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
June 7, 2017
10:02 am

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
Trustee Rowena Akana

STAFF PRESENT:

Kamanaʻopono Crabbe, CEO
David Laeha, CFO
Lisa Victor, CO
Alvin Akee
Claudine Calpito
Davis Price
John Kim
Kai Markell
Kauikeaolani Wailehua
Lady Elizabeth Garrett
Lisa Watkins-Victorino
Lehua Itokazu
Liana Pang
Lopaka Baptise
Makana Chai
Maria Calderon
Melissa Wennihan
Miles Nishijima
Paul Harleman
Raymond Matsuura
Sterling Wong

GUESTS:

Germaine Meyers
Mililani Trask
Kealiʻi Makekau

I. CALL TO ORDER

Chair H. Lindsey calls to order the meeting of the Committee on Resource Management to order. She notes that there are no excused absences.

At 10:02pm, 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**		**Does not return after 1st recess**
TRUSTEE ROWENA	**AKANA**	**X**		**Arrives at 10:04**
TRUSTEE KELI'I	**AKINA**	**X**		
TRUSTEE PETER	**APO**	**X**		
TRUSTEE ROBERT	**LINDSEY**	**X**		
TRUSTEE COLETTE	**MACHADO**	**X**		
TRUSTEE JOHN	**WAIHE'E**	**X**		**Arrives at 10:07**
CHAIRPERSON HULU	**LINDSEY**	**X**		
TOTAL		**9**		
At the Call to Order, there are nine (9) Trustees present and zero (0) Trustees Excused.				

II. Public Testimony

Chair H. Lindsey calls for public testimony. She first calls upon Mililani Trask.

Mililani Trask has submitted written testimony for the BOT's consideration. (To obtain a copy, contact OHA's Records Management Specialist.) She is concerned with the way the budget is currently, and encourages OHA to improve it. She comments to the situation with regard to fundraising concerts held for Maunakea. She testifies also against OHA giving grants to Awaiaulu. She asks that OHA do a better job with grants evaluation.

Trustee Akina understands that they cannot interact with testifiers at this time, but would appreciate administration's response to the issues that were raised by Mililani Trask.

Trustee Apo thinks the allegations raised are serious, and understands the BOT is not ready to enter in to a dialogue that has possible legal implications, especially since they do not have their legal counsel present.

Trustee Akana says that allegations are being made publically and would like to see the BOT have an executive meeting to discuss the issues raised.

CEO Crabbe addresses Trustee Akana, by agreeing with her statement.

Trustee Ahuna is in agreement with the Trustee Akana.

Trustee Apo is also in agreement with Trustee Akana.

Chair H. Lindsey asked if Chair Machado will take lead on this request.

Chair Machado says the earliest we could have the meeting is in July considering other BOT meetings that are on the schedule.

Trustee Akana says that this is an urgent matter, and points out we can have a meeting at any time to discuss the matters at hand, for it is important enough to address as soon as possible.

Chair Machado takes the comment under advisement and will work with her Chief of Staff.

Trustee Ahuna points out that during the meetings the BOT should sanction those who make allegations. He points out he wants to put the responsibility on the people who bring up issues like this.

Chair Lindsey calls up Germaine Meyers for updates.

Germaine Meyers notes her concerns regarding budget allocations and monies given to the LLC, Aloha Aina Poi Company, run by Kaina Makua. She wants to know why they were given $7,000. She raises her concern for the high level of confusion with regard to the LLC, Hiʻilei Aloha, Hiipoi, and the poi mill. She submitted written testimony highlights all of her concerns. (To obtain a copy, contact OHA's Records Management Specialist.)

Trustee Akana says that given the information with regard to discrepancies of the funding of the LLCs, in particular, Hiʻilei Aloha, and other management and staffing issues is cause for an audit of the LLCs. She points out that it is dangerous for the Executives to be involved with the LLCs at all, because it can make OHA liable.

Trustee Ahuna says that we shouldn't react to the situations on how it seems rather the reality. He does agree that this is a serious matter and has been festering for years. He agrees that if the allegations are true or false, OHA should take action.

Trustee Apo comments on this discussion have taken place before and heeds that the BOT have patience, thoroughness, discipline, and wisdom. He says if we rush this process OHA will be in more trouble, and he cautions that they take a thoughtful approach. He senses all the Trustees agree.

Trustee Akina agrees with Trustee Apo. He hopes that the biennium budget is passed today. He thinks that as a solution to passing the budget, as well as investigating the LLCs, can be done by way of the special audit. He also can propose stipulations be made on the funding to the LLCs if only the policies are adhered, and put on the agenda for the next meeting.

Chair H. Lindsey acknowledges.

Trustee Ahuna he agrees with Trustee Akina, but acknowledges that a beneficiary has spoken against passing the budget. He points out that OHA has worked hard on the budget and worked together to make it happen and should pass it.

Trustee Ahu Isa does OHA own Hiipoi doing business as (DBA) Makaweli Poi Mill?

CEO Crabbe replies that OHA does not. He explains that in 2012 a decision was made that due to the sufficient funding of Hiilei to Hiipoi for operations at that time, divested it and went to another community non-profit. All the assets of Makaweli went to the other non-profit. It is left on the charts as a "continued frame," although it is not operational and there is no funding allocated to it. It can be taken off at the direction of the Board.

Trustee Ahu Isa explains that some of her beneficiaries are emailing her about Makaweli.

Trustee Ahuna wants to point out the current poi mill company is the third one that has replaced Makaweli.

Trustee Ahu Isa reconfirms we do no own it.

CEO Crabbe reaffirms that statement. He points out that it is a misperception and is fueled by others who are uninformed.

Trustee Ahu Isa expresses her sentiment of the confusion of the beneficiaries.

Trustee Ahuna likes his office to be a part of the lahui, be involved, and help. He expresses his pain when the same allegations are being repeated.

Trustee Apo says, "Overcoming trans-generational trauma in every aspect of what it means to be a Hawaiian, and creating opportunities for Hawaiians to succeed is a risk. Our history creates that risk. When we are given a choice to ignore the little guys, to ignore requests for a chance, to fund organizations that essentially don't have a track record, how do they get a track record? No one else is going to help them, but the Hawaiian, and that happens to be us. I totally admit that it is high risk business, and you will have failures, but it would be worse in my opinion to back off and to slip in to the security of only dealing with those hugely successful people who come and apply for grants that are already loaded down with millions of dollars. That is the government dependent model. We need to free our people by not being afraid of taking a shot and giving them some help. Yes, we have to do it with some caution, we have to do it with some set of safe guards, to at least assure ourselves that the decision at the moment we decide to fund a non-profit organization is one based on the best available knowledge that we have of the capacity of those who are applying for the grant to be successful. There is never a guarantee. So I would say, yes we have things to fix, we have grants we need to review, but to be scared off in to the sunset, and leave all these people behind without a shot is not a good idea and that's really poor leadership. Thank you."

Trustee Ahuna states, "And we are willing to fight."

Trustee Akana speaks to Trustee Ahu Isa, stating that while OHA no longer owns the poi mill, she thinks the bigger picture here is that OHA did give this 3rd company a startup grant, but they also got Hiilei grants, which is OHA money. She continues to say that when an organization like OHA operates, they must "walk the fine line and pay attention to the law." She points out that it looks like the current poi mill received an unfair advantage, creating a conflict for which the law will scrutinize. She asks, "How can an employee from OHA got, not only a grant, but an inside track to get from one of our LLCs other grants? And then from that same LLC, they got an Administration for Native Americans grants what was huge and tied it to Hiipoi, which no longer exists and don't have employees but the grant was for the employees. You see? So there are a lot of entanglements here and that's what we are talking about and I agree with Trustee Apo and we need to give these people a leg up. And that's something we've always tried to do, but what has happened here is we've crossed the line with some illegalities and that's what we have to be concerned about. And that is what this is about. It's not about not helping our Hawaiians."

Trustee Ahu Isa adds that the conflict of interest is also happening in the legislature. She sees that there are people in the legislature getting money from OHA, and they vote on our budget, which is a conflict. She wouldn't have a problem if they were to recuse or disclose themselves.

Trustee Ahuna wants to clarify that he does not think any employees received money, contrary to what has been stated previously.

Chair H. Lindsey moves forward with the meeting by granting Ka Pouhana Crabbe the floor.

III. New Business

A. RM #17-07: OHA Biennium Budget for the Fiscal Biennium Periods 2017-2018 (FY 18) and 2018-2019 (FY 19)

CEO Crabbe introduces David Laeha and John Kim to present on the budget presentation and discussion.

Chair H. Lindsey wants to first clarify that her memo to John Kim with regard to lowering the spending policy from 5% to 4.5% would get the votes needed to pass this committee. But she also shares that the BOT wouldn't have to change the spending policy but the Board could set a limit, to even 3%, which is at the discretion of the Board. She also states that it would have been appreciated if she could have had assistance of proper procedures from administration.

CEO Crabbe responds by saying that the SPIRE's model developed in FY 15/16 for the Fiscal Sustainability Plan and the BOT's commitment to the plan and implementation, would be dependent on the policies taken under consideration, and couldn't be done "singularly," and all of the policies regarding the impacts of the financial future of OHA should be looked at from a high level perspective. He says that a reduction in the spending policy would be in concert with the Fiscal Reserve (FR) and the debt consolidation policy, and so administration is looking to the Board's effort, consistent with SPIRE's recommendations. He says that regardless of the situation of the Biennium Budget (BB) and administration had gone through extraordinary measures to go below the 5%, and have gone through 12 to 15 rounds of budget reductions. He says that in order to move forward today, they can present what is currently budgeted, but include any reductions, refinements, or adjustments that the Board wants to be considered by administration.

Chair H. Lindsey thanks CEO Crabbe for the final sentiment expressed.

Trustee Akana believes that at a former meeting the administrator said that it would take only an action item would suffice, and feels that all of the policies do not need to be changed in order to reduce the spending policy to 4.5%. She says that administration could present the Board with an Action Item (AI) to be voted on at any time. She reiterates that she doesn't agree all the policies need to be revised in order to reduce the spending policy. She says that it is an attempt to stall what she says in inevitable.

CEO Crabbe interjects by saying to Chair H. Lindsey that what Trustee Akana is saying is not what he shared previous to her comments.

Trustee Akana continues to say that SPIRE recommended that it would be in OHA's interest to "spend down" with respect to the lack of funding for our programs in the future. She is disappointed in administration's $35,000 reduction in personnel, which is an area the legislature wants OHA to improve. She states that although administration has not filled 9 positions, they have not removed other positions, where the legislature asked for 26 positions removed, resulting in a high budget. Which she points out, is something that OHA is criticized. She states that she is reluctant to support this budget.

Trustee Waiheʻe clarifies that Chair H. Lindsey requesting to reduce the budget to 4.5% is not a violation of the spending policy of 5%. His reasoning is that the policy states that OHA's spending cannot exceed 5% versus the policy requiring OHA to spend 5%.

Chair H. Lindsey thanks Trustee Waiheʻe's clarification.

Trustee Machado wants to address that Trustee Akana's comments would have been valuable at the workshop held at the Wednesday prior to this meeting, and the provisions she brings up could have gained consensus. She points out that to bring her concerns of the budget to light at this meeting would set the BOT back because the workshop took place already.

