

RESOURCE MANAGEMENT COMMITTEE
 Dan Ahuna, Chairperson
 Robert K. Lindsey, Jr., Vice Chairperson
 Leina'ala Ahu Isa, At-Large
 Kalei Akaka, O'ahu
 Keli'i Akina, At-Large
 Brendon Kalei'aina Lee, At-Large
 Carmen Hulu Lindsey, Maui
 Colette Y. Machado, Moloka'i/Lāna'i
 John Waihe'e IV, At-Large



**STATE OF HAWAII'
 OFFICE OF HAWAIIAN AFFAIRS**

MEETING OF THE COMMITTEE ON RESOURCE MANAGEMENT

DATE: Wednesday, May 1, 2019
TIME: 11:00 am
PLACE: OHA Board Room, Nā Lama Kukui
 560 N. Nimitz Hwy., Suite 200
 Honolulu, HI 96817

AGENDA

- I. Call to Order
- II. Public Testimony*
- III. Approval of Minutes[†]
 - A. March 13, 2019
 - B. April 10, 2019
- IV. New Business
 - A. Action Item RM #19-05 – Approval of FY19 Commercial Property Budget Realignment #1
 - B. Action Item RM #19-06 – Approval of \$35,000 for Emergency Disaster Relief for Kaua'ula Maui
- V. Executive Session[‡]
 - A. Approval of Minutes – March 13, 2019
 - B. Approval of Minutes – April 10, 2019
 - C. Consultation with attorneys William Yuen, Esq., Judy Tanaka, Esq. and Robert G. Klein, Esq., re: questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities regarding OHA's role as a member of Hi'ilei Aloha LLC and Ho'okele Pono LLC, Pursuant to HRS §92-5(a)(4).
 - D. Consultation with Board Counsel, Robert G. Klein, Esq. regarding questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding Action Item RM #19-04 for reimbursement of limited liability corporation legal fees. Pursuant to HRS Section 92-5(a)(4).[†]
- VI. Adjournment

If you require an auxiliary aid or accommodation due to a disability, please contact Raina Gushiken at telephone number 594-1772 or by email at: rainag@oha.org no later than three (3) business days prior to the date of the meeting.

*Notice: Persons wishing to provide testimony are requested to submit 13 copies of their testimony to the Chief Executive Officer at 560 N. Nimitz, Suite 200, Honolulu, HI, 96817 or fax to 594-1868, or email BOTmeetings@oha.org 48 hours prior to the scheduled meeting. Persons wishing to testify orally may do so at the meeting, provided that oral testimony shall be limited to five minutes.

[†]Notice: The 72 Hour rule, pursuant to OHA BOT Operations Manual, Section 49, shall be waived for distribution of new committee materials.

[‡]Notice: This portion of the meeting will be closed pursuant to HRS § 92-5.

Trustee Dan Ahuna
 Chairperson, Committee on Resource Management

04/24/2019

Date

DRAFT

**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
560 N. Nimitz Hwy, Suite 200
HONOLULU, HI 96817**

**Minutes of the Office of Hawaiian Affairs Committee on Resource Management
March 13, 2019
10:05 am**

ATTENDANCE:

Trustee Dan Ahuna, Chairperson
Trustee Robert Lindsey, Vice-Chair
Trustee Leina'ala Ahu Isa
Trustee Kalei Akaka
Trustee Keli'i Akina
Trustee Brendon Kalei'aina Lee

Trustee Carmen Hulu Lindsey
Trustee Colette Machado
Trustee John Waihe'e

STAFF PRESENT:

Albert Tiberi
Dylan Zheng
Kamana'opono Crabbe, CEO
Miles Nishijima
Raina Gushiken
Raymond Matsuura
Sylvia Hussey, COO
Lehua Itokazu
Carol Ho'omanawanui
Lopaka Baptiste
Claudine Calpito
Ron Porter
Maria Calderon
Paul Harleman
Melissa Wennihan
Kauikeaolani Wailehua
Kama Hopkins
Zuri Aki
Lei Ann Durant
Priscilla Nakama

Guest and Community:

Rodney Lee – SPIRE Hawaii
Lucas Sayin – SPIRE Hawaii
Lani Nakazawa - SPIRE Hawaii
William Yuen, Esq.
Judy Tanaka, Esq.
Kurt Klein, Esq.
Robert G. Klein, Board Counsel
Craig Chaikin, Segal Marco
Darren Smith, JP Morgan
Charlie Fishman, JP Morgan

I. CALL TO ORDER

Chair Ahuna – Calls the Committee on Resource Management to order at 10:05 am, noting for the record the following Trustees present:

	Present	Excused	Comments
TRUSTEE LEI AHU ISA	X		
TRUSTEE KALEI AKAKA	X		
TRUSTEE KELI 'I AKINA	X		
TRUSTEE BRENDON KALEI 'AINA LEE	X		
TRUSTEE HULU LINDSEY	X		
TRUSTEE ROBERT LINDSEY	X		
TRUSTEE JOHN WAIHE'E	X		10:06 arrived
CHAIRPERSON DAN AHUNA	X		
TOTAL	9		
At the Call to Order, there are nine (9) Trustees present.			

II. PUBLIC TESTIMONY

None.

III. APPROVAL OF MINUTES

A. February 13, 2019

Chair Ahuna asked for approval of the February 13, 2019 minutes and discussion.

Trustee Hulu Lindsey, MOVED, SECOND by Trustee Waihe'e to approve minutes of February 13, 2019.						
	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA			x			
TRUSTEE KALEI AKAKA			x			
TRUSTEE KELI'I AKINA			x			
TRUSTEE BRENDON KALEI 'AINA LEE			x			
TRUSTEE HULU LINDSEY	x		x			
TRUSTEE ROBERT LINDSEY			x			
TRUSTEE COLETTE MACHADO			x			
TRUSTEE JOHN WAIHE'E		x	x			
CHAIRPERSON DAN AHUNA			x			
TOTAL VOTE COUNT			x			
MOTION: <input checked="" type="checkbox"/> UNANIMOUS <input type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED						
Motion passes with nine (9) YES votes.						

IV. NEW BUSINESS

A. NHTF 4th Quarter Performance Review with Investment Consultant Segal Marco

Chair Ahuna calls Ray Matsuura.

Ray Matsuura introduces Craig Chaikin from Segal Marco and Darren Smith and Charlie Fishman of JP Morgan.

Craig Chaikin states I was the voice on the phone at your last meeting. Most of you have hard copies in front of you, I'm going to start on page 4 talking about markets. We talked about this a little bit at the last meeting when I was on the phone, but when you're looking at these numbers through the end of 2018 I think the word I would use would be depressing. If you're looking at your portfolio balance at the beginning of the year and thinking about where he stood things didn't look particularly good. At the end of the year, there were a lot of geopolitical concerns United States were busy shutting down

the federal government for the longest shutdown in history. There were concerns about the brexit, how Britain was going to be exiting the EU. There were concerns about trade wars and tariffs with China. They are the same concerns we have right now when we're sitting here on March 13th. The fed and some of their comments they were in the process of tightening, so they raise rates for the fourth time at their December meeting so the FED funds rate is now sitting between 2 1/2 and 2 and 3/4 percent. The market was concerned that with tightening rates and not easy money that would present some significant challenges to the market. You saw results I would say accordingly. Since that time it was seen a pretty sustained rally for the first two months of the year, so just through the end of February, the S&P was up eleven and a half percent so now all these lines are above the zero.

Craig Chaikin gave highlights of the fourth quarter performance of last year and the Analysis of Investment Performance of the Native Hawaiian Trust Fund. See attached.

Trustee Akina states it was good to see you at the economic forecasts dinner. I know that you're not here to talk about our real estate, you're here to talk about our portfolio, but since you got real estate on the chart I have a question for you. It's obvious that real estate even in the fourth quarter faired very well compared to other sectors. Does this also apply to Hawaii real estate?

Craig Chaikin states I think the answer is it depends. A lot of real estate is certainly impacted by the property, where it's located, timing of it, in terms of how it's doing. What you is both property appreciation as well as income. Typically it also depends on the type of real estate your looking at. We look at core, or value add as well as opportunistic real estate, so core real estate kind of across-the-board is more developed properties that you're looking at. They tend to have a very very high income potential, so it does have a somewhat more muted return. You do expect more of that result to come from income. Value added and opportunistic you expect more of that component to come from developing, upgrading properties, things like that. So I don't have any numbers specifically on how Hawaii real estate related relative to real estate as a whole, but if those factors would impact what the return would be specific to those specific properties.

Trustee Akina states my reason for raising it, is because I'm aware that Hawaii real estate has fared fairly well compared to these other investment sectors and just want to make a note to fellow trustees, that we spend good time and I'm glad we do, looking at our portfolio and our investments. In fact the predominant amount of time of investment review is spent looking at our native land trust fund portfolio, but we spend almost no time discussing the potential investments in real estate and missed opportunity costs

and so forth and just as a suggestion we might parcel some of our time to look at that. Especially as we looking at the development of are underdeveloped real estate.

Chair Ahuna states it's important that we develop our strategy so we can look at look at it in a way we can maximize our resources and assets. That's all part of it too, not just one side, this is not a linear approach, this is more of a laffer curve approach.

Trustee Ahu Isa states everything is timing, same sex marriage would never have passed when I was in the house years ago, medical marijuana now look at it, the same thing with our land Kakaako Makai, our investments have to have the will to do it. To make sure we get our share, our fair share, for our beneficiaries and to perpetuate this fund into perpetuity. Real estate is one area.

