



DRAFT Minutes

BOARD OF DIRECTORS

REMOTE MEETING

Research Corporation of the University of Hawai'i

Thursday, June 27, 2024

In-Person Location: East-West Center, Burns Hall 4th Floor, 4005/4009

1601 East-West Road, Honolulu, HI 96848

PRESENT: William Haning, David Karl, Ken Kawahara, Jaret KC Leong, Taryn Salmon, Vassilis Syrmos, Ernest Wilson

RCUH Staff: Leonard Gouveia, Kira Higa, Glenn Yee, Kaylee Hull
Attorney General's Office: Candace Park

CALL TO ORDER

The meeting was called to order by Director Karl at 9:04 a.m. Ms. Hull indicated that no written or oral testimony was received.

WELCOME NEW BOARD MEMBER

Director Karl recognized Ken Kawahara as a new member of the RCUH Board of Directors. Director Kawahara is the Business Sector appointee from the Governor's Office and is serving on an interim basis until his appointment is confirmed by the Legislature. Director Kawahara is the President of Akinaka & Associates and previously served as Deputy Director for the State of Hawaii Department of Land and Natural Resources. His professional experience in both the private and public sectors includes planning, design, contracting, construction, construction management, regulatory compliance and environmental quality monitoring.

Director Kawahara thanked Director Karl for the introduction and shared that this is his first time serving on a State board, but he currently serves on a City & County board. He's also been employed with both the State and City & County. Director Kawahara noted that half of his career has been spent in Government, with the other half in the private sector. He's also a proud graduate of the University of Hawai'i at Manoa and is involved with other UH groups (e.g., alumni, athletics).

APPROVAL OF MINUTES OF THE MARCH 13, 2024 MEETING

Upon motion made (Wilson), seconded (Salmon), and duly carried, the minutes of the March 13, 2024 meeting were approved as circulated.

DISCUSSION AND POTENTIAL ELECTION OF INTERIM CHAIR

Director Karl explained that Ken Hayashida resigned from the board on fairly short notice as he was appointed to the Land Use Commission Board and could not serve on two State boards at the same time. He added that Vice Chair Kelli Goodin recently served the end of her term, so RCUH is currently without an active chair or vice chair. Director Karl stated that he is leading the meeting per the request of Executive Director Gouveia. He explained that typically the RCUH Board holds elections at the September meeting due to the timing of the UH Board of Regents appointments in late summer. Director Karl also noted that RCUH has one outstanding appointment from the Governor's Office and hopes to fill that seat by the September meeting.

Director Karl introduced some options including electing an interim chair that would serve in this capacity until the September meeting or to postpone the election until the September meeting, but did not think this was a desirable outcome as it could pose a risk to RCUH's identity. Another factor is that per RCUH bylaws only the chair has the power to appoint members to the Personnel Committee, which evaluates the performance of the Executive Director. The bylaws currently don't comment on what occurs if there is no active chair or vice chair.

VPRI Syrmos commended Director Karl for running the meeting and recommended that he serves as interim chair given his 40 years of experience with RCUH. Director Wilson, Director Taryn, and Director Haning concurred with the recommendation. Upon motion made (Syrmos), seconded (Wilson), and duly carried, Director Karl was unanimously elected to serve as interim chair. Director Haning brought up the fact that UH is currently seeking a new president and Director Karl agreed that this new individual may not understand the role RCUH has played for the University so there may be some education needed, depending on when the new president is selected. He thanked the Board for their trust in his leadership.

FINANCIAL STATEMENTS FOR MAY 2024

Mr. Yee reviewed the balance sheet and highlighted RCUH's total assets at \$31.1 million, total liabilities at \$18.5 million, and total retained earnings at \$12.6 million. In regards to RCUH's cash and cash equivalents, RCUH reported a significant decrease from the prior year as a direct result of the return of advances from Revolving accounts from RCUH to UH. Mr. Yee believes that this reduced level will be the new norm for RCUH and added that RCUH still has a sizeable balance with UH ship operations, which will also be returned to the University at the end of this fiscal year or likely sometime in the next few months. Mr. Yee noted that RCUH's cash balance will decrease with the transfer of those funds. Correspondingly, RCUH's receivables balance will increase because RCUH will be billing UH as a receivable. Mr. Yee explained that RCUH gets weekly reimbursements from UH so he doesn't anticipate it being an issue. Lastly, he highlighted RCUH's working capital which remains at about \$8.6 million, which is within RCUH's working capital reserve policy.

