

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

July 22, 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 Brendon Kalei'aina Lee
Trustee C. Hulu Lindsey
Trustee Keola Lindsey

EXCUSED:

Trustee Keli'i Akina

COUNSEL:

Robert G. Klein, Esq.

BOT STAFF:

Crayn Akina
Melissa Wennihan

ADMINISTRATION STAFF:

Sylvia Hussey, CEO / Ka Pouhana / Administrator
Casey Brown, COO / Ka Pou Nui
Carla Hostetter, RES
Erin Nakama, IT
Everett Ohta, Corporation Counsel
Kalani Fronda, LL
Kevin Chak, IT
Lisa Watkins-Victorino, RES
Raina Gushiken, Corporation Counsel
Ramona Hinck, CFO
Ryan Lee, INT INV MGR

GUESTS:

Sam Chung, Financial Advisor

I. CALL TO ORDER

Chair Waihe'e calls the Committee on Resource Management meeting for Thursday, July 22, 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	DAN	AHUNA	PRESENT	
TRUSTEE	KALEIHIKINA	AKAKA	PRESENT	
TRUSTEE	LEINA'ALA	AHU ISA	PRESENT	
TRUSTEE	BRENDON KALEI'AINA	LEE	PRESENT	
TRUSTEE	CARMEN HULU	LINDSEY	PRESENT	
TRUSTEE	KEOLA	LINDSEY	PRESENT	

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

EXCUSED from the RM Meeting are:

MEMBERS			COMMENT
TRUSTEE	KELI'I	AKINA	MEMO – REQUESTING TO BE EXCUSED

Chair Waihe'e has technical difficulties and asks RM Vice-Chair Alapa to chair the meeting in his absence.

II. PUBLIC TESTIMONY on Items Listed on the Agenda*

None

III. APPROVAL OF MINUTES

- A. June 23, 2021
- B. June 24, 2021
- C. June 30, 2021

Trustee Ahuna moves to approve the minutes of June 23, 24 and 30, 2021.

Trustee Akaka seconds the motion.

Vice-Chair Alapa asks if there is any discussion.

There is no discussion.

Vice-Chair Alapa calls for a ROLL CALL VOTE.

TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	1:33 p.m. EXCUSED
LEINA'ALA	AHU ISA			X			
DAN	AHUNA	1		X			
KALEIHIKINA	AKAKA		2	X			
KELI'I	AKINA						EXCUSED
VICE-CHAIR LUANA	ALAPA			X			
BRENDON KALEI'AINA	LEE			X			
CARMEN HULU	LINDSEY			X			
KEOLA	LINDSEY			X			
CHAIR JOHN	WAIHE'E						NOT PRESENT AT VOTE
TOTAL VOTE COUNT				7	0	0	2

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

Vice-Chair Alapa 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 #21-09: Approve OHA's Intent to Apply to the Administration for Children and Families, Administration for Native Americans, American Rescue Plan Act Emergency Native Language Funding Opportunity for Native Hawaiians and Pacific Islanders for \$250,000

Vice-Chair Alapa turns it over to Ka Pouhana Sylvia Hussey.

Pouhana Hussey: Good afternoon, Trustees. The action item before you is the formal request to approve our intent to apply. As the action item has outlined - the Administration for Native Americans had a non-compete competition and awarded the Office of Hawaiian Affairs \$250,000 for Native American languages as part of the ARPA. The intent for OHA is to turn around and sub-grant in a competitive process. So, this is the application that needs to be filed.

We have been awarded and we need to formally make that application, so that's the application before you. The deadline is on Monday July 26 - and so we are making sure that we have the right access and all of that back-end sort of things.

Just for your information, the Office of Hawaiian Affairs did have an account in grants.gov and we are wanting to reactivate that, so that we can be prepared to do more federal grant work with that.

So, this is a very excellent, modest, but good pilot program for us to go ahead sub-grant, and then also be able to demonstrate that we can be a good pass-through agent for federal dollars. In the event, other Federal agencies, whether that's the Administration for Native Americans or any other Federal agency, that our capacity to be able to be a pass-through entity is established. That's the context for the action item and the approval.

