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Committee on Asset and Resource Management
Trustee Oswald K. Stender, *Chair*
Trustee Robert K. Lindsey, Jr., *Vice-Chair*

Members

Trustee Rowena Akana
Trustee Peter Apo
Trustee S. Haunani Apoliona
Trustee Donald B. Cataluna
Trustee Hulu Lindsey
Trustee Colette Y. Machado
Trustee John D. Waihee, IV



STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
711 KAPI'OLANI BOULEVARD, SUITE 500
HONOLULU, HAWAII 96813

LIEUTENANT GOVERNOR'S
OFFICE

12 FEB -8 P1:5

Office of Hawaiian Affairs
COMMITTEE ON ASSET AND RESOURCE MANAGEMENT
(ARM)

DATE: Wednesday, February 15, 2012
TIME: 10 a.m.
PLACE: OHA Board Room, 5th Floor at above address

AGENDA

- I. Call to Order
- II. Approval of Minutes
 - A. January 17, 2012
 - B. January 19, 2012
- III. Community Concerns/Beneficiary Comments
- IV. New Business*
 - A. FY 2012 Trustee Budget Variance Report as of December 31, 2011 – Discussion Only
 - B. FY 2012 10% Budget Adjustments Reporting for the Quarter Ending December 31, 2011 – Discussion Only
- V. Announcements
- VI. Adjournment

*The 72 hour rule, pursuant to OHA Operations Guide, may be waived for distribution of new committee materials.

**This portion of the meeting will be closed pursuant to HRS 92-5. For further information, please call 594-1954.

A handwritten signature in black ink, appearing to read "Oswald K. Stender".

Trustee Oswald Stender, Chair
Committee on Asset and Resource Management

Date

2/8/12

**Office of Hawaiian Affairs
711 Kapi'olani Blvd., Ste. 500
Honolulu, HI 96813**

**Committee on Asset & Resource Management
(ARM)**

February 15, 2012

MINUTES

Trustees Present:

Trustee Oswald Stender, Chair
Trustee Rowena Akana
Trustee Peter Apo
Trustee Haunani Apoliona
Trustee John Waihe'e, IV

Trustees Excused:

Trustee Robert Lindsey, Vice Chair
Trustee Donald Cataluna
Trustee Hulu Lindsey
Trustee Colette Machado

BOT Staff:

Shelsea Apana
Makana Chai
Lei-Ann Durant
Reynold Freitas

Ani Pang
Capsun Poe
Nathan Takeuchi
Tiona Wailehua

Administrative Staff:

Richard Pezzulo, Interim Chief Executive Officer
Hawley Alamodin, Chief Financial Officer

Cindy Caberto
Ike Ka'aihue

Aedward Los Banos
Jerry Norris

CALL TO ORDER

The meeting was called to order by Chair Oswald Stender at 10:08 a.m.

APPROVAL OF MINUTES

Trustee Apoliona MOVED, SECOND by Trustee Apo to approve the minutes of the January 17, 2012 and January 19, 2012 meeting of the Committee on Asset and Resource Management.

MOTION passed by a unanimous vote of 5-0.

Discussion

With regard to the 'Open Letter to the Trustees of the Office of Hawaiian Affairs' (dated January 12, 2012 and submitted to the Trustees during Community Concerns/Beneficiary Comments at the January 17, 2012 ARM Committee Meeting) submitted by beneficiary Kamuela Kala'i which states her concerns about the 'iwi kupuna situation at Kawaiaha'o Church, **Trustee Apo** asked to comment on a statement written in that letter. He cited, in part, the following passage from the letter:

"The 'iwi kupuna are being dug out of the ground at Kawaiaha'o Church by the truck load ..."

He stated that during a casual conversation with Hal Hammit from Cultural Surveys that they are digging, hand troweling and screening what had been dug up. Only after this process are they throwing the dirt into the dump truck and hauling it away. His concern is that the contractors are seen as not being pono; in this case, they are being pono. **Trustee Apoliona** asked that Kai be made aware so that he has this information when dealing with the beneficiaries on the Kawaiaha'o issue.

COMMUNITY CONCERNS/BENEFICIARY COMMENTS

None

NEW BUSINESS

A. FY 2012 Trustee Budget Variance Report as of December 31, 2011 – Discussion Only

Before taking questions from the Trustees, **Richard Pezzulo, Interim CEO** reminded the Trustees that this report covers the last six months, theoretically there should be 50% of the budget remaining; however, included are cash payments and encumbrances. Encumbrances can throw things off by either large encumbrance amounts at the beginning of the year or encumbrance amounts that may surface at the end of the fiscal year. Any plus or minus 15% are explained in these reports.

Trustee Akana stated she found the budget confusing and not explained in detail but rather appears in lump sums (i.e. \$25,000 for BOT speech writer, \$183,000 for lawsuits) and requested that such details be discussed in Executive Session as these items surface. She stated that the Trustees were unaware of any lawsuits and settlements being made and requested they be informed of these things on a regular basis. With regard to the speech writing, she inquired where that money was housed; **Hawley Alamodin, CFO**, explained that the money was specified in a particular program and was made available for such.

