

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

**Minutes of the Office of Hawaiian Affairs Committee on Resource Management  
March 22, 2017  
10:00am**

**ATTENDANCE:**

Trustee Rowena Akana (arrived at 10:30am)	Trustee Colette Machado
Trustee Keli'i Akina	Trustee John Waihe'e, IV
Trustee Carmen Hulu Lindsey	Trustee Leina'ala Ahu Isa (arrived at 10:04am)
Trustee Robert K. Lindsey, Jr.	

**STAFF PRESENT:**

Kamana'opono Crabbe, CEO	Lopaka Baptiste
Lisa Victor, COO	Lorna Loebel
Albert Tiberi	Makana Chai
Dylan Zheng	Maria Calderon
John Kim	Paul Harleman
Kama Hopkins	Raymond Matsuura
Karlen Oneha	Scott Hayashi
Kawika Riley	U'ilani Tanigawa
Lady Garrett	
Lehua Itokazu	

**GUESTS PRESENT:**

Germaine Meyers	Lucas Sayin
Glenn Ezard	Rodney Lee
Landon Paikai	Sonya Park
Lani Nakazawa	

**I. CALL TO ORDER**

**Committee Chair Hulu Lindsey** – Calls the Committee on Resource Management to order at 10:02am.

		Present	Excused	Comments
TRUSTEE LEI	AHU ISA			arrived at 10:04am
TRUSTEE DAN	AHUNA		X	
TRUSTEE ROWENA	AKANA	X		arrived at 10:30am
TRUSTEE KELI'I	AKINA	X		
TRUSTEE PETER	APO		X	

TRUSTEE ROBERT	LINDSEY	X		
TRUSTEE COLETTE	MACHADO	X		
TRUSTEE JOHN	WAIHE'E	X		
CHAIRPERSON HULU	LINDSEY	X		
<b>TOTAL</b>				

At the Call to Order, there are five (5) Trustees present.

**II. APPROVAL OF MINUTES**

**A. March 9, 2017**

Trustee John Waihe'e moves to approve the minutes dated March 9, 2017.							
		<b>1</b>	<b>2</b>	<b>'AE (YES)</b>	<b>'A'OLE (NO)</b>	<b>KANALUA (ABSTAIN)</b>	<b>EXCUSED</b>
TRUSTEE LEI	AHU ISA						X
TRUSTEE DAN	AHUNA						X
TRUSTEE ROWENA	AKANA						X
TRUSTEE KELI'I	AKINA			X			
TRUSTEE PETER	APO						X
TRUSTEE ROBERT	LINDSEY			X			
TRUSTEE COLETTE	MACHADO		X	X			
TRUSTEE JOHN	WAIHE'E	X		X			
CHAIRPERSON HULU	LINDSEY			X			
<b>TOTAL VOTE COUNT</b>				<b>5</b>			<b>4</b>

**MOTION:**  UNANIMOUS  PASSED  DEFERRED  FAILED

**Motion passes with five (5) YES votes and four (4) EXCUSED votes.**

**III. COMMUNITY CONCERNS**

**Chair Hulu Lindsey** calls for Community Concerns and with none, moves on to the next item of business.

## IV. NEW BUSINESS

### A. Native Hawaiian Trust Fund 4<sup>th</sup> Quarter 2016 Performance Review with State Street Global Advisors

Chair Hulu Lindsey turns the time over to Raymond Matsuura.

Raymond Matsuura greets the board and presents the following presentation:

**Executive Summary: NHTF Total Account Review**

- Market Review: 4th Quarter 2016**
  - Global equities represented by the MSCI ACWI (M) gained 1.27 percent in the 4th quarter of 2016
  - Markets rallied after the election due to a Republican controlled Congress and President
  - The Fed increased the overnight interest rates in December by 25 bps
- Asset Class Attribution to Performance:**
  - In 4Q16, the NHTF reported a gain of 1.29 percent and outperformed its benchmark by 48 bps
  - Outperformance (all of the following are net of fees):
    - Traditional assets outperformed its benchmark by 126 bps gaining 1.03 percent
    - Global equities led the outperformance with a 2.63 percent return outperforming its benchmark by 130 bps
  - Decliners:
    - The Global Real Asset portfolio declined by 4.64 percent, outperforming by 93 bps
- Portfolio Changes**
  - OHA ended its relationship with Goldman Sachs Asset Management on traditional assets. Goldman Sachs will continue to be a manager through our private equity and credit portfolios
  - OHA has transferred those funds over to State Street and is invested in mutual funds for passive exposure
  - OHA will continue to maintain its current asset allocation
  - OHA has tactically changed its allocation in hedge funds under its target as we search for another hedge fund provider
- Possible Risk/Opportunities & Portfolio Positioning:**
  - Major catalysts for 2017:
    - US Fed rate hike, 2-4 hikes anticipated
    - French Election
    - US Policy

**Native Hawaiian Trust Fund Overview Summary**

	Quarter to Date (12/31/2016)	Year to Date (1/23/2016-12/31/2016)	Inception to Date (Inception Date: 02/12/2003)
Beginning Market Value	\$341,999,977	\$334,273,216	\$255,449,492
Market Growth	656,371	26,036,727	325,813,478
Additions	0	0	24,000,000
Withdrawals	-4,000,000	-18,500,000	-224,451,870
Fees (Internal + External)	-792,657	-3,946,250	-42,947,409
Ending Market Value	\$337,863,691	\$337,863,691	\$337,863,691

**Total Trust Fund Fees**

	Quarter to Date (12/31/2016)	Year to Date (1/23/2016-12/31/2016)	Inception to Date
Goldman Sachs	17,189	725,156	17,586,142
JP Morgan	194,524	795,477	4,955,410
Commonfund	443,573	1,873,164	7,912,542
ELA	5,000	20,000	276,447
HDI	10,516	41,135	297,582
Pantheon**	82,553	281,284	1,632,767
Russell	0	0	9,026,769
Total Advisor Fees	753,355	3,719,007	41,670,470
Custody Fees***	56,491	227,243	1,276,938
Total Fees:	809,846	3,946,250	42,947,409

\*\* Prior to July 2011, Pantheon fees were included with Russell. Fees for Euro-denominated funds were converted using the EUR/USD exchange rate.  
\*\*\* Provision Data for Custody Fees is 1/23/2011. Fees include performance reporting and various Advisor trading costs.