Trustee Lee: *May I have a little leeway as far as inquiry to Administration before we bring this action before the committee?*

Vice-Chair Alapa: Sure.

Trustee Lee: *Am I understanding correctly that this will not involve any trust funds? It's not asking for matching money or anything from the Native Hawaiian Trust?*

Pouhana Hussey: Correct. The award does not require matching, because it's emergency funds as a result of ARPA. The Notice of Funding Opportunity specifically says there is no matching required. Administration had initially considered offering up to the trustees a consideration to match, but at this point, the priority was to get the application in.

Pouhana Hussey: So, we aren't asking for matching on the trust funds, it is just federal. If there is matching, it is by effort - so the fact that Administration, will upload, will turn around, do the reporting requirements and managing the sub grants. That is our in-kind of matching, but yes, no cash matches required.

Trustee Lee: Thank you, Ka Pouhana. Madam Chair - before it comes before the committee, I don't believe this is the purview of either the Committee or the Trustees. If Administration wants to go and get an ANA grant that has been offered to OHA, that is 100% Federal funds, then Administration is free to do so.

The Trustees have no say. We have no authority over Federal dollars unless they are asking us to match with the Native Hawaiian Trust Fund monies. We are State elected officials, and we have kuleana only over State funds; whether it be trust funds, given to the agency through legislation or Native Hawaiian Trust Funds. I think this is great, but I don't believe that we have the authority to approve Administration to go forward with this. It's Federal funding; they're offering it to OHA, if Administration wants to go and get it - awesome, go get it, but I do not believe it's the purview of the Trustees to weigh-in on this.

Pouhana Hussey: *May I respond and put some context on this?* So, the process that is required is that the applicant, the Office of Hawaiian Affairs in this case, needs to demonstrate that the governance body of the Office of Hawaiian Affairs has given approval to apply. So, we're just fulfilling that requirement. To your point, Trustee Lee – yes, it's all Federal funds, but the process that ANA requires of us is to document the governing body's approval.

Trustee Lee: That completely answers my concern. Thank you, Ka Pouhana.

Pouhana Hussey: Thank you.

Trustee Lee moves to approve OHA's intent to apply to the Administration for Children and Families, Administration for Native Americans, American Rescue Plan Act, Emergency Native Language Funding Opportunity for Native Hawaiians and Pacific Islanders for \$250,000.

Trustee Akaka seconds the motion.

Vice-Chair Alapa asks if there is any discussion.

Trustee Ahu Isa: Yeah, *is it going to require more manpower to do this, Sylvia?*

Pouhana Hussey: So what will be required is the sub-granting solicitation process. Our grants department knows that process very well. It will require on the back end that the research department aggregate all of the data that comes in and then produce a report. So, the manpower on our side comes from the Administration as well as the research pieces. Those are the non-federal contributions that we are engaging in.

Trustee Ahu Isa: Yeah, the in-kind. Just interesting about the evaluation part of it, because it's native language, so you get into the charter schools or in the immersion schools. But yeah, extra money is really, great.

Pouhana Hussey: So, there's a combination - there's our Research side that aggregates. We have consistent research questions that are going to be asked, and then our Systems office will handle the overall systemic evaluation of the five grantees that we are proposing to award. Large enough so that the dollars are meaningful, but manageable enough so that we can do this first foray in community-based research gathering.

Trustee Ahu Isa: Yeah, that'd be interesting to see. Okay. Thank you.

Trustee Lee: Ka Pouhana, *are we considered the prime recipient?*

Pouhana Hussey: Yes, we're considered the awardee and then we are sub-granting the amount.

Trustee Lee: Right, so on page three of the action item, letter D, *Subawards*, it specifically says that the prime recipient must maintain a substantive role in the project. And that Furthermore, ACF does not fund awards where the role of the applicant is primarily to serve as a conduit for passing funds to other organizations.

Pouhana Hussey: Correct. So, the pass-through is there, but it's the work of the research, and aggregating and helping them with the research piece, and then the evaluation report that is due.

