

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

**Minutes of the Office of Hawaiian Affairs Committee on Resource Management
May 24, 2017
10:03pm**

ATTENDANCE:

Trustee Dan Ahuna
Trustee Rowena Akana
Trustee Keli'i Akina
Trustee Peter Apo
Trustee Carmen Hulu Lindsey

Trustee Robert K. Lindsey, Jr.
Trustee Colette Machado
Trustee John Waihe'e, IV
Trustee Leina'ala Ahu Isa

STAFF PRESENT:

Kamana'opono Crabbe, CEO
Albert Tiberi
Alvin Akee
Jim McMahan
John Kim
Jonathon Ching
Kauikeaolani Wailehua
Kawika Riley
'Olu Campbell
Paul Harleman

Lehua Itokazu
Liana Pang
Lisa Victor
Lopaka Baptiste
Maria Calderon
Melissa Wennihan
Miles Nishijima
Phyllis Ono-Evangelista

GUESTS:

Leimomi Khan
Keali'i Makekau
Germaine Meyers
Kai'ulani Milham
Peter Young
Nicholas Koch

I. CALL TO ORDER

Committee Chair Hulu Lindsey calls the Committee on Resource Management to order at 1:02pm, noting for the record the following Trustees presents:

		Present	Excused	Comments
TRUSTEE LEI	AHU ISA	X		Arrived at 10:10am
TRUSTEE DAN	AHUNA	X		
TRUSTEE ROWENA	AKANA	X		Arrived at 10:14am
TRUSTEE KELI'I	AKINA	X		
TRUSTEE PETER	APO	X		
TRUSTEE ROBERT	LINDSEY	X		
TRUSTEE COLETTE	MACHADO	X		
TRUSTEE JOHN	WAIHE'E	X		Arrived at 10:04am
CHAIRPERSON HULU	LINDSEY	X		
TOTAL		9		
At the Call to Order, there are six (6) Trustees present.				

AGENDA ITEM: 72. HOUR WAIVER

MOTION: to waive the OHA Board of Trustees Operations Manual practice at which materials will be reviewed, discussed, or acted upon at least 72-hours prior to the meeting regarding items:

C. RM #17-06: To approve SOQ No. RM 2017-35, requesting Statement of Qualifications for auditing services

Trustee Robert Lindsey moves to approve at 10:03am. Trustee Akina seconds the motion.							
		1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI	AHU ISA					Arrived at 10:10am	
TRUSTEE DAN	AHUNA			X			
TRUSTEE ROWENA	AKANA					Arrived at 10:14am	
TRUSTEE KELI'I	AKINA			X			
TRUSTEE PETER	APO		X	X			
TRUSTEE ROBERT	LINDSEY	X		X			

TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE'E					Arrived at 10:04am	
CHAIRPERSON HULU LINDSEY			X			
TOTAL VOTE COUNT			6			
MOTION: <input type="checkbox"/> UNANIMOUS <input checked="" type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED						
Motion passes with seven (6) YES votes and one (0) EXCUSED vote.						

II. APPROVAL OF MINUTES:

A. APRIL 26, 2017 and APRIL 26, 2017 WORKSHIP

Trustee Robert Lindsey moves to approve at 10:04am the minutes dated April 26, 2017. Trustee Peter Apo seconds the motion						
	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA					Arrived at 10:10am	
TRUSTEE DAN AHUNA			X			
TRUSTEE ROWENA AKANA					Arrived at 10:14am	
TRUSTEE KELI'I AKINA			X			
TRUSTEE PETER APO		X	X			
TRUSTEE ROBERT LINDSEY	X		X			
TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE'E			X			
CHAIRPERSON HULU LINDSEY			X			
TOTAL VOTE COUNT			7			
MOTION: <input type="checkbox"/> UNANIMOUS <input checked="" type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED						
Motion passes with seven (7) YES votes and one (0) EXCUSED vote.						

III. COMMUNITY CONCERNS

Committee Chair Trustee H. Lindsey addresses the public testimony request and will allow them to speak in the order that they signed up.

Germaine Meyers greets the Board, introduces herself as an OHA beneficiary/Nanakuli

Hawaiian Homestead lessee where she submits to the Board data views and arguments in writing along with her oral testimony regarding A.I. IV.C. RM #17-06 to approve SOQ No. RM 2017-35 Statement of Qualifications for Auditing Services. She goes on to say that her testimony was submitted May 23, 2017 and had confirmation that it was received by all nine (9) Trustees. Her oral testimony will serve to highlight points in her written testimony. She greatly supports RM #17-06 to approve SOQ No. RM 2017-35 requesting Statement of Qualifications for Auditing Services, for the financial audit and management review. Her support of the auditing of financial audits and management review are outlined in her documents that identify “egregious discrepancies” and “violations of the law.” She notes that the discrepancies are highlighted in the documents and can be found on her website if the any of beneficiaries want to review them.

Attachment one was a state audit report #16-10 from Dec. 2016, it notes discrepancies and violations of the law, on PDF pages 17-16, 21 and 22. Attachment two, SBO Letter, from May 1, 2017, it notes discrepancies and violations of the law on pages 1-6.

Attachment three, parcel payments OHA Kaka’ako Leaked emails, January 2015, Trustee Peter Apo and Trustee Robert Lindsey Jr. it included highlighted discrepancies and violations of the law on page 1. Attachment four is an article post by Trustee Peter Apo “Breach of Institutional Trust, by OHA CEO” which includes highlighted discrepancies and violations of the law, on pages 1 & 2. Attachment five pages 3 & 4 of OHA Annual Report 2016, it highlights discrepancies on page 3, PDF page 1. Attachment six OHA Annual Report 2015 it includes highlighted discrepancies on page 2, 3, 5, & 6. This document provides key highlights regarding some of the discrepancies where she addresses in verbatim, “On page 2 it stated high degree of autonomy. According to the - (inaudible) officer via telephone on May 17, 2017 and soon to be received letters from the (inaudible) office and Attorney General’s office OHA does not have immunity from any and all Hawaii State Agency Policy and Procedures. In addition, OHA does not have immunity from any and all HRS chapter 10. OHA Trustees’ CEO, CFO, COO, and legal counsel have falsely concluded that the lawsuits Day v. Apoliona afforded them immunity from Hawaii state agency policies and procedures and HRS Chapter 10. From page 3 message from the Chairperson I think this is very insightful for me. It stated from Trustee Robert Lindsey Jr. it says taking the reins as Board chairman last year, our efforts have been focused and organized around three clear themes. Chief among them has been ensuring that our Board meets the highest standards of ethics, transparency, and accountability, that our expected from our oversight responsibilities. This effort is a direct response to beneficiary concerns over the years about inappropriate or unproductive Board behavior, and helps ensure that we are all appropriately held accountable for our actions. Note this was prior to Chair Rowena Akana taking leadership this year, earlier this year for I think six weeks. As a result our Board has put a system in place to address

any lapse in our responsibilities to always act for the good of the organization rather than for the benefit of ourselves. Another clear theme has been establishing a trusty relationship between the Board and the only employee we hire the CEO. I would like to now go down to some of the highlights that he stated: Move up Hawaii's socioeconomic ladder, makes ends meet, and protect their legal rights. So now I would like to just point out attachment 7 since I am running out of time. OHA gets an "F" grade for telling you how it spends your money according to Honolulu Civic article dated May 10, 2016, which I highlighted some of the discrepancies on page 1-5. Trustees many times I have heard OHA Trustees' administration promote culture, what about character? I would like to share with you a quote I recently wrote, 'people can just make up stuff, and pronounce character claims with little or no validation.' Thank you for the opportunity to convey my support of action item RM #17-06 in support of the financial audit and management review. E hana kākou."

Chair C. Lindsey and Trustee Akina say mahalo to Germaine for her testimony.

Chair C. Lindsey calls up Kai'ulani.

Kai'ulani Milham greets the BOT and KP. She expresses her strong support for Action Item IV. C. regarding requesting Statements for Qualifications for Auditing Services and management review. She says the Lahui has provided the BOT with clear direction on the matter on the comprehensive audit that they are demanding. They have been advocating for since the beginning of this year. She quotes from a Star Advertiser "Public accountability demands responsiveness." She expresses that the excuse of not having funds to do the audit in a timely manner does not justify the delay and funding should be included in the budget. Trust will decline if this is drawn out any longer. She speaks more on the idea that democratic systems fail if there is a lack of trust of the people to the government, and idea that was learned via a PBS Insights television program. She continues on how government officials should embrace accountability and transparency. She compares the lack of accountability and transparency of the Kamehameha Schools Bishop Estate Trustees during the years of great corruption, can lead to a high level of corruption here in Hawaii. She expresses further that even the mere perception of corruption can be damaging to a democratic institutions and that it is the leader's responsibility to ensure otherwise. She wants to make sure that OHA doesn't get damaged or "go away" due to "looking bad" because it is important for her people.

