STATE OF HAWAIʻI
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 31, 2017
10:05am

ATTENDANCE:

Trustee Dan Ahuna
Trustee Keliʻi Akina
Trustee Carmen Hulu Lindsey
Trustee Leinaʻala Ahu-Isa
Trustee Robert K. Lindsey, Jr.
Trustee Colette Machado
Trustee John Waiheʻe, IV

STAFF PRESENT:

Kamanaʻopono Crabbe, CEO
David Laeha, CFO
Lisa Victor, COO
Albert Tiberi
Alvin Akee
Claudine Calpito
Davis Price
Jocelyn Doane
John Kim
Jonathon Ching
Kawika Riley
Kama Hopkins
Lisa Watkins-Victorino
Lehua Itokazu
Liana Pang
Lopaka Baptise
Makana Chai
Maria Calderon
Mehana Hind
Miles Nishijima
Momilani Lazo
Paul Harleman
Phyllis Ono-Evangelista

GUESTS:

Germaine Meyers
Leimomi Khan
Juanita Brown Kawamoto
Robin Danner
Michelle Kauhane
Kealii Makekau

I. CALL TO ORDER

At 12:16pm, Committee Chair Hulu Lindsey calls the Meeting of the Committee on Resource Management to Order.				
		Present	**Excused**	**Comments**
TRUSTEE LEI	**AHU ISA**	**X**		
TRUSTEE DAN	**AHUNA**	**X**		**Arrives at 10:18**
TRUSTEE ROWENA	**AKANA**		**X**	
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**		
TOTAL		**8**	**1**	
At the Call to Order, there are six (8) Trustees present and three (1) Trustees Excused.				

II. Public Testimony

Chair H. Lindsey calls for public testimony. She firsts calls upon Germaine Meyers.

Germaine Meyers gives her testimony with regard to the biennium budget and OHA procurement. She refers to HRS Section 103D-101 (11) **Requirements of ethical public procurement**, where it states, "In conducting and participating in procurement, public employees shall identify and eliminate any conflicts of interest." She believes there are conflicts of interest. She also states that OHA should prioritize its spending on education, health, economic self-sustainability, land & water, and culture in this order. She points out that OHA has spent the most money on EA-Governance, and that monies funneled from the previously stated OHA initiatives should discontinue. *Please reference written testimony for further detail, as her testimony was read verbatim to what was submitted.*

Trustee Apo says that he appreciates her mana'o. He also says although OHA has spent much of its money on advocacy, it ensures that OHA receives entitlements from the federal government, and the advocacy should increase due to the current administration.

Chair H. Lindsey thanks Germaine for her testimony, then turns the time now over to Ka Pouhana.

III. WORKSHOP ON FY18/FY19 BIENNIUM BUDGET

CEO Crabbe says mahalo to Chair H. Lindsey, and greets the board. His says that the presentation today is about the biennium budget workshop for FY18/FY19 where they will address the following topics like, grants, funding for fringe benefits, and personnel for which Trustees were concerned, as well as to take a closer look assuring funding for the financial audit of $500,000, the "shortfall" from the legislature regarding the State General Funds (GF), and the spending policy reduction from 5% to 4.5%. He introduces John Kim, David Laeha, and Ka Pounui Lisa Victor.

He summarizes that from the last budget workshop, they have meet with the directors, managers, and staff to review the contracts, personnel, program, grants, travel, equipment, overhead, and debt services. They have made the budget reductions and will be speaking to where more reductions can take place in the proposed budget.

John Kim greets the Chairperson and the Board. He says that the comments made from the previous workshops provided guidance for administration to take a closer look at the budget. He presents the changes made since the last budget workshop.

*Please refer to the **Biennium Budget Post BOT Budget Workshop Adjustments Summary** to supplement the following minutes documentation.*

The front page summary shows the budget adjustments since the last workshop with regard to the requests/additions, eliminations/changes, and the variance of each category of the Core Operating Budget (COB). The total variance of the adjustments made for FY18 is a -$1,024,439. He highlights the three largest issues, the first being the State of Hawaii General Fund, where the State is going to appropriate just over $3 million, which is a reduction of about $1.5 million of the requested amount each year. It is important to note that the shortfall of the GF with respect to grants will be made whole from the OHA Trust. The second item he refers to is the discussion that took place in the community grants workshop, with regard to processes and criteria. They have set aside $500,000/year for two years, to be known as "Kulia Grants" to help make whole the community grants funds, and to service the smaller grantee applicants that are being underserved.

CEO Crabbe points out that the community grants program would be funded for two years. He reiterates that it will be a program to distribute $500,000/year for two years where the funds would be distributed as small capacity annual grants. He wants to explain that these funds are for smaller non-profit organizations with less experience, which addresses the Board's concern of helping smaller organizations. He also explains that a criteria for distribution needs to be determined as well as a timeline on how to roll out the program.

Trustee Ahuna asks if the $500,000 is going to have to be advocated for to go to each island for which the Trustees represent.

COO Victor addresses Trustee Ahuna's inquiry. She explains that they will develop a process with the Trustee's to develop an evaluation plan.

Chair H. Lindsey asks if this development will be discussed at the 1:00pm meeting.

COO Victor explains that the plan needs to be developed more before being discussed at this meeting.

Trustee Akina asks, "Are these Kulia Grants $500,000 for [each of the] two years?"

John Kim states that they only have the allocation of these funds for FY18, but per the directive of the Board they will monitor FY18 in hopes to have it identified for FY19.