So, the three-year work plan, data gathering - data gathering - and then reporting and closing out the three-year grant. So that is the substantive work of the grantee, and not just us as a pass-through entity. We've consulted with the technical assistance centers, and they have supported that sub-granting as well, as our role for the grant.

Trustee Lee: Okay, that answers that question. I have just one more question. So again, as these are Federal funds under IV on page five of the action item, I understand that this project is going to be following OHA's current grant policies, processes, so on and so on, and that they will make award recommendations to the BOT.

Why is this coming back to the BOT for approval? Again, it's not Trust funds. So, I'm not clear how the Trustees would have any authority over approving who the Federal funds are being given to.

Pouhana Hussey: So, while that's our current practice, right, in terms of awarding that all grant awards are approved by the Trustees, we're just trying to follow the same practice in terms of authority, even though the funding source may be different.

Even if it's a federal fund application, we are representing that we're going to follow this process, we're going to put it through a competitive solicitation.

The other choice was we (OHA), could have said, okay, we can choose the recipients and Administration felt that that wasn't optimal in our small community. We don't want our grantees or community to feel OHA is trying to hone-in-on, you know, that kind of dollars. What we want to do is provide the structure and the competitiveness of that and be able to then turn around and sub-grant.

Pouhana Hussey: So, in terms of authority, granting authority is the Trustees' and just the source of that funding may be different, but we are representing that we're running it through our grant process. And our granting process does require that the Trustees be the ones who make the final-authority-approval based on Administration's recommendation.

Trustee Lee: Thank you, Ka Pouhana. Given that nobody from legal signed-off on this action item - can the Trustees get an opinion from either Raina or Everett about the Trustees approving grant funds that don't belong to the trustees?

Assistant Senior Legal Counsel Ohta: I can try to address Trustee Lee's point. HRS§10-5 provides the power to provide grants to individuals, public and private organizations, to the Board of Trustees. So, the Board of Trustees is vested with the authority to issue grants. Under the changes that were implemented in Fiscal Year 2022, the OHA CEO or Administrator no longer has the delegated authority to issue grants. So regardless of the funding source, that authority which originally was with the Board - is no longer delegated to the CEO under a certain dollar threshold, which used to be \$25,000.

Trustee Lee: Okay, so it doesn't matter who the funding comes from.

Assistant Senior Legal Counsel Ohta: Correct.

Trustee Lee: Okay, thanks, Everett I appreciate it. Mahalo, Madam Chair.

Vice-Chair Alapa asks if there is any further discussion. There is none.

Vice-Chair Alapa calls for a **ROLL CALL VOTE**.

							Motion: 1:42 p.m. Vote: 1:49 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						EXCUSED
VICE-CHAIR LUANA	ALAPA			X			
BRENDON KALEI'ĀINA	LEE	1		X			
CARMEN HULU	LINDSEY			X			
KEOLA	LINDSEY			X			
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				8	0	0	1

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

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

V. NEW BUSINESS

B. WORKSHOP: Amendments to the Native Hawaiian Trust Fund Investment Policy Statement and the Debt Management Policy Implementation Procedures

Vice-Chair Alapa turns it over to Ka Pouhana Sylvia Hussey.

Pouhana Hussey: Thank you, Vice-Chair Alapa, I'm going to turn it over to Casey who will help walk through the workshop material that are in your folders.

Pou Nui Brown: Aloha mai Trustees. Okay, so this workshop topic is going to be about policy edits and namely, we're going to talk about the Native Hawaiian Trust Fund Investment Policy Statement and Debt Management Policy implementation procedures.

I'm going to give you a little context first. I'll basically be summarizing the transmittal memo, and then we'll open it up for questions.

So just so you folks know that these policy edits, that are coming for presented to you folks today, they're part of a larger effort to update OHA's set of policies. As you all know, policies and procedures are living documents and we definitely need to do our periodic reviews on those so that we can reflect current practices in the market, current regulations and current circumstances for OHA.

So, this is a great practice and know that there is a larger, broader ongoing effort to update all of OHA's policies. The reason why we've singled these edits out in particular was because these edits have a certain bearing on the proposed acquisition of commercial properties for OHA.

