

**STATE OF HAWAI'I
OFFICE OF HAWAIIAN AFFAIRS
560 N. NIMITZ HIGHWAY, SUITE 200
(VIRTUAL MEETING - VIA ZOOM WEBINAR)
COMMITTEE ON RESOURCE MANAGEMENT
MINUTES**

May 11, 2021 1:30 p.m.

ATTENDANCE:

Chairperson John Waihe'e, IV
Vice-Chairperson Luana Alapa
Trustee Leina'ala Ahu Isa
Trustee Kaleihikina Akaka
Trustee Keli'i Akina
Trustee Brendon Kalei'aina Lee
Trustee C. Hulu Lindsey
Trustee Keola Lindsey

EXCUSED:

Trustee Dan Ahuna

LEGAL COUNSEL:

Anna Elento-Sneed, Esq.

BOT STAFF:

Crayn Akina
Melissa Wennihan

ADMINISTRATION STAFF:

Sylvia Hussey, CEO / Ka Pouhana / Administrator
Casey Brown, COO / Ka Pou Nui
Daniel Santos, IT
Erin Nakama, IT
Everett Ohta, Corporation Counsel
Kai Mana Peres-David
Raina Gushiken, Corporation Counsel
Ryan Lee, Interim Investment Manager

GUESTS:

Craig Chaikin, Segal Marco Advisor

I. CALL TO ORDER

Chair Waihe'e calls the Committee on Resource Management meeting for Tuesday, May 11, 2021 to order at **1:30 p.m.**

Chair Waihe'e notes for the record that **PRESENT** are:

MEMBERS			AT CALL TO ORDER (1:30 p.m.)	TIME ARRIVED
CHAIR	JOHN	WAIHE'E, IV	PRESENT	
VICE CHAIR	LUANA	ALAPA	PRESENT	
TRUSTEE	LEINA'ALA	AHU ISA	PRESENT	
TRUSTEE	KALEIHIKINA	AKAKA	PRESENT	
TRUSTEE	KELI'I	AKINA	PRESENT	
TRUSTEE	BRENDON KALEI'AINA	LEE	PRESENT	
TRUSTEE	CARMEN HULU	LINDSEY	PRESENT	
TRUSTEE	KEOLA	LINDSEY	PRESENT	

At the Call to Order, **EIGHT (8) Trustees are PRESENT**, thereby constituting a quorum.

EXCUSED from the RM Meeting:

MEMBERS			COMMENT
TRUSTEE	DAN	AHUNA	MEMO RECEIVED – REQUESTING TO BE EXCUSED

Chair Waihe'e would like the record to show that some materials were received more recently than 72 hours ago, and that deadline per practice has been duly waived.

II. PUBLIC TESTIMONY on Items Listed on the Agenda*

None

III. APPROVAL OF MINUTES

A. April 27, 2021

Trustee Lee moves to approve the minutes of April 27, 2021.

Trustee Ahu Isa seconds the motion.

Chair Waihe'e asks if there is any discussion. There is none.

Chair Waihe'e calls for a **ROLL CALL VOTE**.

							1:43 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
LEINA'ALA	AHU ISA		2	X			
DAN	AHUNA						EXCUSED
KALEIHIKINA	AKAKA			X			
KELI'I	AKINA			X			
VICE-CHAIR LUANA	ALAPA			X			
BRENDON KALEI'ĀINA	LEE	1		X			
CARMEN HULU	LINDSEY			X			
KEOLA	LINDSEY			X			
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				8	0	0	1

MOTION: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED

Chair Waihe'e notes for the record that all members present vote 'AE (YES) and the **MOTION CARRIES**.

IV. UNFINISHED BUSINESS

None

V. NEW BUSINESS

A. Presentation: Office of Hawaiian Affairs, Native Hawaiian Trust Fund, Final, Analysis of Investment Performance, Period Ending December 31, 2020, Segal Marco Advisors – John Marco, Senior Vice President and Craig Chaikin, CFA, Vice President

Chair Waihe'e turns it over to Ka Pouhana Sylvia Hussey.

Pouhana Hussey: Thank you Chair, Trustees - we have Craig Chaikin from Segal Marco, and he'll go over the December Analysis. As some of you may remember, our portfolio has preliminary analysis, and then it takes a quarter for all of the Private Equity information to come in and be settled, so Craig is reviewing the December Report. He will also then review the March 31 Flash reports that are available and of course, any questions that you may have on any of the topics.