Chair C. Lindsey expresses her thanks to Kai'ulani. She expresses that every member of the BOT is in support of the audit and that the money to carry out the audit has been budgeted. She then calls up Keali'i Makekau.

Keali'i Makekau exchanges greetings with BOT. He confirms that his testimony was sent in yesterday and was received by the Board. He reads the following highlights of his written testimony, "Aloha to the members of the RM committee, I submitted my testimony

today in strong support of the A.I. RM #17-06 to approve SOQ RM 2017-35 Requesting Statement of Qualifications for auditing services for the financial audit management review. The last four state audits have clearly identified financial malfeasance practices at OHA and given the recent OHA check registry that was made public in 2016 it is clear that things like procurement and ethical spending practices and awards have not been followed as mandated by law, but rather on a reckless need to know basis, as such as the \$33million plus in to a tribal nation building process yielding no results and many contracts paid out for services for projects done completed or even undertaken. On January 2017 a new Board Chairperson was elected and was in the process of conducting said forensic audit of all OHA assets and holdings and financial awards, grants, etc. However, after enduring a coup which resulted in the reorganization of the Board, namely new Board Chair a public decision was finally made that a financial audit was going to happen and such was adopted by both the ARM committee and BOT. Now sources are outside this office are reporting that much talk behind the scenes are certain OHA Trustees on how to possibly derail or delay Wednesday's vote on this item. If this is true then OHA will again have violated the people's trust as well as your oath of offices to administering the assets truly and faithfully and best use and value as prescribed by law. I personally recommend that the current audit committee undertake a 5 year audit to be fully and adequately funded and given complete discretion and autonomy so that the true and accurate report can be presented to the BOT and public. As such in the independent audit or financial specialist should be retained to complete that task. At the end of the my statement here, I actually cut and pasted some of the qualifications from the committee and what not as far as auditor qualifications if you look it is pretty much the same five, some have been augmented. Number 1 a licensed CPA and the state of Hawaii be preferred not necessarily mandated, because having talked to other auditors out there, there are people here who are not necessarily accredited but could be vetted in to the firm process. Number 2 complying with government auditing standards for continued education independence in the peer review. Number 3 personal experience in forensic auditing and fraud examinations. Number 4 experience in corporate construction union property management government and non-profit accounting. And then number 5 has not been retained by OHA in the last 6 fiscal years. I also attached with that my testimony an example I gave you a copy, one said Kai'ulani Martinez' resume of her experience of being a financial auditor herself so that you guys could actually look at someone rather than speculate to have someone that actually has some other credentials in there and I also believe she's hoping to be considered possibly for the position if it were to come up or to be a part of the team in particular. So that's also something for you to look about. Makekau addresses rumors that when the new Board was formed that the lack of funding for the audit would be the reason that this initiative would take place, and instead be used toward "frivolous" spending. He has asked for a copy of the budget, but he is not able to view the budget on the website. He says that an audit would allow everyone to be sure that what is said by the BOT and OHA could be compared to with the

actual budget. He is hopeful to hear the comments of the Board, but still holds his reservations due to the history of the BOT members and OHA.”

Trustee Akana states that with regard to the budget, Trustee Lindsey said that if the Board has recommendations for the budget to hand them over to Trustee Lindsey. Trustee Akana points out that she has made her recommendations to Trustee Lindsey, but cannot speak for the rest of the Board.

Chair C. Lindsey reassures the beneficiary that the Trustees and administration are working together to get everything to fit in the budget. She also states that although it is a challenge, she ensures that the money for the audit will not be hindered in the final draft.

Keali‘i Makekau expresses that he feels that it would be necessary to allocate \$1 million to the audit, to ensure results. But he remains skeptical and hopes that the truth comes out with the audit.

Trustee Apo shares a word of thanks to the testifiers. Trustee Apo goes on to reaffirm that OHA and the BOT find the audit to be very valuable for the transparency of the agency. He encourages the input of the public. He highlights the difficulty of being able to analyze issues due to restrictive Sunshine Laws that require only official communication to take place, which causes delays of solving issues and responding to beneficiary concerns, but still believes in the process.

Trustee Ahu Isa reassures that this process has been underway; however it will most likely not need to cost \$1 million.

Keali‘i Makekau restates that a large allocation would allow for “wobble room” for the audit. He goes on to explain that the format of the meeting agenda is to his satisfaction, especially with regard to the use of “Public Testimony.”

Trustee Machado explains that the agenda is designed at the will of the Committee Chair.

Keali‘i Makekau responds with agreement.

Chair C. Lindsey explains that the use of “Public Testimony” encourages those who are not beneficiaries to step forward and make comments if they felt so compelled.

Trustee Machado comments on the biennium budget. She explains that Chair C. Lindsey has a workshop scheduled for next week Wednesday (May 31, 2017) for the Trustees, to address the biennium budget. She also comments that having public testimony makes the decision easier for the BOT in general and with regard to SOQ RM #17-35 and thanks Keali‘i Makekau.

Chair C. Lindsey calls on Leimomi Kahn.

Leimomi Kahn exchanges greeting with the BOT and Committee. She provides testimony on behalf of the Democratic Party of Hawaii, Hawaiian Affairs Caucus (DPHHACC). She highlights that the caucus Executive Committee discussed the review of RM #17-06. The DPHHAC appreciates and recognizes the past audits that have been done, along with the annual reports of their achievements and financial statements. Although the audits in the last 5 years lacks a comprehensive review of whether of execution of policy decision were done properly and in accordance of the law and procurement policies and without favoritism. With that in mind, they are in support for a fair, independent, and objective audit of OHA, and to have it report on the effectiveness of its programs, management, and to see if procurement contracts were done in accordance of the law and procurement policy and without favoritism. It is noted by DPHHAC that RM #17-35 seems bias and focuses on an audit to produce evidence of fraud, waste, and abuse, rather than an audit of management, operations, procedures, and compliance with laws and policies. An audit of the latter sort would result in the knowledge and recognition of best practice of management and operations, as well as any waste, fraud, abuse, or favoritism. And to conduct the audit sooner than later would allow OHA to refocus their energy on fulfilling the mission of OHA.

She now presents testimony on behalf of the non-profit organization, Kalihi Pālama Hawaiian Civic Club (KPHCC). She is the President and the Executive Committee of KPHCC wants her to submit the following testimony regarding RM #17-35, “the scope and tone of the contract seems to be negative and bias in terms of its primary scope that is to specifically identify any fraud, waste, and abuse. And in fact, one of our Directors said that it appears that it is a codified witch hunt. We believe an objective audit would look at specific areas for compliance policies, rules, laws, or procedures. The outcome of which may be identifying any fraud, waste, and abuse, and our best practices. We should not assume at the outset that the OHA has conducted its business in a fraudulent manner resulting in waste, and abuse of its resources. We are concerned about the employees who work for OHA and the morale of their staff. [When we go on our “witch hunt”]. As to the need for the audit itself, we noted that the Attorney General completed an audit in Dec. 2016, but they did not audit the financial data that was provided for informational purposes and they did not present any conclusions about the effectiveness of program and or management, and whether the programs should be continued. Thus, the KPHCC supports an independent audit of OHA. And we believe that doing so would either affirm allegations of fraud, waste, abuse, or favoritism, or find that such allegations were unfounded. Any audit done must be fair and objective. Mahalo for allowing me to deliver this testimony this morning.

Chair C. Lindsey expresses her thanks to Kahn. Calls upon Trustee Akana.

Trustee Akana explains that all the things addressed by Kahn are done every 4 years by the state audit. This audit will certainly address all the concerns that Kahn outlined should be

included in the audit. Its primary focus will not be on the issues outlined by Kahn, but despite that they will be addressed.

Leimomi Kahn responds with a mahalo to Trustee Akana and expresses that she is happy that the audit will be broader. But she reaffirms that the SOQ looks like it is focused on fraud, waste, and an abuse due to the way it is read. But it is important to her that we also look at the best practices and to be fair and objective for any audit completed.

Trustee Apo gives his thanks to Kahn. He feels that OHA and the BOT could do more to connect with groups like the DPHHAC and create better communication channels with legislative advocacy groups like the DPHHAC as well as republican entities, as well as Hawaiian Civic Clubs.

