

Board of Directors Meeting

**Tuesday, June 15, 2021
Virtual meeting
1:00 p.m.**

Meeting
BOARD OF DIRECTORS
The Research Corporation of the University of Hawaii
Tuesday, June 15, 2021
Virtual meeting
1:00 p.m.

A G E N D A

Public Testimony on Agenda Items

Due to the COVID-19 pandemic, this will be a virtual meeting. Written/oral testimony will be accepted in lieu of in-person testimony and may be submitted via email to rcuhed@rcuh.com, U.S. mail, or facsimile at (808) 988-8319 up to 24 hours in advance of the meeting. Individuals wishing to provide oral testimony for the virtual meeting must register via email to rcuhed@rcuh.com no later than 11:00 a.m. on the day of the meeting to be accommodated. Oral testimony will be limited to three (3) minutes per testifier. Individuals interested in observing the virtual meeting may email rcuhed@rcuh.com for connection information.

1. Call to Order
2. Presentation on Follow-up Questions from June 1, 2021 Board Meeting
3. Budget for Fiscal Year 2021-22
4. Recognition of Outgoing Board Members
5. Adjournment

c: Office of the Lieutenant Governor

Individuals who require special needs accommodations may request assistance in writing to rcuhed@rcuh.com 48 hours prior to the scheduled meeting.

2022 Budget

Executive Summary

In Fiscal Year 2021, RCUH developed a budget for an expected economic downturn given the uncertainties with the COVID-19 pandemic. In Fiscal Year 2022, RCUH anticipates a recovering economy with the UH beginning to return to normal operations. The significant budget assumptions are as follows:

- Overall FY 2022 revenue and expense budget reflect marginal growth and slight changes compared to the FY 2021 budget. Total revenues were increased by \$112,000 (1.4%) and total expenses reduced by \$67,000 (0.8%).
 - ▲ Salaries and wages do not include a cost of living or merit increases for core staff. The second consecutive year for no increase. Budgeted salaries and wages provide for existing core staff with no layoffs.
 - ▲ IT maintenance cost budget is essentially flat.
- Capital expenditures for IT system development is budgeted to resume in FY 2022. The estimated capital expenditure is approximately \$1 million. The largest initiative will be Phase 1 of the replacement of the AS400 Accounting system.
- Working capital reserve is projected to be \$6.1 million at the end of FY 2022.

**RCUH
BUDGET
FISCAL YEARS 2021 AND 2022**

	<u>FY21 Budget</u>	<u>FY21 Forecast</u>	<u>FY22 Budget</u>	
<u>OPERATING REVENUES & EXPENSES:</u>				
REVENUES				
Fees from University of Hawaii				
Extramural	5,600,000	5,645,886	\$ 5,894,000	
Intramural	372,000	408,750	408,000	
Revolving	948,000	731,901	756,000	
Fees from direct projects	583,025	552,770	596,725	
Interest and other income	272,060	200,183	176,440	
TOTAL REVENUES	<u>7,775,085</u>	<u>7,539,490</u>	<u>7,831,165</u>	A
EXPENSES				
Salaries & fringes	4,601,607	4,165,544	4,744,362	B
Controlled property	4,500	5,913	5,800	
IT services - Systemwide	1,054,000	1,168,391	1,081,374	C
Supplies	103,700	76,691	90,400	
Travel	13,300	-	9,000	D
External audit services	47,120	47,120	47,120	
Communications	20,321	15,840	20,880	
Equipment	4,250	-	4,250	
Rent	275,300	315,300	322,500	E
Insurance	478,775	479,902	493,420	F
Professional/technical support & insurance deductibles	193,272	187,773	179,272	G
Discretionary fund	10,000	2,000	10,000	
Staff development/training	102,795	60,319	85,350	H
Project Development	375,000	-	-	I
Tuition support -- research personnel	37,500	37,500	37,500	J
UH awards -- researchers	-	1,500	16,500	K
Bank fees	24,000	23,999	24,000	
Other	118,000	97,085	114,100	L
Allocation of capitalized IT system development costs (depreciation)	844,000	875,843	855,000	M
New development/outreach department	-	-	-	
TOTAL OPERATING EXPENSES	<u>8,307,440</u>	<u>7,560,721</u>	<u>8,140,827</u>	
NET INCOME (LOSS)	<u>\$ (532,355)</u>	<u>\$ (21,231)</u>	<u>\$ (309,662)</u>	N
<u>CAPITAL EXPENDITURES:</u>				
Equipment	\$ 10,000	\$ 149,200	\$ -	
IT system development	470,300	438,546	1,018,953	O
TOTAL CAPITAL EXPENDITURES	<u>\$ 480,300</u>	<u>\$ 587,746</u>	<u>\$ 1,018,953</u>	
<u>WORKING CAPITAL RESERVE & CASH FLOW:</u>				
Working capital reserve at beginning of year	\$ 6,337,823 *	\$ 6,337,823 *	\$ 6,604,689	
Net income (loss)	(532,355)	(21,231)	(309,662)	
Total capital expenditures	(480,300)	(587,746)	(1,018,953)	
Depreciation	844,000	875,843	855,000	
NET CASH FLOW	<u>(168,655)</u>	<u>266,866</u>	<u>(473,615)</u>	P
WORKING CAPITAL RESERVE AT END OF YEAR	<u>\$ 6,169,168</u>	<u>\$ 6,604,689</u>	<u>\$ 6,131,073</u>	P