We want you guys to know that that's why they've been identified. We also want you to know that these edits we deem as strong, good edits and we will be bringing these edits to you folks, regardless of whether an acquisition relied on it.

So, you'll see that these edits strengthen OHA, they make OHA more flexible - and bring us up to date with practices.

We're simply accelerating these specific ones so that we can provide you folks the opportunity for purchase acquisition. So let me give you a quick overview of the key edits that were made. There are four key edits, two for the Investment Policy Statement, and two key ones for the Debt Management Procedures.

So the first one for the Native Hawaiian Trust Fund Investment Policy Statement, the first one relates to separating HDI, Hawai'i Direct Investments from Financial Asset Investments. So those two asset portfolios should be looked at from the perspective of the entire OHA asset portfolio - the broad endowment portfolio. As asset classes, they do have their own sets of targets and benchmarks and so they're managed separately. That's a good thing and that's what it ought to be. We want to reflect that in policy, and so the edits reflect that.

Pou Nui Brown: The second edit for the Investment Policy Statement, is really to update and bring the language of the HDI policy itself. There's a big paragraph in there that if you look at that paragraph, and if you read it, you can sense that it is clearly outdated.

It was speaking very much to the time that it was drafted - the period that OHA was in. So, we're simply bringing that up to date to now and really making it more about OHA's Real Estate Strategy and its investment guidelines, rather than a particular circumstance.

There are two edits that we want to present to you today. In the Debt Management Procedures - the first one is straightforward. There's a reference in there to HRS Chapter 37D and that simply doesn't apply to OHA's Governance structure. Chapter 37D talks about financing agreements for the State. The terms of any financing agreement are set by OHA's Trustees, so we're going to remove the reference to that.

The second edit was to better clarify the Public Land Trust expenditure. So, to really explain better the figure of 5% that we're talking about, should be based off the Native Hawaiian Trust Fund average market value plus ceded land revenues. When we're looking at Debt Service, that's what we're talking about. If you saw the red lines, you can kind of sense what's been trying to be done there. If you folks have or have not, had a chance to review, I want to open it up right now for any questions on any edit and if you guys want us to walk through anything in more detail.

Trustee Lee: Casey, I guess this question would be for Ryan. It's not really on any of the verbiage. I thought all the edits were really, well done. It has to do with the recommended new Asset Allocations that are found on page 10 and 11.

I see that there's a modest bump in a lot of our assets, which I guess I'm okay with it being modest. I wish he was a little bit more aggressive, given some of the conversations that this committee has had in the recent past.

Given that we are now going to be looking at ourselves as an overall endowment and the fact that even withstanding any possible purchases, we are currently a large landholder and the fact that land in Hawaii has never lost value - I'm curious. Not only are we continuing to maintain hedge funds, which its purpose is to balance against a downside movement of the rest of the portfolio, which I believe our land already does. We are also increasing that amount. Although it's 1%, it's still an increase, it's still a cost to the trust.

So, Ryan, do you mind giving us a little clarification on that?

Interim Investment Manager Lee: Okay, so when we updated the policy, separating HDI and Financial Assets, basically there's no target allocation for HDI but we had to reallocate that 5% that was already allocated, currently. So, the 5% was proportionally reallocated to the rest of the Financial Asset Portfolio, with some rounding within certain asset classes.

We also updated the overall benchmark for HDI to be more report of return and reflect that CPI+5% that aligns with the policy. So, in terms of the new Asset Allocation that we talked about last time, it has not been reflected and that work is still being done.

Interim Investment Manager Lee: What we want to do was just really update it, bring forward the recommendations for the Hawai'i real estate that we have been talking about to the existing, but also continue to work on the overall. So that has been looked at.

Trustee Lee: Got it. Thank you. Thank you so much. I really appreciate that.

Pou Nui Brown: Mahalo, Trustee Lee. *Any other questions or concerns?*

There are no further questions nor concerns.

Pou Nui Brown: Okay, what we're hoping for is to get the green light at this committee, and then there'll be two readings of this at the Board level. So, we'll be booking that, after this.