Trustee Akina exchanges words of mahalo to the Chair, BOT, and testifier. His statement is as follows: "I believe we are on the same page with our heart. We all care about the advancement of the native Hawaiian people. We care deeply that the resources that we have been allowed to steward as Trustees of OHA are used for the purposes of advancing the native Hawaiian people. So I want to thank you Leimomi for your work." He expresses that Kahn's testimony is in alignment with the goal of the audit advisory committee for which he is Chair, and it is their goal to be as objective with the audit as possible, with special counsel to advise them on best auditing practices. He says that they followed national auditing standards. He hopes the SOQ is approved by the board to ensure that the truth is revealed.

Trustee Lindsey gives her mahalo to Leimomi. She then acknowledges that she has received written testimony from Hawaii Island beneficiary Teresa Lynette Keohunani Taber, as well as Mililani Trask, where both support the SOQ.

IV. NEW BUSINESS

A. Presentation on Land Program – Comprehensive Management of Waokele o Puna (WOP)

CEO K. Crabbe gives his thanks to Trustee Lindsey for allowing him the floor. He then calls upon land manager Jonathon Ching, and other guests who have been guiding the comprehensive management plan, up until this point of Waokele of Puna.

Jonathon Ching shares his mahalo for having him there that day. He calls up his contractors for the comprehensive management plan for WOP. He states that the BOT should have received the plan draft and the appendices that are included, highlighting the amount of work that has been put in this project in the last few years. He states the presentation will be an overview of the project, and invites them to share comments and insights. He will have a meeting with the Aha Kūkākūkā and a public meeting in Puna to discuss the plan more and incorporate the comments from these meetings and return back to the Board with the final plan, in August, pending final approval in September. He introduces the team: Peter Young represents Whole Kuleana, Subcontractor of Forest Solutions, former DLNR Chair and Nicholas Koch, Represents Forest Solutions, Main Contractor, an expert in forest management, and Hel Hammit, from (inaudible) Hawaii, Archeologist of the plan.

Trustee Akana says, “We had a discussion earlier about WOP, and our agreement with the Forest Group, what was the name, Madam Chair?”

Jonathon Ching interjects: “Forest legacy Program”

Trustee Akana “I believe Peter Young you were DLNR Chair at the time that Linda Lingle was there, right? So how did we end up with this agreement because as a Board member during that time, I don’t remember that this was ever discussed with the Board? And yet, you know, we find that we have an agreement with the Forest Management. So can you explain to me how that happened and how Linda Lingle signed this thing? And I guess it was Haunani Apoliona who was Chair at the time. She must have known about it. But it was never brought to the Board, so I was really surprised that we have this agreement.”

Peter Young responds that the agreement was talked about the BOT, but Trustee Akana had a meeting on Kauai, and he remembers speaking about this project. When he was Chair of DLNR, he would have monthly meetings with the BOT Chair and head of staff at DLNR. He offers background information with regard to the WOP property. DLNR raised \$3.6 million to purchase the property and have it under their control, but they were short \$300,000. The remaining funds needed came from OHA to complete the sale. He goes on to say that the aspect of management agreement back in 2005 when it started, the MOA between OHA and DLNR would be for 10 years, which is coming to an end soon, hence for discussion. OHA was presented with 3 levels of management, choosing the highest level of management. He says that the goal at the end of the 10 year agreement, OHA would be able to take complete control and have a smooth transition of management from DLNR to OHA. The comprehensive plan of WOP did not take place, nor was it carried

out, and a new plan must be put in place now that the 10 year agreement is now over. He is now here at this meeting to present to the Board the general issues of the new plan.

Trustee Akana “Who is responsible for the plan?”

Peter Young “Which one?”

Trustee Akana “The management plan, to complete the management plan.”

Peter Young “I believe OHA was responsible under the prior MOA and now in order to prepare the plan.”

Trustee Akana “As I recall, OHA agreed to pay for 2 or 3 personnel, from DLNR to manage the WOP and they were supposed to train our people so we could take over the management. To my knowledge there was no training, and then we had to finally take back the cars, and one is still missing, we do not know what happened to that car. But I think that there were 3 or 4 cars and we continue to pay but there was no training as I recall of our people to take over the management. And at some point OHA said, ‘no we are not going to be paying these people’s salaries anymore and we will just take it over.’”

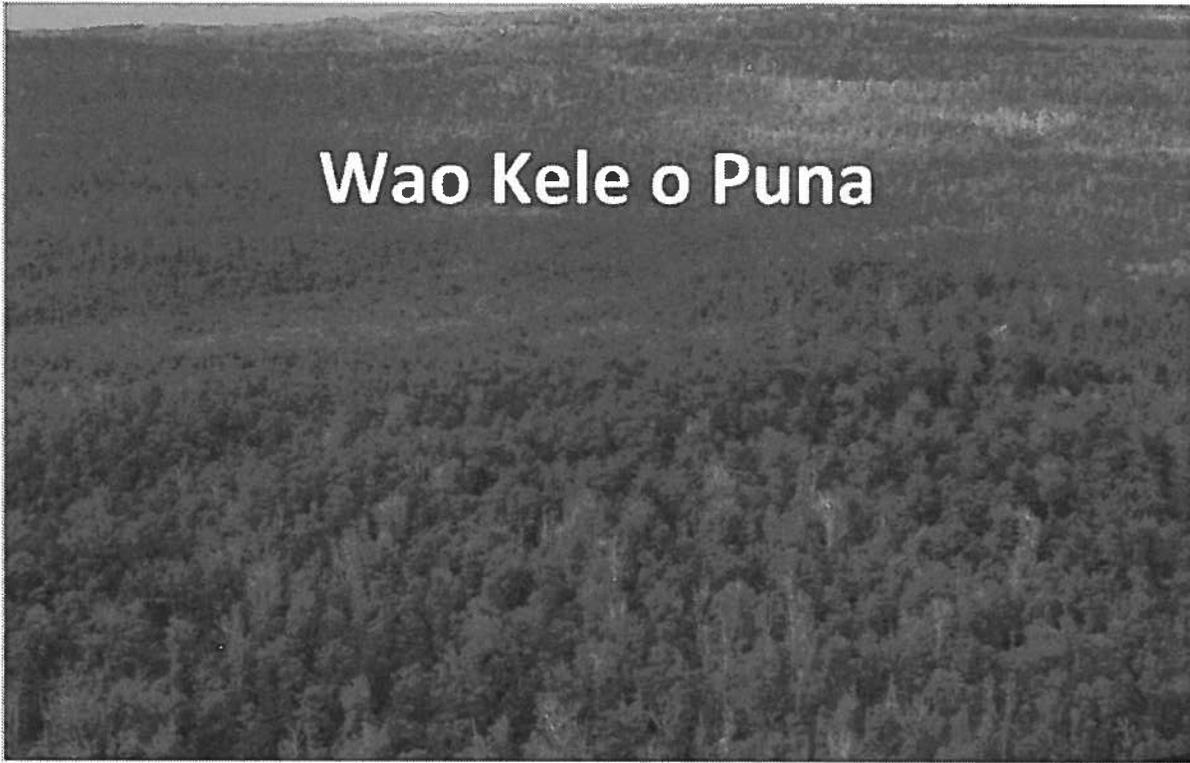
CEO K. Crabbe explains that Trustee Akana is correct, and that 4 years ago an assessment was done of the contract. They engaged with the DLNR Director at the time who was William Aila, with respect to the non-compliance of the contract. They were moving towards developing administrative rules for management, but no draft was completed. It was decided to cancel the contract, but still pay DLNR. OHA did receive all the equipment back from DLNR, and OHA took more of a responsibility to move forward with the comprehensive plan.

Trustee Machado “I think there was a balance on the remaining commitment to DLNR.”

Jonathon Ching explains that they recuperated \$900,000 and still have \$100,000 at DLNR that they will return.

Trustee Machado wants to add that on page 2 it describes actions taken on Aug. 25, 2005. She reminds everyone that there will be two more meetings today after the RM meeting is adjourned.

