

**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 25, 2021 1:30 p.m.

ATTENDANCE:

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

ADMINISTRATION STAFF:

Sylvia Hussey, CEO / Ka Pouhana / Administrator
Casey Brown, COO / Ka Pou Nui
Daniel Santos, IT
Erin Nakama, IT
Everett Ohta, Corporation Counsel
Grace Chen,
Lisa Watkins-Victorino, Research
Raina Gushiken, Corporation Counsel
Ramona Hinck, CFO
Ryan Lee, Interim Investment Manager

BOT STAFF:

Crayn Akina
Melissa Wennihan

I. CALL TO ORDER

Chair Waihe'e calls the Committee on Resource Management meeting for Tuesday, May 25, 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	DAN	AHUNA	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, **NINE (9) Trustees are PRESENT**, thereby constituting a quorum.

II. PUBLIC TESTIMONY on Items Listed on the Agenda*

None

III. APPROVAL OF MINUTES

- A. April 20, 2021
- B. May 11, 2021

Trustee Hulu Lindsey moves to approve the minutes of April 20, and May 11, 2021.

Trustee Ahu Isa seconds the motion.

Chair Waihe'e asks if there is any discussion.

Trustee Lee: No changes. Just a comment for the May 11th meeting minutes on page 12 of 17. There's a discussion noted on there that I think is pertinent to today's meeting where it talks about the committee members receiving materials in a short period of time and Ka Pouhana Hussey agreeing that that shouldn't happen. Yet here we are two weeks later receiving 298 pages, two days before this meeting. I just wanted to make note of that. Thank you, Mr. Chair.

Chair Waihe'e: Thank you, Trustee Lee. *Is there any anything else members, on the minutes?*

There is no further discussion.

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

TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	1:32 p.m. EXCUSED
LEINA'ALA	AHU ISA		2	X			
DAN	AHUNA			X			
KALEIHIKINA	AKAKA			X			
KELI'I	AKINA			X			
VICE-CHAIR LUANA	ALAPA			X			
BRENDON KALEI'ĀINA	LEE			X			
CARMEN HULU	LINDSEY	1		X			
KEOLA	LINDSEY			X			
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				9	0	0	0

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. ACTION ITEM RM #21-06: Approval of FY21 Budget Realignment #3 – Core (Personnel and Non-Personnel) and Non-Core Budgets†

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

Ka Pouhana Hussey: Thank you Chair, Trustees - Action Item #21-06 is a follow-up of the workshop regarding Budget Realignment #3, that was given two weeks ago. I did want Administration to call out a couple of things - we received information since the preparation and distribution of the Action Item that the first motion may not be bifurcated, so it will just read as one motion without the bifurcation.

The second item I wanted to let the Committee know is since the Action Item was presented, Administration will be withdrawing the recommendation on the Fiscal Stabilization Policy motion reserve to bring back to the Trustees with more specific information aligned to the policy.

Those are the two edits and recommendations Chair Waihe'e - that we wanted to make and are open for any questions regarding the motion on the Realignment #3.

Chair Waihe'e: Okay, thank you Pouhana. *Members, are there any questions?*

Trustee Lee: I'm going to respectfully request that we continue the bifurcation. Although HR is aware that I have resigned from the Board of the Moanalua Gardens Foundation. That resignation is as of just this past Friday. As this is an ongoing grant process that started while I was still on the Board for Moanalua Gardens Foundation, I will be RECUSING myself from that vote. Thank you, Mr. Chair.

Chair Waihe'e: Thank you, Trustee Lee. *Is there any other discussion members?*

There is no further discussion.

Chair Waihe'e: Okay with that, *can we get a motion?*

Trustee Lee moves to approve OHA's Total Fiscal Budget Realignment #3 for Fiscal Biennium Periods 2019-2020 (FY20) and 2020-2021 (FY21) as outlined in ATTACHMENT 1 with the exception of the \$5,000 additional event sponsorship (total \$15,000) for the Prince Lot Hula Festival, an event sponsored by the Moanalua Gardens Foundation.

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.

							Start: 1:35 p.m. Motion: 1:36 p.m. Vote: 1:37 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
LEINA'ALA	AHU ISA			X			
DAN	AHUNA			X			
KALEIHIKINA	AKAKA		2	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				9	0	0	0

VOTE 1: UNANIMOUS PASSED DEFERRED FAILED

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

Trustee Hulu Lindsey moves to approve the additional \$5,000 event sponsorship (total \$15,000) for the Prince Lot Hula Festival, sponsored by the Moanalua Gardens Foundation.

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**.

							Start: 1:37 p.m. Motion: 1:38 p.m. Vote: 1:38 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
LEINA'ALA	AHU ISA			X			
DAN	AHUNA			X			
KALEIHIKINA	AKAKA		2	X			
KELI'I	AKINA			X			
VICE-CHAIR LUANA	ALAPA			X			
BRENDON KALEI'ĀINA	LEE						RECUSED
CARMEN HULU	LINDSEY	1		X			
KEOLA	LINDSEY			X			
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				8	0	0	1

VOTE 2: [] UNANIMOUS [**X**] PASSED [] DEFERRED [] FAILED

Chair Waihe'e notes for the record that Eight (8) members present vote 'AE (YES) and the **MOTION CARRIES**.

V. NEW BUSINESS

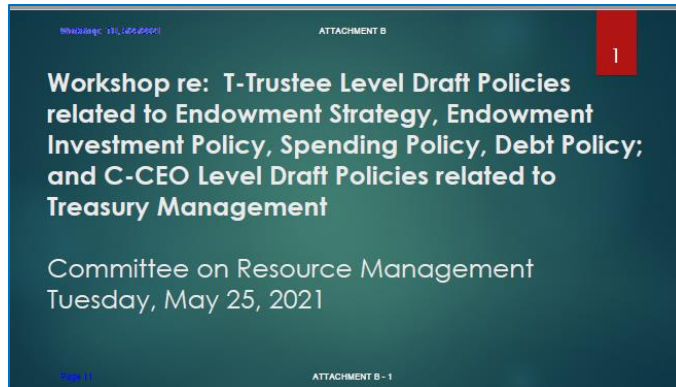
B. Workshop: T-Trustee Level Draft Policies related to Endowment Strategy: Endowment Investment Policy, Spending Policy, Debt Policy, and C-CEO Level Draft Policies related to Treasure Management

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

Pouhana Hussey: Thank you Chair, Trustees – This is a follow up to not only the Permitted Interaction Group report that was conveyed to the Trustees in October of 2020. It is also a follow-up from the Land and Commercial Property PIG recommendation report to acknowledge that previous work from the Permitted Interaction Group in October, as well as bring forward recommendations.

Our Interim Investment Manager Ryan Lee will be on to walk us through. He has looked at - as well as Administration has reviewed the current policies, the existing policies and started to draft some policies consistent with an endowment.

So, today's workshop is one of what I believe will probably be a couple more before a pure Action comes forward - just to continue the conversation, to guide Administration on additional work that will be needed. Then to bring that back in another workshop before any final policy Actions are implemented. With that, I'm going to turn it over to Ryan Lee, our Interim Investment Manager.



Interim Investment Manager Lee: Aloha Trustees. Carla will be helping with the slides, and we'll start with slide two. I'm going to use the slides to provide a high-level summary of the changes, but you should have the draft policies in your folder that provides much more detail.

What I'm starting off with covers the Endowment Investment Policy. Just to start off with here, combining the Hawai'i Real Estate, and Financial Assets into one Endowment Investment Policy, but having distinct management of the two pools. Here we are talking investment policy that is easy to understand and implement; we're also clarifying investment goals, philosophy, and objectives.

For the financial asset pool, changes to current best program structure. For example, from a Manager-of-Managers to a traditional Endowment Model or implementing an investment strategy that selects best managers for each asset class.

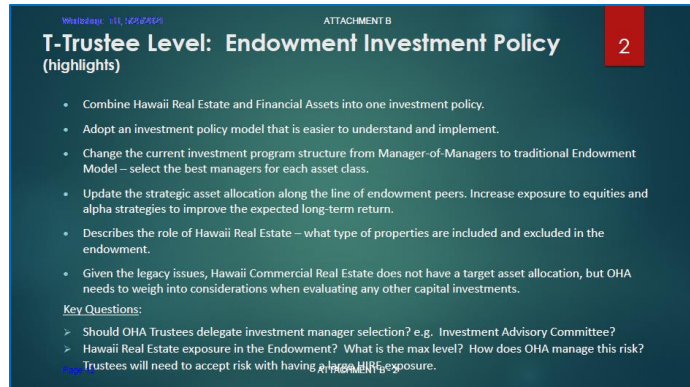
In addition, we're updating the strategic asset allocation on the lines up and down. What that typically would look like would be favoring more equities and alpha types of strategies that improve the expected long-term returns. So, typically more alternatives, more alpha scale, ability to rely not just on the beta of the market, but also alpha from manager selection to improve our long-term expected returns for OHA.

Now, feel free to jump and ask any questions, this is the workshop. The goal here is to gather input from the Trustees as we continue to refine the policies.

For the second piece, Hawai'i Real Estate, it describes the role of Hawai'i Real Estate and what types of properties are included and excluded in the endowment. For example, for Hawai'i Real Estate to be included, it needs to generate sufficient economic income, returns to support the spending contribution.

Legacy assets or programmed data assets, real assets, are not designed to target income return would be considered a non-dominant asset. For asset allocation, we'll be talking about managing two distinct pools. Given the legacy issues tied to Hawaiian Land, Hawai'i Commercial Real Estate does not have a target asset allocation, but OHA needs to weigh into consideration when we evaluate additional capital investments into Hawai'i Real Estate.

Basically, really thinking about, if we're going to add another, Hawai'i Real Estate Investment, think about the current exposure for the overall endowment. I'm going to pause for questions.



Trustee Hulu Lindsey: I wonder if you can give us an example of the different kinds of Hawai'i Real Estate Investments that we may be approached with or may consider.

Interim Investment Manager Lee: So typically, what would go into endowment, the asset itself, the commercial real estate itself should be able to generate a sufficient return to compete across capital with the endowment. So, it has to be sufficient enough to earn the long-term expected returns required of the income. It doesn't have to be immediate, but it has potential to return that over time. Usually, it will be cash flowing assets, like Nā Lama Kukui the commercial piece of it where you're collecting gross rents; those are examples.

Trustee Lee: I'll give another example that's completely arbitrary. So, it's not in any way going to compromise things that we have going. If for say Kamehameha Schools offered to sell us Royal Hawaiian Shopping Center, that type of Hawai'i Real Estate would go into the endowment because it generates significant income. If DLNR decided to transfer Kamananui Valley which we all know is Moanalua Valley to OHA, that would not go into the endowment because it's strictly for Conservation, and we would not receive any or very, very minimum funds for that. So that would not be considered part of a real estate transaction that will go into an endowment. *Is that fair to say, Ryan?*

Interim Investment Manager Lee: Perfect. I couldn't have said it any better.

Trustee Hulu Lindsey: That's not to say that we won't take Moanalua Valley because that might end up in legacy.

Interim Investment Manager Lee: Right, it would distinguish what assets fall in endowment, and which do not. So, it has implications for the Spending Policy.

Trustee Lee: Absolutely Trustee Hulu Lindsey. If we can get Kamananui Valley, I completely agree with you. I would want to get it as well.

Trustee Hulu Lindsey: I wish we could. Thank you.

Interim Investment Manager Lee: Okay, so the key question is here, that I think is open for input is should OHA Trustees delegate the investment manager selection. For example, using an investment committee.

Interim Investment Manager Lee: I think the second question is the Hawai'i Real Estate exposure in the endowment: even though there's no target allocation. *What is the max level that the Trustees are comfortable with and how do you manage this risk?*

So, if the Hawai'i Real Estate exposure is large, then you folks will need to assess it. So, the way you manage this is to have a Real Estate strategy, or some strategy that looks better, which would sort of monetize partly to manage that risk. Those are the key questions for trustees to consider.

Trustee Lee: Ryan, where we sit right now, when I look over our current policies. OHA's current Land policy says that OHA is to acquire as much land as possible. I don't disagree with that; I don't know that any Trustee would necessarily disagree with that.