Craig Chaikin states real estate does play a key role in a lot of portfolios, both direct real estate here as well as potential consideration from diversifying property types, one of the biggest *inaudible* is liquidity. If you need money, and you don't have a huge liquidity *inaudible*, if you can't sell a property today, we consider a very valuable part of *inaudible*. I am going to flip all the way to page 23. This takes a look at the asset allocation and I think the two things to note, this is largely consistent with what we saw when we were reviewing the end of the third quarter results, somewhat a little bit more exacerbated because equity markets declined so substantially but you can see the portfolio is relatively underweight to its equity target. It remains overweight to private-equity because of the *inaudible*, structure private equity we do tend to over allocate, you have a slight over-allocation there. When we look at absolute results on page 27, the underweight equity certainly benefited the portfolio because it was the lowest performing asset class. Page 27 takes a look at the absolute results of the portfolio, you can see there for the quarter down 5.8% vs your benchmark of down 6.8% so if you'd been one hundred percent passively invested, you would have been down about to close to 7%, the portfolios down significantly less and like I said it's a combination of some of the active management as well as a fact that you remained underweight to the equity allocation. I won't go through each of these in detail, one of the things that you will note a couple pages later on you, I wanted to point this out because the returns looks so dislocated for your absolute return strategies. So the absolute return strategies are supposed to return in a something like a CPI plus 34% keep pace with inflation plus over time, the benchmarks that are reflective here are cash plus a little bit of fixed-income benchmarks. Given how the managers are invested, their invested much more broadly for that absolute return perspective. Things like commodities, currencies, things like that and so when you look at the results here, it looks like your managers did absolutely horribly relative to their benchmarks, but it's what we would expect in a period where people were relatively risk-averse running into safe or more safe assets

and your managers are not invested, with that specific short-term time frame in mind. So the managers have continued to do what we expect them to do but it looks like there is a large dislocation for the specific period.

Ray Matsuura states that some of you approved PIMCO last Dec. as a hedge fund manager and cut back Commonfund, its showing here on page 32, they just started in February, had a return of 4.45. end of the year, so with that strategy with PIMCO did help in terms of a week market.

B. JP Morgan portfolio update and outlook

Chair Ahuna states we will now move onto item B. JP Morgan portfolio update and outlook.

Ray Matsuura next introduces Darren Smith and Charlie Fishman of JP Morgan.

Darren Smith states my name is Darren Smith and I am the lead relationship manager for west region for North America Institutional business and to my left is Charlie Fishman, our portfolio management team as part of our multi-asset solutions group. We have basically four lines of business and one of those happens to be Asset Management. Within asset management everything from our private bank to our liquidity business or institutional business or retail mutual fund practice. We have been working with you now since June 2011, thank you for that longevity and we talk about the markets and do an abbreviated version of that today. We'll talk about the overall performance and then we'll talk a little bit about our outlook. Spoke on the agenda of J.P Morgan Multi-Asset solutions, market review, portfolio update, and market outlook. See attached for additional information and details.

Charlie Fishman states hello Trustees, it is nice to be with everyone again this year. Gave summary and quick refresher on the investment process and then what is the mandate that we are managing for the Office of Hawaiian Affairs. See attached for additional information and details.

Trustee Lee asks so you said this was representative of end of January, you're active managers made an adjustment based on quarter four, how active is that and I will try and quantify my question so it makes sense to you. As you mentioned before and I'm aware of, that in the month of January all the losses of fourth-quarter were made up in the markets, then there was a pull back right and then as of today we broke a major line of resistance right, in 3 days that pull back that took a week to do, was made up, so how active is the pivot.

Charlie Fishman states just to show you how we've been tactical over time and to clarify our team is responsible for managing the asset allocation, that is our groups full responsibility, so if you look at where we were and what we show on page 16 is just our portfolio exposures, over the last 12-13 months. If you look at the very left hand side of the page, you'll see at the end of December 2017, we're about 74% inequities, that was you know when Global growth was above-trend, earnings growth was strong across the developed and emerging world, all economic data was very strong. We were very pro risk at that time and about 74% equities. As the growth picture has deteriorated throughout 2018, as earnings growth has slowed for-profitability perspective for companies, we've caught equity risk in multiple stages. So if you just look at that global equity line item, you can see at the end of the third quarter, we had taken down equities to 68% of the portfolio. In the fourth quarter, a huge sell-off in markets global equity sold off anywhere from 15 to 20% depending on the market you were looking at, so I think a good story just in terms of doing what you're paying us to do, which is to manage the risk profile of this portfolio. At the end of the fourth quarter of 2018, you can see we were about 61% in equities, that was us getting more defensive, part of that was also equity market sold off, so that allocation shrunk. But then at the end of January 31st, we are kind of getting back to our targets at about 62%. So I think that we have been fairly active and cutting that risk, just to quantify it.

Trustee Lee states I don't need an exact figure, but do you know about where we're at now.

Charlie Fishman states yes, roughly about 63-64%, we actually had our quarterly asset allocation meeting last week before we came and begun to get a little bit more constructive but still think it makes sense to underweight equities. I think it's a good question for summarizing some of the things that we've done. Other places that you'll see kind of bigger changes, you'll see global credit Q4 2017 about 13.85%, fast forward to the end of January we essentially double that allocation to about 28.8%. The two biggest things have been, one moving into core fixed-income, which is that light blue line just under global equities. Moving more and more of the capital of the portfolio into high-quality core fixed-income, to be a bit more defensive and then we have more *inaudible*, exposure to high yield within the portfolio. Similar to the comment I made on the prior page but just giving a few data points help quantify the changes that we've made. The last thing I would just call out is, we've taken down the total real assets exposure. We had held about a 1.25% rate to come out of these in the portfolio, that's on the left hand side of the page, second blue line under Global Credit and just above real assets. Now that weight it is at 0%, so we think real assets play a helpful role in diversifying the portfolio. We know that OHA has large asset portfolio aside from the one that were managing. Which is separate and distinct from the decisions that were

making in this portfolio. We just prefer to take that marginal dollar of risk within credit both in high quality fixed income and then also high-yield fixed-income, particularly in the US.

Trustee Akina asks on page 23 is this the big one, what is your answer.

Charlie Fishman states is this the big one, the biggest risk that were looking at I would say is the top one economic momentum and then the fourth one being trade wars. So economic growth is the key thing that fuels global economy, which ultimately drives corporate earnings, and so the slowdown that we have seen in economic growth has probably been one of the key things that were looking at. Then the trade war we know about some of the tariffs between the US & China as well as the US and Europe that we do recognize could be a headwind to Global growth. So I would say any change in developments there, we know that there has been a lot of talk in the last month about it but an agreement with the US and China that were looking out for. But I would say those are probably the two biggest risks that were looking at.

Robert Klein is growth is slowing, why feds are raising interest rates.

Charlie Fishman states I would say two things, one the FED had begun to normalize interest rates from ultra-accommodative and so they did that for the better part of the last two or three years. US is growing at two and a half percent, unemployment at a cycle of about 4% there's no reason to have as accommodative monetary policy as the FED had for such a long time. Part of it was normalizing, going from ultra to relatively accommodative. The other thing I would say is if you look at the most recent FED minutes, the FED has indicated that they're taking a pause on raising interest rates. So most expectations for fed hikes for 2019, most people including ourselves are expecting 0 to 1 hike, which was very different than what we expected 6 months ago. So I think the FED is in a little bit more of a wait and see approach than they were say 12 months ago.

Kamana'opono Crabbe states just going back to page 21 on the major and the minor market errs, you know when you're looking at the graph especially for 2019, the downward projection going back to Trustee Lee in terms of you have shared that you're reacting to the market. We have benchmarks so what would be your prediction; on how will we prevent further losses so that our investments will still be solid in terms of reaching the benchmark.

Charlie Fishman states to the risk that were mindful of is that equity markets can go down which is that equity benchmark you are describing. Part of what we see our mandate is as your manager, is to manage your allocation if we have that view.

So right now we are underweight equities and we had been underweight equities in the fourth quarter, so we see that as being part of our responsibility within your broader portfolio to say, if there are some short-term challenges to be expected, we should be cutting risk. Now part of the mandate is a long-term mandate. We think there's a strong case to stay invested throughout the cycle, but then we compliment that with our skill set to try to take down risk where appropriate, to minimize some of the short-term losses.

Trustee Lee states and if I understand the way you answered my question earlier, given even what the markets done in January and where it's at now, where you're slowly starting to ramp up in equities and with the broader longer horizon, your managing that by hedging it so that if we're wrong and we're starting to ramp up and it does in fact snapback, which doesn't look like projections look like that's going to happen, were hedged. We have our insurance policy.

Charlie Fishman says right. We are trying to be active around those market changes so that way we can help mitigate drawdowns on the downside. One of the key things that were always mindful of is, you know is the US economy on the brink of a recession. We don't by any means think that we can forecast that. That is a very difficult thing to do but that doesn't mean that we're not looking at things to try to get a sense of where we are in the business cycle. Slide 22 is what we call our qualitative business cycle scorecard and what we do is we look across economic metrics in blue, GDP, unemployment and then we look at financial market metrics in purple. Think about the yield curve, M&A issuance, taking all the metrics, we assign them a score of cycles; early, mid, late and recession. Based on this we can get a total picture of the US economy, which we know, is so impactful.

Chair Ahuna thanks Charlie for his presentation. Workshop with SPIRE.

Chair Ahuna mentions a 72-hour time limit waiver, for new committee materials.

C. Workshop: Conducted by SPIRE (Certified Public Accountants for Fiscal Sustainability) on structure, organization and decision points related to OHA financial policies and rules.

Chair Ahuna calls up Rodney Lee of SPIRE Hawaii and his team.

Rodney Lee gave update on structure, organization and decision points related to OHA financial policies and rules. Were trying to overcome his understanding the fiscal policies that exist today don't have addressed all the issues that need to be covered with maximizing the overall resources of OHA. See attached.

Trustee Ahu Isa asks does our policy allow us to do like public-private partnerships, work with DHHL to do ag and Kukaniloko, does our policy do that now, or do we create a whole new one.

Rodney Lee states you are allowed under Chapter 10 to establish entities. You have no direction if you want to do it. Chapter 10 allows you to partner and to be able to engage other entities to be able to serve your mission. The board hasn't decided if that's something that the board wants to do within the policies. We are building within the policies.

Trustee Lee states using KS as an example, how do you come up with a number if you decide to for instance come up with an operational holding company that held funds for a non-interest-bearing financing. Let's say KS sold two properties for 1 billion dollars, how do you come up with a number of, if they sold for 1 billion dollars, and should put a hundred million on the side for, like you said they needed 300 million, how do you come up with that number to hold in reserve, to self-finance, who makes that educational decision.