****Please refer to the presentation slides entitled “Waokele o Puna” with the following picture as the title page slide.**



Peter Young gives background on the WOP property: 25,800 acres, overlays about 20% of the Puna aquifer. He states that a main reason to acquire the land was to protect the aquifer and the forest habitat. He goes on to explain some of the history of ‘Ai Lā’au (forest eater) and the longest lava flow in recorded history. He points out to a map of the lava flow that covered 106,000 acres. The map indicates that WOP is special due to the fact of its natural seed bank that can replenish the land in response to lava eruptions and flows. He points out that the aforementioned eruption was so significant that it is said to have collapsed the entire Kilauea Caldera. He points out a kipuka on another map indicated in the color blue, dating it to be 1,500 and 3,000 years old. He refers back to the mo‘olelo of ‘Ai Lā’au as the god of fire prior to Pele arriving in Hawaii. He says ‘Ai Lā’au feared Pele and left, and at that point Pele becomes the fire goddess. He points out again that WOP is the place that reforests all of Puna after that great lava flow, making this place significant. WOP still remains as a seed bank to reforest Puna in the event of another lava flow.

He then goes on to explain his team, which the BOT has been introduced. He introduces organization Noho Papa, for which they were not able to attend this meeting due to scheduling conflicts. He explains that they have been working on this for a long time and points out some of the representatives from Aha Kūkākūkā for which they met 16 times, 3 hours each, in order to get their input to get the report done. He points out OHA’s

Ethno Historical Study, which is over 600 pages. He urges the BOT to read the study due to its historical content and insights that it could provide for the future. During these meetings they would talk about the following hot topic issues: Management structure, research and monitoring, present and future access, forest health, education and interpretation, cultural practices and uses, and allowable and prohibited uses. The report is a compilation of these issues and a presentation was made to Aha Kūkākūkā before the meeting held today, for which they support. He points out that OHA wanted the plan to be culturally competent, and focus on culture and incorporate modern science. He points out that the plan is different in the way that is it presented. The plan starts with cultural context, and have the reader understand the appropriate behavior and actions that should be conducted in the forest. The plan includes appendices and recommendations were presented in the last chapter, in order to make it clear on what should happen. He refers to an Ohia tree photo. He points out the format of the plan that was done from a Hawaiian context and in a non-Western way, especially with regard to the visual presentation of the font colors, which is based off the Ohia tree. There is a reader's guide in the front of the plan to assist those reading it.

Jonathon Ching goes on to point on what materials were prepared for BOT.

Chair C. Lindsey says that the material can all be found in the electronic copies due to the bulkiness of the plans.

Trustee Machado encourages that the meeting continues otherwise the BOT will lose quorum.

Peter Young points to a new map showing Hawaii Island. He says, "Here is the island of Hawaii, and I want to include [this] because what you and the nature conservancy did in coming up with the Hawaiian footprint is profound, very helpful. What this shows is the pre-contact Hawaiian footprint. And in the black you can see WOP as an outline. There was not a lot of pre-contact use in this area. There were bird catchers, there were other kinds of things, but it wasn't aggressively used. So this is a highlight of WOP, 25,800 acres on the island. It is kind of lost out there." He goes on to give the BOT perspective on the dimensions of WOP, with comparisons in Honolulu (from aloha tower to the Pali Look Out and Bishop Museum to Wai'alaie Country Club). "When we met with the Aha Kūkākūkā, there were always, I made a presentation almost every meeting, I always showed three images. One because I said I would, but others said it just helps in context." He points out the habitat quality of the forest in one image. He goes in to further detail of the composition of the landscape in the photo as well what would be in the report. He points out the invasion of a lot of weed on the property of WOP. He points out the lava flows of 1977 and 2014 indicated in grey, in order to get a sense of where lava flows can happen. He points out that although the forest is very green, it should not be associated with the level of health of the forest. "Now the unhappy thing; Rapid Ohia Death (ROD). There is a second slide that I always show. This isn't it. But I wanted to lead you up to it on what the impact really can be. The dark, you can see there is a dead tree between other

living ones. This is the latest distribution of ROD on the island of Hawaii. And it started in the Puna area, the lighter colors, the yellowish colors, those are the early years, and then it went around to the Kona side and also has gone down the Hamakua side. This is the second slide that I always showed. The outline of WOP and the red is where ROD is on this property. We need, everyone needs to come to an understanding that there is a real possibility that on the island of Hawaii that we may not have Ohia. It is a real possibility. Now these red marks doesn't mean it's all dead in those areas, but that is the predominant area where it is dead. This is one of the 'Ōlelo No'ēau that is repeated in the plan and it's to help people understand one of the other issues that affect management on this property. Walk carefully in the uplands of Puna, the ancestors are telling us there are things like this in walking carefully. This is what is called a volcanic crack. There's also volcanic faults. Those are about 30 feet across, and 30-50 feet sheer walls down. Now it means in management it is almost cost prohibitive to continue to have to bridge over everything. But there's a safety issue. The lighter green color is uluhe. When I was a kid we called it the tangle fern. Uluhe you do not walk through in this scale, you do not walk through uluhe, and you walk on uluhe. You can be walking on uluhe and get to a point because you can see you are walking but you have walked, because there's this overhang of uluhe, you've gone beyond ground. And ground is now 30 to 50; walk carefully, in the uplands of Puna. A very important message for us. The blue lines are the volcanic cracks; yellow lines more to the right are the faults. And you can see they're all over. And this is from mapping that needs more detail because there may be other cracks around the property. We also need to be reminded that there was an active lava flow through the property in 2014 and 2015, down in to Pahoa. The cleared area is the area where the geothermal site had been, and the well, had been, where the celebration was for the transfer. It is about 3.5 miles from up in to the property. This is taking all this information. The habitat quality and putting it in to management units. So these are forest management units. Green is high conservation value. Yellow is limited infestation. Orange is extensive infestation and the red quarantine. But there is like a color coding of the green to red, the better to worse. It doesn't mean in the green there is no invasive species, it just that it has a better quality over story and under story, but has some invasive species. And in the quarantine it doesn't mean that there are no native species, it's just that it's predominantly invasive species. There are the units that the management plan calls to for various actions. I am going to simplify forest management on the landscape. Forest management landscape scale, 12 words, work with community, protect the best, kill the weeds, and manage the pigs. In order to manage this place, work with community first, protect the best, that means what forest managers had found is and the tendency for people is to go, fix the bad. Fix the bad is more costly, more expensive, and as you are trying to fix it, your good stuff is getting inundated. Protect the green first. There's some advantages here on the left hand side of the lava flow, there's been some kipuka that are in pretty good shape. The problem is you can't get to them. The overarching challenge on management here is its land use district. It's in a conservation district protective subzone. It is the least permissive. It is the most prohibitive kind of

subzone. You cannot use a power tool to cut a tree in the protective subzone. You can get a permit to use a hand tool to cut a tree. One of the management things the strong management thing that became very clear to me is, don't try to change from protected to general, or maybe try to make it agricultural. In the conservation district, they have a fifth category. Normally you talk about urban rural conservation and agricultural. There's a fifth category; special. There are special subzones. Waokele is special. Waokele o Puna should have its own special subzone. And take the actions that are called for in the management plan. And make those permitted uses in the special subzone. The last special subzone is at Limuhuli on Kauai. The HPU formerly the Hawaii Loa campus in Kāne'ohe, is a special subzone. Sea Life Park is a special subzone. Waokele o Puna is special. You can't do what is in the plan without a permit. If you have a special subzone, that has a plan, you get the permit to do what is called for in your plan. So you don't have to keep going back to DLNR with a conservation district use permit. Get a special subzone. As you work on that process, there is some immediate things that... there's another phrase on management besides those 12 words. 2 words that Nick came up with; Management Matters. You need to do something. But you shouldn't do anything, it needs to be strategic and it needs to have a purpose and you just don't get a bulldozer and go clear 100 acres and say, 'I got a 100 acres of invasive species removed' no cause that's all going to grow back. So maybe we clear 30 and work on a management of that 30 then work on the next one. Over time you will see that your property is getting protected. Protecting the best first and then working on others.

