

PHONE (808) 594-1888  
Committee on Resource Management  
Trustee John Waihe'e IV, *At-Large* - Chair  
Trustee Luana Alapa, *Moloka'i / Lāna'i* - Vice Chair  
Members

Trustee Leina'ala Ahu Isa, *At-Large*  
Trustee Dan Ahuna, *Kaua'i / Ni'ihau*  
Trustee Kaleihikina Akaka, *O'ahu*  
Trustee Keli'i Akina, *At-Large*  
Trustee Brendon Kalei'aina Lee, *At-Large*  
Trustee Carmen Hulu Lindsey, *Maui*  
Trustee Keola Lindsey, *Hawai'i Island*



**STATE OF HAWAII  
OFFICE OF HAWAIIAN AFFAIRS**

FAX (808) 594-1865

**MEETING OF THE  
COMMITTEE ON RESOURCE MANAGEMENT (RM)**

**DATE:** Tuesday, October 26, 2021

**TIME:** 1:30 p.m.

**PLACE:** Virtual Meeting viewable at [www.oha.org/livestream](http://www.oha.org/livestream) OR  
Listen by phone: (213) 338-8477, Webinar ID: 823 8509 7385

**Due to the threat of COVID-19, Governor Ige issued the most recent Emergency Proclamation Related to the State's COVID-19 Delta Response, dated October 1, 2021, that suspends parts of Hawai'i Revised Statutes Chapter 92, Public Agency Meetings and Records to, among other things, enable boards to conduct business without any board members or members of the public physically present at the same location.**

**The OHA Board of Trustees and its Standing Committees will hold virtual meetings until further notice. The virtual meetings can be viewed and observed via livestream on OHA's website at [www.oha.org/livestream](http://www.oha.org/livestream) or listen by phone: (213) 338-8477, Webinar ID: 823 8509 7385**

**AGENDA**

**I. Call to Order**

**II. Public Testimony on Items Listed on the Agenda\***

(Please see page 2 on how to submit written testimony or provide oral testimony online.  
Oral testimony by telephone/landline **will not** be accepted)

**III. Approval of Minutes**

A. October 19, 2021

**IV. Unfinished Business – None**

**V. New Business**

- A. Trustee Training (or Education): Governance: Roles and Responsibilities, Investment Committee, Proposed Updates and Changes, Craig Chaikin, CFA, Vice President, Segal Marco Advisors and OHA Interim Investment Manager Ryan Lee
- B. Presentation: Legacy Land Program & Portfolio, Except Wahiawā Lands – Kalani Fronda, Land Director
- C. ACTION ITEM RM #21-16: Iwilei Commercial Properties Non-Core Operating Budget for the Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23)
- D. ACTION ITEM RM #21-17: FB22-23 Non-Core Budget Realignment #1

**VI. Announcements**

**VII. Adjournment**



**STATE OF HAWAII  
OFFICE OF HAWAIIAN AFFAIRS**

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

Meeting materials will be available to the public 72-hours prior to the meeting and posted to OHA's website at: [www.oha.org/rm](http://www.oha.org/rm). In the event that the livestream public broadcast is interrupted and cannot be restored, the meeting may continue as audio-only through the phone and Webinar ID provided at the beginning of this agenda.

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

\*Public Testimony: Public testimony can be submitted to the OHA Board of Trustees either:  
(1) in writing emailed at least 24 hours prior to the scheduled meeting, or  
(2) as live, oral testimony online during the Public Testimony portion of the virtual meeting.

**Public Testimony must be limited to matters listed on the meeting agenda.**

Please visit OHA's website for more detailed information on how to submit Public Testimony at:  
<https://www.oha.org/how-to-submit-testimony-for-oha-bot-meetings/>.

Persons wishing to provide **written testimony** on items listed on the agenda should submit testimony via **email** to [BOTmeetings@oha.org](mailto:BOTmeetings@oha.org) at least **24 hours prior** to the scheduled meeting. Any testimony received after this deadline will be considered 'late' testimony and distributed to the Board members after the scheduled meeting.

**Due to COVID- 19, please do not fax, mail, or hand-deliver written testimony.**

Persons wishing to provide **oral testimony online** during the virtual meeting must register here first:

[https://us06web.zoom.us/webinar/register/WN\\_iIor2I97Sz-MzEd1hjRiyw](https://us06web.zoom.us/webinar/register/WN_iIor2I97Sz-MzEd1hjRiyw)

The registration to provide oral testimony online will remain open until the Public Testimony section on the agenda has concluded. You will need to register prior to this time if you would like to orally testify. Once you have completed your registration, a confirmation email will be sent to you with a link to join the virtual meeting and further instructions on how to provide oral testimony during the virtual meeting.

To provide oral testimony online, you will need:

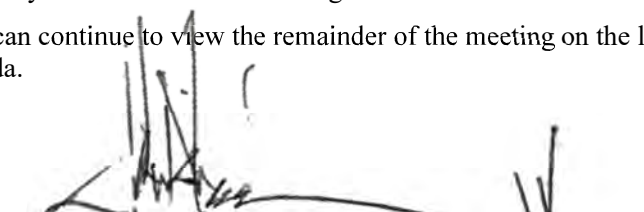
- (1) a computer or mobile device to connect to the virtual meeting;
- (2) internet access; and
- (3) a microphone to provide oral testimony.

Oral testimony online will be limited to five (5) minutes.

Oral testimony by telephone / landline **will not** be accepted at this time.

Once your oral testimony is completed, please disconnect from the meeting. If you do not log-off on your own, support staff will remove you from the Zoom meeting.

You can continue to view the remainder of the meeting on the livestream or by telephone, as provided at the beginning of this agenda.

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

10/20/2021

\_\_\_\_\_  
Date

October 26, 2021 - Continued

PHONE (808) 594-1888  
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**STATE OF HAWAII  
OFFICE OF HAWAIIAN AFFAIRS  
560 N. NIMITZ HIGHWAY, SUITE 200  
(VIRTUAL MEETING - VIA ZOOM WEBINAR)  
COMMITTEE ON RESOURCE MANAGEMENT  
MINUTES**

**October 19, 2021 10:00 a.m.**

**ATTENDANCE:**

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

**EXCUSED:**

Trustee Dan Ahuna

**BOT STAFF:**

Crayn Akina  
Melissa Wennihan

**ADMINISTRATION STAFF:**

Sylvia Hussey, CEO / Ka Pouhana / Administrator  
Casey Brown, COO / Ka Pou Nui  
Erin Nakama, IT  
Everett Ohta, Corporation Counsel  
Grace Chen, FS  
Kalani Fronda, LL  
Kevin Chak, IT  
Raina Gushiken, Corporation Counsel  
Ramona Hinck, CFO  
Ryan Lee, INT INV MGR

**GUESTS:**

Craig Chaikin, VP, Segal Marco

**I. CALL TO ORDER**

**Chair Waihe'e** calls the Committee on Resource Management meeting for Tuesday, October 19, 2021, to order at **10:01 a.m.**

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

MEMBERS			AT CALL TO ORDER (10:01 a.m.)	TIME ARRIVED
CHAIR	JOHN	WAIHE'E, IV	PRESENT	
VICE CHAIR	LUANA	ALAPA	PRESENT	
TRUSTEE	LEINA'ALA	AHU ISA	PRESENT	
TRUSTEE	KALEIHIKINA	AKAKA	PRESENT	
TRUSTEE	KELI'I	AKINA	PRESENT	
TRUSTEE	BRENDON KALEI'AINA	LEE	PRESENT	
TRUSTEE	CARMEN HULU	LINDSEY	PRESENT	
TRUSTEE	KEOLA	LINDSEY	PRESENT	

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

**EXCUSED from the RM Meeting** are:

MEMBERS			COMMENT
TRUSTEE	DAN	AHUNA	MEMO – REQUESTING TO BE EXCUSED



## II. PUBLIC TESTIMONY on Items Listed on the Agenda\*

None

## III. APPROVAL OF MINUTES

### A. September 14, 2021

Trustee Hulu Lindsey moves to approve the minutes of September 14, 2021.

Trustee Ahu Isa seconds the motion.

Chair Waihe'e asks if there is any discussion.

There is no discussion.

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

							10:04 a.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
LEINA'ALA	AHU ISA		2	X			
DAN	AHUNA						EXCUSED
KALEIHIKINA	AKAKA			X			
KELI'I	AKINA			X			
VICE-CHAIR LUANA	ALAPA			X			
BRENDON KALEI'ĀINA	LEE			X			
CARMEN HULU	LINDSEY	1		X			
KEOLA	LINDSEY			X			
CHAIR JOHN	WAIHE'E			X			
<b>TOTAL VOTE COUNT</b>				8	0	0	1

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

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

## IV. UNFINISHED BUSINESS

None

## **V. NEW BUSINESS**

### **A. Presentation: Office of Hawaiian Affairs, Native Hawaiian Trust Fund, Final Analysis of Investment Performance, Period Ending June 30, 2021, Segal Marco Advisors – John Marco, Senior Vice President and Craig Chaikin, CFA, Vice President**

**Chair Waihe'e:** Before I turn it over to Ka Pouhana Sylvia Hussey, I would just like to say that whoever is presenting for items V. A., B., C., & D. to keep things flowing. You may move from one item to the next if there are no questions. So, I will turn this over to Ka Pouhana Sylvia Hussey.

**Pouhana Hussey:** Thank you Chair Waihe'e. We have Craig on; a familiar face and as he pointed out, he and Ryan Lee, our Interim Investment Manager will guide the conversation and discussion and will keep it moving as you have directed. For those of you following along with the Electronic Packet, starting with page 27 of the 271 paged document to follow along. *Craig?*

**Craig Chaikin:** Thank you, it's good to see everybody. Ryan will be assisting me with the screen sharing as I recently got a new computer and not all of the functions are working yet.

We wanted to cover what June numbers look like and then catch you up through the month of August. I would say from an absolute perspective barring the month of September, numbers have been really good. We continue to see Equity Markets rally pretty strongly with some very good, positive numbers. We've seen interest rates remain fairly level, even going down a little bit. So, we've seen good returns from Fixed Income.

You can see here what that means for the portfolio, up 4.2% for the quarter through June, bringing it up to 6.9% - year to date. I do want to point out that the two benchmarks that we have there; the IPS Total OHA, that top line is with everything up to date through June. As a reminder, you've got a very significant portion of your portfolio in private markets, so we've also developed a secondary benchmark, which lags the public market exposure by one quarter to keep it in line with the private market numbers that we have.

So, what you see there is - with the markets running full speed ahead, you trail from that perspective; but when you lag those benchmarks to where the private market numbers we have are, you have very competitive returns. You can see that outperforming by about 40 basis points for the quarter and about 80 basis points on the year-to-date period.

As you look back through the Fiscal Year, 26% versus 22% for that benchmark; 3-years, 10.5 versus 11.6. So, I would say overall, very strong absolute return numbers.

Over time there have certainly been some challenges from the relative side. I do know that a lot of the focus of today is going to be centered on Asset Allocation; some approvals that you all have made to that policy. Ryan and I will take-a-look at that in a few minutes, but if you don't have any questions on June, I'm going to have Ryan flip to August, so we can see what that looks like.



Native Hawaiian Trust Fund  
Comparative Performance  
As of June 30, 2021

Allocation	Market Value 2020	%	1 Quarter	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>Total Assets</b>	446,511	100.0	4.7	8.3	13.3	23.8	15.1	11.1	8.1	8.3
PTC Total Fund Benchmark	5.2	1.2	7.8	13.8	23.8	15.1	11.1	8.1	8.3	8.3
PTC Total Fund Benchmark w/ Cash Lagged P/E	3.8	0.9	11.1	22.2	22.2	11.9	10.9	7.9	7.9	8.2
All Endowments Total Fund Benchmark	5.6	1.3	10.1	20.1	20.1	11.3	10.9	7.9	8.2	8.3
Total Fund Plan Rate	80	18	82	83	83	86	82	80	75	23
Population	280	274	272	272	272	271	271	267	267	165
<b>Total Endowment Assets</b>	173,561	39.1	5.3	9.5	16.9	26.7	15.9	11.2	8.4	8.4
Traditional Assets Benchmark	4.3	1.0	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3
Endowment Assets Benchmark	122,891	27.5	12.3	21.3	21.3	14.9	14.9	14.9	14.9	14.9
PTC Total Endowment Assets	122,891	27.5	12.3	21.3	21.3	14.9	14.9	14.9	14.9	14.9
Commonwealth Open Core	2,760	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MS Day U.S. Treasury Bill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MS U.S. Govt. Treasury Inflation-Protected Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commonwealth Open Core Plan	88	20	88	88	88	88	88	88	88	88
Population	40	9	40	40	40	40	40	40	40	40
State Street GARP 500 Index Strategy	10,816	2.4	8.5	15.1	15.1	15.1	15.1	15.1	15.1	15.1
GARP 500	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MS U.S. Large Cap Core Equity S&P 500 Index	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State Street GARP 500 Index Strategy Plan	34	8	40	40	40	40	40	40	40	40
Population	786	176	786	786	786	786	786	786	786	786
JP Morgan US Equity RS (LCURNG)	21,880	4.9	8.2	15.8	15.8	15.8	15.8	15.8	15.8	15.8
GARP 500	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MS U.S. Large Cap Core Equity S&P 500 Index	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
JP Morgan US Equity RS (LCURNG) Plan	50	11	34	34	34	34	34	34	34	34
Population	786	176	786	786	786	786	786	786	786	786

## V. NEW BUSINESS

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

*Presenters and the Committee seamlessly discussed Item. V.A to V. C. as this portion was also covered in Item V. C.*

## V. NEW BUSINESS

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

**Craig Chaikin:** Here you see, through August, we were looking at about 6.9% return year to date through June. You can see that was up almost 2% for the months of July and August. The returns there were very good.

Unfortunately, what you don't see here is the month of September. Equity markets were down by about five and a half percent, give or take. So, across a lot of portfolios, we are seeing somewhat flat to slightly negative returns for the month of September.

October has been a little mixed so far, but at least for the results that we've got here, looking at that lag benchmark, you're very competitive in returns relative to that and you have very strong absolute returns that we're seeing from there.

[illegible]

**Craig Chaikin:** I will pause here and am happy to answer any questions, if you have them, about performance.

*There are zero questions.*

**Craig Chaikin:** Ok, that was all we had for the performance side. I'm skipping July because that was included in these August updates; I know it was on the agenda as well.

Our next piece is the Asset Allocation update, so if there are no questions, we can move on to that.

## V. NEW BUSINESS

**D. Trustee Training (or Education): Native Hawaiian Trust Fund Asset Allocation: Objectives and Goal; Role of Asset Classes – Stocks, Bonds, Alternatives; Review Proposed Asset Allocation, Changes and Benchmarks, Investment Policy Statement, Craig Chaikin, CFA, Vice President, and Interim Investment Manager Ryan Lee**

**Chair Waihe'e** turns it over to Interim Investment Manager Ryan Lee.

**Interim Investment Manager Lee:** Thank you Chair. I'll be spending about 15 to 20 minutes covering Asset Allocation in today's workshop and discussing to propose changes and considerations. This is meant to be interactive, so feel free to ask questions anytime during the discussion.

First, I'll provide and update on the NHTF Investment Policy and then review the Asset Allocation Investment Policy.

Then I'll hand it over to Craig who will cover the NACUBO/Common Fund Endowment Study as well as the Current vs. Proposed Asset Allocation which Segal Marco assisted OHA in modeling.

Lastly, we'll wrap up with the Summary and proposed changes.



**Interim Investment Manager Lee:** This section is to bring Trustees up to date on the status of the IPS work done so far. We combined Hawai'i Real Estate (HDI) and Financial Assets into one Endowment Investment Policy. Back in August 2021, Trustees approved the updated policy in which we describe the role of HDI and how it will be separated from the Financial Assets in terms of management.

As a reminder, these HDI changes were put forward by a workshop discussion back in Spring with an update to follow. We're currently focused on Financial Asset change. We're focused on updating the strategic asset allocation to be in line with our endowment peers and updating the investment program structure away from the multi-manager managers. The overall goal here is to improve on expected long-term returns and dominant means by increasing our exposure to equities in alpha strategies.



**Interim Investment Manager Lee:** The next section is to refresh Asset Allocation.

As a reminder, allocation is a process of allocating dollars across various assets to stocks, bonds, real estate, and private equity. The overall goal here is to get a portfolio of assets to help OHA achieve its long-term objectives such as spending needs, as well as providing intergenerational equity.

You can maximize risk-adjusted returns to either get the highest return for a given level of risk or take the least risk for a given level of return.

Diversification is one of the last remaining free lunches in portfolio construction and the chart below here comes from a well-known study by Brinson; it speaks to the key determinants of long-term performance. You can see, Asset Allocation can be explained by the agility of the performance, followed by small amounts within market timing and security selection.

I'll pause here if there are any questions, before moving on.

**Trustee Ahu Isa:** I'm looking at ERS and your Private Growth Portfolio - when you talk about Asset Allocation, that includes Private Equity. They have here Venture Capital and Targeted Investment Program, that's a combination of all that plus the bonds.

Asset Allocation, *how do we know what you're allocating to?*

**Interim Investment Manager Lee:** We'll cover that shortly, in the next couple of sections.

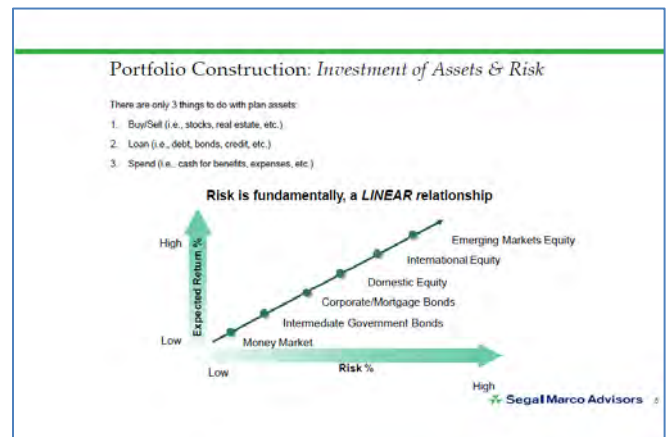
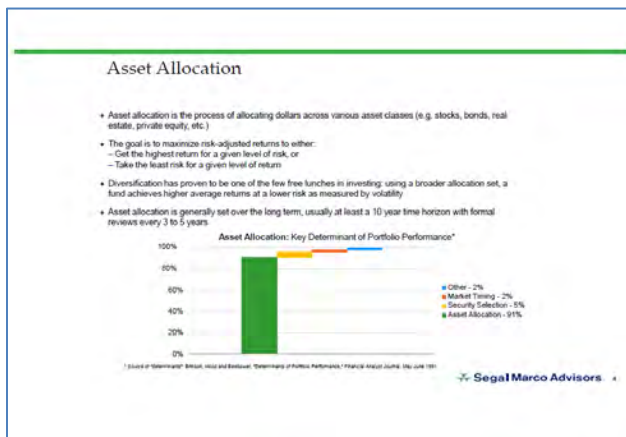
**Interim Investment Manager Lee:** To continue on, it's more of an extension of Asset Allocation into Portfolio Construction.

As you can see, there are three things we can do with an asset:

1. Buy and sell stocks, real estate, private equity, which gives you ownership exposure to a company. These investments tend to be invested for capital appreciation. You could expect the value to be higher than today and this typically is the main driver of returns for the portfolio.
2. The second option that you can do is loan your money out then earn an interest rate. The primary goal here is capital preservation. So, you're contractually expecting to earn an interest rate and get your money back. Investing in loans is less volatile than in stocks.
3. The third option is spending; something we're very familiar with, cash for benefits and to cover expenses. The chart you see here, is a Risk and Return chart of common asset classes for investors to choose from. Return is shown on the left-axis and risk on the bottom.

What you see is that risk is fundamentally a linear relationship, meaning the more risk that you take, the more reward you should expect as an investor. You shouldn't expect to make money just for bearing risk, but you also shouldn't expect to make money without bearing risk.

So, just because you're taking it, doesn't mean you are guaranteed return, but increases your likelihood of achieving a stated outcome. I'll pause for questions, before handing it over to Craig.



**Craig Chaikin:** Trustee Ahu Isa, to answer your question directly; private market investments include a whole host of things. Under private equity, you've got general broad private equity, things like venture capital, buyouts, things like that.

Then there are things that are less liquid in strategy: private credit, things where you have to tie your money up, and you're not able to touch it for an extended period of time, traditional fixed income.

So, when we talk about fixed income or bonds, it would not be included in the *private markets* portfolio - if that helps. Things like direct real estate as well, generally go into the *private markets* bucket because you can't just decide that you're going to sell it one day, and then actually sell it. It's a process - you need a buyer - and the like.

*Does that help answer your question?*



**Trustee Ahu Isa:** Yes, because you made a statement about - that we have a lot of it in private equity, which is great. When I look at the ERS, they got 55% return on their private equity.

*Did you say that?* I thought I heard you say that.

**Craig Chaikin:** Yes, in general for the illiquidity, you expect to have higher returns. I know ERS is doing a little different stuff on the private side than what you all currently have implemented. It is certainly something we have talked about, in terms of how the private equity private credit portfolio should work, moving forward. Because of the nature of the returns that we're getting, there's not a specific tied to that portfolio. I do know, it's been a key driver of results over time, especially recently.

**Trustee Ahu Isa:** *What is our benchmark?*

**Craig Chaikin:** Your benchmark is a blended benchmark of the underlying asset allocation.

When we get to it, in a couple pages, we'll look at what the asset allocation is, but it's largely the broad global equity global fixed, and then global equity plus a premium to reflect the private markets. That's broadly what it is.

Realistically, because of the type of fund that you are, your goal is really to meet your spending policy plus inflation. Generally, that runs I would say at about 7%. So, if you think about roughly 5% spend policy, inflation running at roughly 2% to maintain your asset pool - you would need roughly a 7% return.

Ryan, I don't know if you have any additional comments.