Rodney Lee states that assessment should already be done at admin level, to present to the board with what we have in assets itself; this is what we need to be able to activate those assets and offer best options.

Trustee Akina asks how common is it for institutions to have a relationship between their investment policy and their spending policy, for example we have a spending policy of roughly 5% draw and I believe our institutions that have capital growth policy that says they can expect 5% real return on their investments and when they achieve that, they can take a 4% draw, which means that the portfolio will always grow by 1%. There is a discipline, a relationship between the investment returns and the spending. Is that common? Is that something we could develop for all OHA?

Rodney Lee it is common, it's what KS does. They have a 5% real return and 4% spending.

Trustee Lee states KS has a range, 2.5 to 4% depending on return.

Trustee Akina states so if they had a 5% in real investment return and 4% spending policy, they will always grow by 1%.

Rodney Lee states yes, there will always be a growth. What I'd like to say is that they are in a unique position where they have sizeable assets in which the 4% equates to a quite a bit of money, so they can take it. But at one point, if you look at the history, they were pretty much even between spending and investment.

Trustee Akina states I shared my thoughts and Lucas when we met and I appreciate that but I didn't include my thoughts on this and I would urge us to consider a capital growth model in which we aim for a certain investment return and when we achieve that we allow a spending amount, so the portfolio will always grow.

Chair Ahuna states for me and my role as a trustee and a member of this board, I understand that we have a side to us where we have to perpetuate this fund, then there is this other side of us where we have to spend it. These two sides have to work together, we can strategize so we can maximize. When we look at KS, I guess when you look at the methodology of how they miss this information is because they did not know where they were doing, so they couldn't strategize or see the upcoming event.

Trustee Hulu Lindsey states our HDIP policy is fairly new to the board, we have a cap of 25 million a lot of it was taken out in the loan to purchase which was not a good deal in my opinion, the equity in this property should cover that mortgage that we're paying Bank of Hawaii and which would free up the 25 million HDIP and I think in its early days like Kamehameha schools when they made that mistake, I would say that we're in the early days of investment, we can invest in smaller portions, like a lot at Kakaako Makai. Let's say we partner with a developer, but we don't only want the lease income as revenue to us, but we would like to have participation of the profit that they're going to make. So let's say we want to invest five or ten million dollars, that should be coming out of the HDIP, so if we think that that's not enough money, then maybe we should just raise that cap. We're in the right place, it's how we utilize it.

Rodney Lee states you are correct, addressing the debt certainly is a good relief, the monies available within the HDIP, address the cap overall so you can limit exposure. Hopefully through the administration's efforts to seek funding, hopefully that the increase in the property valuation is considered, so the attractiveness of a payoff amount is going to be there, before it wasn't.

Trustee Hulu Lindsey states now it's valued at 40 million and the balance for NLK is between 17-19 million. The 40 million equity in the property should cover that so easily and totally expose are 25 million cap for the HD IP.

Rodney Lee continues to summarize the financial policies and rules update.

Chair Ahuna asks what the next steps are.

Rodney Lee states we have to go through internal vetting, we need legal review of drafts. We're working on it right now and submit. We have to do now operational review of risk and identify key resources. OHA needs a governance structure that reflects policy goals and objectives. They need to be in the governance structure.

Trustee Hulu Lindsey asks who will write these drafts. Who will do the legal work.

Rodney Lee states we are doing an initial draft of it. Corp counsel actually will have a hand in it.

Kamana‘opono Crabbe states whether or not the subject matter requires any other specialty consulting regarding finances, we have the capability in contracts to do that. So administratively operationally, we are very confident in our legal counsel.

Trustee Akina asks would like an update on recommendations for fiscal reserve policy.

Chair Ahuna states we will discuss that in executive session.

Chair Ahuna thanks Rodney. We are moving into executive session.

Trustee Hulu Lindsey moved.

Trustee Akaka seconded.

Meeting resolved into executive session at 11:31 am.

V. Executive Session

- A. Approval of Minutes — February 13, 2019**
- B. Consultation with attorneys William Yuen, Esq., Judy Tanaka, Esq. and Robert Klein, Esq. on OHA’s powers, privileges and liabilities regarding OHA’s role as member of Hi’ilei Aloha LLC and Ho’okele Pono LLC and management options for those LLC’s. Pursuant to HRS section 92-5(a) (4).**

Meeting reconvenes into open session at 12:16 pm.

VI. ANNOUNCEMENTS

None.

VII. ADJOURNMENT

Moved by Trustee Robert Lindsey, second by Trustee Akaka.

Trustee Robert Lindsey, MOVED, SECOND by Trustee Akaka Motion to adjourn.						
	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA						not in room
TRUSTEE KALEI AKAKA		X	X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON KALEI 'AINA LEE			X			
TRUSTEE HULU LINDSEY			X			
TRUSTEE ROBERT LINDSEY	X		X			
TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE'E			X			
CHAIRPERSON DAN AHUNA			X			
TOTAL VOTE COUNT			8			
MOTION: <input type="checkbox"/> UNANIMOUS <input checked="" type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED						
Motion passes with eight (8) YES votes.						

Meeting adjourned at 12:17 pm.

DRAFT

Respectfully Submitted,

Claudine Calpito, Trustee Aide
Committee on Resource Management

Dan Ahuna, Chairperson
Committee on Resource Management

Approved: RM Committee meeting _____

ATTACHMENTS:

- 1) NHTF 4th Qtr. 2018 Performance Review- Segal Marco Advisors
- 2) JP Morgan portfolio update and outlook
- 3) OHA BOT Policy Workshop Update – SPIRE Hawaii

DRAFT

**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
560 N. Nimitz Hwy, Suite 200
HONOLULU, HI 96817**

**Minutes of the Office of Hawaiian Affairs Committee on Resource Management
April 10, 2019
10:02 am**

ATTENDANCE:

Trustee Dan Ahuna, Chairperson
Trustee Robert Lindsey, Vice-Chair
Trustee Leina'ala Ahu Isa
Trustee Kalei Akaka
Trustee Keli'i Akina
Trustee Brendon Kalei'aina Lee

Trustee Carmen Hulu Lindsey
Trustee Colette Machado
Trustee John Waihe'e

STAFF PRESENT:

Everett Ohta
Gloria Lee
Ivy Tang
Kamana'opono Crabbe, CEO
Miles Nishijima
Raina Gushiken
Ryan Lucina
Sylvia Hussey, COO
Lehua Itokazu
Carol Ho'omanawanui
Lopaka Baptiste
Claudine Calpito
Ron Porter
Paul Harleman
Melissa Wennihan
Kauikeaolani Wailehua
Kama Hopkins
Zuri Aki
Lei Ann Durant
Priscilla Nakama

Guest and Community:

Germaine Meyers
Charles Goodin, N&K CPAs, Inc.
Dwayne Takeno, N&K CPAs, Inc.
Robert G. Klein, Board Counsel

I. CALL TO ORDER

Chair Ahuna – Calls the Committee on Resource Management to order at 10:02 am, noting for the record the following Trustees present:

	Present	Excused	Comments
TRUSTEE LEI AHU ISA	X		
TRUSTEE KALEI AKAKA	X		
TRUSTEE KELI 'I AKINA	X		
TRUSTEE BRENDON KALEI 'AINA LEE	X		
TRUSTEE HULU LINDSEY	X		
TRUSTEE ROBERT LINDSEY	X		
TRUSTEE JOHN WAIHE'E	X		
CHAIRPERSON DAN AHUNA	X		
TOTAL	9		
At the Call to Order, there are nine (9) Trustees present.			

II. PUBLIC TESTIMONY

Germaine Meyers see attached for testimony.

Chair Ahuna states he would like to take item IV. C. out of order.

IV. NEW BUSINESS

C. Presentation of the audited financial statements and independent auditor's report; and report of independent certified public accountants in accordance with government auditing standards and uniform guidance, of the Office of Hawaiian Affairs for the fiscal year ended June 30, 2018.

Kamana'opono Crabbe speaks olelo Hawai'i. Calls up Charles Goodin and Charles Takeno of N&K CPAs, Inc. to present the independent audit findings.

Charles Goodin reviews the results of the financial audit under government auditing standards and AICPA standards.

Dwayne Takeno review responsibilities as auditors, responsibilities of management and those charged with governance. The summary of auditors results and whether or not there were any financial statement findings and then do questions and comments. Skipping to our responsibilities we performed an audit under the government auditing standards and auditing standards generally accepted in the USA. We were responsible for forming an opinion on the financial statements to determine whether or not they were presented in accordance with US GAAP. We also expressed an opinion on whether or not the supplementary information included in the financial statements were recently stated as well. We're further responsible for communicating any fraud or abuse related to Federal programs, communicating specific matters to you on a timely basis, reporting material non-compliance with laws and regulations, contracts and grant agreements as well as any significant deficiencies or material weakness's in internal control. An audit provides reasonable but not absolute assurance that the financial statements do not contain material misstatements due to fraud or error and we issued a letter that has these responsibilities listed in a letter dated December 7th 2018. All responsibilities under the uniform guidance is to plan the audit related to compliance by considering internal controls over compliance with Federal words with respect to the schedule of expenditures of federal awards. Further reviewed audit for discussion, see attachment.