Trustee Akina states, "Actually, I wasn't trying to suggest we continue the practice. I understand that this is to be a stop gap measure in order to make up for the failure to help certain groups. Do we have a long range approach to incorporate Trustee feedback in to the grants process?"

CEO Crabbe replies, "Yes."

Trustee Apo he repeats his thought that he hopes that in the future to establish legacy organizations for funding organizations that do important work for our Hawaiian communities. These legacy organizations would be the core group of grantees, which would be able to secure funding each year, subject to review. He believes this approach can build capacity of these community organizations that help address the trans-generational dependency on the government that Hawaiians have been under for so long.

Trustee Machado asks, "What was the thought of the team that worked on this revision and why a biennium approach wasn't utilized with the Kulia grants? Because you are already engaging with the biennium approach and these grants, we were hopeful that the half million dollars would come out of the existing budget, but not only limited to year 1, but would include year 2. What was the rationale behind this?" She does understand though that the realignment is an option.

John Kim responds to Trustee Machado that it was the process of identifying reduction from each FY18 and FY19 and how much money can be reallocated for the priority areas that were mentioned by the Trustees and community. He explains that for FY19 they used a higher fringe rate in anticipation for potential increases in things like personnel. He explains also that the $500,000 is only for fiscal 2018 but could be structured in a way that could be moved in to FY19 service period. He states that the benefit of having it for only one year is that it would allow the Trustees to establish better criteria and evaluations and address concerns.

Trustee Ahu Isa agrees with Trustee Apo with respect to supporting legacy organizations, but is concerned with not receiving proper reports on the benefits of those organizations to those communities.

CEO Crabbe states that it is important to educate our legacy grantees that they meet the criteria that are in alignment to the new strategic plan. He points out that COO Victor suggests that the BOT needs to update or revise the criteria to determine who should be a legacy.

He then states that coming out of the legislative session, how can we become more streamlined in helping the community, which is mostly through the grants programs and other sponsorships. He reiterates that the community grants fund is in response to the shortfall of the general fund. He states also that there were reductions that took place in order to create the funds for the community grants program. This is the rationale and it is pointed out that they will work with the Board and community to ensure a well-established process. He points out that the Kulia program has been done before and that 2 year funding cycles are best practice, and that many grantees with multiple years funded can easily achieve the goals that OHA is looking for. He questions as to how OHA can provide to a larger populace and further the work of these organizations in the communities, in order to get the greatest value.

Trustee Apo agrees with CEO Crabbe. He says we need an overarching strategy that is connected to the strategic plan. He reaffirms his earlier point of working towards establishing a core legacy group of organizations in order to work with them to help our communities to carry out the mission of OHA as partners. He believes this is a way to make partnerships, leverages OHA's money to ensure it achieves its goals, and empowers Hawaiians to become less dependent.

Trustee Machado asks, "Because the current review that we are engaged in doesn't allow for the will of the Trustees at the Board level from the RM Committee to reduce the spending policy from 5% to 4.5%, which is .5% reduction, which is about $1.5 million. If we are to decide that after this budget is passed, effective after two readings at the Board level, where would this money come from to overall reduce the spending policy?"

John Kim responds that they are "partially addressing" the reduction for FY18 and will fully address the reduction for FY19. They are currently at over $1 million in reduction for FY18, which has been restored or reduced.

Chair H. Lindsey asks John, "Where is the $500,000 for the audit?"

John Kim responds that the audit funds can come from the budget reduction. He explains that they didn't want to include the audit funds in to the contract allocation because the RFQ process is still active, and should not be made public yet.

Chair H. Lindsey states that the audit has been discussed by the Board in front of the public. She also wants to make sure that the audit money does not come from the fiscal reserve and should be built in to this budget.

CEO Crabbe assures Chair Lindsey that her concerns were heard and taken in to account. He says there are areas that can cover the cost of the audit.

Chair H. Lindsey points out that the workshop could be improved if the reductions could be compared to the last workshop so that the Trustees could see and understand where they were made.

Trustee Machado interjects that this is just for them to address any concerns and ask questions before the budget is made in to an action item.

John Kim affirms with the Trustee and informs Trustee Machado that they are working on the action item for the biennium budget. He points out that the budget will have more detailed tables that will reflect what is done at today's workshop. Their goal today was to provide higher level material for discussion.

Trustee Machado inquires about contracts. She refers to the last item on the reduction and adjustments which relate to the TCP edits for Kukaniloko preservation planning and implementation. She then describes a conversation with a Waianae beneficiary, Glen Kila, and they discussed with John Kim what the status is of the TCP, which is still in draft form, which John Kim said they are making edits and confirmations from Russ Cordy's original work. She expresses the elimination of TCP on the budget will set this project back further, which would upset the beneficiaries who have close ties to the project. She says that 3-4 years for a project is too long to complete, and one that is critical to the ongoing work for the preservation plan. She encourages Miles to advocate for the team.

CEO Crabbe responds that there was an independent review to determine authenticity of Russ Cordy's work, specifically pertaining to genealogies that associated with Kukaniloko. He says the review that was done independently found discrepancies that do not match with other scholarly work. It was then tasks to Mr. Cordy that he make revisions to his work, for which OHA administration is now waiting. He says that practitioners find it relevant to stewardship of the land, when there is a lineal connection. He says that it is up to Mr. Cordy to align his work with other scholarly work.

Trustee Machado reiterates that the beneficiaries' anticipation for the report has increased.