**Interim Investment Manager Lee:** No, I think that's great.

**Trustee Ahu Isa:** Thanks. I just want to see your proposal later. Okay, thanks.

**Craig Chaikin:** What this slide here looks at - is a study. A study performed by NACUBO and Commonfund and it takes a look at endowments of various sizes. I think the key takeaway is really, that the larger you get, the more money you have allocated to private market investments.

If you look at the far-right hand side of this chart, you're looking at funds under \$25 million.

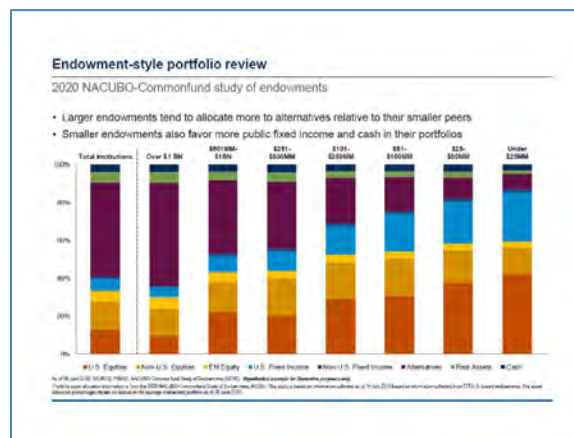
You can see there that almost all of the investments are publicly traded equities and fixed income.

When you start looking at the top at that purple and green, you're looking at alternatives and real assets, which are generally less-liquid investments. As you move from right to left, you can see that that percentage increases substantially.

Where you all are now from an asset size, you're in that *251-to-500-million-dollar bucket*.

What you see there is that private market investments, we'll say make up roughly 25%; so, it's that purple chunk, plus that green chunk is roughly 25% of allocation.

*Trustee Lee, did you have a question?* I saw your hand raised.



**Trustee Lee:** I do, Craig. I'm familiar with the NACUBO and this is based on rate, an average of where most large endowments are.

What changes, for instance, if we're looking at that middle bar, where the dollar amount where OHA currently sits, that green part at the top, which is fairly small, it's grown over time, but it's a little smaller - that's real assets.

What happens to the allocation, with an endowment such as ours - that green bar is significantly larger than what is shown here. Because as OHA, we are the 13th largest landowner in the State of Hawai'i and as we all know, land never loses value in a State of Hawai'i.

So, that's a significant difference in the way we should be allocating and currently are not.

*So how would that bar look differently, given that that green section for where we sit today as OHA is significantly larger than that?*

**Interim Investment Manager Lee:** I can try to answer that one. Currently, we're modeling the financial assets given that the Hawai'i real estate component is a large component, and we're managing it separately.

We are accounting for that exposure from an overall perspective. It would not look like anything that you see here, just given that the few organizations out there that have large, concentrated exposures to an asset class. It's something that we would also look at, but it's not factored here in this analysis.

**Trustee Lee:** Right, which is why I'm asking a question.

I'm sure most of the Trustees, because it's not in front of us to see, if someone doesn't ask that question, then no one's going to tell us that. *Right, that we're managing it separately?* But it is a major component.

Because we're moving to an endowment, we cannot look at the two separately, either we're an endowment or we're not. So that's why I'm asking that question because that's an important thing to look at.

When we look at this, this doesn't take that into consideration, and I understand that.

At least for myself, I would appreciate it that we show "okay, Trustees, the dollar amount; this is where you folks are at." Keep in mind, that little green part at the top where OHA sits is significantly larger than that, because we are the 13th largest landowner in the State of Hawai'i, which means our real assets allocation is significantly larger than that.

**Interim Investment Manager Lee:** That is correct, we have it modeled.

**Trustee Akina:** Thank you. I appreciate what Trustee Lee is pointing out and I want to ask a further question. We are a large landholder when it comes to acreage or the amount of land. However, I believe the bars we're looking at are talking about dollar value.

*Can you explain how that dynamic would affect the question being asked?*

**Interim Investment Manager Lee:** Despite being a large landholder - the way that you look at the exposures through market value and asset values - we would just have to take a current market value of exposure to reflect the asset allocation.

**Craig Chaikin:** I'll dovetail on it a little bit as well.

To make a comment - *what is the purpose of the land?*

*Is there a time horizon for turning land into some type of income producing asset if it is not an income producing asset, currently?*

Appreciating it on the books does not necessarily provide for, I guess I would say, specific return from that asset class - if it's not intended to be used for some type of total return purpose.

**Trustee Akina:** Right. As you know, most of our land holdings are legacy lands.

**Interim Investment Manager Lee:** Right. So, just to be clear, the way we define what goes in the endowment, especially for Hawai'i real estate; should be economically viable properties, meaning that they need to earn returns. Real estate assets that are not, for example, the legacy lands and conservation lands, they're excluded from the endowment.

**Trustee Lee:** *Completely, or to the extent that they don't produce?* Because some of our legacy lands do generate income.

**Interim Investment Manager Lee:** Correct. The way we're currently defining Hawai'i real estate with the endowment, it's income producing. So, we need a definition to separate the two.

**Trustee Akina:** In any case, it will be very interesting to see an actual graph of where OHA's assets are distributed using these colors and categories.

**Interim Investment Manager Lee:** We do have that chart, but since I'm running the PowerPoint, it's difficult for me to pull up that chart. We can follow up with that.

**Trustee Akina:** Thank you.

**Trustee Alapa:** *Could you explain why has the overall portfolio underperformed in years 3, 5, 7 and 10? Can someone explain that?*

**Craig Chaikin:** Yeah. It's really been a combination of some of the underlying managers that have underperformed, as well as some of the asset allocation decisions that have been made over time, primarily on the JP Morgan side.

Also, up until recently, some of the private markets have lagged what public markets have done as well. Part of the private market benchmark is the MSCI ACWI plus 3%, which over the last three to five years has been phenomenal, almost nothing has kept up with that. That's been one of the key drivers and some of those longer-term results.

We saw in 2020, a lot of pretty big markups in private equities, which has helped a lot to help some of those near-term numbers pretty significantly. Over time, that public equity plus 3% benchmark has been an incredibly challenging bogey to beat.

**Trustee Alapa:** *Okay, but is there anyone responsible for this underperformance? And - how do we address that?*

**Interim Investment Manager Lee:** I'll try to answer that.

*We're looking at the investment structure, right?*

I think one of the challenges with having a 'multi-manager' structure is you have - over diversification is one, and also, that's part of the implementation.

Another part of the asset allocation that we're addressing, to reflect the returns, we need that in terms of the asset allocation – peers. OHA tends to be a little bit more conservative. So that review, which is what we're doing today, seeks to address the underperformance issues.

**Trustee Alapa:** 'Kay.

**Craig Chaikin:** My last comment on this page would really be that certainly as you get to '500 million' and above, you see that the allocation of *privates* grows pretty substantially. Your current allocation, which you'll see on the proposed allocations are fairly in line with the plans of similar size.

**Craig Chaikin:** The next page is a performance look, as of the end of June - looking at the performance for the different funds.

You can see, what it looks like on the left-hand side across all of the institutions of various sizes. What you do tend to see though is the larger funds adding outperformance over time relative to the smaller funds. Some of that certainly has to do with the timeframe that some of those funds have the way they've chosen to allocate resources. A lot of those billion plus funds went into private markets when they were barely a thing 20-25 years ago and it's been a pretty significant boost to performance from there. To Ryan's point, though, a lot of those funds have been a lot more aggressively positioned and you've seen that rewarded largely over time.

NACUBO Common Fund Study  
Historical - Average annualized Return as of FY2020

	Total Institutions	Over \$1 Billion	\$501 Million - \$1 Billion	\$251 Million - \$500 Million	\$101 Million - \$250 Million	\$51 Million - \$100 Million	\$25 Million - \$50 Million	Under \$25 Million
Total Institutions	705	111	80	83	171	134	82	44
Respondent Institutions	248	40	17	28	58	55	30	20
1-year net annualized return	1.82%	2.51%	1.48%	1.34%	1.60%	1.77%	1.85%	2.48%
3-year net annualized return	5.17%	5.93%	5.10%	5.23%	4.98%	4.69%	5.14%	5.35%
5-year net annualized return	5.09%	5.68%	5.06%	5.03%	4.98%	4.71%	5.09%	5.28%
10-year net annualized return	7.48%	7.94%	7.38%	7.59%	7.48%	7.01%	7.53%	7.46%
15-year net annualized return	6.18%	6.88%	6.10%	6.28%	5.83%	5.92%	5.80%	5.22%
20-year net annualized return	5.55%	6.22%	5.44%	5.33%	5.26%	5.28%	4.89%	4.17%
25-year net annualized return	7.09%	8.45%	7.76%	7.10%	6.78%	6.15%	6.72%	7.10%

**Craig Chaikin:** This slide, takes a look at the allocation, as it stands right now.

	Current Policy Target	Interim Target Allocation	Final Target Allocation	NACUBO \$10
Global Equity	40.0%	45.0%	40.0%	43.2%
Global REITS	5.0%	5.0%	0.0%	0.0%
<b>Total Equity</b>	<b>45.0%</b>	<b>50.0%</b>	<b>40.0%</b>	<b>43.2%</b>
Short Duration	3.0%	2.0%	2.0%	0.0%
TIPS	5.0%	0.0%	0.0%	0.0%
Core Fixed Income	0.0%	13.0%	10.0%	0.0%
Developed Markets Fixed Income	0.0%	0.0%	0.0%	13.2%
Global Fixed Income	17.0%	0.0%	0.0%	0.0%
<b>Total Fixed Income</b>	<b>25.0%</b>	<b>15.0%</b>	<b>12.0%</b>	<b>13.2%</b>
Private Equity	18.0%	18.0%	18.0%	17.4%
Private Credit	0.0%	1.0%	5.0%	0.0%
Hedge Fund of Funds	12.0%	15.0%	15.0%	17.5%
Real Estate - Core	0.0%	1.0%	3.3%	2.5%
Timber	0.0%	0.3%	1.1%	1.0%
Farmland	0.0%	0.3%	1.1%	1.0%
Oil & Gas	0.0%	0.3%	1.1%	1.0%
Infrastructure	0.0%	1.0%	3.3%	2.3%
<b>Total Alternative</b>	<b>30.0%</b>	<b>35.0%</b>	<b>40.0%</b>	<b>43.6%</b>
10 Year Expected Return (Arithmetic)	6.4%	6.6%	7.0%	6.6%
10 Year Expected Return (Geometric)	5.8%	6.1%	6.4%	6.1%
Standard Deviation	11.8%	12.3%	11.7%	12.4%
Sharpe Ratio	0.46	0.47	0.61	0.47
20 Year Expected Return (Arithmetic)	7.3%	7.7%	7.9%	7.7%
20 Year Expected Return (Geometric)	6.7%	7.0%	7.3%	7.0%

Segal Marco Advisors

**Craig Chaikin:** We do break it up a little bit more granularly than we saw on the prior pages, but it takes a look on the left-hand side of what the current policy is, what the final target allocation is, and then the proposed interim targets.

You can see that on the equity side, actually going from 45 to 40%, total equity, getting some of that global REITS exposure, global REITS right now is kind of looked at in your policy as a real asset. However, because REITS are publicly traded, the risk return profile looks a lot more like straight equities than it does real assets. So, you're kind of removing that 'getting all that exposure from global equity over time'.

You can see there the fixed income allocation as well, decreasing from 25 to 12% over time, keeping a short duration bucket in there to manage liquidity.

Then having a core fixed income mandate, whether or not that is core, core plus, but really something much more of a *Steady Eddie* than what you generally see out of global fixed income, where currency moves, and the like. You see a lot of volatility up and down on that front.

Certainly, the biggest changes are on the private market side, the alternative side, you can see that allocation going to nearly 50%. I would say, though, that not all the private markets are created equal.

So, what you see, and I'll point out - is the private equity allocation staying at 18%. Right now, you're getting slightly below that target just due to distributions and how capital calls have worked recently.

You do see the addition of private credit, so this is an area for non-publicly issued debt. You generally expect to see returns in the high-single to low-double digits.

We've seen a lot of investors. We've had a lot of our clients move fixed income assets into that area because of the higher yielding exposure there; so, looking at adding assets there.

**Craig Chaikin:** Hedge fund to funds, is really intended to be kind of an opportunistic bucket. So, managers that can go, I guess I'll say, kind of a go anywhere managers. So, when they're seeing opportunities around the globe, they can take advantage of that a lot more quickly than you can as a Board of Trustees and as a group.

We generally expect returns to be somewhere between equity and fixed income. A little bit less liquid, more liquid than private markets, but you do expect to gain some additional returns from that illiquidity.

To Ryan's point earlier, and certainly your questions - looking at just the financial assets of OHA income producing properties; you see the overall allocation here. Things like real estate, farmland, timber, relatively, I'd say on the lower side, to compensate somewhat for some of that legacy land holding that is not looked at specifically in the endowment's financial assets.

This is intended to be the real asset category of the portfolio. If you add all that up, you're looking at 10% of total assets in real-invested financial assets. Those would include those two buildings that you've recently purchased, but it does exclude, as we mentioned a second ago, the legacy land holdings that might not be income producing.

What you do see across the bottom of the page is expected returns over time. The current policy, over 20 years expected to return about 6.7%. The target allocation about 7.3%; you do see varying levels of risk. The proposed portfolio is expected to provide you with some additional return for a relatively similar level of risk to what you have now.

**Trustee Alapa:** *In our private equity, can you compare the returns to the S&P 500?*

**Craig Chaikin:** Over time, you can, but the difference between the S&P 500 and private markets is that in private markets, the managers choose when to take money, how to deploy it, and when to return money. So private market investments are normally looked at using what's called an internal rate of return, which takes into account the fact that the managers can choose if, when, and how to take in return capital.

With the S&P 500 you give money - and you are subject to the whims of the market. From a broad perspective, you can compare them over time. As I said, over the last 10 years, there have been very few places better to be than the S&P 500.

**Trustee Alapa:** *So, are the funds in private equity liquid?*

**Craig Chaikin:** No, typically, private market funds have an initial life of about 10 years; where you cannot get at the money - they do have distributions.

Like I mentioned, the managers choose - when they have extra money or when they may have sold something, and they're not necessarily redeploying it. Those funds, depending on the terms can, most of the time be extended from now, let's say 12 to 15 years.



**Craig Chaikin:** *Are there any other questions on these mixes?*

I guess I would add that interim allocation is to acknowledge the fact that we can't go from current to future immediately. It will take some - I'll say portfolio re-jiggering. It's going to require some sourcing of new managers and certainly on the private side, it is dependent on when managers are coming to market and when they are calling capital.

**Trustee Lee:** Craig, you mentioned, and I understand how REITs act more like the markets because they're publicly traded. So, you talked about how we were going to move away from REITs because of that. Based on what you guys have provided for us, I see the bump up in the interim to counterbalance that we're moving out of the REITs, but when we're getting to the final allocation, we're eliminating that exposure altogether.

So, we're basically lowering our exposure to the market movement.

*Can you guys explain why we're, to use an analogy that I think everybody would understand, why we're taking our foot off the gas a little bit?*

**Craig Chaikin:** I think I might term it differently. I think you're applying your foot to a different gas.

**Trustee Lee:** But not in this allocation. We're taking our foot off the gas on this allocation.

**Craig Chaikin:** So, what you're really doing is you're redeploying from public markets to private markets.

**Trustee Lee:** That answers my question, Craig. Thank you.

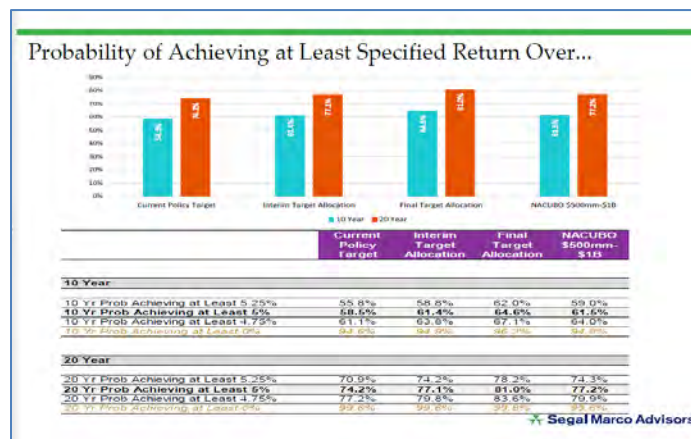
**Craig Chaikin:** As I mentioned, I think it was Trustee Ahu Isa's question about returns; your spending rate is supposed to be 5%. So, at the end of the day, the allocation is, what's the chance of you hitting that 5% and meeting your payout policy without potentially having to touch core assets.

So, what you see here, and I will say, asset allocation - while there is science that goes into it - it is still an art. Everything is based off of assumptions, we don't expect these to be hit every single year. The idea is over time.

When we do run this stochastically; what you can see the current policy, over a 10-year period expected to hit at least 5%. 94.6% probability, that final target upset over a 10-year period, by nearly 2%.

You do see that over 20 years that all allocations are expected to hit at least a 5% rate of return. I think you saw that on the prior page with what the expected rates of return were. I think for your purposes, it's important to know that over shorter intervals, the target allocation is expected to have a slightly higher probability of getting that 5%.

I'll turn it back over to Ryan, unless there any questions for me, on any of this.



**Interim Investment Manager Lee:** To summarize - the interim target, allows for a multi-year transition to the final target, the pacing that we talked about for private investment; the final target.

What we're trying to achieve here is to gain higher long-term use, different terms to meet our spending, as well as achieving intergenerational equity, and assembly changes.

Otherwise, we'll talk about increasing alternative strategies to access the opportunities and improve, as well as performing diversification.

They were actually increasing equities and diversifying strategies at the reduction of fixed income. The Nexus for us is really to come back with changes and just serve as a reminder on asset allocations.

*We typically review for three to five years, right?* So even though the long-term targets that they were modeling, is meant to be long term, 10-years plus, we typically will come back, reviewing.

*Questions? Thoughts?*

### Summary

**Interim Target**

- Allows for a multi-year transition to Final Target
- Requires pacing schedule for Private Investments

**Final Target**

Target higher long-term risk adjusted returns to meet spending requirements and achieve intergenerational equity

Summary changes:

- Increase Alternative Strategies to access alpha opportunities and improve portfolio diversification
- Increase Equities and Diversifying Strategies, and reduce Fixed Income

*There are zero questions and zero thoughts expressed.*

**Pouhana Hussey:** Chair Waihe'e, that concludes the section for all of the Native Hawaiian Trust Fund reports, as well as the policy discussion.

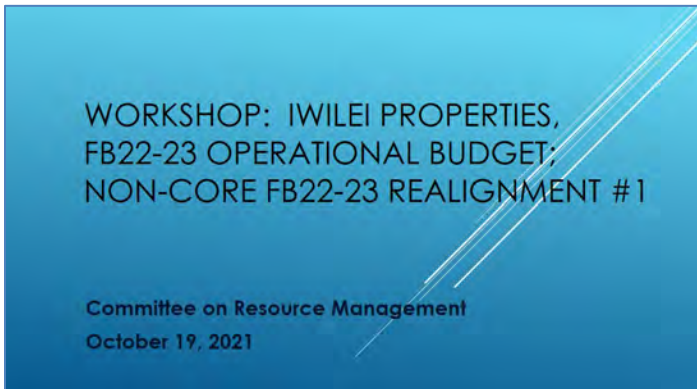
**Chair Waihe'e** Thank you.

## **V. NEW BUSINESS**

### **E. Workshop: Iwilei Properties, FB22-23 Operational Budget; Non-Core FB22-23 Realignment #1**

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

**Pouhana Hussey:** Thank you Chair. Trustees, what we have is a very short six-slide presentation to accompany the memo that was in the file. It is just to provide the background for the action item that will come forward next week.



**Pouhana Hussey:** The alignment of the asset, ensuring that it's aligned to our endowment strategies, as well as our direct land, and working on the policy, but more importantly, all of the operating aspects of the property. So, the budget that you will see and that will come forward is basically again, like the third asset group in our commercial properties - broken down by the industrial and retail properties.

Based on projections, the projected gross revenue for nine months for fiscal year '22, and then the full 12 months. There's also estimates of the expenses that are here, as well as the debt service. The memo identified \$900,000 in projected revenue for the industrial property, and that's what's being shown here, as well as the retail property about \$6 million over the fiscal biennium.

You'll also see the related operating expenses as well as the debt service for the entire finance portion. The total amount is then allocated to each of the properties just for recording purposes and so the total operating budget that will come forward will be these budgeted expenses.

At the same time for operations, what isn't here is a capital and major repair budgets. So, like all of the other properties' assessments, as to capital investments - major repairs will be brought forward as the numbers and activities are solidified a bit more.

The diagram illustrates the relationship between Strategic Action, Endowment, and Strategic Outcomes (Endowment). At the top, a blue box labeled "STRATEGIC ACTION" contains the text "Endowment". Below this, a large green box labeled "Strategic Outcomes (Endowment)" contains the text "Increased value of, investments in and value from financial, commercial and land resources." To the left of this green box, a blue box labeled "Strategy 9. Steward financial and commercial resources to enable strategic outcomes" lists five outcomes: 9.1. Increased value of the Native Hawaiian Trust Fund (NHTF), 9.2. Increased value of the commercial resources, 9.3. Increased direct investments in Hawaii, 9.4. Increased value derived from the NHTF and commercial resources, and 9.5. Increased strategic granting. To the right of the green box, a blue box labeled "Strategy 10. Steward land resources to fulfill fiduciary responsibilities and enable strategic outcomes" lists five outcomes: 10.1. Protected traditional and customary rights, 10.2. Austere kuleana for land resources, 10.3. Strengthen and elevated cultural resource management practices, 10.4. Broaden cadre of cultural resource managers, and 10.5. Increase stewardship direct land investments.

