

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**

LIUTENANT GOVERNOR'S
OFFICE

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**COMMITTEE ON ASSET AND RESOURCE MANAGEMENT
(ARM)**

DATE: Wednesday, March 28, 2012

TIME: 10 a.m.

PLACE: OHA Board Room, 5th Floor at above address

AGENDA

- I. Call to Order
- II. Approval of Minutes
 - A. February 15, 2012
- III. Community Concerns/Beneficiary Comments
- IV. New Business*
 - A. 2011 Performance Review by Pantheon
 - B. Investment Education by Pantheon
 - C. Organizational Priority Status – Fiscal Responsibility
 - D. ARM 12-02: FY2012 Total Operating Budget Realignment #1
- V. Executive Session**
 - A. Approval of Executive Session Minutes for January 9, 2012
 - B. Attorney-Client legal advisory by OHA Attorney Anna Elento Sneed, Esq. re: questions and issues pertaining to the Board's powers, duties and liabilities related to personnel portion of OHA's FY2012 Total Operating Budget Realignment #1.
- VI. Announcements
- VII. 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", written over a horizontal line.

Trustee Oswald Stender, Chair
Committee on Asset and Resource Management

3/21/12

Date

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

Committee on Asset & Resource Management

March 28, 2012

MINUTES

Trustees Present:

Trustee Oswald Stender, Chair
Trustee Robert Lindsey, Vice Chair
Trustee Rowena Akana (arrived 10:14 a.m.)
Trustee Haunani Apoliona
Trustee Hulu Lindsey
Trustee John Waihe'e, IV

Trustees Excused:

Trustee Peter Apo
Trustee Donald Cataluna
Trustee Colette Machado

BOT Staff:

Crayn Akina
Shelsea Apana
Makana Chai
Lei-Ann Durant
Reynold Freitas
Kama Hopkins

Lehua Itokazu
Dayna Pa
Ani Pang
Capsun Poe
Nathan Takeuchi

Administrative Staff:

Kamana'opono Crabbe, CEO
Hawley Alamodin, CFO

Ernie Kimoto, Corporate Counsel

Connie Cheng
Malia Ka'aihue
Garrett Kamemoto

Aedward Los Banos
David Okamoto
Dirk Soma

Guests:

Howard Hodel, Consultant
Anna Elento Sneed

Pantheon
Dave Braman
Jeff Lumard

Roll Commission
Clyde Namu'o
Mahealani Wendt

CALL TO ORDER

The meeting was called to order by Chair Oswald Stender at 10:04 a.m.

APPROVAL OF MINUTES

Trustee Robert Lindsey MOVED, SECOND by Trustee Hulu Lindsey to approve the minutes of the February 15, 2012 meeting of the Committee on Asset and Resource Management.

MOTION PASSED by a unanimous vote of 5-0
(Trustee Akana was not present at vote)

COMMUNITY CONCERNS/BENEFICIARY COMMENTS

None

NEW BUSINESS

- A. 2011 Performance Review by Pantheon**
- B. Investment Education by Pantheon**

Dave Braman and Jeff Lumard, representatives from Pantheon (OHA's private equity investment managers) reviewed the status of each of the investments that comprises OHA's private equity portfolio. The Summary of Commitments is as follows:

Primaries

PUSA VI LP (\$6.0 million)
PEURO IV LP (Euro 3.8 million)
PUSA VIII LP (\$7.5 million)
PEURO VI LP (Euro 4.8 million)

Secondaries

PGSF II LP (\$5.0 million)
PGSF IV LP (\$5.0 million)

It was also reported that while some of the capital invested in earlier projects have been paid out to investors, it will be a few years before all the invested capital and earnings are paid to other investors and to OHA. Among other issues facing the financial markets, Pantheon is constantly monitoring investment opportunities in infrastructure and emerging markets in addition to traditional market opportunities.

(For details, refer to material distributed: 'Pantheon – Office of Hawaiian Affairs – March 28, 2012')

C. Organizational Priority Status – Fiscal Responsibility

Dr. Kamana'opono Crabbe, CEO, introduced this portion of the meeting in preparation of realigning OHA's fiscal year 2012 and preparing for the fiscal year 2013 budget in order to assess and discuss efficiency on the process and systems in order to understand OHA's spending patterns, to evaluate these spending patterns, and perhaps re-think and prepare for some of OHA's future spending on big projects (i.e. Kaka'ako Makai, acquiring a corporate building, and the Native Hawaiian Roll Commission to name a few). In addition, **Dr. Crabbe** hopes to plan for the future and planning several years out rather than being reactive in order for Administration to be better able to help the Trustees by giving them complete and solid information so their decision-making can be more prudent.

Dr. Crabbe shared his desire that OHA become a place where the organization can be highly productive in order to necessitate maximizing the success of OHA's staff in providing more opportunities for education in order to increase their skills and competency.