Interim Investment Manager Lee: *I think we're speaking more the downside, right?* I mean, like the Legacy Lands, Preservation Land, either that sort of non-dominant asset. Sure, if it's gifted, you take it and that's not counted towards the downward exposure.

Trustee Lee: The policy doesn't stipulate whether it is revenue-generating or not.

Interim Investment Manager Lee: Right.

Trustee Lee: OHA should be acquiring as much land. I don't think we should necessarily differentiate between the two. If we have an opportunity like Trustee Hulu Lindsey said, if we have an opportunity to once again acquire Kamananui Valley which we had the opportunity to do a number of years ago, we absolutely should. There's nobody better situated to protect the valley than OHA. If Kamehameha Schools wants to sell us Royal Hawaiian Shopping Center, I don't see us not considering it, I don't see us considering getting land that generates that amount of revenue.

Interim Investment Manager Lee: *So, there's no target, but is there a max level in terms of managing the portfolio?* I'm trying to limit the exposure to the risk. A lot of commercial properties that's the risk that can be managed through the diverse finances. These are things to consider.

Trustee Hulu Lindsey: So, Ryan, I have a question about the questions that you have here. *Should OHA Trustees delegate investment manager selection, like the investment advisory committee? Why would the trustees delegate their fiduciary duties to somebody else?*

Interim Investment Manager Lee: I think it's the comfort level of the Trustees. If there's enough expertise that the Trustees do not have, they may want to delegate that responsibility or have it in-house or have people more familiar with investments, more education required - It can vary, but those are the main reasons why.

Trustee Hulu Lindsey: My thought would be that we wouldn't delegate the selection, but we may seek their recommendation; but in the end, the Trustees still will make the decisions themselves.

Interim Investment Manager Lee: Ok, that's good to know and we can incorporate that into the policy.

Trustee Lee: I don't necessarily disagree with Trustee Hulu Lindsey, but I could personally go either way. The reason I say that is, as long as we kept the policies in place that the Trustees approve, who sits on the Investment Advisory Committee, then that preserves our fiduciary responsibility. In order to be on an Investment Advisory Committee, they would have to prove to the Trustees that they have a level of competence of expertise in that realm. Which the Trustees do not necessarily have.

Trustee Lee: So, as long as we approve who those individuals are that sit on that committee, personally I would be okay with delegating, that they select who are Investment Managers are. Obviously, because we approved them, they still have to report back to the Trustees. However, because we approved who those people are, I would trust that we approved the people that could make those decisions, and I believe that would not divert us of our fiduciary responsibility to the trust.

Trustee Ahu Isa: A long time ago, before was in public office - I sat on the board of OHA's Native Hawaiian Revolving Loan Fund; we had all this federal money coming in. I think, John, you were here. It was a revolving fund where the small businesses or people who wanted to start a business, could ask for this money, and then they would pay us back.

I remember on Kaua'i, one little bar on the corner, by Kapa'a, we lent him money and a fisherman on the Big Island. We were an advisory committee because we had people from First Hawaiian Bank, and CPA guys from KPMG. They all sat on this Advisory Committee for the Native Hawaiian Loan Fund. That would be pretty good.

Trustee Hulu Lindsey: We still have a native Hawaiian loan fund.

Trustee Ahu Isa: *Is it fully federally funded?*

Trustee Lee: It is.

Trustee Ahu Isa: *And we have a committee?*

Trustee Lee: And we approve them, we just approved a new member just this past year.

Trustee Ahu Isa: You can look at the criteria, it's pretty good to have outside people sit in there and give their expertise. That's all, we're just talking about different examples. So brought that up. Chair, Thank you.

Trustee Akina: Ryan, going back to your question about Real Estate exposure and the endowment. Basically, you're talking about the risk of including Real Estate in our endowment, which is probably the ratio between real estate and our stock portfolio. *Is that what you're talking about?*

Interim Investment Manager Lee: More that Hawai'i Real Estate...

Trustee Akina: *Ok, the role of Hawai'i Real Estate as opposed to Real Estate elsewhere?*

Interim Investment Manager Lee: Correct, particularly Hawai'i Real Estate. It's given a large exposure in the endowment, though it has no target allocation. We just need to be comfortable that it is a large allocation.

Trustee Akina: Ok. So, my questions are:

- *What is the nature of the risk of having a high portion of Hawai'i Real Estate in our endowment?*
- *Secondly, are there best practices to look at it in terms of determining that amount that other trusts are following?*

Interim Investment Manager Lee: Best practices, it's hard to manage the endowment. I think others have managed by monetizing some Real Estate assets. I think the risk, let's say the endowment is purely Hawai'i Real Estate and those revenues are used to provide spending for the mission. The risk is if something like a national disaster, for example, that wipes out the commercial values; has a great impact on your spending, on your beneficiaries, versus if you had a diversified portfolio across the globe. You would be able to diversify some of the risk away. Not all of it but at least that's a... (cut out)

Trustee Akina: I'm sorry that I didn't hear, clearly, everything you said. Maybe that's on my end.

Interim Investment Manager Lee: Basically, I was saying you don't want to put all of your eggs in one basket.

Trustee Akina: Ok. *Is there something particularly risky about Hawai'i Real Estate as opposed to other kinds of Real Estate?*

Interim Investment Manager Lee: It's an asset, but it's just your single concentration. Let's say it was global Real Estate, much more diversified across the world. If it's a single asset in a single concentration location, there's more risk to that than a diversified Real Estate portfolio.

Trustee Akina: *So, how do we weigh the risk? You mentioned, it's not easy to find models for best practice. What criteria do we look at?*

Interim Investment Manager Lee: I think there are models in town. I think Kamehameha Schools has a similar situation. So, you just have to manage around that, to monetize properties where it makes sense. Now, I'm just keeping an eye on the exposure, such that we allow for that. Each organization is different. We're not like others around town. It would have to be related to comfort level, as well as the mission.

Trustee Ahu Isa: I thought I would jump in when Ryan was trying to talk about best practices. This morning's paper, talked about Paradise Park. It's up for sale, \$20 million. Remember, they're going to do the bird sanctuary, the zoology thing and also work with the University of Hawai'i doing a research lab up there. You have the Arboretum; it was supposed to be a huge moneymaker because you have 200,000 to 400,000 visitors. There's also a parcel to build houses and that's up for \$20 million.

To the question that Trustee Akina had about Hawai'i Real Estate, because talk about supply and demand. We are an island - we only have so much land. So, I think all the land is going to be valuable at some point in time and Paradise Park has been sitting there since I was a small kid. The Treetops restaurant, a whole bunch of different things if you want to diversify just that one little area. Anyway, just an example Ryan.

Interim Investment Manager Lee: Right.

Trustee Lee: I have a follow up question to what Trustee Akina stated. Also, I wouldn't just say Kamehaemeha Schools, I would say a model would be all the Ali'i Trusts because they're all Hawai'i land-based centric. With the exception of illegal dealings that were done against the Lunalilo Trust, I don't think any of us would disagree that all of those Trusts are extremely successful.

That being said, my follow-up question is:

- *Since 1893, has there been any, because I can't think of any, maybe you can - has there been any global event and there have been many - that has dramatically decreased Hawai'i Real Estate values?*

I can't think of a single one. Not World War II, not any market crash, not 9-11, not even Coronavirus.

- *So, can you think of anything that has decreased Hawai'i Real Estate values?*

Interim Investment Manager Lee: Not at this moment.

Trustee Lee: Perfect. Thank you.

Trustee Hulu Lindsey: *Can we move on, Ryan?*

Interim Investment Manager Lee: Sure, we'll move on to the Spending Policy. Here the goal was to clarify and update the Endowment Spending Policy.

The objective has not changed, the primary goal is to achieve a spending balance between the current and future generation, so really maintaining intergenerational equity. The main updates here was to scribe the return with the flow of funds in the endowment to the operating budget, clarifying spending balance. I think the old spending policy had included Public Land Trust, that is not the general funds. Here we're really focusing on Endowment Spending Policy, what actually comes out of the endowment. As mentioned earlier, we're focusing on the flashing assets in Hawai'i Commercial Real Estate. Here we chose the best spending model and financial assets up to 5%; 20 quarter moving average, this hasn't changed, it's the same. The addition would be Hawai'i Commercial Real Estate fees, what we're suggesting is using net cash flow for the spending, rather than market value. The rationale here for why not the market value is that Hawai'i Real Estate cannot generate sufficient net income to contribute a fair share of the 5%. You have valuations from the interest rates, but you have income levels, not going as fast. What that could lead to is you could spend more financial assets in the long-term returns, so we need to kind of break it down or have two different spending policies for each of the key questions here. There are alternatives in moving average spending that provide better smoothing and spending decline risk.

The image is a screenshot of a presentation slide. At the top left, it says 'Webinar: 11.12.2020'. At the top center, it says 'ATTACHMENT B'. The main title is 'T-Trustee Level: Spending Policy'. In the top right corner, there is a red box with the number '3'. The slide contains a bulleted list of points: 'Goal - clarify and update Endowment spending policy', 'Describes and determines the annual flow of funds from the Endowment to the Operating budget.', and 'Hybrid Spending model:'. Under the hybrid model, there are two sub-points: 'Financial Assets - 20 quarter Moving Average' and 'Hawaii Commercial Real Estate - Net Cash Flow'. A sub-bullet under the second point asks 'Why not spend on market value? - HIRE cannot generate sufficient net income to contribute its share of 5% rolling market average spend. Can lead to Financial assets contributing more, which could hurt long-term results. Need more frequent appraisals to determine market value. OHA can update spend policy when we have more data points.' Below the list, there is a section titled 'Key Questions:' with two bullet points: 'There are alternatives to the moving average spending rule that provide better smoothing and spending decline risk. Eg. Tobin Spending rule - (NEXT PAGE). Many of our peers use the moving average for simplicity.' and 'Do we need to add one-time exemptions? Fiscal Stabilization Policy and a Line of Credit helps with this.' At the bottom left, it says 'Page 11' and at the bottom center, it says 'ATTACHMENT B - 3'.

Interim Investment Manager Lee: The Tobin Spending rule, which is on the next page can provide a better smoothing formula. The majority of your peers use this moving average as their spending formula. I think your second question here is: *do we need to add a one-time exemption to the spending?* (**recording cut out**) I'll pause here to open up for discussion.

Trustee Lee: *What kind of exemptions are you thinking about for a one-time exemption?* I'm assuming the spending policy doesn't include purchasing land, that's separate. This is just what we take from the endowment to spend on our beneficiaries.

Interim Investment Manager Lee: Right.

Trustee Lee: *So, what kind of exemption would that be? or What are some examples of what that might be, I should say?*

Interim Investment Manager Lee: I think I added that, because there was a one-time exception for spending. I will say most policies do not have this, but I'm just bringing this up for discussion, whether it needs to be consideration for-or-not.

Ka Pou Nui Brown: May I add, many times when you have a range, so if you earmark a range of spend, and in our case, it's up to 5%. So, from zero to 5%, that range sort of fulfills the need to have an exemption many times because you give yourself the flexibility to operate within that range. Maybe the bigger question would be - *do we have the right range set?* That's all I was going to add. Mahalo.

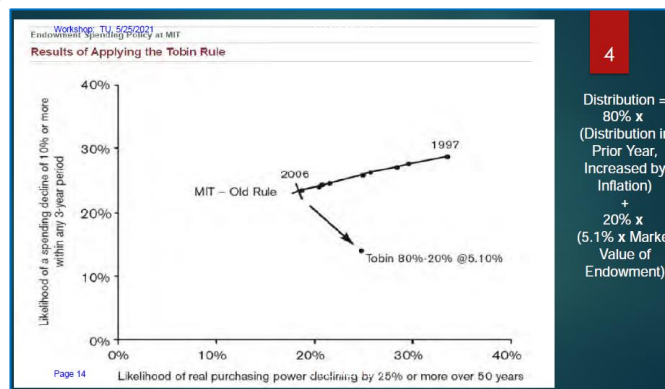
Trustee Lee: This might be for Casey, I'm not aware that our spending policy is a range, isn't our Spending Policy 5% off of a 20-quarter rolling average, and we take that 5% out and spend it.

