

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

**Minutes of the Office of Hawaiian Affairs Committee on Resource Management Workshop  
April 26, 2017  
10:00am**

**ATTENDANCE:**

Trustee Leina'ala Ahu Isa  
Trustee Dan Ahuna  
Trustee Rowena Akana (arrived at 10:49am)  
Trustee Keli'i Akina

Trustee Carmen Hulu Lindsey  
Trustee Robert K. Lindsey, Jr.  
Trustee Colette Machado  
Trustee John Waihe'e, IV

**STAFF PRESENT:**

Kamana'opono Crabbe, CEO  
Lisa Victor, COO  
Alvin Akee  
Albert Tiberi  
Claudine Calpito  
Davis Price  
Dayna Pa  
Everett Ohta  
John Kim  
Jocelyn Doane  
Kama Hopkins  
Kauikeaolani Wailehua  
Kawika Riley  
Lady Garrett

Lehua Itokazu  
Liana Pang  
Lisa Watkins-Victorino  
Lopaka Baptiste  
Makana Chai  
Maria Calderon  
Matthew Kodama  
Mehana Hind  
Melissa Wennihan  
Miles Nishijima  
'Olu Campbell  
Paul Harleman  
Sterling Wong  
U'ilani Tanigawa

**GUESTS:**

Keali'i Makekau  
Germaine Meyers

**I. CALL TO ORDER**

<b>Committee Chair Hulu Lindsey</b> calls the Workshop of the Committee on Resource Management to order at 10:10am, noting for the record the following Trustees present:				
		<b>Present</b>	<b>Excused</b>	<b>Comments</b>
TRUSTEE LEI	<b>AHU ISA</b>	<b>X</b>		
TRUSTEE DAN	<b>AHUNA</b>	<b>X</b>		
TRUSTEE ROWENA	<b>AKANA</b>			Arrived at 10:49am
TRUSTEE KELI‘I	<b>AKINA</b>	<b>X</b>		
TRUSTEE PETER	<b>APO</b>		<b>X</b>	
TRUSTEE ROBERT	<b>LINDSEY</b>	<b>X</b>		
TRUSTEE COLETTE	<b>MACHADO</b>	<b>X</b>		
TRUSTEE JOHN	<b>WAIHE‘E</b>	<b>X</b>		
CHAIRPERSON HULU	<b>LINDSEY</b>	<b>X</b>		
<b>TOTAL</b>		<b>7</b>	<b>1</b>	
<b>At the Call to Order, there are seven (7) Trustees present and one (1) Excused.</b>				

**II. COMMUNITY CONCERNS**

**Committee Chair Hulu Lindsey** calls on Germaine Meyers for Community Concerns.

**Germaine Meyers** greets the Board, introduces herself as an OHA beneficiary/Nanakuli Hawaiian Homestead lessee, and directs Trustees to her written testimony being distributed. Summarizing her written testimony, she discusses Chapter 10 as it was not observed throughout this process so far and hopes that it will be observed. Primarily, it states that these opportunities shall be included by an accounting by Trustees of the funds expended and of the effectiveness of programs undertaken. The process so far has given an accounting by funds, but not by the Trustees as far as how it was expended as it relates to the programs undertaken. She hopes that this will be addressed.

Referencing and summarizing her second written testimony provided to Trustees, she shares that she is a delegate of the Oahu county Democratic Party. This past weekend they had a convention at the Aloha Stadium. The Democratic Party passed out the platform being adopted. Included in it was a Native Hawaiian People platform. Together with Ka‘iulani Milhem, they read the verbiage and wanted to give a different point of view so they created a flyer. She shares a response given by Robin Danner via e-mail. She shares that she has never met or been in contact with her; so it was very surprising to her, she was the co-author of the flyer and she is the delegate of the Oahu County Council, and yet she gives a very extensive derogatory statement about Ms. Meyers. The reason why she brings up Ms. Danner is because the last meeting she attended on April 6<sup>th</sup>, she heard Ka Pouhana mention that OHA received engagement from Robin Danner. Because of that, she wanted the Board to be aware of statements she made about Ms. Meyers. In closing, she shares the Mission Statement of the Democratic Party.

**Trustee Akina** asks a clarifying question of Ms. Meyers regarding the three pages of testimony she distributed to the Trustees. He asks who/what organization the author of the 2<sup>nd</sup> page entitled “Hawaiians Oppose Federal Recognition”?

