

Board of Directors Meeting

**Tuesday, March 2, 2021
Virtual meeting
9:00 a.m.**



Research Corporation
of the University of Hawai'i

Meeting
BOARD OF DIRECTORS
The Research Corporation of the University of Hawaii
Tuesday, March 2, 2021
Virtual Meeting
9:00 a.m.

A G E N D A

Public Testimony on Agenda Items

Due to the COVID-19 pandemic, this will be a virtual meeting. Written/oral testimony will be accepted in lieu of in-person testimony and may be submitted via email to rcuhed@rcuh.com, U.S. mail, or facsimile at (808) 988-8319 up to 24 hours in advance of the meeting. Individuals wishing to provide oral testimony for the virtual meeting must register via email to rcuhed@rcuh.com no later than 7:00 a.m. on the day of the meeting to be accommodated. Oral testimony will be limited to three (3) minutes per testifier. Individuals interested in observing the virtual meeting may email rcuhed@rcuh.com for connection information.

1. Call to Order
2. Approval of Minutes of the December 1, 2020 meeting
3. Financial Statement for January 2021
4. Report of Audit Committee:
 - a. N&K CPAs Fee Proposal for 6/30/21 Audit
5. Executive Director's Report
6. Strategic Planning Session with Peter Adler
7. Adjournment

c: Office of the Lieutenant Governor

Individuals who require special needs accommodations may request assistance in writing to rcuhed@rcuh.com 48 hours prior to the scheduled meeting.



DRAFT Minutes
BOARD OF DIRECTORS
Research Corporation of the University of Hawai'i
Tuesday, December 1, 2020
Virtual Meeting

PRESENT:

Eugene Bal, Kelli Goodin, Ken Hayashida, Chair Donna Ikeda, David Karl, Vice Chair Michael Maberry, Jan Sullivan, Vassilis Syrmos

RCUH Staff: Leonard Gouveia, Nelson Sakamoto, Glenn Yee, Kaylee Hull
Attorney General's Office: Reese Nakamura

CALL TO ORDER:

The meeting was called to order by Vice Chair Michael Maberry at 9:00 a.m.

APPROVAL OF MINUTES:

Upon motion made (Bal), seconded (Sullivan), and duly carried, the minutes of the September 1, 2020 meeting were approved as circulated.

FINANCIAL STATEMENTS FOR MONTH ENDED 10/31/2020

Mr. Yee reviewed the financial statements for the period ending 10/31/20. He noted that although RCUH is slightly down in total assets compared to last year, the balance sheet is stable and the fluctuation is within a normal range. Mr. Yee also announced that RCUH made a \$3 million short-term investment into a First Hawaiian Bank Short-Term Government Strategy Account in conjunction with the investment guidelines approved by the RCUH Board of Directors in December 2019. He explained that RCUH typically invests in Time Certificates of Deposits, however interest rates have been extremely low, capping out at around 0.2%. The short term investment is for very low-risk funds (e.g., U.S. treasury, U.S. agency notes) and the approximate rate of return is up to 1.75%. Mr. Yee stated that this is RCUH's first investment in this type of fund and will monitor its progress.

Mr. Yee remarked that overall activity is slightly less than expected due to a decrease in extramural expenditures; total expenditures running through RCUH (for the first four months of FY 2021) is 8-9% lower compared to last year. He added that RCUH is performing better than its anticipated budgeted loss and that the organization remains under budget in spending. Mr. Yee also reported an increase in extramural awards compared to last fiscal year (based on data from the UH Office of Research Services), and said that RCUH expects to see increased activity in November's financials.

REPORT OF AUDIT COMMITTEE

Audit Committee Chair Maberry reported on the committee's October 28, 2020 meeting. He noted per the Board's delegation, the Audit Committee met with N&K CPAs to accept the financial audit for FY 2020 ending June 30, 2020. Dwayne Takeno, N&K's principal CPA, presented a summary of the audited financial statements and the independent auditors report. Mr. Takeno reviewed the condensed statements of revenues, expenses, and changes in net position for fiscal years 2019 and 2020, and noted that the operating loss in FY 2020 was primarily due to salaries and wages, and additional depreciation. He added that the overall net position was pretty consistent as compared to the prior year. Mr. Takeno disclosed that N&K's independent audit report reflects that the financial statements are fairly stated (a clean audit opinion) and that they did not identify any material weaknesses or significant deficiencies.

Upon motion made (Maberry), seconded (Karl), and duly carried, the Board ratified the Audit Committee's acceptance of the financial audit for FY 2020 ending June 30, 2020.

EXECUTIVE DIRECTOR'S REPORT

Mr. Gouveia discussed progress on RCUH's current strategic plan and acknowledged the significant amount of work and time that has been put into meeting these goals by RCUH Core Staff. He also provided updates on the following topics:

