

DRAFT Minutes
BOARD OF DIRECTORS
REMOTE MEETINGResearch Corporation of the University of Hawai'i
Wednesday, December 4, 2024In-Person Location: East-West Center, Burns Hall 4th Floor, 4005/4009
1601 East-West Road, Honolulu, HI 96848Recording: <https://youtu.be/s5yAi5g4C3s>**PRESENT:** David Karl, Ken Kawahara, Jaret KC Leong, Taryn Salmon, Vassilis Syrmos, Ernest Wilson.
Excused: William Haning.RCUH Staff: Leonard Gouveia, Kira Higa, Glenn Yee, Tracey Heinrich, Kaylee Hull
Attorney General's Office: Reese Nakamura**CALL TO ORDER**

The meeting was called to order by Director Karl at 9:17 a.m. He confirmed with those attending virtually that there were no individuals over the age of 18 present with them. Ms. Hull indicated that no written or oral testimony was received.

APPROVAL OF MINUTES OF THE SEPTEMBER 4, 2024 MEETING

Upon motion made (Wilson), seconded (Kawahara), and duly carried, the minutes of the September 4, 2024 meeting were approved as circulated.

FINANCIAL STATEMENTS FOR OCTOBER 2024

Mr. Yee reviewed the balance sheet and reported that RCUH's assets totaled \$31.5 million, total liabilities are at \$18.1 million, and total retained earnings are at \$13.3 million. He pointed out that the difference from 2023 to 2024 is the \$10 million decrease in cash and cash equivalents due to the transfer of Revolving accounts back to the University. Mr. Yee added that other changes from the previous year include approximately \$3.8 million in receivables from UH compared to zero receivables in 2023, as well as a lack of advances in the current fiscal year compared to \$8.2 million in 2023. He explained that moving forward, RCUH will see less cash, an increase in receivables, and a reduction of advances.

When reviewing the statement of revenues, expenses and changes in net assets, Mr. Yee stated that the numbers should reflect four months of activity in the fiscal year. In terms of total operating revenue, RCUH reported approximately \$3.4 million, with \$2.8 million in operating expenses. He reported that the interest income is at \$488,000, however he expects that to drop compared to the prior year due to the decrease in cash and declining interest rates. Mr. Yee didn't have many comments on the individual operating expenses, but noted that some of the line items are due to timing, such as the CPA services.

Mr. Yee continued with RCUH's retained earnings, stating that RCUH's volume of business is on par with the 2024 fiscal year at \$123 million. He noted that there is a typo under the variance for the 3-month period, which should reflect a positive \$119 million difference, resulting in a positive 75.9% variance. VPRI Syrmos added that he expects this year's Extramural awards to surpass last year's numbers. Lastly, Mr. Yee pointed out the total disbursements that RCUH has processed, which totaled \$124 million.

REPORT OF AUDIT COMMITTEE

Chair Karl reminded the Board that the appointment of Audit Committee members occurred at the previous board meeting and includes ad hoc member Wally Chin, Chief Administrative Officer at the Hawaii Community Foundation. Vice Chair Salmon reported that the Audit Committee met on Oct. 30, 2024 to accept the Fiscal Year 2024 audited financial statements. N&K CPAs reported that they had an unmodified opinion on RCUH's financial statements and did not identify any material weaknesses or significant deficiencies. Vice Chair Salmon shared that the auditors did not encounter any disagreements with management or experience any difficulties in performing the audit. The Audit Committee unanimously approved the audited financial statements and would like the Board to ratify this acceptance.

Upon motion made (Salmon), seconded (Wilson), and duly carried, the RCUH Board ratified the Audit Committee's acceptance of the audited financial statements for Fiscal Year 2024. Chair Karl thanked the Audit Committee and the RCUH Finance Department for their review and work on the audit.

EXECUTIVE DIRECTOR'S REPORT

ED Gouveia added his thanks to those who worked on preparing the audit, which went smoothly according to the auditors. He introduced Tracey Heinrich as the new Director of Finance, who will be taking over upon the retirement of Mr. Yee. Ms. Heinrich was previously employed by Novartis Biomedical Research based in San Diego, Calif., where she managed over \$60 million in external funding from multiple grantors. She was responsible for budgeting, forecasting, treasury management, month-end processes, financial analysis, and reporting. Ms. Heinrich also worked at UC Irvine for four years as a senior financial analyst and held various roles at Pricewaterhouse Coopers. ED Gouveia provided an overview of the search process and further details on Ms. Heinrich's experience.

