



DRAFT Minutes

BOARD OF DIRECTORS

Research Corporation of the University of Hawai'i

December 5, 2023

In-Person Location: East-West Center, Burns Hall 4th Floor, 4005/4009
1601 East-West Road, Honolulu, HI 96848

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

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 Chair Hayashida at 9:15 a.m. Ms. Hull indicated that no written or oral testimony was received.

APPROVAL OF MINUTES OF THE SEPTEMBER 19, 2023 MEETING

Upon motion made (Karl), seconded (Wilson), and duly carried, the minutes of the September 19, 2023 meeting were approved as circulated.

FINANCIAL STATEMENTS FOR OCTOBER 2023

Mr. Yee reviewed the balance sheet for October 2023, which captures four months into RCUH's fiscal year. He reported approximately \$37 million in assets, \$25.5 million in liabilities, and total retained earnings of \$11.6 million. Mr. Yee explained that RCUH is letting Time Certificates of Deposits expire and putting those funds into a sweep account, which has a 5% interest rate. He also highlighted the working capital and project contingent liability reserve, which reflects a net working capital of approximately \$8.1 million.

In regards to the Statement of Revenues and Expenses, RCUH's actuals is on par with the year to date average (36.3%). Mr. Yee noted that although RCUH has turned over most of the Revolving Account funds to the University, a few accounts remain at RCUH such as Ship Ops and Mauna Kea Shared Services. Director Karl asked if Ship Operations will remain at RCUH and Director Syrmos responded that the project has a deadline of July 2024. He added that projects can still procure equipment and services and pay for them through RCUH's financial portal system.

Mr. Yee highlighted RCUH's volume of business over four months, which reflects that nearly \$123 million has been processed, a 12% increase compared to the previous year. He shared that UH Extramural Awards are down and Director Syrmos noted that this may be due to the HERF money that was transferred to RCUH in previous years. Mr. Yee did not have any comments on the cash flow statement, however he did share that the middle column reflected the volume of business being run through RCUH (\$117 million).

REPORT OF AUDIT COMMITTEE

Vice Chair Goodin reported that the Audit Committee met to accept the audited financial statements for Fiscal Year 2023. Although the audit wasn't completely finished at that time, it's since been completed with no modifications to what was presented to the committee. The committee voted to

accept the report, which didn't show any major material weaknesses or significant deficiencies from the financial statements. Vice Chair Goodin called for a motion to ratify the acceptance of the FY2023 audit. (Wilson Moved, Jaret seconded). Upon motion made (Wilson), seconded (Leong), the Board unanimously voted to accept the financial audit for fiscal year 2023.

Director Syrmos asked whether RCUH transmits the audited financial statements to the legislature per statute §36-2.5. Executive Director Gouveia explained that it's included in RCUH's Annual Report, which is transmitted to the legislature, and Deputy Attorney General Nakamura noted that he will look into it. ED Gouveia added that RCUH shares its financials with UH and it is not being hidden, but acknowledged it may not be in the format they want. Director Wilson stated that visibility will likely be much higher from the Legislature with the broadband contract and Chair Hayashida asked if UH presents it to the Board of Regents. ED Gouveia stated that it is not, however now that the Revolving Accounts have been transferred back to UH, he believes it will be reported under their normal course of business. He added that RCUH does work with and responds to requests from UH's auditors as well. Director Syrmos acknowledged that RCUH did a great job with managing the Revolving Accounts since it must process whatever UH requests, but there were questions as to how the funds were being used (by UH owners of the funds that were created).

APPROVAL OF BYLAW REVISIONS

ED Gouveia explained that RCUH had wanted to propose some minor changes to the bylaws to include updated guidance on remote meetings and clarify the verbiage regarding the approval of contracts. In Article 4, Section 6 it states that *"The Board shall approve any contract, lease, cooperative agreement or other transaction which exceeds or may exceed \$1.0 million in value in the aggregate and which is not authorized in any agreement previously approved by the Board."* He explained that there are many extramural awards over \$1 million that are processed without the need for board approval, however the language isn't very clear.

