



DRAFT Minutes

BOARD OF DIRECTORS

Research Corporation of the University of Hawai'i

Wednesday, September 4, 2024

In-Person Location: East-West Center, Burns Hall 4th Floor, 4012

1601 East-West Road, Honolulu, HI 96848

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

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 Interim Chair Karl at 9:18 a.m. He also acknowledged that Regents Haning and Wilson have been re-appointed to another term by the UH Board of Regents. Ms. Hull indicated that no written or oral testimony was received.

APPROVAL OF MINUTES OF THE JUNE 27, 2024 MEETING

Upon motion made (Kawahara), seconded (Wilson), and duly carried, the minutes of the June 27, 2024 meeting were approved as circulated.

APPOINTMENT OF AUDIT COMMITTEE & DELEGATION OF AUTHORITY TO APPROVE FY 2024 AUDITED FINANCIAL STATEMENTS

Chair Karl thanked the previous Audit Committee members for their service, before appointing Wally Chin, Chief Administrative Officer from the Hawaii Community Foundation, as an ad hoc member, as well as Directors Salmon and Wilson. Upon motion made (Kawahara), seconded (Haning), and duly carried, the Board voted to delegate the authority to this Audit Committee to approve the Fiscal Year 2024 audited financial statements.

EXECUTIVE SESSION - MATTERS EXEMPTED BY HRS §92-5(a)(2) [EVALUATION OF EXECUTIVE DIRECTOR]

Upon motion made (Wilson), seconded (Salmon), and duly carried, the RCUH Board of Directors convened in executive session at 9:24 a.m. to consider the evaluation of the RCUH Executive Director, pursuant to Section 92-5(a)(s) of the Hawai'i Revised Statutes.

The meeting resumed at 10:07 a.m. Chair Karl thanked Director Salmon for chairing the Personnel Committee, as well as Directors Kawahara and Wilson for serving on the committee. He reported that RCUH collected feedback from Principal Investigators as well as staff and was pleased to announce that ED Gouveia recorded high marks. A separate discussion will be scheduled at a later time to discuss the results with ED Gouveia. Director Salmon and Chair Karl thanked Ms. Hull for her efforts coordinating the evaluation.

ELECTION OF OFFICERS

In the call for nominations, Director Leong nominated interim Chair Karl to serve as Chair for a full one-year term, seconded by Director Wilson. Ms. Hull called for a vote and the Board unanimously approved Chair Karl's nomination. He thanked the board members for their confidence in him and expressed he hopes to serve the Board as effectively as previous chairs. In the call for nominations for Vice Chair, Chair Karl nominated Director Salmon who was unanimously elected.

FINANCIAL STATEMENTS FOR FISCAL YEAR 2024

Mr. Yee pointed out that these statements are unaudited, and may differ from the actual audited financial statements, which are currently being reviewed. As of June 30, 2024, RCUH's total assets were at \$35.3 million, total liabilities were at \$22.5 million, and total retained earnings remained at \$12.7 million. Mr. Yee recognized that the biggest movement on the balance sheet is the difference in cash as well as the decrease in advances from the University of Hawai'i—both changes are attributed to the transfer of Revolving accounts back to UH. He also highlighted that RCUH's working capital reserve remains at around \$8.64 million, which falls within an acceptable range per RCUH policy. Director Wilson asked whether the reserve amount was adequate and Mr. Yee responded that it should be as it is based upon RCUH's operating expenses as well as planned improvements. ED Gouveia added that in the event an extraordinary expense occurs, RCUH would request funds from UH. Mr. Yee noted that in terms of cash flow RCUH bills the University for reimbursements every week.

Chair Karl inquired whether the reserve funds are invested or remain as cash and Mr. Yee stated that the monies are invested in three ways. The first is a sweep account that holds the majority of RCUH's funds and earns about 5% (but is predicted to decrease). The second avenue is an investment account with First Hawaiian Bank, which holds approx. \$4 million in short-term investments/securities, which earns about 4.5-5.0%. This account was initially opened due to low interest rates, but since rates have improved, we are considering closing the account for more flexibility in terms of cash flow. The last vehicle is TCDs; RCUH has about \$3 million in TCDs currently. ED Gouveia explained that when RCUH possessed the Revolving accounts, we had more available cash to invest, which would reduce the amount of fees that UH had to pay. He believes that since those monies have been returned to the different entities at the University, it may be a lost investment opportunity that UH isn't capitalizing on.