Charles Goodin discusses the results of the audit, you should have received a hard copy of both financial statements and also the separate report, report on independent certified public accountants in accordance with government auditing standards uniform guidance. One is our opinion on financial statements with supplementary information, the other is more on compliance side, two separate reports that we are addressing today. As part of the financial statement audit, we did not audit the financial statements of Hi'ilei Aloha LLC which comprises 99.6%, 99.9% and 98% of the proprietary funds assets net position and revenue. We issued an unmodified opinion on the financial statements, as far as our opinion for internal control over financial reporting that's going to be actually on page 5 of the other report. There were no material weaknesses that we found and also no significant deficiencies that were reported. Regarding Federal awards there were also no material weaknesses or significant deficiencies that were reported. We issued an unmodified opinion related to compliance in compliance for major federal programs and there were no findings disclosed. The federal program that we are audited as our major federal program was CFDA 93.612 the Native Hawaiian Revolving Loan Fund. The dollar threshold used to distinguish between type A and type B programs was \$750,000 and OHA did qualify as a low-risk auditee related to Federal programs. As far as required communications as part of our audit during the concluding process, one of the areas that we needed to cover is our responsibility is under generally accepted auditing standards and Dwayne covered those thoroughly just before me. As far as the significant accounting policies, OHA's accounting policies are disclosed in note B to the financial statements. One new policy that was adopted during 2018 was related to government accounting standards board statement number 75, accounting and financial reporting for post employment benefits other than pensions relating to the accounting and financial reporting for post employment benefits. With that implementation of that new policy, there was a restatement adjustment, that is

further noted, and I believe note Q to the financial statements. There were no transactions entered into by OHA during 2018 for which there was lack of authoritative guidance or consensus and all significant transactions have been recognized in the financial statements in the financial statements in the proper period. Further discussed the financial audit, see attachment.

Chair Ahuna asks for questions.

Trustee Ahu Isa asks from my understanding, you're given the documents, do you go at random and pick or does OHA give you the documents when you audit.

Dwayne Takeno states as far as testing samples, we do not retrieve the actual documents ourselves, they are provided by management.

Trustee Hulu Lindsey states on page 18, OHA's change in net position decreased by 9mil dollars during the year and key elements of that was #1 the investment earnings dropped by 6mil from prior year, the changes in net position were attributed to increase in expenses in FY2018 by 3.7mil dollars. This change was primarily due to increase in beneficiary advocacy expenses by 4.2mil dollars resulting largely from increased grant expense for the year. Maybe KP can explain that for me.

Chair Ahuna states he doesn't understand Hulu and asks her to repeat the question again.

Trustee Hulu Lindsey on page 18, the changes in net position were further attributed to increase in expenses in FY2018 by 3.7mil dollars. Does that mean that that's 3.7mil above a budget that we approved? That's my question.

Kamana'opono Crabbe states he got clarification from our comptroller, this is in reference to our payments, the 3mil to DHHL, actually its categorized as a grant.

Trustee Hulu Lindsey states yes but we approved that grant money for 3mil dollars in our budget, this is above that. Net position we are down 9mil dollars for that year, but I can understand where the general revenues did not quite make what we anticipated so that attributed that to 6.4mil. What bothers me is something in house, 3.7mil and it says right here, this change was primarily to increase in beneficiary advocacy expenses by 4.2mil, resulting in largely from increased grant expense for the year. Hawaiian homes 3mil is in the budget, so this above it.

Kamana'opono Crabbe asks Gloria to clarify question.

Gloria Li states the variance is due to variance relates to the timing of payments for the DHHL annual 3mil dollars, so back in 2017 we actually didn't make the 3mil dollar payment due to refinancing. So the payment was caught in 2018 and plus the discounted down payment of 2018 also was made at the same time, therefore you see like a balloon payment in 2018. And then a lesser disbursement out in FY17.

Trustee Hulu Lindsey asks what was the discounted amount to DHHL?

Gloria Li states instead of 3mil it was 1.9mil.

Trustee Hulu Lindsey states so were over by 3.7mil in FY2018, so you add the 3mil +1.9mil, that's 4.9mil, the 3mil is already budgeted. The 1.9mil is not, so 1.9mil from 3.7mil, where's the rest of the money.

Gloria Li says correct. So basically were looking at disbursements, were not looking at the budget. And its being captured here and reported as expenses.

Kamana'opono Crabbe asked did we stay within the budget and did not extend beyond the budgeted expenses for beneficiary advocacy expenses.

Gloria Li states yes.

Trustee Akina states your audit depends upon certain disclosures that we make and you stated earlier that management has a responsibility, one of those is to disclose to you any fraud or illegal acts and trustees, as a board, have a responsibility, and you said that was to disclose to you any fraud or suspected fraud. Were any such disclosures made to you by the management or by the trustees?

Dwayne Takeno states none. There were no instances of fraud.

Trustee Akina asks were you informed that the board itself has commissioned an audit specifically to look for fraud, waste and abuse. *Inaudible*, contract or the action item for such audit.

Dwayne Takeno states I believe that was part of our review.

Trustee Akina asks how did that factory in if at all into your audit?

Dwayne Takeno states the purpose of the audit is more from a financial statement audit to determine whether the financial statements are in accordance with GAAP and to report compliance with the federal awards. So it's a little bit outside the scope of our focus.

Trustee Akina states thank you. Looking for fraud, waste and abuse beyond the specific federal accounts that you are monitoring is beyond the scope of this financial audit.

Kamana'opono Crabbe asks do you submit forms to the Executive officers and its the responsibilities of those officers to acknowledge or report if there is fraud, waste or abuse. Did the Executive officers provide that information to you?

Dwayne Takeno states yes they did.

Kamana'opono Crabbe states was there any report by any officer of fraud, waste or abuse.

Dwayne Takeno states to our knowledge no.

Trustee Akina thanks KP for the question. Asks how did you collect your information from this board of trustees that there is no fraud, waste or abuse.

Dwayne Takeno states management helped us through questionnaires through the board of trustees.

Trustee Akina asked were those questionnaires to us individually.

Dwayne Takeno states yes.

Trustee Akina says thank you.

Chair Ahuna asks motion to dissolve into executive session. Asks for discussion.

Trustee Robert Lindsey, MOVED, SECOND by Trustee Waihe'e to dissolve into executive session.						
	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA			X			
TRUSTEE KALEI AKAKA			X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON KALEI 'AINA LEE			X			
TRUSTEE HULU LINDSEY			X			
TRUSTEE ROBERT LINDSEY	X		X			
TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE'E		X	X			
CHAIRPERSON DAN AHUNA			X			
TOTAL VOTE COUNT			9			
MOTION: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED						
Motion passes with nine (9) YES votes.						

Meeting resolved into executive session at 10:30 am.

III. EXECUTIVE SESSION

- A. Consultation with Board Counsel Robert G. Klein, Esq. on questions and issues pertaining to the Resource Management Committee of the OHA-BOT' s powers, duties, privileges, immunities and liabilities regarding OHA Contract #3284. Pursuant to HRS §92-5(a)(4).**

- B. Consultation with Board Counsel Robert G. Klein, Esq. re: questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities relating to the Trustee Protocol Allowance policy. Pursuant to HRS § 92-5(a) (4).

- C. Consultation with attorneys William Yuen, Esq., Judy Tanaka, Esq., and Board Counsel Robert G. Klein, Esq., re: questions and issues pertaining to the board’s powers, duties, privileges, immunities, and liabilities regarding OHA’s role as a member of Hi’ilei Aloha LLC and Ho’okele Pono LLC and management options for those LLCs in light of the Minute Order issued in Andrew Walden v. Hi ‘ilei Aloha LLC, Ho’okele Pono LLC, and Hi’ipaka LLC. Pursuant to HRS §92-5(a)(4)

Meeting convenes into open session at 1:11 pm.

IV. New Business

- A. Action Item RM #19-02: Amendment to Extend the Time of Performance for OHA Contract #3284.

Chair Ahuna asks for motion to approve action item RM #19-02 to authorize and approve an amendment to extend the time of performance for OHA Contract #3284 from April 30, 2019 to December 16, 2019.

Trustee Robert Lindsey, MOVED, SECOND by Trustee Machado, To approve action item RM #19-02 to authorize and approve an amendment to extend the time of performance for OHA Contract #3284 from April 30, 2019 to December 16, 2019.							
		1	2	‘AE (YES)	‘A‘OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI	AHU ISA			X			
TRUSTEE KALEI	AKAKA			X			
TRUSTEE KELI‘I	AKINA				x		
TRUSTEE BRENDON KALEI ‘AINA	LEE			X			
TRUSTEE HULU	LINDSEY			X			

TRUSTEE ROBERT LINDSEY	X	X			
TRUSTEE COLETTE MACHADO	X	X			
TRUSTEE JOHN WAIHE'E		X			
CHAIRPERSON DAN AHUNA		X			
TOTAL VOTE COUNT		8	1		
MOTION: <input type="checkbox"/> UNANIMOUS <input checked="" type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED					
Motion passes with eight (8) YES votes, one (1) NO vote.					

Trustee Akina states he will vote no on the motion, and wants to explain this for our beneficiaries very briefly. I am truly shocked and disappointed at the last minute action of the OHA board to delay the completion of our independent audit for fraud, waste and abuse until December of 2019. By then it will have been almost three years since this board unanimously authorized this very important action, by doing this today we risk several consequences including further damage to our reputation amongst legislators, . I'll conclude by saying I will stand in support of working with the board on the completion of the audit but urge everyone to reaffirm our commitment to transparency and accountability thank you.

Trustee Lee rises to speak in favor of the motion at this time. Although, I am not as a trustee, happy about the fact that we are extending this, I do agree with Trustee Akina in the sense that, this will not shine nicely with our beneficiaries about this decision. However, to not extend and to have this audit not completed would look even worse to our beneficiaries, given the data that was given to us by the contractor, there's no way that they can complete this audit at all, let alone to a sufficient extent, to put our beneficiaries minds at ease as to transparency and accountability. It's just impossible for that to be done, given the constraints of that time period on the contract now. Which leaves us no choice, but to extend it out, so that the contract and the audit is done properly, versus not being completed or rushed and being done poorly.

Chair Ahuna asks Trustee Lee as Chair Ahuna of the RM Committee are you saying that I have done something bad.

Trustee Lee states no Chair Ahuna, I wasn't addressing you as a Trustee at all , I was speaking to the motion.

Trustee Hulu Lindsey states she would like to make an amendment to the motion and add onto the end of that, all outstanding document requests from OHA and the llc's shall be turned over to Clifton Larson Allen immediately and any future document requests from CLA shall be complied with no later than 3 business days. The only reason I add

this is because we've had so much delays and I think that maybe we'll keep our feet to the fire, if this is voted on by the board I also feel that I'd like to add to that amendment that CLA shall provide monthly status updates and a draft audit report to the resource management committee. This in one amendment.