Director Kawahara inquired how much Mr. Yee anticipates the numbers changing with one month left in the fiscal year. Mr. Yee responded that he believes the balance sheet will remain steady, but possibly with less cash and more receivables.

On the statement of revenues and expenses, Mr. Yee explained that the YTD Actual column represents 11 months of activity. He reported that total operating revenues remained at \$8.6 million, which is 96.6% in terms of percentage of RCUH's budget. This is due largely in part to the interest income from high interest rates. In terms of total operating expenses, RCUH expended \$7 million, with an operating income of \$1.6 million. Mr. Yee highlighted the salaries & wages row and explained that the number is slightly down due to vacant positions. He also pointed out the investment in capital assets figure that does not appear in RCUH's income statement with the biggest item being allocated for RCUH's transition to the Lumisight enterprise platform. Mr. Yee added that RCUH will be launching the new Financial Portal on July 15 and has a webinar scheduled the week prior with over 300 registrants.

Director Karl inquired whether the 20% gap in salaries and wages has affected the performance of RCUH if at all. Mr. Yee shared that certain pockets have struggled, but overall RCUH has been able to maintain our level of service. Executive Director Gouveia added that RCUH has made an intentional effort to save as much money as it can overall. RCUH has also made many changes to its policies and procedures and commended his leadership team for making necessary changes to allow RCUH to be more efficient. He acknowledged that the risk is that staff is lean and some areas have

struggled, but overall RCUH is moving in the right direction. Both ED Gouveia and Ms. Higa praised the core staff for their efforts. Director Karl clarified that he was inquiring about load-balancing and support for staff and ED Gouveia shared that there's been more cross-training for staff. He recognized that burnout is a concern for a few individuals, but thanked staff for their hard work. Ms. Higa added that RCUH leadership will continue to monitor and have an ongoing assessment of staff workload.

Under retained earnings and assets, Mr. Yee reviewed the volume of business with \$324 million in expenditures run through RCUH, a 7% increase compared to last fiscal year. He recognized that the bulk of work RCUH performs is for Extramural projects, which expended \$248 million through RCUH in 11 months, or 76.4% of total expenditures. Mr. Yee also highlighted the differential in UH's Extramural awards from Fiscal Year 2023 (\$467,460,243) to Fiscal Year 2024 (\$577,727,795), which reflects an increase of more than 20%. Director Salmon thanked Mr. Yee for his clarity regarding the financial statements.

BUDGET APPROVAL FOR FISCAL YEAR 2025 (JULY 1, 2024 – JUNE 30, 2025)

Mr. Yee mentioned that the executive summary provides a high-level overview of the budget proposal, but went into detail on the actual spreadsheet on the following page. He broke it down into three sections—Operating Revenues & Expenses, Capital Expenditures, and Working Capital Reserve & Cash Flow. Mr. Yee also explained that the second column is the forecasted expenditures for the remainder of the fiscal year, while the third column is the actual budget proposal for the board's approval. While reviewing the forecast, he anticipates \$9.3 million in revenue based on the interest income, \$7.7 million in expenditures, and \$1.6 million in net income. Mr. Yee reiterated that the capital expenditures is mainly for the enterprise platform for the financial system and the AS400 to SAP conversion. In terms of working capital reserve at the end of the fiscal year, he anticipates \$8.6 million, which is the median of the acceptable working capital reserve range per RCUH policy. Upon a request for clarification from Director Haning, Mr. Yee explained that SAP is the software vendor that RCUH will be transitioning to.

In terms of budget revenue, Mr. Yee estimates that RCUH will collect \$9.1 million with the largest portion coming from Extramural fees, which should be around \$6.6 million. He added that Intramural fees will basically be flat and the SRRC/Revolving account fees will probably decrease in the next year due to the transfer of the final Revolving accounts. In terms of Direct projects, the revenue projection is based on the number of current and active Direct projects. Mr. Yee projected that interest income in Fiscal Year 2025 will remain close to the original 2024 projection due to RCUH's decreased cash balance and the anticipation that the federal government will lower interest rates, potentially twice, in the next fiscal year.