Upon reviewing the statement of revenues, expenses, and changes in net assets, Mr. Yee reported that RCUH accrued \$9.6 million in revenue and recorded \$7.8 million in operating expenses, resulting in approx. \$1.8 million in operating income. He explained that the big driver in the excess budget is due to interest income, which was favorably high. In terms of expenses, RCUH remained at 94.5% of its budget. Mr. Yee pointed out that the expenses in Info Tech Services is overbudget primarily due to the delay with the Lumisight and SAP projects in the Financial Portal. The delay forced RCUH to absorb additional costs to keep its legacy system running. ED Gouveia added that the COVID-19 pandemic also contributed to the delay in this IT project, as RCUH was advised in consultation with the University to put projects on hold for a couple of years. Mr. Yee noted that the Revolving accounts transition, that required reprogramming of our data interface with the UH, was another factor that delayed the rollout.

Director Wilson inquired about the difference in the spending for rental space and equipment. Mr. Yee stated that the \$100,000 decrease in spending in that category is due to the consolidation of RCUH offices at Burns Hall. He noted that the Other category is also overbudget due to the fees for external recruitment services that were not previously budgeted.

Moving on to the Retained Earnings page, Mr. Yee highlighted the Volume of Business in Fiscal Year 2024, which equated to \$354 million in project expenditures that were run through RCUH's system, compared to \$333.9 million the previous year (approx. 6% increase). The current year's expenditures marks the highest amount since 2014. He also pointed out UH's Extramural awards, which totaled a record-high \$621 million. Mr. Yee gave kudos to the UH researchers for bringing in all of these grant awards, which resulted in a 20% increase from last year's previous record. He did not have any comments on the statement of cash flow.

Vice Chair Salmon asked whether there was a particular driver for the high number of expenditures in 2014. Mr. Yee replied that it's a compilation of whatever expenses projects run through RCUH and that he uses the Extramural Awards as a gauge or indicator in terms of what RCUH can expect in terms of hiring and procurement activity. ED Gouveia added that although the number of Extramural awards are high, it does not necessarily mean that all of those additional monies are processed through RCUH as it depends on the project needs, which may or may not need RCUH support. Director Karl shared that the reported Extramural awards, include indirect costs, which goes to the state general fund and University, and does not come to RCUH. Additionally, awards may be expended over a period of five years rather than one year, and funding is dependent upon the execution of the awards. In conclusion, there are various nuances between what is reported and what RCUH actually processes.

Director Wilson asked how the broadband project compares to other projects that have run through RCUH within the last three to four years. ED Gouveia explained that the initial proposal was to process three \$20 million payments, however after further discussions it was agreed to process payments in smaller increments so that UH had more control of deliverables. Other than that, it's processed similar to any other Extramural award. The fact that it was developed as a P3 did make the process more complicated. Although board approval is not required per policy, ED Gouveia will keep this on the Board's radar in the event an incident occurs.

Director Wilson inquired what it will look like going forward, in terms of the flow through RCUH. Chair Karl pointed out that the Sea Grant College recently received a \$64 million award, but isn't sure whether any of those funds will flow through RCUH or not as it is difficult to predict. He noted that general support of research and development is increasing nationally, Hawai'i has a strong congressional delegation that has helped to route funds to the islands, and he believes that it will scale on acquiring a good University president who will think beyond the scope of the Mānoa campus and is connected internationally. Chair Karl stated that the right leadership can build new programs and in his 45 years at UH, he believes the University is on an upswing. He added that RCUH has a very important role to play and it's critical to ensure that legislators understand that. Director Wilson emphasized the importance of the selection of the new UH President. Chair Karl concurred and believes that the candidates should meet with the RCUH Executive Director as part of the interview process to understand the relationship between UH and RCUH.

FINANCIAL STATEMENTS FOR JULY 2024

Mr. Yee explained that this portion reflects just one month of activity so he did not have many comments. In the Statement of Revenues, Expenses, and Changes in Net Assets, he remarked that RCUH should be at 8.3% in terms of budget spent and is not far off from that. Interest income remains on a positive track but Mr. Yee is forecasting that the federal government may begin cutting interest rates in September. He also noted that UH's Ship Operations will transfer back to the University at the end of September, which will result in a \$6 million transfer of monies. Vice Chair Salmon inquired whether this was the last project with a Revolving account and Mr. Yee stated that there's one left, which is the Maunakea Shared Services. It is unsure when that transfer will happen with the State.