- UH Cancer Center Clinical Research Facility: The project received approval from the UH Board of Regents (BOR) to be service-ordered to RCUH and the agreement is being routed for signatures. Mr. Gouveia stated that these types of agreements typically do not require RCUH Board approval and noted that the document has been looked at very carefully by both RCUH and the Attorney General's Office.
- 2022-2026 Strategic Plan: RCUH has held discussions with Dr. Peter Adler, a facilitator with more than 25 years of experience who helped develop RCUH's current strategic plan with Dr. Sylvia Yuen. Mr. Gouveia declared that he plans to hire Dr. Adler to facilitate the strategic planning process, unless there are any objections by the Board (no objections were made).
- RCUH Single Location: Mr. Gouveia reported that RCUH's Human Resources Department is the only office currently working in-person at the East-West Center (EWC) and the building is essentially closed down. During a follow-up discussion with EWC's Director of Management Operations Bob Riley in late October, Mr. Riley explained that while they are not able to accommodate any moves at this time, he assured RCUH that space will become available; it's a matter of where that space will be and when a move will be possible. Chair Ikeda asked for the projected cost to move to the EWC and Mr. Gouveia replied that the cost is undetermined at this time. He added that the office furniture at the Mānoa Innovation Center (MIC) is more than 20 years old and will need to be addressed in the near future. Chair Ikeda followed up with an inquiry on the rental cost compared to MIC and Mr. Gouveia disclosed that it looks like the EWC will be cheaper. He assured the Board that details will be provided before any decision is finalized.
- 2020 RCUH Outstanding Employee of the Year Awards: RCUH typically holds a luncheon to recognize its Outstanding Employee of the Year nominees, but the annual event was canceled due to the pandemic. In lieu of an in-person event, RCUH worked with the nominators of the three first-place awardees to schedule surprise Zoom meetings that would be "crashed" by Mr. Gouveia, who would announce their award. He stated that all of the awardees were very happy and grateful to receive such recognition.
- Expanding services to non-UH projects: Mr. Gouveia stated that he has spoken with numerous parties outside of UH who are interested in RCUH's services. He stressed that these individuals need to understand that any agreements must follow the master agreement between the State of Hawai'i and RCUH.

Following the updates, Mr. Gouveia commenced his presentation focusing on questions that have been raised by the UH Board of Regents in recent meetings. He planned to address four key points:

- RCUH Fee Structure/Construction Expenditures
- RCUH Budget for Software Costs
- RCUH Employee Retirement Benefits
- RCUH Salary for Researchers

RCUH Fee Structure/Construction Expenditures

During the UH Board of Regents Planning & Facilities Meeting on September 3, 2020, a recommendation was made for BOR approval of service ordering the UH Cancer Center Ho'ola: Early Stage Clinical Research Project to RCUH. Although approval was granted, the following concerns were raised:

- Regent Sullivan asked what RCUH's fees were for in providing services to the project. She also referenced past issues regarding management of construction projects by RCUH.
 - Short answer: The fees for the procurement activities are related to the project, they are not for construction management.
- Regent Acoba requested further clarification on the specific amount of fees being charged by RCUH for the transfer of this project funding from UH. VP Syrmos provided the fees to be applicable to the NIH grant funds (between 2.8–3.7%, and CIP [standard fee of 3.2%]), which he stated equates to a few hundred thousand dollars for this project.
 - Short answer: This amount was not accurate, the closer estimate is \$30,000, which was arranged through the negotiation of the current agreement.
- Regent Moore expounded on comments made regarding the management of construction contracts by RCUH in the past, noting that the issue at that time was that RCUH lacked the expertise to properly manage construction projects. He then remarked that if the University was responsible for the overall management of construction for the project, perhaps the fees paid to RCUH should be reduced.
 - Short answer: RCUH does NOT manage construction projects, it helps to administer construction expenditures for construction projects; there is a critical difference between the two. Mr. Gouveia stated that in his opinion UH West O'ahu was an exception to the rule for RCUH due to circumstances beyond RCUH's control. As far as overall management, UH (or their hired contractor) is ultimately responsible.

To address the question of how much RCUH makes on fees for UH Construction Projects, Mr. Gouveia explained that RCUH earns fees from four types of projects: Extramural (UH), Intramural (UH), Revolving Accounts (UH), and Direct Projects (non-UH). He emphasized that RCUH does not receive any direct funding from the state legislature.

He followed up with a review of RCUH's fee structure, which is dictated by the UH/RCUH Internal Agreement and the State of Hawai'i/RCUH Master Agreement. The Internal Agreement dictates how UH compensates RCUH using three schedules (i.e., Schedule A, B, or C). The Master Agreement dictates what RCUH can and cannot do. The fees in both agreements are based upon Modified Total Direct Cost (MTDC), which is a defined term under the Code of Federal Regulations (CFR 200.68). The two agreements also incorporate a (indirect) cost rate. Mr. Gouveia stated that MTDC is important because under the definition **MTDC excludes equipment and capital expenditures** (among other exclusions). This means that RCUH is not allowed to charge projects for any portion that is being utilized for construction expenditures.

Mr. Gouveia provided a summary of the fees that RCUH charges based on project type. He noted that the percentages can change on occasion and highlighted the cost rate for UH Extramural projects, which is listed in the Internal Agreement. Mr. Gouveia added that RCUH will likely evaluate the current Internal Agreement during the strategic planning process to determine if it's still appropriate.

He reiterated that RCUH does not manage construction projects, rather it administers assistance to UH for construction expenditures. Although RCUH does not earn any fees on construction costs because of the MTDC exclusion, RCUH has the ability under Schedule C of the Internal Agreement to negotiate a fee for large construction projects. In the past the fee has ranged from \$2,500 to \$6,000 per month, but very few projects have utilized the Schedule C fee structure as it has been limited to major construction projects.

Mr. Gouveia continued with an overview of the UH Cancer Center's Ho'ola Project. He explained that half of the \$13 million funding came from the National Institute of Health (UH Extramural funds) while the other half came from the State of Hawai'i (UH Intramural funds). During preliminary discussions, UH Cancer Center's Clifford Martin stated that the entire \$13 million will likely be coded under capital expenditures, which would mean RCUH receives \$0 fees unless Schedule C is used. RCUH negotiated with UH General Counsel and the UH Cancer Center to an agreed upon \$2,500 per month for direct costs that RCUH incurs. This is an estimated amount based upon projected work so the monthly cost could increase or decrease. Mr. Gouveia noted that a lot of time was spent on this project and that RCUH is not being paid for the time that is incurred during contract negotiations. He added that RCUH is trying to be as reasonable as possible and that there are many items RCUH does not get paid for.