In regards to Operating Expenses, he explained that salaries & fringes are always RCUH's largest item. The proposed budget includes a 5% salary increase for eligible staff. IT services will continue to be allocated, and Mr. Yee noted that he missed including the SAP license fee in last year's budget. RCUH's consultants recommended that RCUH purchase the license in Fiscal Year 2024 to lock in the lower price. Moving on to depreciation, Mr. Yee announced that the depreciation expense will increase due to the new financial system. He added that there was also an increase in Professional and Technical Support for headhunter's fees for the upcoming Finance Director position, as well as legal fees for a specialist to review HR's benefits policies. Furthermore, he noted that there is a breakdown of Item H "Other." In regards to net income, Mr. Yee stated that the projected income for Fiscal Year 2025 will be \$529,000, but without the interest income RCUH would be in a deficit of approximately \$200,000. He reinforced that RCUH tries to operate at a breakeven level.

In terms of capital expenditures, the \$885,000 reflects the remaining cost to replace the AS400 and transition to SAP, as well as the enterprise platform. Human Resources is also anticipating updating its Employee Self-Service system. Lastly, Mr. Yee explained to calculate the working capital number he starts with the beginning balance, adds in income, removes the capital expenditures, and adds back any depreciation, resulting in a projected total of \$8.9 million at the end of Fiscal Year 2025.

Director Karl thanked Mr. Yee for the budget projection and asked whether the Board had any questions. He acknowledged that the proposal included a 5% increase in salary and fringes and asked Ms. Higa what she anticipates the average increase will be across the projects. She responded that the salary adjustments really depend on the project's funding, some projects offer the minimum percentage while others offer the maximum 5%. Ms. Higa added that she's seeing less merit evaluations come through due to supervisor training regarding performance appraisal, as they are reviewing performance evaluations and pay increases separately. Director Karl inquired whether Human Resources keeps statistics in terms of performance evaluations and Ms. Higa acknowledged that the system records that data. She explained that the three-part supervisor training reinforced that supervisors need to evaluate employee performance rather than granting merit ratings to distribute funds, despite employees having performance issues. ED Gouveia concurred with Ms. Higa's statement and noted that it's difficult for both UH and RCUH, but it's especially complicated on the RCUH side since employees are funded with Extramural funds and PIs don't want to leave money on the table. He agreed that training on performance appraisals is important, especially when it comes to employee terminations.

Director Kawahara thanked Mr. Yee for the detailed breakdown of the "Other" budget category and asked whether there was a big expense in the current fiscal year in "Other" when comparing the Year-to-Date Actual column on the May 2024 financial statements to the Fiscal Year 2025 proposal. Mr. Yee said that was a good observation, but did not have a breakout of the specific budget category at the moment. He added that he could look it up and email it to the Board following the meeting. ED Gouveia and Mr. Yee suspected that it could have been due to related moving costs from the Manoa Innovation Center to East-West Center.

Upon motion made (Salmon), seconded (Kawahara), and duly carried, the Fiscal Year 2025 budget was unanimously approved. Director Karl thanked Mr. Yee and his team for the detailed proposal. Upon a search in the Financial Portal, Ms. Hull revealed that the main reason for the disparity in the Other category this fiscal year was due to external recruiting costs. ED Gouveia noted that in the past RCUH hasn't needed to reach out to "headhunters" for their services, however it was needed in the last year due to the number of vacancies. Mr. Yee affirmed that at least three employees in the Finance Department were placed by external agencies (with fees ranging from 15-20%) after normal advertising methods were not successful. ED Gouveia added that these individuals have all been excellent choices. Director Karl asked whether it was a local company recruiting local people and ED Gouveia revealed that they were local companies, mostly looking at local applicants.

SELECTION OF PERSONNEL COMMITTEE FOR EVALUATION OF EXECUTIVE DIRECTOR

Director Karl conveyed that this committee has a very important task and shared that last year's committee was comprised of Ken Hayashida, Kelli Goodin, and Director Leong. Ms. Hull clarified that typically the chair would appoint committee members (including a chair of the committee). Director Karl asked Director Leong to share his experience and estimated time commitment for this assignment. Director Leong expressed that the workload wasn't too heavy and that this would be a great opportunity for new board members, but would support any decision Director Karl makes. Director Karl inquired when the committee is expected to report back and Ms. Hull stated that typically the committee would provide a recommendation at the September meeting.