Craig Chaikin: Thank you, I'm going to share my screen and I apologize when I'm sharing my screen, I can only see about five faces. So, if you do have a question, or want me to stop, feel free just to start yelling at me.

To start off here, just taking a quick look at the markets. I think we had reviewed, the preliminary results with you in either February or March. 2020 ended very, very strongly. What's going to be kind of fun is when we start looking at the March 31st results, that drops off the first quarter of last year, which had very bad returns. We're actually seeing returns for some individual managers up 60, 70, 80 to 90% for that one-year period now, because you added a very strong equity market run since really March 31st of last year.

You see that here reflected in the numbers in the year-to-date column and the one-year columns. U.S. equities up 20%, developed non-U.S. up about 8%, and then Emerging Markets up 18.3%.

Fixed Income had a very good year as well. Your treasuries started off the year very strong and then as markets moved ahead, I guess I'll call it *worked through the pandemic*, we saw all of the other sectors catch up.

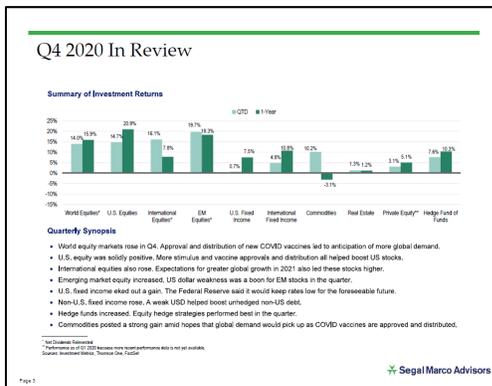
We saw very good returns from Corporate Credit Asset Backed Securities and Mortgage Backed Securities. Certainly, looking down here, 'commodities' was the biggest challenge, mostly due to declines in energy prices or oil prices, which dominates that benchmark.

You do see on the Real Estate side, and that is Direct Real Estate, outside of the properties that you own you don't have a current allocation to that. Certainly, challenging last year as a lot of property valuations were depreciated throughout a good portion of the year income remains strong, predominantly.

Then you do see, Private Equity up about 3% and the Hedge Fund return up 10.3%. Previously we've had some questions about some of the lagging performance that we've seen, and when you look here, and you see the Private Equity returns - just as a group up about 3% for 2020.

You take a look at that top line World Equity up 15.9%. The way that Private Equity is benchmarked in your portfolio is that top line, that MSCI World plus 3%. So, if you think about that the long-term expectation for Private Equity is mid to high double-digit returns. When you have a year like last year that's really looking to get a return of close to 19%, the only place we saw that really was straight equities. We talked about that a little bit last time, that's causing one of the biggest lags that we have seen in the portfolio.

I'm going to stop talking about the market through December once we get to March. I'll catch you up a little bit to what's going on. Certainly, happy to take any questions on that before I look at the portfolio.



Asset Class	Indices	QTD	YTD	1-Year	3-Year	5-Year	10-Year
World Equity	MSCI World*	13.96	15.90	15.90	10.54	12.19	9.87
U.S. Equity	Russell 3000	14.68	20.89	20.89	14.49	15.43	13.79
Non-U.S. Equity	MSCI EAFE†	16.05	7.82	7.82	4.28	7.45	5.51
Emerging Market Equity	MSCI EM†	19.70	18.31	18.31	6.17	12.81	3.63
U.S. Fixed Income	Bloomberg Barclays U.S. Aggregate	0.67	7.51	7.51	5.34	4.44	3.84
Non-U.S. Fixed Income	FTSE Non-U.S. WGBI (Intl)‡	4.82	10.78	10.78	4.63	5.17	1.88
Commodities	Bloomberg Commodity Index	10.19	-3.12	-3.12	-2.53	1.03	-6.50
Real Estate	NFI-COCCIE†	1.30	1.19	1.19	4.92	6.21	9.88
Private Equity	Thomson Reuters US Private Equity**	3.09	3.09	5.10	12.2	12.0	13.6
Hedge Funds	HFR Fund of Funds Composite	7.59	10.34	10.34	4.71	4.46	3.27

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Craig Chaikin: I see Trustee Lee shaking his head.

Trustee Lee: Craig, you're going to go over a portfolio as of year-end December?

Craig Chaikin: Yes. So, these are the year-end December results I have...