He moved onto a table of the five major construction projects that utilized Schedule C and showed that the total expenditures for all projects amounts to \$509.2 million, while RCUH has received an approx. \$682,778.

In his final points on this issue, Mr. Gouveia emphasized that the negotiated fees on construction projects are minimal (less than 0.25% of construction expenditures). He stated that RCUH made approximately \$100,000 per year in the last 10 years (\$1 million total) providing administrative services to process construction expenditures on UH Construction Projects (excluding negotiated fees from Schedule C).

Director Karl asked whether these fees were billable time or if they're a fixed amount per month. Mr. Gouveia replied that OGC wanted RCUH to implement a billable hourly fee, which takes a lot more time, and noted that RCUH is not set up for that. He added that given the small number of major construction projects that RCUH processes, it wouldn't be worth the time and effort into developing this system, especially for the minimal amount of revenue. Mr. Gouveia explained that RCUH will provide a summary of the staff's work, while Mr. Yee clarified that the monthly fee will be charged based on an estimated amount of work hours by RCUH staff.

Director Goodin inquired whether RCUH would have to show receipts for actual costs in order to get reimbursed for the \$2,500 monthly fee for the UH Cancer Center facility. Mr. Yee responded that UH had initially requested actual expenditures, but it was explained to them that RCUH is not set up to accumulate all of that information. He said that RCUH cannot track on a cost-plus basis so both parties agreed to an estimated cost for RCUH to help administer the project's expenditures.

Chair Ikeda asked Mr. Yee how he can ensure that RCUH is not losing money since it's only looking at direct costs. She explained that if the payment doesn't cover everything or at least allow for a small cushion, RCUH could be losing money, which will need to be passed on somewhere. Mr. Yee clarified that he estimated an hourly rate by dividing the fiscal year's budget by total available hours of core staff time. He acknowledged that it could be a low figure if staff spend a lot of time on the project, but added that RCUH is a not-for-profit that strives to support the University. Chair Ikeda reminded him that although RCUH is a not-for-profit, RCUH should not be accommodating losses. Mr. Gouveia reiterated that the cost could increase if work changes or decrease if work is minimal. The fee is an estimated amount and not fixed, so there is flexibility to recoup costs if necessary. Chair Ikeda was satisfied with that clause, which would prevent any losses for RCUH.

Mr. Gouveia proceeded to address three general questions prompted by Regent Sullivan at the UH BOR Committee on Research and Innovation Meeting on November 4, 2020. He began with a list of HRS citations applicable to RCUH, with the most recent versions of 304A-3005 and 304A-3006, before transitioning to the next key point regarding RCUH's budget for software costs.

RCUH Budget for Software Costs

The question posed at the Nov. 4th meeting stated "RCUH budgets significant funds for software costs annually. What options are there to decrease this cost that eventually is passed onto UH?" Mr.

Gouveia explained that RCUH's current IT spending is driven by the 2017-2021 Strategic Plan that was completed under the direction of Dr. Sylvia Yuen in response to a recommendation in the 2015 Hawai'i State Auditor's Report. In light of COVID-19, RCUH significantly reduced IT expenditures in FY 2021 compared to FY 2020, specifically in the Human Resources Department. Mr. Gouveia stated that HR budgeted a little over \$1 million in IT in order to maintain and operate RCUH's PeopleSoft HCM system, as well as the servers, network, etc. He added that it's important to note that RCUH's human resources system handles an annual payroll of over \$117 million, and over \$29 million in taxes and fringe benefits, which supports a workforce in Hawai'i and an additional 31 states and 17 locations outside of the U.S. The PeopleSoft system also processes over 16,337 personnel actions online, which saves considerable work hours per year. Mr. Gouveia briefly referenced a table that displayed the major HR deliverables per fiscal year.

He remarked that if RCUH were to make any additional cuts for the remainder of FY 2021, the only saving opportunities would be to cancel or postpone capital expenditure projects, which RCUH strongly believes is not a reasonable option due to the considerable impact that could occur. Mr. Gouveia said that if RCUH is asked to look at future savings beyond FY 2021 it should be part of a broader discussion addressed in the upcoming strategic plan session, with consideration of the IT Transformation Plan completed in June 2020.

Chair Ikeda commented that the cost increases and upgrading of the software was a policy decision made by the RCUH Board due to the organization's previously outdated platforms. She wanted to make clear that it was a conscious policy decision that has received positive results based on the satisfaction rate from RCUH's clients. Mr. Gouveia agreed that there has been a lot of support for RCUH in the short time he's been here and that individuals have been really happy with the system.

Director Bal agreed with Chair Ikeda's statement, however he suggested that there may be a broader question as to why RCUH has different financial and HR systems from UH. He stated that if both entities were to use the same systems there could be savings opportunities. Director Bal added that he is fully aware of the research and analysis that was done in querying Principal Investigators (PIs) on this IT initiative, but the topic should be considered in the next strategic planning activity.