When he spoke to previous Executive Directors and board members, their interpretation was that the agreement previously authorized by the Board includes the Internal Agreement. ED Gouveia noted that there is language in the UH Regents policy that *"Should it be determined, in consultation with the board, that a contract or settlement is anticipated to have a significant impact on policies, programs, or operations; or result in potential institutional liability, the prior approval of the board shall be required regardless of amount and source of funding."* ED Gouveia believes that similar language should be adopted into RCUH's bylaws. He reported that this ties into the broadband contract that President Lassner reported to the UH Board of Regents, which did not require their approval. He suggested that the proposed changes are to clarify the language, but does not change anything operationally. Director Syrmos agreed that there shouldn't be any change to the bylaws as the UH President already signs agreements over \$5 million and he signs agreements over \$1 million; adding a requirement for RCUH Board approval for these types of contracts would stymie research.

There was an inquiry as to whether there was legislative concern or lack of understanding of the process regarding UH/RCUH's workflow for research projects. ED Gouveia stated that the bylaws proposal was prompted to ensure there is no misinterpretation over RCUH's authorization to handle contracts over \$1 million. He restated that RCUH will seek board approval for any contract/agreement for the benefit of RCUH's core staff operations, unlike those in support of UH Extramural awards. ED Gouveia requested that the board take some time to evaluate the issue and proposed changes and it can be voted on in the future, hopefully at the next meeting.

EXECUTIVE DIRECTOR'S REPORT

ED Gouveia opened his report by thanking his leadership team for putting this together and wished happy holidays to those in attendance. He reported that he's been working with RCUH Finance staff and the Attorney General's Office on executing a \$60 million Public-Private Partnership (P3) agreement with Ocean Networks, Inc. (ONI). As this is RCUH's first time involved with a P3 agreement, it was recommended by the Attorney General's office that RCUH seek services from an attorney with experience in these types of agreements. The individual that RCUH is working with has been used by the State and UH for the Aloha Stadium and RISE project. ED Gouveia provided backstory on the evolution of this agreement and stressed that P3 agreements have become more popular across the country, but many have failed when the parties were not on the same page. To ensure RCUH does its due diligence for the protection of UH, RCUH, and the State of Hawaii, RCUH has the external counsel on board to review and negotiate the proposed agreements and is working to get it done as quick as possible. He noted that no vote is necessary and that today's presentation is for informational purposes only.

ED Gouveia continued onto achievements related to RCUH's Strategic Plan since the last Board of Directors meeting. He reported that RCUH is currently evaluating the purpose and need for its line of credit with the Attorney General's Office. This topic has previously been brought to the Board's attention, however additional information has been brought up so RCUH will come up with a clear path for discussion, hopefully at the March 2024 meeting.

He highlighted that four board members were able to attend the Outstanding Employees of the Year award and two attended the recent forum. ED Gouveia shared that he's grateful for the board's engagement and hopes they feel that there is open communication with him. Other highlights include the following:

- Transitioning the UH Marine Center to eTimesheets
- Accommodating the new Pay Transparency Law in RCUH's HR Portal
- Addressing the core staff shortage by filling nearly all vacancies
- Coordinating a staff retreat to ensure core staff have a complete understanding of what we do and why we do it
- Improving RCUH's IT security and systems
- Executing the annual forum on AI's impact on academic research
- Scheduling virtual Q&A sessions for project staff
- Scheduling an in-person security briefing for cleared personnel on Maui

ED Gouveia added that MFA is a little behind schedule, but is forecast to be completed in early 2024. He shared that he's heard from the researchers that they're happy with the changes RCUH has been making and that RCUH continues to work on replacing the AS400. He concluded his report by noting that RCUH's strategic plan is a living document and that changes can be made as needed.