**Ms. Meyers** responds that it was herself and Ms. Murphy. She adds that the 3<sup>rd</sup> full page.

**Chair Lindsey** thanks Ms. Meyers for her testimony.

### **III. WORKSHOP ON FY18/FY19 BIENNIUM BUDGET**

#### **A. Presentation on the FY18/FY19 Biennium Budget**

**Chair Lindsey** turns the time over to Ka Pouhana and John Kim for the presentation of the FY18/FY19 Biennium Budget.

**Ka Pouhana Crabbe** thanks Chair Lindsey and greets the Board. Today’s Budget workshop will include an overview of the context going into the current budget, and John Kim will overview the budget planning process, as well as Administration’s proposals after six months of planning for the budget. Public Policy Manager, Jocelyn Doane, will give some of the Legislative nuances that have figured into the most recent updated budget. Ka Pou Nui, Lisa Victor, will also add additional comments regarding the potential areas in the budget that may be reduced; especially given the shortfall that OHA just received news of.

Giving a brief context of what OHA was faced with during this legislative session, he shares that this Biennium Budget was just passed through conference committee this past Monday. It still requires final approval by next week and he really wants to acknowledge John Kim, the administrative and accounting staff, as well as public policy for enormous hours working with the Senate and House. They helped them to understand not only the budget, but also spent the time clarifying some of the issues that will be discussed today.

HB335 provides for \$3 million per year. The three major concerns in the Biennium Budget are Personnel Costs, Grants, and Proviso. The reason why is that part of the Core Operating Budget, when they do a draw-down from the Native Hawaiian Trust Fund, goes into the Core Operating Budget. John will explain this during the budget process. Because OHA is going to the State Legislature for General Funds, which includes General Funds for Personnel and a match for Grants and Provisos, this is the basic strategy – protecting these three areas. The Historic Provisos have included Education, Legal Services, and Social Services. This year, the Grants were Health, Economic Self-Sufficiency, and Income. They will report where exactly the Legislature landed in terms of supporting these grants and Provisos, and how much they have compromised supporting Personnel and fringe. For example, this budget includes a \$546,875 increase for Personnel for each year of the Biennium Budget. He believes this is an achievement given they were not expecting to propose the Budget at 60% fringe – they were informed by the Senate leadership that they should plan, so they did plan. They found out that the overall State

Budgets may not land there, but at 52% fringe instead. This is a success they got for Personnel costs than Fringe.

The Budget Bill represents an increase of at least \$46,000 for each year – not much, but at least they're above from last year. This includes the fringe for \$547,000 in personnel which means an additional \$284,375 up to \$320,000. OHA's strategy of protecting Personnel and Fringe was the thrust and he believes they did a very good job in doing that. The immediate impact involves that they fall short of \$853,000 for Personnel years. The shortfall in personnel is due to the dramatic fringe rate increase. The immediate goal is to maintain the consistent funding levels for Grants in the Core Operating Budget. They know that the Legislature did not match as much as they wanted them to, so Administration must consider how they will make that up. What they are striving to do is to look at the past funding trends for the past Biennium Budgets. Right now, OHA is at the lowest in terms of the spending draw down from the Trust Fund, given 2008's market. Now, Administration must consider where to pull monies to be able to increase funding back to levels that they believe would be appropriate for the Grants Program to help provide services for the Community. For example, in 2012-2013/2014-2015, OHA was at \$10-14 million, with \$3 million to DHHL and \$10 million for all of OHA's grants. Since then, it has dropped. OHA may be at the lowest level within the past 6 years if they still continue the support for the debt consolidation for DHHL. OHA's funding source for grants will be significantly low. Administration is currently assessing this situation. A lot of the policies that are begin recommended are in light of the newly created Fiscal Sustainability Plan; and as such, are meant to bring fiscal discipline to the organization and help OHA to focus on income and revenue. Very soon, the RM committee will be coming to the Board to present a highly likelihood of the City and County of Honolulu's interest in one of OHA's properties, which will help. This discussion will come before the board first for consideration, vetting, and a vote.