OPERATING BUDGET			CAPITAL MAJOR REPAIR BUDGETS - TBD			
	500 N Nimitz (Retail)		501 Sumner (Industrial)		FY2022	FY2023
	FY22 Budget Request [A]	FY23 Budget Request [B]	FY22 Budget Request [C]	FY23 Budget Request [D]	Total Budget Request [A]+[C]	Total Budget Request [B]+[D]
Gross Revenue	2,639,294	3,519,058	183,753	704,691	2,823,047	4,223,749
Expenses						
Contracts	270,000	360,000	48,250	61,000	318,250	421,000
Equipment	166,854	194,572	154,735	272,981	321,589	467,553
Overhead	120,051	160,068	79,553	106,070	199,604	266,138
Program	189,615	252,264	8,658	33,205	198,273	285,469
Sub-total Expenses:	\$746,520	\$966,904	\$291,196	\$473,256	\$1,037,716	\$1,440,160
Debt Service	528,069	713,836	\$215,178	\$290,889	743,247	1,004,725
Total Operating Budget Expenses	\$1,274,589	\$1,680,740	\$506,374	\$764,145	\$1,780,963	\$2,444,885

**Pouhana Hussey:** Then at the same time of the Iwilei property budgets that will come forward, will also be the opportunity to realign the noncore budgets that were approved back in June and that's as a result of vacancies at 919 Ala Moana, which formerly we identify as Lot E, or also known as Lot E.

Administration will also bring forward additional adjustments for consulting and other professional services for the area, as our work with Kakaako Makai continues. Then analyzing additional major repair considerations now that 919 is vacant and work can be done on the building.

So, these will come through. There will be two action items, one will come forward for the actual operating budgets for the Iwilei properties and one will be the normal, if you will, noncore budget realignments next week.

That's it as far as the workshop or just a high-level of what to expect in the action items coming forward.

## FB22-23 Non-Core Budget Realignment for Kaka'ako Makai and Nā Lama Kukui

- Vacancy at 919 Ala Moana (aka Lot E)
- Consulting and other Professional Services for Further Planning, Signage and Other Activities in the Area
- Major Repairs

He Nīnau Kau

**Trustee Lee:** *Sylvia, can you go back to slide four, really quickly?*

**Pouhana Hussey:** Sure.

**Trustee Lee:** This really isn't a major thing, it's just an aesthetic thing.

*Can we pick a different color than red, because when I saw red I immediately thought you were telling me we're taking a \$900,000 loss? I'm laughing at it too, but yeah, can we pick a different color than red?*

**Pouhana Hussey:** We can. I was trying to make it 'Fall looking', but to your point Trustee, yes! Thank you.

**Chair Waihe'e:** Thank you Pouhana. Thank you all for coming in early, I guess this meeting went a lot faster than we thought.

## VI. ANNOUNCEMENTS

None

## VII. ADJOURNMENT

**Trustee Hulu Lindsey** moves to adjourn the RM meeting.

**Trustee Ahu Isa** seconds the motion.

**Chair Waihe'e** asks if there is any discussion.

There is no discussion.

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

							10:51 a.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
LEINA'ALA	AHU ISA		2	X			
DAN	AHUNA						EXCUSED
KALEIHIKINA	AKAKA			X			
KELI'I	AKINA						Departed at 10:49 a.m.
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				7	0	0	2

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

**Chair Waihe'e** adjourns the RM meeting at 10:51 a.m.

Respectfully submitted,

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Melissa Wennihan  
Trustee Aide  
Committee on Resource Management

As approved by the Committee on Resource Management (RM) on October 26, 2021.

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



PHONE (808) 594-1888  
Committee on Resource Management  
Trustee John Waihe'e IV, *At-Large - Chair*  
Trustee Luana Alapa, *Moloka'i / Lāna'i - Vice Chair*  
*Members*

Trustee Leina'ala Ahu Isa, *At-Large*  
Trustee Dan Ahuna, *Kaua'i / Ni'ihau*  
Trustee Kaleihikina Akaka, *O'ahu*  
Trustee Keli'i Akina, *At-Large*  
Trustee Brendon Kalei'aina Lee, *At-Large*  
Trustee Carmen Hulu Lindsey, *Maui*  
Trustee Keola Lindsey, *Hawai'i Island*



**STATE OF HAWAII  
OFFICE OF HAWAIIAN AFFAIRS**

FAX (808) 594-1865

**MEETING OF THE  
COMMITTEE ON RESOURCE MANAGEMENT (RM)**

**DATE:** Tuesday, October 26, 2021

**TIME:** 1:30 p.m.

**PLACE:** Virtual Meeting viewable at [www.oha.org/livestream](http://www.oha.org/livestream) OR  
Listen by phone: (213) 338-8477, Webinar ID: 823 8509 7385

**Due to the threat of COVID-19, Governor Ige issued the most recent Emergency Proclamation Related to the State's COVID-19 Delta Response, dated October 1, 2021, that suspends parts of Hawai'i Revised Statutes Chapter 92, Public Agency Meetings and Records to, among other things, enable boards to conduct business without any board members or members of the public physically present at the same location.**

**The OHA Board of Trustees and its Standing Committees will hold virtual meetings until further notice. The virtual meetings can be viewed and observed via livestream on OHA's website at [www.oha.org/livestream](http://www.oha.org/livestream) or listen by phone: (213) 338-8477, Webinar ID: 823 8509 7385**

**AGENDA**

**I. Call to Order**

**II. Public Testimony on Items Listed on the Agenda\***

(Please see page 2 on how to submit written testimony or provide oral testimony online.  
Oral testimony by telephone/landline **will not** be accepted)

**III. Approval of Minutes**

A. October 19, 2021

**IV. Unfinished Business – None**

**V. New Business**

A. Trustee Training (or Education): Governance: Roles and Responsibilities,  
Investment Committee, Proposed Updates and Changes,  
Craig Chaikin, CFA, Vice President, Segal Marco Advisors  
and OHA Interim Investment Manager Ryan Lee

B. Presentation: Legacy Land Program & Portfolio, Except Wahiawā Lands –  
Kalani Fronda, Land Director

C. ACTION ITEM RM #21-16: Iwilei Commercial Properties Non-Core Operating Budget for the  
Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23)

D. ACTION ITEM RM #21-17: FB22-23 Non-Core Budget Realignment #1

**VI. Announcements**

**VII. Adjournment**

# NHTF INVESTMENT POLICY STATEMENT

## Governance

Trustee Workshop

# Agenda

- Fiduciary & Governance Review
- NACUBO-TIAA Study
- OHA's Governance Structure
- Proposed Changes
- Q & A

# Fiduciary Principles

- **Who is a Fiduciary?**

- Exercises discretionary authority over management of the plan or disposition of plan assets
- Provides or has the responsibility or authority to provide investment advice for a direct or indirect fee or other compensation
- Has discretionary authority or responsibility over administration of the plan; Examples of fiduciaries include: Plan staff, Board members and investment advisors

- **Sources of Fiduciary responsibility**

- United States Constitution contracts clause (“No state shall...pass any...law impairing the obligation of contracts...”)
- Internal Revenue Code §401(a)(2) exclusive benefit rules and §4975 prohibited transactions
- State statutes and municipal codes on plan creation, ethics and conflicts of interest
- Common law and applicable court decisions
- ERISA can provide guidance even though your plan is not subject to it; ERISA and state fiduciary rules both have their origin in English common law

**Exercise of discretion is the key**

# Fiduciary Principles

- **Applicable Fiduciary Standards**

- The Board has fiduciary responsibilities and the individual Board members are fiduciaries
- The legal standards applied to fiduciaries (duties of prudence and loyalty) are the highest standards under the law and are often difficult to understand
  - Meeting the fiduciary standards requires more than just common sense or a good faith attempt
- The fiduciary standards are the same for all Board members regardless of how they became a member
- The fiduciary standard is not applied on a “sliding scale,” therefore, all members of the Board are instantly held to this very high standard as soon as they join the Board

- **Duty of Prudence**

- A plan fiduciary must manage the plan with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims
  - **This level of care is known as the “prudent expert” rule**
- A determination of whether a fiduciary has exercised prudence in an investment decision must be made by considering the investment of all of the assets of the trust over which the Committee has management and control, in addition to considering the prudence of a single investment
  - **This description of the duty of prudence comes from “modern portfolio theory” and reflects current best practices.**

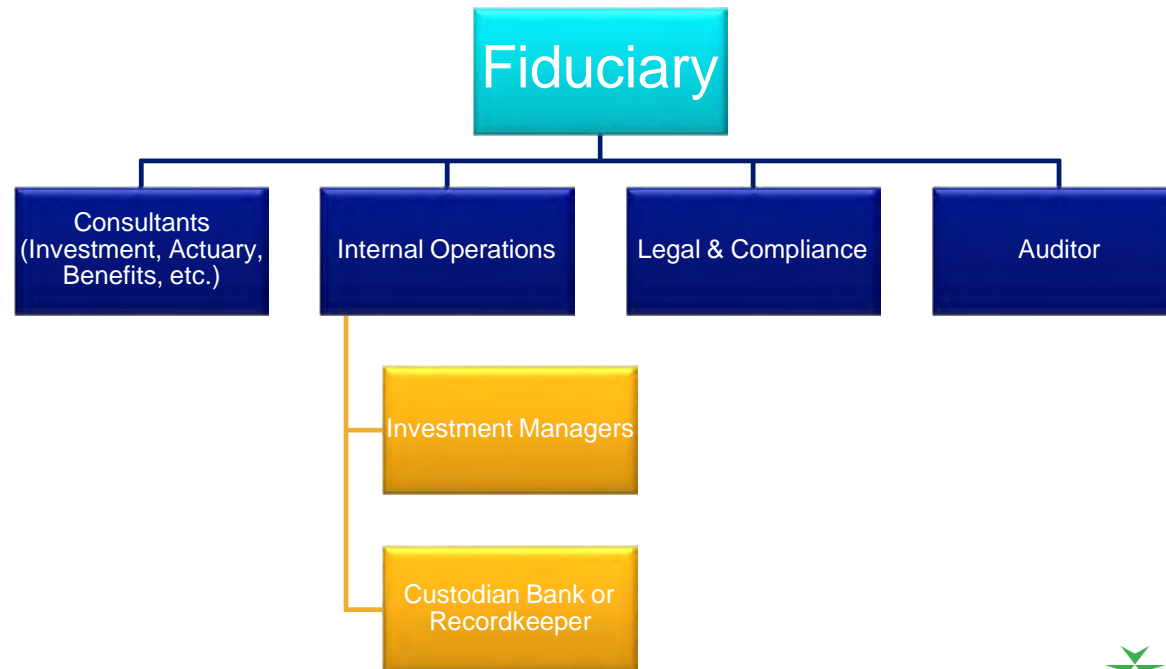
- **Duty of Loyalty**

- Fiduciaries act for the exclusive benefit of the members and beneficiaries of a trust in investment matters and all other decisions
  - **It is a long standing principle in the common law of trusts.**

**A fiduciary is a person or organization to whom property or power is entrusted for the benefit of another.**

# Governance Structure

- **Roles and responsibilities**—a delineation of functions that the various decision makers are assigned to perform.
- **Lines of authority**—a description of the latitude that decision makers have to carry out their responsibilities and a specification of their reporting arrangements.
- **Accountability standards**—a statement of expectations regarding the effectiveness of the decision makers combined with a set of procedures for reviewing and, if needed, responding to the actions of those decision makers to whom responsibility is delegated.



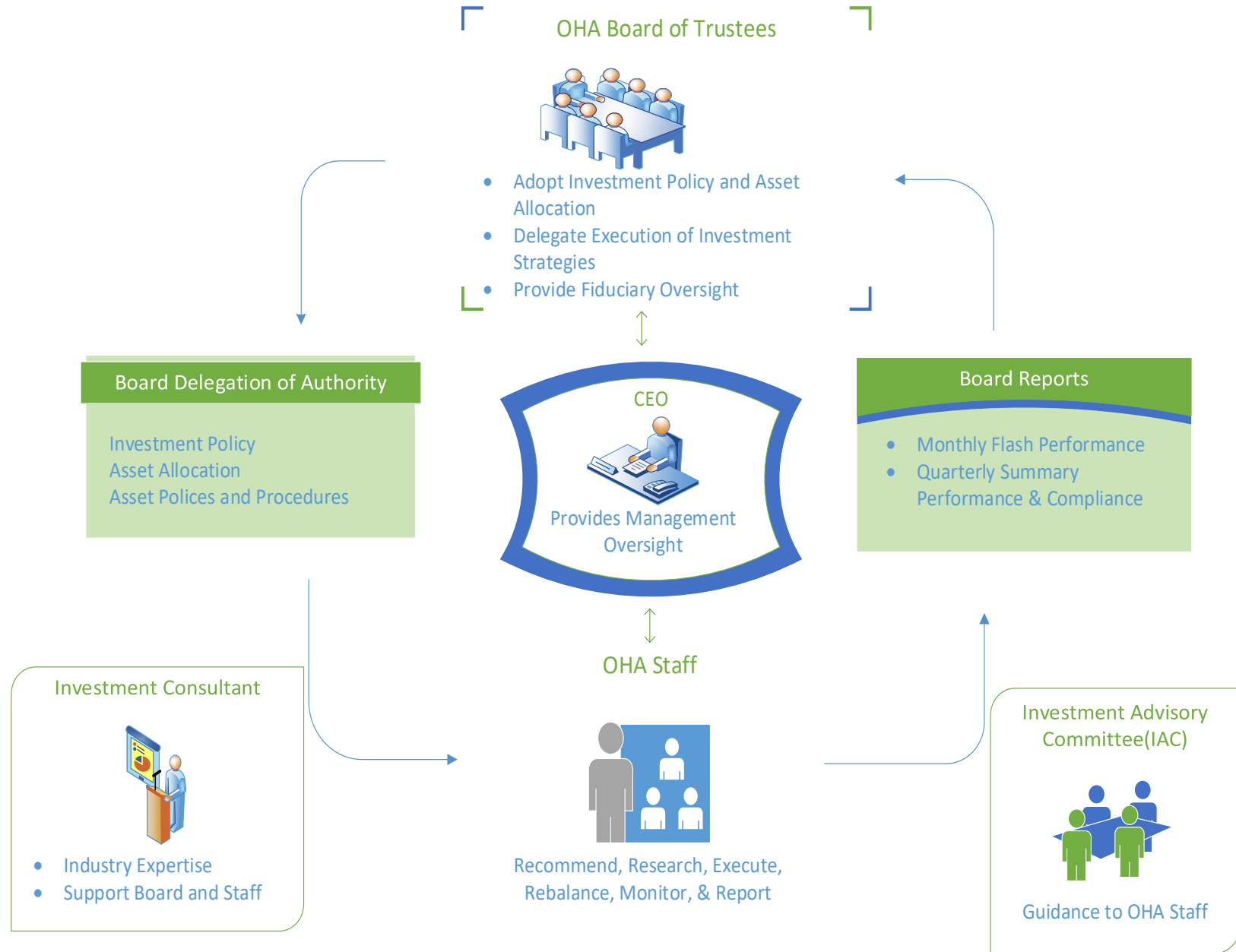


## 2020 NACUBO-TIAA Study of Endowments - *Primary responsibility for conducting investment activities*



	Total Institutions	Over \$1 Billion	\$501 Million - \$1 Billion	\$251 Million - \$500 Million	\$101 Million - \$250 Million	\$51 Million - \$100 Million	\$25 Million - \$50 Million	Under \$25 Million
Total Institutions	705	111	80	83	171	134	82	44
Responded Institutions	402	84	60	47	75	68	40	28
Percent of institutions using an OCIO	41.10%	14.58%	23.68%	42.68%	56.02%	46.56%	50.62%	35.71%
Percent of institutions not using an OCIO	58.90%	85.42%	76.32%	57.32%	43.98%	53.44%	49.38%	64.29%
Day-to-day investment management								
Internal CIO	50.26%	95.24%	73.68%	48.89%	30.99%	28.36%	20.00%	14.29%
Investment committee/ Board of Trustees	17.86%	4.76%	14.04%	28.89%	21.13%	17.91%	17.50%	39.29%
Consultant	31.89%	0.00%	12.28%	22.22%	47.89%	53.73%	62.50%	46.43%
Asset allocation								
Internal CIO	16.29%	59.04%	16.95%	2.13%	2.67%	1.49%	5.00%	0.00%
Investment committee/ Board of Trustees	61.90%	37.35%	74.58%	72.34%	65.33%	61.19%	67.50%	75.00%
Consultant	21.80%	3.61%	8.47%	25.53%	32.00%	37.31%	27.50%	25.00%
Portfolio rebalancing								
Internal CIO	35.35%	90.24%	62.71%	14.89%	12.16%	8.96%	15.00%	3.70%
Investment committee/ Board of Trustees	31.06%	7.32%	22.03%	46.81%	43.24%	38.81%	32.50%	40.74%
Consultant	33.59%	2.44%	15.25%	38.30%	44.59%	52.24%	52.50%	55.56%
Manager selection and ongoing due diligence								
Internal CIO	27.50%	79.52%	55.93%	14.89%	1.33%	2.94%	2.50%	0.00%
Investment committee/ Board of Trustees	39.00%	9.64%	20.34%	38.30%	56.00%	55.88%	52.50%	60.71%
Consultant	33.50%	10.84%	23.73%	46.81%	42.67%	41.18%	45.00%	39.29%
Investment policy statement development								
Internal CIO	22.44%	66.27%	31.67%	19.15%	4.00%	2.94%	2.50%	3.57%
Investment committee/ Board of Trustees	66.33%	31.33%	61.67%	63.83%	80.00%	82.35%	82.50%	85.71%
Consultant	11.22%	2.41%	6.67%	17.02%	16.00%	14.71%	15.00%	10.71%
Capital markets research/ idea generation								
Internal CIO	25.13%	76.54%	46.55%	8.51%	2.70%	2.99%	5.13%	0.00%
Investment committee/ Board of Trustees	11.42%	1.23%	8.62%	6.38%	9.46%	16.42%	17.95%	39.29%
Consultant	63.45%	22.22%	44.83%	85.11%	87.84%	80.60%	76.92%	60.71%



# OHA's Investment Governance Structure
































# Current Policy Level Investment Responsibilities

RESPONSIBILITY	Board of Trustees	CEO	Investment Advisory Committee	Investment Advisor (Manager of Managers)	Investment Consultant
Investment Policy Statement					
Asset Allocation & Guidelines					
Permissible Asset Classes					
Performance Benchmarks					
Selection Investment Advisors and Managers					
Portfolio Rebalancing					

Legend:  = Approval Authority  = Provide Recommendation

# Proposed Changes

RESPONSIBILITY	Board of Trustees	CEO	Investment Committee	Investment Advisor (Manager of Managers)	Investment Consultant
Investment Policy Statement					
Asset Allocation & Guidelines					
Permissible Asset Classes					
Performance Benchmarks					
Selection Investment Advisors and Managers					
Portfolio Rebalancing					

Legend:  = Approval Authority  = Provide Recommendation

# Next Step Considerations

Draft charter, roles and responsibilities of an  
Investment Committee for Board consideration

# Appendix

# Sources of Fiduciary Responsibilities in Governmental Plans & Applicable Standards

- **Sources:**

- United States Constitution contracts clause (“No state shall...pass any...law impairing the obligation of contracts...”)
- Internal Revenue Code §401(a)(2) exclusive benefit rules and §4975 prohibited transactions
- State statutes and municipal codes on plan creation, ethics and conflicts of interest
- Common law and applicable court decisions
- ERISA can provide guidance even though your plan is not subject to it; ERISA and state fiduciary rules both have their origin in English common law

- **Standards:**

- The Board has fiduciary responsibilities and the individual Board members are fiduciaries
- The legal standards applied to fiduciaries (duties of prudence and loyalty) are the highest standards under the law and are often difficult to understand
  - Meeting the fiduciary standards requires more than just common sense or a good faith attempt.
- The fiduciary standards are the same for all Board members regardless of how or when they became a member



---

# Duty of Prudence

- A retirement plan fiduciary must manage the plan with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. **This level of care is known as the “prudent expert” rule.**
- A determination of whether a fiduciary has exercised prudence in an investment decision must be made by considering the investment of all of the assets of the trust over which the Committee has management and control, in addition to considering the prudence of a single investment. **This description of the duty of prudence comes from “modern portfolio theory” and reflects current best practices.**
- ERISA does not apply to public plans—it only protects those in the private sector; however, there is no good policy reason to provide less protection to public employees by using lower standards.
- Fiduciaries for public plans who do not live up to the prudent expert standard are not following current best practices in the public arena and are depriving their members of the protections afforded to employees in the private sector.