Pou Nui Brown: In practice, that's what we do. In policy, the way it's articulated is it actually says up to 5% and if there is no range, and we're not practicing applying a range, then maybe we might want to consider applying a range that gives you guys the flexibility to choose. If the market contracts or if something unforeseen happens we can operate within the range. I remember reading the EPM policy manual and reading that spend policy and I remember seeing the words up to 5%.

Chair Waihe'e: *Ok, is there any further questions on this spending policy?* If not, we can move on.

There are no further questions.

Interim Investment Manager Lee: Sure. I won't go over the Tobin Rule, but it's there to provide an additional option to consider.



Interim Investment Manager Lee: Next slide covers the Debt Policy. The goal was to create an enterprise Debt Policy that is synchronized with OHA's Spend Policy and Endowment Fund Investment Policy Statement, since they both have very similar implications for increase in risk to the organization.

There was already an existing debt policy in place, and we are proposing updates to the guidelines and added additional language to the policies. There are two main uses of Debt to consider for OHA.

The first one is the Debt to Endowment. So, basically, Commercial Real Estate acquisitions, to financing the purchase of a commercial building, or Financial Assets portfolio leverage.

The second would debt for the organization. So, this would be mission, program related debt, to build or renovate, or purpose of program use. We're proposing guidelines for consideration to ensure that OHA continues to operate on more of a strong asset basis and maintains a favorable credit rating. I have here the considered ratios that are still pending valuation, but these are standard measures: credit rating, determine distributions, financial strength.

Here, Debt to Endowment Value is introduced; we'll spend no more than 20%. So, this ratio measures the availability of OHA's Endowment value to cover its debt.

The second would be Debt Service to Operations. This measure is to say - percentage debt service - reported revenue. So, basically saying that OHA is not spending too excessive amounts of their operating funds for that certain set of programs.

So, the key questions here are, I don't think OHA has ever secured a credit rating, *but what is OHA's credit rating?* This will help identify key ratio guidelines for use and endowment fund value, which requires much more frequent real estate appraisals; to monitor. I'll pause here, for input.

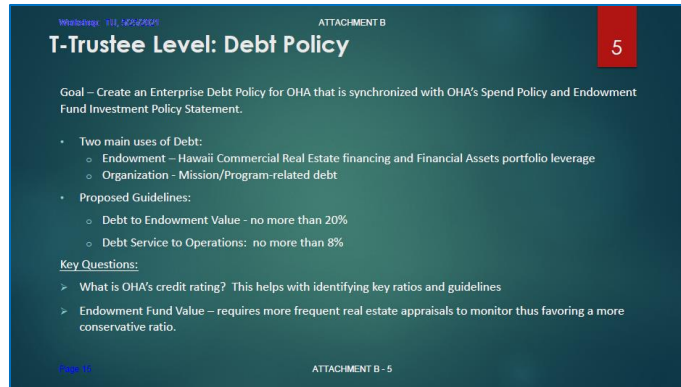
Trustee Lee: So, for the more frequent appraisals;

- *Would it make more sense for us to in-house that and seek that expertise or to buy that expertise?*
- *What do you think would be the more, for lack of a better term, the 'cheaper way' to go?*

Interim Investment Manager Lee: It's a tough one. So, you don't have to do like a full appraisal, maybe on an annual basis. It's really up in the market assumptions to get your new value.

Trustee Lee: Oh, okay. Then we could outsource that.

Interim Investment Manager Lee: Yes. Versus what's being done today. I think there's probably less frequent appraisals on our property, so it's hard to determine the actual value. To determine the ratios will require more up-to-date, market values.

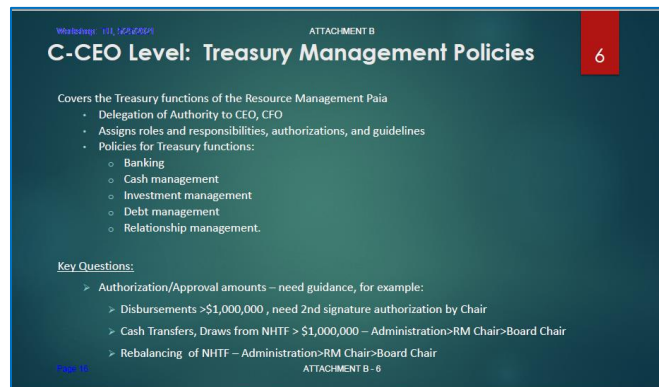


Chair Waihe'e: Ok. *Are there any further questions on the debt policy?*

There are no further questions.

Interim Investment Manager Lee: Okay, we're currently doing a mini review. So, we'll have more data to incorporate into these guidelines. We'll update these as we get more information. In the next slide, it covers the C-Level: Treasury Management Policies. It covers Treasury functions of the Resource Management Paia. Delegation of authority to CEO and CFO. We assigned roles and responsibilities - creating authorizations and guidelines for these functions. The oversight - Banking and Treasury service, cash management, guidelines, who's responsible, documentation, investment management, the endowment piece, investor strategy approved by the Board of Trustees, debt management, and information management for financial leadership. *(Recording cuts out)*

So, the question here is authorization / approval amounts and some guidance now. For example, disbursements - over a million - second signature authorized by the Chair. Cash transfers also greater than a million from the trust fund - from Administration to Resource Management Chair before Board Chair approval. Rebalancing the Native Hawaiian Trust Fund and how should that be delegated. I will pause for input.



Trustee Lee: Just to be clear with your questions, when you say the delegation of authority - for instance, the cash transfers from the Native Hawaiian Trust of a million dollars - RM Chair and then Board Chair.

- *So, you mean that it goes to the RM Chair to bring before the RM Committee for approval?*
- *Then it goes to the Board Chair to bring to the Board for approval?*
- *Or, are you suggesting that a single trustee can approve this?*

Pouhana Hussey: This would fall into the policies and procedures for cash management. In the policies and procedures, we identify that they would review and then approve, and then Administration would execute that. Just like signing checks, or daily operational Cash Disbursements versus the actual investment kinds of decisions, so this is operational.

Trustee Lee: *So, you're saying yes, a single trustee?*

Pouhana Hussey: The role that's identified; the RM Chair as well as the Board Chair, correct. Let me backup, this is after the delegations of authority have been approved by the Board.

Trustee Lee: I understand that. Wow, that's an awful lot of authority for one elected official versus the nine.

Trustee Hulu Lindsey: *Isn't it two, the RM Chair and the Board Chair?*

Pouhana Hussey: These are just examples. It could be **or** it could be **and**, but the way the examples are set up, it's a sequence of review, and then the ultimate sign-off by the Chair.

Trustee Hulu Lindsey: So, it is two because the RM Chair has to approve it first, and then it goes to the Board Chair and then Administration.

Pouhana Hussey: Right, Administration will do all of the analysis and the recommendations, and then send it over for review, approval and then escalate it. Then in some instances, pre-COVID, the disbursements were actual wet signing of checks that ceded the authority. That's very common practice to have two wet signatures, of course. Now with COVID and electronic, we would convert those authorities to electronic processes. Yes, it's going through two levels of authority review at the Board level.

Trustee Lee: Trustee Hulu Lindsey, so just to your question about the two different trustees, I'm actually speaking more specifically to the third example of rebalancing of the Native Hawaiian Trust Fund. So, you were expressing concern earlier about the Board delegating the authority to licensed professionals. This example would say that two individual Trustees who, as we sit today, I won't even use today, let's go back three years ago. Where we sat three years ago, those two Trustees had zero licensing or experience in investments, but if the Administration brought something forward to those two Trustees, they could approve rebalancing the Native Hawaiian Trust portfolio, thus taking away the fiduciary responsibility of the seven other Trustees. So it was that one specific Trustee, I wasn't necessarily talking about the other two. The other two, I can understand why those would have to happen in that sequence, but I was speaking more specifically to the third one. If we have issues with delegating authority to licensed professionals, we should probably have issues with delegating authority to non-licensed professionals that don't have any expertise in this area along with taking the word of Administration - that this is what we should do without the other seven Trustees having the opportunity to weigh-in on it.

Trustee Hulu Lindsey: Good point, Trustee Lee. That's why I think our Financial Advisor will be very helpful to the Board. Because this is the kind of review that we can pass through him before we sign important numbers like this. But that's a good point because I think what you're illustrating probably did happen.

Pouhana Hussey: May I also add to Trustee Lee; on the third item - because the rebalancing occurs every quarter, that particular process could be brought through to the RM Committee, just like the review of the portfolio. So as examples are there, that particular example can be brought on a quarterly basis, because the rebalancing generally occurs on a quarterly basis that all nine Trustees through the RM committee and the Board would participate.

Trustee Lee: And that's our current practice. That's why I was just seeking clarification on the words that are on my screen because I was under the assumption that when it said RM Chair and Board Chair, that it meant that it would go to the RM Chair to bring to the RM committee, and then it would go to the Chair to bring to the Board. But you, Ka Pouhana and Ryan have clarified that that is in fact, not the case, based on this example, that this example says that those two Trustees and those two Trustees alone, would have that say, which is why I brought that up.

Pouhana Hussey: Correct. So, for the guidance that is being sought, that clarification would be updated and actually operationalized into the way you've described.

Trustee Lee: Well, that's up to all nine of us to decide - not me right now raising questions. This is a workshop, this is our opportunity to ask questions, and that's all I'm doing.

Interim Investment Manager Lee: *Are there any further questions on the policies?*

There are none.

Interim Investment Manager Lee: Mahalo, Trustees.

Pouhana Hussey: Chair Waihe'e, that's the end of this Workshop.

Chair Waihe'e: Okay, Thank you, Ryan for that. *Are there any further questions?*

Trustee Lee: Sorry, before we move on. If that's the end of the workshop; Ryan,

- *Where do we go from here?*
- *What can the RM Committee expect as far as next steps?*

Interim Investment Manager Lee: It would be working with the Administration to take any input of the Trustees and come up with an updated draft. I believe we can arrange for additional workshops to continue our discussions.

Trustee Lee: Is there any way and if you don't know now, that's fine. ***I don't know*** is an acceptable answer; but *is there a timeline we can expect on that?*

So that individual Trustees can try and figure out if they want to come to Administration or yourself and ask questions before, whenever the next workshop is going to be. There's been four trustees that have inputted so far today during this workshop and I'm guessing the other five probably have questions as well, just maybe not right now. I mean, taking a lot of notes. Like I said, if we don't know right now, then that's fine. *Can Administration get back to us? So that if other Trustees do have questions, they can schedule time with Administration to have those addressed before a next steps workshop?*

Interim Investment Manager Lee: Yes.

Pouhana Hussey: Yes, I will send a follow-up memo to the Trustees giving a timeline to be able to adequately prepare. I will say, based on all that is going on between now and the end of the Fiscal Year, with Budgets, the Reorganization and other corporate business items; I don't anticipate any substantive pieces until after year-end in July, early July.

Trustee Lee: Maika'i, so we have lots of time.

Pouhana Hussey: I believe so, and the Trustees are more than welcome to take the materials. There's a lot of reference materials, which is the reason the submittal is so large, but to have a chance to talk with Ryan, again, give some additional insights. Just for planning purposes, because in the next five to six weeks, the organization has a lot of stuff to do. Not that policy work isn't important, but we'd like to do it carefully, thoughtfully, especially these policies.

Trustee Lee: So that being said, Sylvia, I know that Ryan was on 'emergency temporary hire'. *Is that going to be extended then? Because, based on my math, isn't that coming up soon?*

Pouhana Hussey: We will make sure that the interim investment manager function is filled and resourced properly.

Trustee Lee: Okay. Thank you.

Chair Waihe'e: Thank you. *Members, does anybody else have questions?*

No other Member has questions.

V. NEW BUSINESS

C. Workshop: Preliminary OHA Biennium Budget for the Fiscal Biennium Periods 2021-2022 (FY22) and 2022-2023 (FY23) – pre beneficiary sharing

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

Pouhana Hussey: Thank you, Chair. Trustees, what we have here is our preliminary budget as required by Chapter 10, that we need the opportunity to have beneficiaries. I'll ask our CFO, Mona Hinck to have her camera on, as well as our Financial Analyst, Grace Chen - and our strategic plan hui members Carla Hostetter and Lisa Watkins-Victorino are here to provide some context for previous work.

