

MINUTES

BOARD OF REGENTS COMMITTEE ON BUDGET AND FINANCE MEETING

MAY 17, 2017

I. CALL TO ORDER

Committee Chair Ben Kudo called the meeting to order at 10:37 a.m. on Wednesday, May 17, 2017, at the University of Hawai'i at Mānoa, Information Technology Building, 1st Floor Conference Room 105A/B, 2420 Correa Road, Honolulu, Hawai'i 96822.

Committee members in attendance: Committee Chair Ben Kudo; Committee Vice Chair Wayne Higaki; Regent Simeon Acoba; Regent Michael McEnerney, Board Vice Chair Randy Moore, Regent Michelle Tagorda

Others in attendance: Board Chair Jan Sullivan; Regent Eugene Bal; Regent Brandon Marc Higa; Regent David Iha; Regent Jeffrey Portnoy; Regent Lee Putnam, Regent Ernest Wilson, Jr.; Regent Stanford Yuen; (ex officio committee members); President/Interim UH-Mānoa (UHM) Chancellor David Lassner; Vice President for Academic Planning & Policy Risa Dickson; 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 Research & Innovation Vassilis Syrmos; Vice President for Budget & Finance/Chief Financial Officer Kalbert Young; UH-Hilo (UHH) Chancellor Donald Straney; Executive Administrator and Secretary to the Board Cynthia Quinn; and others as noted.

Due to time constraints, Committee Chair Kudo deferred Item IV.A.2. FY17 Q3 Financial Status Reports, and suggested the item be taken up at the next board meeting, and there were no objections.

II. APPROVAL OF MINUTES OF THE FEBRUARY 9, 2017 MEETING

Committee Vice Chair Higaki moved to approve the minutes of the February 9, 2017 meeting, seconded by Board Vice Chair Moore, and the motion carried unanimously.

III. PUBLIC COMMENT PERIOD

Executive Administrator and Secretary of the Board Cynthia Quinn announced that the Board Office received no written testimony, and no individuals had signed up to give oral testimony.

IV. AGENDA ITEMS

A. For Information

1. FY17 Q3 UBS Legacy Endowment Investment Performance Report

UBS representatives reported that the performance on the investment funds are outperforming the benchmarks overall due to appropriate allocation decisions. The portfolio is in compliance with the board's investment policy statement. The fossil fuel free investments are a work in progress currently at 2% and expected to reach 1% by the June 30, 2017 deadline. The expectation was noted that fossil fuel free investments need to be distinguished from other energy investments once the products are available.

The committee requested an explanation for performance beating the benchmarks and UBS explained the portfolio was overweight to equities and U.S. versus international market, so the combination of these two helped with better portfolio performance. In terms of fossil fuel free investments, UBS is undergoing a due diligence period on new products and cannot purchase them until the due diligence is finalized.

2. FY17 Q3 Financial Status Reports

https://www.hawaii.edu/budget/sites/www.hawaii.edu.budget/files/FY17_BOR_Qtrly_Report_Qtr3_1.pdf

Due to time constraints, this item was deferred.

3. Update on UHM Finances

Administration provided an update on the status and progress of the UH Mānoa finances, showing revenues increasing, and expenses decreasing due to cut backs, lower salaries, disciplined strategies and centralization of vacancies and shared services. In 2013, of the 15 units that had been spending into reserves, 10 were in real deficit, and by the end of 2017, only the Cancer Center will be spending into reserves and the Athletics Department running at a deficit. A revised budget model was explained and will be effective July 1, centered on mission support, and currently based on historical disbursements enhanced with metrics, and includes implementing a pay down schedule for the athletics \$14 million debt forgiveness at an annual rate of \$700,000. Strategies for FY18 include further work on faculty classification, workload, and activities incentivizing teaching for all faculty, and enrollment management regarding recruitment and retention. Phase 2 will move to Outreach College and research training & revolving fund (RTRF). Concerns raised regarded ensuring quality in teaching, and level of faculty support for the new model, and requests for aggregating salary figures for clarity and an analysis and justification of including athletics under the UHM budget or continue as a separate accounting. For next report provide salary in the aggregate, and analysis on accounting for athletics within or separated from the UHM budget.