With regard to Personnel Budget, **Ms. Alamodin** explained that those items were removed due to the fact that it gave a false reading because it appeared that personnel money was being drawn down on a regular basis when in fact it wasn't always being spent at the time the report showed it being drawn down. Without the Personnel item, the report then reflects what is actually being spent. **Trustee Akana** did not see the problem with the Personnel costs being part of the report along with programs. **Ms. Alamodin** explained that it is easier to assess what was being spent or not spent on programs without the Personnel expenses in the report. She also offered to put that portion back into the report should the Trustees express their desire to do so. It was agreed that a separate Personnel expense report would be included in future Variance Reports.

With regards to Programs, **Trustee Akana** asked that a report that was easier to understand be sent to trustees. **Trustee Stender** made the point that budget realignments were presented periodically in order for trustees to get a clear picture of OHA's costs and spending. **Trustee Stender** explained that one cannot set a budget without realignment because budgets are estimates and you never know what things will surface that will require changes based on actual numbers. **Mr. Pezzulo** added that no one can really predict exactly what something is going to cost and that is why the Board passed a policy allows variances plus or minus 10% from one program to another in order to allow flexibility in the budget. Major changes are presented to the Board in the form of budget realignments. If there are excess funds, those funds are moved to where it is needed. **Mr. Pezzulo** further explained that the Personnel costs are a set cost that doesn't change, but it is not like that with programs.

Trustee Akana explained that in Budget Realignments, OHA is putting more money into some other programs (i.e. budget realigned for Governance at least twice a year) and she expressed she didn't always agree with that. Again, she asked for budget reports that are easier to understand.

Trustee Apoliona explained that Budget Realignments are often given to the Trustees in large three-ring binders that they are expected to read, digest, and review line by line. She explained she felt that the Variance Reports (that are basically a summary) should relate back to the Budget Realignment Binders reviewed and discussed in the ARM Committee Meeting and that although cumbersome, it is imperative that trustees make these comparisons. She also suggested variances are explained in detail.

Trustee Akana expressed that if someone could show her where these items were in the "big budget," she'd be happy with that explanation. She would like more detail instead just lump sums. **Ms. Alamodin** explained to the Trustees that it is their intention to be very transparent with the budget and that they continue to work with the Trustees to provide reports that are satisfactory to the Trustees and that the Trustees should contact her if they have any questions regarding the budget.

Trustee Apoliona suggested SharePoint contain information that was easier to access and reference. **Trustee Stender** shared that if a variance raises a red flag, he then goes back and researches; but basically, he relies on the staff to be honest and thorough. **Mr. Pezzulo** reminded

them that realignments provide the detail; and currently, they believe that unlike the way things were done in the past, nothing is spent without Trustee approval.

Trustee Akana also asked for explanation as to the real need of all money going to programs and asked that the Board be informed more often (i.e. a quarterly basis) of the activity of movement of the 10% Administration is authorized to work with.

B. FY 2012 10% Budget Adjustments Reporting for the Quarter Ending December 31, 2011 – Discussion Only

Ms. Alamodin reported that the report contains all detail of CEO approval of where the money was moved from, where it is moved to, and what the purpose was. The summary will show Administration is keeping within the 10% budget adjustments. All movement is approved by the CEO.

Trustee Akana questioned the breakdown on trustee travel and other allocations per trustee because it is reported in a lump sum. **Ms. Alamodin** explained that a log is kept for only out-of-state travel but not inter-island travel. **Mr. Pezzulo** explained that trustees and programs travel is always estimated and budgeted at the beginning of the year; however, that budget is not always used; any unused money is transferred to where it is needed in other programs. **Ms. Alamodin** explained that each program submits their estimated travel and conferences and that is submitted for approval; trustee travel is not limited. **Trustee Apoliona** asked for clarification that Administration does keep track of trustee travel, but does not report inter-island travel; **Ms. Alamodin** confirmed (trustee out-of-state travel is reported to trustees twice a year – 45 days after the PCard payment).

Ms. Alamodin reported that she and Aedward [Los Banos] will work on a January report for the Trustees to consider that will include things that were discussed at the meeting in order to make the reports more reader-friendly and easier to understand. In response to **Trustee Apoliona's** request, **Mr. Pezzulo** offered to attach the original budget with the new figures so the Trustees could see the detail.

Ms. Alamodin informed the Trustees that the goal would be to have just one budget realignment this year and that realignment is planned to be presented to the ARM Committee in April.

ANNOUNCEMENTS

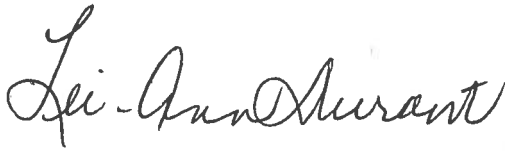
None

ADJOURNMENT

Trustee Apoliona MOVED, SECOND by Trustee Waihe'e to adjourn the February 15, 2012 meeting of the Committee on Asset and Resource Management.

Chair Stender adjourned the meeting at 10:42 a.m.

Respectfully submitted,



Lei-Ann Durant, Aide/Secretary
Committee on Asset and
Resource Management



Oswald K. Stender, Chair
Committee on Asset and
Resource Management

Approved: March 28, 2012