Hawley Alamodin, CFO, offered a PowerPoint presentation, 'Organization Priority – Fiscal Responsibility – Understanding the Past to Set the Future.' *(For details, refer to material distributed at the meeting.)*

During the presentation, **Ms. Alamodin** pointed out that OHA's General Fund Appropriations from the State Legislature continues to decrease. With regard to these general funds, **Trustee Akana** inquired about how OHA uses these general funds. **Ms. Alamodin** provided that the largest portion of the General Funds is used for general funded positions - 62 positions within OHA are partially funded by general funds as is legacy funded positions (CEO and CFO). General funds are also used for operating costs (majority for rent) and the three provisos: Na Pua No'eau, Alu Like, and Native Hawaiian Legal Corp. In terms of dollars, our contribution along with the State is 50-50.

In response to **Trustee Apoliona's** request for clarification, **Ms. Alamodin** confirmed that legal and social services are procured. Na Pua No'eau is classified as a grant and is exempt from procurement and Native Hawaiian Legal Corp. is procured through professional services.

Dr. Crabbe stated that Administration is hopeful the State will not discontinue general funds for OHA as it will be detrimental to the organization. **Trustee Akana** expressed concern about

Kaka'ako being a big expense in fixing the area and the need for the State to realize that. **Trustee Stender** expressed frustration that although OHA is a State agency, we are not afforded the same privileges as other state agencies (i.e. office space being provided by the State and salaries being part of the State budget). **Trustee Akana** further pointed out that state lands are also transferred between state agencies but that is not the case with OHA; there are many disparities. **Ms. Alamodin** explained to the Trustees that in recent years, OHA has been very respectful and cognizant of the State's financial situation and hasn't pushed back when its budget continues to be cut; however, she assured the Trustees that OHA will be asking for its fair share when the next biennium budget is presented.

Ms. Alamodin and Dr. Crabbe asked the Trustees, as OHA moves forward, to consider OHA's priorities and realize that OHA's money is not unlimited so OHA needs to come up with a plan to decrease contract spending and increase grants to assist beneficiaries by building internal staff capacity and maximizing OHA's largest and most valuable expenditure – OHA's staff.

Additionally, OHA's Administration and Trustees now needs to look into the future as there are major projects that have already been started as well as priorities in moving forward in accordance with OHA's Strategic Plan. Trustees agreed that they must be very prudent in drawing funds from the Fiscal Reserve in order not to deplete those funds in upcoming years.

With regard to the LLCs, **Dr. Crabbe** informed the Trustees that he will be meeting with **Mona Bernardino** in order to discuss the current standing of the LLCs and would like to move forward in having **Ms. Bernardino** come up with a business plan in order to help the LLCs become more self-sufficient and have clear direction. **Trustee Akana** questioned the ability of the LLCs to make decisions without approval of the Board; **Trustee Stender** suggested Sheryl Nicholson, Esq., make a presentation to the Trustees in a future meeting to further discuss the matter which is more suited for discussion in Executive Session.

Dr. Crabbe expressed the importance of the Trustees paying close attention to OHA's spending patterns in order for OHA to affect positive change in how OHA's money is managed in order to be able to award as many grants as possible. **Dr. Crabbe** informed the Trustees that the grants process and assessment had changed; **Ms. Alamodin** informed the Trustees that the new guidelines would be presented to them at a future meeting. **Trustee Hulu Lindsey** requested OHA be more aware of and evaluate the status of those groups that have received grants and if the grants are being used for the purpose the money was requested. **Trustee Akana** suggested outcomes be measured in order to determine a grantee's success and best use of funds as proposed in its request.

In response to **Trustee Robert Lindsey's** question, **Dr. Crabbe** assured the Trustees that all employees at all levels within the organization will be given much clearer direction of future grants processes and assessments as it relates to OHA's Strategic Plan; and Administration will be better able to assess and evaluate in order to give a more comprehensive report to the Trustees on the grantees' success or failure with the grant received. In general, stabilizing spending patterns will increase the impact to OHA's beneficiaries.

With regard to land management, **Ms. Alamodin** suggested the time is right for the Trustees to decide on taking title to the Kaka'ako Makai lands as well as how those lands will be managed. OHA must have a balanced portfolio in order to ensure sustainability of these lands. Currently, OHA's land holdings consists only of Legacy lands (Pohua Heiau, Waimea Valley, and Wao Kele O Puna at a total of \$27,600+ acres).

Trustee Hulu Lindsey explained that OHA has been offered Palauea- 20 acres located in Makena (Maui). The acquisition of such land will be cost free with the stipulation that it be leased to the University of Hawaii Maui for use by the UH Hawaiian Studies Program. The only potential cost to OHA will be a \$1 million insurance policy.

Discussion about charter schools centered on increasing efforts in helping charter schools while leveraging OHA's resources or partnering with other agencies as well as the DOE so that Hawaiian charter schools can provide the needed curriculum in order to achieve the outcomes desired. **Trustee Apoliona** suggested Administration have the discussion with Taffi Wise; **Dr. Crabbe** suggested other charter schools be included in these discussions.

Ms. Alamodin again reminded the Trustees that OHA's spending is limited based on limited resources. In conclusion, OHA's fiscal responsibility includes: 1) being responsible for spending patterns; 2) building internal resources to limit need for outside consultants; 3) increasing the Strategic Budget; 4) planning for OHA's future; and 5) prudent and responsible fiscal management.