CEO Crabbe reassures the TCP report is in the hand of Mr. Cordy to make the revisions necessary. He also says that the master planning and the community outreach is also very important, with regard to the sacred site, agricultural parcels, and the cultural center.

Trustee Machado reiterates her point that another year for the project would be too lengthy. She mentions that Dr. Ching offered ethnographic testimony to act as a supplementary document to the full report.

CEO Crabbe follows up by saying they are working to accommodate the reduction in policy spending, and the commercial projects are higher budgeted items, such as Kaka'ako Makai (KM) and Kukaniloko. He mentions that a previous conversation with Chair H.

Lindsey, talked about a possible delay past 2019, or create an opportunity with those how are in office, to help with challenges with water, infrastructure, and agricultural development.

Trustee Akina address the fact that some of the Trustees have brought up additional costs that admin has not factored in originally to the budget. He mentions also that OHA has to deal with the loss of funds from the legislature. The reduction in spending policy was due to a recommendation from Spire with regard to OHA spending too much from the Native Hawaiian Trust Fund, in order to achieve fiscal sustainability. One recommendation was how can revenues be increased? He asks KP if there has been a further look, and figure out how much the revenue would increase.

COO Victor she explains that OHA has not been known for positioning their projects for economic develop, but is beginning to develop the skillset necessary within the next two years. She points out that there has been an increased push to develop the commercial assets to its current limits. She also states that even a 1% increase of revenue would make a long-term impact.

CEO Crabbe follows up to COO Victor's point that administration has looked at potential projects that would move OHA forward in the short-term, meaning 1-3 years, with investments of $100,000 to $200,000, where business plans have been put together. Administrations rationale is if we continue to support community capacity and funding opportunities with the LLC's then they don't have to keep pulling from the core operating budget. Internally, they are looking in to project that would bring value and highlight culture, technology, and knowledge. These projects cannot be shared with the Board at this current time, but in the future they can be explained. He says that Spire has determined that with minimal investments, there can be high returns, but will take man power and progressive partnerships. He reports on the KM community outreach and that this is a long term plan, and these types of projects will take what he says is, "political will."

Trustee Akina thanks CEO Crabbe for the response. He asks CEO Crabbe that in light of the proposed budget cut of .5% of spending of the Native Hawaiian Trust Fund (NHTF) would you consider allocating the revenues from KM to other immediate expenses. He poses another question with regard to estimation of expected revenue projections. He mentions that in November he pointed out that OHA could offset the loss with a $4.8 million revenue increase.

CEO Crabbe he defers the inquiry to Miles.

Miles Nishijima he first explains that KM income is governed by the spending policy, which is allocating 10% towards grants, the rest is retained for exclusive use by KM: planning, development, etc. He says that what they are proposing that the costs for Legacy Lands (LL) should come out of the Core Operating Budget (COB) of KM. He points out that this money would replace the funds that would have come out of the NHTF. He addresses that the 30% of the COB going to the LL was decided arbitrarily, and is subject to change. The percentage of 10 and 30 equating to 40% seemed like an appropriate allocation, due to the fact that 60% of the COB would be substantial to provide means to plan and develop KM.

Trustee Akina confirms with Miles that the percentage could be negotiated in order to make the budget work.

Miles Nishijima nods in agreement.

COO Victor explains that comments that the mechanics of the proposal should include a negative and positive ROI, for this is typical of practice. She explains that LL struggle with earning a positive ROI; therefore a project with a positive ROI [like KM] is important.

Trustee Machado asks Miles, if the revenue of $5 million generated from KM as was stated by the consultant Malia Kaaihue in the Star Advertiser, is true.

Miles Nishijima replies, "$5 million is a little bit high."

Trustee Machado replies, "But that is what is represented in the newspaper. It was front page."

Miles Nishijima says that they may have rounded up the figure.

Trustee Machado inquires what the actual revenue generation of KM is.

Miles Nishijima replies that the revenue is closer to $4.8 million for FY17. His explains that the current projection of revenue is $4.3 million. He restates that he thinks they just rounded up the number to $5 million.

Trustee Machado states that as soon as the revisions on the original referral from the RM Chair to the BOT, the Board, can take a position. She explains that according to the Chair [H. Lindsey] the purpose of the action item is to install a sunset clause on the revenue allocation of COB from KM. She explains that they should know what is happening because the RM committee deferred the referral to the Board for approval.

Trustee Akina affirms that the sunset clause would limit the policy to two years.

Trustee Machado she states that she spoke with Chair H. Lindsey to "hold it" in order to have administration revise and clean up the action item, and look in to the source of funding. She states that when the revisions are made, it will be brought back for consideration.

Miles Nishijima states that the revisions should be completed shortly.

Trustee Machado states that we could move forward on this.

Miles Nishijima states that they are moving as fast as they can.

Trustee Machado wants the table to know that she is creating a comfort level necessary.

Chair H. Lindsey points out that in the presentation, Malia, mentioned that OHA was going to make $15.8/year on the build out of KM. Which she feels is a premature statement, because the Trustees have not made a decision yet with regard to only leasing the lands. She states that to say OHA is not going to be a part of the revenue generation was not accurate, and suggests that it should be corrected. She explains that beneficiaries in Maui were concerned with the fact that OHA was only going to make a projected $15.8 million/year despite being located on such high valued property.

Trustee R. Lindsey questions further Trustee Ahuna's earlier inquiry of resource allocation. His question is, "[What is] the process to determine [the Kulia grantees] is still a work in progress?"