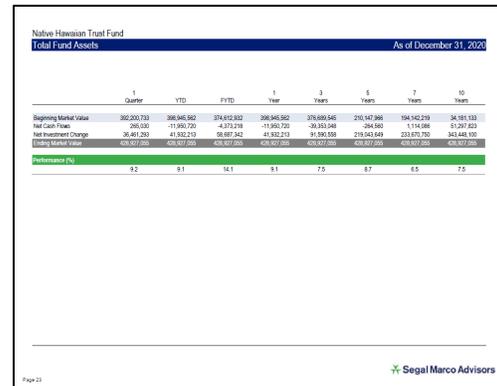
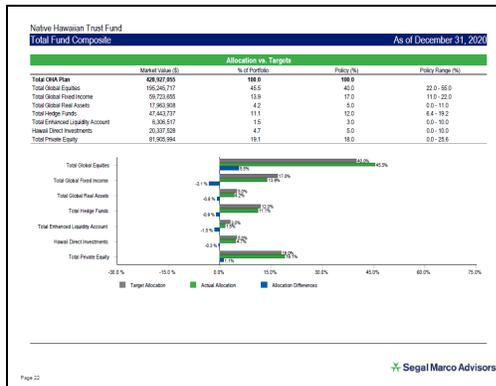
Trustee Lee: Okay. I'll leave it up to the rest of the Trustees, but for myself, I don't really care. Because where we are in the market, this is ancient history. *Right?*

We have current information in front of us and that's what I care about. I probably would have cared more about this in February, not so much in mid-May. If the rest of the Trustees want to hear your report, then I'll leave it up to them. I'll defer to you Chair.

Craig Chaikin: I'll actually be very quick Trustees on this. Looking at the end of the year, we had assets at about \$428.9 million. You can see really due to market returns overweight, to equity, underweight, to fixed income, really the biggest changes.

One of the things that I did want to point out, and it's easiest to see here is what the cash flow has looked like. When you look back over the 10-year history, over 10 years, cash flow has been positive to about \$51 million. When you start taking a look at those 1, 3, 5 year to date numbers, you do see negative returns.

Looking back - and there is a page in the report that I'm not going to cover, but cash flow has been approximately negative by about \$13 million a year over most in the last, I believe, three to five years. So, we have seen that trend, it has continued somewhat. The reason I point that out is because as you're trying to grow assets, it takes longer to grow assets when you are cash flow negative versus cash flow positive.



Trustee Ahu Isa: Craig, I know you're talking but sorry, I agree with Trustee Lee, because we do have a workshop after this and it's going to take quite a bit of time. Since this is a December thing, if we could spend a little more time on the last quarter, if you have results for that.

Craig Chaikin: I just wanted to bring up the cash flow issue because it is something to think about. If you're looking at the assets over time - it will either state flat or slightly decline because you do have to make up the cash outflow plus some on the spending policy.

Trustee Ahu Isa: I understand, Thank you.

Craig Chaikin: The last number I'll cover is year-to-date. Last year, your portfolio ended up 10.7%. As I mentioned there, the big lag really had to do with the Private Equity Returns.

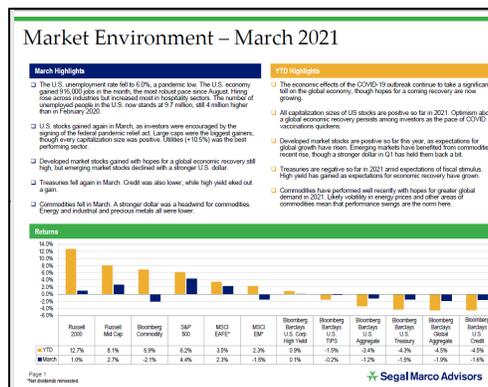
V. NEW BUSINESS

B. Presentation: Office of Hawaiian Affairs, Native Hawaiian Trust Fund, Preliminary, Analysis of Investment Performance, Period Ending March 31, 2021, Segal Marco Advisors – John Marco, Senior Vice President and Craig Chaikin, CFA, Vice President

Craig Chaikin: March. So, the markets continued to rally in the first quarter. The big changes that we've seen from 2020 was that we've seen value come back in favor, and we've seen lower quality do significantly better.

The other big change that we have seen so far in 2021 is a market increase in interest rates. What that has meant is interest rates go up, bond prices go down. So, we have seen negative returns from fixed income really across the board.

The only segment of the fixed income market that is in positive territory year-to-date, is high yield. You will see that reflected when we look at results on the next page.



