



MINUTES
BOARD OF DIRECTORS
Tuesday, July 3, 2018
@ RCUH Conference Room

- PRESENT: Eugene Bal, David Duffy, Donna Ikeda, Michael Maberry, Raynard Soon, and Vassilis Syrmos. Kelli Goodin and Randolph Moore were excused.
- Sylvia Yuen, Brenda Kanno, Glenn Yee, Nelson Sakamoto and Doug Tonokawa
Russell Suzuki, Attorney General
- CALL TO ORDER: The meeting was called to order at 9:05 am by Chair Eugene Bal.
- APPROVAL OF MINUTES OF MARCH 20, 2018: Upon motion made (Maberry), seconded (Ikeda), and duly carried, the minutes of the March 20, 2018 meeting were approved as circulated.
- EXECUTIVE DIRECTOR'S REPORT: Executive Director Yuen provided the Board with her written annual report and reported on a few new items:
1. New RCUH Director of Finance: Glenn Yee was introduced; his appointment was effective 7/1/2018. Glenn is a CPA and has over 30 years of experience in finance and operations management. He served as VP of Administration at Catholic Charities prior to joining RCUH. Glenn replaces Doug Tonokawa, who is leaving for family reasons. Doug was acknowledged for his contributions to RCUH over the past six years. He will assist RCUH during the transition.
 2. Reorganization of Human Resources Department: Recruitment is underway for an Assistant Director of Human Resources to better manage HR responsibilities and alleviate some of the current burden on the Director. This will be accomplished without any additional funding or position counts.
 3. Safety Issues: Nelson Sakamoto reported on:
 - a. Subaru Telescope accident which resulted in a HIOSH citation to both Subaru and RCUH because of an injury to an employee. Corrective actions have been taken.
 - b. SOEST ship operations accident involving an individual who lost a portion of his finger. Corrective action has taken place and project staff have been reminded to adhere to safety procedures.

- c. Cyber intrusion in which a project employee's email account was compromised. The intruder was able to change the employee's direct deposit bank account and therefore her pay for two periods was diverted to a fraudulent account. Reports were filed with the FBI and HPD. After thorough research, it was determined that this was a one-time occurrence. RCUH has changed its procedures for account changes by requiring wet signatures and phone call verifications.

Executive Director Yuen added that we will be placing more emphasis on safety training for both the physical and cyber environments. A cybersecurity plan will be developed in conjunction with our IT Road Map and we are working on identifying critical processes and developing an action plan for recovery should a disaster occur.

Director Ikeda inquired about redundancies for RCUH's IT systems. Both the Finance and HR systems have adequate safeguards and back-ups at an off-site facility that will allow us to recover should a disaster occur. Chair Bal suggested that it may also be worth looking into off-island back-up sites. If we are faced with a statewide emergency situation, the likelihood is that local off-site facilities may not be able to recover as quickly as we may need them to.

4. IRS Situation: RCUH is working on its response to the IRS regarding an Affordable Care Act reporting error/discrepancy which appears to be a coding error.
5. The RCUH leadership team will be holding "meet, greet and chat" sessions at the various UH campuses to discuss recent initiatives, introduce Glenn Yee (new Director of Finance) and have an open discussion on any items of concern from the project perspective.

Executive Director Yuen shared that her written report is based on the Strategic Plan framework, includes a summary and narrative, and shows the progress in achieving the various goals. A few benchmarks have been revised and/or added to reflect the evolving environment.

Director Soon inquired about the value/benefit of the RCUH Forums which have been held, given the amount of time/effort/resources required to put on the sessions. Executive Director Yuen responded that monetary resources required have been relatively low (\$2k to \$9k). Staff time/effort is the biggest cost. Evaluations from attendees have been very positive and topics have been well received. Chair Bal added that many participants have expressed that they are looking forward to future sessions so it appears to be a worthwhile event for RCUH to continue at this time.

Chair Bal recognized Riley Fujitake from the House Finance Committee who was in attendance.

STATUS REPORT ON FIREARMS POLICY: Two projects have submitted applications for employees' use of firearms. However, the projects have not yet submitted all of the required paperwork and certifications. Therefore, to date, there are no employees authorized to use firearms.

STATUS REPORT ON UH SOEST SHIP OPERATIONS DEFICIT: SOEST has reduced its ship operations deficit and is meeting the requirement of the MOA. The Kilo Moana has a full schedule of cruises so will be generating adequate revenues. RCUH will continue to monitor the financial situation of the ship operations deficit.