COO Victor reconfirms that it is the Kulia grants distribution process for which he is referring, and explains further that it is something that should be developed by the Board and Administration, but nothing has been decided yet. She explains that this is meant for the Board to be responsive.

Trustee R. Lindsey prefaces his second question by saying that the past Legislature reduced the funding support of OHA and the portfolio is, he describes as, "iffy," as well as the concern of federal funding cutbacks in education and healthcare, are there strategies in place to combat those cuts? He foresees this to be a concern with beneficiaries and says questions our preparedness for such governmental cutbacks at the state and federal level and will it come out of our funds.

CEO Crabbe responds that for the past 4 years, OHA has been working closely in support of the reauthorization of Native Hawaiian Healthcare System, which is coming up in 2018/2019 for further funding. He explains that the funding now is secure at the federal level. He says that the strategy to move forward is not to solely rely on those funds, but OHA also participates in a Native Hawaiian Health Consortium of many other healthcare providers, and networks with HMSA, John A. Burns School of Medicine, Department of Native Hawaiian Health, and community health centers. He says that they are looking to provide an even greater network of Hawaiian healthcare providers, to not only support Papa Ola Lokahi, but to have a community address Native Hawaiian health, with minimal participation. He says OHA's financial support is minimal, but the greatest asset is the advocating of policy at the state and federal level. He comments that things are not looking as well for the Native Hawaiian Education Act, in terms of the $30+ million that the Trump Administration is looking to eliminate or reduce significantly. He explains that there is a Native Hawaiian Education Council that takes the lead on advocating for federal funds. He points out that Senator Schatz will be our chance, as he is on the council of Indian Affairs, for advocacy. He explains that the President is targeting the Native Hawaiian Education Council Funds. He states that defunding is becoming a reality. He outlines that the funds has been given to the state, which would then distribute the funds to the native Hawaiian education network, and says they should figure out what would happen if the funds do not matriculate. There is going to be a report that shows how many students are helped by the funding per pupils in charter schools and well as CIP funding. Advocacy is OHA's greatest asset for the sustaining of the funds. Internally it is the goal OHA to maintain the funding amount of $6 million, and $1 million in scholarships every 2 years, which CEO Crabbe points that it has always been budgeted fully. But in the future, along the lines of what Trustee Akina has said with regard to the Fiscal Sustainability Plan, in terms of a consistent focus with strategies that will increase revenue, like KM as a potential revenue increasing project. He goes on to say that they would need to finalized a master plan in order to move forward with the commencement of construction in 2020/21, in order to procure someone and project revenue based off of current entitlements. He goes on to speak about the Public Land Trust, which he points out is a board matter, for which they will need to work with the Governor and legislature. He states that with the current changes of the House, there is not potential support for the Public Land Trust negotiations. He feels that OHA is in a good position with regard to the research and data gathered, and it will be hard for the state to deny OHA the 20% funds that should be given allocated. With that said, it is all contingent on the political will, as he describes, at the legislature, and how much the Board wants to work with all the stakeholders to make it happen.

John Kim refers back to item II of the Kulia grants and the budget reduction is about $1.024 million. Since the last meeting they have restored a total of $3 million for FY18. This is in consideration of the Board reducing the spending limit form 5% to 4.5%, as well as the KM spending policy.

Chair H. Lindsey asks, "Based on what I asked you folks to come up with, what is the $1 million ear-marked for, because it doesn't cover some of the stuff?"

John Kim answers that it currently is not designated for any particular item. It is something that could the help with the reduction from the 5% to the 4.5% in spending, or it could be used for other needs when they arise during the year.

Chair H. Lindsey points out that the Board needs to see the audit item in the budget. She says that it should be under contracts. She also questions where the $80,000 for the financial analyst and the $120,000 for the real estate financial analyst.

John Kim replies that the $120,000 is under the KM budget and not listed under contracts, and it is not listed under there because it is showing the Core Budget, and assures Chair Lindsey that it is budgeted for FY18/19. He points out that the RM financial analyst budget increased $30,000 is however listed under the Core Operating Budget.

Trustee Akina follows up with Chair H. Lindsey's question about where the audit fund will be placed.

John Kim replies, "Under contracts." This will make the budget $500,000 less from the $1.024 million.

Chair H. Lindsey she points out that she suggested to CEO Crabbe that administration should provide a list of contacts proposed in the next two years based on the figure that is in our budget. She points out that the Board would like to know where the money is going to go in the contracts. She requests that information be made available to the Board.

Trustee Machado says that we must consider the level of the contracts to have listed.

Chair H. Lindsey restates that she wants to know how the $5 million in contracts was determined.

John Kim asks Chair H. Lindsey that out of the $5.6 million in contracts, $2 million is allocated to the legal and social service provisos, which directly benefits the beneficiaries and OHA.

Chair H. Lindsey thanks John Kim.