ED Gouveia continued with an update on the replacement of the AS400. Finance staff have been working closely with DataHouse and SAP consultants to reconfirm the Chart of Account setup, among other requirements. He explained that although many systems are standard, RCUH's setup requires more configuration. ED Gouveia shared that individuals have encouraged him to work closely with other state offices and RCUH had attempted to follow that path, however those offices have pivoted and switched to other programs that's more appropriate for them. He did note that RCUH has been working closely with VPIT Garret Yoshimi and VPRI Syrmos' office and thanked them for their support.

ED Gouveia highlighted some of the challenges with RCUH's current payment processor and noted that although local banks may be able to assist RCUH with this, they wouldn't be able to include vendor enrollment and vendor management as part of that service. This would require an additional 2-3 personnel and Mr. Yee stated that it'd be best to not bring this in house as it would increase RCUH's liability as well as costs.

Director Wilson inquired whether other state agencies are using SAP and Mr. Yee responded that he believes the Department of Transportation had awarded the contract a year ago, but have since pulled it back. Director Wilson suggested looking into why they decided to pull it back or whether there's a more cost-effective alternative. ED Gouveia shared that RCUH has worked closely with VPIT Yoshimi, who was confident that the SAP system is the right way to proceed. Mr. Yee provided additional context on the history of RCUH's decision making process, which included evaluating Oracle, which was being used by the Office of Hawaiian Affairs. ED Gouveia added that even if the State were to all be on the same system, each entity would likely require customizations to fit their needs. Director Wilson asked Ms. Heinrich, which program the UC system used in her experience,

but VPRI Syrmos noted that the UC system does not have a research corporation. Ms. Heinrich shared that her prior employer, Novartis, used SAP. She added that SAP is a complex system, but there is a lot that it can do.

In regards to Corpay, ED Gouveia reported that although RCUH is looking into other alternatives, the setbacks that RCUH have encountered have not been major issues. Ultimately, the SAP project is expected to be pushed back six months to the second quarter of 2025, or worst case scenario the end of the year. Part of this analysis considered the end-of-year closeout, onboarding of the new Finance Director, as well as comingling two separate IT systems into the new audit. This delay would result in an increase of approximately \$500,000. Chair Karl inquired where these funds would come from and Mr. Yee stated that it would come from RCUH's reserves, but the costs will be recovered from depreciation over a period of seven years. ED Gouveia also confirmed that it will be consistent with the RCUH reserve policy and it will not take it below or above the approved threshold. He explained that this is the final stage of the IT transformation project. Mr. Yee clarified that this is the second stage of the two-part project; the implementation of Lumisight was the first stage.

ED Gouveia continued with a review of RCUH's firearms policy and provided a history on how and why the policy was developed. He explained that RCUH's general liability policy did not have any exclusion for firearms and RCUH was required to annually disclose firearm-related activities to the insurance underwriter as part of the renewal process. Since 2019, no firearms approvals were issued due to the impact of COVID-19, but recently there's been an increase in requests. RCUH revisited the topic with the University, and it was agreed that RCUH could move forward with allowing firearms under its policy. However, RCUH was notified by its insurance carrier that firearms and air guns are no longer permitted under the current liability coverage. ED Gouveia explained that this is a significant issue as there are over 50 RCUH employees currently using air guns. At this point, RCUH's only option was to explore a separate insurance market covering only the use of firearms and air guns separately, which will likely be costly and would need to be funded directly by the project.

RCUH has been in communication with VPRI Syrmos on this topic and is currently seeking quotes. Director Wilson asked about the overall insurance coverage on firearms and VPRI Syrmos stated that the use of firearms is very limited to certain projects. ED Gouveia added that RCUH works with UH's Office of the University General Counsel (OGC) and Risk Management Office, and if firearms were to be used, the project would be supported by RCUH, which would do all of the legwork. He added that if an incident were to occur, the attorneys would include everybody, including the State and its policies. ED Gouveia is aware that there are issues between the State and the Department of Land and Natural Resources (DLNR) in terms of what the coverages will be. He expressed the importance of acquiring specific insurance coverage for this at a reasonable price; an alternative would be to hire vendors to accomplish the work and incorporate insurance requirements into the contract.