Chair H. Lindsey moves the meeting forward with John Kim's presentation.

John Kim greets the Board and brings forth the OHA Biennium Budget for AI for the OHA Biennium Budget for Fiscal Biennium period 18/19, and thanks the RM and BOT Chairs for allowing administration three BOT workshops. He points out how administration had extensive meetings and discussions to work on reductions and adjustments in order to address the issues expressed by the Board from the workshops. He says, "The proposed action today is for the BOT to recommend and approve the Total Operating Budget for the fiscal biennium period 2017-2018 or Fiscal 18, and 2018-2019 Fiscal Year 19 as outlined in Attachment #1." He directs attention to Page 3 of the presentation, where it outlines the background of the OHA biennium budget, showing it is prepared every two years, and covers the period of July 1, 2017 through June 30, 2018 and July 1, 2018 through June 30, 2019. He directs attention to Page 4, Table 1, which shows 1 of 4 funding sources that make up the Core Operating Budget (COB), which is 5% of the average market value of the Native Hawaiian Trust Fund (NHTF) investment fund. He points out that FY 09 to FY18/19, the policy has remained the same at 5%, which in 2009 represented about $20 million (M) of COB funding source. He compares to the current average market value that has declined to $350M, where the 5% spending represents $17.5M, which is a reduction of $2.5M and a budgetary constraint for the OHA. He then explains Table 2 goes in to the key Native Hawaiian Education and Economic Health indicators, and shows the progress in those specific focus areas, which Lisa Watkins-Victorino can answer any questions the BOT may have.

Trustee Apo wants to clarify that when they discuss 4.5% vs. 5% it is a percentage of the NHTF.

Chair H. Lindsey confirms that it is the spending limit percentage of the NHTF and not the total budget.

CEO Crabbe reconfirms Chair H. Lindsey's clarification.

John Kim addresses Trustee Apo's question by saying that the lowering of the spending limit of 5% to 4.5% would be a dollar amount reduction of approximately $1.75M of the COB. He continues on to Page 7, Table 4, which is the estimated spending limit for the OHA's total operating budget. He says this establishes OHA's maximum total operating budget, which is made up of five areas. He starts with the COB, which is made up of four funding sources: 5% of the NHTF portfolio for FY 18/19, which is $17.5/$17.4 respectively, Public Land Trust Revenue of $15.1 M, 10% of Kakaako Makai (KM) gross revenue for FY18/19, which is estimated to be $433,000/$440,000 respectively, and State of Hawaii General Fund, which is at $3.03 M per FY 18/19. He sums up by saying the Total Operating Budget is $36 M for each of the FY's. He moves on to addressing the Fiscal Reserve (FR) Authorization of $2.09 M that is available for FY18, which is estimated to be the remaining balance available under our FR policy, assuming there no further designations now till the end of FY 17.

Chair H. Lindsey directs the following question to John Kim: "Do we have left over money from this FY ending June 30, that will be going in to this FR?"

John Kim answers that they administration will anticipate some lapse funding from FY 17 budget, and when the FY 17 financial audit is issued, only then will the lapse funding be included in the FR, which is estimated to be completed the upcoming February or March.

Chair H. Lindsey follows up by pointing out that because we are close to the end of the FY 17, does John Kim anticipate it will exceed the $3 M that has been kept in the FR?

John Kim says that it is possible, but it will depend on how much of the FY 17 budget is unused at June 30, 2017.

Chair H. Lindsey points out that she heard administration talking about $1M going towards the DHHL pay out, so that OHA will only pay out $2 M next year.

John Kim says that is correct. He states that in addition he anticipates some level of lapse funding to be included in the FR, but because OHA is close to the end of the FY there are a lot of moving around of funds and payments going out, and a he does not have a firm balance to share with the BOT at this time.

Trustee Akina asks if for the biennium, OHA is not going to budget any additional use of the FR?

Chair H. Lindsey points out that there is only three weeks left in the current biennium.

John Kim responds to Trustee Akina by saying that the BOT establishes the spending limit, and the $2.09M is what administration estimates will be the FR balance that is available. He also states that the actual proposed budget will have no requested budget out of FR for FY 18/19.

Trustee Akina follows up by asking that for each of the periods 18 and 19 what percentage draw are we taking from the NHTF?

John Kim responds by saying if Trustee Akina is referring to the COB, the spending limit was still calculated with the current active policy which is 5% of the NHTF's average market value.

Chair H. Lindsey responds to Trustee Akina that there will be nothing allocated out of the FR.

Trustee Akina points out that he was not asking what the policy is, but rather is inquiring as to what is the actual draw out of the NHTF.

Chair H. Lindsey responds that nothing will come out of the FR and will stay at $2.09 M.

Trustee Akina asks, "So what does that turn out to be in terms of percentage of the NHTF?"

John Kim responds that for the FR there is not spending being requested, and referring back to the 5%, the proposed request is approximately $500,000 less than the spending limit for the COB, and about $11,000 less than the spending limit for Fiscal 19. He states that with Fiscal 18 they are asking for Board to consider $36.1M less about $500,000, and $11,000 less than the spending limit for Fiscal 19.

Chair H. Lindsey mentions that she did calculate that in 2018, OHA would be spending 4.85% of the portfolio and for 2019, OHA is at 5%.

Trustee Akina clarifies Chair H. Lindsey's calculation that the spending will be at 4.85% and 5% for Fiscal 18 and 19 respectively of the NHTF.

Trustee Akana asks that whatever the balance is on this year's funding, is administration planning to put some of the balance towards the $3M we capped on the FR? She also asks if there is anything left, after the cap of $3M, will administration apply it to the new budget? Her reasoning is that OHA can draw down less from the portfolio.

John Kim responds saying the FR policy is calculated by whatever money is unused in the current year budget is lapse funding will be added to the FR balance, which is currently $2.09M. He says that it is up to the Board, in accordance with the FR policy, that with 6 votes, can authorize any spending out of the spending limit balance.

Trustee Akana follows up saying that the Board already capped the FR at $3M, and clarifies that on June 30, 2017, the amount leftover of this year's budget, will be applied by administration to next year's budget, so OHA does not need to draw more from their portfolio.

John Kim responds to Trustee Akana by saying that any unused money this year, will be added to the FR balance. He states that the current balance is at $2.09M, and after the upcoming February audit report is issued, and we have another $2M available to add on to this balance, then the FR balance would increase to $4.09M. (He presents this as a hypothetical to explain where the unused funds would go at the end of the biennium.)

Trustee Akana follows up with the following question: "Why would that happen when the Board already capped it at $3M?" She states, "We aren't supposed to have more than $3M."

John Kim answers saying that the Board has authority to designate up to $3M per year, and if the balance goes above $3M, then the Board can authorize up to $3M of that balance during Fiscal 18, but whatever remains in addition to the $3M will simply carry over in to the next FY.

Trustee Akana says that is wrong, and that the Board capped the FR to $3M and anything over $3M should go back in to the portfolio or in to the next budget year. She also states that this is where OHA accumulates funds and it becomes easy to spend, but it has been recommended by the auditor and Rodney, from SPIRE, that OHA should not have more than $3M in the FR. She asks, "So why are we still doing it?"

CEO Crabbe given Trustee Akana's concern, he says he believes administration is following the policy, and says that if Trustee Akana would like to change the policy in the future, it would be encouraged.

Trustee Akana asks something inaudibly about the FR.

CEO Crabbe responds saying, "You can have a discussion to clarify that, and what is the will of the Board in either keeping it status quo or actually further clarifying of specifying a limit on FR."

Chair H. Lindsey comments that she has seen the FR at $5M.

CEO Crabbe says that is correct.

Trustee Akana says that OHA has no policy on the FR, and it was created by the last administrator.

Chair H. Lindsey encourages a discussion on this matter.

Trustee Machado clarifies Trustee Akana's intent by asking, if the money of the FR exceeds $3M, where does that money get placed?

John Kim replies that the excess money would remain as part of the ongoing FR balance.

Trustee Machado asks if the FR is the only "bucket" for excess money to be placed.

CEO Crabbe replies, "Right."

Trustee Machado agrees that the Board needs further discussion.

Trustee Akana says, "Yes! Because, Colette, it never, under Joan Bolte, when we had a good CFO, that money would go back into, either the portfolio or in to the next year's budget. This reserve was created by Mr. Namuo. We have no policy for this huge fund that all of a sudden we were funding all kinds of things we knew nothing about."

Trustee Machado points out that the FR reached $7M at some point.

Trustee Akana says that this is not a good practice.

Trustee Machado thanks Trustee Akana for bringing this matter forth and clarifying the issue to begin the discussion under the RM committee.

CEO Crabbe introduces the CFO for comments.

CFO Laeha explains that historically the FR balance was as high as $14M. He goes on to say that SPIRE says that having the FR balance so high, gave too much discretion to the Board to have that large sum of money available for their discretion, and SPIRE's recommendation was to bring that number down to $3M and/or cap the spending authority of the Board in a single year to $3M. He reiterates John Kim's point that any excess above $3M would stay in the FR, which would still be at the discretion of the Board, but recommended the spending be limited up to $3M per year by the Board.

Chair H. Lindsey says that until the Board can get the actual balance of the FR at the end of the FY, then an Action Item (AI) will be put on an agenda for discussion and the Board can decide what they want to do with the left over money.

CEO Crabbe supports that statement.

John Kim points out currently that there is a FR policy, which is a subset of the Board's spending policy. He says that what he is presenting in accordance of the policies in place, and the FR balance is calculated based off of the policy. He states also that the monies related to "that" still reside as part of the NHTF investment account. He says that it is not a separate bank account that holds this money, it is still sitting as part of the investment account, and it is just the policy that allows a sum of money to be made available for the purposes of the FR policy.

Chair H. Lindsey thanks John Kim.

John Kim continues on explaining the spending limit with regard to commercial properties of $13.1M and $13.9M for the two commercial properties. These commercial property spending limits are calculated based on their current net assets accumulated since inception, plus the estimated revenues for the respective fiscal year. He points out the Legacy Properties in Item 4, which there are two, have their own funding source. The first one is Palauea Cultural Preserve and Wao Kele o Puna (WKOP) Management Fund. He says that the spending limit for those two properties are at $991,000 and $470,000 for FY18 and 19.

Chair H. Lindsey asks if John Kim can tell her from where is the money of WKOP coming.

John Kim answers that the WKOP money comes from the FY16/17 biennium budget. He points out that the Board asked to allow the previously encumbered monies for a contract or MOU with DLNR, which was a nine year agreement at $228,000/year to provide stewardship work, which has not occurred and the payment has not been made. He says that administration had asked the Board's approval to reallocate that encumbered, but unused, fund to be used for WKOP stewardship and operation purposes. He says further the established funding for WKOP is the "running balance" after the budgeted items are taken in to place for FY 16/17.

Chair H. Lindsey asks if this is all the monies available in the budget?

John Kim replies, "Yes, currently."

Chair H. Lindsey says she is concerned that they were going to hire three positions for WKOP and wants to know where the money would come from to pay them.

