy. Accordingly, these rate increases were discussed with the Residence Hall Council, in a meeting also open to all residents, held on November 29, 2001. Approximately 40 residents attended the meeting. No adverse testimony about the rate increase was offered at that meeting. Additional public room rate informational meetings were scheduled for early March.

Following a brief discussion Regent Dowling moved to approve the proposed rate adjustments for UH-Mānoa student housing, subject to full compliance with the Board’s policy on student housing and provisions of Hawai‘i Administrative Rules governing student housing rental rates. The motion was seconded and unanimously carried.

Proposed Amendments to Board of Regents’ Administrative Rules on Student Housing Rental Rates, University of Hawai‘i at Hilo

Chancellor Tseng requested that the Committee approve proposed increases in the student housing rental rates at UH-Hilo effective Fall 2002 through Fall 2004.

During the last decade, according to Mr. Nagata, the student housing program at UH-Hilo had begun to address the deferred physical plant renovations, improvements, and enhancements toward becoming the premier residential campus. This included fire safety improvements, painting, window coverings, carpeting and flooring, new mattresses and furnishings. It is imperative in this quest to modernize and to improve the quality in residential life that work continues in this area. Staff levels must also be addressed to better meet the increasing demands of providing a quality residential life program. While much of this work has begun without a rate increase since 1997, it cannot continue. Also, in these last five years inflation has eroded the operating base of the system.

The University of Hawai‘i at Hilo is therefore seeking an increase in student housing rates to begin Fall 2002. Because of the economic impact on students, a great deal of care has been given to assure that these proposed rate increases are as low as possible
to upgrade and maintain a residence hall system that is of quality. The following is an overview of the reasons for the increase, benefits to students, and some comparison information.

- Inflation has not been funded for the past five years in the UH-Hilo Housing System. Inflation has increased about 5% during this period.

- The University ended electricity subsidies for the residence halls at UH-Hilo in FY 2001. This resulted in raising the annual electricity cost to the housing system by at least $50,000.

- In Fall 2002, the Housing System will begin providing connectivity for telephones, internet connections, and cable TV. Housing will provide free local phone service. The annual operating cost of this service improvement will be $25,000 - $30,000 per year.

- In Fall 1999 the last two UH-Hilo Housing complexes not on the sewer system were added to be in compliance with County wastewater policies. This added an annual $30,000 to operating expenses in the halls.

- Negotiated collective bargaining unit wages rose by 7% on July 1, 2001 and another 7% on July 1, 2002. Impact - additional cost of $12,000 and $16,600 respectively.

- Student wage scales for student employees rose by $.75 per hour on January 1, 2002 and will increase again by another $.50 per hour on January 1, 2003. Impact - additional cost of $14,163 and $25,021 respectively.

- An additional building maintenance worker is needed at a cost of $36,000.

- Ongoing physical renovations and improvements are needed for the system.

- Improve substantially the living environment in the residence halls.

- Free local phone service. No need to arrange for service and pay installation and deposit fees. Current fees $45.50 and $60.00.

- Internet connectivity and cable TV connections.

- Long deferred maintenance will be addressed.
Furniture and floor coverings repair or replacement.

Housing costs will still remain below that at comparable institutions.

The University Bond System, which includes University student housing programs at UH-Hilo, was established pursuant to Chapter 306, Hawai‘i Revised Statutes, as amended, and by Board of Regents' Resolution dated January 18, 1973. The Board is authorized to impose and collect rents, fees, and charges for the use or enjoyment and services of the facilities of the University Bond System, and shall revise such rents, fees, and charges from time to time, whenever necessary, so that the University Bond System remains self-supporting and self-sustaining. The proposed increases are therefore needed in order for this program to remain self-supporting.

The last student housing rental rate adjustment for the Hilo campus was approved by the Board in September 1996 and went into effect for the Spring 1997 semester. That adjustment increased rental rates from 2% to 22% for the University of Hawai‘i at Hilo. The 22% increase affected only single occupancy units. A single occupancy rate equal to 1.5 times the double occupancy rate for dormitory rooms and suites and 1.7 times the double occupancy rate for apartments was also established. We have reviewed the existing rates and financial operations and recommend the following proposals for approval.

The University of Hawai‘i at Hilo, Student Housing Office has assured the Board that it has completed public informational meetings as required by Board policy and Hawai‘i Administrative Rules. In informal presentations to residents, no adverse testimony was received.

A resolution supporting the rental rate increases was introduced by representatives from UH-Hilo ASUH.

Regent Dowling moved to approve the proposed rate increases to the student housing rates at the University of Hawai‘i at Hilo, subject to full compliance with the Board’s policy on student housing rates and Hawai‘i Administrative Rules governing student housing rates.

Regent Poe stated that he understood that Hawai‘i Administrative Rules mandates that in order for the University to be able to increase housing rates the housing administration must first hold public informational meetings on the proposed increases and present the results of those hearings to the Board. Mr. Nagata stated that the housing administration did conduct open public meetings and that there had been no opposition to the proposed increases. Regent Poe stated that the same would apply to the UH Mānoa proposal. Vice President Ching indicated that she would provide the Board with documentation of the public informational meetings in compliance with Hawai‘i
Administrative Rules. Based on that understanding and upon call for the question the motion was carried unanimously.

There being no further business before the Committee, the meeting was adjourned at 4:34 p.m.

Respectfully submitted,

David Iha, Secretary

Dated: May 14, 2002

c: Chairperson Allan K. Ikawa
   Members, Committee on Finance and Facilities
   President Evan S. Dobelle
   Senior Vice President and University General Counsel Walter S. Kirimitsu
   Vice President James R. W. Sloane
   Interim Vice Chancellor Rodney Sakaguchi