Craig Chaikin: We don't have April in front of you, but I will say equity markets added anywhere between about 5% and 8% in the month of April. The trend in fixed income continued through April.

I will say May had started off pretty good until the last couple of days when due to some inflationary concerns, some earnings pressures we've seen a pretty significant pullback, especially in technology names. Which had done extremely well last year.

Taking a look at the last quarter, you see assets here increased about \$433.3 million. Quarter to date return 2.6% relative to the benchmark of 2.3. That lagged benchmark takes a look at the last quarter for the MSCI World, for that Private Equity Index, since we don't yet have Private Equity Returns.

The source of outperformance was pretty good returns across the board from the underlying portfolio holdings. You can see Global Equities outperforming by about 40 basis points on the fixed income side, which you do see outperforming by about 1.5%. That has to do with some duration positioning as well as the underlying holdings outperforming their respective benchmarks.

The global rail assets benchmark, you can see the underlying holdings, real assets, natural resources, rates. Those had pretty decent quarters, the benchmark here, again, this one actually worked in your all's favor. The benchmark here is tips, plus 3% tips were negative for the period of the due to the interest rate movements that I was talking about. Performance like that really helped throughout the quarter.

I'm not going to touch on a lot of the other stuff, because we don't have final returns for everything here.

Same thing here with the Hawai'i direct investments.

Native Hawaiian Trust Fund												
Comparative Performance												
Allocation	Performance (%)											
	1	2	3	4	5	6	7	8	9	10	11	12
Total Global Fund Assets	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Private Equity	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Real Estate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Commodities	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fixed Income	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Equity	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Native Hawaiian Trust Fund												
Asset Allocation												
Allocation	Performance (%)											
	1	2	3	4	5	6	7	8	9	10	11	12
Total Private Equity	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Real Estate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Commodities	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fixed Income	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Equity	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Native Hawaiian Trust Fund												
Asset Allocation												
Allocation	Performance (%)											
	1	2	3	4	5	6	7	8	9	10	11	12
Total Private Equity	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Real Estate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Commodities	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fixed Income	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Equity	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Craig Chaikin: That Real Asset Fund 6.1% returns, we saw a resurgence in commodities. That benchmark against tips plus 3% which was somewhat challenged. Then all the Private Equity returns, you can see pretty, much, zeros across the board, because we don't have any of those numbers yet. I would expect some marginal enhancement to that 2.3 once all those numbers do come in.

I'll stop there and happy to take any questions.

Native Hawaiian Trust Fund												
Comparative Performance												
Allocation	Performance (%)											
	1	2	3	4	5	6	7	8	9	10	11	12
Total Global Fund Assets	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Private Equity	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Real Estate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Commodities	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fixed Income	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Equity	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Native Hawaiian Trust Fund												
Comparative Performance												
Allocation	Performance (%)											
	1	2	3	4	5	6	7	8	9	10	11	12
Total Global Fund Assets	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Private Equity	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Real Estate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Commodities	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fixed Income	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Equity	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Chair Waihe'e: Members, are there any questions?

Trustee Ahu Isa: I have a question about inflation. Does inflation help the banks or the financial sector? Or do we not have to worry about it because the Fed's are not going to...

Craig Chaikin: The answer on inflation is really - it depends on how much inflation there is. I think there's a general thought that inflation itself is bad. If you're actually at zero or you're in a deflationary environment, it actually means you are shrinking. There is a certain level of inflation that is good, the Fed has a target of inflation at 2.5%. We haven't really seen it creep into those areas quite yet.

Craig Chaikin: At least from my perspective, it seems like the equity and fixed markets might be a little bit ahead of where inflationary pressures are actually coming into effect. To the comments you made, I think the Fed probably has a pretty good handle on what they want to see and how they might want to manipulate rates to keep inflation under control. GDP ended the first quarter up about 6.4% but as a reminder, our economy actually shrunk by about 2.5% in 2020. We're probably on the front end of that; seeing if there are inflationary pressures and if the market is anything – it is forward looking and does not always get it right.

Trustee Ahu Isa: *When you look at all of our investments, is there anything in there about Bitcoin or something like a Bitcoin? Does any of our, our investments get into that?*

Craig Chaikin: Not specifically, at this stage. It's possible with some of the underlying Private Equity funds or Hedge funds – they may have small allocations to it, but I don't have that offhand in front of me. There is no strategic allocation to cryptocurrency currently.