John Kim responds saying that the positions dedicated to WKOP is being funded out of COB, and not the aforementioned fund. He points out that there is Table that breaks down the budget for WKOP, where one can see that most of the monies are related to ongoing maintenance and repairs, like tree trimming, invasive species control, etc.

Chair H. Lindsey thanks John.

John Kim moves on to the last part of the spending limit: Special Programs Budget. He explains that this is comprised of federal and others. He says that for FY 18/19 OHA has a total spending limit of $54.7M and $52.9M, which is what the total operating budget can be established up to.

Chair H. Lindsey asks what are the **Special Programs Budget – Other**?

John Kim says that the spending limit or funding source for **Special Programs – Other** are further explained on Page 11. It reflects programs funded from other sources of income, for two main categories, Hawaiian Projects and Homestead or Loan Program. He says that proceeds from Ka Wai Ola (KWO) advertisement sales and repayments received from inactive DHHL Homestead or Loan Program are sources of income. He points out that on Page 11, Table 7 one can see that the estimated revenues from the KWO advertising for FY 18/19 is at $70,000 and $65,000, and the repayments from the Homestead of Loan is estimated at $235,000 and $200,000. He says based on those estimated sources, those establish the spending limit for FY 18/19.

Trustee Akana says that she would desire to have a really good breakdown on specifics.

John Kim moves on to Page 12, Table 8, which is OHA's proposed Total Operating Budget (TOB) for FY 18/19, which is $46.3M and $46.2M. He says that what administration is proposing as a TOB cannot exceed the spending limit that was previously discussed, where he says, "The budget has to be at, or below." He goes in to the same category as the COB, which is $35.6M and $36M for FY 18/19. He says that with regard to Trustee Akina's earlier question, is approximately $500,000 less than what the spending limit is for FY 18 and the $36M for FY 19 is $11,000 less than the spending limit.

Trustee Akana asks, "On Page 12, the Special Programs Budget – Other, Hoʻokele Pono and subsidiaries, is that include the PTAC Grant People?

John Kim says that he believes that it does include PTAC which is the Ho'okele Pono subsidiary.

Trustee Akana asks, "Are they all housed together in that one office building in our old office building on the ground floor?"

John Kim replies, yes.

Trustee Akana asks how much does the federal government give PTAC?

John Kim estimates $150,000, but will double check on that amount. He states that the grant also comes with a 1 for 1 matching requirement, where Hi'ilei or Ho'okele Pono would also have to match whatever grants they are receiving from the federal agency.

Trustee Akana says that the person who administers the PTAC grant gets paid almost the amount that the federal government gives. She asks, "So how effective are they if the money is being spent for a salary?"

CEO Crabbe addresses Trustee Akana says that in the past when Mona and Richard were present, but they had provided updated in terms of what outcomes were and are currently, that PTAC was achieving, and other than the salary, administration has reduced the number of staff for that specific program. He points out that part of the fund is for rent and equipment. He says that if one looks at the outcomes, one can see how much was allocated for Native Hawaiian businesses, and the results can be sent over to her, to see what is the return on investment from the grants that go in to the Hawaiian and Hawaii economy.

Trustee Akana says that the amount we are giving them is probably more than enough to cover their rent space and she knows that the federal government pays for the salaries, and she is wondering whether or not PTAC would be better off under OHA, like it used to be. She explains that they don't need to expend those kinds of monies if it was under OHA, and she thinks that an enormous amount of savings could happen.

CEO Crabbe repeats that it is a decision that can be made by the will of the board and any specific adjustments made with respect to the LLCs is the Board discretion.

Chair H. Lindsey says, "What is your suggestion Trustee Akana?"

Trustee Akana suggests that we should take back PTAC back under OHA, because that is the only thing in that LLC.

Chair H. Lindsey will take it in to consideration to be put on an agenda at a later time.

John Kim says that with regard to the AI, he will go more in detail about the LLCs budget request and what is currently being budgeted, which he says is actually a significant reduction from the FY 16/17. He states also that for the Trustee's information, Attachment 4 does provide the detailed budget request that was submitted by the LCC's for Hiʻilei Aloha and Hoʻokele Pono, with line items and projected expenditures.

He continues on to Table 8, OHA's Operating Budget, and says that OHA has the FR authorization as we have briefly discussed earlier and they are not requesting any spending out of FR out of FY 18/19.

Chair H. Lindsey asks if it would be easier for John Kim if the Board accompanied him with the other Tables that are related to the items, because some of the questions are really answered here in the different charts.

John Kim says that he thinks it would be more efficient for them to continue with the breakdown then he can address specific questions that might come up. He goes on to discuss the Commercial Properties proposed budget of $7.8M and $7.2M for FY 18/19, Legacy Properties $520,000 and $443,000, Special Programs - Federal Programs are asking for a combined budget of from HLID and NARF program of $2.2M for both FY 18/19, and the subsidiaries LLC funding of $200,000 and $250,000. He states they will go in to a further breakdown of the line items.

He first states that since the budget workshop 3, the numbers have not changed, other than the inclusion of the audit in FY 18. He starts with the COB on Page 13, Table 9 where it shows a breakdown of the COB of $35.6M and $36M by categories of personnel, programs, contracts, grants, travel, equipment, overhead, and debt service.

If one refers to Table 10, he goes in to detail further on personnel where he points out the estimated salaries and fringe of $14.5M and $15.1M, makes up the majority of personnel budget, with the smaller sections of vacation payment, workers compensation, and employee incentive program, which brings it all to a total of $14.7M and $15.3M.

Trustee Akana says, "This is the kind of figure that is so glaring, that the legislators were upset and our beneficiaries will be upset. We are spending $15M on personnel and on programs we are spending $1.5M for our beneficiaries. What is wrong with that picture? What is wrong with this picture? We are spending $5.5M on contracts, we are only spending $8-9M on grants. Take a look at this! This is shameful, absolutely shameful. This is why the legislature wanted us to cut 26 positions. Do we need all these people at this price? We did a lot more with half of these people, I will tell you that."

Trustee Apo points out that program expenditures, contract expenditures, grants, are part of what he referred to earlier, could be contracted out to other organizations of the community and empower them. From this he says, the actual carrying out of the programs and services are done from the community, as compared to the government dependent model where we keep all the money, hire people, create a large magnitude of bureaucracy, with no money circulated. He continues to say that it is not fair to say that the reflection of personnel and the other monies that are spent are not leveraged. The point he claims is that money should be leveraged outside of OHA.

Trustee Akina interjects that the instincts of Trustee Akana and Apo are correct. He explains that Trustee Akana pointed out that there is a disparity in the numbers that is very great and it leads to questions from the beneficiaries. He states that Trustee Apo is also correct that there are other categories of spending that we have that meet the needs of our Native Hawaiian population. He says that the problem is the Board cannot look at the documents and see how effectively these items are actually meeting the mission, because the Board does not have a line item program planning budgeting system (PPBS), which he compares to the legislature that does have that system. He repeats his request that when the Board looks at the budget they will be able to look line by line to see the equivalent of a PPBS report on how effective the monies are, then be able to validate them. He points out that approving this budget will be more of an "act of faith" without the line by line information on effectiveness.

Trustee Akana explains that for years she has asked for a line item budget. She says that it is due to the lack of line item budget, "insiders" get large sums of money through our grants programs and the Board is scrutinized for it, and the money is not spread around the way it should to our community. She says that the community also knows about this, and it is something that OHA is being accused. She says that until we can see a line item budget that shows effectiveness of programs, the Board is not being responsible to their beneficiaries. She compares that we have more employees than DHHL "[without] much to show for it." She mentions that she encounters former Trustees who comment that they did more at OHA with fewer resources. She says she feels embarrassed from it.

Trustee Ahu Isa says, "I brought this up before with KP about the professional, I was listening to Trustee Apo, we do share the money around, we have in the Ka Wai Ola (KWO) our notice to providers of professional services. I also saw this in the daily Star Advertiser, cause I question you about, do we keep a pool of people with professional services, like when you teach, they have a pool at the DOE for Special Education teachers, but they have criteria, this one doesn't have criteria unless they reference to the website for State Procurement Office? Is that what it is?"

CEO Crabbe responds explaining that the advertisement is compliant with procurement law, and it is for anyone who may be interested in being on the professional services list.

Trustee Ahu Isa responds that it would be helpful to have a line item to explain what the contracted services provided, such as carpentry and electricity. She says she has never seen a line item.

CEO Crabbe clarifies that everyone on the list is not contracted, but acts as a pool, where administration can access services through the procurement process.

Trustee Ahu Isa asks to see the pool, the positions, and the people who have applied in the past.

CEO Crabbe says that would not be a problem,

Trustee Ahu Isa says that the DOE has a website like that as well. She asks, "Can any advertise in the right column, because this guy has a business talking about his financial advising, 'Tips for Financial Advising'? I am just curious."

CEO Crabbe explains that the KWO staff has broken down the paper in to different sections.

Trustee Ahu Isa interjects saying that a beneficiary asked her if he could write, because he noticed that it was in the newspaper, but she says that she would have to check.

David Laeha responds to the statement made earlier by Trustee Akana with regard to allocation of dollars being disproportionate to personnel and "other areas" and explain that the dollars that are in the personnel includes the work effort for "other areas." He explains the example of the programmatic area and the contracts, there are personnel in the organization that are spending tremendous amount of time and effort in those functions, but the dollars are not put in the programs and contracts line. He also explains that the grants line does not include those personnel's salaries that work in grants. He also reaffirms that Trustee Akana is looking to see information on the personnel costs associated with delivery of programs, managing contracts, grants, etc., and he suggests that not by line item but by category.

John Kim refers to Table 11 which shows a breakdown of the full time (FT) positions or the personnel between the different Paia. He states that for the 167 core employees, the Board can also see in the middle section of the table that the budget includes nine frozen FT positions that are planned for FY 18/19. He points out that the number of FT's have not changed from two years ago, and the biggest challenge OHA has now, is the increase in fringe rate and an anticipated increase of the fringe rate. They are calculating and budgeting for FY 18/19 a fringe rate of 52% and 56% respectively.

He now refers to the bottom portion of page 14, and points out that the personnel numbers for FY 18/19 currently includes a 2% adjustment for all employees across the board, which was a determination made if there was sufficient funding and with consideration that the last adjustment of employees occurred in July of 2015. He compares that other governmental agencies in the past have made double digit percentage payment adjustments while OHA has remained below that figure. He goes on to say that the 2% is still at or below the anticipated inflation rate for FY 18/19.

Chair H. Lindsey says, "I want to make it very clear, John, that our salaries are equal to the state's salaries, right?"

CEO Crabbe answers that the State Salary Commission (SSC) approved a report which as of 2015, executives such as the governor and state directors, their salaries are higher than OHA's current salaries, which also includes line staff, for which the report can be shared with the Board. He states that OHA does not calculate for inflation to be included in salary and since 2015 they have not matched with the state salaries. He says that they looked at a parody study in terms of salaries within OHA and how does that compare to state salary increments.

Chair H. Lindsey clarifies that we are not exceeding the salaries of our state counterparts.

CEO Crabbe says that is correct.

Chair H. Lindsey said she wanted to make that clear because she has heard otherwise.

John Kim refers to Page 15, which talks about the Core Programs Budget, on Table 12, which provides the breakdown of what is included.

