



Minutes
BOARD OF DIRECTORS
Research Corporation of the University of Hawai'i
September 7, 2021
Virtual Meeting

PRESENT:

Eugene Bal, Kelli Goodin, Ken Hayashida, David Karl, Diane Paloma, Joseph Pickard, Vassilis Symos. Excused: Vice Chair Michael Maberry

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 Director Bal at 9:10 a.m.

WELCOME NEW BOARD MEMBERS

Director Bal introduced new board members Diane Paloma and Joseph Pickard. Director Paloma is a UH Regent appointee and the CEO of the King Lunailo Trust and Home. Director Pickard joins the RCUH Board as the Senate President appointee and serves as President of Community Planning & Engineering, as well as the President of Environet, Incorporated.

PUBLIC COMMENT PERIOD (IF APPLICABLE)

No written or oral testimony was received.

ELECTION OF OFFICERS

Director Bal proposed moving up the Election of Officers up in the agenda due to Vice Chair Maberry's absence. Hearing and seeing no objections, Ms. Hull opened the nomination period. Director Hayashida nominated Director Bal as Chair and Director Goodin as Vice Chair. No further nominations were received and the board unanimously voted to approve the nomination slate.

APPROVAL OF MINUTES OF THE JUNE 1, 2021 AND JUNE 15, 2021 MEETINGS

Upon motion made (Hayashida), seconded (Goodin), and duly carried, the minutes of the June 1, 2021 and June 15, 2021 meetings were approved as circulated.

FINANCIAL STATEMENT FOR JULY 2021

Mr. Yee reviewed the financial statements, including RCUH's balance sheet and statement of revenues and expenses. He explained that RCUH's assets fluctuate based on the timing of reimbursements from the University of Hawai'i and the amount of expenditures that are run through RCUH's system. Mr. Yee stated that RCUH's total retained earnings are at \$9.5 million and that RCUH's assets are dominated by cash, while its liabilities are dominated by expenditures owed for the various projects.

The financial statements reflected one month of activity for RCUH and showed that RCUH is slightly ahead of budget with a net operating income of about \$15,000. In the first month of Fiscal Year 2022, RCUH processed \$21.5 million in transactions, which includes all purchases, payroll, and other related expenditures on behalf of the UH and various direct projects. Given the immense amount of information, Mr. Yee offered one-on-one sessions for new board members to help familiarize themselves with RCUH's finances.

Before moving on to the next agenda item, Chair Bal inquired on the current status of RCUH's reserves. Mr. Yee explained that by combining RCUH's working capital and contingent liability reserve, RCUH has roughly \$6.7 million in net reserves.

EXECUTIVE DIRECTOR'S REPORT

ED Gouveia started off by welcoming the two new board members and thanking his leadership team. He explained that RCUH is putting together a presentation for the Board of Directors that will address the substantive issues and that RCUH will call another board meeting in October (tentatively) to discuss those issues in detail.

He noted that RCUH is working on compiling all of the legislative requests and responses in one place for the board's convenience. ED Gouveia acknowledged that it seems like there's more activity now than during the regular legislative session. RCUH received a new request for information on Sept. 3, 2021 and is currently working on a response. ED Gouveia shared that he has been focusing on three areas to determine how RCUH should move forward: what RCUH needs to continue doing, what RCUH needs to stop doing, and what RCUH needs to start doing. He stated that the issues that have been coming up with the legislature tie into some of these questions, which will need to be addressed with the Board during the presentation.

ED Gouveia carried on with an update on the management fee work group, which is working on recommendations for UH and RCUH moving forward. This discussion will involve a 10% cap on the amount of Research and Training Revolving Funds (RTRF), which pay for RCUH's management fees. The primary issue is that the cap conflicts with the formula in the existing Internal Agreement.

The second issue ED Gouveia brought up was the financial system update. Due to the uncertainty of the management fee cap with UH, consideration is being given to postpone the project until the financial impact of that agreement is fully evaluated and a path forward is determined. UH is also evaluating what their needs are for both UH and RCUH in respect to this system. ED Gouveia ultimately believes that this replacement should be done as soon as possible, but it will be up for discussion at the next meeting.

ED Gouveia acknowledged Mr. Sakamoto's efforts for taking the lead on RCUH's COVID-19 vaccination plan. He added that one or two board meetings will be scheduled prior to December 7th to review the RCUH presentation and focus on the RCUH strategic plan for the next five years. ED Gouveia skimmed through the Executive Director's report that was provided in the board packet and mentioned that he is onboarding Ms. Hull as a facility security officer (FSO) backup, as his FSO duties have taken up a lot of his time.

Lastly, he reiterated that the RCUH presentation can be used for new board members, community members, and legislators to provide an understanding of RCUH's history and the UH/RCUH relationship. He will run the presentation by Chair Bal and noted that the next board meeting will be vital to address specific issues that are being targeted by the legislature, in addition to other issues that are not being talked about.