Trustee Apo asks, "When is [inaudible]." "I think the key word here Peter Young is the word strategic. First of all, [inaudible]. You know, [inaudible]. One of my earlier statements when I talked about how, frustrating it is to have huge proposals like this come to the table and it's just the way the process works, and our limitations as Trustees to not to be able to vet, to talk. So we have an item that we have to vote on today. I'm not quite sure, at what point do we get where, is today going to be the final decision on the funding? [Answer is that this will go to the BOT] So here is where I am coming from. If we do get in to hitting a reset button as to how we do business, items like this which is just so huge, and so important, really requires a policy of its own. A specific policy that addresses this important legacy property. In our dilemma often times in having to choose between cutting off the left thumb or the right arm in doing budgets, I try to look at the founding document, from which we have our mission stated and the purpose for OHA. Which is going back to the Admissions Act, to the purpose it says the betterment of conditions of Native Hawaiians. And I hope that in our restructuring, Madam Chair, the degree to which we can get that level of sophistication, that everything we do especially large items that we are able to reference the founding language as to why we are here. Why we are authorized to do, the betterment of conditions of Native Hawaiians. So when we structure policies, it has to spring out of nana i ke kumu right? Look to the source, so that we can begin to codify of what we mean when we going to spend money on an item. How does that better the conditions of Native Hawaiians? Of course everybody is going to go to the

obvious things, housing, health care, and the most sophisticated part of what I think we need to figure out is how do we deal with legacy properties that may put us in to huge debt, because there is no revenue coming in. So when we talking about 3 positions, contract services and enforcement division of OHA. So I trust that we will have more opportunities to question. But those are some thoughts that I hopefully we can consider.”

Chair C. Lindsey responds that we will have time, and thanks Trustee Apo. She calls upon Trustee Lei Ahu-Isa.

Trustee Ahu-Isa says, “I had one question, is it true that the legislature gave us \$300,000 for the Ohia death? Didn’t they pass a bill like that? KP?”

Peter Young says, “There is a lot of attention on ROD. One of the other recommendations in the forest management side is immediately start a seed collection program of the Ohia on this property. So if they find, if the Ohia dies you have the seed that came from here and if there is a way to fight ROD, then you can replant. Now that may not happen so another recommendation is do some experimental planning with other kinds of native trees on the property, that’s one of those other immediate actions, because if you lose the Ohia over story, it’s hapu’u that’s going to be the dominant over story after that and it has it’s challenge with pigs. That the pigs can impact. But the plan is looking at the longer-term, it’s moving this property in to an opportunity for traditional gathering which is a priceless, it’s value is priceless as other areas get developed, there will be fewer and fewer places for gathering. This is one place it can continue.

Trustee Ahuna thanks Peter Young for his presentation. He states, “My question is concerning, what was the term you used for the conservation zone, the rezoning?”

Peter Young answers by saying, “Special subzone.”

Trustee Ahuna continues with, “Special subzone because of the issues going on in these areas, yes?”

Chair C. Lindsey says, “I think the critical thing that you mention through all the beautiful pictures to me anyway, is the fact that we can do a little at a time. You know those 30 acres, cleaning it up and having a plan for it and moving on, this can probably keep us within our budget, but still accomplish and protect this beautiful place called Waokele o Puna. So that’s sticks out in my mind, the fact that we can do it, little by little, and we may not be alive by the time it’s all cleaned up but at least we started it. So I really appreciate that suggestion. Are we ok then? Are we done? We would certainly like to thank you Mr. Young and your colleagues. Jonathon Ching, mahalo nui.”

Trustee Akana “I don’t think the Chair was kidding. I think that out of your budget you should do a, booklet like that for all the Trustees.”

Jonathon Ching hands out materials.

B. RM #17-05: Approval of an OHA Board of Trustees Policy Amendment relating to an allocation of revenue from OHA's Kaka'ako Makai Properties.**

Chair C. Lindsey moves to Item B. on the agenda. She asks Trustee Waihe'e for a motion.

Trustee Waihe'e says, "Yes Madam Chair, I would like to move to approve a BOT policy amending Kaka'ako Makai, Section 3 A-2 originally adopted on Sept. 20, 2012, to state, and this would be deleted language as stricken, new language is bolded and underscored. The allocate 10% of net revenue for grants and 30% net revenue for OHA's legacy property management net revenue equals gross revenue minus direct operating expenses including Kaka'ako Makai planning and development related costs. And the policy to be revised in 2 years."

Chair C. Lindsey corrects Trustee Waihe'e's use of the word "revised" with the word "revisited." She asks for a second. "It's been moved and seconded, that we move to approve this action, however, Trustee's did you get my memo on this action item?" [Trustee's reply with a "yes"] "I am proposing to amend the proposed action item, and suggest that we approve not changing the 10% allocation for the grants program, from gross revenues to net revenues and I believe that I would like to move that we allocate 30% of the net revenues for OHA's legacy property management program, from the net revenues for 2 years, in a discussion."

Trustee Akana says, "Are you amending the motion?"

Trustee Machado points out that a there is an action item that was moved and seconded and needs to be discussed.

Trustee Ahuna would like to hear the recommendation of administration.

Chair C. Lindsey points out that the analysis took place the night prior to the meeting, hence the proposal this morning, but she explains that the analysis indicates that OHA would lose grant money in the amount of \$973,000 in 2019, and in 10 years, there would be a loss of \$2,017,000 in 2027.

CEO K. Crabbe makes a Point of Order to the Chair that the original Action Item was motioned and seconded, and that an amendment can only take place after discussion has happened.

Trustee Akana states, "Madam Chair, I will move to amend the motion to allocate 10% of the gross revenue for grants and 30% of net revenue for OHA's legacy property management. And net revenue equals gross revenue minus direct operating expenses,

excluding Kaka'ako Makai planning and development related costs. 30% allocation of the net revenues to LPM shall terminate at the end of 2019.

Trustee Waihe'e seconds the motion.

Trustee Ahuna is given the floor to discuss by Chair C. Lindsey. He thinks the matters of discussion are pertinent toward moving the Kaka'ako project forward. He is inquiring for more financial analysis to ensure liabilities are not incurred, and he concerned with financing the project with the revenues currently generated from the property.

Trustee Akana clarifies that, if the BOT went with the recommendations of Administration over the aforementioned 10 year period, OHA would be taking money from the grants program and would amount to \$2,017,000. Trustee Akana doesn't feel right to take money away from grants to fund legacy land projects, but does agree with the amendment of 10% allocation to grants. She states a question as to why does this amendment last for 2 years, she inquires if this proposal is experimental.

Trustee Lindsey explains that grantees need the money and that the proposed amendment is not a permanent Kaka'ako Makai policy. This proposal will allow monies to take care of the legacy lands now, and the hope is that in two years, monies can be budgeted to take care of the legacy lands without the use of Kaka'ako Makai money.

CEO K. Crabbe has a Point of Order, in light of the administration proposition, the CEO thinks that sharing the rationale of the administration is necessary for the BOT to have a more informed discussion with the current proposed motion.

Miles Nishjima states, "Madam Chair and Trustees, if I can point out that the current policy, which calls for 10% of gross revenues to go to grants, it does call for revisiting. And I believe it is 2 years, so adding this in will not necessarily change anything. It does call for periodic review by the Trustees. Our main concern is not with regard to grants, and off the top of my head, don't have any problem in keeping it at 10% of gross revenues, the main thing is to have a connection between the incomes that is generated by our commercial lands to fund the stewardship costs of our Legacy Lands. If I can point out that in 2013, state audit, this was pointed out that there really should be a fairly certain funding source with regard to our legacy lands in the discussion that just took place with regard to Waokele o Puna. It was pointed out that the Trustees in the past have actually voted to maintain high standards of stewardship forest lands. And so this would definitely make a tie in with regard to the development of Kaka'ako Makai. I think I pointed out that strategy that administration is recommending is that the burden of development be placed on developers, and that OHA itself would be focusing primarily on the procurement of developers and spending these monies in administering over developers but not actually taking the development risk itself. That really would not be appropriate

for the trust. That is my immediate feedback and I think that as far as Kaka'ako Makai, we are going to be fine.

CEO K. Crabbe wants to clarify that the allocation of 10% of gross revenue for grants comes from the Kaka'ako Makai policy and nothing will be taken away from grants.

Chair C. Lindsey makes note that the money will be 10% from gross to net revenue, which would result in a substantial difference of \$2,017,000 over the next 10 years.

CEO K. Crabbe states again that he was trying to make clear that the proposed amendment wasn't going to take monies away.

Chair C. Lindsey points out that the amendment would make grants lose money over the next 10 years. She adds, "...based off of the trend analysis of the current Kaka'ako Makai revenues, and expenses for fiscal year 14-19, the LPM budget would exceed \$7 million annually in 2027, if the proposed policy remains in effect. The current Action Item is problematic because the LPM has not submitted a long term financial plan that identifies the need for the additional funds as well as the delineation of how the additional funds would be utilized. And this is why I am suggesting 2 years, so that in the 9 years proposed, we are going to give our legacy lands \$7 million. We need to know, the Trustees need to know, a plan on how you plan to spend that kind of money. So if we allow 2 years, with a sunset of the end of fiscal year 2019, then it should give you that time to give us the plans and figure out how much it is going to cost from here to there. Does that make sense?"