Trustee Hulu Lindsey would like to move to approve RM #19-02 to authorize and approve an amendment to extend the time of performance for OHA Contract #3284 from April 30, 2019 to December 16, 2019. Contingent upon the following two requirements, number one all outstanding document requests from OHA and the LLC's shall be turned over to CLA immediately and any further document requests from CLA she'll be complied with no later than three business days, number two, CLA shall provide monthly status updates and a draft audit report to the RM committee.

Trustee Akina states he will vote no on overall motion, but approves the amendment of the 2 items that were added to the motion.

Robert Klein states you need to consider number 2 may not be in the CLA contract, in which case it is not. This is an amendment to a contract that's proposed by one party to a contract and the other party can say we are not contracted to that.

Trustee Lee states point of information, asks what part is not in the contract.

Robert Klein states part 2.

Trustee Lee states point of clarification Mr. Chair. Number one, I am not aware of any outstanding documents that this agency has not provided, the Office of Hawaiian Affairs number two, I do not believe that we have the authority to compel the llc's to do anything, which is why we're in the position we're in today. Cause if we had that authority, we would have exercised it however long ago this whole process started.

Trustee Machado states there was an issue presented to the trustees regarding formatting to comply with the CLAs standards of receiving information. Whether or not that can get resolved in 3 days might be a burden from the part of OHA and the LLC's to CLA. I just want clarification on that.

Kamana'opono Crabbe states were not privy to what the contract stipulates in terms and conditions.

Trustee Machado states this was a discussion we had about formatting, the format that CLA was asking for, was not currently available through LLC's. I am not sure if the 3 days is reasonable.

Trustee Lee states point of order, given that part of this amendment is not in compliance with the current contract with CLA, I believe that this amendment is out of order.

Trustee Hulu Lindsey states I will move to re amend and take number 2 out.

Trustee Ahu Isa second.

Trustee Lee states point of clarification, since this is a new motion, I'm going to reiterate my concern over, one, I'm not aware of documents that OHA has not produced that were requested by and two, I don't know that this body has any authority to compel the LLC's to produce anything.

Chair Ahuna states we will take a 5 minute recess to rewrite the language in motion.

Robert Klein states I would be happy to do that and agrees with recess.

Trustee Lee moves that we recess.

Trustee Machado second.

Meeting in recess at 1:28 pm.

Meeting resumes at 1:36 pm

Trustee Lee asks are we back from recess.

Chair Ahuna says yes.

Trustee Lee states I move that we lay on the table the current amendment.

Trustee Akaka second.

Chair Ahuna calls for any discussion, hearing none calls for vote.

Trustee Lee, MOVED, SECOND by Trustee Akaka to lay on the table the current amendment.		1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI	AHU ISA			X			
TRUSTEE KALEI	AKAKA		X	X			
TRUSTEE KELI'I	AKINA			X			
TRUSTEE BRENDON KALEI 'AINA	LEE	X		X			
TRUSTEE HULU	LINDSEY			X			

TRUSTEE ROBERT	LINDSEY			X		
TRUSTEE COLETTE	MACHADO			X		
TRUSTEE JOHN	WAIHE'E			X		
CHAIRPERSON DAN	AHUNA			X		
TOTAL VOTE COUNT				9		
MOTION: <input checked="" type="checkbox"/> UNANIMOUS <input type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED						
Motion passes with nine (9) YES votes.						

Chair Ahuna states now we have to approve the motion as amended.

Trustee Hulu Lindsey states the new amendment is, to approve RM #19-02 to authorize and approve an amendment to extend the Time of Performance for OHA Contract #3284 from April 30, 2019 to December 16, 2019. Moreover, any document requests to OHA, either outstanding or new requests, if any, shall be responded to as soon as possible, but in no case after April 29, 2019 such that the timeline for performance by CLA is not extended further.

Trustee Lee seconds.

Chair Ahuna asks for discussion. Hearing none, calls for vote.

Trustee Hulu Lindsey, MOVED, SECOND by Trustee Lee, to vote on the amendment: To approve RM #19-02 to authorize and approve an amendment to extend the Time of Performance for OHA Contract #3284 from April 30, 2019 to December 16, 2019. Moreover, any document requests to OHA, either outstanding or new requests, if any, shall be responded to as soon as possible, but in no case after April 29, 2019 such that the timeline for performance by CLA is not extended further.

		1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI	AHU ISA			X			
TRUSTEE KALEI	AKAKA			X			
TRUSTEE KELI'I	AKINA					X	
TRUSTEE BRENDON KALEI 'AINA	LEE		X	X			
TRUSTEE HULU	LINDSEY	X		X			
TRUSTEE ROBERT	LINDSEY			X			

TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE'E			X			
CHAIRPERSON DAN AHUNA			X			
TOTAL VOTE COUNT			8		1	
MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED						
Motion passes with eight (8) YES votes, one (1) Abstention.						

Trustee Akina states I believe I made a mistake procedurally and fall upon your mercy if I can correct it. I thought that we were voting on whether to include Trustee Hulu's amendment to the last action. Were we voting on the actual action?

Trustee Lee states you are correct, we still have to take that motion up, you're correct, you abstained from the amendment only.

Trustee Akina states thank you.

Trustee Lee states we still have to vote on the main motion.

Trustee Lee states point of order, the first vote was to lay on the table the original amendment to dispense with it. I only laid it on the table, so that means we didn't take it up. The vote that we just took was to approve this amendment that is currently on the board. We do still have to take a vote on the main motion. Trustee Akina was correct, he abstained from the amendment.

Trustee Ahu Isa states I would like to have the words of Trustee Brendon Kaleiaina Lee added to the minutes as my own. "Although, I am not as a trustee, happy about the fact that we are extending this, I do agree with Trustee Akina in the sense that, this will not shine nicely with our beneficiaries about this decision. However, to not extend and to have this audit not completed would look even worse to our beneficiaries, given the data that was given to us by the contractor, there's no way that they can complete this audit at all, let alone to a sufficient extent, to put our beneficiaries' minds at ease as to transparency and accountability. It's just impossible for that to be done, given the constraints of that time period on the contract now. Which leaves us no choice, but to extend it out, so that the contract and the audit is done properly, versus not being completed or rushed and being done poorly."

Trustee Waihe'e states I would like to have the words of Trustee Ahu Isa added to the minutes as my own. "Although, I am not as a trustee, happy about the fact that we are extending this, I do agree with Trustee Akina in the sense that, this will not shine nicely

with our beneficiaries about this decision. However, to not extend and to have this audit not completed would look even worse to our beneficiaries, given the data that was given to us by the contractor, there's no way that they can complete this audit at all, let alone to a sufficient extent, to put our beneficiaries' minds at ease as to transparency and accountability. It's just impossible for that to be done, given the constraints of that time period on the contract now. Which leaves us no choice, but to extend it out, so that the contract and the audit is done properly, versus not being completed or rushed and being done poorly.”

Trustee Hulu Lindsey states I would like to have the words of Trustee John Waihe‘e added to the minutes as my own. “Although, I am not as a trustee, happy about the fact that we are extending this, I do agree with Trustee Akina in the sense that, this will not shine nicely with our beneficiaries about this decision. However, to not extend and to have this audit not completed would look even worse to our beneficiaries, given the data that was given to us by the contractor, there's no way that they can complete this audit at all, let alone to a sufficient extent, to put our beneficiaries' minds at ease as to transparency and accountability. It's just impossible for that to be done, given the constraints of that time period on the contract now. Which leaves us no choice, but to extend it out, so that the contract and the audit is done properly, versus not being completed or rushed and being done poorly.”

Chair Ahuna calls for vote.

Trustee Hulu Lindsey, MOVED, SECOND by Trustee Lee, motion as amended, To approve RM #19-02 to authorize and approve an amendment to extend the Time of Performance for OHA Contract #3284 from April 30, 2019 to December 16, 2019. Moreover, any document requests to OHA, either outstanding or new requests, if any, shall be responded to as soon as possible, but in no case after April 29, 2019 such that the timeline for performance by CLA is not extended further.

		1	2	‘AE (YES)	‘A‘OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA				X			
TRUSTEE KALEI AKAKA				X			
TRUSTEE KELI‘I AKINA					X		
TRUSTEE BRENDON KALEI ‘AINA LEE			X	X			
TRUSTEE HULU LINDSEY		X		X			
TRUSTEE ROBERT LINDSEY				X			

TRUSTEE COLETTE MACHADO			X		
TRUSTEE JOHN WAIHE'E			X		
CHAIRPERSON DAN AHUNA			X		
TOTAL VOTE COUNT			8	1	
MOTION: <input type="checkbox"/> UNANIMOUS <input checked="" type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED					
Motion passes with eight (8) YES votes, one (1) NO vote.					

B. Action Item RM #19-03: Approval of BOT executive policy amendments relating to a Trustee Protocol Allowance to cover expenses incurred in the course of a trustee’s duties and responsibilities.

Trustee Machado acknowledges the committee that worked very hard, some of them are present Sterling, Everett, Dayna, Melissa, Monica. This is a solid policy.

Trustee Machado, MOVED, SECOND by Trustee Lee, for the Approval of BOT executive policy amendments relating to a Trustee Protocol Allowance to cover expenses incurred in the course of a trustee’s duties and responsibilities as shown in Attachment “A” and Corresponding and Conforming Changes to BOT Operations Manual as shown in Attachment “B”.

			‘AE (YES)	‘A’OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA			X			
TRUSTEE KALEI AKAKA			X			
TRUSTEE KELI’I AKINA			X			
TRUSTEE BRENDON KALEI ‘AINA LEE			X			
TRUSTEE HULU LINDSEY			X			
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE COLETTE MACHADO	X		X			
TRUSTEE JOHN WAIHE'E		X	X			
CHAIRPERSON DAN AHUNA			X			
TOTAL VOTE COUNT			9			
MOTION: <input checked="" type="checkbox"/> UNANIMOUS <input type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED						
Motion passes with nine (9) YES votes.						

Trustee Akina states this is a good policy and commends board members and administration for updating and improving our process of Trustee Protocol Allowance.