In terms of volume of business, RCUH reported \$28.8 million in expenditures, which is 12% more than the same time last year. In closing, Chair Karl suggested that the Extramural awards be reported in constant dollars due to inflation.

Chair Karl thanked Mr. Yee for his presentation and asked for a quick break at 10:41 a.m. The meeting resumed at 10:52 a.m.

PROJECT PRESENTATION: GOFARM HAWAII

ED Gouveia thanked Janel Yamamoto for presenting about GoFarm Hawai'i. She has been an RCUH employee since 2006 and is the Director of GoFarm Hawai'i. Ms. Yamamoto has made a tremendous impact on the GoFarm Hawai'i program and was even recognized as Outstanding Researcher/Project Manager/Professional at the 2018 RCUH Awards Luncheon.

Ms. Yamamoto introduced herself and provided more context about her background. She explained that GoFarm Hawai'i is an extension of the UH College of Tropical Agriculture and Human Resources that is focused on enhancing the state's food security and economy by creating more sustainable farmers. The program started in 2003 when it was recognized that farmers needed business assistance. This resulted in the Agribusiness Incubator Program (AIP), which provided free business coaching for farmers across the state. When staff discovered the lack of experiential programs, the college incorporated a workforce development aspect and formed GoFarm Hawai'i (GFH), which originated at Windward Community College.

Today, there are five sites statewide on four islands, each with full-time farm coaches and incubation programs for GFH graduates. The program has 23 employees that help to provide additional training and educational programs for farmers. She highlighted the variety of programs at GFH, which include the Beginner Farmer Training Program for adult learners who want to start a farm business or work in the agricultural industry. Fees total about \$700 and graduates receive a certificate that is recognized in the local agricultural community. There is no program prerequisite, and the demographics of participants range from 18 to 72.

Ms. Yamamoto reviewed a map of the state with GFH locations and explained that it is a phased program that gives individuals an easy way to opt in and out. Cohorts start in a free AgCurious webinar before transitioning to the 5-week AgXposure program. This helps individuals determine whether they want to pursue farming. If they decide to move forward, individuals register for the 7-month AgXcel program, which gives participants a 1/16th acre plot of land to independently manage. The goal is for participants to sell their produce via Community Supported Agriculture (CSA), as well as find their own customers and write their own business plans, culminating in a final business presentation. Individuals can then apply for the AgIncubator program, which provides 1/8th acre of land that can be scaled up to an acre within a three-year period. During this time, participants are running independent businesses with the ability to use shared equipment, however farmers need to meet with GFH staff every six months and meet specific revenue goals.

Since 2012, 3,000 individuals have completed AgCurious, 100 farmers have incubated with GoFarm Hawai'i, and 600 individuals have graduated from the program. Ms. Yamamoto reported that 90% of graduates end up starting their own farm or work in the agricultural industry. She shared that the AgBusiness services still exist, including 1-on-1 coaching, technical assistance, business training, and resource development. Ms. Yamamoto also highlighted a \$1 million donation to GFH to establish a grant program. As a result, GFH graduates can apply for \$25,000 to either scale their business, purchase equipment, or to make their business more efficient.

In terms of training impact, GFH offered 125 classes to 1,600 attendees in a one-year period. GFH prides itself in local agricultural and business training, in addition to connections to local service providers. She commented on recent developments, such as renewed interest in canoe crops, the expansion of livestock and floral courses, before highlighting a few success stories out of the program.

While providing an overview of the back-end operations of GFH, Ms. Yamamoto pointed out that the program is mainly funded through extramural monies with an annual budget of approx. \$2 million. She explained that there is often a misperception that the program is funded by the University, so it is overlooked when it comes to funding opportunities.

Chair Karl thanked Ms. Yamamoto for the presentation and asked whether GFH has branched out to include backyard aquaculture or aquatic species. She responded that there is a sister program called GoFish Hawai'i that is run by a professor from CTAHR and another one from Sea Grant. They provide the educational aspect, while GFH provides the business aspect, however the program is currently looking for funding. Chair Karl followed up to ask whether the program has explored partnering with international organizations. Ms. Yamamoto said that GFH is part of a national network of farming organizations, but noted that UH program is probably one of the larger programs and often shares its curriculum or knowledge with others. Director Haning exclaimed he was happy to hear about the emphasis on the business and commercial aspect of farming. Ms. Yamamoto agreed that farming is a business, which means it has to at least break even and make sense for their family.