Trustee Ahu Isa: *Do you know if most of our funds deal with global, like climate change, or is there some way of organizing or classifying our investments into themes? When we look at it, you know what I mean? The theme-basis instead of just looking at profit.*

Craig Chaikin: The way that the report is organized is based on the investment policies, so by Global Equity, Global Fixed income, the Hedge Fund portfolio of Private Equity. Currently, the Trust does not have a specific ESG mandate or specific ESG goals. JP Morgan does have the ability to include funds leaning those directions inside of their mandates. You do also have the option to add ESG options. I guess I would call it on the margin at this stage or even moving forward.

Trustee Ahu Isa: I just the ask that, because the UH Foundation is looking at that. Thank you.

Chair Waihe'e: Thank you. *Are there any other questions, members?*

There are no further questions.

Chair Waihe'e: With that, thank you, Craig.

Craig Chaikin: Thank you all very much.

V. NEW BUSINESS

C. Workshop: FY21 Budget Realignment #3 – Core (Personnel and Non-Personnel) and Non-Core Budgets†

Chair Waihe'e turns it over to Ka Pouhana Sylvia Hussey.

Pouhana Hussey: Thank you. Trustees, I'm going to pull up the PowerPoint just to give a summary of the Budget Realignment being proposed by Administration and then leave it open for questions on any of that.

The Budget Realignment by Budget Policy - whenever there is a need to reforecast the Budget, a Budget Realignment is done through Budget Adjustments or smaller transfers within the parameters. A Budget Realignment is brought to the Trustees when there are larger items to realign.

At this point, we're 10 months into the Fiscal Year so these are the reasons why we have brought a Realignment. First is from the realignment period in June of 2020, there have been a number of action items that the Trustees have enacted that we need to reflect in the Budgets. There have been transfers of authorities as well as awards for grants and re-awards. So that is among the reasons we need to bring a Budget Realignment to you.

The second is for an unbudgeted item of a Proof of Concept Resource for the Wahiawā Legacy Lands in \$150,000 of requests through the University of Hawai'i at Mānoa's Community Design Center. That is included in the Budget Realignment.

The third realignment is to reallocate Programmatic Sponsorships. As you recall, Board and CEO Sponsorships are on moratorium as a result of the 2018 Action Item. These are programmatic dollars that were approved by the Board in realignment number two, but we're not expended and therefore have the opportunity to be re-awarded in the Budget Realignment process for Fiscal Year 2021.

It is also an opportunity to give some guidance as to Sponsorships and the Ad-hoc Committee's work that was discussed in last week's Policy workshop and that Administration will be working with the Ad-hoc Committee leadership on bringing forward to the Trustees a close out report with the related recommendations.

The reallocation and proposed items here are for a part of the realignment. The third reason is to award additional grants for Iwi Kupuna, 'Ohana Community and COVID-19 grants. The Iwi Kupuna grants came forward to you already so this is recommending an additional award as well as the 'Ohana and Community grants are coming to you next week Tuesday.

You have already received the background information from which to review, and the actual Action Items will be at the Joint meeting next week.

The last item is a reserve for reorganization costs. Like all reserves, it is an estimate - it is not an authorization and so the estimates given what we know at this point is what we are asking the Trustees to reserve.

The actual approvals would be sought in a separate action, as well as the actual funding. Anything that is reserved would need to come out of Fiscal Stabilization Funds by policy. In this Budget Realignment, we're asking for a reserve pending more information on what the actual final amounts would be.

Last but not least, is a non-core alignment for the Native Hawaiian Revolving Loan Fund. The updated budgets as approved by the Administration for Native Americans is a part of this realignment for the Revolving Loan Fund. In highlight, those are the five major pieces of the Budget Realignment, and all of the underlying schedules have the details to that. I'll stop here if there are any questions or if you want to go into some of the detail schedules for any of these items.

Chair Waihe'e: *Are there any questions on this part of the presentation?*

Trustee Hulu Lindsey: I just wanted to alert our CEO that the figures she has up there for Reorganization is different than the figures in our agenda binder today.

Pouhana Hussey: That's correct. Chair Waihe'e and Trustees, when we sent out the initial amount in the folders on Saturday, and then scrubbed and reviewed the numbers and provided some updated schedules. Yes, it is different in terms of the estimates that are made. The current estimates that we are projecting is the \$1,060,000 that's in the updated schedules.