PHONE (808) 594-1888  
Committee on Resource Management  
Trustee John Waihe'e IV, *At-Large - Chair*  
Trustee Luana Alapa, *Moloka'i / Lāna'i - Vice Chair*  
*Members*

Trustee Leina'ala Ahu Isa, *At-Large*  
Trustee Dan Ahuna, *Kaua'i / Ni'ihau*  
Trustee Kaleihikina Akaka, *O'ahu*  
Trustee Keli'i Akina, *At-Large*  
Trustee Brendon Kalei'aina Lee, *At-Large*  
Trustee Carmen Hulu Lindsey, *Maui*  
Trustee Keola Lindsey, *Hawai'i Island*



**STATE OF HAWAII  
OFFICE OF HAWAIIAN AFFAIRS**

FAX (808) 594-1865

**MEETING OF THE  
COMMITTEE ON RESOURCE MANAGEMENT (RM)**

**DATE:** Tuesday, October 26, 2021

**TIME:** 1:30 p.m.

**PLACE:** Virtual Meeting viewable at [www.oha.org/livestream](http://www.oha.org/livestream) OR  
Listen by phone: (213) 338-8477, Webinar ID: 823 8509 7385

**Due to the threat of COVID-19, Governor Ige issued the most recent Emergency Proclamation Related to the State's COVID-19 Delta Response, dated October 1, 2021, that suspends parts of Hawai'i Revised Statutes Chapter 92, Public Agency Meetings and Records to, among other things, enable boards to conduct business without any board members or members of the public physically present at the same location.**

**The OHA Board of Trustees and its Standing Committees will hold virtual meetings until further notice. The virtual meetings can be viewed and observed via livestream on OHA's website at [www.oha.org/livestream](http://www.oha.org/livestream) or listen by phone: (213) 338-8477, Webinar ID: 823 8509 7385**

**AGENDA**

**I. Call to Order**

**II. Public Testimony on Items Listed on the Agenda\***

(Please see page 2 on how to submit written testimony or provide oral testimony online.  
Oral testimony by telephone/landline **will not** be accepted)

**III. Approval of Minutes**

A. October 19, 2021

**IV. Unfinished Business – None**

**V. New Business**

A. Trustee Training (or Education): Governance: Roles and Responsibilities,  
Investment Committee, Proposed Updates and Changes,  
Craig Chaikin, CFA, Vice President, Segal Marco Advisors  
and OHA Interim Investment Manager Ryan Lee

**B. Presentation: Legacy Land Program & Portfolio, Except Wahiawā Lands –  
Kalani Fronda, Land Director**

C. ACTION ITEM RM #21-16: Iwilei Commercial Properties Non-Core Operating Budget for the  
Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23)

D. ACTION ITEM RM #21-17: FB22-23 Non-Core Budget Realignment #1

**VI. Announcements**

**VII. Adjournment**



I. Welina

II. Meet The Team

III. Highlight FY22 Priorities

IV. Legacy Land Assets

V. Pau



# AGENDA



# THE TEAM



# FY2022 Priorities



## **Wao Kele O Puna**

*Master Site Plan*

*Alternative Funding Opportunities*



## **Palauea Cultural Preserve**

*Installation of Deer Fence*

*Public Viewing Area Design*



## **Pahua Heiau**

*Comprehensive Management Plan*

*Public Viewing Area Fence Installation*



## **HLID**

*Stewardship Management Plans*

*Facilities Construction*



## **WCH**

*Sublease Agreement*

*Various Site Improvements*





## Legacy Lands

*Total Acreage: 26,578.90*

*Responsible for the maintenance, management, and development for the portion of OHA's land portfolio that have been designated and Legacy and Programmatic properties.*



# Wao Kele O Puna

*The last intact lowland rainforest*

**Location:** Puna, Hawai'i Island

**Size:** 25,856 Acres

**Zoning:** Conservation District – Protective sub-zone

**Acquired:** 2006

**Ownership:** Fee simple

**Purchase Price:** \$3.65 M

- Trust for Public Land – Negotiated purchase with Campbell Estate
- USDA Forest Legacy Program contributed \$3.35 M; and OHA contributed \$300,000 to secure title

**Special Conditions:**

- Forest reserve and grant requirements
- Joint management w/ DLNR 2006 – 2016 (note: 2010)
- Active lava threat

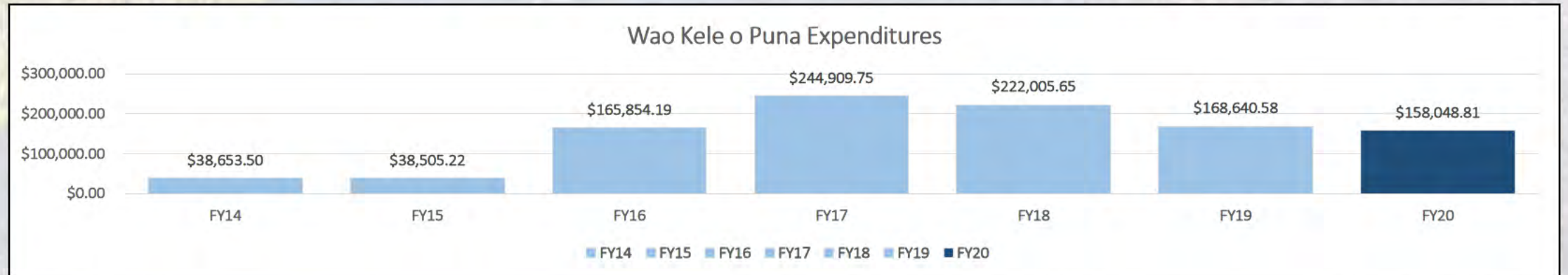
**Purpose of Acquisition:**

- Protect cultural resources and Native Hawaiian customary rights;
- Ensure lands will transfer to lāhui;
- Build lāhui land management capacity.

**Priority Projects:**

1. Develop Master Site Plan
2. Establish Alternative Funding Opportunities
3. Community Engagement Education and Stewardship
4. Native Habitat Restoration

**WKOP Account Balance as of 6/30/20:** \$300,388.00





# Puu Heiheiahulu



## WHY?

- Protect natural and cultural resources (Burial Caves)
- Protect traditional and customary rights of Native Hawaiians on Wao Kele o Puna
- Ensure WKOP pass to the nation.



# Unique Features



- First ceded lands to return to Hawaiian hands since the overthrow of the Kingdom in 1893
- PDF v. Paty (1992)
- Is the largest tropical lowland rainforest in the United States
- Watershed recharge for Pahoia aquifer
- Native plant seed bank for Kīlauea
- Endangered species habitat
- Provides forest resources for gathering and cultural practices



# Wahi pana – ‘Ailāau –Forest Eater Pele & Hi‘iaka

*E nihi ka hele i uka o Puna  
Mai ako I ka pua,  
O lilo I ke ala o ka  
hewahewa.  
Ua huna ia ke kino I ka  
pohaku,  
O ka pua na‘e ke ahu nei I  
ke alanui—  
Alanui hele o ka unu  
kupukupu, e-e –  
Kaulia!  
A kaunu no anei oe ke aloha  
la?  
Hele a‘e a komo I ka hale o  
Pele;  
Ua huahua‘i i Kahiki; lapa  
uila,  
Pele e, hua‘i‘na ho‘i!*

Heed well your way in  
upland Puna;  
Pluck never a single  
flower;  
Lest you stray from the  
path.  
The shape lies hid  
neath a stone,  
The path is one carpet  
of flowers  
The blocks of  
stumbling overgrown.  
Quick follows the  
downfall!  
Is there a compact  
between us of love?  
Fly, voice, assail the ear  
of Pele!  
Erupt, Kahiki, with  
lightening flash!  
Now, Pele, burst forth  
in thy might!

Pele & Hi‘iaka –  
(Emerson-1915:31)

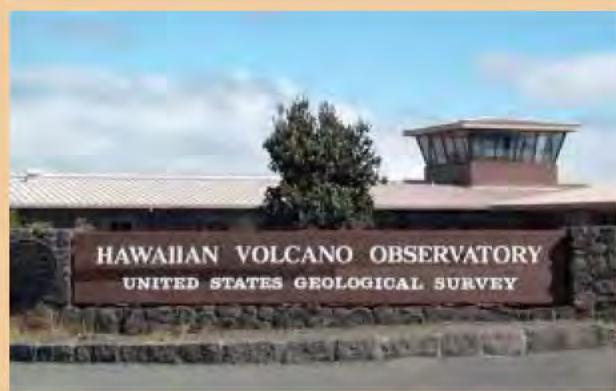




# Collaboration/Partners/Community Engagement

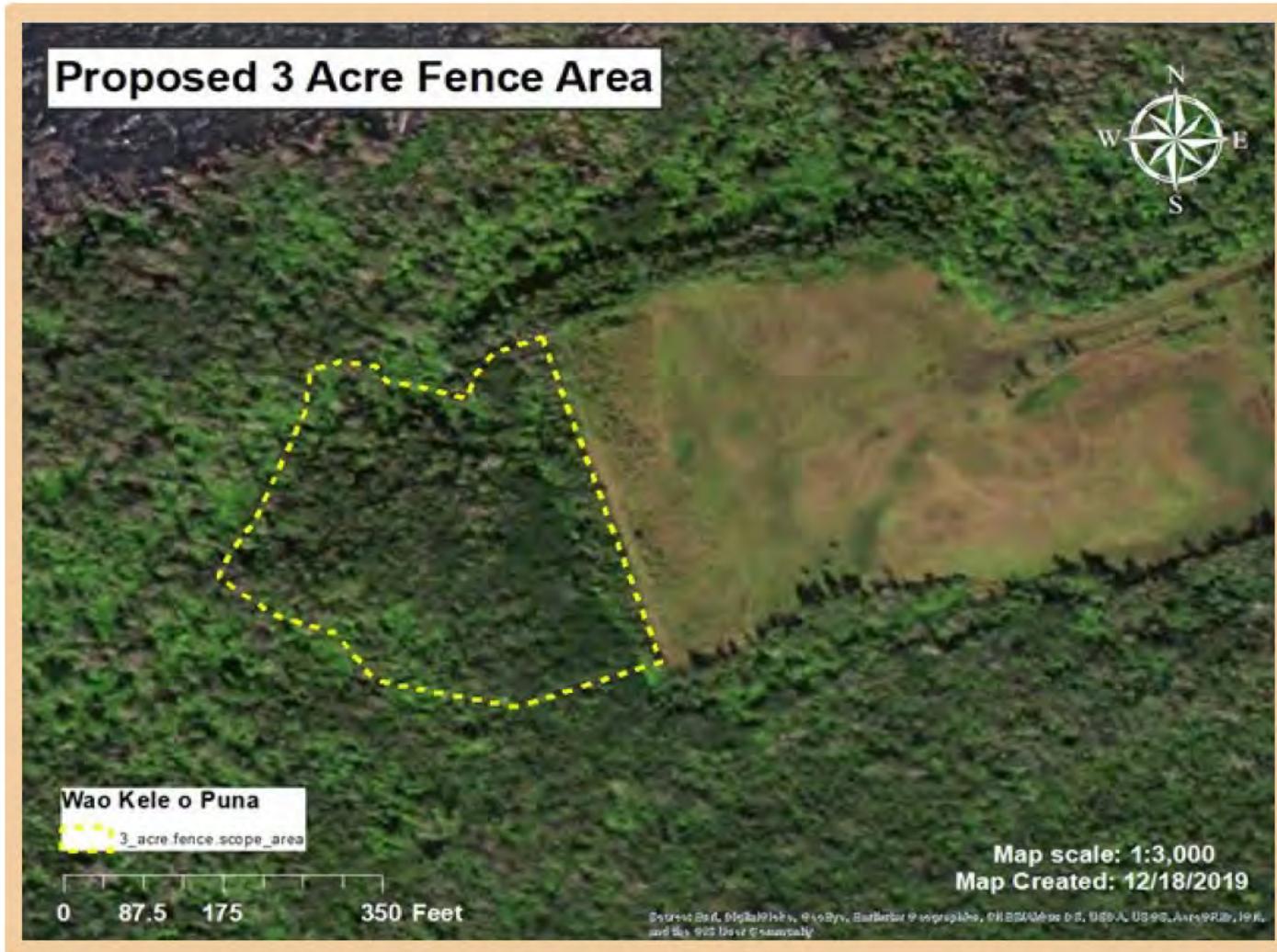


THREE  
MOUNTAIN  
ALLIANCE





# Projects: Rare & Endangered Plant Restoration









# Palauea Cultural Preserve

*Remnants of a pre-contact Hawaiian fishing village*

**Location:** Palauea, Maui

**Size:** 20.7 Acres

**Zoning:** Preservation Zone

**Acquired:** 2012

**Ownership:** Fee Simple

**Purchase Price:** Donated with funding mechanism, house structure (896 sq. ft.), and drainage easement.

**Purpose of Acquisition:**

- Protect and preserve cultural sites
- Enable stewardship that integrate the Native Hawaiian community
- Work with UHMC to continue their long-term stewardship

**Partnerships:**

- University of Hawaii Maui College

**Priority Projects:**

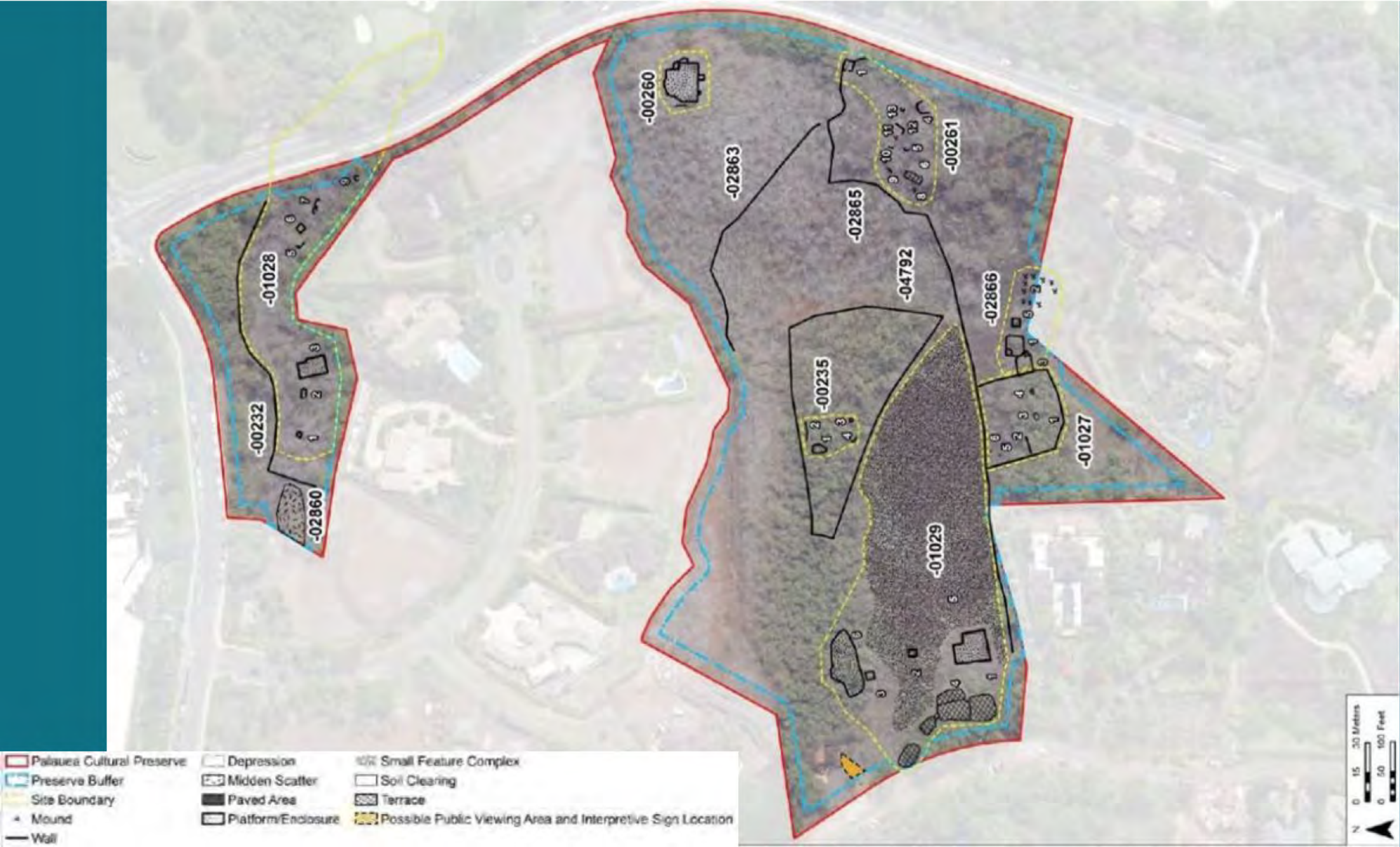
1. Deer Fence
2. Viewing Area Design/Build\*\*
3. Finalize the Preservation Plan
4. Education and Stewardship

\*\*CIP

**PCP Account Balance as of 6/30/20:** \$345,755.13

















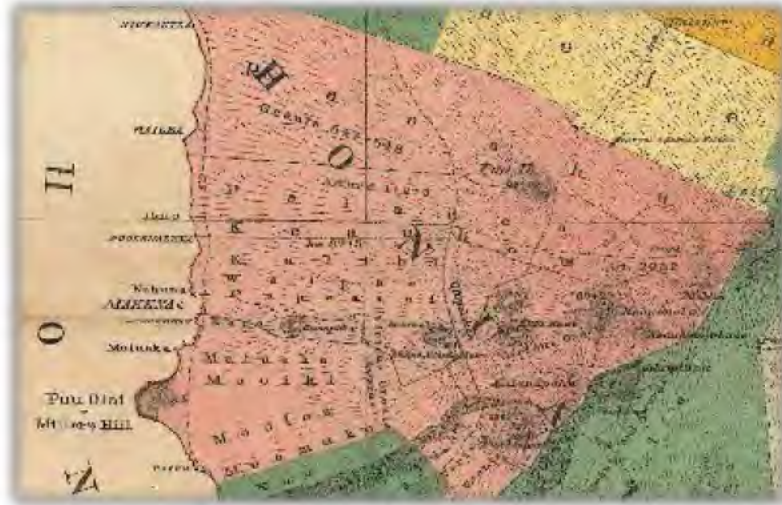




*A Palaeua: Āina Ka iahea Leo Kūpuna*  
*Palaeua: A place where ancestral voices resound*  
**DRAFT**

**Palaeua Cultural Preserve Preservation Plan**

**Palaeua Ahupua'a, Honua'ula, Maui**  
**TMK 2-1-023: 034**



*Prepared for:*



*Prepared by:*



Chris Monahan, Ph.D., Kelley L. Uyeoka, M.A., Dominique Cordy, M.A.,  
Momi Wheeler, B.S., Kalama'ehu Takahashi, B.A.,  
Kekuewa Kikilo, Ph.D.

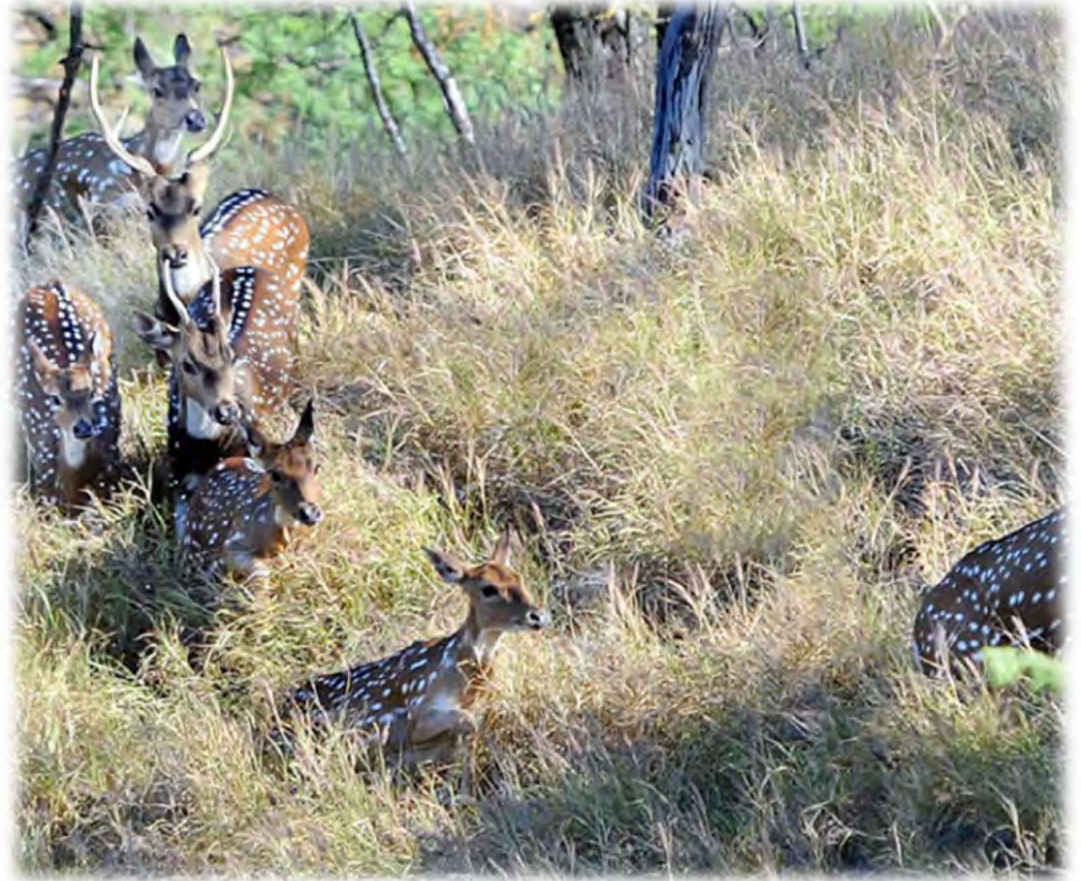
**October 2018**

# Approved!

- SHPD: September 2020
- MLIBC: October 2020
- MCCRC: June 2021



# Deer Fence







# Hale Repairs



# Firebreak Maintenance

Before



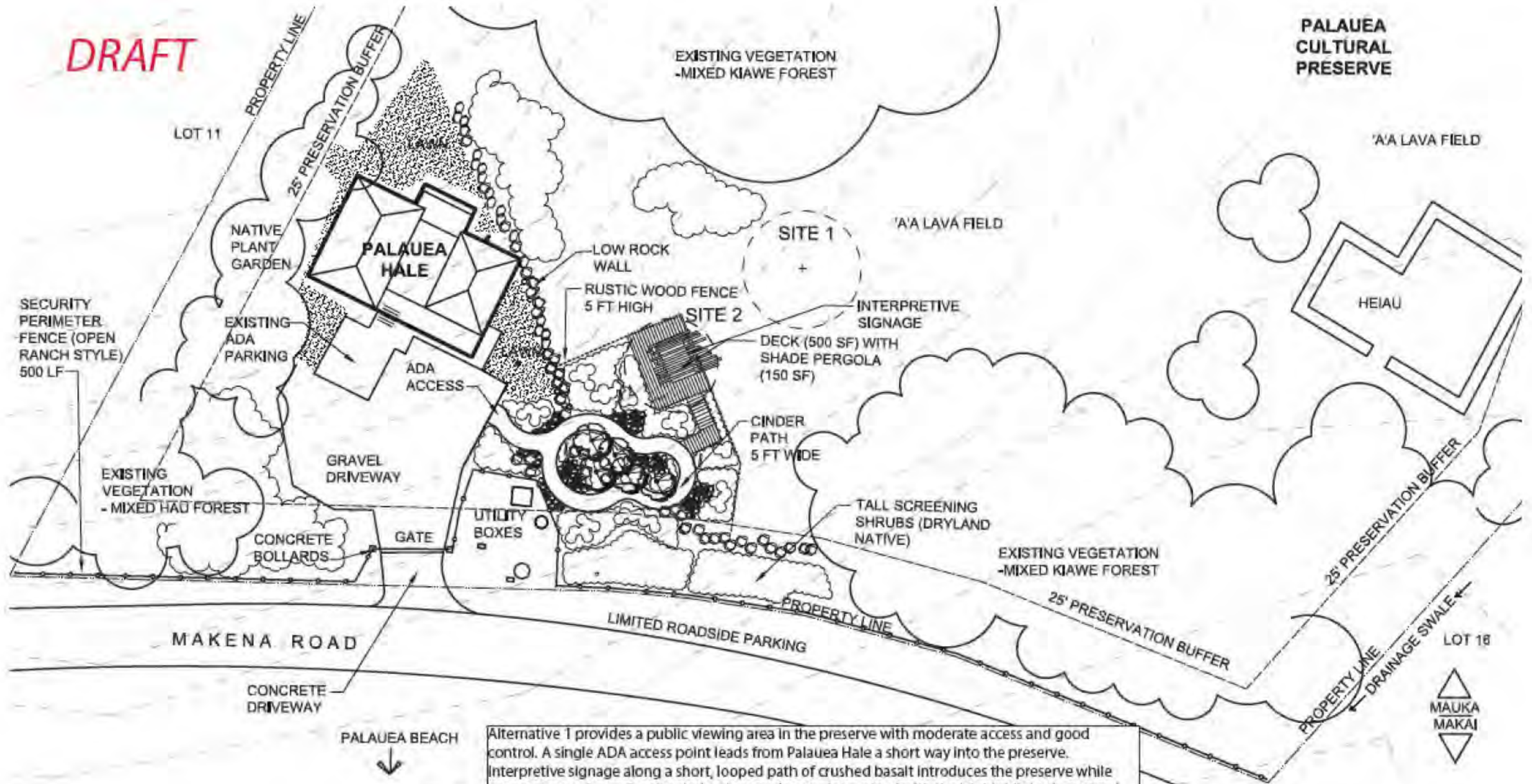
After





**DRAFT**

**PALAUUEA  
CULTURAL  
PRESERVE**



**ALTERNATIVE 1**

Alternative 1 provides a public viewing area in the preserve with moderate access and good control. A single ADA access point leads from Palauuea Hale a short way into the preserve. Interpretive signage along a short, looped path of crushed basalt introduces the preserve while generous massings of native dryland groundcovers intermixed with the 'a'a highlight the natural bounty of the area. A short boardwalk path directs visitors just inside the preserve to a deck with views mauka into the preserve. The pergola casts shade in a shape reminiscent of the famed cloud bridge Naulu. A rustic fence helps to visually and physically demarcate the perimeter of the public viewing area.