Trustee Akana asks what are the "other expenses?"

Chair H. Lindsey says that it is costs all under $50,000.

John Kim address that "other costs" are smaller budget categories that are individually under $50,000 in total such as books and references, materials, auto allowance, ADA accommodations, other rentals, honorariums, etc.

Trustee Akana asks if that includes subscriptions.

CEO Crabbe says, "Right." He goes on to address Trustee Akana's question and says, "As a result of the budget discussions with the programs what we had noticed at a higher level that at each program they were included subscriptions, fees, materials, etc. But when we looked at the aggregated number, we felt that it was too have greater accountability, it's probably best to put them in one category and then reduce about 25%. From now on, if any program wants to look at these types of approvals they would have to get authorization from their directors and we have reduced the amount of funding for all of these small item areas which total up."

John Kim says that subscription is actually on its own line item for FY 18/19 which has $65,000 and $66,000 for subscriptions, and those are for example legal research services, the U-stream services (which allows live stream board meetings), internet hosting, etc. He says with respect to seminars and conferences budget, those were areas that Trustees had expressed concern, and administration have gone through rounds of discussion with the Paia to eliminate or defer some of the conferences and all conferences that are above $500 have been cut 25% across the board.

Trustee Akana points out saying, "But you still have 'Conferences, meetings, and events' at $272,400 and $263,000, and 2012, then you have 'Seminar and Conference Fees' another $105,000, another $101,000, and another $100,000. So it looks to me that you have doubled them."

Chair H. Lindsey clarifies that it is the same thing; conference meetings, seminars and conference fees.

John Kim says that conference meetings and events are both conferences that are organized by OHA and not organized by OHA, the seminars and conference fees are specifically related to professional development, which includes trainings that are proposed in-house like HR matters.

Trustee Akana responds that why does OHA hire someone who is not qualified, and is sent to trainings to become better qualified.

John Kim says that professional development can be for example, as a CPA, he has a CPE, continued education requirement, or certain things like ethics training, and government accounting training that is directly related to his responsibilities, which would be budgeted under seminars and conferences.

He refers now to Page 16, Table 13, on contract budget as one of the core categories. It includes expenditures related to implementing programs and activities. He says that Table 13 provides a summary of what the $6.1M and $5.4M are comprised. He says he made a slight change to the Table and separate out the state proviso monies that are included as part of the contracts budget, so that the BOT can see that out of the $6.1M and $5.4M for FY 18/19 approximately $1.87M are related to state provisos, for legal and social services proviso money. He says that leaves $3M and $2.3M for services on fee basis and $1.3M and $1.2M for legal services.

Trustee Akana asks, "How many categories do legal services appear in?"

John Kim responds that legal services are a part of the contracts category and this is the only place where legal services are shown.

Chair H. Lindsey clarifies that the state proviso legal services are for the Native Hawaiian Legal Corporation.

John Kim affirms the statement made.

Chair H. Lindsey she also asks if the "other legal" services are for OHA's legal internal use.

CEO Crabbe says that is correct.

John Kim says that Table 14 provides more detail with the state proviso comprised of the $1M for the legal representation services and $830,000 for the social services, which are directly provided to our beneficiaries. He says that below the aforementioned area there is the breakdown of services on fee for $3M and $2.3M primarily broken down by Paia, which includes an estimated budget amount for the audit in FY 18. He says lastly that the legal services that are used directly by OHA for legal needs is $1.3M and $1.2M for FY 18/19.

Trustee Akana asks who are the legal consultants for Mauna Kea.

John Kim does not know currently but he can obtain from Corporation Counsel.

CEO Crabbe says that he believes it is from the Board Counsel.

Trustee Akana asks, "He has a separate contract for Mauna Kea?"

CEO Crabbe says that he believes it is because of the ongoing discussions with the executive branch as a result of the work to the ad hoc committee.

Trustee Akana comments that he gets $62,000 for the ad hoc committee as well at the $200,000 for being the board counsel.

John Kim says that the procurement of legal services is like any other spending out of OHA, and does follow the state procurement code, and would go through the necessary solicitation process to determine who would be awarded the contract. He says he cannot say who would get the funds for the legal counsel, because it is a future position to be filled.

Trustee Akana says, "The amounts listed here for public land trust initiative consultants, do you not know who that is?"

CEO Crabbe replies that they do know, and it is for the continued work for the past four years. He says that the person is a former employee that helps gather the documents and information to coordinate with our financial audit of the state agencies, in terms of the revenue coming in to the state of Hawaii, which is challenged. He says that this is ongoing work in terms of the negotiation with respect to the Public Land Trust (PLT) revenue, with the executive branch and legislative leadership. He says they will provide the research and financial information to make an argument and case to increase the PLT funding to OHA, with regard to the 20%.

Trustee Akana asks the question, "Who is that person?"

CEO Crabbe answers, "Koa Kaulukukui."

Trustee Akana says, "And then legal consultants and due diligence, that's anybody?"

John Kim responds saying that is made up of several different contracts based on the needs that arise from the normal course of operation.

Trustee Akana asks if administration puts out RFP's for those, or do they just hire?

John Kim says that depends on the scope of the required work, which would be determined through the procurement process.

Trustee Akana asks, "Then litigation is any litigation?"

John Kim replies that in general, "yes," and he believes that it is an area that is considered an exemption for solicitation purposes.

He moves on to Page 17, Table 15 Grants Budget, provides the breakdown of the three main areas: Communities Grants Program, Level 2 Grants, and Sponsorships.

He outlines Table 16, which provides a breakdown of the Community Grants Program which the Board will be discussing today, which has a $500,000 commitment per FY for each focus area of Housing, Income, Health, Education, Culture, and Land. He notes that in Health, Housing, and Income, these are the areas which they were given less than what they had asked for from the State General Fund (SGF) request by $630,000, resulting in having administration look within to make up the deficit. He says that this part of the budget is consistent with what the board had authorized back in August 2016 for the upcoming biennium community grants budget. He states that they still have the $200,000 for the Aha Hui Community Events, as well as $500,000 for higher education scholarship, and $250,000 for leveraging opportunities.

Trustee Akana notices that administration has sponsorships in every Paia, and suggests to the board that all of the sponsorships be put in to one fund and housed in the fiscal office, and if any Paia has a request to do a sponsorship, they can make a request to the administrator and the Board Chairperson, and upon approval be sent to the fiscal office for processing. She points out that she is not changing the allocations but she is saying to house the funds in the fiscal office, where each Paia can get approval from the administrator and the Board Chairperson, which she would like to make a motion.

Trustee Apo says to Chair H. Lindsey that a motion is not something to be discussed, because he feels that one cannot make a motion with those implications.

Trustee Akana replies, "I don't think it's any different than what the administrator had said about one previous thing, that you suggested that everything was put together. Do you have any objections to that?"

CEO Crabbe replies, "Let me share what we've discussed. We have noticed that as well, and to get a better accountability and management of sponsorships, I believe since David has come on board, and working with our grants program, that is a consideration. My own feeling is that right now, I don't approve the sponsorships, and it's the COO, but what you are proposing is that the Board Chairperson and me, would be a part of that approval process."

Trustee Akana says that whoever would do it in administration would be fine. She continues to say that the money can all be housed with the Fiscal Office, and upon approval, the sponsorship can be released. She says that this would increase accountability.

John Kim thanks Trustee Akana, and it is something where administration has been looking. He shares that each of these programmatic sponsorships all have established policies and procedures on how to evaluate and who is authorized to approve some of these sponsorships and for record keeping and accountability purposes, the grants program is responsible for maintaining and keeping track.

Trustee Akana says that is agreeable, but she is saying that when they make the recommendation, it has to be approved by someone in administration and sent to the Chairperson, then sent to the Fiscal Office. She says that it is going to put the money all in one pot.

Trustee Apo clarifies that he does not object to the idea, but his concern is to put it in a form of a motion to codify it as an absolute, from which there is no flexibility, he has a problem. He says it is partly because of those who are at the workshop that took place had a discussion about separating out legacy grants and things from sponsorships. He feels that a motion like this might have the "chilling effect" of having the Board come back to revote and restate the approach on how we manage these funds. He thinks the idea is good, but he does not think this is the time to do it in a motion, and can be done voluntarily if they wish.

CEO Crabbe concurs with Trustee Apo. He says that administration would give it serious consideration and work with the Board Chair in terms of the process of approval in a memo. He says that as Trustee has shared, they did submit in terms of the grants and the legacy sponsorships as a separate item that would be annually appropriated.

John Kim jumps forward to Page 20, Table 19, which provides a breakdown of the Level 2 grants. He says it is primarily comprised of the DHHL annual commitment of \$3M, plus the \$1.5M per year for the Hawaiian focus public charter school. He says that for FY 18 the Board can see that less FY 17 surplus encumbrance was discussed at the BOT Workshop #3, where they identified additional reductions and reprioritization. He states that they also looked in to FY 17's remaining budget where administration is proposing to encumber additional \$1M of surplus identified to DHHL PO. He says that this will allow OHA to continue to have budget to meeting the obligations per the MOU as it currently stands, and it also allows that money to be reallocated for different purposes which has been discussed to be Kulia grants which can be seen in the same Table at

$500,000. He says that the Kulia grant is in response to Board comments during the grants workshop, to be set aside within OHA's COB for FY 18, and the criteria will be established based on the goal of providing grants in focus areas that the current community grants program does not reach, in addition to addressing concerns that have been raised during that workshop. He says OHA is committed to a competitive grants process for expenditure and solicitation of this grant money, with an emphasis of leveraging opportunities as well.

Trustee Akana says, "I thought that the Board had great trepidation regarding, continuing, giving, Hawaiian Homes the $3M a year, based on the fact that they cannot tell us where the money is going. They have not kept their part of the MOU, even the state auditor can't define what they are doing with our money. Why is OHA continuing to give them $3M a year when they are irresponsible? Even Spire said this is not a good thing for us to continue to do. Why are we doing it? I do not understand. Why are we doing this? I need to ask, why are we doing this?"

Trustee Machado says that OHA has a contract with DHHL.

Trustee Akana says, "They broke the contract, Colette."

Trustee Machado responds that they have not filed recourse if they did violate the contract.

Trustee Akana asks what is OHA waiting for.

Trustee Machado says that is a good question.

Trustee Akana reiterates her question for what is OHA waiting and why is OHA wasting $3M per year. She refers to what Spire said that if OHA goes through with this MOU, OHA will lose $494M over the 30 year period. She asks, "So why are we being irresponsible here?"

CFO Laeha responds that he looked at that matter and understands it has gone through a lot of review. He apologizes for not being that versed in the details of this, but it is his understanding that we have a contractual obligation and that the deliverable aspect of that contract is what is at question.

Trustee Akana says that it is not effective anymore, and that they broke the contract.

CEO Crabbe says that it is at the prerogative of the Board, because we have a current contract, which is a Board position and obligation. He says a Board approval is necessary to discontinue the contract.

Trustee Akina says that since this is an item raised by Spire, and points out that this matter can be deferred to the FSP Committee, to be evaluated.

Trustee Akana says, "But it is in the budget."

Trustee Akina points out that we have a contractual obligation, but the issue needs to be looked at and deferred to the FSP Committee.