Mr. Gouveia agreed that he would like to bridge the gap between UH and has already spoken to VPIT/CIO Garret Yoshimi and DataHouse President Eddie Ontai. He hopes to find a solution that makes sense for the organization and will include it in RCUH's strategic planning discussions. Mr. Gouveia added that he's had similar thoughts about the differing IT systems over the years but understands that there are IT issues across the board, including at UH.

To provide context as to why she raised this question, Director Sullivan explained that while reviewing RCUH's audit report and analyzing its operating expenses for the past three years, she found it unusual that data processing services were so high (i.e., \$1.6 million in FY 2020, \$1.5 million in FY 2019, \$1.2 million in FY 2018). She stated that this accounted for approx. 18% of RCUH's operating expenses and about 20% of the total fee that UH pays. Director Sullivan was also interested in how RCUH calculates UH's fee. Since the MTDC excludes capital expenditures, she interpreted the audit to mean that 100% of RCUH's budget falls under operating expenses, which means that UH is paying for all of this through its fees. She believes that there should be a better way to operate and drive costs down to a more reasonable level. When Director Sullivan previously served on the RCUH Board years ago, she had inquired whether this action would require a significant capital expenditure, such as a one-time investment to upgrade the systems. She presented an example in which UH could front the capital costs using Research and Training Revolving Funds (RTRF) and be reimbursed over a period of years in a lower operating expense cost. She hopes that RCUH involves VP Yoshimi and others in this discussion, and believes that by working together both parties could benefit in the long run.

Director Syrmos stated that Director Sullivan's claim is one of the reasons why the negotiated rate RCUH receives from the federal government is so low. He said that if RCUH were to include those

expenses into the negotiated federal rate, the rate will start coming up through these capital investments. He added that he is unsure why this was decided 20 to 30 years ago, but these expenses were never included in the indirect cost recovery. Instead, they were a direct charge through the management fee of the University. Director Syrmos remarked that as an organization it would be more beneficial to have those expenses incorporated into its indirect cost recovery as opposed to being a direct charge for a certain fee or service.

Mr. Gouveia noted that all of these points were well taken and that they will be a critical component in RCUH's strategic plan. He reiterated that every agency has IT issues and that federal compliance requirements are extremely expensive. Mr. Gouveia agreed that RCUH and UH will have to work together and come up with a solution moving forward.

RCUH Employee Retirement Benefits

Mr. Gouveia proceeded to address the second question: "What are the parameters around retirement benefits? Why does RCUH show 2000+ employees that are qualified when it has 40+ permanent staff? Is this just medical benefits for soft money researchers and not vested 'retirement?' Does RCUH offer additional benefits beyond what UH/the State offers – if so, why?"

He stated that the short answer is "No." RCUH does not offer more benefits to its employees than those provided to UH/State employees. The "40+" are RCUH's Corporate (Core) Staff who provide all of the administrative work (not to be confused with field employees who support UH projects). RCUH provides a defined contribution 401(a) non-contributory retirement plan and also offers an elective non-subsidized medical plan to qualified retirees and spouses. Mr. Gouveia provided information on RCUH's Group Retirement Annuity (GRA) and Supplemental Retirement Annuity (SRA) plans offered to eligible regular-status employees. He also displayed a chart that compared RCUH Retiree GRA benefits versus University/State Retiree Benefits. Mr. Gouveia noted that the biggest difference between the RCUH and UH/State retiree medical benefit is that this is NOT subsidized by RCUH. Retirees are responsible for the full cost of the medical plan's premiums. Mr. Sakamoto added that RCUH currently has 63 retirees and 8 spouses enrolled in its retiree medical plan.

Director Sullivan asked whether the budget for fringe benefits is paid to the State every year. Mr. Sakamoto replied that there is an implicit benefit rate that RCUH must cover as a liability, but fringe benefits are charged to the projects and goes directly into their employee's retiree accounts. Mr. Yee clarified that the fringe benefits reflected in RCUH's financial statement is for its Core Staff. He compared RCUH's services to those offered by ALTRES, which has an administrative staff that hires individuals based on their client's needs. Mr. Yee added that the majority of RCUH's funding comes from the University, but confirmed that it does not receive any appropriated funds from the State and does not have any General-Funded positions.

RCUH Salary for Researchers

Mr. Gouveia moved on to the third question initiated at the R&I Committee meeting: "Why is RCUH's salary for researchers not subject to parameters that are consistent with UHPA or other UH employees?" He explained that unlike UH employees funded primarily on the State's General Fund (G-Fund), the majority of RCUH employees are funded on short-term grants. Often referred to as "soft money," these grant-funded positions start and end with no guarantee for future funding. Mr. Gouveia expressed that this is one of the critical aspects and significance of RCUH to the University in regards to conducting research—probably the primary reason. RCUH is able to help researchers hire employees for their projects without having to deal with APT positions or other State/union concerns, as no RCUH employee is paid on G-Funds. This "soft money" environment is best illustrated by the composition of the RCUH workforce. Over the last five years, RCUH's average total manning is 2,663 individuals. However, each year RCUH averages 1,499 terminations (56.3% of the total workforce) and 1,408 new hires. The average length of service of an RCUH employee is less than six years, which could be inflated due to the permanent positions of RCUH's Core Staff.

RCUH recognizes that UH PIs work in a highly competitive, grant-funded scientific environment. Sponsor funding relies on providing successful deliverables and outcomes, which correlates to attracting and retaining highly-talented research staff who work and live within Hawai'i's high cost of living. Mr. Gouveia noted that it would be virtually impossible to hire these employees through the State since there would be nowhere to place an employee once a project ends or when the "soft money" runs out. He claimed that this is the most important aspect of RCUH—the ability to provide PIs with a means to attract, recognize, reward, and retain highly-qualified research staff in the middle of the Pacific Ocean.