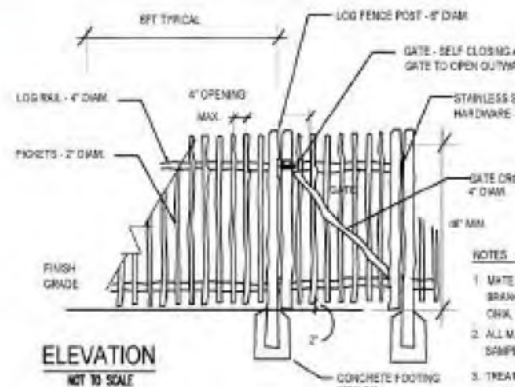
Boardwalk (Kaloko-Honokōhau National Historical Park, Hawai'i Island)



Combination concrete and crushed basalt stone with stone header



Security perimeter fence (wood post with galvanized wire to prevent corrosion)



Rustic wood fence

# PLANT PALETTE



Williwili



Maipilo



Ko'olua'ula



Pili



'A'ali'i



'Uala



Alahe'e



# Pahua Heiau

## *Intact Heiau Amongst Residential Development*

**Location:** Maunalua, O'ahu

**Zoning:** R- 5 Residential

**Ownership:** Fee Simple

**Purchase Price:** Donated by KS

**Special Conditions:**

- Historic Use Restriction

**Purpose of Acquisition:**

- Educational/cultural opportunities for Native Hawaiians.

**Size:** 1.15 Acres

**Acquired:** 1988

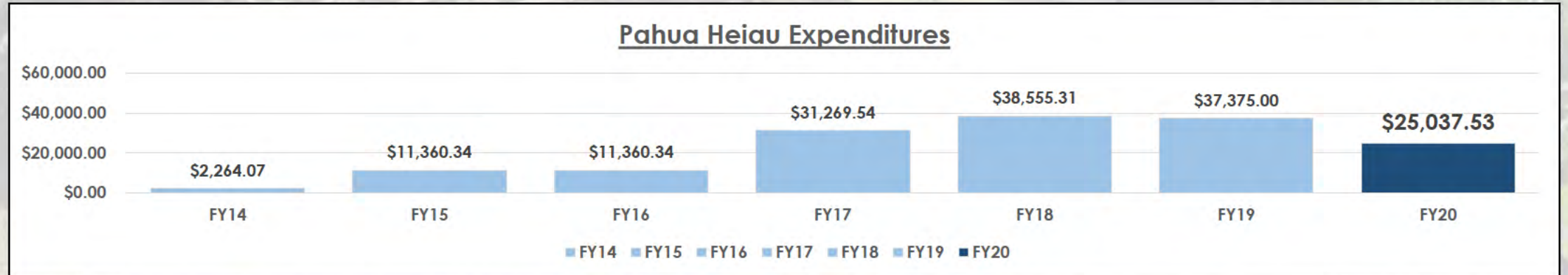
**Partnerships:**

- Digital Moku

**Priority Projects:**

1. **Barrier/Fence Construction\*\***
2. **Public Viewing Area Construction\*\***
3. **Comprehensive Management Plan**

**\*\*CIP**







# Preservation Plan

*Approved June 2018*

***Ha‘a Nā ‘Uala o Pahua i Ke Kula o Kamauwai***  
*The Potatoes of Pahua Danced in the Plains of Kamauwai*

## **DRAFT Archaeological Preservation Plan** **Pahua Heiau**

**Waimānalo Ahupua‘a, Ko‘olaupoko Moku, O‘ahu Mokupuni**  
**TMK 3-9-056: 038**



*Prepared for:*



*Prepared by:*



Pūlama Lima, M.A.  
Kelley Uyeoka, M.A., Momi Wheeler, B.A.  
Li‘i Bitler, B.A., Deandra Castro, B.A.  
Kekuewa Kikiloi, Ph.D.





## Public Viewing Area



Fencing/Gates • Irrigation • Landscaping Improvements • Interpretive Signs • Ahu • 'Uala Beds



## TREES



KUKUI



ILIAHI



NONI



ALAHEE



WILIWILI

## SHRUBS



AALII



MAMAKI



NAU



GREEN TI

## GROUND COVERS



AKIA



POHINAHINA



UALA

## HARDSCAPE / SITE FURNISHINGS



ALUMINUM FENCE (5 FT HT.)



INTERPRETIVE SIGNAGE



LITTER RECEPTACLE







**Heiau Rehabilitation with Billy Fields**



Before

---



After

---





# Stewardship Partnership



Education & Outreach



Vegetation & Landscape Maintenance



Consultation







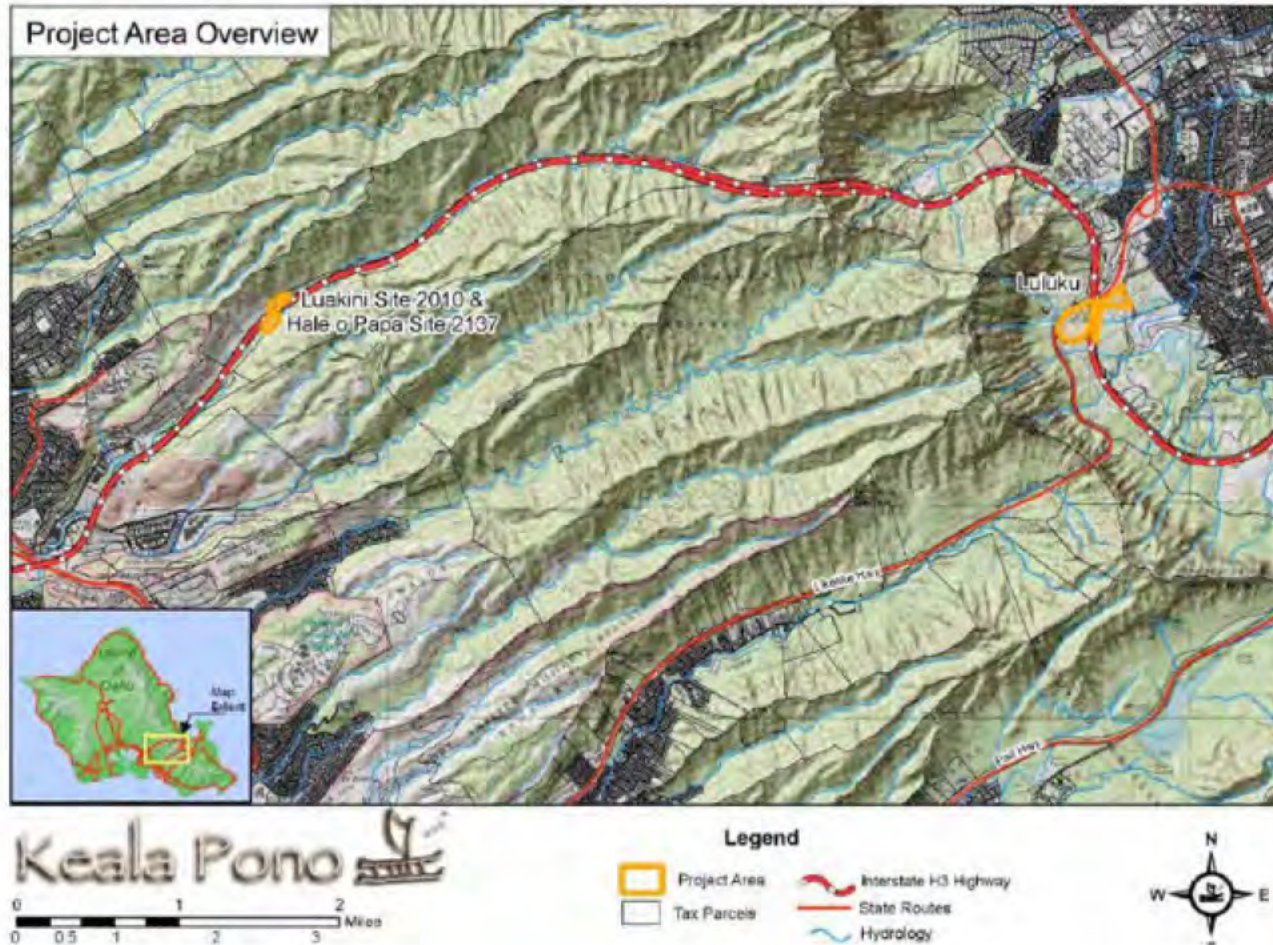
# Hālawā-Luluku Interpretive Development Project

**Purpose: To mitigate the adverse impacts resulting from the construction of the Interstate H-3 Highway**





## Project Area Overview





# North Hālawā Valley



- Hālawā is significant as the place where the earth mother, Papa, raised her children with their father, Wākea (Beckwith 1970:301). Papa, the female procreator of the Hawaiian Islands and its people, is one of the primary founding figures of tradition.
- Hālawā was also a land of mythical guardians, such as the kōlea, mo'ō, and giant caterpillar in the uplands, and the mo'ō and shark god in the coastal regions.
- It was also known as a place for human spirits to depart on their journey to other realms (Pukui et al. 1974:131).



# Nā Wai O Luluku

The Luluku headwaters, beneath Pu'u Keahiakahoe, is where three streams come together to form the chief water supply of Kāne'ohe moku

- Hi'ilaniwai, Kahuaiki, and Māmalahoa; according to mo'olelo they are each considered wives of Kāne
- Kāne could not meet with any of his wives separately or they would become jealous and would divert the course of their water and the people would suffer
- All three streams meet at the head of Luluku stream, where they can enjoy each other's company and decide how to best supply the people below with water





# Understanding Interstate H-3's contentious past...

## PROS

- Alleviates traffic (South, Central & East)
- Connects KMCB and Joint Base Pearl Harbor-Hickam

## CONS

- Heavy blow to the members of the community and their ancestors who have relationships with the areas affected by the freeway
- Damage and Destruction of numerous cultural sites
- Environmental and Ecological Damage
- Historic trauma and cultural wounding which continues to this day.





# Interstate H-3 Timeline

Enabled	1940's and 50's
Planned	1960's
Challenged by our community	1970's
Constructed	1980's and 90's
Completed	1997
Opened for public use	1998
HLID Officially Begins (20 years ago)	2000





# HLID's Guiding Documents

## 1987 Memorandum of Agreement (MOA)

- **Signatories:** Federal Highway Administration (FHWA), Advisory Council on Historic Preservation (ACHP), State Historic Preservation Officer (SHPO)
- **Concurring Parties:** HI Department of Transportation (HDOT), Office of Hawaiian Affairs
- NHPA Section 106 Compliance (National Historic Preservation Act)
- Stipulation B required OHA (in consultation with HDOT) to create an Interpretive Development Plan (IDP)

## 1999 Cooperative Agreement (CA) between HDOT and OHA

- Outlines 3 phases for the project
  1. Planning (Completed)
  2. Design Development (In-Progress)
  3. Construction/Implementation (Transitioning Into)
- Amendments in 2010 & 2012
- HLID created for three main purposes:
  - 1) Complete the IDP (Finalized in 2008)
  - 2) Create Stewardship Management Plans (SMP)
  - 3) Implement select mitigation elements in the IDP





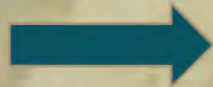
Luluku Beneath the H-3 and Pu'u Keahiakahoe  
November 18, 2020



# *Where we are and where we are going...*



## **Phase 2**



### **Design/Development**

- Complete Preservation Plan
- Prelim. Design and Permitting for contemporary support structures
- Finalize Design Plans
- MOA between Stewards and OHA
  - Complete Stewardship Management Plans
  - HLID collaboration with Stewards for capacity building

## **Phase 3**



### **Implementation**

- HDOT to Procure for Construction Management Firm & Complete Construction
- Complete/Implement Preservation Plans
- Stewards Obtain Revocable Permit – long term access
- HLID program closeout and transfer of project inventory to HDOT – end of 2021

## **Closeout**

### **Long-Term Outcomes (In Perpetuity)**

- Stewards are self-sustainable & conducting educational and cultural programs
- On-going care for cultural sites and contemporary structures, and community collaborations



# HĀLAWA-LULUKU INTERPRETIVE DEVELOPMENT PROJECT

## HLID Project Kuleana

- Project Manager Through Phase 3  
(Implementation/Construction)
  - December 2021 – Projected End Date
- Major Deliverables Remaining
  - Stewardship Management Plans
  - Hālawā Preservation Plan

## HLID Financials

90% Funded by FHWA

10% Funded by HDOT

- \$300k on deposit with OHA
- Monthly Billing to HDOT for actual expenses

## Total Project Budget: \$11 Million

- Total Remaining: \$5.3 Million
- Project Contingency: \$1.4 Million
- Existing Contracts: \$930K



## Lulukū / Hālawā

Contingencies Per Project Area \$700k

Remaining Per Project Area \$1.4 Million



# SELECTED STEWARDS

## **Nā Kūpuna a me Nā Kāko‘o ‘o Hālawā Inc. (NKNKHI)**

- Recognized Stewards for North Hālawā Valley (sites 2137 and 2010)
  - NKNKHI Board
  - Hālawā Kūpuna
  - Community Members



## **Luluku Farmers' Association / Aloha 'Aina Health and Learning Center (LFA/AHLC)**

- Recognized Stewards for Luluku (HDOT Parcels 14 & 15 (Loop) and 20)
  - LFA/AHLC Board
  - Luluku Kūpuna
  - Community Members





# Waialua Courthouse

*On the State Historic Register Since 1979*

**Location:** Waialua, O'ahu

**Size:** 1.06 Acres

**Zoning:** R-5 Residential District

**Acquired:** 1998

**Ownership:** 35 yr. lease from DLNR

**Purchase Price:** Gratis lease, amended 2012

**Unique Features:**

- Single story building (~2,000 sq ft) with basement jail

**Special Conditions:**

- OHA responsible for operating and repair costs

**Purpose of Acquisition:**

- Provide a base for beneficiary organizations to gather, meet, plan, practice and participate in Hawaiian culture.