Notes to Budget for FY 2022

A	Total Revenues: Total revenue reflects an increase of \$112,000 (1.4%) compared to the 2021 budget. Fees from Extramural projects are expected to increase as expenditures from extramural projects are anticipated to increase relative to total project expenditures. Intramural fees are expected to remain flat as compared to the 2021 forecast. Revolving project fees are expected to increase as compared to the 2021 forecast as the UH returns to normal operations. Direct project fees are based upon the expected expenditure volume of current Direct projects.												
B	Salaries and fringes: No cost-of-living or merit increases are budgeted for the current core staff in the FY 2022 budget. This will be the second consecutive year of no increases. An overall increase of \$143,000 (3.1%) compared to the FY 2021 budget is attributed to an additional core staff position for an IT Director.												
C	IT Service - Systemwide: Includes minimum core maintenance and operating costs. The 2022 budget is essentially flat compared to the FY 2021 budget, a \$27,000 (2.6%) increase. The forecasted operating costs are expected to exceed the 2021 budget by approximately \$87,000 (7.4%). This is attributed to bug fixes that are not capitalized cost.												
D	Travel: Minimum travel is neighbor island travel for the ED and CS.												
E	Rent: Budgeting an increase over the 2021 budget, driven by predicted rise in MIC Common Area Maintenance charges. Includes rent for space in Burns Hall and Manoa Innovation Center (MIC).												
F	Insurance: FY2022 budget includes negotiated premiums for general liability, excess liability, auto, aviation, directors and officers, professional liability, fiduciary, hull and machinery and vessel pollution and marine liability.												
G	Professional/technical support & insurance deductibles: The 2022 budget includes legal fees (HR, Taxes, Immigration, Marine, etc.) and actuary fees.												
H	Staff development/training: The 2022 budget includes development of three training videos and the renewal of the LITMOS online training platform.												
I	Project Development: The funding of UH research/innovation initiatives was discontinued in FY 2021. Based upon input from the UH's VPRI the \$100,000 budget for FY 2022 for a Student Outreach was eliminated												
J	Tuition Support: The FY 2022 budget reflects a commitment of \$37,500 toward tuition expense reimbursement. This is an RCUH program to encourage RCUH employees to seek and acquire education training that is directly applicable to the individual's job at the RCUH through coursework at the UH or another accredited institution if the course is not offered at the UH.												
K	UH Awards: The RCUH awards for the UH Excellence in Research awardees (faculty and students) will be reinstated in FY 2022.												
L	Other: Largest items include: Hawaii Employers Council dues, employee service awards, document storage and destruction costs, subscription services and dues for professional organizations.												
M	Depreciation: Depreciation expense is a result of prior years' capitalized expenditures in IT improvements that are depreciated over a 6-year straight line method.												
N	Net loss: Total operating expenses will exceed budget total revenues. The anticipated net loss of \$354,000 will be covered by funds in RCUH's working capital reserve.												
O	<p>Capital Expense (IT system development): System development initiatives that were placed on hold in FY 2021 will resume in FY 2022. Planned projects include:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; width: 80%;">Description</th> <th style="text-align: right; width: 20%;">Amount</th> </tr> </thead> <tbody> <tr> <td>Account System Conversion (Oracle Fusion) - Phase I</td> <td style="text-align: right;">750,000</td> </tr> <tr> <td>ePerformance Evaluation</td> <td style="text-align: right;">125,000</td> </tr> <tr> <td>Benefit Administration (eBenefit Enrollment/Change, ACA Phase I)</td> <td style="text-align: right;">75,000</td> </tr> <tr> <td>eHiring/On-Boarding System (Phase I)</td> <td style="text-align: right;">68,953</td> </tr> <tr> <td>Total IT Capital Expenditures</td> <td style="text-align: right;">1,018,953</td> </tr> </tbody> </table>	Description	Amount	Account System Conversion (Oracle Fusion) - Phase I	750,000	ePerformance Evaluation	125,000	Benefit Administration (eBenefit Enrollment/Change, ACA Phase I)	75,000	eHiring/On-Boarding System (Phase I)	68,953	Total IT Capital Expenditures	1,018,953
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Total IT Capital Expenditures	1,018,953												
P	Working capital reserve: The FY 2022 budget reflects a net decrease in the working capital reserve of \$518,000. The FY 2022 budgeted balance of \$6.1 million remains below the RCUH Strategic Plan minimum goal of \$7.5 million.												