ED Gouveia opened the floor up to questions or comments. Director Syrmos noted that he was concerned about all of these legislative hearings on the RCUH and UH relationship. These hearings have pointed out some vulnerabilities, such as the relationship between UH and RCUH employees and how RCUH is servicing the University. Director Syrmos stated it's been brought to his attention, and likely to Lenny's attention, that RCUH has sometimes been used to facilitate projects that could have been executed at the University, and suggested that the relationship has turned from one of necessity to one of convenience. He explained that he does not want to jeopardize the UH research enterprise due to such actions. Director Syrmos requested that Lenny work with the Chair or the University to streamline policies and put "guard rails" as to when RCUH can be used and for what purpose. He added that he's asked Vice Provost Velma Kameoka to work with Lenny on evaluating all revolving accounts and internal services orders to RCUH.

Director Syrmos closed by thanking Nelson and Lenny on being proactive and collaborative on several fronts, including the dual/outside employment policy discussions. He emphasized that RCUH has done a fabulous job and it's critical that the UH research enterprise will not be jeopardized.

Chair Bal agreed that RCUH and UH needs to work together to ensure that the continuation of the success of the research enterprise is not threatened.

Director Karl shared that he has listened to these legislative hearings and as a working scientist at UH benefiting from RCUH's services, he was amazed at some of the remarks that were made. He concurred with ED Gouveia that the current statute is extremely broad and can be interpreted differently by different people. In relation to Director Syrmos' point about being careful of not doing anything that seems out of the box, he inquired how one is to know what's out of the box without rewriting the statute to be more specific.

Director Syrmos responded that there are two statutes—one is the statute of RCUH which is extremely general, while the second part in 304A dictates that the University should reach out to RCUH for services when such cases are appropriate and the University has exhausted any other means of doing it themselves. He explained that in that sense he wants to be careful of how UH uses RCUH and used the Executive MBA program at the Shidler College of Business as an example. He stated that he does not want to jeopardize a legitimate function of RCUH by the convenience of running programs through RCUH that are academic in nature.

Director Karl thanked Director Syrmos for his explanation and inquired who would be the adjudicator to service order new projects to RCUH. Director Syrmos clarified that he is not questioning the 2000 memo from former President Mortimer that requires all extramural awards to be service ordered to RCUH. He referenced the 1995 memo, which is specific to the business school and their Executive MBA programs. In regards to internal and revolving service agreements, the adjudicator of service ordering projects to RCUH is the Vice Provost for Research (delegated down from the Provost of Mānoa). Director Syrmos explained that he reviewed UH's guidelines for service ordering intramural accounts to RCUH with Vice Provost Kameoka, and both agreed that the policy can be strengthened. He added that he wanted to make clear that RCUH employees on UH funds are UH employees who are excluded from collective bargaining, whose payroll is not done by the State of Hawai'i but by RCUH, and do not participate in the state retirement system or state medical benefits system. Director Syrmos concluded that he wants to make sure that the UH/RCUH relationship is clear and can withstand this type of attack, and credited President Lassner for the university's growth over the last seven years, which means that things that were not doable at UH 10 to 20 years ago, can be done today.

Chair Bal thanked Director Syrmos for the comments and suggested that the review of the procedures and processes associated with service ordering from the UH to RCUH and subsequent change to Regents policies be brought to the Research and Innovation Committee. Director Syrmos noted he will be happy to present that to the committee once consultation with faculty, staff, and administration has been completed. He stressed that projects that can be done at UH should stay at UH, while those the university cannot do be sent to RCUH.

ED Gouveia agreed and noted that it will take a lot of work to get there, but he is glad that everybody is at the table talking and collaboratively working together to evaluate these issues and make the proper decisions moving forward.

Director Karl asked for an estimate of the amount of time ED Gouveia has spent on these legislative matters and if anything is not getting done that he would normally be doing in his position. ED Gouveia answered that like most people at the University, his team does what it needs to do to get the job done. He was unsure of the specific amount of time, but noted that the team spends time everyday responding to inquiries from not only the state legislature, but the federal government and other agencies as well. RCUH is also working on internal inquiries based on what the organization needs to continue doing, stop doing, and start doing. ED Gouveia acknowledged that the 10% cap will also force RCUH to look at its services to ensure it is living within its means.

Chair Bal commented that he was struck by the amount of information that was requested in the most recent request for information. He added that ED Gouveia had mentioned that staff have already been working on compiling this data so it is not catching the organization off guard. In regards to Director Karl's question, Chair Bal declared to some degree, organizations like RCUH that are touched by legislative action and/or federal scrutiny must respond to these inquiries as part of its responsibilities.

APPOINTMENT OF AUDIT COMMITTEE & DELEGATION OF AUTHORITY TO APPROVE FY 2021 AUDITED FINANCIAL STATEMENTS

Chair Bal appointed Director Hayashida as chair of the Audit Committee and will join him on the committee. He will leave it to Director Hayashida's discretion to determine whether he wants to appoint additional members from the board or an adhoc member of the financial community at large.

Upon motion made (Goodin), seconded (Karl), and duly carried, the board delegated the authority to the Audit Committee to approve the Fiscal 2021 audited financial statements.

EXECUTIVE SESSION

Chair Bal proposed deferring this agenda item, given Director Maberry's role as chair of the Personnel Committee. Upon motion made (Hayashida), seconded (Paloma), and duly carried, the board voted to defer the Executive Session and evaluation of the Executive Director to the next board meeting.

ADJOURNMENT

The meeting adjourned at 10:09 a.m.

/s/ Kaylee Hull

Kaylee Hull
Executive Administrator

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