D. ARM 12-02: FY2012 Total Operating Budget Realignment #1

Trustee Waihe'e MOVED, SECOND by Trustee Robert Lindsey to approve the Total Operating Budget Realignment #1 for Fiscal Year 2012 as outlined in Attachment 1.

Discussion

Brief discussion centered on the \$90,000 for the Merrie Monarch Festival and **Dr. Crabbe** explained that the funds were a non-interest loan for production and distribution of the Merrie Monarch DVD. OHA will display its banner and will be recognized by the Festival as a sponsor.

Trustee Akana questioned the Equal Employment Opportunity Commission (EEOC) Core Personnel Budget; however, based on the specifics of these personnel matters, the Committee Chair suggested the question be answered during Executive Session.

Trustee Apoliona asked for clarification on the Roll Commission being attached to OHA administratively. **Ms. Alamodin** explained that Roll Commission employees are considered OHA employees so OHA is responsible for their salary as well as their benefits. **Dr. Crabbe** explained to the Trustees that the Legislature is considering attaching other commissions to OHA

in the future and these attachments will affect OHA's future personnel budgets. Trustees agreed that it seemed unfair that OHA would be responsible for fringe benefits along with salaries (Act 195's creation dictates this budget item).

After review of the travel realignment (Table 10, page 8), **Trustee Akana** asked to for a report of travel costs per department/individuals. Administration will provide trustees with that information.

In response to **Trustee Akana's** inquiry regarding Roll Commission funds, **Ms. Alamodin** explained to the Trustees that the Commissions funding will be given to them based on need rather than in one lump sum. **Trustee Apoliona** asked for clarification on the reallocation of the Commission's funding needs; **Ms. Alamodin** explained that the Commission is on track in receiving their funds as scheduled (approximately \$1.2 million by June 30) – *refer to Attachment 2 of the Action Item*. **Trustee Stender** suggested the Roll Commission submit a budget for future funding.

EXECUTIVE SESSION

Because Attorney Anna Elento Sneed, Esq. (OHA's labor law attorney) had a previously scheduled appointment, **Chair Stender** requested the Trustees resolve into Executive Session and resume budget discussions when the Committee reconvened into Public Session.

Trustee Akana MOVED, SECOND by Trustee Robert Lindsey to resolve into Executive Session pursuant to HRS 02-5(a)(3) and 92-5 (a)(4).

MOTION PASSED by a unanimous vote of 6 – 0.

The Committee resolved into Executive Session at 12:37 p.m. and reconvened into Public Session at 12:52 p.m.

NEW BUSINESS *(continued)*

Trustees expressed concern with regard to Hi'ilei Aloha LLC and the creation of Ho'okele Pono to manage the Hawaii PTAC program.

After discussion on the need for more detail and the ability to have more input into decision-making within the LLCs, several trustees asked Hi'ilei Aloha LLC and Ho'okele Pono LLC be bifurcated from the ARM 12-02. **Trustee Stender** cautioned the Trustees that they were not allowed to dictate what was being done within the LLCs but as shareholders could require scheduled reports be made to them. Based on the desire of the Committee members for more information on the functions and operations of Hi'ilei Aloha and Ho'okele Pono, **Trustee Waihe'e withdrew the Motion, and Trustee Robert Lindsey withdrew his Second.**

Trustee Akana MOVED, SECOND by Trustee Robert Lindsey to approve the Total Operating Budget Realignment #1 for Fiscal Year 2012 as outlined in Attachment 1 with the bifurcation of the following:

- **\$250,000 from Hi'ilei Aloha LLC on behalf of Hi'ipaka LLC (Waimea Valley Master Plan)**
- **\$ 29,000 from Ho'okele Pono LLC on behalf of Ho'okipaipai LLC (Hawaii PTAC Program)**

MOTION PASSED by a unanimous vote of 6 – 0

Administration will ask Executive Director Richard Pezzulo to present his plan for Waimea Valley to the Trustees; the PTAC Program situation will be addressed by Attorney Sheryl Nicholson, Esq., at the April 18 [2012] ARM Committee meeting.

ANNOUNCEMENTS

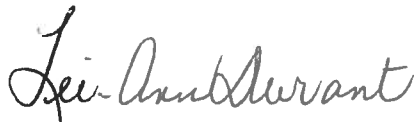
Chair Stender informed the Trustees that uala from Lela Hubbard's cousin, Bill Beach, was available for the Trustees via Reynold Freitas. He also shared a note sent by Mr. Beach (attached).

ADJOURNMENT

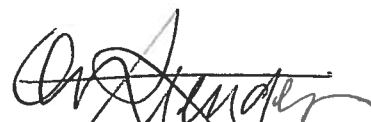
Trustee Hulu Lindsey MOVED, SECOND by Trustee Robert Lindsey to adjourn the March 28, 2012 meeting of the Committee on Asset and Resource Management.

Chair Oswald Stender adjourned the meeting at 1:08 p.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: April 18, 2012