Over the next 2 years, because of Personnel/Fringe costs, being low on the trust funds, they are also looking at strategies to reduce staff. Ka Pou Nui has been working with HR personnel consultant for the past year to look at a realignment of OHA's structure and to look at the Executive Management, Managers, and Staff to streamline these positions. They do not have the final data in yet, currently at about 80-90% complete, but will likely have the final data in June to make recommendations to the Board in June. They are currently freezing positions, but in addition, the current analysis will allow OHA to have a clearer idea on the potential number of FTE positions that could be reduced. With that, he turns the time over to John Kim and asks the Trustees to hold their questions to the end.

**John Kim** thanks Ka Pouhana and Trustees. Because the meeting started with Ka Pouhana’s point regarding the Legislature, he asks Jocelyn to provide a quick update of the general Fund Status. He directs the Trustees to slide 10 and 11:

**Funding**  
State of Hawaii General Funds  
For FY2018/FY2019, OHA's General Funds Budget request was at \$4.5M for each year

- FY2018/2019 GF Request
  - HB335 \$4.5M
  - HB335 CD1 \$3.0M
- FY16/17 to FY18/19
  - Personnel increase \$547k
  - Grants Proviso decrease \$500k

**Funding**  
State of Hawaii General Funds  
FY2018/2019 General Funds is a slight increase from FY2016/2017

- Personnel
  - Increase in personnel has larger impact due to non-imposed fringe rate
  - Status of fringe benefit rate increase
  - People Strategy Study
- Grants
  - Returning funding level in core operating budget
  - Identifying potential revenue opportunities

Program ID	Original FY18	Final FY18 (D)	Adjustments
<b>OHA159 - Office of the Treasurer</b>	<b>\$19,437</b>	<b>\$58,323</b>	<b>(46,621)</b>
Personnel	10,437	58,323	(46,621)
Operational	0	0	0
<b>OHA160 - Administration</b>	<b>\$1,785,300</b>	<b>\$1,121,042</b>	<b>(661,258)</b>
Personnel	1,428,436	837,465	(661,258)
Operational	356,864	283,577	0
<b>OHA175 - Beneficiary Advocacy</b>	<b>\$2,611,377</b>	<b>\$1,855,818</b>	<b>(777,818)</b>
Personnel	328,817	181,688	(145,243)
Operational	2,282,560	1,674,130	(608,430)
<b>TOTAL PER YEAR:</b>	<b>\$4,511,574</b>	<b>\$3,837,879</b>	<b>(743,445)</b>

Program ID	FY16/17	FY18/19	Adjustments
<b>OHA159 - Office of the Treasurer</b>	<b>\$28,445</b>	<b>\$58,323</b>	<b>29,878</b>
Personnel	28,445	58,323	29,878
Operational	0	0	0
<b>OHA160 - Administration</b>	<b>\$700,159</b>	<b>\$1,121,042</b>	<b>420,883</b>
Personnel	403,283	837,465	434,182
Operational	296,876	283,577	0
<b>OHA175 - Beneficiary Advocacy</b>	<b>\$1,867,110</b>	<b>\$1,855,818</b>	<b>(11,292)</b>
Personnel	288,582	181,688	(106,894)
Operational	1,578,528	1,673,430	94,902
<b>TOTAL PER YEAR:</b>	<b>\$2,091,694</b>	<b>\$3,837,879</b>	<b>1,746,185</b>

**Jocelyn Doane** greets the Trustees. As it relates to OHA’s Budget Bill, the conference passed the budget bill on Monday. She provides context prior to sharing details. They went into this session knowing that they were asking for a large increase. Quite honestly, they thought it was unlikely that they would get it. In addition to that, they also knew that OHA’s legal services proviso was in jeopardy; and that the health, housing, and income proviso was going to be considered a new “ask” because of the way OHA’s budget was passed 2 years ago. Health, housing, and income wasn’t actually listed in the budget 2 years ago; OHA used the funds that they gave for health, housing, and income. Asking for \$1.4 million more than what was given before, which is a 50% increase, and they knew 2 of the newly requested provisos were highly unlikely to receive. Particularly, the legal services proviso, and the great work that they do some times conflicts with some of the politicians ideas of how they should be using these funds. That said, even though OHA got approximately the same amount as last biennium, about \$46,000 more, she considers that to be a success.

OHA prioritized the Personnel request; of the \$1.4 million increase requested, OHA got \$500,000 more, which means that personnel funding will be getting \$1 million per year. As Pouhana shared, this will come with fringe. She cautions that they have not seen the budget bill yet as it has yet to be made available, but they are assuming that it will come with fringe benefits also. This would be an approximately \$300,000 more. The \$500,000 is likely to be worth more because of the fringe that comes with the general fund contribution for salaries.