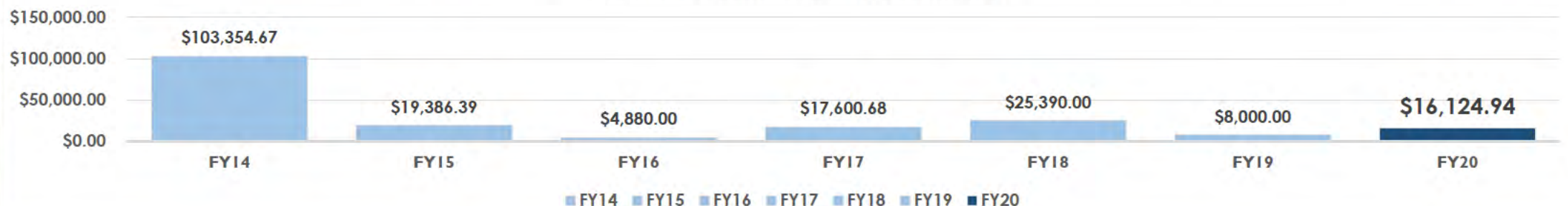
**Partnerships:**

- Friends of Waialua Courthouse

**Priority Projects:**

1. Sublease Agreement
2. Various Site Improvements: Site drainage & parking lot paving

Waialua Courthouse Expenditures







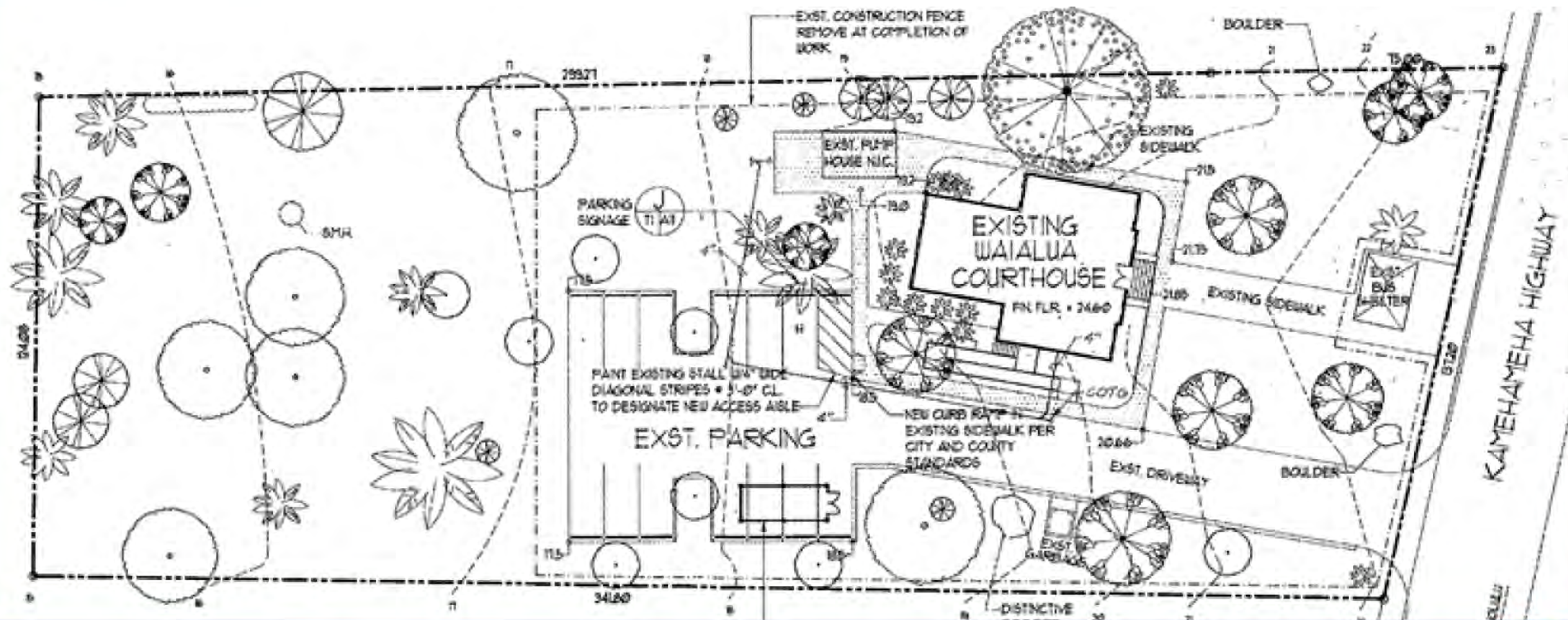
Walnut Court House

66-287

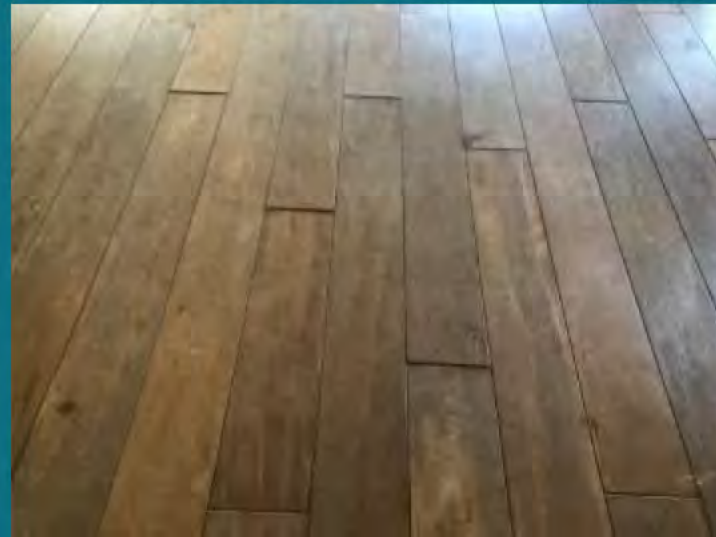
NO TRESPASSING



# Site Plan



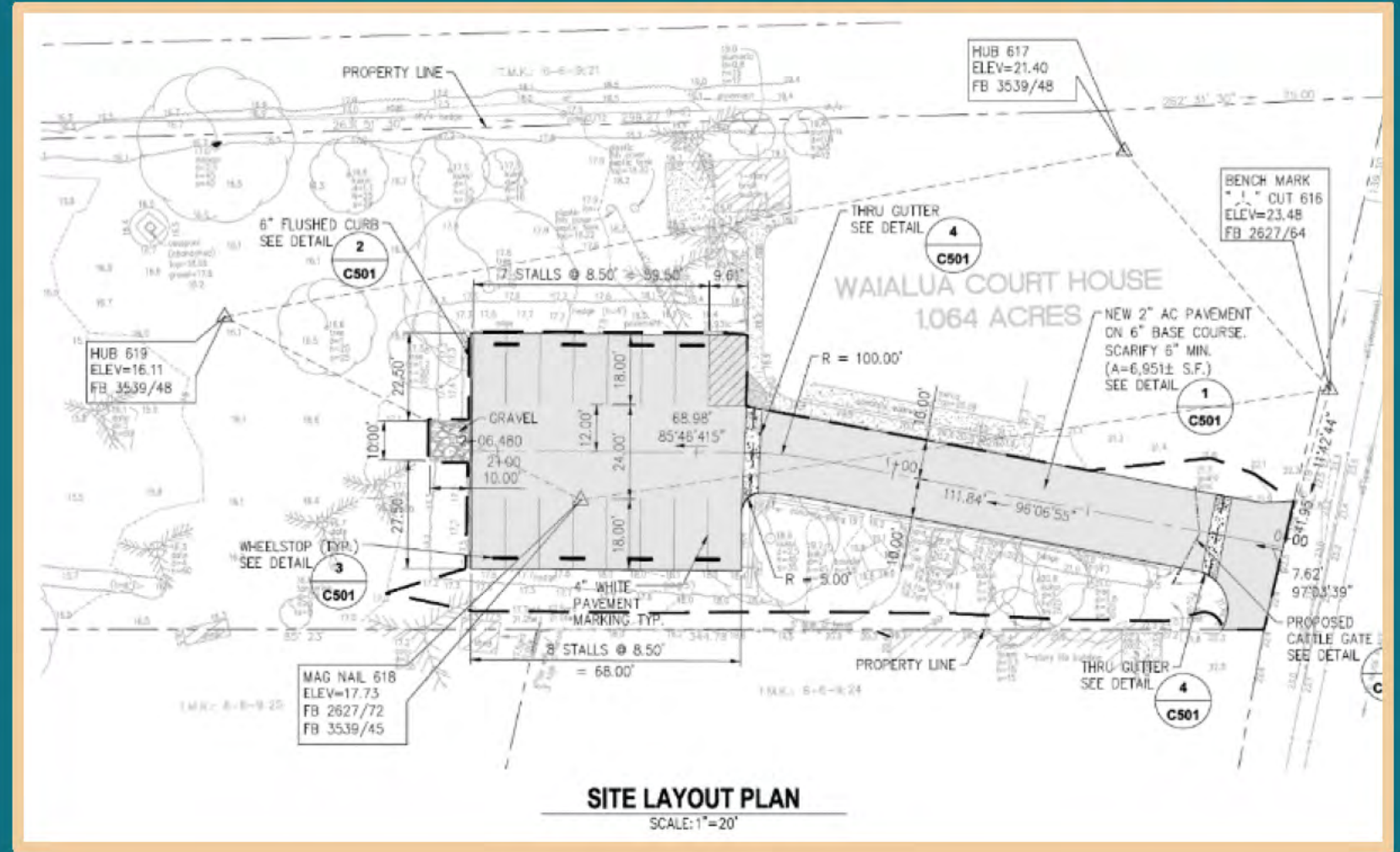
# Floor Refinishing







# Site Drainage & Parking Lot/Driveway Repaving













# Vagrant Activities



## Friend of Waialua Courthouse



# Ho'omana

**Location:** Wailua, Kauai

**Size:** 0.8013 Acres w/ 7,500 sf structure

**Zoning:** Open

**Acquired:** 2016

**Ownership:** Leased from DLNR

**Purchase Price:** Gratis lease

**Purpose of Acquisition:**

- Educational purposes and community support

**Management:** Subleased to Ho'omana Inc.

**OHA Management Costs:** \$500/year (Annual Site Visit)







# Flood In March 2020





# Flood Cleanup Efforts





# Kekaha Armory

**Location:** Kekaha, Kauaʻi

**Size:** 1.46 Acres w/14,000 sf structure

**Zoning:** Industrial Mixed Use

**Acquired:** 1998

**Ownership:** 65 yr lease from DLNR

**Purchase Price:** \$1/yr

**Purpose of Acquisition:**

- Hawaiian cultural and educational purposes

**Management:** 30 yr. Sublease to Ke Kula Niʻihau O Kekaha

**OHA Management Costs:** \$500/year (Annual Site Visit)











# Kealapito

<b>a</b>  alapii	<b>ha</b>  hale	<b>ka</b>  kala	<b>la</b>  laka	<b>ma</b>  mata	<b>na</b>  nalu	<b>pa</b>  papale	<b>ta</b>  taa	<b>wa</b>  waha
<b>e</b>  elele	<b>he</b>  hee	<b>ke</b>  kelepona	<b>le</b>  lehua	<b>me</b>  mea ai	<b>ne</b>  nene	<b>pe</b>  pepeiao	<b>te</b>  tea	<b>we</b>  wela
<b>i</b>  ia	<b>hi</b>  hia	<b>ki</b>  kinipopo	<b>li</b>  lima	<b>mi</b>  mitiao	<b>ni</b>  niho	<b>pi</b>  pito	<b>ti</b>  titala	<b>wi</b>  wili
<b>o</b>  opu	<b>ho</b>  hotu	<b>ko</b>  konane	<b>lo</b>  loko ia	<b>mo</b>  mato	<b>no</b>  noho	<b>po</b>  poo	<b>to</b>  tootoo	<b>wo</b>  waela
<b>u</b>  uapa	<b>hu</b>  hula	<b>ku</b>  kuli	<b>lu</b>  luu	<b>mu</b>  muhee	<b>nu</b>  nuku	<b>pu</b>  pupu	<b>tu</b>  tui	<b>wu</b>  wulekula



HALEKULA NIIHAU O KEKAHA





**Nīnau?**

**Mana'o?**



**Mahalo nunui!**





PHONE (808) 594-1888  
Committee on Resource Management  
Trustee John Waihe'e IV, *At-Large* - Chair  
Trustee Luana Alapa, *Moloka'i / Lāna'i* - Vice Chair  
Members

Trustee Leina'ala Ahu Isa, *At-Large*  
Trustee Dan Ahuna, *Kaua'i / Ni'ihau*  
Trustee Kaleihikina Akaka, *O'ahu*  
Trustee Keli'i Akina, *At-Large*  
Trustee Brendon Kalei'aina Lee, *At-Large*  
Trustee Carmen Hulu Lindsey, *Maui*  
Trustee Keola Lindsey, *Hawai'i Island*



**STATE OF HAWAII  
OFFICE OF HAWAIIAN AFFAIRS**

FAX (808) 594-1865

**MEETING OF THE  
COMMITTEE ON RESOURCE MANAGEMENT (RM)**

**DATE:** Tuesday, October 26, 2021

**TIME:** 1:30 p.m.

**PLACE:** Virtual Meeting viewable at [www.oha.org/livestream](http://www.oha.org/livestream) OR  
Listen by phone: (213) 338-8477, Webinar ID: 823 8509 7385

**Due to the threat of COVID-19, Governor Ige issued the most recent Emergency Proclamation Related to the State's COVID-19 Delta Response, dated October 1, 2021, that suspends parts of Hawai'i Revised Statutes Chapter 92, Public Agency Meetings and Records to, among other things, enable boards to conduct business without any board members or members of the public physically present at the same location.**

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**AGENDA**

**I. Call to Order**

**II. Public Testimony on Items Listed on the Agenda\***

(Please see page 2 on how to submit written testimony or provide oral testimony online.  
Oral testimony by telephone/landline **will not** be accepted)

**III. Approval of Minutes**

A. October 19, 2021

**IV. Unfinished Business – None**

**V. New Business**

A. Trustee Training (or Education): Governance: Roles and Responsibilities,  
Investment Committee, Proposed Updates and Changes,  
Craig Chaikin, CFA, Vice President, Segal Marco Advisors  
and OHA Interim Investment Manager Ryan Lee

B. Presentation: Legacy Land Program & Portfolio, Except Wahiawā Lands –  
Kalani Fronda, Land Director

**C. ACTION ITEM RM #21-16: Iwilei Commercial Properties Non-Core Operating Budget for the  
Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23)**

D. ACTION ITEM RM #21-17: FB22-23 Non-Core Budget Realignment #1

**VI. Announcements**

**VII. Adjournment**





**ACTION ITEM**


**COMMITTEE ON RESOURCE MANAGEMENT  
October 26, 2021**

**RM #21-16**


**Action Item Issue: Iwilei Commercial Properties Non-Core Operating Budget for the Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23)**

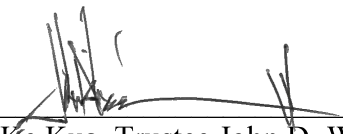
Prepared by:  Oct 21, 2021  
Grace Chen Date  
‘Aho Hui Mo‘ohelu, Financial Analyst

Reviewed by:  Oct 21, 2021  
R. Kalani Fronda Date  
Ka Pou Kihi Kanaloa ‘Āina, Land Director

Reviewed by:  Oct 21, 2021  
Ramona G. Hinck Date  
Pou Kāko‘o Ho‘opono Kūikawā, Interim Controller &  
Ka Pou Kihi Kanaloa Wai, Chief Financial Officer

Reviewed by:  Oct 21, 2021  
Casey K. Brown Date  
Ka Pou Nui, Chief Operating Officer

Reviewed by:  Oct 21, 2021  
Sylvia M. Hussey, Ed.D. Date  
Ka Pouhana, Chief Executive Officer

Reviewed by:  Oct. 22, 2021  
Ke Kua, Trustee John D. Waihee, IV Date  
Luna Ho‘omalua o ke Kōmike Resource Management  
Chair of the Committee on Resource Management



## **Action Item RM #21-16: Iwilei Commercial Properties Non-Core Operating Budget for the Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23)**

---

### **I. PROPOSED ACTION**

Approve the Iwilei commercial properties non-core operating budget for the fiscal biennium periods 2021-2022 (FY 22) and 2022-2023 (FY 23) as outlined in Attachment #1.

### **II. ISSUE**

Whether or not the Committee on Resource Management should recommend the approval of the non-core budget for the fiscal biennium (FB) period 2021-2022 (FY 22) and 2022-2023 (FY 23), associated with the commercial properties at 500 N. Nimitz Highway and 501 Sumner Street (collectively “Iwilei Properties”) acquired by the Office of Hawaiian Affairs (OHA) on September 30, 2021, as outlined in Attachment #1.

### **III. BACKGROUND, OVERVIEW**

The recent acquisition and related financing of the retail (500 North Nimitz) and industrial (501 Sumner Street) commercial properties (collectively “Iwilei Properties”) require several activities for Administration to complete in order to ‘operationalize’ the third asset group/cluster within OHA’s commercial property portfolio, joining Nā Lama Kukui (NLK) and Kaka’ako Makai (KM). Such operational activities include, but are not limited to: recording acquisition, financing and related due diligence and transactional costs; ensuring the appropriate funding between core and non-core is recognized and reconciled; establishing operational budgets (for the fiscal biennium 2022-2023); securing property management (PM) services; establishing operating bank accounts cash level requirements (as a result of the financing agreement) and cash management processes and procedures between financial institution and OHA; setting up loan servicing mechanisms and reporting; establishing PM reporting formats, deadlines, operational expenditures and cash management procedures; establishing OHA accounting and reporting at the asset level with ability to aggregate or disaggregate analysis (e.g., by property, by lot, by type); establishing appropriate delegation and aggregation of authority levels for transactional and reporting activities (e.g., Oracle Fusion, contracts, payments on contracts, BVR/contract reporting).

Revenues for FY22 are projected at 9 months and 12 months for FY23 based on the September 30, 2021 acquisition date. Similar to NLK and KM operating budgets, operational analyses and budget component line items include revenue by asset plus expense categories (e.g., contracts, equipment, overhead, program, debt service). Budgets include total and allocated debt service amounts. Major repairs or capital expenditures are not included and will be brought forward when estimation and priority activities are completed.

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**Action Item RM #21-16: Iwilei Commercial Properties Non-Core Operating Budget for the Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23)**

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**IV. DISCUSSION – CONSTRUCTED BUDGETS**

Because of the Board of Trustees’ authorized acquisition action via *Action Item RM #21-14: Commercial Property Acquisition of 500 N. Nimitz Highway and 501 Sumner Street, September 14, 2021 (Executive Session)*, and the subsequent closing on September 30, 2021, Administration puts forward the operating budgets for the Iwilei Properties for the current fiscal biennium period. The Iwilei Properties operating budget consists of the retail 500 N. Nimitz Highway (500 N Nimitz) and industrial 501 Sumner Street (501 Sumner) properties, reflect estimated needs for FY 22 and FY 23 and are summarized in **Tables 1 and 2**. Major repairs or capital expenditures are not included and will be brought forward when estimation and priority activities are completed.

**A. 500 N. Nimitz (Retail)**

500 N Nimitz’s gross revenues are currently estimated at \$2,639,294 for FY 22 for 9 months period, October 2021 to June 2022 and \$3,581,058 for FY 22 for 12-months period, July 2022 to June 2023 from lease revenues.

**Table 1. 500 N. Nimitz Budget (Retail) – FY 22 & FY 23**

500 N Nimitz Budget	Biennium Budget Request		FY22/FY23
	FY 22	FY 23	2-Year Total
<b>Beginning Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Gross Projected Revenue	\$2,639,294	\$3,519,058	\$6,158,352
<b>Sub-total Projected Revenue</b>	<b>\$2,639,294</b>	<b>\$3,519,058</b>	<b>\$6,158,352</b>
<i><b>Less: Operating Expenses</b></i>			
Contracts	308,250	411,000	719,250
Equipment	166,854	194,572	361,426
Overhead	120,051	160,068	280,119
Program	189,615	252,264	441,879
<b>Sub-total Operating Expenses:</b>	<b>\$784,770</b>	<b>\$1,017,904</b>	<b>\$1,802,674</b>
<i><b>Less: Debt Service</b></i>	528,069	713,836	1,241,905
<b>Total Expenditures:</b>	<b>\$1,312,839</b>	<b>\$1,731,740</b>	<b>\$3,044,579</b>
<b>Projected Net Available (Use of) Funds:</b>	<b>\$1,326,455</b>	<b>\$1,787,318</b>	<b>\$3,113,773</b>

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**Action Item RM #21-16: Iwilei Commercial Properties Non-Core Operating Budget for the Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23)**

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***B. 501 Sumner (Industrial)***

501 Sumner's gross revenues are currently estimated at \$183,753 for FY 22 for 9 months period, October 2021 to June 2022 and \$704,691 for FY 22 for 12-months period, July 2022 to June 2023 from lease revenues.

**Table 2. 501 Sumner Budget – FY 22 & FY 23**

501 Sumner Budget	Biennium Budget Request		FY22/FY23
	FY 22	FY 23	2--Year Total
<b>Beginning Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Gross Projected Revenue	<b>\$183,753</b>	<b>\$704,691</b>	<b>\$888,444</b>
<b>Sub-total Projected Revenue:</b>	<b>\$183,753</b>	<b>\$704,691</b>	<b>\$888,444</b>
<i>Less: Operating Expenses</i>			
Contracts	48,250	61,000	109,250
Equipment	154,735	272,981	427,716
Overhead	79,553	106,070	185,623
Program	8,658	33,205	41,863
<b>Sub-total Operating Expenses:</b>	<b>291,196</b>	<b>473,256</b>	<b>\$764,452</b>
<i>Less: Debt Service</i>	<b>\$215,178</b>	<b>\$290,889</b>	506,067
<b>Total Expenditures:</b>	<b>\$506,374</b>	<b>\$764,145</b>	<b>\$1,270,519</b>
<b>Projected Net Available (Use of) Funds:</b>	<b>(\$322,621)</b>	<b>(\$59,454)</b>	<b>(\$382,075)</b>

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**Action Item RM #21-16: Iwilei Commercial Properties Non-Core Operating Budget for the Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23)**

**C. Summary**

Table 3 below summarizes the FY22 FY23 Iwilei Properties commercial property operating budget for FY22 FY23 related to opening balances, revenues, and expenses.

**Table 3: OHA's Iwilei Commercial Properties FY22 FY23**

<b>IWILEI</b>	<b>500 N Nimitz (Retail)</b>		<b>501 Sumner (Industrial)</b>		<b>FY2022 Total Budget Request [A]+[C]</b>	<b>FY2023 Total Budget Request [B]+[D]</b>
	<b>FY22 Budget Request [A]</b>	<b>FY23 Budget Request [B]</b>	<b>FY22 Budget Request [C]</b>	<b>FY23 Budget Request [D]</b>		
<b>Beginning Balance</b>	\$0	\$0	\$0	\$0	\$0	\$0
Gross Projected Revenue	2,639,294	3,519,058	183,753	704,691	2,823,047	4,223,749
<b>Sub-total Projected Revenue:</b>	<b>\$2,639,294</b>	<b>\$3,519,058</b>	<b>\$183,753</b>	<b>\$704,691</b>	<b>\$2,823,047</b>	<b>\$4,223,749</b>
<b>Less: Operating Expenses</b>						
Contracts	308,250	411,000	48,250	61,000	356,500	421,000
Equipment	166,854	194,572	154,735	272,981	321,589	467,553
Overhead	120,051	160,068	79,553	106,070	199,604	266,138
Program	189,615	252,264	8,658	33,205	198,273	285,469
<b>Sub-total Operating Expenses:</b>	<b>\$784,770</b>	<b>\$1,017,904</b>	<b>\$291,196</b>	<b>\$473,256</b>	<b>\$1,075,966</b>	<b>\$1,491,160</b>
<b>Less: Debt Service</b>	528,069	713,836	\$215,178	\$290,889	743,247	1,004,725
<b>Total Expenditures:</b>	<b>\$1,312,839</b>	<b>\$1,731,740</b>	<b>\$506,374</b>	<b>\$764,145</b>	<b>\$1,819,213</b>	<b>\$2,495,885</b>
<b>Projected Net Available (Use of) Funds:</b>	<b>\$1,326,455</b>	<b>\$1,787,318</b>	<b>(\$322,621)</b>	<b>(\$59,454)</b>	<b>\$1,003,834</b>	<b>\$1,727,864</b>

**NOTES**

- 1) OHA acquired the subject properties at 500 N Nimitz (Retail) and 501 Sumner (Industrial) from Seritage Growth Properties, LLC for \$47 million, plus fees and expenses that incurred to close and complete the transaction. Transaction closed on September 30, 2021.
- 2) Final acquisition costs are being aggregated for recording.
- 3) The FY22 budget represents a nine-month period from Oct 2021 - June 2022. The FY23 budget represents a twelve-month period from July 2022 - June 2023.
- 4) Total debt service is allocated between 500 Nimitz (Retail) and 501 Sumner (Industrial) for FY22 and FY23.



**Action Item RM #21-16: Iwilei Commercial Properties Non-Core Operating Budget for the Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23)**

- 5) Table 4 reflects the purchase price broken down by land, building, and other fixed asset categories to record and allocate the purchase for accounting records and expense allocation purposes.

**Table 4. Iwilei Properties Appraised Value Allocation**

**TOTAL APPRAISED  
VALUE (9/14/21):** **\$47,426,000**

<b><u>ADDRESS</u></b>	<b><u>APPRAISED LAND VALUE</u></b>	<b><u>APPRAISED BUILDING VALUE</u></b>	<b><u>TOTAL</u></b>	<b><u>%</u></b>
500 Nimitz (retail)	\$25,957,400	\$7,736,600	\$33,694,000	71.05%
501 Sumner (industrial)	11,635,500	2,096,500	13,732,000	28.96%
<b>Total</b>	<b>\$37,592,900</b>	<b>\$9,833,100</b>	<b>\$47,426,000</b>	<b>100.00%</b>

- 6) **Tables 5 and 6** aggregate and display FB operating budget information by revenues and expenses:

**Table 5. Iwilei Commercial Property Budget FY22 FY23 - Revenue**

<b>Funding Sources</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2022/ FY2023 2-Year Total</b>
<b>Iwilei Commercial Property</b>			
500 N Nimitz	\$2,639,294	\$3,519,058	\$6,158,352
501 Sumner	183,753	704,691	\$888,444
<b>Total Available Funds:</b>	<b>\$2,823,047</b>	<b>\$4,223,749</b>	<b>\$7,046,796</b>

**Table 6. Iwilei Commercial Property Budget FY22 FY23 – Expenditures**

<b>Funding Sources</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2022/ FY2023 2-Year Total</b>
<b>Iwilei Commercial Property</b>			
500 N Nimitz	\$1,312,839	\$1,731,740	\$3,044,579
501 Sumner	506,374	764,145	\$1,270,519
<b>Total Expenditures:</b>	<b>\$1,819,213</b>	<b>\$2,495,885</b>	<b>\$4,315,098</b>

## V. REFERENCES

The following action items provide context for this operational budget action item:

- Action Item RM #21-10: Amendments to the Native Hawaiian Trust Fund Investment Policy Statement and the Debt Management Policy Implementation Procedures, August 3, 2021;
- Action Item RM #21-11: Financing of Potential Commercial Property Acquisition, August 3, 2021 (Executive Session); and
- Action Item RM #21-14: Commercial Property Acquisition of 500 N. Nimitz Highway and 501 Sumner Street, September 14, 2021 (Executive Session).