John Kim continues with the budget presentation with COB on the first page of the hand out. He goes over the variance between the current budget and the first presentation of the budget. He points out that the reduction in personnel is due to the fringe rate, which was first set at 60%, but now the fringe rate is unclear, but has been set by OHA at 52%. This will result in some saving accumulated if the rate doesn't change till the end of the year. But if the fringe rate is increased throughout the year the 52% is going to help supplement any increases throughout the year. This is in response to recent budget miscalculations. They will reach out and obtain more information to other agencies to learn more and prepare better. He also updates that the OHA has the 9FTA position continued to be frozen for FY18/19, which is a part of the reduction. He moves on to the programs, which is one of the smaller budget areas. They added an increase in the advertising budget for the Keiki Hula Festival, and it has been restored to $25,000, which was based off of a comment made at the previous workshop. He states that the reduction in FY18 for $100,000 is due to the elimination of conferences, meetings, and events, like Steward Development Conference and Polynesian Leaders Group Meeting Conference. Conferences as a whole have been decreased by 25%, which he encourages the PAIA's to reconsider which conferences they should attend and support. He moves on to contracts, where he points out there is a $30,000 for the RM Financial Analyst, which will bring the total line item up to $80,000/year, which is in alignment with what has been budgeted for the last few years for services from Spire. There was also a $25,000 increase for the Iwi Po'o Anthropologists and Archeologist report. There is a deferral of $100,000 for Well Planning Entitlement and $50,000 for Archeological Inventory Assessments, which both are for Kukaniloko legacy property. This is a deferral for FY19. This is a deferral in order to focus on other initiatives planned. He then goes over some of what is eliminated from the advocacy such as the International Advocacy Fellow, Water Working Group Consultant, and Hawaiian Language Capacity Booklet on State and County Names, and a reduction or elimination of various Legacy and Facility related contracts, that totals about $200,000. This includes TCP edits, Kukaniloko Preservation Plan and Implementation, Interim Management Implementation, and other unforeseen expenses in various Legacy and Facility needs. He points out that these have been reduced and not eliminated. He now moves on to Grants, which is an area that had a lot of movement. There was a restoration of the $630,570 general fund reduction, specifically in the areas of health, housing, and income, which will be enough to fund the full $500,000 budget for the aforementioned. He restates that there has been an allocation of $500,000 for the Kulia Grants, for which the grant criteria will be established and solicited in FY18. He addresses the concerns about the legacy sponsorship and the smaller items have been allocated $10,000 for Prince Lot Hula Festival and $20,000 for the Living Treasures Event sponsorship. He says that there is a $239,000 reduction in leveraging grants, which will leave about $250,000 for leveraging grants opportunities. He then goes on saying that there was reallocation with education grants of $230, which made up for the deficit of health, housing, and income. He states that there is no impact to our education community grants, higher education scholarship or charter school funding. He identified that this was double counted and was simply redirected to fill the deficits. He finally says that there is a $1 million reduction in the annual $3 million DHHL level 2 commitments, so OHA will be allocating $2 million instead of $3 million in 2018. He goes in to detail with regard to the current FY17 budget and the monitoring of spending and contract monitoring. He goes on to explain that the Executive Team met with the Paia's and programs to identify the cash needs for the remainder of the year. Based on the analysis, they have been able to identify approximately $1 million in surplus in FY17 remaining monies that could be encumbered to the DHHL contract. He explains that they would be able to encumber $4 million using FY17 funds, which would allow the savings to continue over to FY18 and only need to budget for $2 million in FY18. He says that they will still budget for the $3 million commitment for FY17/18 but this is a mechanism to reduce the FY18 budget and allow the money to be reallocated.

Chair H. Lindsey inquires, "I thought the unexpended amount of monies go in to the Fiscal Reserve."

John Kim replies that it does.

Chair H. Lindsey follows up to his reply by asking, "Do you suggest that the whole Fiscal Reserve be spent this way?"

John Kim replies that what they are recommending is part of the expended money to be encumbered to the DHHL, which would allow us to reallocate or carry over those savings in to FY18. They anticipate still having unspent money at the end of FY17, and those monies will go in to the Fiscal Reserve balance.

Chair H. Lindsey asks what is that balance currently.

John Kim replies that they cannot know for sure until the end of the year.

Chair H. Lindsey wants to confirm that is was a number close to $2 million, and that the unspent money will add to the fiscal reserve to an amount of $3 million.

John Kim confirms that the Fiscal Reserve is currently at $2,090,000, and restates that the unspent money will be added to the balance. He also says that the addition to the reserve cannot be made till the audit of FY17 is completed and issued, which will take place in February or March.

Trustee Machado expresses that although it may be a simple reallocation for the DHHL budget, she feels that it is important we take a look at the contract and make sure that there isn't any political backlash, and find a way to use the money to directly benefit Homestead programs. She says that they still need to work with the DHHL Chair and Commission once they come up with a final proposal for their consideration.

John Kim clarifies that they are allocating $4 million out of FY17 and $2 million out of FY18, which fulfill the contract of $3 million/year, but this is for budgetary purposes based off of the current contract and that they are aware that it is the Board's purview on how to move forward. He goes on to sum up the Grants and updates the Board that the $3 million/year has been restored, and the $200,000 for the Aha Hui, the $500,000 Higher Education Scholarships, $1.5 million for the Charter School Funding. They had a small reduction in leveraging opportunity, but still retained $250,000/year. The other matter to consider, he says, is identifying the additional $500,000 Kulia Grants. Travel had a small reduction and equipment and overhead had a reduction of $10,000 is both categories.

Chair H. Lindsey asks that John separates the travel expenditures of the BOT from Administration.

John Kim says that they are preparing that as part of the action item, and assures Chair Lindsey that it will all be broken down in specific categories.

CEO Crabbe says in addition to his 25% reduction in travel, he says that they have made further reduction beyond that, especially with respect to out of state travel.

John Kim he says that the $410,000 of travel budget is a reduced amount compared to the current budget of $600,000, which he says is a significant reduction. He says OHA has done a fair job analyzing the travel budget and finding ways to save.