She shares her excitement that the Legal Services proviso went untouched. They had to work really hard to make sure that this was the case. They are, however, disappointed that the Health, Housing, and Income money did not get that. But the State is dealing with a downturn in their revenue expectations; just as OHA is. They also have to come up with a massive amount of

money to cover the fringe rate increases to cover their salaries as well. She shares that she does not take this to mean anything as to their respect/appreciation for the work that OHA does, but rather, they are also going through tight times and had to prioritize. She also shares her appreciation for OHA's advocates in the building that worked together with money committees.

Regarding the Fringe Rate situation, as Pouhana shared, the WAM chair made them aware that the Administration was asking all State Agencies to budget their fringe at 60%. In a meeting last week with Chair Luke's staff, they were told that the WAM and Finance committees were going to budget at 52% and not 60%. So there are different perspectives at the Legislature versus the Administration. The negotiations on the fringe rate approval are still on-going. While Administration seemed to be planning ahead, it seems the legislature was not willing to do that, and it seems like some of them think that it's not going to get passed. The difference between 52% and 60% is likely around \$900,000; and John Kim will expand. Even though they are \$853,000 less than what was hoped for, a lot of that will be made up for if the 52% fringe rate remains stable for the next biennium.

It was known that the General Fund request would be a challenge and they have always been preparing for the Fringe rate increase and the possibility of not getting it. Ka Pouhana has already shared a little about the mitigation efforts in that regard.

**Mr. Kim** asks if the Trustees have any questions about the General Fund Status? Otherwise, he moves on to the presentation, referring them to the power point slide that was provided to the Trustees. Today, they will go over OHA's budgeting process as well as community sharing period and comments received, followed by OHA's funding sources and the resulting preliminary core operating budget.

The second workshop scheduled for next week will go into the non-core budget areas that include commercial, legacy properties, as well as the special programs.

Regarding the Budget Process; it starts as early as October of the year preceding the Budget year. It starts with the 2 year work plan which lays out each paia's tasks, projects, and goals relating to the Strategic Priorities. Budget request worksheets are also prepared at the same time based on those work plans. The budget analyst then compiles all the requests and calculates OHA's spending limits which establishes the maximum amount that the Core Operating Budget can be established at. One of the challenges that Administration is faced with is that when all the budget requests are compiled, they are often several million dollars in excess of what the spending limit allows. Using FY18/FY19 as an example: when all the requested budgets were compiled, the total amount exceeded the spending limit by more than \$16 million. Now, the Executive Team is tasked with reviewing all of these budget requests to identify any reductions, deferrals, re-prioritization and any other necessary adjustments.

This Balance Preliminary Budget then goes to the Community Sharing Period. Once this period is over, the Budget is then presented to the Trustees in workshop; which is where they are

currently at today. Any necessary revisions from community comments and workshops will be incorporated and finalized into the action item which will be submitted to the RM committee and then the BOT for final consideration and approval. He highlights the budget process and community sharing period (see below):

### Budget Process

The development of OHA's strategic budget begins with the strategic planning process. It is a 6-month process and commitment by OHA's Administration and BOT to vet the requests.

In December 2016, OHA programs were tasked with the development of their FY 2018 and FY2019 Strategic Work Plans. The Executive Team then identified large commitments and priority projects. The next step is the community sharing period. This step will help to inform Administration's submission of the final Biennium budget to the Board of Trustees for approval in May 2017.

The following graph explains OHA's budget process:



### Budget Process

Biennium Budget Timetable						
Activity	December	January	February	March	April	May
<b>Work Plans</b>						
1st Draft Due to COO	1					
Feedback on 1st Draft Due to Programs Completed	5-9					
2nd Draft Due to COO	12-16					
Final Approval of Work Plans by COO	19-23					
<b>Biennium Budget Development</b>						
Budget Workshops Developed with Work Plans			3-17			
Budget Workshops due to COO (from approved Work Plans)						
Finalized Requests presented to Executive Team				1		
<b>Biennium Budget Approval</b>						
Round 1 - Executive Team Discussions				1		
Round 2 - Executive Team Discussions				10		
Executive Team Final Approval				17		
<b>Community Input</b>						
Registration for Community Input Sessions Completed					8	
Community Input Period					13-17	
Processing of Community Input Completed					24	
<b>Final Biennium Budget Approval</b>						
Ka Puuhou Final Approval					7	
FY 2018/19 Biennium Budget Workshops					26	1
Distribution of Action Items and Senders to RM						19
Action Items to the RM Committee						24
Action Item to the BOT						27

Budget data presented are preliminary and subject to change.