The Executive Summary is there, but I also want to let Trustees know that this year, the budget needs to conform with Action Item RM #18-12, which is to budget in accordance with the program budgeting and the Trustees just passed that aggregated budget construction policy a couple of weeks ago. So, the budget that's being brought forward considers that in compliance with that budget construction policy.

It also is a budget that needs to meet current policies. We talked about the spending and Mona will talk about the spending - all the components of the parameters.

Pouhana Hussey: Then it also needs to align to our Strategic Plan and the commitments we've made in terms of our 15- year period, our three-year cycles and when we bring the budget presentation in full. Casey and our strategy, systems office will also frame that.

For now, these are the budget numbers that are being drafted and so I'll turn it over to Mona who will walk through it. As she walks through, the executive summary highlights the key messages that we want to call out in this particular budget and that is working on more grants to our communities.

Then looking at redirecting our personnel and contracts there. So, the two key messages, increasing our grants and beneficiary services and streamlining and refocusing personnel and contracts.

In thinking about this time of COVID, and thinking about the bill that's waiting for signature, and our budget bill - as we think about FY 22-23, the agency is like any other agency. We need to look at what resources we have to prioritize our resources to make sacrifices on some of the spending that we need to make.

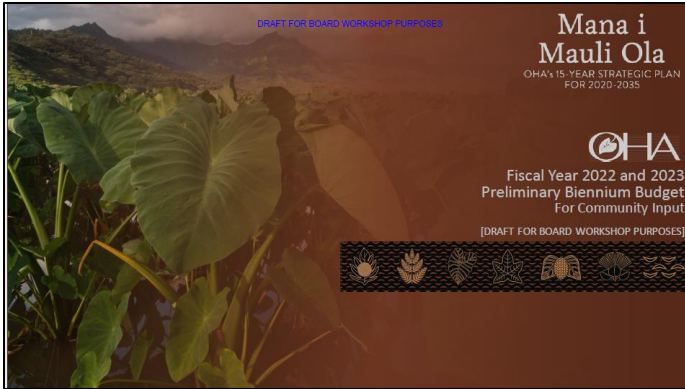
Much like our families do when we balance our own finances, there are certain things that we need to cut out, there are priorities that we need to make. So, this budget represents this initial thinking of focusing on what we want to emphasize, which is grants and beneficiary services, and some of the sacrifices we need to make to be able to do that.

That would be around streamlining our personnel and contracts. In this budget is also the commitment of granting to match the Public Land Trust revenue, which means that the rest of our operations needs to live within our means - off the 5% currently in budget of the Native Hawaiian Trust Fund, as well as any other resourcing that comes from our commercial properties.

So, a lot of thought, yes. These are the numbers and the level of granularity that has been previously shared with beneficiaries. Just to let you know, as well, what Trustees will receive this week that will support these initial budget numbers are your budget books.

For new Trustees, the finance division puts out a budget book, which is a detail of all of the schedules, so you will receive your budget book this week to accompany this presentation. Then we'll have about two weeks to be able to ask any questions of finance for that. So, with that overview, I'm going to turn it over to Mona to walk through the presentation. Any questions along the way, please ask and then we will update the presentation before distributing.

CFO Hinck: Aloha Chair Waihe'e, Vice-Chair Alapa, Trustees and fellow colleagues, I will be walking through the Preliminary Biennium Budget for the Fiscal Year ending June 30, 2022, and June 30, 2023.



Executive Summary

DRAFT FOR BOARD WORKSHOP PURPOSES

Two thousand twenty (2020) saw the adoption of the Office of Hawaiian Affairs' (OHA) new Strategic Plan, entitled Mana i Maui Ola (Strength to Wellbeing). This plan includes three foundations: 'Ohana (family), Mo'omeheu (culture), and 'Aina (land and water). OHA recognizes these foundations have the power to affect the wellbeing of Native Hawaiians. Therefore, they are woven into OHA's plans to affect change in the areas of education, health, housing, and economics. Over the next 15 years, OHA will be implementing strategies, aligned with our foundations and directions to achieve our envisioned outcomes for a thriving and abundant lāhui.

The Fiscal Years 2022-2023 biennium core budget is the financial expression of OHA's plans to implement this Strategic Plan and includes aligned spending priorities and contributing funding sources. The spending priorities for this biennium are to **Increase Grants & Beneficiary Services** to support Native Hawaiians, 'ohana and communities within Hawai'i's current systems; and to **Streamline & Re-Focus Personnel and Contracts** to advance the work needed to transform Hawai'i's current systems. Therefore, annual grant budget is increased to \$15.1 million, which now represents the largest share of OHA's core operating budget and is equal to OHA's current funding from the Public Land Trust Revenues.

OHA's funding sources dedicate the financial resources available to implement Mana i Maui Ola, and annually include: 5% of the Native Hawaiian Trust Fund investment portfolio; a fixed \$15.1 million of Public Land Trust revenues; appropriations of State of Hawai'i general fund decreased to \$2.25 million; and Kaka'ako Makai's resource allocation estimated at \$1.4 million. As OHA is able to increase these sources, so to will the services to Native Hawaiian beneficiaries be able to be expanded.

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CFO Hinck: The purpose of this document is to provide an explanation of the Preliminary Biennium Budget, and this is the part of OHA's community input phase and will allow greater accessibility, transparency, and detailed level of information to our beneficiaries. I'll give you a few minutes to review this slide.

Purpose

DRAFT FOR BOARD WORKSHOP PURPOSES

The purpose of this document is to explain more about the Office of Hawaiian Affairs (OHA) and its proposed budget for the next two years. OHA acknowledges its accountability to beneficiaries and communities, therefore, provides this explanation of the preliminary biennium budget for Fiscal Year (FY) 2022 and 2023. This description is part of OHA's community input phase and will allow greater accessibility, transparency and detailed level of information to beneficiaries.

Comments and questions are important and OHA welcomes them. This feedback will serve as an assessment of the preliminary budget and may inform revisions prior to Board action.

Please send your questions and comments to ohabudget@oha.org or visit www.oha.org for more information.

Ala Nu'ukia (Mission)
E ho'omalu i ko Hawai'i kanaka me ona mau waiwai honua a pau – pau pū nō me ko ke Ke'ena mau waiwai lewa me nā waiwai'a iho nō – e'āka ai ka nohona mo'omeheu, e'oi aku ai ka nohona kū i kawā, a e malu iho ai ka nohona welo ho'olima ma ka mea e ho'olu'upa' i mau a'e ai he lāhui lamalama i'ke 'ia kōna kanaka mai 'o a 'o'o ka poe'ope' honua he kanaka ehuehu, he kanaka ho'ohūlāmahi, he kanaka Hawai'i.

To mālama Hawai'i's people and environmental resources, and OHA's assets, toward ensuring the perpetuation of the culture, the enhancement of lifestyle and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and lāhui, recognized nationally and internationally.

Nu'ukia (Vision)
Ho'oulu Lāhui Aloha - To Raise a Beloved Lāhui

He 'ōlelo māka'ō "Ho'oulu Lāhui" na ke Aiki Nui Kāikākau, a he kīa ho'omanā 'o 'o 'Aloha" no ko ke Aiki Nui Lāhui uokalani 'ano kū a mau.

"Ho'oulu Lāhui" was King Kāikākau's motto. Aloha expresses the high values of Queen Lili'uokalani.

CFO Hinck: OHA is governed by a Board of Trustees made up of nine members who are elected Statewide to serve four-year terms setting policy for the agency. In April 2019, the Board of Trustees approved a new Board Governance framework to better align the establishment of policies and related decision making. The framework articulates OHA's dual identity as an organization serving the Lāhui and balancing it with the mandates as a state agency, its fiduciary duties as a trust, and its operating values, policies, and practices. I'll give you a couple of minutes to review this slide.

Governance Structure

DRAFT FOR BOARD WORKSHOP PURPOSES

The Office of Hawaiian Affairs is a public agency with a high degree of autonomy, responsible for improving the well-being of Native Hawaiians. OHA is governed by a Board of Trustees (BOT) made up of nine (9) members who are elected statewide to serve four-year terms, setting policy for the agency. The agency is administered by a Chief Executive Officer (Ka Pōhane) who is appointed by the BOT to oversee operations, including staffing.

Board of Trustees
Four of the nine positions on the Board are designated as at-large seats representing the state as whole, while the five other trustees represent each of the following districts: Hawai'i Island, Maui, Molokai and Lanai, O'ahu, and Kauai and Ni'ihau. While there are residency requirements for candidates seeking the district seats, all voters, statewide are permitted to vote in each of the OHA races.

The BOT is responsible for setting OHA policy and managing the strategies of the agency's trust. Prior to COVID-19 restrictions, the Board met regularly at the agency's headquarters in Honolulu, and at least once annually on each of the major islands. Board meetings are currently held virtually and proceedings live streamed.

Each of the trustees sits on the Board's two standing committees: Resource Management (RM) and Beneficiary Advocacy and Empowerment (BAE).

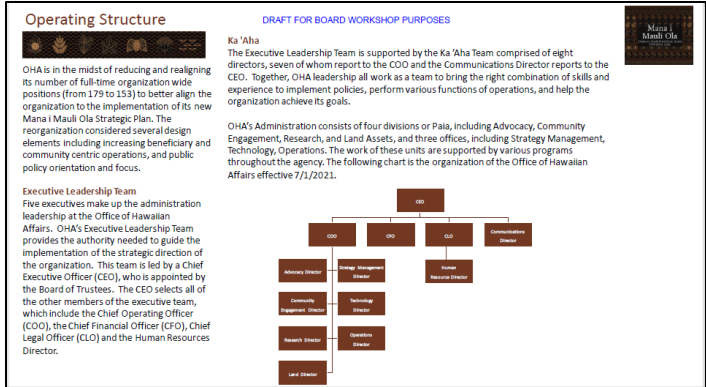
The RM Committee handles all fiscal and budgetary matters and ensures proper management, planning, evaluation, investment and use of OHA's trust funds, including policies, related to land use, native rights and natural and cultural resources.

The BAE Committee focuses on the agency's legislative and advocacy efforts, that encourage Hawaiians to participate in governance; as well as programs that address issues relating to beneficiary health, human services, economic stability, education, housing, environment and natural resources.

The RM and BAE Committees convene regularly and approve actions and recommendations that are forwarded to the full Board for consideration and final approval.

In April 2019, the BOT approved a new Board Governance Framework to better align the establishment of policies and related decision making. The new Board Governance Framework articulates OHA's dual identity as an organization serving the Lāhui balanced with its legal mandates as a state agency, its fiduciary duties as a trust, and its operating values, policies and practices.

CFO Hinck: This information is just a reminder of everything that we already know, stop me anytime when you have questions. OHA is in the midst of reducing and realigning its number of full-time organization wide positions from 179 to 153 to better align the organization to the implementation of its new strategic plan. The reorganization designs are to increase beneficiary and community centric operations, and public policy orientation and focus. The Executive Team is comprised of five members, the CEO, COO, CFO, Chief Legal Officer, and the Human Resource Director. This team is supported by the Ka 'Aha team comprised of eight directors; seven of whom report to the COO, and the Communications Director, who reports to the CEO. The organization chart illustrates a structure and is effective on July 1, 2021, the start of the new fiscal year.



Trustee Lee: So, the diagram that we're looking at - *isn't that how we sit today?* That doesn't look like the reorg.

CFO Hinck: I think the Communication Director is reporting directly to the CEO.

Pou Nui Brown: *Chair Waihe'e, may I add something really, quickly here?*

Chair Waihe'e: Go ahead, Casey.

Pou Nui Brown: Thank you. We also have an Operations Director - that is there as well. This does reflect the reorg Trustee Lee.

