



Minutes

BOARD OF DIRECTORS

Research Corporation of the University of Hawai'i

Wednesday, March 13, 2024

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

1601 East-West Road, Honolulu, HI 96848

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

RCUH Staff: Leonard Gouveia, Kira Higa, Glenn Yee, Kaylee Hull

Attorney General's Office: Reese Nakamura

CALL TO ORDER

The meeting was called to order by Chair Hayashida at 9:38 a.m. Ms. Hull indicated that no written or oral testimony was received.

APPROVAL OF MINUTES OF THE DECEMBER 5, 2023 MEETING

Upon motion made (Karl), seconded (Wilson), and duly carried, the minutes of the December 5, 2023 meeting were approved as circulated.

FINANCIAL STATEMENTS FOR JANUARY 2024

Mr. Yee reviewed the balance sheet for January 2024, which reflected \$29.1 million in assets, \$17.1 million in liabilities, and \$12 million in retained earnings. The balance sheet indicated a sizeable drop in total assets due to the transition of Revolving accounts back to the University. As the transition is finalized, RCUH's cash balances will decrease; a corresponding decrease will be reflected in liabilities (advances). Mr. Yee pointed out that the working capital and project contingent liability reserve under "Retained Earnings" totals \$8.6 million, which falls within the threshold of RCUH's policy.

Mr. Yee shared the Statement of Revenues, Expenses, and Changes in Net Assets and stated that "YTD" represents seven months of activity based on RCUH's fiscal calendar. The percentage of budget is an indication of where RCUH's expenditures should be (58.3%). Mr. Yee highlighted that RCUH's total operating revenues is slightly higher than the expected percentage due to elevated interest rates.

In terms of total expenditures, RCUH was slightly under budget at 54.8%. When reviewing the individual line items, Mr. Yee noted that the "Other" budget category is overspent at 110%, due to external recruitment fees. RCUH Finance recruited four new hires within the past year and was most successful with using these hiring services.

Director Karl asked where the excess interest income goes and Mr. Yee responded that those funds go into RCUH's working capital reserve. He added that RCUH returned a lot of its cash to UH with the Revolving accounts, so the reserve gives RCUH a cushion for expenditures. Director Wilson asked whether the recruitment fees are on-going or a one-time charge and Mr. Yee stated that those were one-time fees. He shared that the Finance department is well-staffed now and has just one lower-level position open at this time.

Mr. Yee reported that RCUH's Volume of Business through seven months of the fiscal year is approximately \$205 million compared to \$187 million at the same period last year; this is a 9% increase in activity. He also showed that UH's Extramural Awards are also increasing compared to the previous fiscal year. Director Karl asked why the volume of business for Revolving accounts is higher this fiscal year compared to last fiscal year and Mr. Yee explained that Revolving accounts can still be service ordered back to RCUH to procure goods and services or hire personnel. Once all of the Revolving accounts have been transitioned to the University, those expenditures will be re-classified as Intramural expenditures.

Director Wilson inquired whether there is a trend that the number of federal projects are decreasing. Mr. Yee responded that historically RCUH has not had many Direct Projects, referring to projects with the State of Hawai'i that are using federal funds. Director Syrmos shared that RCUH should see a robust increase in expenditures since he estimates that Extramural awards will reach \$550-\$600 million this fiscal year. Chair Hayashida asked how that will impact staffing and ED Gouveia stated that RCUH is fully staffed now, with the exception of one to two positions. He added that although RCUH is fully staffed, it is still lean and has had to seek support from external recruiters to fill open positions. This includes the Director of Finance position, in which he is seeking an individual with both finance and procurement experience.

Director Salmon asked whether RCUH is staffed appropriately with the projected increase in volume of business and ED Gouveia affirmed that is correct, combined with the revisions to RCUH's policies and procedures that are making internal operations more efficient. Ms. Higa added that the Human Resources Department has implemented many system updates to streamline operations, but will continue to re-assess the need for personnel. Chair Hayashida asked Director Syrmos how far he could project Extramural Awards and Director Syrmos shared that he believes the University could reach up to \$700 million in three years.