Chair H. Lindsey asks, "Did you take down the non-employee travel, only to encompass the Papahānaumokuākea accommodations?"

John Kim replies with a "yes." He says that the largest portion of that was for the Polynesian Leaders Group, which he says was something that the Board had comments on.

Chair H. Lindsey asks, "But in the second year? You folks had $70,000 for non-employee, and it should come down to the first year number."

John Kim replies, "Yes," and moves in to the second year of the presentation. He says that generally the same additions and reductions were applied. The main difference, he says, is the personnel reduction is not as much compared to the first year, and will expect an increase of $261,000. He asks everyone to keep in mind that it is net of the $850,000 of short fall that OHA had in the general funds. He explains that the fringe rate of FY19 is 56%, anticipating what their reports are saying. The timing of the increase is unclear, but they want to be prepared. Program additions and reductions are the same. With regard to contracts, he says there are similar items with additions of $30,000 for RM financial analyst and $100,000 Well Planning Entitlement, and $50,000 for the archeological inventory assessment for Kukaniloko, which were items that were deferred from FY18 to be additions in FY19. There will be a small reduction in Oracle Consultant Services, and $25,000 related to Kukulu Hou Tool Kit. Larger reductions in CE will be various contracts totaling $200,000, which is related to issue based education video creation, advertisement, community mobilization, get out to vote initiative, etc. The advocacy budget has been reduced in international advocacy fellow, Hawaiinuiakea Internship Program, and the Hawaiian Language Capacity Booklet on State and County Names. He then goes over the Land Legacy and Facility related contracts that total $130,000. Reductions will be similar to FY18. Grants have been restored with the $630,000 with the General Fund as well as the $10,000 for Prince Lot Hula, and $20,000 Living Treasure.

Trustee Machado would like further description of the $20,000 going to Living Treasure, which she feels is relatively high.

John Kim replies that this year is the first and they are finalizing the logistics of the event and the revenue from the event will be used to cover the costs, but for the budgetary purposes, they cover the entire event, because OHA is the purchasing agency for the event.

Trustee Machado says she is nuha due to the lack on inclusion of Lanai and Molokai, and hopes that next year all island can have names submitted for consideration.

Chair H. Lindsey asks, "Whose initiative is this?"

Trustee Apo notes that this was discussed last meeting and clarifies that this is a policy decision. He feels that being the purchasing agent is something that the Board should discuss, and if OHA is going to be the main sponsor, he feels that the Board should have more of a say in the nomination and selection process.

Trustee Machado wants to include in to this record that Molokai and Lanai were not included.

CEO Crabbe addresses Chair Machado explaining that this is a Cultural SPRI Initiative, where the cultural working group that selects, but notes that he is in agreement with Trustee Apo.

Chair H. Lindsey asks, "Who is comprises this SPRI group?"

CEO Crabbe he explains that they are people within the organization, such as Dr. Kalani Akana, Mehana Hind, and others.

Mehana Hind greets Chair H. Lindsey, and explains the origins of the event. It started with Dr. Kalani Akana and contacting cultural experts from throughout Hawaii to discuss the state of culture. She states that they came up with the idea of a cultural practitioner directory. She says she will get an updated list of who was in that group. She says Saber Kauka from Kauai, Hokulani Holt Padilla from Maui, Mapuana De Silva from Oahu, Kealii Reichel from Maui, and Vicky Holt Takamine. She explains that the idea of honoring kupuna, who are still with us, came out of a recommendation of the group. The Culture SPRI consists of Mehana Hind, Dr. Akana, Nancy King, Wahine, Lauri, Kamakana, and the research department. The recommendations were taken from the community group.

Chair H. Lindsey clarifies Trustee Apo's point and says that everything coming out of the OHA needs to be reviewed by the Board, but thinks that it is a great initiative. She explains that there was a lack of communication with the Board as far as this event, but thanks Mehana Hind for explaining.

John Kim continues by saying that they have identified, restored, or reduced about $1.5 million to the FY19 budget. He says that it is a combination of the two areas related to the State of Hawaii General Fund and a small budget reduction that remains after restoring the affected areas.

Trustee Apo goes on record to comment on three of the ten spending initiatives that he has outlined and submitted to Chair H. Lindsey. The first one is about the conferences, meetings, and events and that he sees it as a relationship building opportunity, and believes that the Trustees need to be involved in projects like Living Treasures. He reiterates that they must have a clear strategic conversation for initiatives like Living

Treasures. The second concern is the $35,000 for the Mokapu Reburial Effort and inquires for more information.

CEO Crabbe explains that the compliance group with Kai Markell and Gerome, they are overseeing that, current families are seeking the reburial of iwi kupuna that are kept at the Bishop Museum. He explains that they have always committed to the families and help them rebury their ancestors and would include the costs associated for reburial.

Trustee Apo thanks CEO Crabbe for the clarification. The last item he wants to address has been discussed further previously with regard to the Polynesian Leaders Group.

Trustee Akina comments thanks Ka Pouhana and administration for working on the budget. He refers to three recommendations for fiscal sustainability that he wrote, the first being to change the current spending and revenue policy, and hopes we get down to a 4.5% spending of the NHTF and aggressively going after revenue from OHA's businesses. He thinks we need to have a model to communicate about KM and have concern about things found out in ad hoc presentations and things going on in the newspaper. Secondly, he emphasizes the importance of having a way to measure effectiveness of each budget item, and be able to judge if something is of value, a priority, and is effective. He urges that a PPBS, Planning Programming, and Budgeting System be developed and used by the Board and administration. Thirdly, he thinks it is good for the BOT to reinstate the Budget and Finance Committee, because he says that this is a lot of work.