**Total Trust Fund Portfolio Performance as of 12/31/2016**

Period	Total Assets - Gross	Total Assets - Net	IPS Benchmark
Latest 3 Months	1.3%	1.3%	0.9%
Year-to-Date	4.9%	4.9%	9.2%
One Year	8.8%	8.8%	9.2%
Three Years	3.5%	3.3%	3.9%
Five Years	7.1%	6.9%	7.1%
Seven Years	6.5%	6.2%	6.3%
Since Inception (2/12/2003)	6.8%	6.5%	7.3%

**Total Plan Asset Allocation**

Asset Class	Actual Weight	Policy Minimum	Policy Target	Policy Maximum
Global Equity	41.3%	22.0%	38.0%	55.0%
Global Credit	9.2%	5.0%	11.0%	22.0%
Global Real Assets	5.7%	0.0%	5.9%	11.0%
Total Traditional Assets	56.3%	27.0%	55.0%	88.0%
Low Volatility Marketable Alternatives	7.2%	6.4%	12.8%	19.2%
N.M. Equity	20.8%	0.0%	12.8%	14.4%
N.M. Credit	2.7%	0.0%	2.4%	4.8%
N.M. Opp & Real Assets	4.7%	0.0%	4.0%	6.4%
Enhanced Liquidity Account	2.1%	0.0%	8.0%	10.0%
Hawaii Direct Investments	5.3%	0.0%	5.0%	10.0%

N.M. Equity, N.M. Credit, and N.M. Opp/Real Assets include invested assets and the liquidity hedging portfolio for each asset class.

**Trustee Akina** acknowledges Administration's oversight over these funds as necessary, but asks, as fiduciaries, how do the Trustees measure the success of the portfolio? Particularly, in setting benchmarks when the Trustees do not know the market?

**Raymond Matsuura** responds to Trustee Akina's question noting that this is a fair concern and luckily, OHA's investments are long-term investments so they have the advantage of riding out the volatility of the markets.

**Mr. Matsuura** highlights that OHA has a core position in Traditional Assets which is quite similar to other agency practices.

**Trustee Akina** asks in terms of seeking hedge fund active managers, they are talking about exceeding the benchmark.

**Mr. Matsuura** confirms, sharing that they have tried to find good hedge fund managers, private equity investments to achieve this. With no further questions from Trustees, he calls on Sonya who will be giving the Trustees an Investment Outlook and will discuss Asset Fund Strategy.

**Sonya Park** greets the Trustees and shares that she will be discussing the services State Street Global Advisors (SSGA) has been providing OHA. Before going over the handout, she addresses statements made by Mr. Matsuura in respect to the current market being pulled back in the last few days. From SSGA's perspective, the uncertainties will continue, especially in light of post-election, Brexit, etc. She shares that she expects the rates to rise two more times in this year. From a global perspective, there is a lot of attention on the United States; especially on President Trump's ability to pass certain policies (Health Care Reform, Lower Taxes, etc.). Outside of the U.S., in developed markets and emerging markets, there is still room for investment. Focusing more on the small cap assets classes is probably where OHA may get some return; even though the return environment is relatively low in the foreseeable future.

From the change in Index Funds, OHA now has a good core base along with Private Equity along with possibly Alpha Managers. Also, having the diversification between U.S. developed markets and emerging markets, is really important – OHA has that through the SMP 500 index fund and MSCI World Country Index Fund. Ms. Park notes that this type mix of funds is typically what is seen with endowments and foundations, but also with pension funds as well.

**Ka Pouhana Crabbe** asks if it would be fair to say with the recent change in OHA's strategy and allocation, that it will take time to mature before seeing results?

**Mr. Matsuura** shares that it could go either way; if one thinks that the market is going to fall, the argument would be for more active management. However, if you think the market will continue over the long term, 10+ years, then a consistent core position, low fees, broad exposure, then, this is likely the smarter strategy to work with.

**Ms. Park** agrees adding that with Active Managers, there is a lot of fluctuation. With the indexing, the market will go down and so will the index. The core base will help with the volatility of the overall portfolio.

**Trustee Leina'ala Ahu Isa** discusses her recent experience and observations of the current market.

**Ka Pouhana Crabbe** returns to Trustee Akina's point, highlighting Administration's communication of performance in achieving the goals and whether or not these particular strategies and recommendations will achieve the higher goal of the trust being in the top 50. How will OHA know whether they are on target?

**Ms. Park** responds by highlighting that when the benchmarks for the overall portfolio are discussed, this will be part of the Trustees' gage. Also, the broad market exposure is something that OHA would maintain in order to have access to the global equity market. The gage will be whatever it deemed the appropriate benchmark. The really important thing to remember is that OHA is a long-term investor and should be thinking far in advanced as the endowment should be in perpetuity.

**Mr. Matsuura** adds that it would also help to make the portfolio simpler. The core position and managers should not be something to worry about; the focus should be on the hedge fund manager or the private investment managers. These are some of the things he hopes to be provided in alpha. If not, at least they will be able to recognize this a little more readily without having a lot of different moving parts in the portfolio.

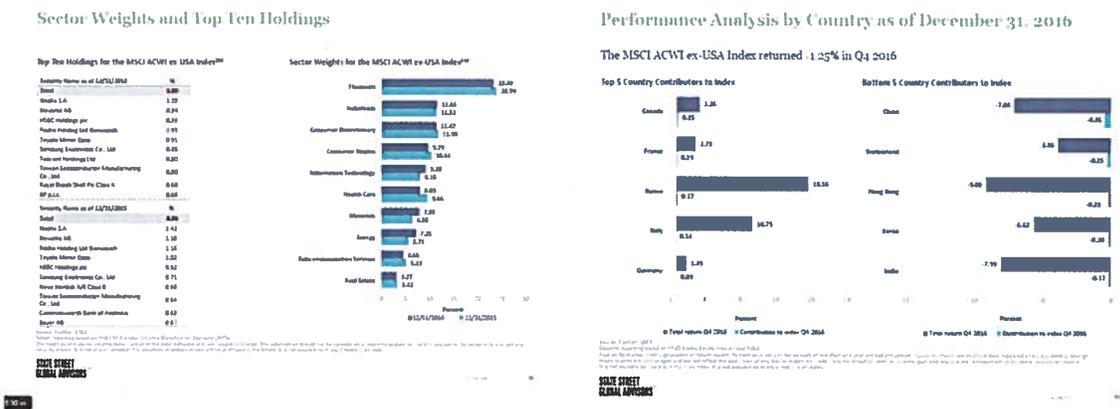
**Ms. Park** references her personal experience in working with other clients that have endowment funds – their portfolios are also quite simple, as well. This includes less managers and a large core index piece. Following 2016, this particular client fared out quite well because of the structure; one similar to what OHA is attempting to move towards.







Moving to Page 50, highlighting the “MSCI ACWI ex-USA Index” that gives OHA all the non-U.S. exposure as well as the top 10 holdings for the fund (see left). The figures on the right help OHA to gauge SSGA’s success at providing the index. The last slide, Page 51 (right), demonstrates the entirety of the index and the top/bottom 5 countries.



**Trustee Akana** refers to the merging markets category and asks how important is Malaysia?

**Ms. Park** responds that Malaysia specifically is a very low weight in the overall index. The bigger countries generally have a bigger impact – including China, South Korea, Taiwan etc.

**Mr. Matsuura** adds that this index is all market weighted – based on the particular country’s market/economy.

**Trustee Akana** asks how Qatar, a smaller country, fits into this conversation?

**Ms. Park** responds by explaining that the countries are determined by the MSCI. The ACWI ex-added Qatar at the end of last year. MSCI is the index provider.