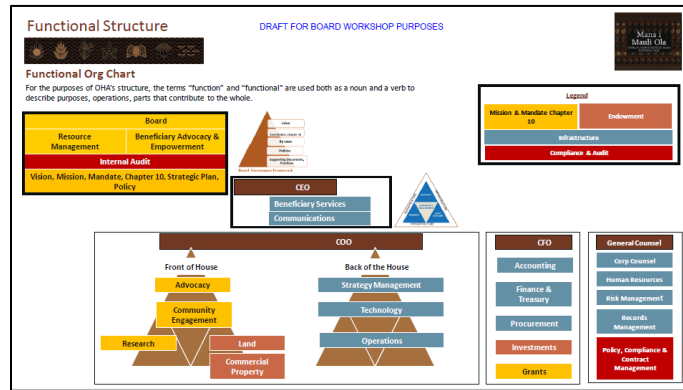
Trustee Lee: Okay, Thanks, Casey. So, this is effective the first day of the new fiscal year and that's contingent on the Trustees approving the budget.

Pou Nui Brown: Correct.

Trustee Lee: Thank you.

Trustee Hulu Lindsey: I just want to say that in Hawai'i Revised Statutes, the reorganization or the structure of OHA is still the Trustees responsibility and not necessarily does our Administrator have the authority to design the structure of OHA - the way that individual wants. I believe that that structure will come before the Board for approval.

CFO Hinck: Functional structure. This is another view of the organization chart by functions. Please note the legend at the top right, and the different colors that explain the purpose of each function. I'll give you a moment to look over this slide. Let me know if you have any questions.



Trustee Lee: Trustee Hulu Lindsey, while others are perusing this image. It makes me wonder if we are going to have the final authorizing authority over a restructure.

- *Why are we getting a workshop on a proposed budget of a structure that has not been approved?*
- *What happens if the Board does not approve that?*

Then we just had a workshop on something that is irrelevant.

- *Should we not have had that discussion before this discussion?*

Trustee Hulu Lindsey: I believe our Administrator withdrew the request for approval of that money.

Trustee Lee: Correct, but that money wasn't necessarily the reorg. The money was going to allow them to move forward with a possible reorganization. If that hadn't been withdrawn, and we had approved that - that doesn't necessarily mean that we approve their reorg.

Trustee Hulu Lindsey: That's true. It doesn't mean that the money would have approved the reorg.

Trustee Lee: Correct.

Trustee Hulu Lindsey: Yeah.

Trustee Lee: So, if it's the Chair of the Board's feeling that according to Chapter 10, we have the final authorizing authority of the structure of OHA - again, I ask - maybe this goes to Chair Waihe'e:

- *Why are we getting a workshop on a budget for reorganization that we have not approved?*

By giving us this workshop - it assumes that we are approving this reorg. That's what it assumes because I don't see an alternative. Here's Budget "A" Trustees, if you approve, here is an alternative budget "B" Trustees, if you don't approve. I am seeing one presentation that assumes that we are approving. *Am I the only Trustee that sees it that way?* If I am, I'll shut up.

Trustee Ahu Isa: You're right, Trustee Lee.

Trustee Hulu Lindsey: I think there is an assumption, and of course, time is also ticking away to complete this by the end of June 30. I think it's also a facilitation manner, but if things don't turn out the way it's expected, then the money cannot be spent. That's why it hasn't been approved, as you know.

Pou Nui Brown: I'll add one small comment quickly here. Trustees, as Chair Hulu said, the team did make an assumption - that the reorg would be completed. We had to put a stake in the ground, so that we could complete the material and be able to share it with you folks. If that stake needs to move, if the budget is not approved, then, of course, we'd come back and revise all of this material and bring it forth. So yeah, we made an assumption - to bring the material forward, but it can be changed if necessary.

Trustee Lee: *In a month and a half, Casey?*

Pou Nui Brown: I would have to confer with my CFO colleague to see if that's possible, because the financials are a tough chore.

Trustee Lee: I understand that, which is why I'm asking what I'm asking now.

CFO Hinck: By year end...

Pou Nui Brown: *By Fiscal Year end Mona?*

CFO Hinck: Yes, I commit to that.

Trustee Lee: Ok.

CFO Hinck: Moving on to the next slide, OHA's 15-year strategic plan for 2020 to 2035. There are three foundations, 'Ohana (family), Mo'omeheu (culture), and 'Āina (land and water) and our four directions, and eight strategies. These three foundations have the power to affect the well-being of Native Hawaiians. Therefore, they're woven into the four directions to affect change in the areas of Education, Health, Quality Housing, and Economic Stability. These four directions will be used to guide OHA's work to better the conditions of Native Hawaiians. Over the next 15 years, OHA will implement eight external strategies to achieve our envisioned outcomes for a thriving and abundant lāhui.

Mana i Maui Ola: OHA's 15-Year Strategic Plan For 2020-2035

OHA's Strategic Plan "Mana i Maui Ola" (Strength to Wellbeing) includes three foundations: 'Ohana (family), Mo'omeheu (culture), and 'Āina (land and water). OHA recognizes these foundations have the power to affect the wellbeing of Native Hawaiians. Therefore, they are woven into OHA's plans to affect change in the areas of education, health, housing, and economics. These four directions will be used to guide OHA's work to better the conditions of Native Hawaiians.

Over the next 15 years, OHA will be implementing eight (8) external strategies, aligned with our foundations and directions to achieve our envisioned outcomes for a thriving and abundant lāhui. These strategies include:

Direction: Educational Pathways
STRATEGY 1: Support development and use of educational resources for all Hawaiian lifelong learners in schools, communities and 'ohana.
STRATEGY 2: Support education through Hawaiian language medium and focused Charter Schools.

Direction: Health Outcomes
STRATEGY 3: Advance policies, programs, and practices that strengthen Hawaiian wellbeing, including physical, spiritual, mental and emotional health.
STRATEGY 4: Advance policies, programs and practices that strengthen the health of the 'āina and mo'omeheu.

Direction: Quality Housing
STRATEGY 5: Advance policies, programs and practices that strengthen Hawaiian resource management knowledge and skills to meet the housing needs of their 'ohana.
STRATEGY 6: Support implementation of the Hawaiian Homes Commission Act and other efforts to meet the housing needs of 'ohana.

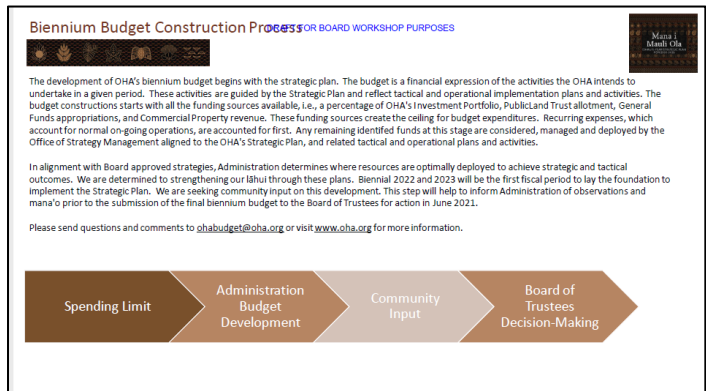
Direction: Economic Stability
STRATEGY 7: Advance policies, programs and practices that strengthen 'ohana's ability to pursue multiple pathways toward economic stability.
STRATEGY 8: Cultivate economic development in and for Hawaiian communities.

'Ohana Mo'omeheu 'Āina

CFO Hinck: Next slide is the Biennium Budget Construction Process. The start of any budget begins with the strategic plan; the budget is a financial expression of the activities that we intend to undertake in a given period. The budget construction starts with all the funding sources available. So that would be the percentage of OHA's Investment Portfolio, the Public Land Trust allotment, General Funds appropriations, and Commercial Property revenue.

These funding sources create the ceiling for the budget expenditures. Recurring expenses, which account for normal ongoing businesses are accounted for first. Any remaining identified funds at this stage are considered managed and deployed by the Office of Strategy Management; aligned to the Strategic Plan, and related tactical and operational plans and activities.

With Board approval, Administration determines where resources are optimally deployed to achieve strategic and tactical outcomes. Biennial 2022 and 2023 will be the first fiscal period to lay the foundation to implement the Strategic Plan. We're seeking community input on this development to inform Administration of observations and mana'o prior to the submission of the first biennium budget to the Board of Trustees for action in June of 2021.



Trustee Lee: So, we're getting our Biennium Budget binders within the next two days. So, the community has one week to provide their input to Administration before it comes before the Board.

CFO Hinck: These slides will go out to the community; if it's okay. Then the detailed budget binders will come a little bit later.

Trustee Lee: I just heard Sylvia say we were getting our binders this week; being that today is Tuesday I'm assuming that's going to happen within the next two days.

CFO Hinck: Yes.

Trustee Lee: Then you said that it's going to come to the Board for approval by the first week in June, which is next week. So, the community has a week to provide their input, a week-and-a-half on the outside.

CFO Hinck: I think we were thinking about two weeks that they would have. Then we will finalize any inputs and comments. Then probably have another workshop with the Trustees to go through the binder and then present something on June 15th for approval. *Is that correct Sylvia?*

Pouhana Hussey: June 15th would be another workshop for the Board with updated information input from beneficiaries. The Board would have their binders about two or three weeks before any workshop would be brought back. Based on that workshop, then an action item would be determined as was done two years ago. If the Board felt that another workshop was needed before an action item, we would schedule that accordingly.

Trustee Lee: Okay, so Mona I just want to point out to you what you committed to. So, if our first workshop on those binders is the 15th and if the Board is not happy with that based on our reorg and another workshop does come in front of us by the 22nd - that would leave you 10 days to come up with a new budget before the biennium starts.

CFO Hinck: *I get 10 days total?*

Trustee Lee: I'm sorry, I stand corrected - eight days that it would have to come back for the Board's approval and I'm going to guess without a workshop because I don't know where you'd fit another workshop in.

CFO Hinck: I'll do my best Trustee Lee.

CFO Hinck: On the next slide, OHA has identified two primary Spending Priorities needed to implement the new strategic plan. That's increasing OHA's Grants and Beneficiary Services and Streamlining and Refocusing Personnel and Contracts.

The first strategy within each strategic direction outlines OHA's work to improve Native Hawaiian conditions through supporting individuals and 'ohana level changes. So that would be the first arrow coming in to support the beneficiaries and communities, the top arrow.

The second strategy within each direction outlines OHA's work to change the systems that contribute to unequitable or unjust conditions for Native Hawaiians. So that's the second arrow coming in. A noteworthy example of this balance is the increase to the annual grant budget of 1.5 million dollars, representing a 57% increase from the biennial 20-21 preliminary budget and is equal to 100% of the Public Land Trust revenue. So, with this change - most grants become the largest share of OHA's core operating budget.

Funding

As part of the budget construction process, the Executive Leadership Team balances the budget based upon the following priorities and constraints.

Spending Priorities
For this biennium period, OHA identified two primary spending priorities needed to implement the new Strategic Plan, Mana I Maui Ola. These priorities include:

1. Increasing OHA Grants & Beneficiary Services to support Native Hawaiians, 'ohana and communities within Hawai'i's current systems.
2. Streamlining & Re-Focusing Personnel and Contracts to advance the work needed to transform Hawai'i current systems.

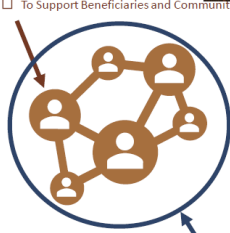
Each direction within Mana I Maui Ola contains two distinct strategies. The first Strategy in each direction outlines OHA's work to improve Native Hawaiian conditions through supporting individuals and 'ohana level change.

DRAFT FOR BOARD WORKSHOP PURPOSES

The second Strategy within each direction outlines OHA work to change the systems that create or contribute to unequitable or unjust conditions for Native Hawaiians. Therefore, this budget proposes a balance between individual support and system change. To create this balance, the annual grant budget is increased to \$15.1 million, representing 57% increase from the FB20-21 preliminary budget annual amounts and equal to 100% of the Public Land Trust Fund revenue. Grant funds are allocated to traditional grant programs and used to support the Department of Hawaiian Home Lands. This change moves the grant allocations to become the *largest share of OHA's core operating budget*.

Correspondingly, personnel and contract costs are streamlined and re-focused to provide the greatest impact to our current systems. This work includes research to identify systemic disparities and barriers to Native Hawaiian equality and justice; advocacy to implement policy change and protect Native Hawaiian rights and land; and convening community groups to amplify Native Hawaiian voice in all public spheres.