Trustee Ahu Isa refers to minutes of September 28, 2016 minutes, when Chair Machado was RM Chair, and the presentation of KM was completed and the FSP by Spire. She says that Spire has already explained to them how to maximize revenues and recommended best use. She apologizes for saying that it is a waste of time to go out [to the neighbor islands] because it takes time and money to go out to the other islands. She mentions that the news explained how the water level will rise in the future, and that hurricane season will directly affect the sea level and possibly flood the first floor of the Hilton, where she works. She says that a beneficiary told her that Malia [Kaaihue] was asked if the Trustees knew about sea level rise, and Malia responded in the affirmative, but she claims that she was never told.

CEO Crabbe follows up by saying that they are working to be transparent with the beneficiaries and the community of KM. He mentions that the Red Shirts Kewalo are the biggest opponents of development, but they are willing to work with what the Trustees approve and move forward with, making community outreach valuable, where Trustee Apo was the mediator of those discussions.

Trustee Ahu Isa says that she wants updates of what is going to happen next as far as what we can build at KM currently.

CEO Crabbe states that it should be a Board discussion to figure out during executive session. He says that there is a lot a play and needs to have serious consideration. He projects that when the budget can be approved, it is up to the Board to return to the FSP and the issues of the organization looking at short and long term plans and strategies for increasing revenue. He feels long term plans have been put in to place and will hopefully actualize within the next two years, such as the Public Land Trust Resolution and KM. He says we will benefit by looking at our commercial properties and being innovative from a business perspective to benefit the trust.

Chair H. Lindsey clarifies that the Fiscal Sustainability Advisory Committee has been on hold due to being involved with the biennium budget and is prepared to get back on track in the first part of July.

CEO Crabbe and Chair H. Lindsey would like to acknowledge the hard work of John Kim, COO Victor, and staff.

IV. Community Concerns

Chair H. Lindsey calls for community concerns.

Germaine Meyers introduces herself and announces her data views and arguments in writing and oral testimony regarding Agenda Item III Workshop on FY18/19 Biennium Budget. She also speaks to her concerns of the discretionary funds of the Trustees and the Administrator which can be found in her written testimony.

Please view written portion of testimony submitted May 31, 2017.

She goes on to discuss her concerns about the personnel budget with comparison to DHHL, which she says is a comparable organization. She says that OHA spends more on personnel than DHHL. OHA has a 164 employees and DHHL 132 employees. OHA expends $10,543,524 in 2016 in base pay in salary DHHL with $6 to $8 million in salaries. She points out that more employees of OHA than DHHL are paid higher than $50,000 and $100,000. She states that in 2016 OHA paid 128 vs. 81 from DHHL more than $50,000 and 11 employees vs. 6 employees $100,000. In 2016, she points out that that administrator was paid $150,000, which was more than the Commissioner of DHHL, the Governor, the Governor's Chief of Staff, and the Lieutenant Governor. She now moves on to speak about the RM Committee meeting around March 9, 2017 approving the addition of Davis Price to the Audit Advisory Committee. She goes on to say, "In that capacity Davis Price had the opportunity to provide his input as to the scope and depth of the audit. The audit advisory committee was tasked with the preparation of a RFQ for the forensic financial and management audit of OHA and its subsidiaries LLC. This included OHA's issuing of grants. As you know Hiipoi is the entity that formerly owned and operated the Makaweli Poi Mill. There was much controversy surrounding OHA's purchase, issuance of grants to and disposal of this business. Hiipoi no longer owns Makaweli Poi Mill, however at the May 25, 2017 meeting last week, OHA's BOT Mona Bernadino informed us that OHA and its subsidiary Hiilei Aloha continues to funnel money in to its Hiipoi LLC via grants. Aloha Aina Poi Company currently conducts poi processing operations at the location of the Makaweli Poi Mill, see exhibit B. Aloha Aina Poi Company was the sponsor of the Aloha Aina Music Festival in 2012, see exhibit C. I have been informed that the Aloha Aina Music Festival hired High Rise Entertainment LLC to promote the music festival, see exhibit D. Aloha Poi Company and High Rise Entertainment LLC are for profit businesses owned in whole or in part by Davis Price, see exhibit E. My concern of the RM Committee and Trustees is that when you voted unanimously for Davis Price to be a member of the Audit Advisory Committee did you know of his financial interests in Aloha Aina Poi Company and High Rise Entertainment LLC. If this surfaced later would it have compromised the audit? E hana kakou." She points out that at the last meeting Mona Bernadino explains that Kaina Makua as one of the organizers of the non-profit and you will also see Davis Price below him, see exhibit E. This concerns her.

Trustee Akina requests for a copy of what Germaine Meyer has read.

CEO Crabbe clarifies that in the he himself gave up that discretionary funds and is now being distributed by grants.

Germaine Meyers points out that she heard monies were given to a conference from CEO Crabbe.

CEO Crabbe wants to know what conference she is referring to.

Germaine Meyers responds that it is the Aloha Aina in Makaha conference.

CEO Crabbe clarifies that was a community outreach sponsorship, which is under Community Engagement.

Chair H. Lindsey clarifies that each Paia has sponsorship budgets and reiterates that the Community Engagement Paia gave those funds. She then calls upon Leimomi Kahn.