Mr. Gouveia mentioned that RCUH provides PIs with Salary Adjustment Guidelines each year based on local and national compensation surveys. PIs will only provide employee pay adjustments depending on their current and future funding and they're in the best position to know whether their project can accommodate such adjustments. He added that the parameters governing compensation for University employees would not be practical or applicable to RCUH employees. If PIs received a federal grant with budgeted salaries/positions and the government does not cut their positions, there would be no basis to reduce salaries resulting in a contractual issue. Mr. Gouveia noted that he understands these discrepancies cause problems when different rules apply to different people in the same office and historically this issue has existed as long as he can remember. He acknowledged that the situation isn't fair, but doesn't see a viable solution.

Director Syrmos agreed with Mr. Gouveia that PIs are welcome to spend extramural funds according to their budgeted proposals. However, he stated that the issue stems from RCUH employees paid by appropriated funds like RTRF. Director Syrmos reported that appropriated funds within the University have been frozen at this time and that there is no hiring for G-Funded, Tuition, RTRF, or APT positions. He added that UH employees paid by RTRF will be receiving furloughs, while RCUH employees paid by RTRF may be unaffected and possibly receive an increase in salary. Director Syrmos stated that this is an issue within the University, but noted that UH PIs typically make that decision. He recognized that there is no good answer to Director Sullivan's question, but said that there is an obligation to reach out to PIs who are using RTRF and ensure they treat their RCUH employees on RTRF accordingly. Mr. Gouveia concurred that those are good points and that there is no quick solution at this time. He is aware that it causes morale problems and that both UH and RCUH will have to explore what's most reasonable and fair.

Director Karl asked whether it would be possible to offset salary reductions for UH employees with funding from extramural grants. Director Syrmos replied that in the past UH established that any reductions/furloughs will not affect parts of the salary or overload that are covered by extramural funds, but anything else will be affected (e.g., G-Funds, Tuition, RTRF). He believes that UH President David Lassner will follow the same rule from the past. Director Syrmos also noted that he's not sure how PIs can supplement salaries, unless they were to charge employee time to an extramurally funded activity. Mr. Gouveia added that it would benefit PIs who have flexibility on their extramural awards, but it would not apply to the masses and potentially create more unfairness. Mr. Sakamoto remarked that some projects have already experienced salary reductions or furloughs due to the nature of their funding and/or their drop in workload.

Mr. Gouveia concluded his presentation by declaring that RCUH is a valued partner to UH and the State of Hawai'i. He believes that RCUH's fees are very reasonable and would argue that no one could provide the services that RCUH does for UH at a better price, and certainly not at the same level of expertise and efficiency. Mr. Gouveia acknowledged that improvements are still needed, which is why the upcoming strategic planning process will be so critical. He stated that RCUH is committed to improve its services and support for UH and the State of Hawai'i in an open and transparent manner. He added that the UH Regents raised good questions and he looks forward to engaging in these types of discussions so that RCUH can offer better solutions. Mr. Gouveia thanked the Board for their questions and participation, and noted that he will communicate with Director Syrmos regarding the official response to the UH Board of Regents (a memo was sent to the UH BOR on Dec. 8, 2020).

Chair Ikeda remarked that this meeting provided a good foundation for RCUH's next strategic plan. She thanked staff and the RCUH Board for their cooperation and recognized that although there are extremely tough challenges ahead, challenges also present opportunities. Chair Ikeda also thanked Attorney General Reese Nakamura for working on the terms of the UH Cancer Center agreement.

ADJOURNMENT

The meeting adjourned at 10:22 a.m.

Kaylee Hull
Executive Administrator

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

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
BALANCE SHEETS
January 31, 2021 and 2020

ASSETS	2021	2020
CASH AND CASH EQUIVALENTS	\$ 13,370,669	\$ 7,552,629
RESTRICTED CASH (RETIREE MEDICAL AND LIFE INSURANCE)	1,700,000	1,700,000
TIME CERTIFICATES OF DEPOSIT	12,274,718	14,251,970
SHORT TERM INVESTMENT	3,000,000	-
RECEIVABLES	-	-
PREPAID EXPENSES	<u>376,052</u>	<u>339,648</u>
TOTAL CURRENT ASSETS	<u>30,721,439</u>	<u>23,844,247</u>
FIXED ASSETS (Less accumulated depreciation of \$6,483,660 and \$5,671,336 for FY 2021 and FY 2020, respectively)	<u>3,077,926</u>	<u>3,174,933</u>
TOTAL ASSETS	<u><u>\$ 33,799,365</u></u>	<u><u>\$ 27,019,180</u></u>
 LIABILITIES AND RETAINED EARNINGS		
LIABILITIES:		
ACCOUNTS PAYABLE	\$ 262,544	\$ 245,403
ACCRUED EXPENSES AND PAYROLL TAXES WITHHELD	2,427,724	2,152,703
ADVANCES		
UNIVERSITY OF HAWAII, NET	10,695,951	4,515,035
OTHER SPONSORING AGENCIES, NET	2,325,534	1,982,996
WORKER'S COMPENSATION RESERVE	2,835,748	2,893,055
UNEMPLOYMENT RESERVE	1,002,556	1,069,870
VACATION PAY OUT RESERVE	<u>521,412</u>	<u>360,426</u>
TOTAL CURRENT LIABILITIES	<u>20,071,469</u>	<u>13,219,488</u>
ACCRUED SUPPLEMENTAL RETIREMENT BENEFITS	1,637,982	1,461,337
RETIREE MEDICAL AND LIFE INSURANCE BENEFITS	<u>2,607,709</u>	<u>3,318,725</u>
TOTAL LIABILITIES	<u>24,317,160</u>	<u>17,999,550</u>
RETAINED EARNINGS:		
INVESTED IN CAPITAL ASSETS	3,077,926	3,174,933
DESIGNATED FOR:		
WORKING CAPITAL	5,329,561	4,792,727
PROJECT CONTINGENT LIABILITIES RESERVE	<u>1,074,718</u>	<u>1,051,970</u>
TOTAL RETAINED EARNINGS	<u>9,482,205</u>	<u>9,019,630</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u><u>\$ 33,799,365</u></u>	<u><u>\$ 27,019,180</u></u>

