MINUTES OF THE REGENTS’ 
COMMITTEE ON FINANCE AND FACILITIES

Date: Thursday, September 4, 2003

Place & Time: Laulima 105
M~ui Community College
p.m.

Committee Members Present: Regents Tatibouet (presiding)
Hong
Tanaka
Yamasato
Lee (ex-officio)

Other Regents Present: Regents Bender
Kakuda
Lagareta
Lee
Nunokawa

Others Present: Evan S. Dobelle, President, University of Hawaiʻi#
Walter S. Kirimitsu, Vice President and University
General Counsel
James R. W. Sloane, Vice President for Administration
and Chief Financial Officer
David Iha, Executive Administrator and Secretary of the
Board
Carl Makino, Executive Assistant to the Board

Approval of Committee Meeting Minutes

Regent ..... moved to approve the minutes of meeting of the Regents’ Joint
Committee on Finance and Facilities and Personnel & Legal Affairs held on June 19, 2003.
The motion was seconded by Regent ..... and unanimously carried.

Subjects:

1. University of Hawaiʻi Endowment Fund, Performance Evaluation Report for Quarter
Ending June 30, 2003
Proposed Revision to Administrative Policy on Procurement

Pursuant to Board of Regents’ policies it is requested that the Board authorize the administration to implement revised procedures for the procurement of goods, services and construction.

The primary purpose of the revised procedures is to promote greater efficiency in the procurement process by minimizing the complexity of the process while at the same time maximizing competition through greater use of the Internet and automated information systems. While simplifying the procurement system, the revised procedures as drafted, comply with applicable laws, rules and regulations, and Board policies. These revised procedures will supercede the procurement process presently being utilized by the University.

Act 115, Session Laws of Hawai‘i 1998, exempted the University from the bidding requirements and other provisions of Chapter 103D, Hawai‘i Revised Statutes, which governs public procurement within the State of Hawai‘i. In so doing, the Hawai‘i Legislature delegated “substantially increased authority” to the Board of Regents to “[d]evelop and administer procurement regulations appropriate specifically to the university.” In pertinent part, Act 115/98 amended Section 304-4(d) to provide that “the board shall develop internal policies and procedures for the procurement of goods, services, and construction, consistent with the goals of public accountability and public procurement practices, but not subject to Chapter 103D.”

Currently, most purchases of $25,000 or more require the formal advertising of an invitation for bids or request for proposals. Exceptions to the advertised bidding requirement are in place for sole source, emergency and certain exempt purchases where bidding is neither practical nor advantageous. Under the revised procurement procedures, most purchases from $2,500 to $100,000 would be made through use of the SuperQUOTE
electronic, on-line request for quotation system. It is anticipated that use of an online marketplace will serve to promote openness and greater competition among vendors for the University’s purchasing needs, thereby increasing the potential for cost savings to the University in the purchase of goods and services. In addition, the use of an electronic request for quotation system, in conjunction with the use of an automated information system to generate requisitions and purchase orders, should serve to reduce significantly administrative costs and effort associated with procurement. Written requests for quotations would still be utilized for certain purchases such as construction and other goods and services where the use of electronic quotations is not feasible.

Advertised invitations for bids and requests for proposals would continue to be utilized for most purchases exceeding $100,000. The existing procedures, subject to minor modification, would remain in place for professional services, sole source and emergency purchases, and exempt purchases where the solicitation of multiple quotations, bids or proposals is neither practical nor advantageous to the University.

In accordance with Section 8-1 of the Board’s policies, the procedures provide that the following University contracts for the procurement of goods, services and construction require the prior approval of the Board:

a. Contracts for good and services exceeding $500,000;
b. Construction contracts, including those for repair and maintenance, exceeding $500,000;
c. Consultant contracts exceeding $100,000 or which impact Board policies or University programs, regardless of amount or source of funding; and
d. Any procurement contract, regardless of amount or source of funding, which is anticipated to have a significant impact on University policy, programs or operations, or have a systemwide impact.

Consistent with the intent of Act 115/98, the revised procedures are intended to streamline the procurement process while still achieving a primary goal of public procurement - the promotion of competition to the maximum extent practicable by affording vendors a reasonable opportunity to take part in the process.

The Hawai‘i Government Employees’ Association (HGEA) had earlier raised objection that the University had not allowed the union the opportunity to review the proposed policy. Upon response to a concern raised by HGEA the University did agree to a minor change that might have affected HGEA members. The University has subsequently received written concurrence from the union relative to the proposed administrative procedures.

Regent ..... moved to approve the implementation of revised administrative procedures for the procurement of goods, services and construction, dated July 2003, with the assurance that these procedures conform to statutes and current Board policies. The
motion was seconded by Regent ..... and unanimously carried.

Authorize Administration to Enter Into Consultant and construction Contracts for Capital Improvements Program and Repairs and Maintenance Projects Contracts for Fiscal Year 2003-2005

In accordance with Board policy it is requested that the Board approve the capital improvements program (CIP) and repairs and maintenance (R&M) contracts for planning and design consultants and construction projects listed in the attached.