V. Adjournment

Trustee Lee moves to adjourn.

Trustee Akaka seconds.

Chair Ahuna hearing no objections, adjourned meeting.

Meeting adjourned at 1:47 pm.

Respectfully Submitted,

Claudine Calpito, Trustee Aide
Committee on Resource Management

Dan Ahuna, Chairperson
Committee on Resource Management

Approved: RM Committee meeting _____

ATTACHMENTS:

- 1) Beneficiary Testimony - Germaine Meyers
- 2) Action Item RM #19-02: Amendment to Extend the Time of Performance for OHA Contract #3284.
- 3) Action Item RM #19-03: Approval of BOT executive policy amendments relating to a Trustee Protocol Allowance to cover expenses incurred in the course of a trustee's duties and responsibilities.
- 4) N&K CPAs, Inc. presentation

OFFICE OF HAWAIIAN AFFAIRS
Action Item

Committee on Resource Management

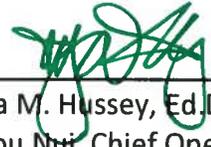
May 1, 2019

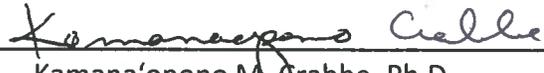
RM #19-05

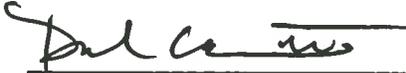
Action Item Issue: FY19 Commercial Property Budget Realignment #1

Prepared by:  4/24/19
Gloria Li Date
Controller, Paia Kanaloa Wai, Na Lawelawe Ho'opono

Reviewed by:  4/24/19
Sylvia M. Hussey, Ed.D, Date
Acting Ka Pou Kihī Kanaloa Wai, Acting Chief Financial Officer

Reviewed by:  4/24/19
Sylvia M. Hussey, Ed.D, Date
Ka Pou Nui, Chief Operating Officer

Reviewed by:  4/24/19
Kamana'opono M. Grabbe, Ph.D., Date
Ka Pouhana, Chief Executive Officer

Reviewed by:  4/24/19
Dan Ahuna Date
Chairperson, Committee on Resource Management

FY19 Commercial Property Budget Realignment #1

I. Proposed Action

Administration presents and recommends approval of the FY19 Commercial Property Budget Realignment #1; and subsequent approval recommendation to the Board of Trustees (BOT) as summarized in the following actions:

A. FY 2019 Commercial Property Budget Realignment - Revenue

Funding Sources	FY 2019		
	Approved Budget	Proposed Realigned Budget	Net Adjustments
Commercial Property			
Kaka'ako Makai <i>(Less Allocated to Core Budget)</i>	\$ 7,443,115	\$ 9,677,390	\$ 2,234,275
Nä Lama Kukui	6,518,403	7,210,399	691,996
Total	\$ 13,961,518	\$ 16,887,789	\$ 2,926,271

B. FY 2019 Commercial Property Budget Realignment - Expenditures

Funding Sources	FY 2019		
	Approved Budget	Proposed Realigned Budget	Adjustment
Commercial Property			
Kaka'ako Makai	\$ 2,322,287	\$ 2,322,287	\$ 0
Nä Lama Kukui	4,932,513	5,082,553	150,040
Total Operating Budget:	\$ 7,254,800	\$ 7,404,840	\$ 150,040

C. Budget Reclassification Adjustment Request

Budget expenditure reclassification for Kaka`ako Makai of \$394,375 from the "Equipment" to "Program" expense category.

II. Issue

Whether or not the Resource Management (RM) Committee should approve and recommend to the Board of Trustees, the approval of FY19 Commercial Property Budget Realignment #1 actions, including revenue, expenditure and line item reclassification actions.

III. Background

The OHA biennium budget is prepared every two years for the ensuing two years, as aligned with the State of Hawaii's biennium budget construction process. The current biennium budget covers the periods from July 1, 2017 through June 30, 2018 (FY 2018) and July 1, 2018 through June 30, 2019 (FY 2019) and was approved by the BOT on June 8, 2017. As the budget is prepared only once every two years, adjustments are often required to update

FY19 Commercial Property Budget Realignment #1

the budget to current conditions. The process of updating a budget that has already been approved is referred to internally as a “Budget Realignment”.

Administration analyzes the necessity of budget realignments for both “Core” and “Non-Core”¹ budgets. No Core or Non-core Budget Realignment was needed for fiscal year 2018; and at this point, no Core Budget Realignment is needed for fiscal year 2019. This action item specifically addresses the current fiscal period, from July 1, 2018 through June 30, 2019 (FY 2019), and seeks approval for this first and only realignment of the Non-Core budgets, specifically the commercial properties’ FY 2019 Budget.

Updated and analyzed commercial property estimates and projections, include the following considerations:

- The State of Hawai‘i Department of Health’s decision to vacate their space in the AAFES Building;
- The Department of Public Safety’s decision to terminate negotiations of a ground lease for the entire AAFES Building at Kaka’ako Makai; as well as
- Management’s budget authority limits;

have required this Budget Realignment action. An overview of the FY2019 Board approved budget and the FY19 proposed budget realignment #1 is presented in further detail in Tables 8 and 9.

IV. Discussion

A. Summary of Commercial Property Appropriation, Budget, Available Funds and Adjustments

An *appropriation* is an authorization granted by the OHA Board of Trustees or Hawai‘i State Legislature permitting the agency, within established fiscal and budgetary controls, to incur obligations and to make expenditures for specific purposes. An *appropriation* is usually limited in amount and time period during which it may be expended. The commercial property sources of funding available for spending include the following *appropriations* detailed in Table 1.

Table 1: Sources of Funding

Type	Description	Appropriation Number
Commercial Property	Kaka’ako Makai (KM) Revenues generated from OHA-owned parcels	938
	Nä Lama Kukui (NLK) Revenues generated from its investment (formerly known as Gentry Pacific Design)	939

¹ For discussion purposes, the reference to “Non-Core” is used to describe budgets and activities for Kaka’ako Makai, Nä Lama Kukui, Native Hawaiian Revolving Loan Fund, Halawa-Lulukū Interpretive Development, Wao Kele o Puna and Palaua. All other budgets and activities are collectively considered “Core”.

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Funds are derived from revenue sources summarized below:

- **Kaka’ako Makai (KM) Revenues**, at this point, are from leasing activities; and as approved by Action Item RM #17-05², ten (10) percent of all estimated revenues are allocated to OHA's Core Operating Budget for grant funding. Realized surplus is to be retained for contribution to future expenditures on its parcels.
- **Nā Lama Kukui (NLK) Revenues** are from leasing activities and OHA has the added operational complexity of being its owner-occupant. Realized surplus is retained for remaining debt service payments incurred from the purchase of the property and its Honolulu office build-out.

Commercial property budget adjustments consist of Kaka’ako Makai and Nā Lama Kukui’s revised operational costs to reflect estimated and projected needs through June 30, 2019. This action item seeks approval for budget realignment, since current budget adjustments have exceeded management’s authority to re-allocate funds between expense categories for Kaka`ako Makai and to increase Nā Lama Kukui’s budget.

The updated available funds (revenues) for FY2019 budget appropriations as of the date of this action item is summarized in Table 2 below:

Table 2: FY19 Approved Budget and Realignment #1 Adjustment Comparison - Revenues

Funding Sources	FY 2019		
	Approved Budget	Proposed Realigned Budget	Adjustments
Commercial Property			
Kaka'ako Makai <i>(Less Allocated to Core Budget)</i>	\$ 7,443,115	\$ 9,677,390	\$ 2,234,275
Nā Lama Kukui	6,518,403	7,210,399	691,996
Total	\$ 13,961,518	\$ 16,887,789	\$ 2,926,271

The updated expenditures for FY2019 budget appropriations as of the date of this action item is summarized in Table 3 following:

² RM #17-05 Approval of an OHA Board of Trustees Policy Amendment relating to an allocation of revenue from OHA’s Kaka`ako Makai properties. The current Kaka`ako Makai Policy allocates ten percent (10%) of gross revenue for OHA’s Grants program, and thirty percent (30%) of net revenues for OHA’s Legacy Land program through June 30, 2019. OHA’s Commercial Property Management (program code 8210) uses the balance to manage the KM parcels and to reserve funds for potential future development.

Table 3: FY19 Approved Budget and Realignment #1 Adjustment Comparison - Expenditures

Funding Sources	FY 2019		
	Approved Budget	Proposed Realigned Budget	Adjustments
Commercial Property			
Kaka'ako Makai	\$ 2,322,287	\$ 2,322,287	\$ 0 ³
Nä Lama Kukui	4,932,513	5,082,553	150,040
Total Operating Budget:	\$ 7,254,800	\$ 7,404,840	\$ 150,040

B. FY19 Budget Realignment Analysis - Kaka'ako Makai

The following sections outline and provide explanation on the major adjustments (increases/decreases). As noted earlier the FY19 budget was approved by the BOT on June 8, 2017⁴ (Action Item RM#17-07), actual FY17 and FY18 amounts are now available. Table 4 below updates Table 32 (p.28) of Action Item RM#17-07 with actual FY17 and FY18 figures.

Table 4: Action Item RM#17-07, June 8, 2017, Table 32: Kaka'ako Makai Budget – FY18 & FY19 (p.28) BOT-Approved FY17 Realignment #1A for Comparison (updated 4/9/2019)

Kaka'ako Makai	Realign. #1A	Proposed Realign. #1	
	FY 17	FY 18	FY 19
Beginning Balance ⁵	\$ 1,043,841	\$ → 3,314,636	\$ → 6,028,320
Gross Revenue (budgeted)	3,575,750	3,992,774	4,054,522
Less: 10% Allocation to Grants:	-357,575	-399,277	-405,452
Sub-total Available Funds:	\$ 4,262,016	\$ 6,908,133	\$ 9,677,390
<i>Less:</i>			
Budgeted Expenditures	\$ - 2,690,708	\$ -2,378,125	\$ -2,322,287
Estimated Net Available Funds:	\$ 1,571,308	\$ 4,530,008	\$ 7,355,103
Results of Operations:			
Add- True-up - Gross Revenue ⁶ (actual)	\$ 742,809	\$ 338,480	n/a
Add- Unspent Budget ⁷ (actual)	1,000,519	1,159,833	n/a
Net Available Funds:	\$ 3,314,636	\$ 6,028,320	\$ 7,355,103

³ Represents a proposed expense reclassification of \$394,375 from Equipment to Program line item classification versus no adjustments.