**Trustee Akana** asks if OHA has anything in Qatar or Malaysia?

**Ms. Park** explains there is a very small percentage.

**Trustee Akana** asks what that particular investment would be?

**Ms. Park** explains it would be individual stocks but does not know the individual company names.

**Trustee Akana** directs his question to Ray, stating that he will save this question for later, but asking how the Trustees compare the benchmarks used by Commonfund, namely the IRR, with State Street in respect to the managers. His present question is in regards to Page 26-29, and benchmarks. He explains that he is trying to understand the multiple switching of benchmarks. He goes on to share the he does not believe that Trustees need to get into the technical aspects of specific benchmarks, and policies dictate Administration for recommendation but the Trustees do

not approve them. He refers to a primer he received that discusses best practices on setting benchmarks. As such, he asks what OHA's processes are, in a non-technical sense, so that he, as a Trustee, can be assured that OHA is following best practices.

**Mr. Matsuura** responds that one of the things OHA would want to ensure is that there is a benchmark that is relevant and avoids putting Trustees in the position where Trustees are making the decisions. As will be highlighted in Mr. Ezard's presentation, there is an effort to take that decision away from Trustees and setting up benchmarks that are relevant to what OHA is trying to accomplish. Instead of asserting that there should be a designated amount in "high yield" or "tips," the market should dictate where the benchmark should be.

**Trustee Akina** agrees with the practice that Trustees should not be involved in setting of the benchmark, but asks how the Trustees would know that the best practices for benchmarks are being implemented in the selection?

**Mr. Matsuura** responds that Mr. Ezard may be able to answer that question and calls on him to talk about OHA's strategy moving forward with asset allocation, benchmarks, and how this will impact OHA's investment policy statement. This is something that the Trustees will have to address in the next meeting or two.

**Trustee Akina** thanks Mr. Matsuura and shares that this will be helpful to understanding the principle behind the multiple switches in benchmarks.

**Mr. Matsuura** responds that he was not yet employed at OHA during that time, but it was likely a change in strategy – as the portfolio has grown and changed with managers, benchmarks will indeed change.

**Trustee Akina** asks if this is a common standard practice with managers?

**Mr. Matsuura** responds that he would hope that going forward, benchmarks set today, will be relevant going forward; but on the other hand, the market continues to change.

**Ka Pouhana Crabbe** responds to Trustee Akina's question, explaining that from 2008-2011, the benchmarks proposed before the board did not occur until 2012-2013. They were relying on a past strategy and there were no benchmarks in place.

**Trustee Akana** responds to Ka Pouhana's comments by saying there were benchmarks.

**Ka Pouhana Crabbe** responds that the ones that were approved in 2012 were not yet in place. He explains that from 2008-2009, OHA was not using the strategy that Mr. Matsuura is adapting to. The previous strategies likely led to the changes in benchmarks.

**Trustee Akana** asks when strategies are changed, should that not be approved by the Board?

**Ka Pouhana Crabbe** says yes, but reiterates that in the previous years, OHA deliberately laid out benchmarks for the Trustees and cannot speak for years prior or whether there was a specific set of benchmarks.

**Trustee Akana** shares that the Trustees’ concern stems from not wanting to see a continuous moving of benchmarks that they are unaware of. This way, they could lose sight of where OHA is financially.

**Mr. Matsuura** agrees with Trustee Akana and reassures her that at any given point in time, OHA’s returns are linked – these returns will reflect any changes in benchmarks and strategies.

**Trustee Akana** reiterates that her point is that Trustees do not want to see the reflection in a lower return to figure out that the benchmark is wrong.

**Mr. Matsuura** agrees with Trustee Akana and shares that any changes in benchmarks and asset allocation are Board approved.

**Ms. Park** thanks the Trustees for entrusting SSGA with assets.

## **B. Native Hawaiian Trust Fund 4<sup>th</sup> Quarter 2016 Total Performance Review**

**Chair Lindsey** calls on Mr. Matsuura and Glenn Ezard.

**Mr. Matsuura** introduces Mr. Ezard and shares that he will be presenting OHA’s strategy going forward.

**Mr. Ezard** greets the Trustees and shares that due to time constraints, he will make his presentation brief. Luckily, majority of the points have already been discussed. The subject of his presentation includes asset allocation targets and benchmarks. The revised asset allocation targets reflect small changes. Looking at some of these benchmarks, the Board may find this is particularly complex, so having the Trustees addressing this level of complexity is a bit unusual from his practice, but does want to address it. He directs the Trustees to Page 1, the current targets:

**Office of Hawaiian Affairs - NATIVE HAWAIIAN TRUST FUND**  
*Asset Allocation Policy Review*

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<b>Executive Summary</b>	Eliminate asset allocation targets for private equity, credit, and real asset hedging accounts. Assets will be reallocated in accordance with revised allocation targets
	Reduce weighting for Enhanced Liquidity Account, and transfer assets to higher returning Global Fixed Income
	Streamline asset class performance benchmarks, eliminating overly complex benchmarks
	Consolidate Private Market investments under one category, recognizing the common liquidity risk

The changes included here include examining the allocations to global equity/global fixed income and the broad categories in general. Historically, there have been a series of asset allocation targets for the private equity, credit, and real asset hedging accounts. These have been in place because there is a commitment to get to a certain allocation. In terms of private equity, OHA has already gotten to this level, so the allocation to this target is redundant and causing a bit of an overweight in this category. It is the same type of investment strategy, global equities, but is in a separate hedge account. Putting it all together is a comparison of the current targets along with some proposed revised targets and current actual weights across these categories.

**Mr. Matsuura** adds that the “overweight” contains the hedging strategy in Commonfund – the hedging strategy provided for liquidity that was supposed to match up with Private Equity Investments. One of the proposals today includes eliminating or reducing it because OHA is already overweight.

**Mr. Ezard** shares that this comes back to looking at the asset allocations as a risk-management tool rather than trying to guess where the market will be in five years and allocating that way. By resetting the hedge accounts back into the traditional asset classes, you can see the weightings there. The other item that has changed is the asset allocation into the enhanced liquidity account – this aims to provide a good deal of liquidity but has a relatively high weight and may not necessarily need all that liquidity. Reallocating some of that to the global credit allocation makes some sense. Here, OHA can get a better return at a reasonable fee as is invested now.

The other changes are really very small; the only other thing that stands out is the dedicated allocations to private equity, credit, and real assets. When going into these private market asset classes, the most important risk that has been taken is having locked up the money for 10 years, giving up the liquidity. They want premium and return over the traditional asset classes. With the benchmarks, they are grouped together and a common benchmark is set across them.