Trustee Lee: *Was that in the slides that were sent out this morning?*

Pouhana Hussey: The \$1,000,060; yes, it was in the memo. Correct.

Trustee Keola Lindsey: The question I have is for the five purposes of the realignment. *Are some of those funds for the five purposes, carrying over from FY20 to FY21? Am I seeing that correctly?*

Pouhana Hussey: To the extent that there are purchase requisitions; those are the committed and purchase orders, which are the encumbered. To the extent that they are in place, that is already being part of the carry over. The items that you are seeing here would be a reservation of authority to carry over.

For example, the sponsorships would be expended before year-end, or committed before year-end. Any of the design elements for the \$150,000 would be committed in a purchase order as well. To the extent that we are asking for this, it is to commit and therefore expend in the future year, but the budget authority is being asked in for FY21.

Trustee Keola Lindsey: *Those processes to confirm the commitments are ongoing right now?*

Pouhana Hussey: Correct. Good question, as an example, any awarding of grants. This Budget Realignment is asking for the authority, but the actual award to the specific grantee would come back in an Action Item to the Trustees. In the Budget Realignment, you'll see an estimate of \$50,000 for Iwi Kupuna and other grants. A separate Action Item will come forward to you as to the specific awarding of that \$50,000. The Budget Realignment is to approve the budget and then the award will come back to you in a separate Action Item.

Trustee Keola Lindsey: *Will those Grant categories be re-solicited and then applications reviewed or is an awardee already in place previously?*

Pouhana Hussey: It would allow to fund further down. As you remember, some of the grantees we couldn't fund 100% of what they asked for because of the constraint on the funds. This would allow for further funding, again, based on quality scoring, and so the grants program have recommendations for that. They also have recommendations that you will see in next week Tuesday's Action Items of moving funds from Lāna'i allocations to Moloka'i allocations as an example, because there were no applications. So, you'll see that in the separate action items coming to you for Tuesday's meeting,

Trustee Lee: To follow up on what Trustee Keola Lindsey was asking. *We're currently in FY2021, correct? So those sponsorship funds, they're lapsing over from FY2020?*

Pouhana Hussey: These are from FY2021.

Trustee Lee: Okay, so we already took care of 2020 back then and reallocated it and everything. We didn't know where we would be with sponsorships for 2021. So, it was budgeted for fiscal 2021 and not that we didn't use it, we're fiscal stabilizing by moving it so that we can encumber it before 2022.

Pouhana Hussey: Right and based on the current practice, as long as the Trustees approve the award, that's sufficient enough to encumber. So, we don't have to contract.

Trustee Lee: That answers my question. Thank you.

Trustee Keola Lindsey: *If the funds are approved to go into reserve, but they're not used - that second action item to approve the use of the reserve doesn't happen? What happens to the funds that go into those?*

Pouhana Hussey: That specific Reorganization Reserve, we note that in the reserve - it's under the Fiscal Stabilization Policy. So Fiscal Stabilization Policy allows for payout of previously reserved or contingent items. So, this reserve would be noted as such, it's a reserve of Budgetary Authority, and when the actual Action Item comes forward to be paid, or to be distributed as we know it, then we will come back with a specific Action Item to pay that out of Fiscal Stabilization. So, the reserve is exactly that, it's a reserve, it's not an authority to spend. It's just a reserve, and it's based on an estimate.

Trustee Keola Lindsey: Thank you.

Trustee Ahu Isa: Following up on what Trustee Keola Lindsey said. Number three, Reserve and designate \$1,060,000 for the purpose of addressing re-organization related costs. *So, when you put it in that reserve, and you don't use it, you're just doing this so that we don't lose it? Is that encumbering it in this reserve?*

Pouhana Hussey: In the Fiscal Stabilization, it's realizing that we have a known contingency for that. At a minimum, we have all the accrued vacation that needs to be paid for any separation. That is an obligation that we know, we don't know, what the final will be. So, the reserve is so that it is established there, it is a known, it's the best estimate. Then when we know, then we bring it out and then we can pay it on that reserve.

Trustee Ahu Isa: Okay, so we still don't know what the fringes are. We have to pay for all the fringes. Before the State used to pick it up.

Pouhana Hussey: Right. Part of the Budget FY22-23 workshops that are coming to Trustees next week, will be the estimates of the fringe. We estimate based on 63% in the past, we are running about 53% actual. So, part of projecting into FY22-23 is managing that. We also know because we don't receive general funds, as we did in the past for a million dollars in payroll, the related fringe for that is something that OHA needs to pick up. So good point, Trustee that we do need to account for that element of funding.