Chair H. Lindsey says that it is noted.

Trustee Machado asks the questions relating to leverage opportunities, and needs a definition on the allocation of $250,000 for the biennium budget for each FY 18/19. She asks, "Is this going to increase staff, or is it going to be on contractual basis, or perhaps to hire individuals to do grant writing?" She refers to Page 18, where she points out that it is a new category, under Section C. She says that she would like that to go to the Kulia grants, and would be $1M.

John Kim he describes the leveraging opportunity as something administration is looking for opportunities, but no one has been identified yet for who will be getting the opportunity for the funding. He explains that the purpose of the leveraging opportunity is to identify grant partners who have established capacity to partner with OHA in providing greater impact to the strategic priority focus areas, but leveraging additional resources, this includes local, state, national, and international endowments like Ford Foundation. He says that the TAPs manager recently went to a philanthropy seminar in Seattle in making necessary connections with the different endowments, non-profits, and funders that are available to identify opportunities for the money. He also states that it has been an opportunity in FY 16/17 and it was about $100,000, and it is one of the requests for FY 18/19 to increase this budget item, because moving forward and looking at the known budgetary constraints in the grants area and the federal government atmosphere, he says that leveraging opportunity is something they have been looking at in order to "stretch our dollars." The $250,000 does not include any personnel.

Trustee R. Lindsey asks John, "Wasn't there a time when Hiʻilei was given the kuleana to help our beneficiaries with grant writing? And what was some of the lessons learned from that experience?"

CEO Crabbe shares that there are certain needs in our communities and seems to be independent at the community level to generate their own community economics, and despite that, there is not a lot of expertise in order to execute. He says non-profits is a very opportunistic way for people to bring in a fusion of money through grants. He says they have shifted through a lot of their services to help people how to develop a non-profit, which is separate from grant writing to local and national foundations. He says their efforts are trying to build that capacity, and they are trying to leverage the community work in applying for the national grants. He thinks that the leveraging opportunity is directly within OHA with the grants that are approved, is an opportunity to partner with the similar concepts. He wants to clarify that administration reduced this by 50%.

Trustee Machado says, "I want to emphasize that whenever OHA goes in with their image or branding, would we providing preference to these individuals to a match, or just lending. Many times when you go in, larger organizations require a 20% match. Will these individuals we are assisting, will they get a preference to some of the opportunities that is within our TAPs program? That is the scary part when you come in and you provide assistance. Hiilei is a 501 c3, no harm there, but when you go in as a state agency, and you backing a federal project, you're using our logo, our resources, that becomes sort of a preferential arrangement, and they may have access to other opportunities within OHA's TAPs program. Attached to that would be to increase staff to implement this $250,000 program within TAPs."

CFO Laeha responds that they see that within the context of grants and the matching concept and incorporating it in to the Kulia grant is something that can be a big part, so if Hawaii Community Foundation were to contribute a certain amount of money then OHA might be able to commit and match it with a certain amount of money. He says that it can open the door for OHA to work with the Ford Foundation, which was identified as a billion dollar fund established to help the homeless and other various organizations, locally and abroad, which he believes OHA can leverage their dollars against their programs and incorporate a match.

Trustee Machado asks if there will be a need for additional staff to implement the program.

CFO Laeha says that there is no scheduled staff for that purpose, but he sees there is a lot of value that is coming from the Hi'ilei Aloha Group. He says that Mona shared with everyone that Hi'ilei Aloha has been able to assist the non-profits and obtaining up to $34M worth of grant funding, through its client base.

Trustee Machado says that the TAPs program is OHA's program and their job is to monitor compliance to the so-called deliverables in the contract that was arranged with the commitment we give at the level of funding. She says that many times she wants to make sure that is being completed and adhered to at the highest priority, rather than getting redirected to implement this large program at $250,000 each year.

CFO Laeha says that is an excellent point and he recalls Trustee Machado making a couple times from the previous two meetings. He says there is a monitoring process that takes place on a quarterly basis for all the grants that are issued, and is done internally with the TAPs group, and externally with the independent group in the research area is tasked with doing the evaluations of these grants and those evaluations are posted on the website. He says the challenge is the evaluations are performed after the grant cycle is closed. What he says he is looking at going forward is an 18 month evaluation process, where the performance would be looked at by the research group before the actual term of the grant so that input can be provided on the upcoming budget cycle.

Trustee Ahu Isa says, "John, you stated that you use $100,000 to leverage in the last fiscal year, what is the benefit of leveraging that? Do we know? So we are going to increase to leverage, and you made a comment about, they took a trip to Seattle and they met to see if they could, so we are spending money trying to receive, did we receive? We leveraged $100,000. Did we get more than $100,000? Less?"

CEO Crabbe in response to Chair Machado and Trustee Ahu Isa, he says, "tomorrow they have the grants coming before you for approval, and also to talk about Kulia, and I would suggest that we have these questions addressed by Dr. Keith Yabusaki."

Chair Machado says that is fair.

CEO Crabbe says that it is very valid.

Chair H. Lindsey asks if he will be there this afternoon.

Trustee Machado says we have the joint committee.

[The table deliberates on when to take a break]

John Kim moves on to Page 23, Table 3 with the Travel Budget, which is the smallest portion of the COB at 1% of the COB. The table shows the breakdown of in-state, out-of-state, other, and non-employee travel. There is $423,000 and $410,000 budgeted for FY 18/19 in comparison to FY 17 there is a reduction of about $170,000 and $180,000. He thanks the Chair clarifying if this amount is sufficient for the obligation for travel requirements, like the neighbor island Board Meetings. He says it should be sufficient but something that will have to be monitored more closely going forward.

Trustee Akana says, "I have a real problem with paying for this travel for non-employees, a total of $33,000 for FY 18 and [$17,000] in FY 19. We are supposed to be cutting our budget. Why are we paying for people to come here? You know when we travel, we pay our own travel. Nobody has paid for our travel. So what is the purpose of this and why should we? I am really upset we are doing these kinds of things. We haven't cut personnel. We're paying for other people to travel. We're still paying for Hawaiian Homes. I mean, these things are irresponsible. And Trustees should not be doing stuff like this."

Chair H. Lindsey says, "Since you agreed to take the Polynesian Travelers off the non-employee travel, how come we didn't drop the budget on the $30,000?"

CEO Crabbe says, "I agree."

John Kim replies that the other employee's budget, at the BOT workshop was about $80,000, which was inclusive of the estimated budget for the Polynesian Leaders Group. He says that based on the discussions and comments received by administration, they have taken that out from the FY 19 budget, which is part of the reason why this budget was reduced to $20,000.

CEO Crabbe says, "But if I am understanding you correctly, what is the remaining non-employee travel for?"

Chair H. Lindsey says, "I see FY 19, $17,000, what makes the FY 18, $30,000?"

John Kim says he can provide the information that makes up the $30,000 but does not have the information on him at this time, but some of it is for Papahānaumokuākea for travelers that go with our program for their purposes. He says that when they are a non-employee, OHA budgets and records the expenditures related to their travels and the other employees travel, which is one of many smaller items that comprises that amount.

Chair H. Lindsey asks, "Because Papahānaumokuākea is different from in-state and out-of-state, does the Chair get to sign those travel requests?"

John Kim replies that Papahāunamokuākea travel is considered and processed as an out-of-state travel, and follows the authority hierarchy, and administration obtains the required approval.

Chair H. Lindsey clarifies if the Chair signs it because it is out-of-state.

John Kim replies, "Yes."

Trustee Akana says, "I still think $30,000 is a lot of money, a lot of money. I don't know how many times we going to go down Papahānaumoku, but $30,000 is a lot of dollars. Too much, still too much."

John Kim says that he can prepare and provide the details that make up that amount which will provide clarification on what is included.

Trustee Akana points out that it will be after the fact, and they are challenged to vote for the budget today. She says, "So before the vote, I would like to make an amendment to the motion so that we can bifurcate at least two measures and it can take it up after we get the information."

John Kim says he will prepare the information after the committee meeting so the Board has the information.

He moves on to the equipment budget on Page 25, Table 26, providing the breakdown of the category. He says that there is the small amount of $38,000 for furniture and fixtures,

$526,000 for repairs and maintenance, $531,000 for FY 19, and $325,000, and $150,000 for software and equipment. He says that Table 27 and Table 28 provide further breakdown of the repairs and maintenance, and software and equipment categories.

Chair H. Lindsey asks, "Who is the legacy land manager?"

CEO Crabbe says that is Jonathon Ching.

Chair H. Lindsey asks, "Is that his salary on Table 27?"

John Kim says that it is not the salary, and says that most of the $205,000 and $192,000 on Table 27 is related to vegetation maintenance at Kukaniloko. He also says that those are mostly related to the legacy properties and ongoing maintenance required that are funded by core. He says that this is different from WKOP and Palauea where they have their own dedicated funding source, Kukaniloko is currently a legacy property that is funded out of core, for its maintenance needs, which is the majority of the costs.

He moves on to the overhead budget on Page 26, Table 29 where there is a breakdown of $2.9M and $3M for FY 18/19. He says these are mostly considered to be fixed costs, related to lease rent and common area maintenance of the seven office spaces that OHA maintains. He says of the current budgeted amount more than $2M is related to the leases, CAM, and utilities, and the remaining amount is related to OHA's telephone services, internet, insurance [$411,000], which is broken down in Table 31, and other smaller components making up the rest of the total overhead budget.

Trustee Akana asks, "What is settlement lawsuits?"

John Kim states that it is a budgeted area that we put aside for cases of the normal course of litigations if there are any necessary settlements that result from litigation. He says that it is not recurring but it is something that OHA is exposed to, and something they want to be prudent about and budget something for those situations.

Trustee Akana asks, "So this litigation money is only for the properties?"

John Kim says, no and that it relates to the entire agency as a whole.

Trustee Akana asks why it is not in the legal services category.

John Kim says that it is a matter of classification, but it is something they can take a look at if it should be included as part of legal services. He says usually legal services are in the contracts category, which are items budgeted for solicitations. He said this number is not for contracts but for possible settlement for litigations.

Chair H. Lindsey asks that if there is no settlements needed it will sit there.

Trustee Akana says, "Here is the problem with this, when you have $50,000 in 17 and $100,000 in 18, $100,000 in 19 and you don't use that, that money just builds up, especially if you are going to get the same allocation year after year. This is how you build up a lot of money. I want to make sure that if it is not used, you don't come back and put this in the budget again."

John Kim states that if the money is not used, it does not carry over in to the next year, but it lapses and goes in to the FR balance.

Chair H. Lindsey says that they can decide where the money goes after from the FR.

John Kim says again that it does not carry over.

Trustee Akana says that is the reason there was $14M in the FR.

John Kim says that concludes the Core portion of the biennium budget and would leave the non-core portion which is comprised of the commercial properties, legacy properties, and special programs.

Chair H. Lindsey calls for recess to reconvene at 1:00pm.

Chair H. Lindsey reconvenes, and has John Kim resume his presentation starting with the Non-Core Budget.

John Kim goes to Page 28, but refers to Page 12, Table 8 – OHA's Total Operating Budget, and explains that they will go in to further detail on Item 3 – Commercial Properties for Legacy Properties (LP) and Special Programs (SP).