**Trustee Akana** asks about the unified benchmarks – what would the particular figure be?

**Mr. Ezard** directs Trustee to the next page, highlighting the “Private Market” category.

**NATIVE HAWAIIAN TRUST FUND – Asset Allocation Targets**

	Current Targets	Proposed Targets	Current Actual Weight
<b>Global Equity</b>	<b>38.5</b>	<b>40.0</b>	<b>48.5</b>
<b>Global Fixed Income</b>	<b>19.0</b>	<b>20.0</b>	<b>12.1</b>
> Global Credit	11.0	17.0	10.0
> Enhanced Liquidity	8.0	3.0	2.1
<b>Real Assets</b>	<b>10.5</b>	<b>10.0</b>	<b>12.9</b>
> Global Real Assets	5.5	5.0	7.5
> HDI	5.0	5.0	5.4
<b>Hedge Funds</b>	<b>12.8</b>	<b>12.0</b>	<b>7.2</b>
<b>Private Markets</b>	<b>19.2</b>	<b>18.0</b>	<b>19.3</b>
> Private Equity	12.8		
> Private Credit	2.4		
> Private Real Assets	4.0		
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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The following outlines new proposed benchmarks:

**NATIVE HAWAIIAN TRUST FUND – Performance Benchmark Revisions**

	Proposed Weight	Current Benchmarks	Proposed Benchmarks
Global Equity	40.0	MSCI ACWI	MSCI ACWI
Global Fixed Income	20.0	N/A	N/A
> Global Credit	17.0	65% US Credit 15% GBEM Debt 15% US High Yield 5% JPM E&I Debt	Bloomberg Global Aggregate
> Enhanced Liquidity	3.0	50% T-Bill + 4% 50% US Govt Bond	50% Bloomberg US Govt 1-3 50% Bloomberg US Credit 1-3
Real Assets	10.0	N/A	25% US TIPS 50% FTSE EPRA NAREIT - Developed 25% DJ Brookfield Global Infrastructure
> Global Real Assets	5.0	FTSE EPRA NAREIT-Developed	N/A
> HDI	5.0	25% US TIPS 20% US Select REIT 35% Global Large Resource Company 20% DJ US Commodity	N/A
Hedge Funds	12.0	T-Bills +4%	T-Bills +4%
Private Markets	18.0	N/A	MSCI ACWI + 3%
> Private Equity		MSCI ACWI + 4%	N/A
> Private Credit		ML High Yield + 1.5%	N/A
> Private Real Assets		35% US TIPS 20% DJ US REIT 35% Global Large Resource 10% DJ US Commodity 10% DJ Brookfield Global Infrastructure	N/A

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Regarding the “Global Credit,” the benchmarks are shifting from very detailed to broad category, “Bloomberg Global Aggregate.” An aggregate benchmark, if managers want to allocate in the high yield, they can do that, but it’s their determination. There are some risks by setting these overly fixed benchmarks; one being that it can be more difficult and complex to track. Second, the managers tend to follow them; failing to accommodate any change in decisions down the line. He shares that they like to see that decision delegated to the managers. You are still able to track whether these managers have added value through the freedom to make those decisions. It is the Trustees responsibilities, along with Mr. Ezard, Mr. Matsuura, and Administration’s help to monitor these successes and failures. This goes back to Mr. Matsuura’s point about long term investment.

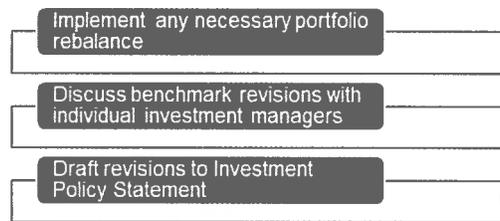
A similar strategy in regards to the “Real Assets” in trying to streamline the benchmarks there and looking at broad categories there. With the “Enhanced Liquidities” account, a shorter-term, high liquid account, there is a low interest rate and ability to get some return. In the “Hedge Fund” category, it remains the same because of its fundamental role as a hedge fund – it helps to smooth out the returns over time. The goal here is to get a steady return rather than a large return.

Returning to the idea of “Passive Strategies,” he highlights that you would typically want more excitement in the Private Markets. The immediate benefit is to lower the fees. They look for some excess return across the other asset classes, but do not expect the potential to be as great as within the Private Markets.

Directing the Trustees to the next page (below), he highlights the next steps in Implementing Asset Allocation Policy Changes. He shares that they are looking for guidance and/or agreement as to the direction and hope to make some rebalances within the portfolio while recognizing the risk categories. He would like to discuss the benchmark changes and the underlying managers. He will have some discussion with State Street and JP Morgan before making a final determination and addressing the Investment Policy Statements.

**Office of Hawaiian Affairs - NATIVE HAWAIIAN TRUST FUND**  
*Next Steps in Implementing Asset Allocation Policy Changes*

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This is all with the idea that they are aiming to streamline, push the decision making to the individual investment managers, and finding a meaningful way to monitor whether or not they are achieving their goals and Board objectives. If this seems appropriate, they will set up these discussions accordingly and come back to the Board with some input from the managers.

**Trustee Akana** suggests that following discussions with managers, they prepare/brief the Trustees prior to making a decision. She would like to know about proposed changes, reasoning, and benefits prior to making the decision.

**Mr. Matsuura** agrees and shares that the main reason why they are here at the Board is to streamline the process.

**Ka Pouhana Crabbe** responds to say that they will work with the RM chair regarding the appropriate presentation and meeting dates for the Board to feel comfortable with decision making.

**Chair Lindsey** confirms the process outlined by Ka Pouhana and asks if there are any further questions.

**Trustee Akana** asks for clarification from Ka Pouhana – if he plans to just work with the Chair?

**Ka Pouhana Crabbe** and **Chair Lindsey** confirm that they will work together to agendize the presentation.

**Chair Lindsey** thanks Mr. Matsuura and Mr. Ezard for their presentation. She calls a recess for bathroom break and returns to call the meeting to order at 11:11am.

**C. Update of fiscal status and discussion of decision by the Board of Trustees in order to address fiscal challenges**

**Chair Lindsey** welcomes Rodney Lee of Spire and his team.

**Ka Pouhana Crabbe** shares with the Trustees that Administration requested a joint meeting with Spire to highlight the work that has been accomplished over the past two years. The following conversation with Spire will help to inform future strategic initiatives in the near future and beyond. Understanding the issues that OHA dealt with along with a historical timeline will help to inform decisions that this Board will endeavor to make.

He shares the quote, “Misunderstanding of the present grows fatally from the ignorance of the past.” With this in mind, he encourages that we must understand where we have come from in order to make progress. His presentation will highlight work and challenges OHA faced from 2000-2017:

- Rice v. Cayetano – The Supreme Court ruled that Hawaiian-only voting in OHA elections is unconstitutional. In August 2000, non-Hawaiians were allowed to run for OHA Trustee and in September, Governor Cayetano forces OHA Trustees to resign. Five were reappointed and four new members were reappointed; the first non-Hawaiian Trustee, Charlie Ota, was appointed.
- Akaka Bill – Introduced to Congress.
- 1999-2000 Annual Report:
  - General Funds: \$2,729,000 in 1999 and \$2.5 million in 2000.
  - Cash balance: \$6million in 1999 and \$8 million in 2000.
  - Investments: \$329 million in 1999 and \$359 million as a result of the settlements in the 90’s.
  - General Fixed Assets: \$3 million.
  - Public Land Trust: \$15.1 million.