REPORT OF AUDIT COMMITTEE

Chair Hayashida reported that the Audit Committee met at 9:00 this morning to approve the fee proposal from N&K CPAs for the Fiscal Year 2024 Audit. Mr. Yee negotiated with the auditors for a 5.1% increase for the upcoming audit, totaling \$52,000. Chair Hayashida added that RCUH reported no significant findings and that this is the fifth year of the contract with N&K CPAs. RCUH will go out for an RFP next year. He also stated that with the 5.1% fee increase, it will amount to an average of a 3.7% increase over the five-year period. Chair Hayashida felt that this was a reasonable fee under the circumstances. Upon motion made (Wilson), seconded (Haning), and duly carried, the Audit Committee's acceptance of the FY 2024 Audit Fee Proposal was ratified by the Board.

EXECUTIVE DIRECTOR'S REPORT

LEGISLATIVE UPDATE

ED Gouveia reported that the requests for information from the Legislature was generally less this year for RCUH, however, the requests RCUH did receive took a significant amount of time for many core staff, and one request had a 24-hour deadline. He acknowledged that the University had much more information to provide compared to RCUH. ED Gouveia went on to provide an update on SB3208 and SB1511, which were drafted to clarify RCUH's purpose. He shared that RCUH opposed both bills and does not feel the changes are necessary as RCUH has been working with Director Syrmos and the University to address concerns from the Legislature. He stated that as the bill is currently written, RCUH would have difficulties complying with the statute, particularly when it comes

to approval from the Governor's Office, the Hawaii Government Employees Association (HGEA), and others—this would cause significant delays for research projects.

ED Gouveia explained that Director Syrmos is currently working on updating the UH Administrative Policy to address the issues raised by certain legislators, however, they must consult with the HGEA to receive their input. He believes that changing the statute while these items are in motion may cause more harm than good. ED Gouveia concluded that while there is a lot of language in the bill subject to interpretation, RCUH will figure out a path forward. Chair Hayashida suggested it would be best if the Legislature deferred the bill for a year to allow UH and RCUH to report on what has been completed and ED Gouveia concurred that it would give both parties the time to resolve some of the major issues, noting that these were being addressed before the Legislature pointed them out.

Chair Hayashida asked whether the Board should sign a letter to suggest a one-year deferral and ED Gouveia deferred to Director Syrmos for his take from a UH perspective. Director Syrmos noted that nearly all of the issues the bill intends to address has been resolved, with the exception of clarification on UH/RCUH employees. He explained that someone from UH's Office of Research Services is working with the UH Office of Human Resources to revise the administrative policies that target employment and does not believe we need to do anything at this time. He added that if the bill is scheduled for a hearing the Board could take a position, but feels that Lenny has been representing the Board well. ED Gouveia acknowledged that a letter couldn't hurt, and agreed to prepare something, however RCUH should be following UH's lead on how they plan to address this issue as it was recently being addressed by the UH BoR; and both organizations should definitely be on the same page. Director Haning suggested that it would be easier for the UH Regents to align with RCUH if a letter is prepared.

HAWAII BROADBAND P3 AGREEMENT UPDATE

ED Gouveia reported that the contract between RCUH and Ocean Networks, Inc. (ONI) has been executed after spending a significant time on this matter. Since ONI was concerned about the permitting process, the agreement was constructed so that RCUH was able to put up less money up front. Additional agreements will need to be executed for the Public-Private Partnership (P3) and financing; those agreements may or may not involve RCUH. ED Gouveia mentioned that there was a legislative inquiry on the appropriateness of RCUH's involvement in this project and he is aware that a memo was issued from the Attorney General's Office. Deputy AG Nakamura shared that the inquiry came from Senator Donna Mercado Kim and explained that the memo was not a formal opinion, but he advised the AG's Office on the background of the contract and cited the statutory provision that allowed RCUH to be involved. ED Gouveia stated that he has been prepared for this and feels confident in defending RCUH's involvement. He commented that this was one of the first agreements that came across his desk that was this complicated, but that is also why it was fully vetted for the protection of the State, UH, and RCUH. He added that he did his own research on P3s and feels confident that RCUH did the right thing despite the risks involved.