Director Wilson inquired whether the GFH program has been integrated through the community college system. Ms. Yamamoto explained that it's not because most program participants are not concerned about receiving college credit and prefer to jump into the field. Director Wilson referenced his efforts to push for more non-systemic programs at the University, as well as the potential benefits for farming on Hawaiian homelands. Ms. Yamamoto agreed and shared that she recently met with the Department of Hawaiian Home Lands (DHHL) and that they are exploring creating more agricultural lots on Hawai'i Island. They discussed potential opportunities for GFH to help provide recipients with the skillsets they would need to put their land into production. She added that GFH has also been working with Leeward Community College, which has a sustainable agricultural program. For students actually looking to farm, they would be referred to GoFarm Hawai'i, and the program would qualify for their internship or apprenticeship requirement.

Chair Karl asked whether the program has considered vertical farming due to the high cost of land in Hawai'i. Ms. Yamamoto explained that there is an interest in vertical farming, but most individuals want to get in the dirt and sometimes enjoy the cultural aspect of agriculture in Hawai'i. She added that the cost to incubate with GFH is fairly low, and the costs of vertical farming would include electricity and the appropriate infrastructure.

Director Kawahara asked about whether there are any challenges when it comes to access to water. Ms. Yamamoto responded that the access to land is not the issue, rather it is the access to land with the infrastructure in the parcel sizes that make sense for participants. She provided an example of a recent graduate who partnered with the Kokua Hawaii Foundation for ag space and noted that the current generational wealth transfer is resulting in a lot of inquiries regarding potential agricultural land. While wrapping up her presentation, Ms. Yamamoto emphasized that the program is constantly looking for funding and hopes to institutionalize the program at CTAHR. She noted that the CTAHR dean is also exploring ways to incorporate this kind of experiential learning for students.

EXECUTIVE DIRECTOR'S REPORT

LUMISIGHT & SAP IMPLEMENTATION: The Lumisight platform and the refreshed Financial Portal went live on July 15 without any significant problems. He noted that this was due to RCUH and DataHouse's extra efforts to ensure a smooth outcome, including having DataHouse staff onsite at RCUH to troubleshoot issues, and thanked everyone for their hard work and commitment to make this happen. RCUH and DataHouse also hosted a virtual demo attended by 327 individuals. ED Gouveia reported that weekly work sessions with Accounting staff have restarted for the transition of SAP. These meetings were put on hold at one point due to the Lumisight project, Revolving account transition and routine audit work, which resulted in a slight delay from the initial timeline. The current forecast is completion by the end of Q1 in 2025. Mr. Yee explained that the overlapping projects put too much strain on staff time in addition to their regular duties, which is why the decision was made to focus on Lumisight first, and then work on the SAP transition.

FINANCE DIRECTOR RECRUITMENT: The job posting for the Director of Finance position was re-opened on August 5, and RCUH has received a few promising applicants. RCUH is currently scheduling interviews with the individuals.

STRATEGIC PLAN 2024 UPDATE

- Educate government agencies, private companies, not-for-profits about RCUH's services and capabilities: ED Gouveia stated that he was in contact with Maui County Chair Alice Lee, who was interested in a presentation to learn about the services RCUH offers that would be able to assist with Maui's needs related to the wildfires. He does plan to present to the Maui Council, but wants to ensure transparency as he would want legislative support. He emphasized the importance of getting the proper approvals before moving forward.
- Update RCUH website: RCUH collected feedback on the new website design and is preparing the RFP with hopes to release it in mid-October.
- New Direct Projects: There are currently 28 active Direct projects, with three new projects to report: Hi Tobacco Prevention Control Block Grant 7, Elements: Enabling High Precision Citizens Science Photometry from Wide Filed Color Images, and Robust Deep Contract Imaging Self-Calibrating. ED Gouveia shared that he will provide an update at the next board meeting regarding the potential project with Maui County.

ADJOURNMENT

The meeting adjourned at 11:45 a.m. The next Board of Directors meeting is tentatively scheduled for December 4, 2024 and Chair Karl noted that if board members need to participate virtually it should be requested ahead of time as the setup needs to be communicated to various constituencies.

/s/

Kaylee Hull
Executive Administrator

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