- Long Term Debt: \$1 million in 1999 and \$3.6 million in 2000
- 2005-2006:
  - Vote on Akaka Bill pending at the U.S. Senate and ultimately did not move.
  - Arakaki Lawsuit – At Federal Court; challenged OHA’s funding as unconstitutional as it was used for only native Hawaiians
  - State passes Act 178 (2006) – Annual Public Land Trust Payments capped at \$15.1 million (appx. \$32.6 million total at the time)
  - Annual Reports:
    - OHA received no General Funds allocation in 2005-2006
    - General increase of native Hawaiian Trust Fund investments
    - OHA’s Trust Fund worth: \$392 million
    - At this time, the trust was using all of their funds to diversify direct services (Community Grants, Business Loans, Housing, Education, Homeownership, Native Rights advocacy, etc.)
    - Public Land Trust: \$9.7 million (2004); \$10.6 million (2005); \$32.6 million (2006)
- 2007-2009:
  - OHA evolves into a formidable landowner; purchases Waokele o Puna, Waimea Valley, Kekaha Armory, Pahua Heiau, Wailua Courthouse, and Kukaniloko
  - Native Hawaiian Government Reorganization Act Akaka Bill in Congress
- 2009-2012:
  - OHA acquires Commercial Properties: Kaka‘ako Makai and Nā Lama Kukui
  - Department of Hawaiian Homelands Agreement – 30 years, \$90 million payment for debt consolidation loan
  - OHA starts strategic planning efforts for 2010 and beyond; Reorganized the organization to Line of Business (LOB)/Paia
  - Annual Reports 2009-2010; 2016:
    - General Funds: \$3.19 million

**Trustee Akana** responds to the Public Land Trust Payments in 2006 adding that OHA received the lump sum in 2006 because Cayetano had stopped payments and when Lingle was elected into office, she resumed OHA payments and also included back payments. She also disputes some of the Annual Report figures. She commends the presentation in that it is a reflection of all the challenges OHA has faced throughout the years. Things will not get better quick and shares that OHA is spending too much of its core assets to sustain itself. She shares that OHA has become the biggest charitable organization in the State and if OHA was not, they could provide health care and housing like no one has been able to do before. She urges that OHA must re-evaluate. (Some comments inaudible)

**Ka Pouhana Crabbe** responds that at the time, long-term debt was not very large, a little over \$1 million in 2004. After 2005, the total liabilities and net assets were reported at \$409.6 million and \$465 million in 2006. Slowly, you begin to see OHA grow throughout the years.

Following the 2012 time period, Administration begins to evaluate the progress of the strategic goals from the Board's perspective. Questions begin to arise: what is OHA's position in the transition of Native Hawaiian Governance, Financial sustainability, and being consistent with fulfilling our vision and mission? Challenges include: evaluating areas to improve on, the clarity of organizational direction and strategies, proper planning to ensure positive growth, and whether OHA is strengthening and empowering native Hawaiians?

OHA's diagnostic evaluation in 2015 – separate from Spire's evaluation – informed OHA on a number of levels:

- Fiscal Reserve was decreasing and the Native Hawaiian intergenerational equity was not achieving the 5%.
- Multiple demands on OHA's resources with respect to achieving the strategic plan. Balancing Kaka'ako Makai with legacy and cultural lands.
- Nation Building and Future Governance Line of Credit.
- Accommodating OHA's 5% spending policy

These decisions reflected OHA's integrity and future planning considering these things. Administration has also made some adaptation for planning moving forward with this diagnostic evaluation along with Spire's recommendations. Administration reported that these were the major goals outlined by the Board in 2015:

- Native Hawaiian Trust Fund to increase revenue
- Reduce 5% spending
- Examining the Public Land Trust strategy to increase revenue and achieve intergenerational equity
- OHA's Nation Building initiative + Line of Credit – launched in 2016
- International Engagement Policy (passed)
- Master Planning for Kaka'ako Makai and action in 2017
- Closing out current Strategic Plan in 2018

This outlines OHA's process in terms of the operation and function that includes Administration and BOT. The important part, also recognized by the State's current audit, looks at the effectiveness of the grants program. The question is, "what is OHA's future?" In order to answer this question, Administration has assessed and analyzed the data to plan and recommend strategies to the Board for decision making. From there, Administration executes and implements. Understanding the totality of the past years, Administration thought it would be an appropriate introduction to Spire's recommendations because moving forward must be parallel, integrated, and collaborative at the Board level as well as at the Administrative level.

Ka Pouhana shares a table that makes recommendations alongside the Fiscal Sustainability Plan that includes:

- HR People Strategy – addressing organizational change and management issues in 2017-2020. In compliance with a federal law, the Fair Labor Standards Act, OHA worked with Anna Elento-Sneed to assess the people strategy and career ladders. This strategy also considers State laws, personnel and fringe benefit costs. Administration is also very determined to implement in 2018 the OHA Core Value and Behavior and Organizational culture improving a healthy work environment space.
- Organizational Communications Plan and Image – in 2016, OHA hired a new Public Relations Officer, Sterling Wong. Administration now has a better understanding of what OHA needs including an internal Standard Operational Procedure in terms of what OHA does. In 2018, OHA Branding on Integrity and Credibility – not just as OHA, but developing community relationships; building trust with our beneficiaries. 2020 has been set as a target because of the potential development of Kaka‘ako Makai.
- Strategic Plan – closing out the current strategic plan in 2018 and a community report in 2019. Planning for a new Strategic Plan from 202-2032.

Spire will highlight and discuss the Fiscal Sustainability Plan and implementation, but using the 4-5 years as a framework allows the organization to plan big projects. Ka Pouhana shares that he hopes this historic reflection along with Administration’s future planning will help inform Spire’s coming presentation of the Fiscal Sustainability Plan. With Spire on board over the past 2 years, this is the totality of Administration’s work to move OHA forward. Ka Pouhana thanks the Trustees, opens it up for questions, and turns the time over to Rodney and Spire.

**Rodney Lee** shares that his presentation will focus on the major points of the presentation in consideration of the time. He apologizes that the Update and Combined Report was not previously passed out to the Trustees. He shares that today’s presentation will be an update on where they left off with the Fiscal Sustainability Plan (FSP) in January and sharing what really needs to get done to move forward.

The purpose of the FSP is to help model options OHA should consider in making decisions. In October, Spire brought an Action Item to approve the implementation. OHA has already gone through the final presentations and needs to go through implementation as the last 2 stages. Within that they highlighted some Critical Path items. In November, Spire presented a “Guidance Document” outlining the necessary steps to be able to implement the FSP along with subsequent model findings. Today, he will try and simplify these steps even more.