Leimomi Kahn greets the Board. She prefaces that she has been a Kumu Hula, and claims to be in the first book published by the Keiki Hula Organizers, "Nana I Kumu Hula." She has been involved with hula competitions throughout her life except for Merrie Monarch. She goes on to list other involvement in these said hula competitions. She states that she has been the president of the Association of Hawaiian Civic Clubs and in that capacity; she was involved with the Prince Kuhio festival. She has also been a commissioner on the King Kamehameha Celebration Commission. She has been the No Vote No Grumble Chairperson for about three years for the state of Hawaii. With this said she expresses her concerns about the process that OHA uses to evaluate its grants. She feels that it is unclear who gets the loans and feels there is a disparity between organizations that she feels is more deserving, such as Prince Lot Hula Festival and the Hawaiian Civic Clubs who do advocacy for the communities. Secondly she feels that the Get Out and Vote budget should not be reduced. Thirdly she states that they need advocacy at the state and federal legislature. She suggests we get the people together in order to lobby, and OHA should be working together with the civic clubs and strategize at the federal and state level. She also requests that we post a copy of the budget with an explanation prior to the meeting where the BOT will be voting. She wants to voice her opinion before the vote.

Robin Danner greets the BOT and CEO Crabbe. She announces that she came from Kauai. She prefaces that she spent ten days working with Hawaiian Homestead Leaders to review the OHA budget. She thanks the members of the SHA and the CNHA for their help. She compliments the administration for their 2nd version of budget. She points out that the $1 million is from the unspent money from FY17, which she attributes to administration. She goes on to explain that by cutting the CE Grants and travel, and that's how OHA backfilled the loss from the General Fund. She predicts that the money saved will go toward paying the audit, but recognizes that if the $1 million went back to the NHTF then it would fulfill Trustee Akina's desire for a 4.5% spending policy. She feels that the BOT should keep the 5% spending budget till FY2020. She thinks that the money should be used for the audit although she also thinks it is a waste of funds, but understands the reasoning of the BOT. She expresses to the administration that they did the right thing as far as saving the $1 million. She expresses her weariness when the BOT says they want to increase revenues, despite an audit taking place and the issues with the LLC's. Her main concern is that OHA is over staffed and hopes the BOT scrutinizes the need for every position currently. She points out that she thinks to pay 60 cents/dollar for fridge is too high. Her solution is to outsource employees and use the funds for Native Hawaiian organizations. She refers to the growth of the community's capacity over the last decade.

Chair H. Lindsey informs Robin that to the administrations credit, they have frozen 9 positions and have taken up the challenge of cutting 10 more.

Robin Danner expresses that it should not be up to administration to cut staff, but that it needs to come from the BOT by way of attrition or layoffs. She concludes that she thinks there is an imbalance in the grants budget, pointing out that we have a homeless crisis, noting that $250,000 went to fund housing, yet $500,000 for culture, and $2.7 million for education.

Chair H. Lindsey points out that OHA distributes $3,250,000 to housing accounting for the funds given to DHHL.

Robin Danner goes in to further detail about resolution passing in 2012, by the BOT and the commissioners of the DHHL. She claims that we need a grants program that does not serve what she describes as the "small end," but rather Homestead associations that are doing facility development serving the "big ends." The associations are building capacity and successful economic development projects. She feels that OHA can allocate $250,000 in Homestead Association projects every year and she says that they are ready. She concludes that a condition to approving the budget that an inventory of duplicate services being done in Hawaii that are duplicate with OHA and outside organizations so that we can have better partnerships and streamline fund allocations. She thanks Trustees for raising awareness of losing federal funds and we should keep up advocacy and thinks that OHA should invest $100,000 in funds to educate the communities on how to write grants and get funds from non-native specific federal grant programs, so that the community organizations can benefit from a larger pool of grant programs.

Chair H. Lindsey wants to point out that the administration is currently working on creating a duplicative inventory of services provided throughout Hawaii to avoid waste of funds and time.

Trustee Apo points out that they are all thinking more about how to partner with community and asks Robin to put together a list of Legacy institutions of OHA grant funding.

Robin Danner she lists the Association of Hawaiian Civic Clubs, Council for Native Hawaiian Advancement, and the SHA. She says that the community relies on these programs, and says they are the people you want when there is a crisis. She also brings up that charter schools should be legacy institutions due to their creativity.

V. ANNOUNCEMENTS

Chair Lindsey she says we have time for lunch before the next meeting which is the BAE meeting. She asks for a motion to adjourn.

VI. ADJOURNMENT

Trustee John Waihe'e, IV moves to adjourn. Trustee Leina'ala Ahu Isa 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**						
TRUSTEE KELI'I **AKINA**			X			
TRUSTEE PETER **APO**			X			
TRUSTEE ROBERT **LINDSEY**		X	X			
TRUSTEE COLETTE **MACHADO**						
TRUSTEE JOHN **WAIHE'E**	X		X			
CHAIRPERSON HULU **LINDSEY**			X			
TOTAL VOTE COUNT			8			
MOTION: [] UNANIMOUS [x] PASSED [ ] DEFERRED [ ] FAILED **Motion passes with seven (8) YES votes and two (0) EXCUSED vote.**						

Respectfully Submitted,

G. Mukai

G. Maxwell Mukai
Trustee Aide
Committee on Resource Management

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

Carmen Hulu Lindsey

Trustee Carmen Hulu Lindsey
Committee Chair
Committee on Resource Management

ATTACHMENTS:

- Community Sign-In Sheet