He is now back to Page 28 – Commercial Properties (CP) Budget. He explains that CP is comprised of KM parcels, and Na Lama Kukui (NLK). He begins explaining KM's spending limit is $6.1M and $7.4M for FY18/19, keeping in mind that the spending limit for CP are calculated based on the properties own net assets, which has been accumulated since inception, plus estimated gross revenue for each respective FY. He points out the budget categories of personnel, programs, contracts, travel, equipment, and overhead for a total budget of $2.3M and $2.3M for FY 18/19. He explains that there are two positions that are funded out of KM, which is the CP Manager, and CP Specialist position. He points out the 10% allocation to grants on the third line of Table 32. He now moves to present NLK spending limit, which is calculated the same way as KM, which is $6.9M $6.5M for FY 18/19 with the corresponding requested budget of $2.9M and $2.4M for FY 18/19 for operations, plus the $2.5M per year for the debt service. He says that the $2.53M and the $2.51M for FY 18/19 are the estimated debt service payments for the Terminal, which was used to purchase this building, and the line of credit, for about $6.7M for the office build-out.

Trustee Akina says, "Now I notice here with reference to the 10% allocation to grants, it is calculated on the gross rather than the net [revenue], which we had a discussion about that."

Chair H. Lindsey explains that the 30% of the net revenue for the operating budget, and the amount to our grants would be the 10% gross revenue.

Trustee Akina asks further that if this is the case, why is OHA taking it out of the gross, rather than the net.

John Kim explains that the 10% allocation from KM's budget is based on the current KM Policy, which states currently that 10% of the estimated gross revenue will be reallocated for grant purposes under core, and part of the KM revision to amend the policy, believes that the board meeting tomorrow will change the percent of gross revenue to percent of net revenue. He also says that it is in addition to allocating another 30% of the net income for legacy property operational purposes.

Chair H. Lindsey says that she believes that the grant portion was not changed, and remains gross, and only the portion that is going to administration for the operation budget, was net revenue.

Trustee Akina wanted to know what the rationale was of that policy.

John Kim says that he would have to go back to the action item that made the change, for which he was not involved and cannot comment on the rationale.

Chair H. Lindsey asks Trustee Akina again, of what was his question.

Trustee Akina reiterates, why are calculating it off the gross that than the net receipts.

Chair H. Lindsey replies that is because the policy was written that way.

Trustee Akina wants to know why the policy was written that way. He asks, "Is that something we want to do?"

Chair H. Lindsey says that she did not want to lower the grants money, where percentage of gross revenue would be more than net revenue.

Trustee Akina clarifies that OHA is leaving it currently in the short term in order to satisfy the need to give grants. He suggests that the BOT revisit this as a long term policy in the future.

Trustee Apo says that he would agree for further discussion.

Trustee Akana asks, "Was this part of the discussion we had, that it was only going to be for two years, right? And then we were going to revisit it. It wasn't going to be long term, only for two years."

Trustee Akina says, "That's the 30% you are talking about, having a sunset for two years."

Chair H. Lindsey says that it will go away after two years, and states that Chair Machado will have it in her agenda tomorrow.

John Kim says that when the parcels were first conveyed from the State to OHA, in 2012, he believes the gross revenue at the time was about $2M/year. He says that taking the net amount at that time would be fairly minimal, which may have been one of the considerations in determining whether to use the gross or the net number. He says that in Table 33, based on the work that the land staff has done, they were able to increase those income revenues from KM from $2M/year to $4M/year, which explains why the 10% figure has gone up, which is a good approach for the board to consider. He says that the change for KM spending and have it revisited in two years to see what the impact is from gross vs. net.

He goes on to review the LP budget, which is comprised of Palauea Cultural Preserve (PCP) and Wao Kele o Puna (WKOP). He refers to Page 30, Table 34 – PCP revenues are derived from sale of homes in an affluent area on Maui where the 0.5% of each sale has been deposited in to an account for which the funds are to be used for the upkeep and long term stewardship of the historical site. He says that is what establishes the spending limit for PCP which is $280,000 and $117,000 for FY 18/19, with a corresponding proposed budget of $169,000 and $104,000 for FY 18/19. He says that long term fiscal plans were discussed at the budget workshop for both the LP's. He says that KM is one of the options to look for reallocations from the revenues to upkeep of LP's, for which administration is looking in to after the next biennium.

Trustee Apo asks as the Oahu representative, what is the plan for Kukaniloko, with respect to commitment of resources in the budget, as has been done for PCP and WKOP.

Chair H. Lindsey says that these two properties are self-sustaining, and that it is not OHA money that takes care of these places.

John Kim responds that for Kukaniloko's operating needs the budgets identified and proposed are coming out of the COB, along with other legacy properties other than PCP and WKOP.

CEO Crabbe says that Land Manager Jonathon Ching and he met with Chancellor Loui Hokoano and representatives from University of Maui (UM), Kaleikoa, and Kahele, where it was agreed at that meeting, that there would be a shared governance agreement. He continues to say that while these are put down in the budget, the community and UM, have an influence in terms of the proposed expenditures. He is saying that the shared governing agreement, the community will have a say on how to best use the funds, to address managing the long term sustainability of the fund.

Trustee Akana asks, "Won't that make it more confusing and problematic for the University and OHA?"

CEO Crabbe he states that it was part of the wishes of the community and UM, that they wanted more of a voice for the activities being done on the property, and more decision making on how the funds will be used.

Chair H. Lindsey says that it is good because they are very conservative and our staff isn't, and they get to use some of the resources at the University of Hawaii, instead of OHA using cash in the budget.

Trustee Akana says that she is in support of that, but what will their contribution be besides their input.

CEO Crabbe says that the intent of the receipt of PCP, is that OHA would be the receptacle of receiving the land, but the partnership was always intended to be with the UM and the community. He says that because we are located on Oahu, the actual day-to-day and use of the land, and maintenance is with UM and the community group that has committed to take care of PCP.

Chair H. Lindsey asks what legal documents is OHA going to enter into with them.

CEO Crabbe says that it is called an MOA, which is specifically about governance. They went over the specific areas together with Loui, Kaleikoa, and Kahele, for which they agreed. This happened because they have a voice working with OHA staff on how the money is spent and improves collaboration with them. He uses the example where he brought up the issue of fencing, where if they went through State Procurement Office (SPO), fencing would be $40,000, or they could go to see if the UM or the community would have any resources to put a fence up, which is more cost effective. He mentions that they have more flexibility for things like that, and decisions like that will have to be made in collaboration.

Chair H. Lindsey agrees.

Trustee R. Lindsey says that he likes this conversation, because it makes things real, where they are empowering Hawaiians and strengthening Hawaii. He says that nation building cannot be done here at the BOT table, but out in the community where the power and the people are.

Trustee Ahu Isa says, "I hate to talk about the past, but when I was at Honolulu Community College, we had carpentry shop, auto-mechanic bakery, I mean, we had everything from air conditioning, to [inaudible], then I saw this in the KWO partnership, with BIA, but out students as hand on, cause they had to log so many hours as apprenticeship to the program, they when go out and do stuff like this, put up fencing, they would build concrete, the Provost's house they would put in copper gutter. They did a lot of things in, I guess helping the students also, but they did it without getting paid, but they got credits for it."

CEO Crabbe says that is the model or the creativity with UM. He points out that it couldn't happen at OHA but UM could with their resources, or labor through students, but also would ask OHA for things they needed, like equipment.

Trustee R. Lindsey says that what CEO Crabbe shared, reflects what we talked about, where we are leveraging the opportunities that are out there.

CEO Crabbe says that it was a natural fit but what is important is the agreement of a shared governance mechanism, with the community and stakeholders.

John Kim moves on to WKOP management fund on Page 31, where the second paragraph shows the funding source background of Action Item #15-02 the Board approved to allow this establishment of WKOP management fund which includes previously authorized for the appropriation for the current future programmatic needs, and it is based off of the MOA with DLNR, which was at about $228,000/year, which was unspent and reallocated for this purpose. He says that for FY 18/19 it will have $704,000 and $353,000 of the running balance of the Board authorization of the appropriation, with the proposed budget of $350,000 and $330,000 respectively for WKOP management.

He moves on to the Special Programs (SP) Budget on Table 36, where is outlines the two areas of SP. He explains the first one is HLI (19:55) for our federal programs, which are HLID and NARF programs, where they are asking for a budget approval of $2.1M and $2.2M per year, where those budgets have been approved at the federal level. He says that the DOT as the pastor entity for HLID and ANA for the NARF program. He explains that the other $200,000 and $250,000 for Hiilei and Hookelepono is something that is being proposed out of the biennium budget for FY 18/19. He points out that at Fiscal 37, he provides more background based on what the LLC had requested for the biennium, as opposed to what administration was able to identify out of the SP – Others category. He repeats that Table 37 provides the breakdown of the LLC budget request is comprised. He says that for Hiilei Corp. for FY 18 is requesting $455,000, Hiilei for capacity building $400,000, and the PTAC program for $150,000, which among these three is approximately $1M. He says currently, administration has identified out of the SP – Others category is $200,000 out of the $1M budget. He explain that historically in FY 16/17, OHA has provided a total of about $790,000 and $760,000 respectively for LLC funding, and compares that the current request is higher than what was funding previously, but cautions that the BOT keep in mind that the level of funding is being significantly reduced for the current biennium ask.

Trustee Akana asks, "Is this in addition to the other funding listed in another part of the budget?"

John Kim confirms that this is the only part of the budget for the LLCs.

Trustee Akina asks with regard to the significant denial of only $200,000 versus the request of $1M, "What was your rationale for reducing this sector?"

CEO Crabbe says, "For the last two biennium, we were encouraging, similarly to Hiʻipaka of Waimea Valley, was to help provide direction and vision of longer term sustainability. We did have a number of discussions for the past years about the level of funding that OHA would support our LLCs. We believe we have provided enough direction and ideas on helping to prepare the Hiʻilei to move in the direction of more independent funding, looking at other opportunities, other than solely the OHA. They had presented similar funding for services such as capacity building, incubator, leveraging for grants, but we felt given the discussion several weeks ago regarding their progress, we provided funding at least for minimal staff funding and salaries. We also wanted to allow our input from the Trustees giving concerns about the LLCs in terms, of where you believe the direction of the LLCs should be moving."

Trustee Akina follows up by saying that from the last budget workshop meeting he had questions that needed to still be answered from administration.

CEO Crabbe says that he approved it, and the attorney said that it is permissible, and they have sent it off as of yesterday afternoon.

Trustee Akina says that it would have been better to have those answers in time for the vote, but looks forward to them anyway.

CEO Crabbe continues addressing the Trustees that management comprised of the CEO, COO, and CFO would appreciate guidance, because it is a significant decrease. He believes that they have guided Hiʻilei Aloha and Hiʻipaka to come before the Board to report regarding their progress, the funding they have received, what the potential outcomes have been, and their direction. He says that the managers are in a quandary of where the consensus is of the Board in terms of moving forward with the LLCs. He says that management has done that in terms of a minimal budget, but is that sufficient for the LLCs to sustain themselves which administration can add more or keep it status quo.