Directors Salmon, Kawahara, and Wilson volunteered to serve on the committee and Director Karl subsequently appointed them to serve on the Personnel Committee with Director Salmon serving as the committee chair. ED Gouveia noted that he volunteers to participate in UH's 360 evaluation, which will be shared with the committee. Director Karl asked whether the procedure is to use a survey and Ms. Hull responded that she typically coordinates a separate meeting for the committee members to coordinate how they'd like to execute the evaluation.

EXECUTIVE DIRECTOR'S REPORT

ED Gouveia started his report by thanking his leadership team regarding their work on the budget and shared that RCUH is making extra efforts to be transparent as possible. He also thanked the directors and their staff for keeping costs down to the best of their ability, as well as Director Karl for chairing this meeting. ED Gouveia also expressed appreciation to Director Kawahara for joining this Board and Deputy Attorney General Candace Park for filling in for Reese Nakamura.

LEGISLATIVE UPDATE

ED Gouveia reported that RCUH made efforts to keep the Board informed of the status of Senate Bill 1511 and provided an update that the bill was passed. On May 22nd, RCUH was asked to submit a comments and recommendations form to the Governor's Office and provided a detailed response on May 24th that was shared with the Board. His understanding is that the Governor's Office needed to announce the intent to veto by June 25th (which was done) and must deliver the veto by July 10th. The bill will not become law unless the Legislature overrides the veto with a special session and a two-thirds vote from each chamber by July 10th. ED Gouveia expressed that if the bill were to take effect, he would have to meet with UH President David Lassner, VPRI Syrmos, and CFO Kalbert Young immediately to address and implement the necessary changes from the bill. He's concerned that the vague language in the bill is subject to interpretation, so it'd be important for UH and RCUH to be on the same page. If the bill does get vetoed, ED Gouveia stated that RCUH can continue its ongoing efforts, and referenced the working group that VPRI Syrmos had put together to begin the evaluation of the UH/RCUH relationship. The University was in the process of addressing these issues before the Legislature became involved, and although ED Gouveia expressed his appreciation of the legislators' attempt to clarify issues, the opposite was happening.

VPRI Syrmos concurred with ED Gouveia's assessment and shared that there's a couple of issues to straighten out. ED Gouveia added that RCUH is committed to working with the University and move forward to meet the needs of UH, the State, and researchers. Director Wilson asked about the likelihood of the Legislature convening a special session to overturn the Governor's veto, but VPRI Syrmos responded that he didn't believe the Legislature would be able to obtain a two-thirds vote in each chamber.

STRATEGIC PLAN 2024 UPDATE

- LUMISIGHT & SAP IMPLEMENTATION: ED Gouveia thanked the staff who've been working on this project, the UH IT Department for their support, and the users who have provided feedback on their needs. The release is planned for July 15th with a webinar on July 10th. Mr. Yee added that although the majority of processes will remain the same, RCUH's legacy platform is antiquated. He stressed the enormity of the project, which included a lot of testing, vendor meetings, and documentation of more than 370 bugs. As an industry professional, Director Salmon recognized the complexities of software implementation and noted that 300+ defects is actually quite positive. She applauded the staff's work in navigating this project. Director Wilson also referenced his experience with change

management and the importance of communicating the change to stakeholders. ED Gouveia reiterated his appreciation for RCUH staff who have executed this project and shared the importance of setting and balancing expectations with vendors. He looks forward to this new system which should be able to provide better metrics. Mr. Yee added that some of his staff experienced an unsuccessful rollout in the past and that DataHouse has been providing additional support to handle and assist with questions upon the release.