FINANCIAL STATEMENT FOR THE MONTH ENDED 5/31/18: Mr. Tonokawa reviewed the financial statement. RCUH is in a good financial position. The projected operating loss will be close to \$100k, much less than the earlier projection of \$300k and this is due to some savings in personnel costs (vacant positions), lower insurance claims, and higher interest income.

Chair Bal recalled VP Syrmos' previous comment that UH's volume is likely to be about 10% less than the previous year so that will result in less RTRF funds for the University. VP Syrmos responded that the University actually ended the year with a very slight increase of about \$5 million more so that is good news. However, the UH remains cautiously optimistic.

PROPOSED BUDGET FOR FISCAL YEAR 2019: Mr. Tonokawa presented the proposed core staff budget for the fiscal year 2019. He provided a brief overview of the different types of projects (extramural, intramural, revolving, and direct) and the fees derived from them. The bulk of the UH activities are extramural projects which fall under a management fee calculation as agreed upon by the UH and RCUH. The federal indirect rate for other projects is as determined by the UH's federal cognizant agency, which is presently the Department of Health and Human Services. For non-UH direct projects which are not federally funded, currently a 5% fee is assessed.

The proposed budget is generally the same as last year's budget with a slight increase of 2%, primarily for cost-of-living increases for personnel and other costs. RCUH will continue to invest in its IT systems and training initiatives. RCUH is also proactively pursuing other revenue sources (e.g., higher interest earnings from banks, renegotiated lower bank fees, credit card rebates from ePayments, etc.). In addition, RCUH has requested through the University that the current indirect cost study use RCUH's FY 2017 data (rather than FY 2016) as that will result in a higher rate for RCUH: 3.6% rather than 2.9%.

Director Ikeda appropriately summarized that RCUH essentially gets penalized for its efficiency and conservative spending. So the many years that it cut its budget and curtailed enhancements to its IT systems has caught up with us. The Board made a policy decision two

years ago to allow RCUH to upgrade its IT systems so that effort must continue as the return on investment is paying off and will be further realized in the coming years.

VP Syrmos added that the University has little negotiating room with the RCUH budget. Although the UH's indirect costs recoveries is less than what it used to be, he will support RCUH's budget despite the University's difficult fiscal situation as the investment in RCUH is a good one inasmuch as the research enterprise cannot function efficiently without RCUH.

Executive Director Yuen thanked VP Syrmos for the University's support and re-emphasized that RCUH wants to remain lean but at the same time provide quality services. Besides working on increasing income from non-University sources, we are working more collaboratively with the University to maximize efforts and resources.

Director Ikeda added that RCUH needs to remain on the cutting edge, otherwise we will lose our relevance. The Board needs to make the tough decisions that will pay off in the long run.

Director Soon asked how can RCUH assist the University in increasing its research portfolio. VP Syrmos replied that it boils down to UH's ability to hire top-notch faculty in key areas. That has not been possible for a number of years because of funding issues. The University's Board of Regents needs to make some hard decisions. Chair Bal interjected that discussions at the University have been ongoing for a while now, but there are naturally some challenges. An earlier goal of \$1 billion in research at the UH is still achievable, but much needs to be done to make that a reality.

As to what is an adequate amount for RCUH's reserve for working capital, Mr. Tonokawa responded that there is no defined number. However, the reserve target is \$7.5 million. That amount, coupled with RCUH's \$5 million line of credit will allow us to operate for approximately one month should a federal shutdown occur (payroll averages \$5-6 million every pay period).

Upon motion made (Soon), seconded (Ikeda), and duly carried, the administration budget for FY 2019 was approved as presented.

NEXT MEETING: The next meeting will be on Tuesday, September 4, 2018 and will include a project site visit.

EXECUTIVE SESSION: Upon motion made (Ikeda), seconded (Maberry), and duly carried, the Board voted to enter into Executive Session to discuss matters exempted by HRS §82-5(a)(2), evaluation of Executive Director. The Executive Session convened at 11:00 am and adjourned at 11:20 am.

REPORT ON EXECUTIVE SESSION: Chair Bal reported that the Executive Session discussion pertained to Executive Director Yuen's performance evaluation, which will be done at the September Board meeting.

ADJOURNMENT: The meeting adjourned at 11:25 am.

/s/ Brenda K. Kanno

Brenda K. Kanno
Corporate Secretary

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