RCUH will continue to evaluate its options and will discuss the matter with VPRI Syrmos, with legal input from Mr. Nakamura and OGC. Ms. Higa added that it appears RCUH allowed 50+ employees to use air guns, since employees couldn't complete their certification training due to the pandemic. She clarified that there are no RCUH employees who are currently certified to use firearms, but it's important to quickly find coverage for this due to the importance for these research projects. ED Gouveia commented on the lethality of airsoft guns and BB guns, so there are a lot of issues to evaluate, including corresponding with the Institutional Animal Care and Use Committee (IACUC). Chair Karl inquired whether the state or federal government was providing a grant to cull wildlife and VPRI Syrmos stated that most of those grants are from the federal government, but some funding is also from the DLNR, which may receive federal funds for that work, so it's a blend of monies. ED Gouveia added that because the insurance fees will be charged directly to the project, it's important to get projects the data to take into consideration when writing their grants. Chair Karl inquired

whether there are other examples of direct charges to projects for oversight or liability issues. Ms. Higa suggested that the UH Marine Center may have some direct charges. Chair Karl requested that ED Gouveia keep the board up to date on this matter.

ED Gouveia continued with an update on RCUH's workers' compensation claim costs, which was reduced by 33.8%. For the July 1, 2021 through July 1, 2022 period, claim costs were at \$1.124 million and in an effort to better manage these claims, a new position was created. As a result, these claims have decreased by almost 34%. Ms. Higa stated that HR has been putting strong emphasis on management the last few years and working closely with the projects. Historically, those who were on workers' compensation were not being actively engaged. Today, HR staff proactively engage with the project supervisors and employees to help evaluate what can be done to get the employee back in the workforce, or work through the ADA process if it's a permanent disability. Ms. Higa added that since projects are being educated on leave management, RCUH is starting to see an increase in claims. Chair Karl asked whether volunteers and students are included in workers' compensation and Ms. Higa responded that RCUH only has one project in the field that uses volunteers, so they would be covered.

ED Gouveia reviewed the FLSA overtime rule update and provided some background on this two-phase approach to increase the minimum salary threshold for exempt status employees. The first phase already took effect, but on Nov. 15 a federal judge in Texas struck down the final rule. Ms. Higa explained that RCUH worked closely with projects to align with this rule in July, but the big change in January would have impacted more than 100 employees. While working with these projects, HR staff began revisiting the status of exempt positions and whether those classifications were appropriate. ED Gouveia gave kudos to Ms. Higa's team for always being ready to make the changes and being flexible since there are things beyond their control.

In conclusion, ED Gouveia mentioned that he has a meeting with President Lassner, incoming President Wendy Hensel, and VPRI Syrmos on Dec. 10 to discuss the RCUH/UH relationship. He'll inform the Board if there are any items that may impact RCUH's strategic plan and will report on the discussion at the next RCUH Board meeting. ED Gouveia has already shared RCUH's various reports with the incoming president and has had a chance to meet with her, thanks to Directors Wilson and Leong.

Lastly, he mentioned that there are no new direct projects to report. However, there have been many discussions with different agencies and conversations continue about potential projects RCUH could support if needed.

To close his report, ED Gouveia thanked Mr. Yee for his years of service to RCUH as this is likely his last board meeting. He'd also like to thank Gayle Hamasaki who has been with RCUH for a long time and will be retiring soon. She helps Ms. Hull put together these meetings and events and he'd like to thank her for her years of service.

Director Wilson asked whether RCUH anticipates any impacts based on the results of the recent election. VPRI Syrmos stated that he believes the State of Hawai'i should be in a good position as most of the federal money the State receives is from the military. He added that Sen. Schatz will now be the ranking member in the Senate Appropriations Committee, which is the same status that Sen. Inouye had before he passed. VPRI Syrmos shared that the programs that may be affected will be programs under the Department of Education, but believes that not much will change within the first two years of the new administration. ED Gouveia said that he remains optimistic, as things take time before change can happen.

ADJOURNMENT

The meeting adjourned at 10:21 a.m. The next Board of Directors meeting is tentatively scheduled for March 5, 2025.

/s/

Kaylee Hull
Executive Administrator

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