B. To Recommend Board Approval

1. Proposed Change in the LLM Tuition Rate

Disclosures were made by Regent Higa, a current law school student, Regent Acoba, a current volunteer lecturer, and Regent Portnoy, a lecturer for Fall 2018. No objections were raised as to their participation. William S. Richardson Law School Dean Avi Soifer requested support to reduce tuition to be competitive, and incurs no additional cost as the programs are provided with current faculty and enhances the learning experience.

Concerns regarded alternatives to address price concern through scholarships rather than reducing the tuition rate for international students that is lower than United States nonresident JD program candidates.

The committee requested a comparison chart for the proposed rate be provided to the board.

Board Vice Chair Moore moved to recommend board approval of the proposed change in the LLM tuition rate, seconded by Regent Acoba, and the motion carried with Regent McEnerney voting no.

2. Establish Higher Tuition Rate as Standard for Community College Upper Division

VP Morton requested tuition rates for upper division courses offered at all community college align, resulting in increases at Maui College effective Fall 2017. Presently there are no current students affected by the increase. Concerns raised regarded compliance with process for tuition raises, competing missions between the 2 year and 4 year colleges, and raising rates impacting access. It was determined that the process was being followed, and administration explained the need for parity among all community colleges, and that the increase ensures the mission of the community colleges to provide 2 year degrees and pathways to 4 year degrees, and not compete with 4 year degree schools.

At 11:30 a.m., the committee went into recess to consult with general counsel on process. The committee reconvened at 11:41 a.m.

Board Vice Chair Moore moved to recommend board approval of establishing a higher tuition rate as standard for community college upper division, seconded by Committee Vice Chair Higaki, and the motion carried with Regent Acoba voting no.

3. Revisions to RP 6.208 Board Exemptions to Non-Resident Tuition

VP Dickson explained that the proposal is required to align with federal law for veteran students. No questions or concerns were raised.

Regent Tagorda moved to recommend board approval of the revisions to RP 6.208 Board Exemptions to Non-Resident Tuition, seconded by Board Vice Chair Moore, and the motion carried unanimously.

4. To Reprice and Increase University Housing Rates and Meal Plan Rate at the University of Hawai'i at Hilo

Chancellor Straney explained that the proposal aligns rate changes to market conditions to decrease vacancies to at least a breakeven level in three years. Concerns raised regarded accuracy of projections and plans for self-sufficiency, and student life programs. Vice Chancellor for Student Affairs Farrah-Marie Gomes explained the student life programs provided and plans to reinvest revenue into housing repair and renovations.

Regent McEnerney moved to recommend board approval to reprice and increase university housing rates and meal plan rate at UHH, seconded by Board Vice Chair Moore, and the motion carried with Regent Acoba abstaining.

5. Revision to Board of Regents Policy, RP 6.203, Fees, to Provide Consistent Guidance on Authority to Establish Student Housing Room Rates

President Lassner explained that the proposal seeks to correct an inadvertent inconsistency with the chapter that delegates to the president to provide student housing and set housing rates once established by the board. The section regarding mandatory fees conflicts with the housing policy that includes setting housing rates although it is not a mandatory fee. Concerns raised regarded interpretation of reconciling delegation to the president to set fees and board's authority to establish fees.

Board Vice Chair Moore moved to recommend board approval of the revision to Board of Regents Policy, RP 6.203, Fees, to Provide Consistent Guidance on Authority to Establish Student Housing Room Rates, seconded by Committee Vice Chair Higaki, and the motion carried with Regent Acoba voting no.

V. ADJOURNMENT

There being no further business, Committee Vice Chair Higaki moved to adjourn, and Regent Tagorda seconded, and with unanimous approval, the meeting was adjourned at 12:15 p.m.

Respectfully Submitted,

/S/

Melissa Matsuura
Executive Assistant
to the Board of Regents