NOTES:

- 1) This balance sheet does not include accruals for liabilities related to project expenditures.
- 2) Outstanding purchase orders totaled \$47,915,659 and \$55,177,652 at January 31, 2021 and 2020, respectively.

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDED January 31, 2021 and 2020

	FYE 6/30/21 BUDGET	YTD ACTUAL	% OF BUDGET	YTD LAST YEAR
REVENUES:				
UNIVERSITY OF HAWAII	\$ 6,920,000	\$ 3,850,240	55.6%	\$ 4,211,361
OTHER SPONSORING AGENCIES	583,025	331,064	56.8%	364,180
INTEREST AND OTHER INCOME	272,060	124,763	45.9%	396,645
TOTAL OPERATING REVENUES	7,775,085	4,306,067	55.4%	4,972,186
OPERATING EXPENSES:				
SALARIES & WAGES	3,674,484	1,966,066	53.5%	2,131,531
FRINGE BENEFITS	927,123	492,099	53.1%	479,298
INFO TECH SERVICES	450,000	262,535	58.3%	565,514
HUMAN RES./PAYROLL SYSTEM	604,000	326,668	54.1%	360,393
SUPPLIES	112,450	24,475	21.8%	55,547
TRAVEL	12,700	-	0.0%	13,991
CPA SERVICES	47,120	47,120	100.0%	46,283
UTILITIES	20,321	7,237	35.6%	9,769
RENTAL - SPACE/EQUIP/OTHER	275,300	174,770	63.5%	170,135
REPAIRS & MAINTENANCE	500	-	0.0%	357
BANK FEES	24,000	13,864	57.8%	15,174
TRANSPORTATION	600	-	0.0%	-
BOARD OF DIRECTORS MEETINGS	7,000	8	0.1%	1,855
INSURANCE	478,775	252,854	52.8%	252,877
PROFESSIONAL/TECHNICAL SUPPORT	193,272	76,253	39.5%	105,413
DISCRETIONARY FUND	10,000	1,634	16.3%	2,104
STAFF DEVELOPMENT	13,673	718	5.3%	2,625
TRAINING MATERIAL DEVELOPMENT	89,122	6,927	7.8%	-
RETIREE MEDICAL AND LIFE INS BENEFITS	-	-	0.0%	-
PROJECT DEVELOPMENT COSTS	375,000	-	0.0%	-
TUITION SUPPORT	37,500	36,770	98.1%	28,827
UH RESEARCH AWARDS	-	-	0.0%	-
OTHER	110,500	57,162	51.7%	144,294
DEPRECIATION EXPENSE	844,000	492,100	58.3%	437,500
PROJ OVERRUNS & DISALLOWANCE	-	189	0.0%	-
TOTAL OPERATING EXPENSES	8,307,440	4,239,449	51.0%	4,823,487
OPERATING INCOME (LOSS)	\$ (532,355)	\$ 66,618		\$ 148,699
INVESTMENT IN CAPITAL ASSETS				
FIXED ASSETS	10,000	-		-
IT SYSTEM DEV - INFO TECH SERVICES	215,000	183,246		152,608
IT SYSTEM DEV - HR/PAYROLL SYSTEM	255,300	126,629		243,238
TOTAL INVESTMENT IN CAPITAL ASSETS	\$ 480,300	\$ 309,875		\$ 395,846

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
RETAINED EARNINGS (NET ASSETS)
JANUARY 31, 2021

CHANGES IN RETAINED EARNINGS

	INVESTED IN CAPITAL ASSETS	WORKING CAPITAL	PROJ CONTING LIABILITIES	TOTAL OPER FUND BALANCE
BEGINNING BALANCE	\$ 3,260,151	\$ 5,080,718	\$ 1,074,718	\$ 9,415,587
OPERATING INCOME	(492,100)	558,718	-	66,618
INVESTMENT IN CAPITAL ASSETS	309,875	(309,875)	-	-
ENDING BALANCE	<u>\$ 3,077,926</u>	<u>\$ 5,329,561</u>	<u>\$ 1,074,718</u>	<u>\$ 9,482,205</u>

VOLUME OF BUSINESS

	FY 2021	FY2020
UH PROJECTS		
EXTRAMURAL	\$ 124,769,428	\$ 117,964,919
INTRAMURAL (GRS)	8,677,611	8,938,923
REVOLVING & SSF	15,799,096	21,036,290
DIRECT PROJECTS		
FEDERAL	215,260	74,255
NON-FEDERAL	8,074,374	9,026,318
	<u>\$ 157,535,769</u>	<u>\$ 157,040,705</u>

UH EXTRAMURAL AWARDS

(obtained from UH Office of Research Services)