Trustee Akana commends administration. She says that over the years OHA has given the LLCs a lot of money, where unlike most grantees what we look for is sustainability. She says that OHA cannot be the source of dependence, and thinks that this will help them stand on their own feet. She says that as far as the PTAC grant, she hopes that it would come back to OHA, since it is the only thing in that LLC, where OHA could save a lot by doing that, since it is federally funded. She says that could take care of the salaries and other staff that would help with the grants and other things that they would do. She points out that the grant was originally given to OHA, but then moved in to this independent LLC.

John Kim provides more background information on the LLC funding levels. He reiterates that in FY 16/17 they were funded with $790,000 and $760,000 respectively. He says that the allocation of that was comparable coming out of SP – Other, and the remaining amount that made up the difference was allocated out of core budget in the past. He continues to say that because of the other priorities that OHA has had to deal with, primarily the short fall in general funds regarding personnel and grants, this is essentially an area that is falling short in meeting our grant funding level from what OHA has provided them in the past, and he understands Trustee Akana's comment and believes that they are reaching towards fiscally being self-sustainable, especially from the Hiipaka perspective. He says that he inquired with Mona Bernadino regarding the reduction in the budget where it will have a significant impact to their operations. He says this will result in a combination of eliminating or significantly reducing PTAC, capacity building programs, workshops and trainings, assistance to neighbor islands, or the incubator accelerator. He asks that Board to consider if additional funding should come out of core because OHA has about $500,000 of budget that has not been allocated and is below our spending limit.

Trustee Akina comments that is a fair observation of the reduction of funding of the LLCs will have an operational impact, and some Trustees have made suggestions to consolidate costs and programs can be brought back in house to OHA. He says that it is fair for the Board to look at the impact and what will be helpful is having the information from the LLCs so they can properly assess what has happened with the monies with regard to performance and compliance.

CEO Crabbe says that the presentation made by the LLCs a few weeks ago provided not only background information but the current activities and the services provided to the community to inform the BOT of progress. He asks what more does the board need. He points out that Trustee Akina's letter of request was received this past Monday.

Trustee Akina clarifies that it was a follow up reminder for Mona Bernadino the information she promised at the last meeting, for he had not received the information.

CEO Crabbe says that the Board knows that Richard at Waimea Valley has been sustainable for the last 2-3 years. He says that if we put Hiipaka aside, Hiilei consumes most of the budget request in order to provide capacity building, grant writing workshops, helping community organizations with paper work to develop non-profits, in addition to the management of housing the PTAC program. He asks, "If you find minimal amount of services or programs to continue, how much would be the appropriate level of funding to support the current operations?" He says that right now there is only enough funding for minimal staff and does not include office, bills, etc., and says it is not enough for an operational structure.

John Kim says that the current funding level provides enough for the personnel of 1.5 FTE, and they are primarily dedicated for the administrative functions of the LLC under Hi'ilei Aloha, including Hiipaka. He says that regarding grant opportunities specific to PTAC, it does come with a matching requirement, and without sufficient funding to match the grants funding, they will be ineligible, and asks that the Board considers this matter.

Trustee Akana says, "I think that for this budget, Tr. Apo said it was not appropriate to make a motion, so I don't think it is appropriate to add anything at this time. Tr. Akina is waiting for information from Ms. Bernadino, and as the budget Chair and at your call, we can always add to this budget. It is not critical, these people are not going to lose their jobs. They all are secured and the rent is paid, there is enough to keep it going. It is not as if next week they're not going to be operating. So it is not in dire straits. So my thing is that we not appropriate any more money at this time. We know that there is $500,000 and based on the information we get from Mona Bernadino, the committee can make a decision."

Trustee Machado asks what are the actual figures that administration would recommend for the BOT to reconsider. She says, "Are we looking at $915,600?"

John Kim says that right now the only funding source that has been identified is under SP – Others, and those are based on the estimated revenues generated from KWO sales and repayments from the DHHL OHA inactive loan program, which is the reason why OHA is significantly lower based on the amount that is available from that particular funding source. He says that in the past they have supplemented that amount from the COB. He recommends the most appropriate place to fund this would be out of core, because OHA's current budget request with the action item is about $500,000 lower than the spending limit, which would be able to allocate that amount for this purpose. He says that in a conversation, they discussed having to lay off everyone except for the 1.5 FTE's, which would be the executive director and the accounting position, which handles most of the administrative function for the LLCs.

Trustee R. Lindsey seeks clarification that administration is saying that the LLCs, with Waimea Valley an exception, will struggle without the sufficient capital provided.

CEO Crabbe affirms that statement.

John Kim points out that their financial statements and from previous discussions, they are becoming more fiscally self-sustaining. He says that Hiipaka's operations, as an example, have been generating net profit, and eventually lead to a capacity for all the LLCs under

Hi'ilei Aloha to be self-sustaining, for which they are headed in that direction. He points out that funding for the LLCs have been declining over the years, but they are not at that point of self-sufficiency.

Trustee Machado says that contrary to Trustee Akana's issues with the LLC, she supported the FAM approach with hopes of reviewing the LLCs in a manner that would accommodate a more realistic approach, and how they would sunset those programs. She says that if they have to take action on allowing the $500,000 to go to the LLCs that would be alright, because they can always revisit the program after they obtain the review of the audit.

Trustee Akina would support that statement. He says that he would like to submit a proviso to the RM Chair to be put on a future agenda, to say that before funds are dispersed to the LLCs, that they would be allowed to have oversight and get the information on their performance.

Trustee Apo would agree with the last two speakers. He says as the Board recalls from the last meeting, we had discussed the notion that the BOT needs to look at the LLCs and provide better guidance of governance model, but there was also a sense that their needs to be a continuum of the funding until such time the Board is able to take it up in a formal session and address Trustee Akana's concerns, for which he thinks is legitimate.

Trustee Akana clarifies that the Trustee Machado said to add the unallocated funds in to the budget with a proviso, for which she will not vote yes. She says that it is because OHA has thrown money in this "black hole" under the management of Hi'ilei Aloha, where she points out that they were in dire straits, till Richard turned it around. She says that is how Hi'ipoi went down, and the employees were being paid and not even showing up to work. She says that it is management's fault and why should OHA throw more money to bad management. She says again that she will not vote for this and bad management is why it is not turning around for the better. She says that this is a recommendation that has come from administration. She expresses her discontent that it is now permissible to make motions at this time when it wasn't permissible previously in this meeting.

Trustee Waihe'e clarifies that the recommendation did come from administration. He asks why did they recommend less money in this budget then ask for the Board to increase it.

John Kim says, "I think that is a very fair and valid point. From the administration's perspective, we first went based on the funding source that we have had historically, funded them out of, and looking in to it, we were aware that additional funding for LLCs were allocated during FY 16/17 from core, but at the time our first priority was meeting the obligation of OHA as an agency first and foremost. So we were dealing with the $630,000 of reduction in grants from state, $900,000 in personnel. We also wanted to make sure we identify some grants money for focus areas that our community grants might not be able to reach, which is how we established the Kulia Grants. Those things were the first, and higher priority items that we looked at. And at the time, we were looking at the position of COB based on our spending limit, not having enough to accommodate those obligations, and when all of the numbers were finalized as recent as last week, for the BOT workshop #3, that's when we were able to safely confirm that we have $500,000 less than the spending limit allowance. It was actually $1M but it was after we allocated a budget item for the audit. That's when we were able to look further in to the areas of short fall which included the LLCs budget." He says that he takes responsibility for not putting this on the table for discussion, but says that when speaking with the LLCs it would have been irresponsible for him to not bring this to the table for the BOT to at least be informed on how to address this deficit moving forward.

Trustee Apo clarifies first that Trustee Akana's previous motion was one of policy.

Trustee Akana says that it wasn't a policy issue, and that the Board can do anything at this table at any time.

Trustee Apo responds that it was a policy issue, and that what the Board is asked now is to address a specific item in the budget. He says that he had a sense that in the meeting that Trustee Akana did not attend last time, that there was a consensus that we would preserve the LLCs until such time that we would revisit the entire concept and specifically with respect to other models that could be considered, as opposed to the proposal to "slash and burn." He says that he likes what he has heard, and to revisit the question later of LLCs and not just Hiʻipaka. He supports motions that are thoughtful and cautious.

Trustee Akina believes that the concerns of Trustee Akana are shared by the beneficiaries, himself, and by all the Board members as well. He says that they can move forward and provide some level of funding for the LLCs because OHA has safeguards. He first points out an audit that will include the subsidiaries and specifically the LLCs, and should that audit show that there needs to be adjustments of our funding, we can make that decision at that time. Secondly he mentions that he will circulate, or the Chair if she so chooses, a proviso that says whatever level of funding that is authorized today the Board is going to have some rules that have to be followed when the funds are dispersed and have reporting measures in order to continue that funding. He says that he thinks the Board can move forward. He respects what was said by Trustee Akana, but he also thinks that the Board shouldn't "put to death" the LLCs before the Board has looked at it carefully, and make sure the Board has continuity in the services provided to the beneficiaries.

David Laeha answers the earlier question highlighting what some of the accomplishments have been achieved by the organizations echoing that Hiʻilei Aloha had counseled 1,242 organizations that have gone on to raise $36M of funding through grants, also in PTAC they had raised $43M in the third and fourth quarter of last year with the connection of Hiʻilei Aloha Team.

Trustee Akina thanks David Laeha, and points out that was the information given to the Board at the workshop on this. He says first that the funds raised were not funds that went to the LLCs or OHA, but raised by individual organizations with some consultation by the LLCs. He continues saying that a good amount of that funding was already going to those organizations and many of them still could have received that funding, and that it was not purely the LLCs. Secondly, he says, that in many cases, that funding could have been achieved with consultation that came out of this building, and not necessarily the LLCs. He is saying that he is not diminishing the value and leverage value of the LLCs but he is analyzing the best means to accomplishing the goals.

CEO Crabbe he says that according to the sharing at the table, he would like John Kim to be clear in terms of how much we would be appropriating from core to supplement the LLC budget.

John Kim says that with respect to Table 37, that the requested budget for the LLCs is $1M each year, and the current biennium budget Action Item allocates about $200,000 in FY 18, and $250,000 in FY 19, which is $1.56M less than what was requested for the biennium. He repeats that the Board should consider allocation an additional $500,000 out of the FY 18 core, to help supplement the $1.567M of deficit in the LLCs budget request. He says that this is something that can be amended in the motion, and would have to be amended as part of the committee report to Board assuming it passes the committee, to be properly reflected accordingly for the BOT consideration the following day.

CEO Crabbe clarifies that if they are going to amend the action item they are going to need specific language so the board knows exactly how much would be appropriated.

Chair H. Lindsey says that on Table 37 it is a request of $450,000 versus the $500,000 that has been verbally requested at the table, and wants to know which one is the proper ask.

John Kim says that the $450,000 is the current Action Item is asking.

Chair H. Lindsey asks, “The current Action Item is already asking for this?”

John Kim replies, “Correct.”

Chair H. Lindsey asks, “Where is the language?”

John Kim says that it is on Page 32, Table 37, the last column on the right, the second line from the bottom, it states for $450,000. He clarifies that is the current Action Item proposed out of the SP – Other.