On May 23, 2003, the Secretary of the Board of Regents set forth a process to comply with the Board of Regents’ policy Section 8-1 regarding the awarding of contracts. The process states:

1. Beginning on July 1, 2003, the Administration will present an expenditure plan for the various CIP/repair and maintenance projects planned for the new fiscal year. The expenditure plan will include but not limited to project number, title, estimated cost and/or appropriations and the estimated bid opening date.

2. Upon bid opening, provided there are sufficient funds, the Administration is authorized to award the contract and give a notice to proceed to the contractor.

3. As the expenditure plan is revised during the fiscal year, the revised expenditure plan will be transmitted to the Board for approval.

The adoption of this process was done to ensure that CIP and R&M projects could be implemented on a timely basis.

Attached is a list of projects requiring planning and design consultants for CIP and R&M projects that will be undertaken in fiscal year 2003-2004. Also attached is a list of construction projects that the University intends to award during fiscal year 2003-2004. Both of these attachments provide the location of the project to be undertaken, the project number, project title/description, the estimated cost or appropriated amount, the means of financing, and the estimated contract date or bid opening date.

Regent ..... moved to authorize the University Administration to enter into the consultant and construction contracts for CIP and R&M projects reflected in the lists with the understanding that any revisions to the expenditure plan shall require prior Board approval. The motion was seconded by Regent .... and unanimously carried.

Affiliated Student Housing Contract

The current available student housing space do not meet the increasing demands at the University of Hawai‘i. For a number of years, the demand for on-campus student housing far surpassed the availability of housing accommodations at UH-M~noa, which
currently has available approximately 3,000 bedspaces. In Fall 2002, the number of M~noa students who were waitlisted for available student housing was between 300 to 400. Kapi'olani Community College and Honolulu Community College have also experienced increased demand for student housing. Increased out-of-state student recruitment activities, and other factors, have contributed to the demand. Guarantee of housing accommodations is a critical factor in prospective students’ decision to attend the University of Hawai‘i, particularly for those who live on neighbor islands and in other states and countries.

Last year, a pilot project using hotels to supplement the residence halls proved to be successful. The administration wishes to expand the project significantly, aiming for approximately 100 rooms, or 200 additional bed spaces. The lease will start at the beginning of Fall 2003 through Spring 2004. A subsequent one-year agreement may be added by mutual agreement between the hotel and the University.

By guaranteeing a hotel a certain number of room rentals through the lease agreement, it is anticipated that the room rate, which the University can subsequently offer to students, will be significantly reduced from current levels. In addition, the hotel will be staffed in a similar manner as the UH-M~noa residence halls with live-in staff including resident advisors, hall director, and other appropriate staff. Student programming will also be provided to the student residents, and these residents will be expected to comply with all University policies and student housing regulations.

At its meeting on May 16, 2003, the Board of Regents authorized the administration to issue a Request for Proposal (RFP) reflecting the student housing needs of the various University of Hawai‘i campuses that choose to participate in the project with the understanding that the negotiated final agreements with the hotels shall be approved by the Board. A Request for Proposals was distributed to 36 local hotels. The proposals were subsequently evaluated on their proposed lease rental rates and ability to provide amenities, such as meal programs, high speed Internet access, ADA disability certified accommodations, and other appropriate services.

In the pilot program introduced in Fall 2002, a referral agreement was arranged between the University of Hawai‘i, the Kuhio Village Resort, and the Queen Kapi‘olani Hotel. In this agreement, the University served as referral agent and provided live-in staffing and programming for approximately 36 UH students who participated in the program. In this pilot program, students made their contractual arrangements directly with the hotel. Without a guaranteed number of students who would participate in the program, room rates were significantly higher than is expected with guaranteed rental of a specific number of rooms.

Under the proposed legal relationship, the University has committed to renting a block of rooms from the hotel for a specific number of weeks. The University will obtain reimbursement from the students who occupy the rooms. The University will, thus, be contractually liable for the rents of the rooms even if they remain vacant and are not occupied by students. In the previous pilot program, by contrast, the University served as a facilitator of a direct contractual relationship between the student and the hotel. As
anticipated, the University can negotiate better room rates for students and other amenities, such as complimentary rooms for resident advisors, by undertaking direct liability for the rents.

After appropriate discussions and site visits to the interested hotel, the Ohana Reef Towers was selected to serve as the ASH. The RFP response due date of July 11, 2003 coincided insufficiently to submit this request for approval at the July 10-11 meeting of the Board of Regents. Inasmuch as no BOR meeting was scheduled in August, 2003, the earliest possible date for BOR approval of this request is September 4-5, 2003. In order to meet students’ housing needs for the Fall 2003 semester, the administration requested permission to expedite a contract, which was verbally granted on July 21, 2003 by the Board of Regents Chairperson, with the understanding that a request for approval would be submitted “after the fact.”

Regent ..... moved to approve the actions to date and authorize the President or the President’s designee, to implement the Affiliated Student Housing (ASH) program. The motion was seconded by Regent ..... and unanimously carried.

Update on the Kaka'ako Project

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

Respectfully submitted,

David Iha, Secretary

Dated: __, 2003

c: Chairperson Patricia Y. Lee
Members, Committee on Finance and Facilities
President Evan S. Dobelle
Vice President James R. W. Sloane
Chief of Staff Sam Callejo
Director Jan Yokota