	FY 2021	FY 2020	VARIANCE	% VARIANCE
Fiscal Year to Date (Jul 01 to Jan 31)	\$ 315,945,676	\$ 271,795,897	44,149,779	16.2%
12 month period (Feb 01 to Jan 31)	495,022,432	420,741,240	74,281,192	17.7%
3 month period (Nov 01 to Jan 31)	69,633,935	48,810,511	20,823,424	42.7%

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED January 31, 2021 and 2020

	<u>CURRENT MONTH</u>	<u>FY 2021 YEAR-TO-DATE</u>	<u>FY 2020 YEAR-TO-DATE</u>
BEGINNING CASH BALANCE	\$ 20,270,229	\$ 14,518,614	\$ 18,485,682
Receipts:			
UH Projects	15,431,391	132,588,214	122,977,651
Direct Projects	774,544	7,842,511	8,652,595
UH Management Fee	-	1,933,193	2,330,561
Revolving Funds and Other	1,373,666	7,739,632	10,168,118
	<u>17,579,601</u>	<u>150,103,550</u>	<u>144,128,925</u>
TCD Redemption	<u>500,000</u>	<u>7,650,000</u>	<u>3,000,000</u>
Total Receipts	<u>18,079,601</u>	<u>157,753,550</u>	<u>147,128,925</u>
Disbursements:			
Vendors	9,967,238	64,521,756	71,937,304
UH	176,413	1,716,619	2,201,828
Salaries & Wages	6,675,794	47,558,415	45,313,365
Payroll taxes	2,895,986	20,051,668	19,114,937
TIAA-CREF	1,073,474	7,040,396	6,976,400
HMSA/Kaiser/HDS	1,177,914	8,100,571	7,517,744
TCD Purchase	3,000,000	6,900,000	5,000,000
Short Term Investment Purchase	-	3,000,000	-
Other	-	-	-
	<u>24,966,819</u>	<u>158,889,425</u>	<u>158,061,578</u>
Total Disbursements	<u>24,966,819</u>	<u>158,889,425</u>	<u>158,061,578</u>
Increase(Decrease):			
Petty Cash Balances	(800)	100	(400)
Bank of Hawaii (PR)	(11,542)	(12,170)	-
Savings - TCD	-	-	-
Retricted Cash - Retiree Health Ben	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(12,342)</u>	<u>(12,070)</u>	<u>(400)</u>
ENDING CASH BALANCE	<u><u>\$ 13,370,669</u></u>	<u><u>\$ 13,370,669</u></u>	<u><u>\$ 7,552,629</u></u>

NOTES:

This statement of cash flow does not include transactions for revolving accounts or specialized service facilities which are processed by journal entry transactions.

February 19, 2021

Mr. Glenn Yee
Director of Finance
Research Corporation of the University of Hawaii
Submitted via e-mail to
GYee@rcuh.com

Thank you again for giving us the opportunity to express our interest in continuing to provide professional audit services for the Research Corporation of the University of Hawaii (Corporation). This letter amends our letter dated February 3, 2021 regarding our proposed fees. Based on our discussions, our revised proposed fees are will continue to be [REDACTED] for the year ended June 30, 2021.

We understand the Corporation would also like us to audit summary financial statements of the Corporation, which comprise the summary statement of financial position as of June 30, 2021, the related summary statements of revenues, expense and changes in net position, and cash flows for the year ended June 30, 2021, and the related notes to the summary financial statements. The objective of the audit of the summary financial statements is an expression of an opinion about whether the summary financial statements are consistent, in all material respects, with the audited financial statements from which they have been derived for inclusion in the annual report of the Corporation. Our discounted proposed fees for this service is estimated to be [REDACTED].

We would be pleased to meet with you to answer any questions you may have. We hope to have the opportunity to continue to work with you.

Sincerely,

N&K CPAs, Inc.



Dwayne S. Takeno
Principal

RCUH BOARD OF DIRECTORS MEETING – MARCH 2, 2021 EXECUTIVE DIRECTOR'S REPORT

This report presents programmatic updates and summarizes RCUH's major initiatives since the Board's December 1, 2020 meeting. It begins with updates, followed by a status report of the actions taken toward RCUH's Strategic Plan 2017-2021.

UPDATES

Legislative Bill SB1393

On Jan. 27, 2021, Sen. Donna Mercado Kim introduced Senate Bill 1393, which aimed to place an unspecified cap on the management fees RCUH charges UH to support research and training. The bill was referred to the Ways and Means Committee and Higher Education Committee, which scheduled a public hearing on Feb. 16, 2021. Prior to the hearing, both UH and RCUH submitted testimony in opposition of the bill. Both UH and RCUH were present at the hearing and provided oral testimony in response to questions posed by the committee at the hearing, which resulted in Sen. Kim recommending that a resolution be drafted to address the matter. VPRI Syrmos and ED Gouveia subsequently collaborated on the proposed resolution, with input from UH General Counsel and RCUH's Deputy Attorney General. The concurrent resolution deadline is March 12, 2021. A hearing on this resolution has not yet been set.

Vaccination Plan for RCUH Employees

RCUH has been heavily involved in discussions with UH regarding COVID-19 vaccinations for RCUH employees. While collaborating with UH using their 1B subgroup definitions, email addresses of RCUH employees were provided to the Department of Health, which is coordinating the statewide vaccination plan. On Feb. 19, 2021, RCUH was notified that employees may be provided an opportunity to be vaccinated starting Feb. 22, 2021. An advisory was distributed that day to inform employees that they may be receiving emails directly from the vaccination providers (e.g., Adventist Health Castle, Hawai'i Pacific Health, Kaiser Medical, etc.). Following the University's guidance, RCUH Human Resources informed Principal Investigators that they may allow RCUH employees up to two (2) hours of paid work time to receive their COVID-19 vaccination if their appointment is scheduled during work hours.