Director Karl questioned what types of permits were required besides the shoreline. ED Gouveia responded that land permits would be required on all islands. Director Karl also inquired about environmental surveys, but ED Gouveia stated that he was not clear, but believes the conduits are already existing to perform the work. Director Karl wondered if the \$1 million that was executed as the first payment of the ONI contract was enough to execute the permitting process. ED Gouveia claimed that ONI wanted a lot more than \$1 million up front to start the process, but VPIT Garret Yoshimi claimed it was enough for ONI to start moving forward.

STRATEGIC PLAN 2024 UPDATE

- Replacement of the AS400: RCUH Finance started a new phase in January and is working to complete the conversion as quickly as possible. Mr. Yee said that he is working closely with DataHouse to narrow the focus as the original plans included more than 20 3-hour workshops. He claimed that RCUH is on target to hit the December deadline and that DataHouse and VPIT Yoshimi have been assisting RCUH in keeping on track. He also stated that RCUH's Controller is the key staff member who will provide feedback since many functions run through her. ED Gouveia thanked UH's IT personnel for participating in this process, as well as Fiscal Administrators (FAs), since they are most familiar with UH's needs.
- Lumisight Enterprise project: RCUH has begun User Acceptance Testing (UAT), which uncovered a high number of errors. RCUH staff are working with DataHouse to address these issues. Mr. Yee explained that this enterprise platform will feed into the AS400's replacement and users will transact into that system. Director Salmon inquired about the current development phase and Mr. Yee answered that the SAP implementation is still in the development stage and testing will likely begin in June through October. ED Gouveia shared that it's been difficult on staff to balance two projects at the same time.
- Director of Finance Recruitment: With Mr. Yee's impending retirement at the end of this year, ED Gouveia decided to start the recruitment process early. Currently, he is looking for the ideal candidate with procurement and finance expertise. RCUH may acquire the services of an external recruitment agency if the opening does not attract qualified applicants.
- RCUH Core Staff Retreat: ED Gouveia shared that the Core Staff retreat was an excellent event and that employees were fully engaged. He anticipates this will be done every 1-2 years.
- Line of Credit: RCUH spent a significant amount of time evaluating the line of credit, which was used once or twice in the past when RCUH needed funding. This was discussed with the Attorney General's Office and RCUH elected to terminate the line of credit as there are other alternatives for cash flow shortfalls that can be considered. If RCUH were to have a shortfall for UH projects, ED Gouveia would reach out to Director Syrmos' office for a resolution. If the shortfall impacted a Direct project, RCUH has the ability to reach out to the State to request a loan. Director Karl asked how much the current line of credit costs and ED Gouveia explained that there is no cost right now, but the banking institution is now requesting 1%, which equates to \$50,000. Mr. Yee shared that he understands why this line of credit had to exist in the past since the cash flow wasn't reimbursed as quick as it is now (on a weekly basis). He added that if RCUH needed to make a large payment (e.g., \$5 million), it would be difficult and RCUH would have to approach the University.

ED Gouveia reported that he continues to meet with individuals to explain RCUH's mission and functions and that RCUH continues to make changes to its internal operations. He plans to present the "Introduction to RCUH" presentation to the core staff so that employees have a better grasp on the bigger picture of RCUH. ED Gouveia noted that staff continue to work on updating policies and procedures, however finding the time in everyone's busy schedule is difficult; the revised target date for this benchmark has been moved to the end of 2024. Director Syrmos added that it's more complicated to update policies on the UH side since there are three sets of policies (i.e., Regents, Executive, Administrative) and that UH tries to be consistent in the connected policies with RCUH. UH policies also need to go through consultation with all of the unions. ED Gouveia concurred that both

parties have done a good job overall, but updating policies and procedures could be a full-time job for a committee.

Lastly, in regards to the strategic plan, ED Gouveia highlighted the annual forum on community engagement in research and shared that RCUH reported 28 current Direct projects, with two new projects from the HI Local2030 Hub.