**Action Item RM #21-16: Iwilei Commercial Properties Non-Core Operating Budget for the Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23)**

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**VI. RECOMMENDED ACTION**

Administration recommends approval of the Iwilei commercial properties non-core operating budget for the fiscal biennium periods 2021-2022 (FY 22) and 2022-2023 (FY 23) as outlined in Attachment #1.

**VII. ALTERNATIVE ACTIONS**

- A. Amend the recommended action as outlined in Attachment #1.
- B. Do not approve the recommended action.

**VIII. ATTACHMENT #1 - Iwilei Commercial Properties Non-Core Operating Budget for the Fiscal Biennium Period 2021-2022 (FY 22) and 2022-2023 (FY 23)**



**OFFICE OF HAWAIIAN AFFAIRS  
IWILEI COMMERCIAL PROPERTIES NON-CORE OPERATING BUDGET  
BIENNIUM PERIODS 2021-2022 (FY 2022) 2022-2023 (FY 2023)**

**ATTACHMENT #1**

**A. FY 2022 BUDGET**

<b>FY 2022</b>	<b>Iwilei Commercial Properties Budget</b>		<b>FY 2022 Total Operating Budget</b>
	<b>500 N Nimitz</b>	<b>501 Sumner</b>	
Contracts	\$308,250	\$48,250	\$356,500
Equipment	166,854	154,735	321,589
Overhead	120,051	79,553	199,604
Program	189,615	8,658	198,273
Debt Service	528,069	215,178	743,247
<b>Totals:</b>	<b>\$1,312,839</b>	<b>\$506,374</b>	<b>\$1,819,213</b>

**B. FY 2023 BUDGET**

<b>FY 2023</b>	<b>Iwilei Commercial Properties Budget</b>		<b>FY 2023 Total Operating Budget</b>
	<b>500 N Nimitz</b>	<b>501 Sumner</b>	
Contracts	\$411,000	\$61,000	\$472,000
Equipment	194,572	272,981	467,553
Overhead	160,068	106,070	266,138
Program	252,264	33,205	285,469
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<b>Totals:</b>	<b>\$1,731,740</b>	<b>\$764,145</b>	<b>\$2,495,885</b>
<b>2-Year Totals:</b>	<b>\$3,044,579</b>	<b>\$1,270,519</b>	<b>\$4,315,098</b>

PHONE (808) 594-1888  
Committee on Resource Management  
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Trustee Dan Ahuna, *Kaua'i / Ni'ihau*  
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Trustee Keli'i Akina, *At-Large*  
Trustee Brendon Kalei'aina Lee, *At-Large*  
Trustee Carmen Hulu Lindsey, *Maui*  
Trustee Keola Lindsey, *Hawai'i Island*



**STATE OF HAWAII  
OFFICE OF HAWAIIAN AFFAIRS**

FAX (808) 594-1865

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B. Presentation: Legacy Land Program & Portfolio, Except Wahiawā Lands –  
Kalani Fronda, Land Director

C. ACTION ITEM RM #21-16: Iwilei Commercial Properties Non-Core Operating Budget for the  
Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23)

**D. ACTION ITEM RM #21-17: FB22-23 Non-Core Budget Realignment #1**

**VI. Announcements**

**VII. Adjournment**






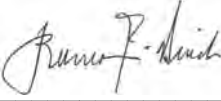
**ACTION ITEM**


**COMMITTEE ON RESOURCE MANAGEMENT  
October 26, 2021**


**RM #21-17**

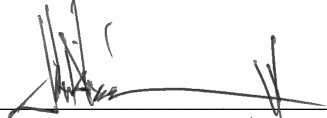
**Action Item Issue: FB22-23 Non-Core Budget Realignment #1**

Co-Prepared by:  Oct 21, 2021  
Grace Chen Date  
'Aho Hui Mo'ohelu, Budget Analyst

Co-Prepared & Reviewed by:  Oct 21, 2021  
Ramona G. Hinck Date  
Pou Kāko'o Ho'opono Kūikawā, Interim Controller &  
Ka Pou Kihi Kanaloa Wai, Chief Financial Officer

Reviewed by:  Oct 21, 2021  
Casey K. Brown Date  
Ka Pou Nui, Chief Operating Officer

Reviewed by:  Oct 21, 2021  
Sylvia M. Hussey, Ed.D. Date  
Ka Pouhana, Chief Executive Officer

Reviewed by:  Oct. 22, 2021  
Ke Kua, Trustee John D. Waihee, IV Date  
Luna Ho'omalua o ke Kōmike Resource Management  
Chair of the Committee on Resource Management

**I. PROPOSED ACTION**

Approve the FB22-23 non-core budget realignment #1 as summarized at Attachment #1.

**II. ISSUE**

Whether or not the Committee on Resource Management should approve the FB22-23 non-core budget realignment #1, summarized at Attachment #1, including the adjustments for changes in occupancy conditions, consulting and other professional services for further planning, signage, and other activities in the area and major repairs.

**III. POLICY BASIS – Budget Construction & Management Policies**

**A. Budget Construction.** Via Action Item RM #18-12: Amendments to OHA’s Board of Trustees Executive Policy Manual (EPM) related to budget preparation, format and reporting requirements, September 26, 2018, the Board implemented changes to and renamed section 3040 to Planning, Programming, Budget (PPB)<sup>1</sup> (“Section 3040”). In general, section 3040 describes the biennium budget construction process, including sufficient detail planning, programming and financing to support OHA’s Strategic Plan priorities, results, programs and operations. Understanding the business model, time horizon and activities, work plans, etc. are important to be able to budget effectively. In addition, the budget should be able to be shared in a multiple ways— non-core, programmatic, strategy, overhead, personnel, non-personnel; and to multiple audiences (e.g., Board, administration, management, legislators, beneficiaries). Section 3040 of the EPM functions as the organization’s budget construction policy.

**B. Budget Management.** Once the biennium budget is constructed as outlined in Section 3040, implementation and execution of the budget take various forms such as management and monitoring of site operations and activities, payroll, purchase requisitions, purchase orders, disbursements and contracts. Each operational activity has related policies, processes and procedures. Observations, experiences and operations are supplemented with periodic (e.g., weekly, monthly) reports distributed to executives, directors and managers to monitor and manage strategic and tactical activities, purchase requisitions (representing commitments), purchase orders and contracts (representing encumbrances), budget variances (the difference between actual disbursements + commitments + encumbrances and budgets for the program, object code, contract).

**C. Budget Evaluation.** Reports provided and budget evaluation activities are intended to go hand in hand. Contract management is also part of budget monitoring and management. Evaluation activities consider questions such as:

- What is the dollar and percentage variance of each program?
- What is the nature of that variance—positive, negative, temporary, permanent?
- Should there be an adjustment to the process to spend (e.g., accelerate or slow the procurement process) or the actual spend itself (e.g., service contract or other disbursement vehicle)?

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<sup>1</sup> Section 3040 related to Bylaws Review was deleted and moved to Series 1000 which is related to BOT responsibilities (Source: Action Item ARM 10-06 and page 19)



- Are the program plans on track? Do we need to adjust our plans in order to deliver timely and completely?
- Was the intended outcome, deliverable provided? Is there a contract, purchase order or other adjustment to be completed?
- How are the expenditures and disbursements aligned tactically or strategically?

New Section 3045 functions as the organization's budget reporting, management and evaluation policy, collectively "Budget Management Policy".

#### **D. Executive Policy Manual Edits**

In completing this budget policy related work and reviewing the various reference documents, the following edits are proposed: (3) Relocate and renumber two sections currently located in *section 3050 Fiscal* to *section 3040 Planning, Programming, Budget*; and (4) Relocate and renumber five sections currently located in *section 3040 Planning, Programming, Budget* to new *section 3045 Budget Management*.

As recently approved by the Board of Trustees ("BOT" or "Board"), Action Item RM #21-05 - Amendment to Executive Policy Manual Section, Budget Management Policy, April 20, 2021<sup>2</sup>:

**1. 3045 BUDGET MANAGEMENT POLICY, 3.45.c.** *As the biennium budget is prepared and authorized only once every two years, in accordance with the State's biennium, it may be necessary to update and make adjustments to the budget for various changes that may have occurred since the budget was approved. Significant changes to the budget are made through budget realignments. A budget realignment is generally a reforecasting of the total budget. Budget realignments are prepared by the CEO through the CFO and presented to the BOT for approval.*

**2. 3046 FISCAL STABILIZATION POLICY.** *As defined in the new Executive Policy Manual Section 3046 – FISCAL STABILIZATION POLICY: "**Reserve**" means something stored or kept available for future use or need, money or its equivalent kept on hand or set apart usually to meet liabilities. **Reserves.** The Fiscal Stabilization Fund may be used to activate previously designated reserves.*

E. **Working Definitions.** The following are working definitions that contextualize discussions related to budget realignment of the core and non-core budgets as provided by policy:

- "Expenditure" is when cash is disbursed or an accounting accrual is made to recognize the obligation;
- "Committed" is when a purchase requisition is processed; and
- "Encumbrance" is when a purchase order (and related contract if applicable) is completed and processed.

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<sup>2</sup> 1st Reading, BOT Meeting, April 22, 2021; 2nd Reading, BOT Meeting, April 29, 2021

The total of “expenditure”, “committed” and “encumbrance” is collectively known as (projected) “consumption”. The aggregated, projected “consumption” is compared to the approved budget from the previous period and the amount available for realignment is determined.

- F. **Budget Realignment.** The OHA biennium budget is prepared every two years for the ensuing two years, as aligned with the State of Hawaii’s biennium budget construction process. The current biennium budget covers the periods from July 1, 2021, through June 30, 2022 (FY 2022) and July 1, 2022, through June 30, 2023 (FY 2023) and was approved by the BOT on June 30, 2021. As the budget is prepared only once every two years, adjustments are often required to update the budget to current conditions. The process of updating a budget that has already been approved is referred to internally as a “Budget Realignment”.

Administration analyzed the necessity of budget realignments for both “Core” and “Non-Core”<sup>3</sup> budgets. This action item specifically addresses the fiscal period, from July 1, 2021, through June 30, 2022 (FY 2022), and July 1, 2022, through June 30, 2023 (FY 2023), and seeks approval for this realignment of the non-core budgets, specifically the commercial properties’ FY 2022 Budget. Updated and analyzed commercial property estimates and projections, include the following considerations: vacancy at 919 Ala Moana (aka Lot E); consulting and other professional services for further planning, signage, and other activities in the area; and major repairs.

#### **IV. DISCUSSION – REALIGNMENT #1**

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

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

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<sup>3</sup> For discussion purposes, the reference to “Non-Core” is used to describe budgets and activities for Kaka‘ako Makai, Na Lama Kukui, 500 N. Nimitz, 501 Sumner, Native Hawaiian Revolving Loan Fund, Halawa-Luluku Interpretive Development, Wao Kele o Puna and Palauea. All other budgets and activities are collectively considered “Core”.



*Table 1: Sources of Funding*

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

Funds are derived from revenue sources summarized below:

- ***Kaka‘ako Makai (KM) Revenues***, at this point, are from leasing activities; and as approved by Action Item RM #21-04<sup>4</sup>, sixty (60) percent of net revenues for OHA’s Legacy Land program. Realized surplus is to be retained for contribution to future expenditures on its parcels.
- ***Nā Lama Kukui (NLK) Revenues*** are from leasing activities and OHA has the added operational complexity of being its owner-occupant. Realized surplus is retained for remaining debt service payments incurred from the purchase of the property and its Honolulu office build-out.

Commercial property budget adjustments consist of Kaka‘ako Makai and Nā Lama Kukui’s revised operational costs to reflect estimated and projected needs through June 30, 2023. This action item seeks approval for budget realignment since current budget adjustments have exceeded management’s authority to re-allocate funds between expense categories for Kaka‘ako Makai and to increase Nā Lama Kukui’s budget.

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<sup>4</sup> RM #21-05 Approval of an OHA Board of Trustees Policy Amendment relating to an allocation of revenue from OHA’s Kaka‘ako Makai properties. The current Kaka‘ako Makai Policy allocates sixty percent (60%) of net revenues for OHA’s Legacy Land program. OHA’s Commercial Property Management (program code 8210) uses the balance to manage the KM parcels and to reserve funds for potential future development.

## Action Item RM #21-17: FB22-23 Non-Core Budget Realignment #1

### B. Summary of Commercial Property Budget Realignment by Revenue, Expense Type

Table 2 below summarizes projected revenues with no realignment adjustments proposed; information is provided for context.

**Table 2: FY 2022 FY2023 Commercial Property Budget Realignment – Revenue – *No Realignment* #1 Adjustment(s), Information Provided for Context**

Funding Sources	FY2022			FY2023			FY22 FY23 Total Approved Budget [A]+[C]	FY22 FY23 Total Budget Post Realignment [B]+[D]
	Approved Budget [A]	Proposed Realigned Budget [B]	Net Adjustment	Approved Budget [C]	Proposed Realigned Budget [D]	Net Adjustment		
Commercial Property Revenue								
Kakaako Makai <i>(Less Allocated to Core Budget)</i>	\$3,187,725	\$3,187,725	\$0	\$3,324,273	\$3,324,273	\$0	\$6,511,998	\$6,511,998
Na Lama Kukui	5,189,803	5,189,803	0	5,199,225	5,199,225	0	10,389,028	10,389,028
Total Available Funds	\$8,377,528	\$8,377,528	\$0	\$8,523,498	\$8,523,498	\$0	\$16,901,026	\$16,901,026

The updated expenditures for FY2022 FY2023 budget appropriations as of the date of this action item is summarized in Table 3 below:

**Table 3: FY 2022 FY2023 Commercial Property Budget Realignment – Expenditures**

Funding Sources	FY2022			FY2023			FY22 FY23	FY22 FY23
	Approved Budget [A]	Proposed Realigned Budget [B]	Net Adjustment	Approved Budget [C]	Proposed Realigned Budget [D]	Net Adjustment	Total Approved Budget [A]+[C]	Total Budget Post Realignment [B]+[D]
Commercial Property Expenditures								
Kakaako Makai (Less Allocated to Core Budget)	\$1,796,258	\$2,682,900	\$886,642	\$1,821,814	\$4,349,593	\$2,527,779	\$3,618,072	\$7,032,493
Na Lama Kukui	5,628,672	5,695,521	66,849	5,780,184	5,494,326	(285,858)	11,408,856	11,189,847
Total Operating Budget	\$7,424,930	\$8,278,421	\$953,491	\$7,601,998	\$9,843,919	\$2,241,921	\$15,026,928	\$18,222,340

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**Action Item RM #21-17: FB22-23 Non-Core Budget Realignment #1****C. FY22 Detail Budget Realignment Analysis by Object Code - Kaka'ako Makai**

The following sections outline and provide explanation on the major adjustments (increases/decreases). As noted earlier the FY22 budget was approved by the BOT on June 30, 2021<sup>5</sup> (Action Item RM#21-08A).

**Table 4: FY 2022 Approved Budget and Realignment #1 Analysis - Kaka'ako Makai Budget Comparisons**

KAKAAKO MAKAI	FY2022			Explanation
	Approved Budget	Proposed Realigned Budget	Net Realignment Adjustment	
<b>CONTRACTS</b>				
57110-SERVICES ON A FEE BASIS	884,443	1,439,443	555,000	Building assessment of 919 Ala Moana and site assessment for warehouse on Lot L; needed for further development planning
57115-LEGAL SERVICES	60,000	60,000	0	
<b>Contracts Subtotal:</b>	<b>\$944,443</b>	<b>\$1,499,443</b>	<b>\$555,000</b>	
<b>EQUIPMENT</b>				
55810-REPAIR & MAINTENANCE	243,060	628,060	385,000	To reactivate the landscaping and monument signs at the gateway to KM
<b>Equipment Subtotal:</b>	<b>\$243,060</b>	<b>\$628,060</b>	<b>\$385,000</b>	
<b>OVERHEAD</b>				
53200-OTHER SUPPLIES	6,633	6,633	0	
53810-TELEPHONE & RELATED SVCS	1,030	765	(265)	Fire alarm monitoring to be utilized from November 2021
55010-ELECTRICITY	253,985	178,985	(75,000)	Decrease based on usage; 919 Ala Moana is currently 100% vacant
55200-WATER	73,736	43,736	(30,000)	Decrease based on usage; 919 Ala Moana is currently 100% vacant
55910-INSURANCE	109,901	161,807	51,907	Increase based on insurance quote
<b>Overhead Subtotal:</b>	<b>\$445,285</b>	<b>\$391,927</b>	<b>(\$53,358)</b>	
<b>PERSONNEL</b>				
52100 SALARIES	67,644	67,644	0	
57000 FRINGE BENEFITS	35,175	35,175	0	
<b>Personnel Subtotal:</b>	<b>\$102,819</b>	<b>\$102,819</b>	<b>\$0</b>	
<b>PROGRAM</b>				
53510-DUES	8,942	8,942	0	
57240-OTHER EXPENSES	51,709	51,709	0	
<b>Program Subtotal:</b>	<b>\$60,651</b>	<b>\$60,651</b>	<b>\$0</b>	
<b>TOTAL KAKAAKO MAKAI</b>	<b>\$1,796,258</b>	<b>\$2,682,900</b>	<b>\$886,642</b>	

<sup>5</sup> Action Item #21-08A OHA Biennium Budget for the Fiscal Biennium Periods 2021-2022 (FY22) and 2022-2023 (FY23)

## Action Item RM #21-17: FB22-23 Non-Core Budget Realignment #1

**Table 5: FY 2023 Approved Budget and Realignment #1 Analysis - Kaka‘ako Makai Budget Comparisons**

KAKAAKO MAKAI	FY2023			
	Approved Budget	Proposed Realigned Budget	Net Realignment Adjustment	Explanation
<b>CONTRACTS</b>				
57110-SERVICES ON A FEE BASIS	884,443	1,384,443	500,000	Needed for further development planning
57115-LEGAL SERVICES	60,000	60,000	0	
<b>Contracts Subtotal:</b>	<b>\$944,443</b>	<b>\$1,444,443</b>	<b>\$500,000</b>	
<b>EQUIPMENT</b>				
55810-REPAIR & MAINTENANCE	250,352	2,250,352	2,000,000	Based on 919 Ala Moana site assessment, new fire alarm system (sprinklers, smoke detectors, fire alarm panel, audio/visual devices); also new central air conditioning system. Based on Lot L site assessment, possible new fire alarm system and split electrical utility tenant meters
<b>Equipment Subtotal:</b>	<b>\$250,352</b>	<b>\$2,250,352</b>	<b>\$2,000,000</b>	
<b>OVERHEAD</b>				
53200-OTHER SUPPLIES	6,832	6,832	0	
53810-TELEPHONE & RELATED SVCS	1,061	1,061	0	
55010-ELECTRICITY	261,605	206,605	(55,000)	Decrease based on reduced usage
55200-WATER	75,948	75,948	0	
55910-INSURANCE	113,198	195,976	82,779	Increase based on insurance quote
<b>Overhead Subtotal:</b>	<b>\$458,644</b>	<b>\$486,423</b>	<b>\$27,779</b>	
<b>PERSONNEL</b>				
52100 SALARIES	69,674	69,674	0	
57000 FRINGE BENEFITS	36,230	36,230	0	
<b>Program Subtotal:</b>	<b>\$105,904</b>	<b>\$105,904</b>	<b>\$0</b>	
<b>PROGRAM</b>				
53510-DUES	9,211	9,211	0	
57240-OTHER EXPENSES	53,260	53,260	0	
<b>Program Subtotal:</b>	<b>\$62,471</b>	<b>\$62,471</b>	<b>\$0</b>	
<b>TOTAL KAKAAKO MAKAI</b>	<b>\$1,821,814</b>	<b>\$4,349,593</b>	<b>\$2,527,779</b>	



D. FY22 Detail Budget Realignment Analysis by Object Code – Nā Lama Kukui

Table 6: FY 2022 Approved Budget and Realignment #1 Nā Lama Kukui Budget Comparisons