Community \$
↑ To Support Beneficiaries and Communities



Personnel & Contracts
To Transform Systems

CFO Hinck: Once spending priorities are identified, constraints on funding sources and spending decisions are considered. So, these constraints are both restrictions on the funds that OHA receives, as well as previous commitments that the agency has made. So, identifying this part of the process to determine the additional budgetary decisions that must be made.

First, the PLT revenues that are limited to 15.1 million dollars, which we believe is at least half of what Native Hawaiians should be receiving; that's a limiting factor in our budgets.





The second is our spending limit calculation at a maximum of 5% of a rolling 20-quarter average of the Native Hawaiian Trust Fund.


Third is a fringe benefit rate, which adds significantly to payroll. So, for budgeting purposes for Fiscal Year 22-23 we're using an actual rate of 52%. Taking that over an average of nine months of Fiscal Year 20-21.

Fourth, these are standing commitments, including grant provisos from the state general fund appropriations with matching funds from OHA. The DHHL debt servicing agreement that OHA pays for which is \$3 million annually. Along with pledging dollar-for-dollar the 15.1 million from the PLT revenues to grants.

Funding DRAFT FOR BOARD WORKSHOP PURPOSES

Key Constraints
Once spending priorities are identified, constraints on funding sources and spending decisions are considered. Constraints include both restrictions on the funds that OHA receives, as well as previous commitments the agency has made to further the mandate and mission. Therefore, constraints need not be viewed as negative, but rather a part of the process to determine the additional budgetary decisions that must be made.

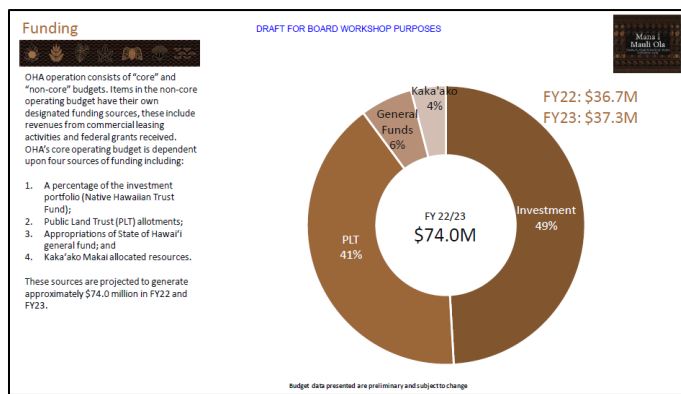
 <p>First. In 2006, the state set the native Hawaiians' pro rata share of Public Land Trust revenues at \$15.1m annually. This amount is outdated and represents about half of what native Hawaiians should be receiving, thereby significantly restricting OHA's budget.</p>	 <p>Second. OHA adheres to a Spending Policy, that is calculated at 5% of a rolling 20 quarter average of the Native Hawaiian Trust Fund.</p>
 <p>Third. the budget accounts for the actual calculated fringe benefit rate of 52%. This adds a significant amount to Payroll. Every \$1 of salary requires \$0.52 of fringe benefits. The approved rate from the state was 63.28% which was lowered to 50.98% then increased to 52.83% due to COVID.</p>	 <p>Fourth. OHA honors large standing commitments, including grant provisos from the state general fund appropriations with matching funds from OHA; DHHL debt servicing agreement, and pledging dollar-for-dollar of the \$15.1m from the PLT revenue to grants.</p>



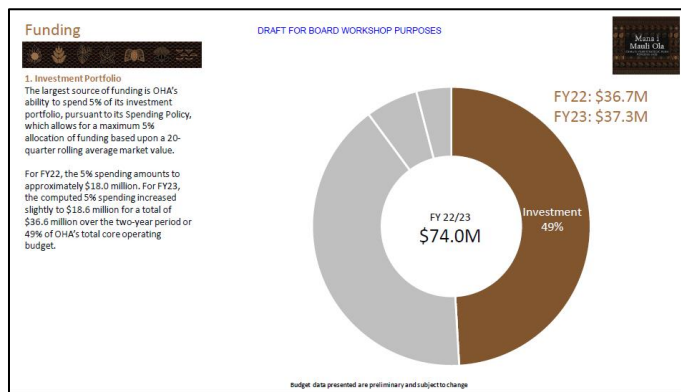
CFO Hinck: OHA’s operations consist of core and non-core budgets.

The Non-Core budget has its own funding resources and are therefore not included in OHA's core budget. These include revenues from commercial property and federal programs.

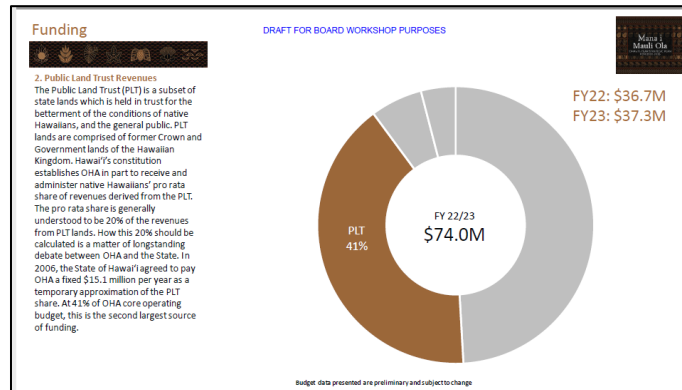
The Core budget spending is limited to the funds available from four sources; the percentage from the Native Hawaiian Trust Fund, the Public Land Trust revenues, the appropriation from the State of Hawai‘i general fund, and a portion of Kaka‘ako’s net income. For Fiscal Year 22-23, the total projected funds available for OHA's core budget is 74 million dollars. This pie chart represents the percentage allocation of each source.



CFO Hinck: The largest source of funding is our Native Hawaiian Trust Fund. Pursuant to the spending policy a maximum of 5% based upon a 20-quarter rolling average market value is allowed. For FY22, that is approximately 18 million and for FY23, that amount increases to approximately 18.6 million for a total of 36.6 million over the two-year period, or 49% of the total core operating budget.



CFO Hinck: The second largest source of funding is our Public Land Trust revenues. Since 2006, the State of Hawai'i had agreed to pay OHA a fixed 15.1 million dollars per year as a temporary approximation of the PLT share. This represents 41% of OHA's core operating budget.



Pou Nui Brown: *Can I jump in and add something before we move off of these sources of funds?*

Chair Waihe'e: Oh, yes, go ahead.

Pou Nui Brown: Yeah, I just wanted to reiterate something that was mentioned up top. So, these donut charts you see and the way this whole presentation is organized is very similar to what it was when we went out two years ago. The categories will feel similar to the beneficiaries. It's just the numbers that we have to make sure it's right, but in terms of this whole pie here, I wanted to remind everyone that the key message we're driving for here is that we're doing more with less.

The message that was highlighted in the Executive Summary was we're actually increasing our grants, and this 74 million you see now is actually less than it was in the 20-21 biennium budget. That 20-21 biennium budget two years ago was 74.5 million dollars. So that's the big underlying message to take away from this; that we upped our grants by \$3 million. Yet, we're doing all of that with less total budget. The details are fun to look at and are very informative, but I just wanted to highlight the key message - so Trustees come away with the right understanding and the message we're leading out with when we eventually go to the public. Mahalo Chair.

Trustee Lee: So, since you brought that up. Based on the feedback that myself and other Trustees and I'm sure you are getting from our beneficiaries - they're also going to see through that. They're going to see that, yes, you're doing it with less money, but you're assuming you're going to have less money. You're going to be able to do more with less money because you're eliminating personnel. That's the message that I'm sure why my phone is already blowing up about. That's what we're going to have to deal with after this meeting. Yes OHA, you are doing more with less awesome, but you're saying you're going to do more, because you're getting rid of people.

Pou Nui Brown: Thanks for raising that, and especially if that's something Trustees are hearing, we want to be able to balance our messaging the right way. We want to be able to prepare our responses; it is part of the reality there. I think we'd have to look at our messaging to make sure that we're prepared to respond to that. Thanks for raising that Trustee.

Trustee Ahu Isa: In addition to what Trustee Lee said:

- *Why can't we do like what the Federal Government does, when they come to an impasse, and they have to have a budget or the people can't get paid, come October 1?*
- *Can we just temporarily go status quo; approve for three months, one quarter, and not do the reorg.?*

Just wait, and then we can get the job descriptions. We can see how we can fit things in, but in the meantime, get the first part of that.

- Do we lose the 15 million, do we have to encumber that 15 million?

Trustee Hulu Lindsey: No, we don't have to encumber the 15 million, that's ours.

Trustee Ahu Isa: Kind of like the DOE, our budget, once general fund, we could roll it over, we never lose it. So, then we start the new fiscal year, but just to get these job descriptions, a so-called reorganization in place. I think we need time; we can't really rush this.

The other thing I was going to say is the biennium is really not due for the next legislative session, which is a new biennium and a supplemental. We don't have to give it to the governor until I think the end of this year and we do have standing commitments for fringe benefits; we have to pay certain things. I think we should have a temporary approval of a budget for like, one month, two months, three months and not rush this through and get stuff to us by June 15 and have another workshop.

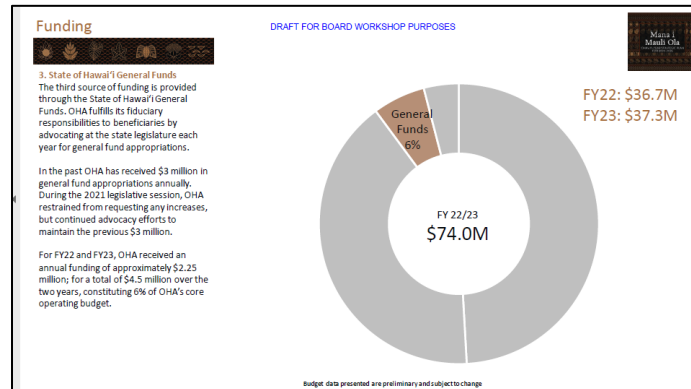
We can look at increasing the funding, that's the main thing I wanted us to do. I found a memo, I think I showed Trustee Lee, or I brought it in yesterday and I showed our Chief of Staff, Colin that we have 25 million and BNF sitting in there, in our reserve our PLT - we only get 15 mil.

At one point, Department of Transportation, the State stole 5 million and transferred it over then we had to get it back, Colette wrote a note; we had to get it back.

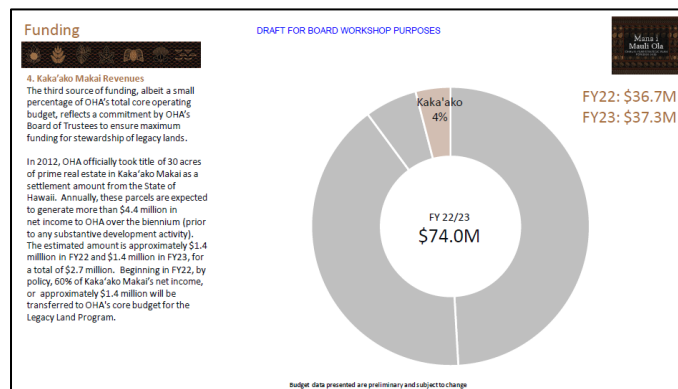
Now what happened to the task force that was formed that's supposed to up this? It's been sitting there just like our increase in our funding for the Trustee Salary Commission. All of these local committees, task force that was in resolution in 2016 is still sitting there with all that money. I think now we may be up to what - 40 million dollars. Why don't we work on that kind of stuff instead of the new milling and picking how we're going to do this and cutting salaries.

Hire professional lobbyists, get us the money, or do something in that vein. Sorry, Chair Waihe'e, but you've been around a long-time and you know exactly what I'm talking about increasing it. Mahalo.