Finally, since not all RCUH board members were able to attend the RCUH Awards Luncheon in October, four videos were shared highlighting the 1st place awardees. Following the videos, Director Wilson inquired whether there is a coordinated process to combine the knowledge gained from different research projects as so much is happening in different fields. Director Syrmos responded that these processes are UH processes and RCUH is a service provider to UH for two things: procurement and HR. He emphasized that RCUH employees are hired to support UH projects and provide procurement services since they are exempt from the state procurement code, other than that everything else is coordinated by the University. Director Wilson suggested that in terms of gathering and disseminating information, stakeholders should consider how the university can capitalize on this from a strategic level. There was further discussion on whether projects are siloed

and whether it was RCUH's role to bring people together. Director Syrmos expressed that most campuses put on seminars to bring researchers together in a variety of fields and that RCUH is doing extremely well in supporting UH's research enterprise. ED Gouveia affirmed that RCUH is here to serve the University's needs and acknowledged that RCUH does support a few Direct (non-UH) projects, but does not anticipate that those projects will make up a large portion of RCUH's volume of business. He added that RCUH continues to receive requests for direct projects and evaluates whether it is an appropriate fit with RCUH's statute. If it isn't, RCUH will try to help the project find the right avenue for their work.

Chair Hayashida declared that Hawai'i's school system doesn't understand how great a school UH is and all the research that is being done in the state and that this is a big gap. Director Wilson concurred and recalled emphasizing the importance of adding data science to the General Education curriculum. He stated that connecting the dots between the Department of Education (DOE) and the University's world-class research is what he referred to earlier. ED Gouveia shared that he does have a few contacts with the DOE and has visited Honouliuli Middle School, which received an award for a mural tied to a researcher that does work with that school. He believes that middle school students should be targeted for exposure to research opportunities in the state and Vice Chair Goodin agreed that public schools should be targeted and that students should be exposed at an early age, in addition to their parents. ED Gouveia added that the University is doing well in that regard.

PROJECT PRESENTATION: STATE BROADBAND INITIATIVE: CONNECT KĀKOU

UH Vice President for Information Technology and Chief Information Officer Garret Yoshimi provided a presentation on the State Broadband Initiative. He began by highlighting the broadband context for Hawai'i and the importance of Internet for all, especially rural communities who rely on telehealth services. VP Yoshimi stated that it's critical to futureproof the state's communication infrastructure since the commercial market may not offer services to areas that lack financial return. In 2008/2009, the Hawaii Broadband Task Force was formed by the Legislature, which was chaired by President Lassner. The task force came up with some forward-thinking propositions, however there has not been much progress since then as it would require a lot of funding. The pandemic was an impetus for some of the federal funding that has been allocated for this initiative.

VP Yoshimi discussed the State's aging fiber connections that connect the islands to the rest of the world. Hawai'i is dependent on these undersea fiberoptic cables that have a life span of 25 years; meanwhile two of three systems have already surpassed the 25-year threshold. He disclosed that when the CARES funds were disbursed to Hawai'i, Sen. Schatz inserted language in several of these bills to ensure the funding of submarine fiberoptic cable systems and cable landing stations. VP Yoshimi explained that through the Bipartisan Infrastructure Law (BIL), Hawaii received two awards that were sub-awarded to the University. He provided an overview of the various government entities that are involved in this project, including the Lieutenant Governor's Office, the Department of Business, Economic Development & Tourism (DBEDT), and the Department of Hawaiian Homelands (DHHL). VP Yoshimi also provided a high-level overview of the primary federal sources, including the Tribal Broadband Connectivity Program, which allocates up to \$90 million to DHHL. The University entered in a Memorandum of Understanding (MOU) last year to provide network assistance to DHHL at no cost. After reviewing the required matching funds for the Broadband Equity Access Deployment (BEAD) program, VP Yoshimi provided an update on the current status for the various projects, and noted that not all projects are being processed through RCUH.