CEO K. Crabbe confirms that the statement is understood.

Trustee Akina points out that the BOT and administration are on the same page with regard to funding the legacy lands management and its importance. The presentation today was helpful and he commends administration for their proposal and recognizes that it is a funding mechanism. He points out that the amendments are not controversial, but straight forward. He continues to make clear points as to why that is so and ultimately supports the amendments made to the motion.

Trustee Akana also supports the amendment, but asks the administration that during the next 2 years receiving the funds necessary to manage the legacy lands, that the division come up with more creative ways to fund legacy lands instead of the Board having to move around money and take it from the core funds. She suggests a degree of tourism as a means funding projects like Waokele o Puna. Her overarching message is administration needs to find ways of making money to support legacy land management.

Trustee Ahuna is in agreement with Trustee Akana. He inquires when the policy will be in effect.

Chair C. Lindsey answers that it will begin at the new fiscal year, July 1, 2017, and ensures that this will not affect the grants being issued.

Trustee Apo could support the allocating of the projected revenue generated by the formula. He states that is hard for him to support the “earmarking” of the policy, with regard to the sunset clause of 2019. He feels that at the completion of the audit would give the BOT more insight on how to manage the funds. He states that he will *kanalua* on this motion.

Trustee Ahu Isa states, “I wanted to say that there are so many tourists coming in now to Oahu. I hear them because I go to our activity booths all over International Market Place and Ala Moana, and they’re always asking me, where can we buy stuff that’s Hawaiian? Dukes lane, they’re going to shut it down pretty soon. Kaka’ako Makai would be the perfect place to even have those vendors move over there, even if it is temporary. My Chinatown merchants are telling me they’re making so much money now because all the Olioli Trolley Buses are in Chinatown. And you see them, they are dropping off hundreds of tourists every day, us Hawaiians, Fisherman’s Warf right there, even if we had tents or something, the buses would drop them off cause they are looking to buy stuff, craft, anything. There’s nothing in Waikiki for them.”

Trustee Ahuna inquires when the funds would be put in place for the grants.

Chair C. Lindsey explains that the money will be put in place at the beginning of the new FY 2018 through 2019. In these two years the BOT will be providing money to grants and legacy lands from revenue generated by Kaka’ako Makai.

Trustee Machado wants to know what the dollar amount estimated would be from the net revenue.

Chair C. Lindsey answers that it will be \$2 million for the two years.

Miles Nishijima explains that it will take a bit further calculation to get the proper number. He states that the direct operating cost is roughly \$100,000/year. This pays for the management company, costs of the interim leasing, and repair and maintenance. Another cost is for the development of the master plan. He explains that the difference from taking 10% of gross revenue versus net revenue is not material.

Trustee Waihe’e asks “Miles, is the intent that all the lands pay for each other? So we can keep it all as one?”

Miles Nishijima he explains that this is a national trend of organizations that own legacy lands, where there is a funding source. The auditor in 2013 explained to OHA that there needs to be a closer connect between commercial revenue generation to fund legacy land management. He goes on to say that they are in the master planning stage of Kukaniloko, where they cannot project yet the mandatory costs to plan and execute. He also points out

the unknown costs for Waokele o Puna. With that in mind OHA needs to be aware of the mandatory costs necessary to fund the stewardship of these lands, as well as the costs OHA may want to have. Depending on the funding source, OHA can design a course of action that makes appropriate prioritizations over a number of years. He cautions that the funds do not need to cover all the costs of the project. He agrees with the 2 year prudence of the policy.

Trustee Waihe'e replies, "The bottom line, Miles, the mandatory expenses for the legacy properties we are going to have to pay somehow anyway right? Whether it comes from here or somewhere else, it not like we are saving that money."

Miles Nishijima points out that all of the costs to date are coming out of the core operating budget.

Trustee Apo doesn't support the funding policy, but rather to budget the funds, in order to give the BOT flexibility, in the event that the funds need to be moved. He does support however whatever the amount of the funds would be determined by the percentage.

Trustee Akana points out that the spending policy already exists, hence the amendment.

Miles Nishijima points out that the policy currently is with regard to grants only and does not say anything about funding legacy lands.

Trustee Akana says, "So we could remove the language of policy then. I don't have a problem, it's just a matter of funding this thing for two years. But I have a question, on the monies that we have coming back from DLNR for Waokele o Puna, that we had budgeted, aren't we using that money? Why can't we use that money? Don't we have \$8 million?"

Miles Nishijima says, "The costs for Waokele o Puna for the biennium is completely coming out of the funds that have been already procured. None of that is coming out of the current core operating budget, for the upcoming biennium. Beyond that, it could. At some point those monies will run out."

Trustee Akana says, "But it is about \$8 million, so why are we reallocating, why can't we use the \$8 million? Where is that? That money is just sitting there. I do not understand."

Chair C. Lindsey explains that the money she is talking about is only about \$1 million.

[Friendly laughter ensues]

Trustee Akana wants to know why we cannot just use the money to be returned to OHA from DLNR.

CEO K. Crabbe ensures Trustee Akana that the money will be used for Waokele o Puna.

Trustee Ahuna says, “I just wanted to say this in reference to what Trustee Apo said. We are just taking money out of the budget and moving it to someplace else for us? Cause, what is the next step if we have all this money? Because, administration still has to manage on how the money should be distributed, so why are we taking it out to put it on our side when we already had the money with you guys and we can just make recommendations through that?”

Chair C. Lindsey says, “The policy does not allow us to take money out for just any reason.”

CEO K. Crabbe says, “Actually, this action would allow the revenues from Kaka‘ako Makai, to be directed to the legacy lands, to manage operations. Operations meaning, the hard core things we must do on the land. So we already have accounted for that in the current biennium, budget, but passed on the current amendment, we may need to come back before the Board for a budget realignment, which we have not made adjustments for. So we are not taking any money from any other pot. We are setting policy to use the funds from the revenue of Kaka‘ako Makai. And just a follow up to, Trustee Waihe‘e’s point, is he does have a point. And it is very similar to Trustee Akana. I believe the intent back in 2010-2011 even prior to that, with respect to the legacy lands, was for economic sustainability. But all these years in the past we did not concentrate on the fundamental structural parts, which is community outreach, comprehensive management plan, to a master plan. So in the master plan and for Kukaniloko as well as comprehensive managing and collaboration with the community Aha Kūkākūkā. We are hoping those ideas and recommendations will matriculate up, so that we have a better idea for more creative ways to create economic diversity and future sustainability for the legacy lands, but I believe when we have discussions we cannot get there because, for example Kukaniloko, the water situation and infrastructure. Until the community outreach plans are complete and something that is a buy-in from the community and a buy-in from us, then we can move forward with agricultural development, a cultural resource center, and protection of the wahi kapu. Right now we’ve had intense discussions with DLNR and others. Right now at Kukaniloko we only have the right of entry, but we do not have the current land title, so that creates complications from us for opportunity for tourists to visit the site. Because if we begin doing that we take on greater liability in terms of parking, transportation, and visitors. That is on our table for the next two years, but we are looking at that potential idea when Wahiawa Civic Club and the Wahiawa community to look at that as the beginning point for revenue generation for Kukaniloko.

Trustee Lindsey responds with, “In actuality, if we do this amendment, we’d be giving \$2 million of Kakaako Makai revenue for legacy lands.”

CEO K. Crabbe states, “Correct.”

Trustee Akina adds, “Potentially.”

Trustee Machado inquires, "Over 2 years right?"

CEO K. Crabbe responds, "Yes, over 2 years. We agree with that."

Trustee Akina thanks Chair C. Lindsey for the floor and says, "I think administration has done a good job of presenting us the need with which to fund the legacy lands over the next two years, and I support the proposal. I also want us to keep in mind, what Trustee Apo had said it's too early for us to set a percentage and lock ourselves in to a percentage of Kakaako revenues that will perpetually go to legacy lands. But, I think that we're safe with the amendment that Chair brings. Because the amendment that Chair brings deals with only the next 2 years. So it gives the cash administration needs." He then addresses Trustee Apo by saying, "The amendment cuts off any policy, so we are only talking about delivering the cash over the next 2 year period. And we will revisit as administration suggests the policy question." He concludes by saying, "One last thing is that we actually do need to put a percentage in this amendment, because we do not know what the money is going to be. We don't actually have a figure, so it is quite appropriate to put a percentage. I think we are on the same page to do 2 things right now. And I'll support this. Number one, to go ahead and vote for RM #17-05 that the administration has put before us. And then after that vote for the amendments that Chair has put before us."