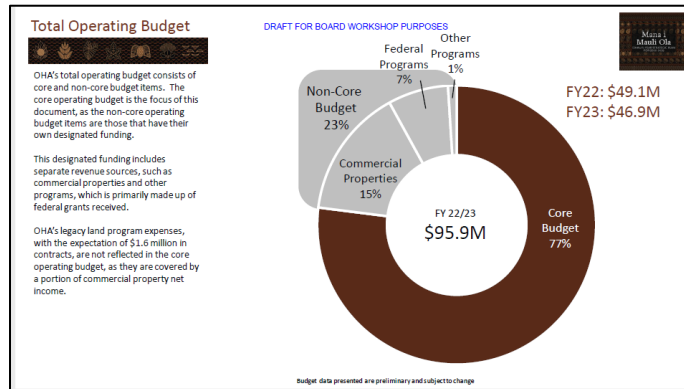
CFO Hinck: The third source of funding is the State of Hawai'i General Funds. In the past OHA has received \$3 million appropriations annually. During the 2021 legislative session OHA restrained from requesting additional increases to the general fund, but continued advocacy efforts to maintain the previous 3 million dollars. For Fiscal Year 22 and 23, OHA received an annual funding of approximately \$2.25 million for a total of \$4.5 million over the two years, constituting 6% of OHA's core operating budget.



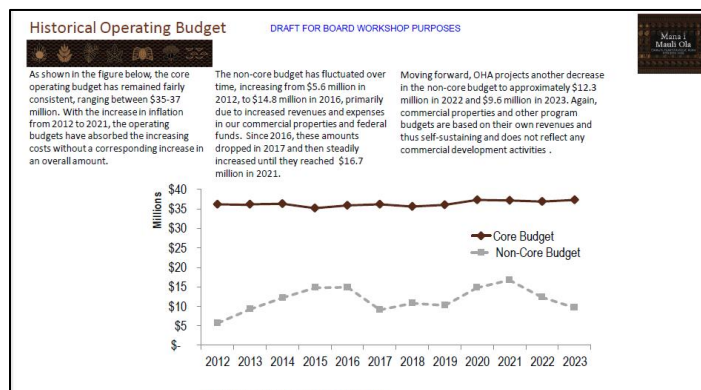
CFO Hinck: The last source of funding for OHA's total operating budget reflects a commitment by OHA's Board of Trustees to ensure maximum funding for stewardship of the legacy lands. Beginning in fiscal year 22; by policy, 60% of Kaka'ako Makai's net income or approximately 1.4 million will be transferred to OHA's core budget for the Legacy Land Program. The estimated amount for Fiscal Year 22 and 23 is approximately 2.7 million and represents 4% of the total amount of funding available.



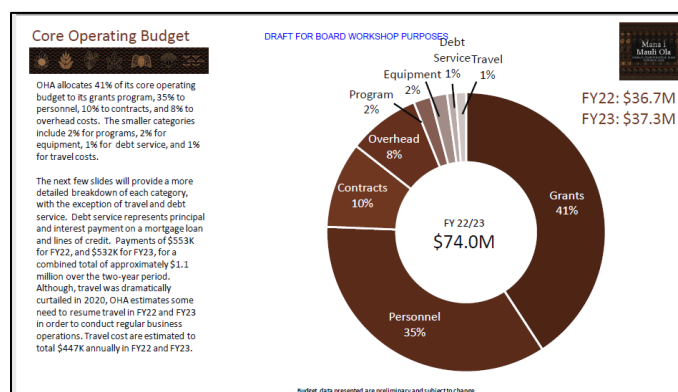
CFO Hinck: OHA's Total Operating Budget consists of core and non-core budgets. The core operating budget is the focus of this document, as the non-core operating budget items are those that have their own source of funding. This designated funding includes separate revenue sources, such as the commercial properties and federal grants and other programs.



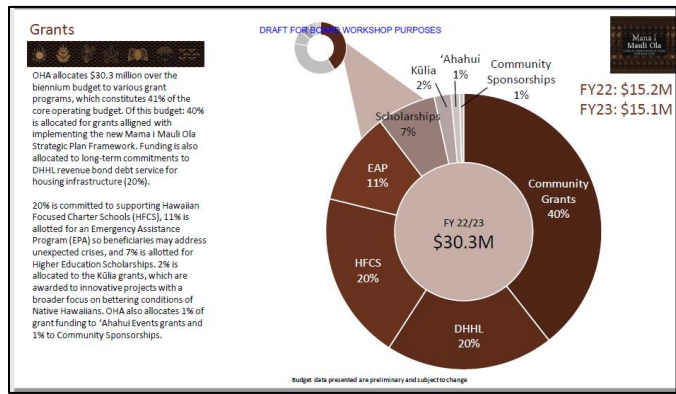
CFO Hinck: This slide shows the historical view of OHA's core and non-core operating budgets since 2012 to the projected budgets for Fiscal Year 22 and 23. The core operating budgets remain fairly consistent at 35 million to 37 million annually. The non-core budgets fluctuate over time, mainly due to the budgets of the federal programs and commercial properties that are self-sustaining.



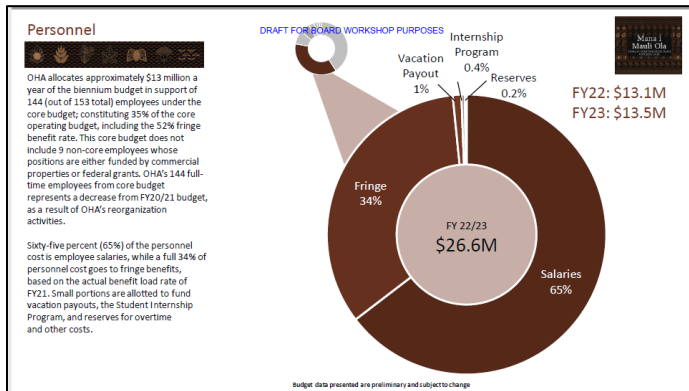
CFO Hinck: OHA allocates 41% of its core operating budget to its grants program, 35% to personnel, 10% to contracts, 8% overhead costs and miscellaneous smaller categories.



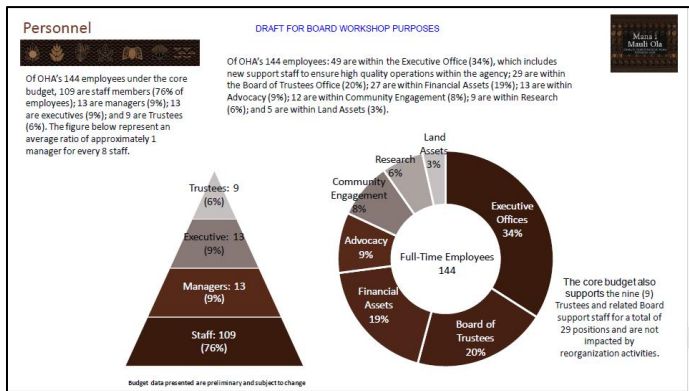
CFO Hinck: The next few slides will provide a more detailed breakdown of the larger percent allocation categories. OHA allocates \$30.3 million over the biennium budget to various grant programs, which constitute 41% of the core-operating budget. This amount also includes the DHHL debt servicing for housing infrastructure that OHA pays as a grant to DHHL of 3 million per year. I'll pause here while you look over the chart and where we're projecting the grant monies will be targeted to.



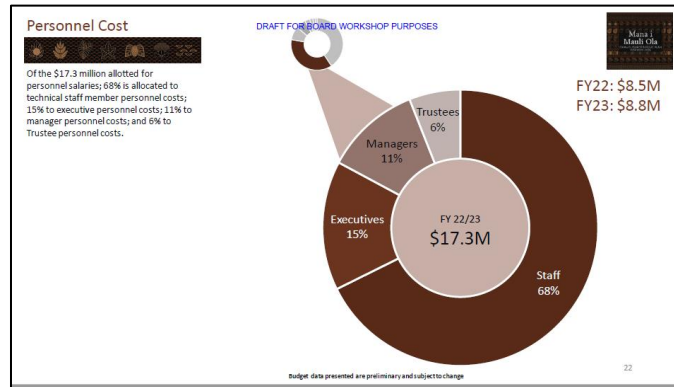
CFO Hinck: OHA allocates approximately \$13 million a year of the biennium budget in support of 144 positions out of 153 positions, nine of which are non-core employees. This constitutes 35% of the core-operating budget and includes the 15% fringe rate benefit. As you can see, 65% of the personnel is for employee salaries, while a full 34% of the personnel costs, go to fringe benefits.



CFO Hinck: This slide illustrates personnel counts at various levels and personnel dollars in various paia. I'll give you a moment to go through both charts.

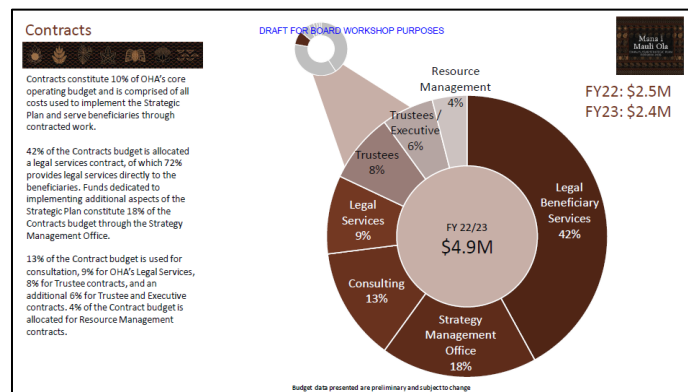


CFO Hinck: This pie chart shows the percentage allocation for the different personnel levels based on salaries.



CFO Hinck: As mentioned earlier in the budget construction process - recurring expenses, which account for normal ongoing operations are accounted for first. Any remaining identified funds at this stage are considered, managed, and deployed by the Office of Strategy Management; to ensure alignment to the strategic plan and related tactical and operational plans and activities.

So, with the BOT approval, Administration determines where resources are optimally deployed to achieve strategic and tactical outcomes. For instance, Beneficiary Services of \$1 million, which include the legal provisos and OHA's matching funds, make up 42% of the pie. \$150,000 is in the Trustees budget for the internal audit function. Resource Management has \$90,000 for the external audit and other service fees of \$751,000 is split between: Consulting, Trustees, and Other.



Trustee Keola Lindsey: Mona - at the beginning of the presentation, it talks about streamlining and refocusing personnel and we've talked about the reorg already, but "and contracts". So, does this talk about, I mean - *how is that refocusing happening, I guess?*

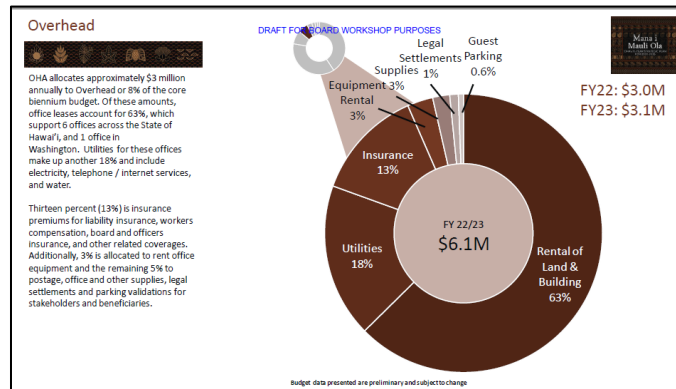
CFO Hinck: The first cut are contracts that are basically recurring contracts, or contracts that we have identified that we need to budget for. Then the rest of the monies are going to go into the Strategy Management Office and from there, it will be deployed based on our strategic plans and the priorities. So, it's not in the programs themselves, but it's in this big pot, aggregated, and then deployed as needed.

Trustee Keola Lindsey: I'm just wondering, like if I'm receiving this presentation in the community, and on the first slide, it's in bold, right, it says, **Streamline & Re-focus Personnel and Contracts**, but what is the refocusing and streamlining part? (Sound cuts out...)

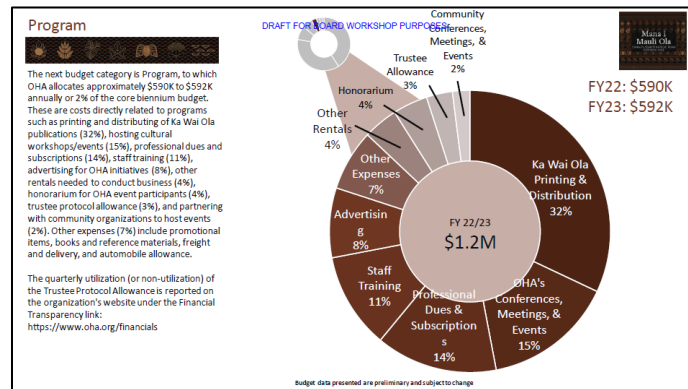
CFO Hinck: I would think that the contracts that are in the Strategy Management Office would look at the Beneficiary Services and Advocacy, and those items that we call out that are the result of the reorganization and realignment of it.