Trustee Ahu Isa: Okay, thank you. I just wanted to add that I don't think he will veto that bill. So, we're still going to have more money coming in - the general fund money.

Trustee Lee: Before I add my comments - because I'm sure Sylvia is going to comment about this. That 3 million dollars that they're going to give us Trustee Ahu Isa - was already encumbered for Fiscal Year 2020. So, it's not like we're going to have that money to use going forward. That money - we're in the hole from using that for 2020. So, it's paying us back.

Just real, quick, Sylvia. While I appreciate the detail of this workshop, and the report that we got, I don't appreciate getting it two days before the workshop. I'm not sure about the rest of the Trustees, but I am not a CPA nor am I an accountant. So, it takes me a while to go through this to digest it. So that I understand. So that I come to this workshop, at least, with a base understanding of what we're going to be talking about. So that I can ask intelligent questions.

We never used to get reports or product like this so close to a meeting. To my knowledge, the three years that I've been a Trustee, we've been given at least two weeks to have this type of material to go over and possibly talk with Administration or anything before we came before a Committee or the Board for a workshop. I just wanted to add that in, and that seems to have been a theme so far this year for 2021 and I don't appreciate it.

I don't like that we're getting this two days before we're going to go over it. In my opinion it is unacceptable. So, thank you, Mr. Chair.

Chair Waihe'e: Thank you.

Pouhana Hussey: I agree, Trustee Lee, that is unacceptable. That is not the intent, ever, of Administration. I also want to acknowledge that the reason it is so close is because we're trying to figure out all of the puzzle pieces and all of the moving parts. While it is a workshop versus the actual Action Item, your point is duly noted in terms of providing Trustees with information on critical decisions, whether it's Reorganization, Budget, Budget Realignment - so duly noted. We agree as well.

Trustee Lee: To your point, Sylvia - that today isn't decision making, but the intent and purpose of this workshop is to inform us for that decision making. So, if we're coming to this workshop to inform us but yet we don't know, then it defeats the purpose of the workshop.

Trustee Hulu Lindsey: I'd like to move that we defer Item VI. Executive Session.

Chair Waihe'e: My understanding is that was in case any questions arose where we would require it.

Trustee Ahu Isa: *Is that a motion?*

Trustee Hulu Lindsey: Yes, it was a motion.

Trustee Ahu Isa: I second the motion.

Trustee Lee: We don't need a motion to defer going into Executive Session. If we don't move to go into it, then we just don't go into it, but we don't need to defer Trustee Hulu Lindsey. It's not an action, if this was an Action Item, we would need to defer it but there is no action to go into Executive Session.

But I do have a question. Mr. Chair, about not going into Executive Session. We didn't really go over anything on the Budget. All we were asked is if we have any questions on what we were provided, how the funds for the sponsorships are being rolled over for Kūkaniloko and Iwi Kupuna grants. There was zero discussion about personnel and non-personnel issues. *So, is Administration not going to present anything on that for us to possibly discuss in Executive Session? Is that what Administration is doing or not doing?*

Pouhana Hussey: The workshop was just the workshop and the personnel and non-personnel was just to illustrate that in Budget Realignment, we're realigning both personnel and non-personnel costs at the same time. Any issues regarding Fiscal Biennium 22-23 Budgets would be in the next workshop. We didn't intend to bring any personnel matters, other than the budgetary impacts reflecting all of the changes, and then the reserve for the Reorganization. That was our only intent at this workshop.

Trustee Lee: Okay, so then that being said, and stop me, Sylvia, if you think this needs to be discussed in Executive Session. I believe it was 1.6 million dollars for possible vacation payout for the for the reorg. *So, what happens if we don't go through with that?*

Pouhana Hussey: So, the \$1,060,000 is just the reserve that we're asking for. The decision about how that's spent, what that's comprised of is a subsequent discussion regarding the entire Reorganization that still needs to be brought to the Trustees, along with budget items.

Trustee Lee: Okay, I just want to because this is a big issue. So, I just want to make sure that Administration and the Trustees are on the same page. So, because this is just a workshop, nothing has come forward, and part of the workshop is a possibility of a 1.6 million-dollar-reserve in case we do a reorg.

Pouhana Hussey: \$1,060,000 reserve.