As far as Spire is concerned, these are the Urgent Tasks among the key decisions that are outlined:

- **Financial:**

- Mitigate Long-term obligation for Pension Benefits – Getting an actual calculation of OHA’s exact liability. Currently, this is self-calculated on the audit report.
- Create Robust Policies for Investment Committee Structure
- Mitigate effects from Department of Hawaiian Homelands Agreement – very important; OHA must be much more aggressive and forceful. The MOU was signed and obligations have been made by OHA, and Spire shares that they do not see the same commitment and obligation being made from DHHL. The perceived commitment is \$3 million for 30 years; amortized over the 30 years, the lost earnings under the 6% earnings that would normally expect, this proposition is equivalent to \$198 million.
- Address Kaka’ako Makai Development and Finance Plans – How do you prepare the organization to address some of the liabilities within its existing assets?
- Address Nā Lama Kukui Notes Payable and Line of Credit Refinancing – Examining the outstanding Credit Lines of Nation Building; addressing the balloon payments that are coming.
- **Operational:**
  - Assess Programs – consistent with State Auditor’s concerns; making sure that programs and grants work
  - Assess Grants
  - Accelerate New Financial System and Chart of Accounts – Effort to having greater transparency and detail; especially with the type of activities that are coming forth.

He shares that these are the most urgent of the policies.

**Trustee Akana** asks Mr. Lee if he has a suggestion regarding the DHHL agreement?

**Mr. Lee** responds by encouraging the Chair to put a committee together to take some action on the MOU before the upcoming May payment. There are other ways to handle this commitment to DHHL that helps to mitigate the impact on OHA. The \$3 million payment in May is actually a pre-payment. DHHL takes this \$3 million and invests it in order to gain earnings. They only pay out the quarterly obligation when it is due. DHHL’s justification is that this process allows them to make up the additional interest. DHHL cannot define where the \$3 million goes which results in the integration to all their other investments. Essentially, OHA is supplementing DHHL’s investments every year and is not a good use of the money.

**Trustee Lindsey** asks Rodney if he is suggesting that OHA put together a legal strategy?

**Mr. Lee** responds saying no, that he suggests a committee structure to represent OHA, in the strongest manner possible, to get results and answers directly from DHHL. His understanding of the MOU is that OHA entered into the agreement with the result of providing housing for native Hawaiians. Unless this is being done, then OHA’s money is merely being thrown into an

investment of what result? He encourages the Trustees to look at this agreement as a \$198 million proposal.

**Trustee Lindsey** adds that DHHL is making money off of OHA's money rather than making houses.

**Trustee Machado** asks how much money OHA has expended to date?

**Mr. Lee** communicates a statement from Mr. Kim stating that OHA is at year 9, \$27 million dollars. Though he must confer with Legal Counsel, he shares that the reason why he believes OHA can hold a strong position is because a Board cannot subsequently submit another Board to the decision they made; the new board must reaffirm the prior decisions. He thinks that this is OHA's strongest position to date; OHA's new board has been trying to re-negotiate the fulfillment of the housing priority effectively. He reiterates that OHA has the ability to reconsider the offer; again pointing to legal counsel. He shares that he is not encouraging OHA to end the funding all together, but that this obligation must show effective results from any dollar spent.

**Trustee Akana** directs her comments to Rodney sharing that because OHA has already given DHHL \$3 million, she asks if OHA could end the MOU by giving them \$3 more million and fulfilling OHA's commitment.

**Lucas Sayin** responds reminding Trustee that it was 30 years so the total would be \$90 million.

**Mr. Lee** replies that he would leave this decision to the committee to decide.

**Trustee Machado** directs her comments towards Rodney asking if this issue could be at the BOT level to ascertain the structure of his proposed committee to begin to have negotiations with DHHL. She shares that Mr. Lee had previously tried to negotiate and receive information from DHHL and had preliminary recommendation as such.

**Mr. Lee** agrees sharing that Spire had gone through a couple of meetings with DHHL and they were supposed to come back with a report to the Board on the aggregated benefit of the \$3 million dollars given annually.

**Chair Lindsey** address Trustee Machado's previous question sharing that she believes that something of this magnitude should come from the chair of the Board; perhaps appointing an Ad Hoc Committee to work on OHA's position.

**Trustee Machado** replies to say that if it is an action item to reaffirm the policy, it could come directly to the BOT. She goes on to say that DHHL has not provided OHA with an annual report.

**Mr. Lee** agrees and adds that this is part of the most critical factor – we cannot see the actual benefit/progress.

**Trustee Machado** shares that if OHA is going to make the May deadline, or delay the payment, the committee is not needed, they can just work directly with the BOT, Administration, and Spire to craft the action item.

**Ka Pouhana** and **Chair Lindsey** agree.

**Trustee Machado** continues to say that OHA can look at all the details on the legality and strategy.

**Mr. Lee** adds that especially since the new Ka Makana Ali'i development is up and running; and especially because they're asking for additional funding, this is important.

**Trustee Machado** adds that they also got an increase from the State legislature.

**Mr. Lee** adds that Spire has also asked them in their prior meetings: "is there a way to mitigate effects?" OHA has always been the secondary debt service, not primary.

**Trustee Machado** shares that this is a no-brainer.

**Trustee Akana** shares that there was a committee or board report where Mr. Namu'o stated to the Trustees, as she recalls, that this agreement was not only based on the present board, but the other condition was that OHA must have the funds, as well.

**Mr. Lee** responds to say that they will follow up, and if this was the language used and this was the understanding, then...

**Trustee Akana** interjects that there were indeed conditions.

**Mr. Lee** adds that this comes straight from OHA's operating budget, so it is not just setting aside money, but it directly impacts the overall cost.

**Trustee Machado** adds that the Board will just move forward with the Action Item since the preliminary leg work has already been done. They will likely reach out to have another meeting with DHHL to inform them of OHA's intention to reaffirm the lack of commitment to engage further with this arrangement. She shares that she believes that this is likely the best and most diplomatic approach.

**Mr. Lee** continues on by discussing the external reasons for their recommendations:

- Federal Changes – pull back on ancillary services and budgets.
- State Economic Environment – As shared in Governor Ige's State of the State, they are also looking at flat returns, as well. He shares that other departments throughout the state are also looking at cutting back; the Ways and Means Committee is really cutting anything that is new.
- OHA's Financial Situation has not Improved

- Increased Expenses – Fringe Benefits expenses, Legal costs and challenges, and rising interest rates.

He goes on to discuss the 20-quarter rolling average. Spire looked at the possibility of doing a 1/2% change. Ultimately, the calculations showed that you can reduce it by 1/2% and that will cause some savings but you have to save even more; you must cut twice to actually realize the benefit. This is because OHA has other additional expenses that would follow on it. This is something that OHA should be aware of; Spire is just making OHA aware that because there is already additional expenses being forecasted, it may very well eliminate the extra 1/2% reduction.

**Trustee Machado** asks what the .5% is equivalent to in a dollar amount?

**Mr. Lee** responds by saying a couple million. Really, if OHA wants to realize that amount of savings, OHA should be reducing by \$4.15-4.5 million per budget so that OHA can adjust for the additional expenses.

**Trustee Machado** asks if she can call on John Kim based on his comments at the legislature; she asks Mr. Kim if he can share his statement about the staffing reduction.

**John Kim** explains that during his meeting with the Hawaiian Affairs Committee, they decided to pass the budget as is, which reflects a reduction of approximately \$1.4 million. OHA's personnel budget, as included in the general fund request and based on OHA's calculations, is equivalent to 15 FTE positions. He shared that it is at the discretion of the board to determine where those reductions will be made from. As such, the personnel reduction will be offset by the programmatic expense and will have an impact on our communities and beneficiaries.