ACTIONS TAKEN TOWARD GOAL ACHIEVEMENT RCUH STRATEGIC PLAN 2017 – 2021

Goal 1. Enhance operations and services to improve quality services.

- **eTimesheet update.** As of Feb. 1, 2021, 2,056 employees, or 84.8% of our workforce has transitioned to the new eTimesheet system. The remaining 367 employees fall under JIMAR (87), PCSU (235), and the UH Marine Center (45). RCUH Human Resources plans to transition the remaining JIMAR and PCSU staff on March 1, 2021. During discussions with the UH Marine Center, it was determined that their work schedules will require the creation of additional pay codes to account for when the crew is deployed to sea for weeks or months at a time. RCUH anticipates having the UH Marine Center converted to electronic timesheets by mid-May 2021.

Goal 2. Enhance the ability of core and project staff to provide effective services to research, development, and training projects.

- **Procurement Training for Project Staff.** At the request of UH's College of Engineering business office, RCUH presented a high-level overview of RCUH procurement at a college-wide January training attended by 87 faculty and support staff. Two objectives of the training were to inform faculty and staff of their responsibilities, and to create a better understanding of the procurement process for efficient processing. The two-hour session was robust with discussion of common bottlenecks in the procurement process, advice to expedite purchases, improved understanding on the differences between UH and RCUH procurement, and regulatory compliance hurdles.
- **UHERO Presentation for Core Staff.** Dr. Peter Fuleky, Associate Professor at the Economic Research Organization at the University of Hawai'i (UHERO), spoke at RCUH's quarterly core staff meeting in December 2020. He introduced the work of UHERO and provided timely data on the effects COVID-19 is having on Hawai'i's local economy. Here are a few comments from staff:
 - *"I like hearing about what projects do & what their research contributes to. UHERO was unknown to me before working at RCUH & I had no idea what their research was about or what the purpose of their project was."*
 - *"The visual presentation was very helpful to be able to understand the information and to also show the drastic impact of COVID-19."*
 - *"It was very surreal that these stats that we are seeing will be documented in history due to the pandemic. It was great to keep up with these numbers instead of just listening to the radio news and TV news."*
- **Online training.** The Introduction to RCUH Finance module was updated for the ORS Spring 2021 Contracts and Grants Certification program. The updated course is also available in the RCUH Training Portal, which imported 15 new courses (e.g., Alcohol and Drug Awareness for Managers) and 39 course updates (e.g., Creative Problem Solving) from the Litmos Library.
- **eTimesheet training via Zoom Webcast.** The RCUH Human Resources Department held live Zoom webcasts in January and February to train PIs, supervisors, and employees on the new eTimesheet system. The first three sessions of 2021 were attended by 409 individuals, with two additional sessions scheduled on Feb. 23 and Feb. 26.

Goal 3. Improve and expand communications at all levels.

- **2020 RCUH Annual Report.** The 2020 report focused on "a year of evolving, adapting, and embracing change." COVID-19 challenged projects to reinvent themselves to maintain their impactful work on the research community and the State. RCUH featured the work of four (4) projects—UHERO, GoFarm Hawai'i, the Hawai'i Island astronomy community, and the Hawai'i Institute for Marine Biology—who pivoted in the face of the pandemic and created new opportunities to support the local community.
- **Collaboration with UH.** RCUH's Finance Department worked with UHERO on a request for data to determine the economic impact of UH research expenditures. RCUH accommodated their request to re-categorize \$270 million in research expenditures that were administered by RCUH in FY 2020. The Finance Department also worked with UH System Administration to pull five years of data (2016–2020) to validate the number of financial transactions generated through RCUH for all UH System offices.

- **RCUH Service Awards.** The RCUH Service Awards Program was established in 1988 to recognize the long and faithful service of RCUH employees. Employees are recognized at 10 years of service and every 5 years thereafter. Recipients receive a certificate of achievement and a check as a token of appreciation for their contributions to their project and to RCUH. This year, 51 Principal Investigators helped present a total of 106 service awards to employees with 10 to 45 years of service.

Goal 4. Expand services to non-UH research, development, and training projects.

- **Direct Project outreach.** The Project Administration team met with the Department of Human Services to discuss a proposal for RCUH to administratively assist their IT development project. This project will upgrade the Benefit Employment and Support Service Division's existing Medicaid system to allow for a uniform repository of information. RCUH's involvement would be the procurement of IT specialists to complete this effort.

Goal 5. Serve as convener to highlight issues of importance to research, development, and training in Hawai'i and the Pacific region.

- **Forum Update.** RCUH Corporate Services is planning a virtual forum in late April on the topic of "Foreign Intrusion into Academic Research and Training." Tentatively, the two-hour forum will feature speakers from the Defense Counterintelligence and Security Agency (DCSA), Naval Criminal Investigative Service (NCIS), Federal Bureau of Investigation (FBI), and the University of Hawai'i.

Goal 6. Secure revenues to ensure financial security and quality services.

- **Interest Income and Rebates.** Total interest and rebate income for the month of January 2021 was \$14,700 and has decrease significantly from a peak in July 2019 of \$67,400. The current yields on 12-month TDCs remain in the range from 0.10% to 0.20%, additionally the sweep accounts yields have also been reduced to 0.05%.