⁴ Action Item #17-07 OHA Biennium Budget for the Fiscal Biennium Periods 2017-2018 (FY18) and 2018-2019 (FY19)

⁵ Per RM#17-07 OHA Biennium Budget for the Fiscal Biennium Periods 2017-2018 (FY18) and 2018-2019 (FY19), p. 28, "Realign. #1A FY17 Beginning Balance".

⁶ Actual FY17 and FY18 Gross Revenue exceeded projected FY17 and FY18 Gross Revenue by \$742,809 and \$388,480, respectively.

⁷ FY17 and FY18 Unspent Budget (Approved Budget less Uses) of \$1,000,519 and \$1,159,833, respectively.

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After reconciling Table 32 with actual FY17 and FY18 results, FY19 has a revised computed beginning balance of \$6,028,320. Kaka’ako Makai’s gross revenue for FY19 is currently estimated at \$4,054,522⁸ per year from lease revenues. Estimated net available funds of \$7,355,103 for FY 2019, as summarized in Table 5 below, and is to be retained for contribution to future expenditures on its parcels including expenditures relating to its master planning efforts.

Table 5: FY 2019 Approved Budget and Realignment #1 Analysis - Kaka’ako Makai Budget Comparisons

Kaka’ako Makai	FY 2019			
	Approved Budget	Proposed Realignment #1 Budget	Adjustments	Note
Beginning Balance	\$ 3,794,045	\$ 6,028,320	\$ 2,234,275	[1]
Gross Revenue	4,054,522	4,054,522	0	
Less: 10% Allocation to Grants (projected estimate):	\$ -405,452	\$ -405,452	\$ 0	
Sub-total Available Funds:	\$ 7,443,115	\$ 9,677,390	\$ 2,234,725	
Less: Expenses				
Personnel	\$ 278,035	\$ 278,035	\$ 0	
Program	119,269	119,269	0	
Contracts	527,181	527,181	0	
Travel	11,170	11,170	0	
Equipment	1,137,239	742,864	-394,375	[2]
Overhead	249,393	643,768	394,375	[3]
Sub-total Expenditures:	\$ 2,322,287	\$ 2,322,287	\$ 0	
Est. Net Available Funds:	\$ 5,120,829	\$ 7,355,103	\$ 0	

NOTES

- [1] **NET INCREASE available for expenditure: \$2,234,275 (net increase)** due to results of actual operations in FY 2017 and FY 2018: 1) unspent budget from FY 2017 and FY 2018, \$1,000,519 and \$1,159,833, respectively; and 2) actual gross revenues earned in FY 2017 and FY 2018 exceeded budgeted revenues by \$742,809 and \$338,480, respectively. Refer to Table 4.

⁸ Source: Kaka’ako Makai 5 Year Pro Forma FY2017, Year 3, FY19.

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- [2] DECREASE expenditures: -\$394,375** in Equipment represents re-allocation of funds to Overhead to cover unbudgeted expenses due to a 60% vacancy rate in the AAFES building. See detailed explanation below in [Note 3].
- [3] INCREASE expenditures: \$394,375** in Overhead represents re-allocation of funds from Equipment to cover unbudgeted Program expenses. The FY 2019 budget was prepared (back in 2017) with the assumption that the State of Hawaii (SOH) Department of Health (DOH)/Department of Public Safety (DPS) would continue to occupy 100% of the AAFES Building. As such, SOH Department of Accounting and General Services managed the entire AAFES building and was responsible for the building's overhead expenses (e.g., water, electricity, building maintenance, etc.). SOH DOH vacated the AAFES building at the end of December 2017; SOH DPS continues to occupy only 40% of the building. As the building is 60% vacant, OHA is responsible for these expenses, and the FY19 budget request (approved in June 2017) did not include contingency for usage fluctuations, rate increases or variable surcharges, which are volatile and dependent upon market conditions (i.e., vacancy).

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FY19 Commercial Property Budget Realignment #1

C. FY19 Budget Realignment Analysis – Nā Lama Kukui

Like Kaka’ako Makai, actual FY17 and FY18 results are now available for Nā Lama Kukui. Table 6 below updates Table 33 (p.29) of Action Item RM#17-07 with actual FY17 and FY18 figures.

Table 6: Action Item RM#17-07, June 8, 2017, Table 33: Nā Lama Kukui Budget – FY18 & FY19 (p.29) BOT-Approved FY17 Realignment #1A for Comparison (updated 4/9/2019)

Nā Lama Kukui	Realign. #1A		Proposed Realign. #1	
	FY 17	FY 18	FY 18	FY 19
Beginning Balance ⁹	\$ 1,347,777	\$ → 2,155,384	\$ → 2,155,384	\$ → 2,193,092
Gross Revenue (budgeted)	4,618,902	4,827,941	4,827,941	5,017,307
Sub-total Available Funds:	\$ 5,966,679	\$ 6,983,325	\$ 6,983,325	\$ 7,210,399
<i>Less:</i>				
Budgeted Expenditures	\$ -2,381,375	\$ -2,938,121	\$ -2,938,121	\$ -2,564,627
Debt Service	-1,723,331	-2,533,912	-2,533,912	-2,517,926
Estimated Net Available Funds:	\$ 1,861,973	\$ 1,511,292	\$ 1,511,292	\$ 2,127,846
Results of Operations:				
Add-True-up-Gross Revenue ¹⁰	\$ 61,324	\$ 84,361	\$ 84,361	n/a
Add-Unspent Budget ¹¹	232,087	597,439	597,439	n/a
Net Available Funds:	\$ 2,155,384	\$ 2,193,092	\$ 2,193,092	\$ 2,127,846

After reconciling Table 33 with actual FY17 and FY18 figures, FY19 has a revised beginning balance of \$2,193,092. Nā Lama Kukui’s gross revenues are currently estimated at \$5,017,307 from lease revenues, including spaces occupied by OHA. Estimated net available funds of \$2,127,846 for FY 2019, as summarized in Table 7 following, is to be retained for future debt service payments which includes an anticipated increase in the next fiscal biennium.

⁹ Per RM#17-07 OHA Biennium Budget for the Fiscal Biennium Periods 2017-2018 (FY18) and 2018-2019 (FY19), p. 29, “Realign. #1A FY17 Beginning Balance”.

¹⁰ Actual FY17 and FY18 Gross Revenue exceeded projected FY17 and FY18 Gross Revenue by \$61,324 and \$84,361, respectively.

¹¹ FY17 and FY18 Unspent Budget (Approved Budget less Uses) of \$232,087 and \$597,439, respectively.

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 FY19 Commercial Property Budget Realignment #1

Table 7: FY 2019 Approved Budget and Realignment #1 Nā Lama Kukui Budget Comparisons

Nā Lama Kukui	FY 2019			
	Approved Budget	Proposed Realignment	Adjustments	Note
Beginning Balance*	\$ 1,501,096	\$ 2,193,092	\$ 691,996	[1]
Gross Revenue	5,017,307	5,017,307	0	
Sub-total Spending Limit	\$ 6,518,403	\$ 7,210,399	\$ 691,996	
Less: Expenses				
Program	\$ 456,034	\$ 304,566	\$ -151,468	[2]
Contracts	389,292	529,222	139,930	[3]
Equipment	778,146	893,614	115,468	[4]
Overhead	791,115	837,225	46,110	[5]
Sub-total Expenditures	\$ 2,414,587	\$ 2,564,627	\$ 150,040	
Less: Debt Service	2,517,926	2,517,926	0	
Est. Net Available Funds	\$ 1,585,890	\$ 2,127,846	\$ 541,956	

NOTES

- [1] **NET INCREASE: \$691,996** due to updates of actual operations in FY 2017 and FY 2018: 1) unspent budget from FY 2017 and FY 2018, \$232,087 and \$597,429, respectively and 2) actual gross revenue earned in FY 2017 and FY 2018 exceeded budgeted revenue by \$61,324 and \$84,361, respectively. Refer to Table 6.
- [2] **DECREASE: -\$151,468** in Program represents re-allocation of funds to Equipment (\$115,468) for unbudgeted repair and maintenance related to landscaping and to Contracts (\$36,000) for increased security expenses.
- [3] **INCREASE: \$139,930** in Contract attributes to additional commission expense of \$103,930 for leasing transactions that were budgeted to occur in FY 2018 but lagged into FY2019 (particularly the lease for the space now occupied by the Tiny Pyramid restaurant), and \$36,000 for increased building security costs relating to building incident on 1/17/19.
- [4] **INCREASE: \$115,468** in Equipment represents re-allocation of funds from Program for unexpected property costs – replace broken irrigation line and sod installation \$41,668; metal pan deck, \$40,100; concrete demo \$18,465; and roofing repair: \$15,335.
- [5] **INCREASE: \$46,110** in Overhead for tenant related improvement costs for suites #123 (\$26,890), #219 (\$14,720), and #101B (\$4,500). Tenant improvements typically include new carpeting, painting, signage, lighting and other electrical work.

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 FY19 Commercial Property Budget Realignment #1

D. Summary

Table 8 below summarizes the FY19 Commercial Property Budget Realignment #1 action item for adjustments related to opening balances, revenues, expenses and reclassifications.