**Trustee Machado** adds that if so, OHA is ultimately looking at a reduction in force. She shares her surprise upon hearing this information.

**Trustee Akana** adds that she would like to see a hiring freeze.

**Mr. Kim** adds that OHA's current biennium budget for FY18-19, the total impact of increase in fringe rate to 60% is approximately \$2.3 million dollars per year; this maintains the same amount of FTE numbers of 179. For FY 18-19, based on the budget requests received and adjusted to the spending limit policy, it already includes a freeze of 9 FTE positions. If OHA is thinking about the total potential impact of 15 FTE from the reduction in the general fund budget, OHA is looking at 24-25 FTE personnel reductions. This is about 1/8 reduction in FTE; a significant number in reduction.

**Trustee Akana** asks if they are talking about positions that have not been filled or about positions that have been filled?

**Mr. Kim** responds that the 9 positions that are currently frozen are unoccupied or vacant positions.

**Trustee Machado** adds that the 15 would be warm bodies.

**Mr. Kim** confirms that this is correct and adds that out of the 24, 9 positions are frozen and vacant, and 15 additional positions that may be impacted would be warm bodies.

**Trustee Akana's** question considers fringe costs; in most big companies, one would look at the top for cuts and expenses. She asked if OHA could look at the higher positions since she does not want to lose all the worker bees because in her view, that's what has been happening. Lower level positions have been leaving and making consistent complaints. She shares her strong feelings that higher level positions should be cut.

**Mr. Lee** continues with his presentation sharing that based on the things that are urgent, these are the things that must be done by June 30<sup>th</sup>. This is also in consideration of the Biennium Budget planning and discussion.

In respect to spending, OHA must also look at engaging HRS§10.1 to start to hold the State to the fire. HRS§10.1(b) basically states that the State's agencies, under the direction of OHA, should support OHA's overall charter. This would allow a reduction in some of the overall net costs itself. These are the specific areas that the State is on the hook for – DOE, DOH, and DHHL. Using the statute to gain leverage would be productive.

Additionally, OHA should seek other partnerships with other organizations and State Agencies that would contribute to OHA rather than just paying out. He shares that he thinks that OHA must double down the money; looking to receive double the benefit. To be frank and respectful, housing, health, and education is not just a state issue, but also a federal issue. He encourages OHA to use these agencies to assist OHA's efforts to achieve its objectives.

**Trustee Ahu Isa** shares that one of her initiatives upon being elected Trustee was to push for lifting the \$15 million cap and getting back the \$8 million the State is holding. Adding to Mr. Lee's recommendation to seek partnerships, she suggests using these funds as ammunition to accomplish these things. She shares that many people may have the mistaken perception that OHA receives Airport revenue.

**Mr. Lee** adds that this is written into law and OHA should hold the State to the fire. Advocacy will be key within the next few months given the political environment.

Within earnings, OHA should jumpstart programs for new revenues. This includes legislative engagement, but also seeking out new entrepreneurial opportunities for additional revenues and funding. Spire has discussed balance sheet management in the past; activating the assets that OHA has for the return that needs to be generated.

Regarding the debt – the Board needs to consider whether to consolidate financing of Na Lama Kukui or just consolidate. This includes the notes payable and line of credit; or even assuming Nation Building Line of Credit within it.

**Trustee Akana** adds that refinancing is number one. It is either refinance or pay it off. She shares that this is one of the worst loans ever.

**Mr. Lee** adds that this was talked about quite a bit and all that's needed is the authority to move forward.

**Chair Lindsey** shares with the Board that she asked Scott Hayashi to write up the RFP to advertise.

**Ka Pouhana** adds for clarity that the discussion here sounds like it would be an action item to refinance, not an RFP.

**Chair Lindsey** responds that the RFP would be a solicitation for rates from different banks and institutions; calling upon Raymond Matsuura to expand. She shares that Mr. Matsuura shared that the line of credit is a very low interest rate right now and OHA may want to keep this rate.

**Mr. Lee** adds that doing these things would provide OHA with the option to progress.

**Chair Lindsey** adds that she got the feeling from the Board in past meetings that they did want to move forward with refinancing.

**Mr. Matsuura** adds that the appraisal has already been done at the end of January

**Chair Lindsey** adds that the appraisal came in at \$31 million.

**Mr. Lee** adds that this is very positive.

**Mr. Matsuura** adds that rates are indeed higher now and that this is something to consider. Currently, OHA has locked in a 3.75% rate for another 5 years and this is fairly attractive.

**Mr. Lee** adds that a consideration is that in preparation for any additional developments and investment activities – how much credit is available to do this?

**Chair Lindsey** asks Rodney to share the example of Kamehameha Schools and how they lost the use of their money.

**Mr. Lee** responds to say that he cannot disclose details but that KS was gracious enough to share with them. What they do is separate their assets to make sure they are performing to their expectations. Framing it in the recent conversation of assets and benchmarks, this conversation should be same in terms of the methodology. The expected return should be there along with a blended rate to be able to achieve. This defines whether you do an asset sale on the commercial side or if there is a leasing activity; how to manage funds within these. Do not make the mistake of drawing them completely or applying them strictly to the portfolio. Make sure that there is sufficient funds for OHA to act upon. For example, if there is a lease of a property and the

revenues go into commercial real estate, that there is enough funds in that category itself to supplement what investment needs to happen to take advantage of the opportunity.

They also go one step further and separate their legacy lands into programmatic costs as they are budgetary items. Commercial Real Estate is managed in itself so there is no confusion or dependency in the funds.

**Trustee Akana** adds that she believes that this is the area that OHA messed up on.

**Mr. Lee** advises looking at Real Estate Consultant to help establish these benchmarks. He goes a step further to say that OHA already has an Investment Committee that reviews the Financial Securities and Investments themselves. He suggests setting up the same kind of structure on the Real Estate end; taking advantage of the knowledge that is out there to create a successful partnership. OHA needs the pulse of the market to keep going. It is not that Administration is not capable of doing this, but it is helpful for Administration to have its own set of advisors to move forward. This is reshaping the way OHA thinks about investments.

**Mr. Sayin** adds that the flow of funds is important on the policy items. With the Spending Policy, where OHA's Spending Policy is about maintaining the core and longevity. The formula derives that any infusion into the portfolio only increases the annual 5% draw by a ¼ of 1%. This policy is meant for the long term to protect the portfolio. A policy through real estate that defines how the flow of these funds are sent back into OHA, and where they go, is important.

**Mr. Lee** adds that it is important to determine what percentage goes into the portfolio and what percentage is held back for reinvestment and management. Separating out the legacy lands as a budgetary item as well. OHA must make sure that this kind of clarity is outlined for better management.

**Trustee Akana** asks if because OHA's policy is just one policy and you read the different sections, it seems to get confusing. Would it be better to have separate policies for each class of land?

**Mr. Lee** confirms that this would be best and that there is already a draft.

**Chair Lindsey** shares that the first item that the Trustees got on their desk is this proposal from Spire to separate the policies. This will be something that is coming up in the near future. The 95 page report was also passed out to the Trustees.