RCUH
 BUDGET - 2022
 COMPARISON OF BUDGET VS. BUDGET WITH 10% RTRF CAP

	FY22 Budget	FY22 Budget 10% RTRF CAP
<u>OPERATING REVENUES & EXPENSES:</u>		
REVENUES		
Fees from University of Hawaii		
Extramural	5,894,000	\$ 5,200,000
Intramural	408,000	408,000
Revolving	756,000	756,000
Fees from direct projects	596,725	596,725
Interest and other income	176,440	176,440
TOTAL REVENUES	7,831,165	7,137,165
EXPENSES		
Salaries & fringes	4,744,362	4,744,362
Controlled property	5,800	5,800
IT services - Systemwide	1,081,374	1,081,374
Supplies	90,400	90,400
Travel	9,000	9,000
External audit services	47,120	47,120
Communications	20,880	20,880
Equipment	4,250	4,250
Rent	322,500	322,500
Insurance	493,420	493,420
Professional/technical support & insurance deductibles	179,272	179,272
Discretionary fund	10,000	10,000
Staff development/training	85,350	85,350
Project Development	-	-
Tuition support -- research personnel	37,500	37,500
UH awards -- researchers	16,500	16,500
Bank fees	24,000	24,000
Other	114,100	114,100
Allocation of capitalized IT system development costs (depreciation)	855,000	855,000
New development/outreach department	-	-
TOTAL OPERATING EXPENSES	8,140,827	8,140,827
NET INCOME (LOSS)	\$ (309,662)	\$ (1,003,662)
<u>CAPITAL EXPENDITURES:</u>		
Equipment	\$ -	\$ -
IT system development	1,018,953	1,018,953
TOTAL CAPITAL EXPENDITURES	\$ 1,018,953	\$ 1,018,953
<u>WORKING CAPITAL RESERVE & CASH FLOW:</u>		
Working capital reserve at beginning of year	\$ 6,604,689 *	\$ 6,604,689
	-	-
Net income (loss)	(309,662)	(1,003,662)
Total capital expenditures	(1,018,953)	(1,018,953)
Depreciation	855,000	855,000
NET CASH FLOW	(473,615)	(1,167,615)
	-	-
WORKING CAPITAL RESERVE AT END OF YEAR	\$ 6,131,073	\$ 5,437,073
<u>NET POSITION (RETAINED EARNINGS): >\$8.9 million</u>		
Net Position at beginning of year	9,394,357	9,394,357
Net Income (loss)	(309,662)	(1,003,662)
NET POSITION AT END OF YEAR	\$ 9,084,695	\$ 8,390,694