Na Lama Kukui	FY2022			
	Approved Budget	Proposed Realigned Budget	Net Realignment Adjustment	Explanation
<b>CONTRACTS</b>				
57110-SERVICES ON A FEE BASIS	602,813	554,664	(48,149)	To account for an appraisal for mortgage refinance, additional guard service, projected commissions and property management fees
57115-LEGAL SERVICES	1,200	900	(300)	Decreased based on funds used to date
<b>Contracts Subtotal:</b>	<b>\$604,013</b>	<b>\$555,564</b>	<b>(\$48,449)</b>	
<b>DEBT SERVICE</b>				
59020-INTEREST EXPENSE	765,294	765,294	0	
59030-PRINCIPAL EXPENSE	1,785,685	1,785,685	0	
<b>Debt Service Subtotal:</b>	<b>\$2,550,979</b>	<b>\$2,550,979</b>	<b>\$0</b>	
<b>EQUIPMENT</b>				
55810-REPAIR & MAINTENANCE	1,057,425	1,382,350	324,925	To account for unforeseen OHA BOT & IT server room AC replacements and interim solutions; Updated roof repair budget
58400-SOFTWARE & EQUIPMENT	8,000	9,584	1,584	To account for additional project software
<b>Equipment Subtotal:</b>	<b>\$1,065,425</b>	<b>\$1,391,934</b>	<b>\$326,509</b>	
<b>OVERHEAD</b>				
53200-OTHER SUPPLIES	4,500	6,251	1,751	To account for actual expense for directory/property signage
53810-TELEPHONE & RELATED SVCS	12,000	10,505	(1,495)	Decreased based on funds used to date
55010-ELECTRICITY	511,190	546,797	35,607	Increased based on funds used to date
55200-WATER	48,000	49,162	1,162	Increased based on funds used to date
55910-INSURANCE	132,000	153,300	21,300	Increased based on insurance quote
58200-LEASEHOLD IMPROVEMENTS	235,020	14,339	(220,681)	Decreased based on actual need
<b>Overhead Subtotal:</b>	<b>\$942,710</b>	<b>\$780,354</b>	<b>(\$162,356)</b>	
<b>PERSONNEL</b>				
52100 SALARIES	63,684	63,684	0	
57000 FRINGE BENEFITS	33,116	33,116	0	
<b>Equipment Subtotal:</b>	<b>\$96,800</b>	<b>\$96,800</b>	<b>\$0</b>	
<b>PROGRAM</b>				
53510-DUES	1,900	1,900	0	
54010-ADVERTISING	113,720	61,477	(52,243)	Decreased based on projected needs with the current pandemic
57240-OTHER EXPENSES	242,125	247,753	5,628	Increased based on projected bank charges and admin/overhead fees
57250-SEMINAR & CONFERENCE FEES	3,500	3,760	260	Honolulu Board of Realtor workshop
57255-CONFERENCES, MEETINGS, EVENTS-ORG BY OHA	7,500	5,000	(2,500)	Decreased based on projected needs with the current pandemic
<b>Program Subtotal:</b>	<b>\$368,745</b>	<b>\$319,890</b>	<b>(\$48,855)</b>	
<b>TOTAL NA LAMA KUKUI:</b>	<b>\$5,628,672</b>	<b>\$5,695,521</b>	<b>\$66,849</b>	

**Action Item RM #21-17: FB22-23 Non-Core Budget Realignment #1****Table 7: FY 2023 Approved Budget and Realignment #1 Nā Lama Kukui Budget Comparisons**

Na Lama Kukui	FY2023			
	Approved Budget	Proposed Realigned Budget	Net Realignment Adjustment	Explanation
<b>CONTRACTS</b>				
57110-SERVICES ON A FEE BASIS	611,207	517,565	(93,642)	Adjusted based on projected need
57115-LEGAL SERVICES	1,200	1,200	0	
<b>Contracts Subtotal:</b>	<b>\$612,407</b>	<b>\$518,765</b>	<b>(\$93,642)</b>	
<b>DEBT SERVICE</b>				
59020-INTEREST EXPENSE	753,286	753,286	0	
59030-PRINCIPAL EXPENSE	1,757,666	1,757,666	0	
<b>Debt Service Subtotal:</b>	<b>\$2,510,952</b>	<b>\$2,510,952</b>	<b>\$0</b>	
<b>EQUIPMENT</b>				
55810-REPAIR & MAINTENANCE	1,220,093	1,206,493	(13,600)	Adjusted based on projected need
58400-SOFTWARE & EQUIPMENT	8,000	8,000	0	
<b>Equipment Subtotal:</b>	<b>\$1,228,093</b>	<b>\$1,214,493</b>	<b>(\$13,600)</b>	
<b>OVERHEAD</b>				
53200-OTHER SUPPLIES	4,500	4,500	0	
53810-TELEPHONE & RELATED SVCS	12,000	12,000	0	
55010-ELECTRICITY	526,013	526,013	0	
55200-WATER	49,440	49,440	0	
55910-INSURANCE	132,000	190,050	58,050	Increased based on insurance quote
58200-LEASEHOLD IMPROVEMENTS	235,020	0	(235,020)	No tenant improvements are projected as NLK is at 100% leased
<b>Overhead Subtotal:</b>	<b>\$958,973</b>	<b>\$782,003</b>	<b>(\$176,970)</b>	
<b>PERSONNEL</b>				
52100 SALARIES	65,595	65,595	0	
57000 FRINGE BENEFITS	34,109	34,109	0	
<b>Equipment Subtotal:</b>	<b>\$99,704</b>	<b>\$99,704</b>	<b>\$0</b>	
<b>PROGRAM</b>				
53510-DUES	1,900	1,900	0	
54010-ADVERTISING	113,720	113,720	0	
57240-OTHER EXPENSES	245,935	244,289	(1,646)	Other adjustment
57250-SEMINAR & CONFERENCE FEES	3,500	3,500	0	
57255-CONFERENCES, MEETINGS, EVENTS-ORG BY OHA	5,000	5,000	0	
<b>Program Subtotal:</b>	<b>\$370,055</b>	<b>\$368,409</b>	<b>(\$1,646)</b>	
<b>TOTAL NA LAMA KUKUI</b>	<b>\$5,780,184</b>	<b>\$5,494,326</b>	<b>(\$285,858)</b>	



## Action Item RM #21-17: FB22-23 Non-Core Budget Realignment #1

### E. Summary of FY22 FY23 Commercial Property Budget Realignment #1 Action

Tables 8 and 9 below summarize the FY22 FY23 Commercial Property Budget Realignment #1 action item for adjustments related to opening balances, revenues, expenses, and reclassifications.

**Table 8: FY22 Commercial Property Budget Realignment #1**

FY 2022	Kakaako Makai			Na Lama Kukui			FY2022 Total Approved Budget [A]+[C]	FY2022 Total Budget Post Realignment [B]+[D]
	Approved Budget [A]	Proposed Realigned Budget [B]	Net Realignment Adjustment [B]-[A]	Approved Budget [C]	Proposed Realigned Budget [D]	Net Realignment Adjustment [D]-[C]		
<b>Beginning Balance*</b>	<b>\$6,550,082</b>	<b>\$6,550,082</b>	<b>\$0</b>	<b>\$1,060,531</b>	<b>\$1,060,531</b>	<b>0</b>	<b>\$7,610,613</b>	<b>\$7,610,613</b>
Gross Projected Revenue	4,551,586	4,551,586	0	5,189,803	5,189,803	0	9,741,389	9,741,389
Less: Kakaako Makai Net Revenue (Legacy Use)	(1,363,861)	(1,363,861)	0	0	0	0	(1,363,861)	(1,363,861)
<b>Sub-total Available Funds:</b>	<b>\$9,737,807</b>	<b>\$9,737,807</b>	<b>\$0</b>	<b>\$6,250,334</b>	<b>\$6,250,334</b>	<b>\$0</b>	<b>\$15,988,141</b>	<b>\$15,988,141</b>
<b>Less: Expenses</b>							\$0	\$0
Personnel	102,819	102,819	0	96,800	96,800	0	\$199,619	\$199,619
Program	60,651	60,651	0	368,745	319,890	(48,855)	\$429,396	\$380,541
Contracts	944,443	1,499,443	555,000	604,013	555,564	(48,449)	\$1,548,456	\$2,055,007
Travel	0	0	0	0	0	0	\$0	\$0
Equipment	243,060	628,060	385,000	1,065,425	1,391,934	326,509	\$1,308,485	\$2,019,994
Overhead	445,285	391,927	(53,358)	942,710	780,354	(162,356)	\$1,387,995	\$1,172,281
<b>Sub-total Expenditures:</b>	<b>\$1,796,258</b>	<b>\$2,682,900</b>	<b>\$886,642</b>	<b>\$3,077,693</b>	<b>\$3,144,542</b>	<b>\$66,849</b>	<b>\$4,873,951</b>	<b>\$5,827,442</b>
<b>Less: Debt Service</b>				2,550,979	2,550,979	0	\$2,550,979	\$2,550,979
<b>Estimated Net Available Funds:</b>	<b>\$7,941,549</b>	<b>\$7,054,907</b>	<b>(\$886,642)</b>	<b>\$621,662</b>	<b>\$554,813</b>	<b>(\$66,849)</b>	<b>\$8,563,211</b>	<b>\$7,609,720</b>

\*Beginning balance amounts are projected at the time of budgeting and presented for illustrative funding purposes vs. budget approval.

## Action Item RM #21-17: FB22-23 Non-Core Budget Realignment #1

**Table 9: FY23 Commercial Property Budget Realignment #1**

FY 2023	Kakaako Makai			Na Lama Kukui			FY2023 Total Approved Budget [A]+[C]	FY2023 Total Budget Post Realignment [B]+[D]
	Approved Budget [A]	Proposed Realigned Budget [B]	Net Realignment Adjustment [B]-[A]	Approved Budget [C]	Proposed Realigned Budget [D]	Net Realignment Adjustment [D]-[C]		
<b>Beginning Balance*</b>	<b>\$7,567,524</b>	<b>\$7,567,524</b>	<b>\$0</b>	<b>\$621,662</b>	<b>\$621,662</b>	<b>0</b>	\$8,189,186	\$8,189,186
Gross Projected Revenue	4,688,134	4,688,134	0	5,199,225	5,199,225	0	9,887,359	9,887,359
Less: Kakaako Makai Net Revenue (Legacy Use)	(1,363,861)	(1,363,861)	0	0	0	0	(1,363,861)	(1,363,861)
<b>Sub-total Available Funds:</b>	<b>\$10,891,797</b>	<b>\$10,891,797</b>	<b>\$0</b>	<b>\$5,820,887</b>	<b>\$5,820,887</b>	<b>\$0</b>	<b>\$16,712,684</b>	<b>\$16,712,684</b>
<b>Less: Expenses</b>							\$0	\$0
Personnel	105,904	105,904	0	99,704	99,704	0	\$205,608	\$205,608
Program	62,471	62,471	0	370,055	368,409	(1,646)	\$432,526	\$430,880
Contracts	944,443	1,444,443	500,000	612,407	518,765	(93,642)	\$1,556,850	\$1,963,208
Travel	0	0	0	0	0	0	\$0	\$0
Equipment	250,352	2,250,352	2,000,000	1,228,093	1,214,493	(13,600)	\$1,478,445	\$3,464,845
Overhead	458,644	486,423	27,779	958,973	782,003	(176,970)	\$1,417,617	\$1,268,426
<b>Sub-total Expenditures:</b>	<b>\$1,821,814</b>	<b>\$4,349,593</b>	<b>\$2,527,779</b>	<b>\$3,269,232</b>	<b>\$2,983,374</b>	<b>(\$285,858)</b>	<b>\$5,091,046</b>	<b>\$7,332,967</b>
<b>Less: Debt Service</b>				2,510,952	2,510,952	0	\$2,510,952	\$2,510,952
<b>Estimated Net Available Funds:</b>	<b>\$9,069,983</b>	<b>\$6,542,204</b>	<b>(\$2,527,779)</b>	<b>\$40,703</b>	<b>\$326,561</b>	<b>\$285,858</b>	<b>\$9,110,686</b>	<b>\$6,868,765</b>

\* Beginning balance amounts are projected at the time of budgeting and presented for illustrative funding purposes vs. budget approval.



**V. REFERENCE**

The following action item is provided as a reference: Action Item RM #21-08A: OHA Biennium Budget for the Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23), June 30, 2021

**VI. RECOMMENDED ACTION**

Administration recommends the approval of the FB22-23 non-core budget realignment #1 as summarized at Attachment #1.

**VII. ALTERNATE ACTIONS**

- A. Amend the recommended action(s)
- B. Do not approve the recommended action(s)

**VIII. ATTACHMENTS**

- 1. FY 2022 and FY 2023 Budget Realignment #1
- 2. FY 2022 Budget Realignment #1
- 3. FY 2023 Budget Realignment #1

OFFICE OF HAWAIIAN AFFAIRS  
FY 2022 AND FY 2023 BUDGET REALIGNMENT #1

ATTACHMENT 1

2021-2022 (FY22) Core and Non-Core Budgets and 2022-2023 (FY23) Core and Non-Core Budgets - Realignment #1

Table 1. FY2022 REALIGNMENT #1 (October 2021)

FY 2022	FTE	Core	Commercial Property Budget		Iwilei Properties Budget		Legacy Property Budget		Other OHA Programs Budget	FY 2022 Total Operating Budget
			Kaka'ako Makai	Nā Lama Kukui	500 N Nimitz	501 Sumner	Palauea Culture Preserve	WKOP Mgmt Fund	Federal Funded	
Personnel & Fringe	153	\$12,872,126	\$102,819	\$96,800	\$0	\$0	\$0	\$0	\$914,328	\$13,986,073
Program		590,283	60,651	319,890	189,615	8,658	1,250	2,275	119,878	1,292,500
Contracts		3,457,396	1,499,443	555,564	308,250	48,250	33,600	14,850	585,231	6,502,584
Grants		15,173,500	-	-	-	-	-	-	-	15,173,500
Travel		447,234	-	-	-	-	2,340	4,080	38,068	491,722
Equipment		583,348	628,060	1,391,934	166,854	154,735	31,550	186,300	67,300	3,210,081
Overhead		3,004,448	391,927	780,354	120,051	79,553	6,000	-	88,591	4,470,924
Debt Service		553,178	-	2,550,979	528,069	215,178	-	-	-	3,847,404
<b>Totals:</b>		<b>\$36,681,515</b>	<b>\$2,682,900</b>	<b>\$5,695,521</b>	<b>\$1,312,839</b>	<b>\$506,374</b>	<b>\$74,740</b>	<b>\$207,505</b>	<b>\$1,813,396</b>	<b>\$48,974,790</b>

Table 2. FY2023 REALIGNMENT #1 (October 2021)

FY 2023	FTE	Core	Commercial Property Budget		Iwilei Properties Budget		Legacy Property Budget		Other OHA Programs Budget	FY 2022 Total Operating Budget
			Kaka'ako Makai	Nā Lama Kukui	500 N Nimitz	501 Sumner	Palauea Culture Preserve	WKOP Mgmt Fund	Federal Funded	
Personnel & Fringe	153	\$13,253,145	\$105,904	\$99,704	\$0	\$0	\$0	\$0	\$937,721	\$14,396,474
Program		591,590	62,471	368,409	252,264	33,205	1,250	2,275	118,282	1,429,746
Contracts		3,689,337	1,444,443	518,765	411,000	61,000	33,600	14,850	491,188	6,664,183
Grants		15,173,500	-	-	-	-	-	-	-	15,173,500
Travel		447,234	-	-	-	-	2,340	4,080	39,210	492,864
Equipment		583,348	2,250,352	1,214,493	194,572	272,981	31,550	186,300	-	4,733,596
Overhead		3,063,757	486,423	782,003	160,068	106,070	6,000	-	74,376	4,678,697
Debt Service		531,742	-	2,510,952	713,836	290,889	-	-	-	4,047,419
<b>Totals:</b>		<b>\$37,333,655</b>	<b>\$4,349,593</b>	<b>\$5,494,326</b>	<b>\$1,731,740</b>	<b>\$764,145</b>	<b>\$74,740</b>	<b>\$207,505</b>	<b>\$1,660,780</b>	<b>\$51,616,482</b>
<b>2-Year Totals:</b>		<b>\$74,015,170</b>	<b>\$7,032,493</b>	<b>\$11,189,847</b>	<b>\$3,044,579</b>	<b>\$1,270,519</b>	<b>\$149,480</b>	<b>\$415,010</b>	<b>\$3,474,176</b>	<b>\$100,591,272</b>



OFFICE OF HAWAIIAN AFFAIRS  
FY 2022 BUDGET REALIGNMENT #1

ATTACHMENT 2

2021-2022 (FY22) Core and Non-Core Budgets - Original Budget to Realignment #1

A. FY 2022 TOTAL OPERATING BUDGET (June 2021)

FY 2022	FTE	Core	Commercial Property Budget		Legacy Property Budget		Other OHA Programs Budget	FY 2022 Total Operating Budget
			Kaka'ako Makai	Nā Lama Kukui	Palaeua Culture Preserve	WKOP Mgmt Fund	Federal Funded	
Personnel & Fringe	153	\$12,872,126	\$102,819	\$96,800	\$0	\$0	914,328	\$13,986,073
Program		590,283	60,651	368,745	1,250	2,275	119,878	1,143,082
Contracts		3,457,396	944,443	604,013	33,600	14,850	585,231	5,639,533
Grants		15,173,500	0	0	-	-	-	15,173,500
Travel		447,234	0	0	2,340	4,080	38,068	491,722
Equipment		583,348	243,060	1,065,425	31,550	186,300	67,300	2,176,983
Overhead		3,004,448	445,285	942,710	6,000	-	88,591	4,487,034
Debt Service		553,178	0	2,550,979	-	-	-	3,104,157
<b>Totals (A):</b>		<b>\$36,681,515</b>	<b>\$1,796,258</b>	<b>\$5,628,672</b>	<b>\$74,740</b>	<b>\$207,505</b>	<b>\$1,813,396</b>	<b>\$46,202,086</b>

B. FY2022 REALIGNMENT #1 (October 2021)

FY 2022	FTE	Core	Commercial Property Budget		Iwilei Properties Budget		Legacy Property Budget		Other OHA Programs Budget	FY 2022 Total Operating Budget
			Kaka'ako Makai	Nā Lama Kukui	500 N Nimitz	501 Sumner	Palaeua Culture Preserve	WKOP Mgmt Fund	Federal Funded	
Personnel & Fringe	153	\$12,872,126	\$102,819	\$96,800	\$0	\$0	\$0	\$0	914,328	\$13,986,073
Program		590,283	60,651	319,890	189,615	8,658	1,250	2,275	119,878	1,292,500
Contracts		3,457,396	1,499,443	555,564	308,250	48,250	33,600	14,850	585,231	6,502,584
Grants		15,173,500	0	0	0	0	-	-	-	15,173,500
Travel		447,234	0	0	0	0	2,340	4,080	38,068	491,722
Equipment		583,348	628,060	1,391,934	166,854	154,735	31,550	186,300	67,300	3,210,081
Overhead		3,004,448	391,927	780,354	120,051	79,553	6,000	-	88,591	4,470,924
Debt Service		553,178	\$0	2,550,979	528,069	215,178	-	-	-	3,847,404
<b>Totals (B):</b>		<b>\$36,681,515</b>	<b>\$2,682,900</b>	<b>\$5,695,521</b>	<b>\$1,312,839</b>	<b>\$506,374</b>	<b>\$74,740</b>	<b>\$207,505</b>	<b>\$1,813,396</b>	<b>\$48,974,790</b>
<b>Difference (C)=(B)-(A)</b>		<b>\$0</b>	<b>\$886,642</b>	<b>\$66,849</b>	<b>\$1,312,839</b>	<b>\$506,374</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,772,704</b>

OFFICE OF HAWAIIAN AFFAIRS  
FY 2023 BUDGET REALIGNMENT #1

ATTACHMENT 3

2022-2023 (FY23) Core and Non-Core Budgets - Original Budget to Realignment #1

A. FY 2023 TOTAL OPERATING BUDGET (June 2021)

FY 2023	FTE	Core	Commercial Property Budget		Legacy Property Budget		Other OHA Programs Budget	FY 2022 Total Operating Budget
			Kaka'ako Makai	Nā Lama Kukui	Palauea Culture Preserve	WKOP Mgmt Fund	Federal Funded	
Personnel & Fringe	153	\$13,253,145	\$105,904	\$99,704	\$0	\$0	937,721	\$14,396,474
Program		591,590	62,471	370,055	1,250	2,275	118,282	1,145,923
Contracts		3,689,337	944,443	612,407	33,600	14,850	491,188	5,785,825
Grants		15,173,500	0	0	-	-	-	15,173,500
Travel		447,234	0	0	2,340	4,080	39,210	492,864
Equipment		583,348	250,352	1,228,093	31,550	186,300	-	2,279,643
Overhead		3,063,757	458,644	958,973	6,000	-	74,376	4,561,750
Debt Service		531,742	0	2,510,952	-	-	-	3,042,694
<b>Totals (A):</b>		<b>\$37,333,655</b>	<b>\$1,821,814</b>	<b>\$5,780,184</b>	<b>\$74,740</b>	<b>\$207,505</b>	<b>\$1,660,777</b>	<b>\$46,878,676</b>

B. FY2023 REALIGNMENT #1 (October 2021)

FY 2023	FTE	Core	Commercial Property Budget		Iwilei Properties Budget		Legacy Property Budget		Other OHA Programs Budget	FY 2022 Total Operating Budget
			Kaka'ako Makai	Nā Lama Kukui	500 N Nimitz	501 Sumner	Palauea Culture Preserve	WKOP Mgmt Fund	Federal Funded	
Personnel & Fringe	153	\$13,253,145	\$105,904	\$99,704	\$0	\$0	\$0	\$0	937,721	\$14,396,474
Program		591,590	62,471	368,409	252,264	33,205	1,250	2,275	118,282	1,429,746
Contracts		3,689,337	1,444,443	518,765	411,000	61,000	33,600	14,850	491,188	6,664,183
Grants		15,173,500	0	0	0	0	-	-	-	15,173,500
Travel		447,234	0	0	0	0	2,340	4,080	39,210	492,864
Equipment		583,348	2,250,352	1,214,493	194,572	272,981	31,550	186,300	-	4,733,596
Overhead		3,063,757	486,423	782,003	160,068	106,070	6,000	-	74,376	4,678,697
Debt Service		531,742	0	2,510,952	713,836	290,889	-	-	-	4,047,419
<b>Totals (B):</b>		<b>\$37,333,655</b>	<b>\$4,349,593</b>	<b>\$5,494,326</b>	<b>\$1,731,740</b>	<b>\$764,145</b>	<b>\$74,740</b>	<b>\$207,505</b>	<b>\$1,660,777</b>	<b>\$51,616,482</b>
<b>Difference (C)=(B)-(A)</b>		<b>\$0</b>	<b>\$2,527,779</b>	<b>(\$285,858)</b>	<b>\$1,731,740</b>	<b>\$764,145</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,737,806</b>