Trustee Lee: I'm sorry, yeah, 1.06 million - sorry.

Pouhana Hussey: It's just a reserve to be recorded. When we bring the action item, it'll be there to do that. Any actions regarding reserves are also brought forward on separate Action Items to un-designate and designate new reserve items. We would bring all of that together as well.

Pouhana Hussey: To the earlier discussion from Trustee Ahu Isa, the Board approved 3 million dollars in reserves from Fiscal Year 20. Depending on whatever happens, Administration will bring forward recommendations for doing what is needed. So that entire discussion of reserve would be a separate discussion as a reserve topic, and the reorganization topics still needs to be brought back to the Trustees for the decisions that are needed.

Trustee Lee: Okay, that being said - I have another quick question that I may or may not ask right now. So, Mr. Chair, in your opinion is the Native Hawaiian Trust, because it feeds into our budget - a part of the privileges and liabilities and so on of the core personnel and non-personnel budgets - I have a question about it, but I do not want to ask it in open session.

Chair Waihe'e: *Can I get some legal advice on what I should do?*

Senior Legal Counsel Gushiken: Good afternoon Chair and Trustees. To the extent that Judge Klein is not on the Zoom meeting, I can be in Executive Session. If there's a question that needs to be addressed in Executive Session, as it relates to the Native Hawaiian Trust Fund and any Budget Realignment issues - in the context of the Budget Realignment issues that were raised by Ka Pouhana this afternoon. It's always better to err on the side of caution, if it will concern liabilities and responsibilities of the Trustees with respect to the Trust. That discussion can be had in Executive Session.

Trustee Lee: In that case Mr. Chair, I move that we go into Executive Session.

VI. EXECUTIVE SESSION‡

Trustee Lee moves to resolve into Executive Session pursuant to *HRS § 92-5(a)(4)*.

Trustee Keola Lindsey seconds the motion.

Chair Waihe'e asks if there is any discussion. There is none.

Chair Waihe'e calls for a **ROLL CALL VOTE**.

TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	2:17 p.m. EXCUSED
LEINA'ALA	AHU ISA			2 - X		1 - KANALUA	
DAN	AHUNA						EXCUSED
KALEIHIKINA	AKAKA			X			
KELI'I	AKINA			2 - X		1 - KANALUA	
VICE-CHAIR LUANA	ALAPA			2 - X		1 - KANALUA	
BRENDON KALEI'ĀINA	LEE	1		X			
CARMEN HULU	LINDSEY			X			
KEOLA	LINDSEY		2	X			
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				8	0	0	1

MOTION: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED

Chair Waihe'e notes for the record that all members present vote 'AE (YES) and the **MOTION CARRIES**.

The committee resolved into Executive Session at 2:17 p.m. to discuss:

VI. EXECUTIVE SESSION‡

- A. *Consultation with Board Counsel Robert G. Klein, Esq., regarding questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities related to Core (Personnel and Non-Personnel) and Non-Core Budgets, pursuant to HRS § 92-5(a)(4).*

The committee returned to Open Session at 2:30 p.m.

VII. ANNOUNCEMENTS

Chair Waihe'e reports that the Committee met in Executive Session and consulted with OHA Attorney and Corporation Counsel related to Budget.

VIII. ADJOURNMENT

Trustee Hulu Lindsey moves to adjourn the RM meeting.

Trustee Akaka seconds the motion.

Chair Waihe'e asks if there is any discussion. There is none.

Chair Waihe'e calls for a **ROLL CALL VOTE**.

							2:32 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
LEINA'ALA	AHU ISA			X			
DAN	AHUNA						EXCUSED
KALEIHIKINA	AKAKA		2	X			
	KELI'I			X			
VICE-CHAIR LUANA	ALAPA			X			
BRENDON KALEI'ĀINA	LEE			X			
CARMEN HULU	LINDSEY	1		X			
	KEOLA			X			
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				8	0	0	1

MOTION: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED

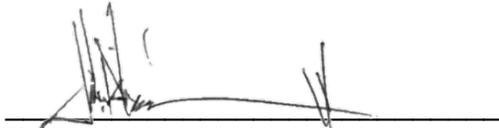
Chair Waihe'e adjourns the RM meeting at 2:32 p.m.

Respectfully submitted,



Melissa Wennihan
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management (RM) on May 25, 2021.



Trustee John Waihe'e, IV
Chair
Committee on Resource Management