Trustee Keola Lindsey: Okay. Thank you.

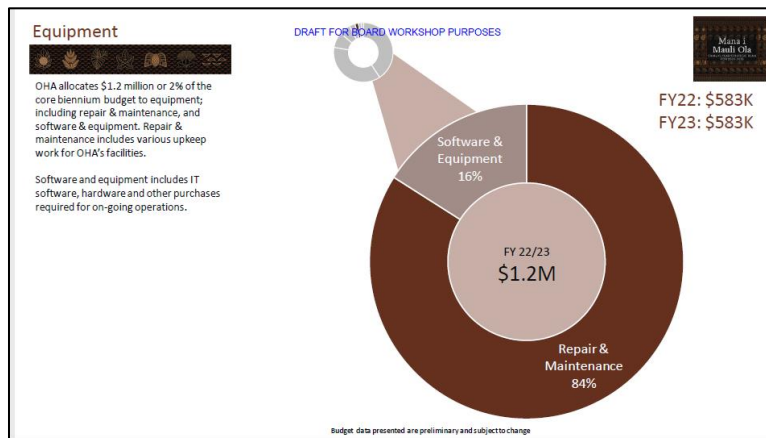
CFO Hinck: OHA allocates approximately \$3 million a year to Overhead or 8% of the core biennium budget. Office leases account for 63% or 3.8 million of the biennium budget. This supports six offices across the State of Hawai'i, and one office in Washington D.C. Utilities for these offices come out to 18% of the core expenses, or \$276,000. That includes electricity, telephone, internet service and water. Insurance is at 13% or \$790,000 and those rounds out the top three overhead expenses.



CFO Hinck: Program expenses are a hodgepodge of expenses directly related to the specific programs. So, I'll just give you a few minutes to review this slide.



CFO Hinck: Equipment expenses are repairs & maintenance and software & equipment for IT.



CFO Hinck: We're done. *Anybody have any questions?*

DRAFT FOR BOARD WORKSHOP PURPOSES

Please send your questions and comments to ohabudget@oha.org or visit www.oha.org for more information.

A schedule of Zoom meetings (varying days and times) will also be announced for more interactive opportunities to learn about and provide feedback regarding the 2022-2023 biennium budget.

Chair Waihe'e: Ok members, *are there any further questions about the presentation or the process or anything related to what you've seen?*

Trustee Hulu Lindsey: I actually think there'll be many questions.

Chair Waihe'e: I agree.

Trustee Hulu Lindsey: Our Trustees need the time to review the details of the budget. Just as the example that Trustee Keola Lindsey raised; 4 million for contracts that we don't know what contracts we're talking about. That's very concerning. I would suggest that the Trustees review this. I remember asking a few years back before Sylvia came to OHA, that it would be very helpful for the Trustees to not only see the percentage, but the actual numbers.

- *What are we talking about; \$1 million, \$600,000?*

I appreciate the percentages, but I think more realistically, if we see the numbers, that would be also helpful. I am sure that the Trustees need some time to lull over these numbers and have many questions for Administration. That's just my personal feeling as well. I would welcome to hear comments from the other Trustees.

CFO Hinck: So just to clarify, Trustee Hulu Lindsey. The Legal Beneficiary Services of a million includes the legal provisos and are matching funds; that's 1 million. So, there's actually 2.5 million, targeted for contracts. 150,000 is the internal audit function, 90,000 is the external audit that we need to contract for and other legal services of 751,000 are split between consulting, trustees and other. The balance is put into the Strategy Management Office to be deployed later upon Trustee approval.

Trustee Hulu Lindsey: So that request for money would come before the Board is what you're saying. I'm familiar with the matching funds for NHL, because half of it is what we got from the State for our general fund. So, the proviso is what we match up to it. So, is that 4 million - *just include our side of the match, or is it combined?*

CFO Hinck: It includes their side, but 1 million is over two years. So, it's 2.5 million or something.

Trustee Hulu Lindsey: Okay, yeah.

CFO Hinck: So that's the bulk and then the balance, like I said, is going to go into the Strategy Management Office to be deployed later - once the tactical plans and decisions are made and the BOT has approved those contracts.

Trustee Akina: Just a question and we can direct this to whoever on Administration might be able to answer it. Forgive me if my memory is failing, and it may be failing at this point. With regard to the 5% Spending Policy on the Native Hawaiian Trust Fund, I know back in 2016 and '17, we had some discussion as to possibly bringing that down closer to 4%. *Did we conclude those discussions and make any policy or affirmation that would be at 5%?*

Pouhana Hussey: Trustee Akina, no, we did not. The current policy identifies up to or no more. The language is actually no more than 5%. So, the policy work that you've been engaged in is critical in deciding on those policy issues.

Trustee Akina: *Do we have in place any evaluation of that policy? Are we looking at that or just carrying it over into these new policies?*

Pouhana Hussey: So, each year - as the budgets are done, and the spending - we're actually measuring what we actually spent and so that's information that finance can provide, as part of the budget books. We budget what the actual spend is.

Trustee Akina: I know that some of us were concerned that 5% was a bit high and I just wanted to know if we have in place the opportunity to revisit that discussion and to get some recommendation.

Trustee Lee: Trustee Akina, I believe that was a big part of Ryan's presentation and workshop earlier in today's meeting.

Trustee Akina: Right. *So, are we saying we are affirming that for 5%?*

Trustee Lee: No, that is not what we're saying. You just asked if there is any analysis and work being done on that 5% and I am reminding you that analysis being done because Ryan just brought that before us earlier today in that workshop, that analysis for the Board.

That's one of many analyses that they're doing for policies. It's the spending policy, which is the 5% you're talking about, the debt policy, the proposed endowment policy, that was all a part of that workshop that we had earlier this afternoon.

Trustee Akina: Thank you. I do recall that that was on the list, but I'm very pleased to hear that the actual percentage amount is being evaluated and we'll get a recommendation. I think it's important for us to discuss and analyze.

CFO Hinck: We have four sources, so the PLT monies are going directly to the grants. Commercial property funding is going directly to the Land Legacy. The general funds - basically just got grant provisos, so that goes directly to grants. So, all we have is the 5% of the Native Hawaiian Trust Fund to support the entire budget of OHA.

Trustee Hulu Lindsey: The revenue from Kaka'ako, as well as Nā Lama Kukui, which is about 8 million a year.

CFO Hinck: Right, but that's not part of the core budget.

Trustee Hulu Lindsey: Okay.

Chair Waihe'e: Sorry, Trustee Akina. *Did you get the answer to what you're asking?*

Trustee Akina: What I'm basically asking is whether 5% is a safe number for us and I would like to know what the latest thinking on that is. I do recognize that that is where our funding comes from, but whether it should be as high as 5% is something that I would like to be well assured of in terms of the long-term stability and preservation of the Native Hawaiian Trust Fund. I'm just saying I'd be interested in being able to be assured of that and take a look at that.

Trustee Lee: Trustee Akina, two weeks ago, we had an update, from Segal Marco about our portfolio. He gave us an update for the calendar year of 2020 and the current first quarter of 2021, which they pointed out to the Trustees, that our earnings are well above 5%.

So again, I'm not saying that 5% is an appropriate number, but you're asking questions that have been answered. That information has been provided to us. *Where are these questions coming from Trustee?*

Trustee Akina: They're my questions.

Trustee Lee: And I'm asking where they're coming from, because this information has been provided to all of us.

Trustee Akina: Well, thank you. Thanks for asking for clarification. Definitely Segal Marco provided us the actual status of our spending and earnings and that was positive. I'm just talking theoretically about the amount of the percentage that we have as policy. It's policy questions.

Trustee Lee: That theoretical question; so, if our portfolio, not theoretically, but actually since its inception, has earned more than 5%, then theoretically 5% is a fine number.

Again, I'm not saying that it is, but since you asked a theoretic question. The information provided to Trustees in our Native Hawaiian Trust portfolio update shows that we have consistently earned more than 5%.

Trustee Akina: I don't disagree. I think we also have to be responsible for any policy that addresses our thresholds.

Chair Waihe'e: We can discuss those kinds of policies later on. Right now, I want to keep the questions toward the presentation, and just the biennium budget that was proposed.

Trustee Ahu Isa: My one concern was what Trustee Keola said, about when we go out into the community, the personnel and reorg thing.

The other thing is Trustee Akina, you don't have to worry the market was super good. You cannot say "oh, the market is good, so we go down to 2%" the next year "the market is bad, we will go up 5%" the consistent number, I think is what you have to look at.

Right now, the market is really good, it's way over 5% like Trustee Lee was saying, so you don't have to worry about that right now. The budget part is what we're worried about. Thank you, Chair.

Trustee Akina: One part of the proposed budget that excites me is the increase in grant funding. I look forward to us making a final decision on that and hopefully seeing that amount increase in subsequent years. The question I have is about the presentations to the community. *Those must be happening soon, right?*

Pouhana Hussey: Yes, Trustee. The intent was to: bring the information to the Board to get the clarifying language, modifying language, subject to board approval - should go completely across this, the assumptions. Your budget books will contain all of the details to the contracts where they are, in what Paia they're sitting in - all the details for that, your budget books will have that.

To your point, to meet the Chapter 10 requirement to have beneficiaries have the opportunity to actually look at the budget, provide some comments - we wanted to be able to send this out next week. Then give the beneficiaries engaged and hold a series of zoom meetings. As well as ask our beneficiary associations like the legislative hui, the Association of Hawaiian Civic Clubs, Counsel for Native Advancement, SCHHA, all of the large beneficiary groups and anyone in between if they would like us to come.

US, meaning Administration to come and explain the budget, explain the assumptions, also put on all of the caveats that are in this budget, and then redirect them to the OHA budget oha.org for input. Bring all of that, aggregate all of that, so that we can bring that back to the Trustees in the next round of the budget workshop and those insights there.

I also want to let the trustees know that Administration also plans to bring specific information regarding the reorganization, including position descriptions to the Board. Obviously, an Executive Session, but that information also will be brought to the Board on that level of detail before any asks of the Board are made for approval.

So, we'll continue to layer in those additional bits of information, but the intent was to give the Trustees a heads-up as to what is in here, put in all of the assumptions and the caveats that are here as well and then get that to our beneficiaries so they can also review. In the meantime, the Board will have all of the budget books, to be able to provide that information to start to do your own review and study of the budget.

Chair Waihe'e: Thank you. *Members, does anybody else have questions?*

No other Members have questions.

Chair Waihe'e: *Are you guys sure?* If not - Thank you Sylvia, Ramona, and Ryan.

VI. ANNOUNCEMENTS

None

VII. 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.

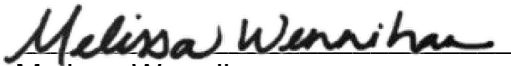
Chair Waihe'e calls for a **ROLL CALL VOTE.**

TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	3:26 p.m. EXCUSED
LEINA'ALA	AHU ISA			X			
DAN	AHUNA			X			
KALEIHIKINA	AKAKA		2	X			
KELI'I	AKINA			X			
VICE-CHAIR LUANA	ALAPA			X			
BRENDON KALEI'AINA	LEE			X			
CARMEN HULU	LINDSEY	1		X			
KEOLA	LINDSEY			X			
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				9	0	0	0

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

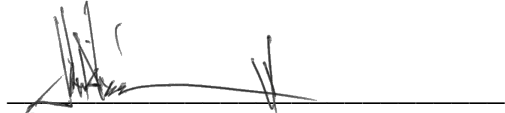
Chair Waihe'e adjourns the RM meeting at 3:26 p.m.

Respectfully submitted,



Melissa Wennihan
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management (RM) on June 23, 2021.



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