MISCELLANEOUS: POTENTIAL PROJECT WITH KAPI'OLANI COMMUNITY COLLEGE

ED Gouveia shared a recent inquiry he received from Michael Unebasami, the Associate VP for administrative affairs for the UH Community College System, regarding the Culinary Institute of the Pacific (CIP) at Kapi'olani Community College. Chef Roy Yamaguchi was recently hired to lead the CIP and with construction close to completion, ED Gouveia met with Mr. Unebasami and Chef Yamaguchi to determine whether RCUH would be capable of assisting their program to any extent. ED Gouveia noted that they discussed the CIP's relationship to research, training, and development, as well as the program's needs. He informed them that if the latest legislative bill passes, it will be unlikely that RCUH could assist. Based on the existing statute, ED Gouveia could see how RCUH could potentially support parts of the program, however it would still require buy-in from the UH President, the UH VP for Research and Innovation, as well as the Legislature. He already foresees some issues on the University side, and Director Syrmos suggested that ED Gouveia discuss the project with Kalbert Young, UH's VP for Budget and Finance. ED Gouveia acknowledged that due to some of the complex issues tied to this project, he doesn't envision that RCUH would be able to support the CIP, however he wanted to share this discussion with the RCUH Board for their awareness. Director Haning expressed surprise that there wasn't an effort made to collaborate with the UH Mānoa Shidler College of Business. Director Syrmos stated that these are the projects that put UH's research enterprise at risk and even though it is tangentially related to research and training, it shouldn't jeopardize the nearly \$600 million in extramural funds that is coming into the University. Director Wilson noted that he has experience running and operating the former Cannon Club military facility and it seems far-fetched that RCUH would be involved in the CIP. ED Gouveia concurred and shared that he made it clear at the initial meeting that if RCUH were to be considered to assist with this, it would need the blessing of major stakeholders as mentioned above.

Chair Hayashida called for a break at 10:48 a.m. The meeting resumed at 11:00 a.m.

Upon return from the break, ED Gouveia reminded the Board that the Strategic Plan is a living document and can be revised. He informed the group that the latest version reflects input from RCUH's managers and staff and that RCUH will post it on its website in a few weeks. He asked the directors to review the document and to forward any questions or comments.

PROPOSED SALARY ADJUSTMENT GUIDELINES EFFECTIVE JULY 1, 2024

Ms. Higa presented the proposed compensation guidelines effective July 1, 2024 or October 1, 2024 for projects on the federal fiscal year. She reminded the Board that previously RCUH presented multi-year guidelines aligned with UH's collective bargaining agreement, however the Board preferred that RCUH provide annual proposals. Ms. Higa explained that the range of percentages allows PI the flexibility to make adjustments based on funding and employee performance. Projects can also opt to distribute a one-time pay award, or provide a pay adjustment to their base salary. Chair Hayashida asked Ms. Higa to explain the merit awards and Ms. Higa responded that RCUH Core Staff tries to align with UH, so RCUH will only process merit awards if UH proceeds with special compensation awards.

Director Karl stated that from a Principal Investigator perspective, new appointments at RCUH have to be cleared through the Office of the Vice President for Research and Innovation (OVPRI) through the Attachment B process. These new appointments are only one-year appointments and with a probationary period of 12 months, these individuals will never be eligible for any salary adjustments and probably won't even have an evaluation completed. He added that from the field's perspective, people are wondering what happens at the end of that one-year appointment; it's unclear whether there can be an appeal to extend or whether a new position has to be created. Director Syrmos responded that this is in alignment with UH's policy and the statute, however UH was not following the statute closely in the past. He stated that from his perspective, if the RCUH employee is funded by extramural awards, then the one-year can be automatically extended to the period of performance for the extramural award. However, if the position is funded by Research Training and Revolving Funds (RTRF) or Tuition or Special Funds, those are considered state funds and that is where the issue is.