Chair H. Lindsey asks if it is a minus.

John Kim says that is the budget that is being proposed. He refers the BOT to Table 36, where it states that to for FY 18, in the “others” area at the bottom of the Table, there is the

$150,000 and the $50,000, totaling to $200,000. He points out that for FY 19 we have $200,000 and $50,000, totaling $250,000. He clarifies that there is a total of $200,000 for FY 18 and $250,000 for FY 19, which is what the current Action Item is proposing for the LLC funding.

Trustee Akana asks if we are adding $500,000 to the $450,000.

John Kim replies that the Table 37 shows that $200,000 and $250,000 compares to what was asked in the budget request, which can be reviewed in Attachment 4. He says that what he is bringing to the table is that the current budget for the LLCs is short of what they are asking, which is $1.56M short of what was requested, and is asking the board to consider additional funding in addition to the $450,000 identified under SP, out of the COB, so that some of the deficit can be supplemented.

Chair H. Lindsey clarifies that the LLCs would get a total of $950,000 for the FY 18/19.

John Kim says that is correct, but it would require an amendment to add $500,000.

Trustee Ahu Isa says, "I agree with Trustee Akina. We have to complete a review of the LLCs, our audit, or wherever the review is. And I feel we should establish an LLC for our commercial properties. Because the sole reason you create it is to have a veil against potential liability. Even this building should be an LLC. But I agree with SCHHA our homesteaders. I agree that 100% of the annual net revenue, I don't care if we give them the money, but the net revenue we get from that should go back to us, the Trust Corpus. I have no problem with the $500,000. But we got to get back that money for us."

Trustee Akina says that from a broader context they did not meet their goal of bringing down the draw from the NHTF, where he points out in FY 18/19 it will be a total draw of 4.85% and 5% respectively. He points out further that it will be higher if we allocate more to the LLCs. He proposes administration look elsewhere in the budget to increase the budget of the LLCs, so that less can be taken from the NHTF.

Trustee Machado says that her concern is with regard to the Kulia Grants, is that there is an allocation for only FY 18, at $500,000. She suggests that at the proper time the BOT bifurcate this budget item. She moves on to Page 18, with regard to the $250,000 allocated for Leveraging for FY 18/19, and says that it should be reduced, by providing them what they have had in 2017, which would be $100,000 each year, and take the remaining balance of $150,000 and move that to the Kulia grants, which would be a total of $300,000 for FY 19. She says this only as a suggestions. She says she will step back from this lack of Kulia grants in FY 19 if there is another plan that will be presented.

John Kim says that based off of Trustee Machado's suggestion we would reallocate $150,000 from FY 18/19 from leveraging each year, it would have to be allocated to each year making it a total of $650,000 in FY 18 and $150,000 in FY 19 for Kulia Grants. He points out that there is an opportunity to delve in to the FY 19 budget. He says there will be a lot of discussion with regard to the spending policy that will likely result in a change of the budget that the Board is currently reviewing today, which could also result in finding more funds for Kulia Grants in FY 19. He says that administration was not able to identify sufficient funding to allocate to the Kulia Grants for FY 19.

Chair H. Lindsey says that she is going to push for a 4.5% spending limit in 2019. She says that she will take things one at a time for approvals, and says that we also need to work with less money.

CEO Crabbe requests for a one minute recess to entertain Trustee Akina's suggestion and discuss the current option in the budget to see where funds are to supplement the difference for what is proposed.

Chair H. Lindsey grants the recess.

Chair H. Lindsey reconvenes meeting.

CEO Crabbe says that based on deliberation during the recess, administration concurs with Trustee Machado's suggestion to move funds out of leveraging in to Kulia Grants for FY 18/19. He says that administration is willing to reduce the personnel budget, but keeping in mind that it will affect certain services, for which they will take on the burden of figuring it out. He says that it will affect certain positions.

Chair H. Lindsey says that we won't do it today but later administration can come back with the proper requests then the budget can be amended at that time.

John Kim reiterates that Chair H. Lindsey is proposing a budget realignment in FY 18 for administration to come back with more information, rather than implement them today.

CEO Crabbe says that is fair.

Trustee Akina he says that he believes she requested that the funding request for the LLCs come with a detailed budget.

John Kim says that the detailed budget is included as Attachment 4 in the Action Item, which details out the approximately $1M of budget requests from the LLCs, and what the projected spending will be. He says that this provides a line item detail of the requested amount in the budget.

Trustee Machado recommends to the Chair that on June 28, 2017 during the RM Committee meeting to refer the biennium budget to the BOT schedule for the June 29, 2017. She asks, "Would that be sufficient timing?"

Chair H. Lindsey says that she wanted to move forward and come back to the budget.

Trustee Akana says that if the Board is willing to wait on the addition for the LLCs, she asks if they will also be willing to address the Hawaiian Homes issue, and get more information now that there is time, and look at the SPIRE report.

Chair H. Lindsey says that the Board could do so.

Trustee Machado says that she will add that on to her BOT agenda as executive session on June 29, 2017.

Trustee Akina asks CEO Crabbe if they could have the answers to the questions submitted to him in time for consideration for the budget increase for the LLCs.

CEO Crabbe says that he will personally call Mona Bernadino that day.

Trustee Akana says, "So if you are going to make the motion for this budget it would be excluding the $1M for Hawaiian Homes because we are going to take that up later."

Trustee Machado says that we cannot do that, but we could discuss it after June 29.

Trustee Waihe'e says that just because it is budgeted doesn't mean we have to pay it.

John Kim says that the budget for the $3M or the reduced $2M for the DHHL obligation, is for budgetary purposes, and the due date for FY 18 is not till May of next year, but allows the Trustees time to consider the options on how to proceed.

Trustee Akana says, "Have we paid them this year?"

John Kim says that we have not paid this year for FY 17, but the money is encumbered for it. He says again that it is budgeted due to the contractual obligation.

Trustee Akana says, "The contract is no longer valid. They broke this contract years ago. We have no real contract with them. Lawyer will tell you that and SPIRE has told us that. It is in our report. We have no more obligation to them at all. So to continue to pay them is ridiculous. That is not to say that the Trustees can't reconsider and pay them anyway if they decide to do that. I am just saying that there is no valid contract here at all."

Trustee Ahu Isa asks if DHHL is a state agency like how OHA is. She also says, "It's just a debit credit. So we don't have to pay them."

Trustee Akana says that she doesn't want it in the budget.

Chair H. Lindsey asks if they are ready for the motion.

Trustee Akina says that he finds it difficult to vote for the budget, but he will, because he is committed to building a strong OHA, and that there are many good things that will help advance our Native Hawaiian people. He says his concerns are that the Board has not done enough to lower the spending from the NHTF, and it must come down to 4.5%, and as it was seen today he says that they do not have a planning, programming, budget system that allows the Board to see line items on how OHA is doing. He hopes that they will proceed with this. He also says that the length of time spent today helps show we need to have a budget and finance committee working all year due to the complex material, and points out that the Board cannot support administration as well without that committee. He also mentions again that he hopes to get the information regarding the LLCs, and thanks the administration for their hard work for trying to meet Trustee expectations.

Trustee Waiheʻe moves to approve the following motion.

Trustee John Waiheʻe, IV moves to approve the Total Operating Budget for Fiscal Biennium periods 2017 through 2018, and 2018 through 2019, as outlined in Attachment 1. Trustee Colette Machado seconds the motion.						
	1	2	ʻAE (YES)	ʻAʻOLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI **AHU ISA**			X			
TRUSTEE DAN **AHUNA**						**Not present at roll call**
TRUSTEE ROWENA **AKANA**					X	
TRUSTEE KELIʻI **AKINA**			X			
TRUSTEE PETER **APO**			X			
TRUSTEE ROBERT **LINDSEY**			X			
TRUSTEE COLETTE **MACHADO**		X	X			
TRUSTEE JOHN **WAIHEʻE**	X		X			
CHAIRPERSON HULU **LINDSEY**			X			
TOTAL VOTE COUNT			7		1	
MOTION: [] UNANIMOUS [x] PASSED [ ] DEFERRED [ ] FAILED **Motion passes with seven (7) YES votes, one (1) ABSTAIN vote, two (0) EXCUSED vote.**						

B. <u>Presentation of Asset Allocation and Benchmarks</u>

Chair H. Lindsey announces that she needed to move Item III. B. to another agenda on June 28.

<u>IV. Community Concerns</u>

Chair H. Lindsey calls for community concerns.

Germaine Meyers raises her concern with the process of voting on action items. She makes it clear that if the members of the Board have concerns or need more information it is permissible to defer action items in order to get that information to make better decisions. She feels it is not right that the Board gets pressure to vote on things when the workshops are completed. She points out that it is her right to research the LLC with regard to Kaina Makua's non-profit, Hiipaka and Waimea Valley. She hopes that OHA upholds Sunshine Law and provide documents to her in the name of transparency. She brings up her concern on KM with regard to the money spent on this project thus far. She expresses concern that money is going Davis Price's for profit LLC as a co-owner.

Trustee Ahu Isa says, "I want you to know, this is from me, for all the work you do and the receipts, this is my money, we appreciate all that you do."

Trustee Akana wants to thanks Germaine for doing her own research. She says that Germaine is a breath of fresh air. She says that she comes to the table with facts and does more than the research department. She tells Germaine that the Trustees have similar feelings. She says that the Board doesn't control the contracts, and have discussed why the contractor has gone to the neighbor islands using the contact money. She expresses that she does have a problem with that, but they do not control it. She expects a time in the future to ask them why they are duplicating services, which is an area that is being looked at certain agencies. She thanks her for her research.

Trustee Apo says that this Board welcomes her, and says that her issues and concerns are heard by the Board, and asks if she will have patience with the Board and OHA.

Trustee Machado says she hopes that the Board can do a better job and have patience for the Board.

Chair H. Lindsey wants to thank Germaine. She says that Germaine helps to keep OHA's feet to the fire and her research is amazing.

Trustee Akana says that she could be a private investigator.

Germaine Meyers says that she just doesn't want her trust fund monies to go to waste, and question administration, and listen to the community. She says that money is stolen from OHA and the people due to mismanagement of grants given away multiple times, and challenges Mona Bernadino's letter.

Trustee Akina says that OHA needs her voice.

V. ANNOUNCEMENTS

None.

VI. ADJOURNMENT

Trustee John Waihe'e, IV moves to adjourn. Trustee Robert Lindsey seconds the motion.

	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI **AHU ISA**			X			
TRUSTEE DAN **AHUNA**						Not present
TRUSTEE ROWENA **AKANA**			X			
TRUSTEE KELI'I **AKINA**			X			
TRUSTEE PETER **APO**			X			
TRUSTEE ROBERT **LINDSEY**			X			
TRUSTEE COLETTE **MACHADO**	X		X			
TRUSTEE JOHN **WAIHE'E**		X	X			
CHAIRPERSON HULU **LINDSEY**			X			
TOTAL VOTE COUNT			8			

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

Motion passes with eight (8) YES votes and zero (0) EXCUSED vote.

Respectfully Submitted,

G. Max Mukai
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management on September 21, 2017.

Trustee Carmen Hulu Lindsey
Committee Chair
Committee on Resource Management