In terms of the ONI agreement, he explained that this capital project is to create the first landing locations, starting in Hilo, that would then interconnect with UH locations and DR Fortress on Oahu. By having diverse landing sites and locations, it would provide resilience to the public network. He explained that \$60 million is half of the cost to construct these landing locations and that there is

zero liability to the State and public sector for cost overruns, operations, maintenance, and liability for future capital calls. The State is receiving a 20% equity interest in the outcome; this prorated equity percentage covers the cost of operations and maintenance and levels out the risk for the rest of the equity partners. The State will also receive access to one pair of fibers to connect plus a Lit Capacity of 300GB for the State and 200GB for DHHL (UH and DOE currently share 200GB of connections) to accommodate future capacity. VP Yoshimi reported that the activity to establish these landing locations has already attracted significant additional interest in new transpacific cable builds. One of the biggest roadblocks to attracting new systems to land here is the uncertainty of individual operators having to go through the permitting and landing process.

VP Yoshimi reviewed the achievements and milestones for this project, which included a site selection and desktop study completed in 2022. Former Governor David Ige and his cabinet approved plans submitted to the U.S. Treasury in Fall 2022, and in April 2023 the award was announced in a White House press conference. He shared that currently he is working to execute the partner agreement with the help of Attorney Craig Scully who has participated in a number of Hawaii P3's. He is encouraged that he will get an agreement soon that is good for the project that will protect both UH and RCUH. The targeted Ready for Service date is December 2026. VP Yoshimi added that counties are also engaged in conversations and are very excited about this partnership moving forward.

Director Karl stated that this work is very impressive and noted that the detailed map was made possible by RCUH through the Kilo Moana. He followed up inquiring how RCUH's stance on construction affects this project. VP Yoshimi explained that the way this project is structured, RCUH nor UH is directly constructing any of the elements in the project. The University will manage and oversee the activities of ONI, which will engage its subcontractors and employees on the Design and Build aspect. ONI will be responsible for its own subcontractors, while UH oversees their oversight of the construction project. Director Leong asked whether UH/RCUH assumes any liability or risk and VP Yoshimi assured the board that the answer is no and that one of the main elements in the agreement is that the risk and responsibility to complete the project is on the private partner. Director Leong inquired whether the RISE project was structured similarly, but VP Yoshimi responded that the situations for each P3 project is different. ED Gouveia reinforced that the key element here is that there is no future liability for future funding for the State. He explained that it's critical to avoid executing this agreement in a piecemeal fashion to ensure that there are no future "gotchas." Another question was raised regarding the creation of an LLC for bonding and VP Yoshimi stated that it'll likely be created this legislative session or next session. The University may hold it temporarily while the entity is established. VP Yoshimi shared that he'll likely present an update next year before the next projects are initiated.

VP Syrmos explained that for the RISE project, UH CFO Kalbert Young served as the individual who oversaw financial transactions and asked who within RCUH would serve in that role. VP Yoshimi responded that the responsibility would fall on himself from an execution standpoint as the designated Principal Investigator for these projects. RCUH would provide execution support and advice in terms of contracting.

Director Wilson noted that P3s have been around a long time in the hotel industry and that it's good that RCUH was able to procure Craig Scully's services. VP Yoshimi shared that P3s/consortiums are the common setup for anyone building a long-haul transpacific network. Director Syrmos commended VP Yoshimi for his work and acknowledged that this is wonderful news for the State. Chair Hayashida also commended VP Yoshimi and ED Gouveia for navigating this project. ED Gouveia disclosed that he hopes the agreement will be executed by the next board meeting and an update will be provided at that time.

There was a final inquiry regarding UH's involvement on quantum computers, but VP Yoshimi doesn't believe there's major interest in quantum since it's a large investment from a computing perspective.

2024 RCUH BOARD OF DIRECTORS MEETING SCHEDULE

There was no discussion on this agenda item, other than recognizing that board meetings will be moved to the first Wednesday of the month.

ADJOURNMENT

ED Gouveia thanked his staff before the meeting concluded. The meeting adjourned at 11:27. The next Board of Directors meeting is scheduled for March 6, 2024.

/s/

Kaylee Hull
Executive Administrator

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