Pouhana Hussey: I just wanted to build on Casey's process piece. So, the action item will come to the RM Committee at the next meeting on 8/3. Then the referral actions on the two readings will then flow to the next two Board meetings, so just wanted to support that process.

Trustee Lee: Ka Pouhana, this is just a suggestion, but given that we do have a Board meeting scheduled for next week, Thursday, I don't see this being outside the realm of possibility that this showing up on that agenda for us to vote to waive it from the RM Committee straight to the Board.

It's one item, I haven't heard any disparaging discussion about this item, and it would put us ahead two weeks by taking the first reading next week. But I don't have control of the agenda for the Board meeting, but it's just a suggestion, I would find it hard to believe that that item would be voted down to not be waived from the RM Committee directly to the board. Thank you, Ka Pouhana.

Pouhana Hussey: I will take that under advisement and I'm sure the Board Chair will make those considerations. But note to self, I'll be sure the action item is ready either way, whatever is decided.

Vice-Chair Alapa: *Trustee Lee, would you like to make a motion to that effect?*

Trustee Lee: Thank you, Madam Vice Chair. Unfortunately, that will be improper at this time due to Sunshine Law. That is not on our agenda, so I cannot make a motion to that effect. It was a suggestion to Administration - if they want to recommend that - so it would be put on the next Board Meeting. Thank you, Vice-Chair.

Vice-Chair Alapa: *Any other discussion?*

Pouhana Hussey: There's no other discussion for the workshop. Unless Trustees have other questions, and of course Administration - Casey and Ryan, are always available for follow-up questions.

Trustee Ahu Isa: Good job Casey and Ryan.

VI. EXECUTIVE SESSION‡

- A. Consultation with Board Counsel Robert G. Klein and Everett Ohta, OHA Assistant Senior Legal Counsel, re: questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities with respect to updates by Administration regarding potential acquisition of commercial properties, pursuant to HRS§92-5(a)(4)**

Vice-Chair Alapa: *Is there a motion to go into Executive Session at this time?*

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

Trustee Akaka seconds the motion.

Vice-Chair Alapa asks if there is any discussion. There is none.

Vice-Chair Alapa calls for a **ROLL CALL VOTE**.

							2:01 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
LEINA'ALA	AHU ISA	1		X			
DAN	AHUNA			X			
KALEIHIKINA	AKAKA		2	X			
KELI'I	AKINA						EXCUSED
VICE-CHAIR LUANA	ALAPA			X			
BRENDON KALEI'ĀINA	LEE			X			
CARMEN HULU	LINDSEY			X			
KEOLA	LINDSEY			X			
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				8	0	0	1

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

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

The committee resolved into Executive Session at 2:01 p.m. to discuss:

VI. EXECUTIVE SESSION‡

- A. Consultation with Board Counsel Robert G. Klein and Everett Ohta, OHA Assistant Senior Legal Counsel, re: questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities with respect to updates by Administration regarding potential acquisition of commercial properties, pursuant to HRS§92-5(a)(4)

The committee returned to Open Session at 2:39 p.m.

VII. ANNOUNCEMENTS

None

VIII. ADJOURNMENT

Trustee Ahu Isa moves to adjourn the RM meeting.

Trustee Akaka seconds the motion.

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

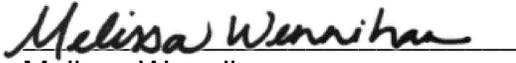
Chair Waihe’e calls for a **ROLL CALL VOTE**.

							2:40 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
LEINA'ALA	AHU ISA	1		X			
DAN	AHUNA			X			
KALEIHIKINA	AKAKA		2	X			
KELI'I	AKINA						EXCUSED
VICE-CHAIR LUANA	ALAPA			X			
BRENDON KALEI'ĀINA	LEE			X			
CARMEN HULU	LINDSEY			X			
KEOLA	LINDSEY			X			
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				8	0	0	1

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

Chair Waihe’e adjourns the RM meeting at 2:40 p.m.

Respectfully submitted,



Melissa Wennihan
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management (RM) on August 3, 2021.



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