**Mr. Sayin** points out to Trustee Akana's point about refinancing that this schedule of payments is also about managing the cash and dependent on the development of Kaka'ako Makai.

**Mr. Lee** adds that he believes Admin is sufficiently reviewing these things but giving the approval to progress is important for OHA to move forward on Kaka'ako Makai. The

conversation should be framed with the thought of preparing the organization for the upcoming changes that are necessary; as well as the headwinds that may be in the near future.

He discusses the management of overall expectations of investments themselves. Consider whether diversification is necessary. Managing overall realistic management returns should also be a discussion. Administration has the capacity to manage the budget much closer. Considering the discussion of financial securities, it will likely get much better. This must also be done on the opposite with Commercial Real Estate.

The last point, considering analyzing whether LLC's or other entities are necessary to provide the flexibility and immunity to develop commercial assets. He shares that getting into real estate and commercial especially considers whether you should be putting the interest into protective structure so that it can insulate the overall impact to the trust. This involves using legal resources to consider using an LLC with properties such as Kakaako Makai.

**Mr. Sayin** adds that this also allows for partnerships; having a vehicle for OHA to diversify and relieve a little burden on these returns/responsibilities.

**Mr. Lee** then covers Critical Path Items beyond June 30<sup>th</sup> – getting to the guts of the policies, many of which Administration has already begun looking at:

- Spending Policy – considering other facts and gauging impacts. If these are enacted, can a reduction occur?
- Debt Policy – How leveraged does OHA want to be?
- Fiscal Reserve Policy – Defining the intended use and delegation of authority.
- Investment Policy – Bifurcation between Real Estate and Financial Securities. In their conversation with Admin, it seems like Admin is just looking for the direction and is willing to make these changes.

He continues to share that OHA has the tools and resources to take these actions; these are all critical Action Items.

**Chair Lindsey** shares with the Board that the current standing of the FSP is there are quite a few decisions that must be made by the board before the organization can be putting this into a model. The Resource Management Committee will take each item until there are about 5, 6, or 7 action items. In the meantime, Administration will be thinking how this model will work so that it can move and progress.

**Mr. Lee** adds that based on Spire's forecast, citing a number of the critical path recommendations, OHA will be moving into a very active stage and into another realm. This aligns with Ka Pouhana's plan of creating capacity within the system to move OHA forward itself.

**Trustee Akina** thanks the committee chair for keeping the ball rolling as well as Rodney and his team for the work that they have done. He comments on a few things he feels are crucial; there are some urgent matters that the board must make some decisions about.

Addressing the fellow board members and citing Spire's February 24<sup>th</sup> letter to Trustee Machado, he shares a few observations for this conversation. He counted 17 specific proposals in Spire's recommendation and urges that the board does not have to wait for a master plan to begin tackling any number of the tasks. Secondly, there needs to be conversations about some of the assumptions Spire used in their "Red Line Model," also noting that he does not think this is the time or the place. He thinks that OHA may not be as bad as they think. There are several issues, one example being that OHA spends \$6 million in contracts and the Red Line model reduces that. Or the Red Line model must be informed, on page 10, where it says the annual \$1.1 million in legal costs will go to \$4 million in 10 years. He hopes this does not happen.

**Mr. Lee** adds that they use this number based on the trend and percentile.

**Trustee Akina** adds that Trustees would likely want to have a conversation to change that trend. In addition, Spire discussed whether or not OHA needs the LLC's. In the case of Waimea Valley, the revenue generated there is not calculated into the Red Line model either. He shares that they need to give each other input to adjust in order to create the model.

Finally, he shares that he likes the suggestion of segregating the duties. This is very important for the sake of Kaka'ako Development; to be able to have a committee that is able to deal with real estate. Additionally, they talked about aligning the budget to best practices – OHA may want to consider a committee function to deal with budget. He looks forward to inputting this plan and progressing.

**Trustee Ahu Isa** comments on the sense of urgency; especially in the case of the market turning and interest rates going up. As such, the value of land will go down because they are all related. She asks how fast they can get the Real Estate Committee to tell OHA the highest and best use of Kaka'ako Makai?

**Chair Lindsey** shares that in two weeks, Kuhikuhi Pu'uone will be reporting to the RM committee to share updates.

**Trustee Ahu Isa** asks if OHA is using them as the Real Estate Committee?

**Trustee Machado** says no.

**Chair Lindsey** shares that they will just be sharing where they last left off. She adds that there might be an Action Item on moving forward at Kaka'ako Makai. Finally, she thanks Rodney and his team for their presentation.

## **V. BENEFICIARY COMMENTS**

**Chair Lindsey** calls on **Germaine Meyers**.

**Germaine Meyers** greets the Board and introduces herself as a beneficiary for Beneficiary Advocacy and Empowerment. She discusses her comments and concerns about the FY 18-19/19-20 Biennium Budget as it affects today’s agenda items 4.A., B., and C. Today she addresses 4 pages of the 30-page PowerPoint presentation which OHA updated on March 17, 2017. Specifically pages 13, 14, 15, and 16. She goes on to address the Total Operating Budget, Historical Operating Budget, Funding Key Constraints, and Funding Spending Priorities. Ultimately, the Funding Spending priorities to ensure intergenerational equity and practice fiscal sustainability should have always been the two most primary spending priorities since the inception of the Office of Hawaiian Affairs.

She also briefly addresses the Hawaiian Homelands commitment, sharing that she is very familiar with the DHHL budget and will share a solution at the BAE meeting that will actually populate people into homes.

(Full testimony attached here).

**VI. ANNOUNCEMENTS**

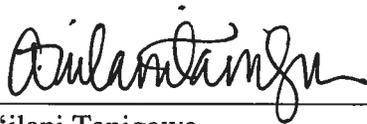
**Trustee Machado** thanks Chair Lindsey for the informative meeting and progress in implementation for the FSP.

**VII. ADJOURNMENT**

Trustee John Waihe‘e moves to adjourn the meeting on Resource Management						
	1	2	‘AE (YES)	‘A‘OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA			X			
TRUSTEE DAN AHUNA						X
TRUSTEE ROWENA AKANA		X	X			
TRUSTEE KELI‘I AKINA			X			
TRUSTEE PETER APO						X
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE‘E	X		X			
CHAIRPERSON HULU LINDSEY			X			
<b>TOTAL VOTE COUNT</b>			<b>7</b>			<b>2</b>
<b>MOTION: [ ] UNANIMOUS [X] PASSED [ ] DEFERRED [ ] FAILED</b>						

**Motion passes with seven (7) YES votes and two (2) EXCUSED vote.**

Respectfully Submitted,



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A. U'ilani Tanigawa  
Trustee Aide  
Committee on Resource Management

As approved by the Committee on Resource Management on April 12, 2017.



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Trustee Carmen Hulu Lindsey  
Committee Chair  
Committee on Resource Management

ATTACHMENTS:

- Community Sign-In Sheet
- Beneficiary Comment and Community Concern Form & testimony