Director Syrmos explained that exemptions have been made in the past without much scrutiny, and that PIs have used RCUH rather than UH's APT positions due to finances. He highlighted that UH's fringe rates are a lot higher than RCUH's (e.g., paying \$62 in fringe benefits at UH compared to paying \$40 in fringe benefits for an RCUH employee with the same position), which means that PIs could save a substantial amount of money with RCUH. Director Syrmos noted that the UH Office of Human Resources has revitalized their processes and that they are competitively fast with RCUH. He believes that ultimately PIs choose to use RCUH because of money.

Director Karl shared that he doesn't think Principal Investigators understand the subtle color of money and that they may not understand the complications of funding a position through RTRF. Director Syrmos said that he doesn't think it's bad practice if it's a short-term position or part of a salary, but not the majority of salary. He added that this practice has been abused in the past with employees starting on extramural funding and transitioning to being funded 100% by RTRF. Director Syrmos stated that this is where the nucleus of opposition to these RCUH employees is. Director Karl suggested that there are some exemptions on the memo that need clarification.

Director Wilson asked whether RCUH is in jeopardy in terms of lack of or lessening demand due to benefits and asked what type of impact these one-year appointments will have on UH's research efforts, as well as attracting Principal Investigators. Director Syrmos responded that PIs have the freedom to hire employees through RCUH or UH on extramural funding and doesn't believe that extramural funding is in jeopardy because of that. He noted that Hawai'i is a unionized state so the University needs to be careful as things need to be balanced. While there is a lot of need for RCUH's services, UH has to be mindful of collective bargaining. In Director Syrmos' opinion, he shared that he doesn't believe this jeopardizes RCUH and that moving forward this will be a good practice for everybody to follow to reduce the inquiries from the Legislature. Ms. Higa added that RCUH will keep an eye on its ability to recruit for these limited-term positions.

Director Karl discussed how this ties into the re-classification of faculty, as research positions are only a R2 at UH. He added that SOEST is moving postdocs into the R2 category instead of hiring through RCUH. These R2 term appointments are for a three-year maximum, which is perfect for a postdoc, but not necessarily a career track position. They also have the authority to write and receive grants as Principal Investigators.

Director Wilson emphasized that he does not want to take an action on something that would affect UH's capacity to execute the research. Director Syrmos concurred and shared that the University needs to be good stewards of both RCUH functions and the collective bargaining units. He also

agreed that R2 positions are to be used for research faculty and that he would never put postdocs in any other category and clarified that he would not use state funds for those positions.

[Director Haning left the meeting at 11:19 a.m.]

Chair Hayashida asked for confirmation that positions can't be advertised for longer than a year and Ms. Higa responded that if it's a limited term position, the individual would end their employment one-year from posting or from their hire date. She added that HR staff ensures this is advertised so that individuals aren't surprised. Director Leong noted that many APT positions are temporary, but are re-evaluated. He also inquired whether the maximum pay increase an individual could receive is 8% to their base and Ms. Higa confirmed that is the case if the individual were to receive a merit rating on their performance evaluation.

Upon motion made (Goodin), seconded (Karl), and duly carried, the proposed salary adjustment guidelines were unanimously approved.

DISCUSSION AND APPROVAL OF PROPOSED BYLAW REVISIONS

ED Gouveia explained that there weren't substantial changes to the bylaws, but Section 10 was amended to include language about hybrid meetings and Section 6 was amended to include language more consistent with UH's RP 8.201. The proposed language would clarify that extramural agreements are governed by the UH-RCUH Internal Agreement and not subject to board approval. The amendments also remove references to a RCUH Deputy Executive Director as that position does not exist. Deputy Attorney General Nakamura and board members discussed the usage of "shall" versus "may" in Section 6, but ultimately decided to keep the proposed language.

Upon motion made (Goodin), seconded (Salmon), and duly carried, the proposed bylaw revisions were unanimously approved.

ADJOURNMENT

Chair Hayashida and ED Gouveia thanked Vice Chair Goodin for her eight years of service. ED Gouveia also thanked the full Board as he understands this is a big commitment as unpaid volunteers. The meeting adjourned at 11:34 a.m. The next Board of Directors meeting is tentatively scheduled for June 5, 2024.

/s/ Kaylee Hull

Kaylee Hull
Executive Administrator

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