Table 8: OHA's Commercial Property FY19 Commercial Property Budget Realignment #1

FY 2019	Kaka'ako Makai			Nā Lama Kukui			FY 2019 Total Approved Budget [A]+ [C]	FY 2019 Total Budget Post Realignment [B]+ [D]
	Approved Budget [A]	Proposed Realigned Budget [B]	Net Re- Alignment Adjustment [B]-[A]	Approved Budget [C]	Proposed Realigned Budget [D]	Net Re- Alignment Adjustment [D]-[C]		
Beginning Balance	\$ 3,794,045	\$ 6,028,320	\$ 2,234,275	\$ 1,501,096	\$ 2,193,092	\$ 691,996	\$ 5,295,141	\$ 8,221,412
Gross Revenue	4,054,522	4,054,522	0	5,017,307	5,017,307	0	9,071,829	9,071,829
Less: 10% Allocation to Grants	-405,452	-405,452	0	0	0	0	-405,452	-405,452
Subtotal Available Funds	\$ 7,443,115	\$ 9,677,390	\$ 2,234,275	\$ 6,518,403	\$ 7,210,399	\$ 691,996	\$ 13,961,518	\$ 16,887,789
Less: Expenses								
Personnel & Fringe	\$ 278,035	\$ 278,035	\$ -	\$ -	\$ -	\$ -	\$ 278,035	\$ 278,035
Program	119,269	119,269	0	456,034	304,566	-151,468	575,303	423,835
Contracts	527,181	527,181	0	389,292	529,222	139,930	916,473	1,056,403
Grants	0	0	0	0	0	0	0	0
Travel	11,170	11,170	0	0	0	0	11,170	11,170
Equipment	1,137,239	742,864	-394,375	778,146	893,614	115,468	1,915,385	1,636,478
Overhead	249,393	643,768	394,375	791,115	837,225	46,110	1,040,508	1,480,993
Subtotal Expenditures	\$ 2,322,287	\$ 2,322,287	\$ -	\$ 2,414,587	\$ 2,564,627	\$ 150,040	\$ 4,736,874	\$ 4,886,914
Debt Service	-	-	0	2,517,926	2,517,926	0	2,517,926	2,517,926
Estimate Net Available Funds	\$ 5,120,828	\$ 7,355,103	\$ 2,234,275	\$ 1,585,890	\$ 2,127,846	\$ 541,956	\$ 6,706,718	\$ 9,482,949

V. Recommended Action(s)

The RM Committee approves and recommends approval to the Board of Trustees of the FY19 Commercial Property Budget Realignment as summarized in the following actions:

A. FY 2019 Commercial Property Budget Realignment - Revenue

Funding Sources	FY 2019		
	Approved Budget	Proposed Realigned Budget	Net Adjustments
Commercial Property			
Kaka'ako Makai (Less Allocated to Core Budget)	\$ 7,443,115	\$ 9,677,390	\$ 2,234,275
Nā Lama Kukui	6,518,403	7,210,399	691,996
Total	\$ 13,961,518	\$ 16,887,789	\$ 2,926,271

B. FY 2019 Commercial Property Budget Realignment - Expenditures

Funding Sources	FY 2019		
	Approved Budget	Proposed Realigned Budget	Adjustment
Commercial Property			
Kaka'ako Makai	\$ 2,322,287	\$ 2,322,287	\$ 0
Nä Lama Kukui	4,932,513	5,082,553	150,040
Total Operating Budget:	\$ 7,254,800	\$ 7,404,840	\$ 150,040

C. Budget Reclassification Adjustment Request

Budget expenditure reclassification for Kaka`ako Makai of \$394,375 from the "Equipment" to "Program" line item classification.

VI. Alternative Actions

- A. Amend the recommended action.
- B. Do not approve the recommended action.

VII. Attachments - None

OFFICE OF HAWAIIAN AFFAIRS

Action Item
Committee on Resource Management
May 1, 2019

RM #19-06

Action Item: Approval of \$35,000 for Emergency Disaster Relief for Kaua'ula Maui

Prepared by: Not available for signature 4/24/19
Mehanaokala Hind Date
Community Engagement Director

Reviewed by:  4/24/19
Sylvia Hussey, Ed.D, Date
Acting Ka Pou Kihl Kanaloa Wai, Acting Chief Financial Officer

Reviewed by:  4/24/19
Sylvia Hussey, Ed.D, Date
Ka Pou Nui, Chief Operating Officer

Reviewed by:  4/24/19
Kamana'opono M. Crabbe, Ph.D. Date
Ka Pouhana, Chief Executive Officer

Reviewed by:  4/24/19
Dan Ahuna Date
Committee on Resource Management, Chairperson

I. Proposed Action

Administration presents and recommends approval of \$35,000 for Emergency Disaster Relief for Kaua'ula Maui; and subsequent approval recommendation to the Board of Trustees (BOT).

II. Issue

Should the BOT approve and authorize Administration to utilize \$35,000 for Emergency Disaster Relief for Kaua'ula Maui.

III. Background

On August 21, 2018, news programs across Hawai'i and the U.S. reported that a Category 5 hurricane, named Hurricane Lane, was barreling towards Hawai'i. Up to 20 inches of rain was predicted along with sustained winds of 155 mph. Although Hurricane Lane did not make landfall, it did bring record rainfall which led to widespread flooding and contributed to massive wildfires on Maui in the early morning of August 24, 2018. Victims of the wildfires in Kaua'ula Maui reside on Kuleana lands. There were 20 Native Hawaiian households that were affected.

IV. Discussion and Assessment, Procurement

Discussion and Assessment. Following on-going discussions via telephone and with our Maui Community Resource Center (CRC) staff throughout the month following the fires, OHA asked for a meeting with the Kaua'ula 'ohana. On Monday, October 1, 2018, OHA staff attended a meeting at Waiola Church in Lahaina with 30 people affected by the Kaua'ula fires. This is the summary from that meeting followed by the areas on which the families agree and is the basis for Administration's recommendation going forward:

- 11 families lost homes;
- 9 additional families who lived on the land in tents, shacks, etc., lost everything in the fire;
- The entire community was off the grid with no public utilities; and
- Problems identified:
 - Previous structures had grandfathered in cesspools, but any re-building would require the installation of septic tanks in order to get permitted;
 - Temporary housing assistance through programs and shelters are running out; and
 - There has still been no determination related to the cause of the fire.

Community agreed to the following parameters related to any assistance that OHA may provide:

- All families should be assisted (whether they lost a structure, agriculture, or belongings), a total of 20 families;
- Families have requested a tiered system where families who lost structures receive more than families who lost belongings or agriculture; and
- OHA should have one point of contact in the community and they designated Tiara Ueki "Ti". All information from other sources should be vetted through Tiara, who will confer with the families prior to verifying any information with OHA.

- If assistance is approved, the families prefer that Nā ‘Aikāne O Maui be the organization they work with. If this is a conflict because ‘ohana Kapu, who are represented on the Board of Directors for this non-profit, is also one of the 20 families on the list, they have identified a second non-profit, Red Lightning which may be able to assist.

The families expressed they desperately need funds to be able to re-build and/or replace belongings. Home kits from Honsador would be approximately \$50,000 per home. The families understand that any assistance would be nowhere near that.

- The list of names affected by the fires:
 - ‘Ohana with structures:
 1. Joseph Aquino
 2. Kimberly Lopez
 3. Yolanda Dizon
 4. John Aquino
 5. Tatum Delos Reyes
 6. Chardell Naki
 7. Winnie Lopez
 8. Mark and Ku’ulei Palakiko
 9. Emily Ancog
 10. Tiara Ueki
 11. David and Samantha Dizon
 - ‘Ohana who lost belongings:
 1. Lyndell Naki
 2. Cathy Nacua
 3. Keeaumoku Kapu
 4. Carol Kalehuawehe
 5. Rocky Villa
 6. Chad Aquino
 7. Kaeo Aquino
 8. Kimo Aquino
 9. Kaleo Costa

When OHA staff went to speak with the families, we did let them know the amounts that were provided for Kaua‘i and Puna families. Native Hawaiian household affected by the floods on Kaua‘i were given a flat \$1,000 across the board. In Puna, the families were ranked in a tiered system with the awards being \$1,000 - \$1,500 - \$2,000 at the most. The Maui families were hoping for tiered system that topped off at \$5,000 per family that lost a dwelling. Staff advised them that we would consider that. We recommend parity with Kaua‘i and Puna and having a tiered system that tops off at \$2,000 per Native Hawaiian household.

Staff recommendation is to compute the relief amount consistent with recent OHA emergency relief efforts (i.e., Kauai and Puna): $\$2000 \times 11 \text{ families} = \$22,000 + \$1000 \times 9 \text{ families} = \$9,000$ for a total of \$31,000; plus 10% admin fee of \$3,100 (for the distributing non-profit organization) for a total of \$34,100—say \$35,000.

In December of 2018, Community Outreach also provided the non-profit Red Lightning a small sponsorship of \$5,000 to replenish many of the lost native plants and rebuilding the lo'i and to start the rebuilding process for the community. Red Lightning was a non-profit identified by the community representative that they could work with.

Procurement Requirements, Applicable to Maui. To effect the distribution of the emergency disaster relieve, a draft Program Scope of Services is provided: "Establish the Kaua'ula Emergency Disaster Relief Program (KEDRP) to provide financial assistance to Native Hawaiian beneficiaries who reside in the affected areas of Kaua'ula Maui. The financial assistance provided to the participants shall include, but may not be limited to: food, clothing, medicine, and other materials; loss and/or damage to dwelling unit, emergency housing; health, medical and related services; rescue, transportation and construction services and personnel necessary to provide or conduct these services as may be needed and other materials, facilities, personnel, and services as may be necessary."

V. Certification of Funding Availability

The funds required for this Action Item are currently available from OHA's FY 19 core Operating Budget and needs to be reallocated from Program 2300-Corporate Counsel, Object Code 57115-Legal Services to Program 3800-Grants, Object Code 56530-Grants in Aid.



Sylvia M. Hussey, Ed.D.
Acting Chief Financial Officer and Chief Operating Officer

VI. Recommended Action(s)

To approve \$35,000 for Emergency Disaster Relief for Kaua'ula Maui; and to authorize and approve the transfer and use of funds available in OHA's FY 19 Core Operating Budget from Program 2300-Corporate Counsel, Object Code 57115-Legal Services to Program 3800-Grants, Object Code 56530-Grants in Aid.

VII. Alternatives

Take no action.

VIII. Time Frame

This action shall be effective immediately upon approval by the BOT.

IX. Attachments - None