CEO K. Crabbe "I just want to clarify, but if Trustee Akina is proposing the amendment action I think that's something we can support."

Trustee Akina "I can propose that when appropriate."

Trustee Machado "On page 2 of the amended action item, and this is to you Miles Nishijima, it says the current action item is problematic because of LPN has not submitted a long term financial plan that identifies the need for additional funds as well as to delineation of how the additional funds would be utilized. Now that statement is not in there to provide a financial plan for the funds."

Miles Nishijima "As I indicated, much of that is going to be dictated by the master planning that is going on now. There is uncertainty. I believe that we have made a projection for this period before our internal use at this time. But it is really subject to the outcome of the planning efforts."

Trustee Machado inquires, "Will you have sufficient time to provide the long term plan to us, be given the next two years that you will be having access to this allocation? I think that's the real issue with the concerns, the commitment to do the long term financial planning."

CEO K. Crabbe responds that it is a reasonable request. He goes on to state that, "Administration will commit within the next biennial to present the financial plan, but

then if we do that upfront and a commitment to the Board you can just vote on the current amendment and the action item.”

Procedural discussion on how the vote is outlined below:

- The Board needs to first vote for the amendment to the action item, which is on the floor.
- If the amendment of the action item is approved, then the Board must then vote on the actual item.

Chair C. Lindsey calls for the vote on the amendment to the motion.

Trustee Rowena Akana moves to amend the motion to allocate 10% of the gross revenue for grants and 30% of net revenue for OHA’s legacy property management. And net revenue equals gross revenue minus direct operating expenses, excluding Kaka’ako Makai planning and development related costs. 30% allocation of the net revenues to LPM shall terminate at the end of 2019. Trustee John Waihe’e, IV seconds the motion.

	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			
TOTAL VOTE COUNT			9			

MOTION: UNANIMOUS PASSED DEFERRED FAILED

Motion passes with seven (9) YES votes and one (0) EXCUSED vote.

Chair C. Lindsey calls for the vote on the final motion as now amended.

Trustee John Waihe’e, IV moves to approve a BOT policy amendment to the Kakaako Makai Policy, Section 3.A.2 originally adopted on September 20,2012, to state (new language is bold and underscored:

Allocate 10% of gross revenue for grants **and 30% of net revenue for OHA’s Legacy Property Management (net revenue equals gross revenue minus direct operating**

expenses, excluding Kaka‘ako Makai planning and development-related costs) (*The 30% allocation of net revenues to LPM shall terminate at the end of FY 2019)

Trustee Robert Lindsey seconds the motion.

	1	2	‘AE (YES)	‘A‘OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
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	X			
TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE‘E	X		X			
CHAIRPERSON HULU LINDSEY			X			
TOTAL VOTE COUNT			8	1		

MOTION: UNANIMOUS PASSED DEFERRED FAILED

Motion passes with seven (8) YES votes and one (1) NO vote.

C. RM #17-06: To approve SOQ No. RM 2017-35, requesting Statement of Qualifications for auditing services.**

Chair C. Lindsey gives Trustee Akina 5 minutes for a presentation.

Trustee Akina says, “Thank you very much. I have a Power Point presentation, but I will go ahead and put the motion on the table first. I move that the Board of Trustees of the Office of Hawaiian Affairs approves SOQ No. RM 2017-35, requesting Statement of Qualifications for auditing services, I so move.

Trustee Akana seconds the motion.

Trustee Akina requests for discussion.

Chair C. Lindsey approves silently.

Trustee Akina says, “I have given you a Power Point presentation, and what I want to say first of all, Trustees, is Mahalo for all of your support.”

Trustee Machado clarifies the handouts and materials provided to the BOT and to ensure that all materials are necessary and prudent to the presentation.

Trustee Akina goes on to confirm that what they have is sufficient and prudent to the presentation. He continues saying, “We are looking at the approval of SOQ RM 2017-35.” Trustee Akina goes on the thank, Trustee Lei Ahu-Isa, who sits as Vice Chair, Davis Price, Paul Harleman, Maria Calderon, and U’i Tanigawa, and Phyllis Ono-Evangelista. He says, “Our task as a committee was to take the original Action Item that you gave us, to conduct this audit, and design the SOQ. We narrowed it down. Here is what we did. The first item is that we removed the management review component. It is not included in this new Action Item... We looked seriously at the work already done by Spire. We also met with the auditor and the State Legislature and saw their work. The management audit work is being done and our audit can access it without having to pay additional money. That will save money to the OHA. The final aspect of this is something exists now that didn’t exist when you passed the original [Action Item], and that is Chair C. Lindsey has established an advisory committee on fiscal sustainability. So that is the committee that will actually see the information on management that will incorporate it into its recommendations to the Board. And Chair [Lindsey], I stand prepared to pass on to you all of our observations, as an audit committee for your fiscal sustainability committee, so that we do not need to include management review. The second item that is a little different is this, based upon recommendations from committee members and some of the Trustees we are going for a 5 year, as opposed to a 3 year fiscal audit. Here is the reason why: It will allow us to have a very comprehensive audit, and in addition to that, it will allow us to have a budget that tracts the bigger players, so that this is not a ‘small fry’ thing. But this will attract the most qualified, competent agencies. And the third item is this audit will include all financial transactions as you ordered us to do, but we are going to exclude payroll and marketable securities, for a couple of reasons. Reason number one, we do not have any reason to presume that there is a problem with this, these have been reviewed already, so we are not going to look in to this. The second thing is it would just extend the time for this audit tremendously and we don’t want to do that.” He then refers to the slide that outlines the changes.

Trustee Ahuna thanks the audit committee for putting this all together. He states his strong belief and support in this audit. He inquires, “Where does this audit go? Where does this go after we vote on this? What happens next?”

Trustee Akina would like to continue the presentation to possibly answer Trustee Ahuna’s inquiries, for which he is grateful. He readdresses Trustee Aide, Davis Price’s help on the committee.

Trustee Machado questions the attached form of Offer of Reference 0F1 and Offer of References form 0F2 and the Government Experience Form example 0F3. She goes on to

ask, "Are these form part of the procurement system within the State procurement office? Was this a form the committee put together?"

Trustee Akina calls up Paul Harleman to answer the question.

Paul Harleman he addresses Trustee Machado that the forms are used here at OHA from Phyllis.

Trustee Akina readdresses Phyllis' help in checking the work of the committee.

Trustee Machado brings up that the procurement office is subject to public complaint if their work is not correct.

Trustee Ahuna inquires by saying, "When I talk about where does the SOQ draft go from here once the proposal comes in, who will name the selection committee? Who names the selection committee? When the selection committee is made, who will negotiate the contract?"

Chair C. Lindsey responds by saying that it is the RM Chair [Trustee C. Hulu Lindsey] who will select the committee.

Trustee Machado interjects to explain that they are still in discussion on that, but she states, "I am the State Procurement Office. I am already working on some delegation of reducing the kind of delegation that Ka Pouhana has. And hopefully we'll be able to get that. Currently, I will serve as the, what they call, Chief CPO, or HPO."

Trustee Ahuna thanks Trustee Machado for clarifying this matter and feels that it is very important.

Trustee Akina defers the matter over to the RM Chair.

Chair C. Lindsey defers the matter further to Chair of the Board of Trustees.

CEO K. Crabbe says that in light of the fact that Trustee Machado will be the CPO on this matter, and he points out that it may be more appropriate that procurement report to the CPO, rather than the RM Chairperson, with regard to matters on page five of this report, given to the Board by Trustee Akina.

Chair C. Lindsey points out that Trustee Machado as the CPO might delegate it, and that it is up to her.

Trustee Akina affirms that the statement does not mitigate the procurement authority of the CPO, but is merely a procedural element to the process.

Trustee Machado inquires on the past name of this committee which used to be referred to as FAMR, Financial Audit and Management Review. She says, "What is the status of that description of this committee?"

Trustee Akina states that it is a very good description. He says, "Thank you for asking that question. Basically...we were given an order by the Trustees to do a financial and management review audit. When we looked at the scope of that work we narrowed it down jus tot financial and dropped the management review for this reason, sufficient work had been done by Spire, sufficient work is being done by the State auditor. Instead, we are recommending that work be used by this audit, rather than going out and spend [money] on doing that work again. That will allow us to use the funds more judiciously. Is that an answer to your question, Madam Chair [Machado]?"

Trustee Machado clarifies that the name of committee and its importance to match the scope of the work they do.