- FINANCE DIRECTOR POSITION: ED Gouveia reminded the Board that the Director of Finance position was posted earlier in the year, but RCUH did not interview any applicants at that time as no one held both the procurement and finance requirements he's seeking. He's currently evaluating other options and will discuss with his leadership team in the next couple of weeks.
- HAWAII BROADBAND INITIATIVE: In response to Director Wilson's inquiry on any updates regarding the broadband contract, ED Gouveia informed the Board that VPIT Garret Yoshimi presented to the UH Board of Regents recently, however there has been no changes in regards to the agreement itself. He provided a historical overview of how the Public-Private Partnership (P3) with UH and Ocean Networks, Inc. (ONI) came to fruition. ED Gouveia shared that the attorneys for both parties are working together to determine who the specific funding groups will be as a contract deadline is approaching. If ONI doesn't meet the deadline, it may affect the contract, deliverables, and next payment. ED Gouveia described how the University processed these federal funds through RCUH and VPRI Syrmos clarified that the monies for this project did not go through the normal Extramural award process since the award wasn't truly research and training. The Office of Research Services was the vehicle for these funds, which are not counted as part of the Extramural awards for the University. ED Gouveia added that if SB1511 were to pass, the Deputy Attorney General assigned to RCUH opined that RCUH shouldn't be executing any further amendments on this agreement, however the language isn't clear. He reiterated that the payment structure for the P3 agreement was altered to prevent distributing \$60 million at one time (which would have been nearly impossible for either UH or RCUH to pay at once) compared to splitting it in smaller increments. Director Wilson acknowledged that this is a tremendous undertaking for UH and RCUH that is indirectly tied to the bill. Lastly, ED Gouveia reported that there are other sources of funds coming to the State to support this initiative, some of which may or may not be processed through RCUH, depending on the circumstance.
- OTHER ITEMS:
 - Clarify RCUH's Identity with UH and the State: ED Gouveia shared that he's been working on this goal, which is directly related to the bill. He added that he recently met with Lloyd Unebasami, who was recently hired by the Mauna Kea Stewardship and Oversight Authority (MKSOA), to discuss services that RCUH offers. MKSOA is currently evaluating how to transfer a group of RCUH employees who support the facilities on the mauna. ED Gouveia emphasized the complexities of the situation, as these employees conduct some research, but are not fully research positions under the new definitions in SB1511. He stated that many universities classify federal funds as Extramural awards, but the bill's language states that if individual's responsibilities are not primarily research, they should not be employed by RCUH. VPRI Syrmos conveyed that the UH Office of Human Resources is working on UH's employment policy with RCUH, regardless of whether the bill goes through, as there are issues surrounding positions that are within collective bargaining. He gave the example of the Maunakea Rangers, many of whom are retired law enforcement

- officers with the State. ED Gouveia hoped that this scenario shows the value of RCUH and emphasized that everything needs to be evaluated on a case-by-case basis.
- Reform RCUH's Internal Operations: ED Gouveia reported that RCUH has continually worked on improving its internal operations for efficiency. This included onboarding an IT administrator who recently developed new internal IT policies and procedures.
 - Increase Engagement and Outreach to Clients: RCUH will continue to expand its outreach and engagement moving forward. Outreach opportunities include the annual forum and the development of the revamped RCUH website.
 - Direct Projects: RCUH reported 27 active direct projects, with one addition since the last board meeting. The HI Local2030 Hub is a \$86,000 project between Hawaii Green Growth and the County of Hawai'i Department of Research and Development. Other opportunities have been evaluated, but nothing has occurred from those discussions yet.

MAHALO TO OUTGOING BOARD CHAIR

ED Gouveia recognized former RCUH Board Chair Ken Hayashida, who recently resigned as he was appointed to the State Land Use Commission by Governor Green. Since he could only serve on one State board, he stepped down from his position on the RCUH Board. ED Gouveia thanked Mr. Hayashida for his mentorship and service to RCUH. VPRI Syrmos echoed ED Gouveia's sentiments and applauded Chair Hayashida's willingness to volunteer and for his family's ongoing support of the University. Director Karl requested that ED Gouveia pass along the Board's appreciation to Mr. Hayashida.

ED Gouveia reminded the Board that RCUH still has an open position for the non-UH research organization appointee. Director Karl inquired how Board of Regents (BOR) appointments are handled and VPRI Syrmos stated that the UH Board of Regents Chair determines the appointments with input from the BOR Vice Chair and UH administrators. Director Haning commended the Board's congeniality and Director Karl echoed his statement.

ADJOURNMENT

The meeting adjourned at 10:45 a.m. The next Board of Directors meeting is tentatively scheduled for September 4, 2024.

/s/

Kaylee Hull
Executive Administrator

NOTE: Unless otherwise noted in minutes, all motions were passed unanimously.