Trustee Akina addresses that the name of the committee will not change despite the work of the committee will only be a financial audit. He does point out that a management review will take place under the advisory committee that will be set up by the RM Chair. He concludes that it is important to note that they will save money.

Trustee Machado looks to the last handout supplied to the Board entitled, "Audit Advisory Committee Report." She clarifies that the new name will be, "Financial Audit Advisory Committee."

Trustee Akina defers the clarification to the RM Chair to determine.

Trustee Machado inquires as to what is the official name of the committee, of which Trustee Akina is Chairperson.

Trustee Akina responds with that it is, "Advisory Committee on Financial Audit and Management Review."

Trustee Machado states, "You just told me you struck... I am not trying to be combative, I just want to be able to make a reference to the hard working group and you folks are hard-working."

Trustee Akina replies, "Well there was that official title that we have, which is long. But the heart of it is we have dropped with management review. So it is going to deal with financial audit. Thanks for the clarification.

Trustee Machado thanks Trustee Akina.

Trustee Akina ensures that the scope of the audit will fulfill the orders given to the committee by the Trustees. He continues to say that they will first identify any areas of waste, abuse,

and fraud of procurement. He states that they will be using best practices and not target anything by keeping objective. The next thing he points out is that they will take a look at contract management with respect to the finance. The third thing they will audit is compliance with applicable internal policies, procurement, and ethics code with respect to the financials. He states, "Why do we choose a SOQ rather a RFP?" He says it is because they wanted to make sure that the right qualities were present rather than a good "bid," as well as the fact that SOQ would be approved faster than an RFP, saving money for OHA.

CEO K. Crabbe says that corporate counsel suggests that the phrase, "identification of waste, abuse, fraud, and procurement" should be defined.

Phyllis Ono-Evangelista responds, "I worked with John Kim, JK, and we looked up what waste and fraud in reference to auditing and audit services. I provided to [this] to corp. counsel my kuleana, and my apologies to not forwarding to the committee. I think that in looking at those, we were fine with the method in which we were using these, and I can provide that to the BOT."

CEO K. Crabbe asks, "Is it a definition or statement?"

Phyllis Ono-Evangelista responds that it is a definition.

Trustee Akina he thanks Phyllis Ono-Evangelista for her work. He asks, "Is it necessary for us to stop our process today in order to incorporate the changes, or is that something you can give us after the fact?"

Phyllis Ono-Evangelista replies that she can give it to the BOT with no problems.

Trustee Akina thanks Phyllis Ono-Evangelista and states that the SOQ will be published within the next 2-3 weeks, which will be taken care of by Phyllis Ono-Evangelista and administration. He says that the selection committee will choose the firm based on experience, past performance, and capacity, which will be completed by Chair Machado. He states that Chair C. Lindsey will conduct the negotiations once the firm is selected. He explains that the contract will specify audit materiality levels and transaction levels. He states that the auditor is expected to start on September 1, 2017, and will be complete with the report by May 31, 2018. He expects that everything should be on time.

Trustee Machado points out that there is not a cost listed for the audit in Trustee Akina's presentation.

Chair C. Lindsey states for the record that it will be a budget item of \$500,000 for 5 years.

Trustee Akina affirms.

Trustee Machado addresses John Kim and asks, "How would we engage with this request for funding, because under the Chair's budget, I am recommending that this amount be included in this, for the budget consideration, along with some of the other contracts under the RM Committee, such as the real estate consultant, and the financial consultant, also? Is that the proper way to make the request? I know the RM Chair has actually asked you, but what mechanism would come under the Chair's budget?"

John Kim explains that since the BOT was conducted, they have more time to address these types of issues. He outlines the options for Chair C. Lindsey, and that it could be included in the FY 18-19. He points out that in order to include the \$500,000 proposed budget item, will force something out of the current proposed budget, due to the policy spending restriction, which is something administration will have to decide and communication with the Board. He states that fiscal reserve could be another option to fund the audit.

Trustee Ahuna inquires who is the CPO and who makes the next steps decisions, which he points out, is the RM Chair, which is designated in the presentation.

John Kim answers that an SOQ process like this is determined by the CPO delegated to Ka Pouhana, and procurement procedures will be conducted by the procurement managers, and work with the evaluation committee, and approval will be made by Ka Pouhana, as the designated authority.

Trustee Machado wants to make it clear that RM Chair has asked Trustee Machado to make Trustee Lindsey the designated authority to carry out the procurement process to separate Ka Pouhana and administration due to the sensitive nature of the audit. She has not made a decision to do so yet. She makes it clear that Ka Pouhana will not oversee the procurement, for which he agrees with a verbal confirmation.

John Kim confirms that the CPO can make that delegation to the RM Chair.

Trustee Machado wants to make sure that everyone knows that the audit procurement is going to be separated from administration so that it can be as independent as possible.

Trustee R. Lindsey says that in reflection of testimony presented by Leimomi Kahn that, it should be a fair assumption that the auditors will be fair and independent. He asks, "Can we just assume that or will there be any mention in the SOQ, that it is an expectation of ours?"

Trustee Akina gives thanks to Trustee R. Lindsey for his concern. He assures Trustee R. Lindsey that when designing the SOQ, he included the highest standards of best practice, and they did not specify any people's to target in the audit, encouraging a fair and independent evaluation and that it will be up to the selection committee to make the final decision.

Trustee R. Lindsey's reason for bringing up the matter is listed under item 2, Contract Scope, where it says identify areas of waste, abuse, and fraud.

Trustee Machado would like to thank the committee and their hard work putting together the SOQ and acknowledge Paul and his hard work and Davis for keeping a balance in this process.

Trustee Akina echoes the kind remarks to those who worked hard on the SOQ.

Chair C. Lindsey calls for the vote for the motion that was made.

Trustee Akina moves that the Board of Trustees of the Office of Hawaiian Affairs approves SOQ No. RM 2017-35, requesting Statement of Qualifications for auditing services. Trustee Akana seconds the motion.						
	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		X			
TRUSTEE PETER APO						X
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE'E			X			
CHAIRPERSON HULU LINDSEY			X			
TOTAL VOTE COUNT			8			1
MOTION: <input type="checkbox"/> UNANIMOUS <input checked="" type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED						
Motion passes with seven (8) YES votes and one (1) EXCUSED vote.						

V. BENEFICIARY COMMENTS

Chair C. Lindsey calls for any community concerns.

Germaine Meyers greets with Board with the fact that she is an OHA beneficiary for beneficiary advocacy and empowerment, and a lessee of Nanakuli Hawaiian Homestead. She often recalls the \$200 million settlement of Kakaako Makai and how she thinks it will take 400 years to make \$200 million. She appreciates everyone’s vote to approve the audit and is happy about the budget and the 5 year span of the audit. She is looking forward to next week’s meeting which will include the budget. She hopes to see the things she brought up at the last meeting included next week, which she was expecting to see Chapter 10, mandating requirements that the FY 16-17 expenses are included in the workshop and how affective the programs were. She comments on the verbiage of “witch hunt” which she felt was disappointing.

Leimomi Kahn expresses her appreciation for the vote on the audit and the clarification that it is a financial audit. She explains her frustration for the budget, with regard to not allocating to what she thinks are not sufficient funds to Hawaiian Civic Clubs, due to their involvement in government. Finally she requests for the BOT and KP to consider more for the Hawaiian Civic Clubs.

VI. ANNOUNCEMENTS

Chair C. Lindsey announces the budget workshop going on next week Wednesday, May 31, 2017.

Trustee Machado suggests that Chair should share an analysis of the Trustees’ input.

Chair C. Lindsey agrees and states that it will be sent over to administration for review in order to provide the BOT answers.

Trustee Apo apologizes for missing the audit vote, but for the record he would have voted “yes.”

VII. ADJOURNMENT

Trustee John Waihe’e, IV moves to adjourn. Trustee Rowena seconds the motion.						
	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		
TOTAL VOTE COUNT				9		

MOTION: UNANIMOUS PASSED DEFERRED FAILED

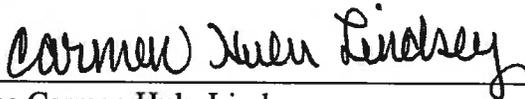
Motion passes with seven (9) YES votes and one (0) EXCUSED vote.

Respectfully Submitted,



G. Maxwell Mukai
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management on 7/26/2017



Trustee Carmen Hulu Lindsey
Committee Chair
Committee on Resource Management

ATTACHMENTS:

- Community Sign-In Sheet