### Community Sharing

- Reach summary:**
- Facebook posts reached over 20,000 users
  - Facebook post shared 48 times
  - Instagram post
  - 600+ visits to the [www.oha.org/budget](http://www.oha.org/budget) webpage
  - OHA's email list blast
  - OHA's news release

The Community Sharing period started on March 13<sup>th</sup> and was initially scheduled for 1 week but was extended an additional 2 weeks, for a total of 3 weeks. Outreach efforts included Ka Wai Ola, OHA website, Facebook, News Release, and OHA's e-mail list. He also highlights outreach data (see above). This is the most visits and comments that has been received during the community sharing period.

OHA has received comments from beneficiaries as well as various Native Hawaiian Organizations and groups. They have also received comments on how OHA can continue to improve the Community Sharing and shares that they certainly intend to revisit these comments to ensure improvements in this process.

**Trustee Dan Ahuna** adds that he has been receiving a lot of inquiries and contacts from beneficiaries about the budget. He also shares that it was a great idea to go out and ask for input from the community and commends Administration for their work.

**Ka Pou Nui Lisa Victor** echoes Mr. Kim, sharing that they had the greatest reach on visibility on OHA's process. Administration acknowledges that there are specific ways that the budget should be recommended in the future, and Administration will make those adjustments. OHA received 2 significant comments that she will explain today. The first is from SCHHA (also distributed to Trustees as Attachment 2):



### Community Sharing

Comments received by the Sovereign Councils of the Hawaiian Homelands Assembly  
(Full document is included Attachment 2)

- Five (5) overall budget findings and fourteen (14) recommendations as follows
  - 1 OHA Staffing/Duplication/Beneficiary Land Trust Fund 3 recommendations
  - 2 OHA Management Top Heavy 1 recommendation
  - 3 OHA Centric versus Beneficiary Centric Spending 3 recommendations
  - 4 Grants Program Adjustments 5 recommendations
  - 5 Limited Liability Corporations 2 recommendations
- Recommendations Include:
  - Conduct an Inventory of Statewide Serving Beneficiary Organizations
  - Reduce Staffing Levels by 10% or 16 FTE positions over the next 2 years
  - Create a Beneficiary Land Acquisition Fund
  - Minimize middle managers within divisions
  - Redirect a portions of travel costs, program costs and OHA contracts to increase Grants program
  - Adopt a Beneficiary Serving and Controlled Organization Criteria for grant scoring
  - Transfer of Executive Sponsorship funds to the Program Sponsorship line item
  - Kakaako funds to be directed to the Grants program and not for other operating costs of the agency
  - Complete a review to assess all LLCs
  - Establish an LLC to hold the commercial property owned by our trust, to mitigate the same or similar liability issues as other land based LLCs

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The second set of recommendations comes from beneficiaries:



### Community Sharing

#### Beneficiary Comments Received

- Not enough advanced notice of comment period. Notice was published in the March 2017 Ka Wai Ola, the same month as comment period and deadline.
- "Combined expenses (operations, core budget, non-core budget, etc.) must NOT exceed \$35 million for FY2018 and must NOT exceed \$35 million for FY2019. This will lead to the proper re-alignment with the top two perpetual spending priorities."
- "The FY 2018 and FY 2019 Biennium Budget MUST include all expenses, up to \$500,000, to conduct and complete a thorough audit by the Ad Hoc Committee of Trustees Akana and Ahu Isa."
- "NO Grants to any LLC subsidiary of OHA (i.e. H'ilea Aloha LLC, H'ipaka LLC, Ho'okipa LLC, etc.) As their attorney informed us, the LLCs are self-sustaining through their own income sources, Federal grants and other grants which does not include funding from OHA."

In response to a number of comments, she highlights:



### Community Sharing

- Personnel Budget
  - 9 FTEs are planned to be frozen
  - Approximately \$900k of reduction in salaries and fringe benefit
  - People strategy study/analysis
- Travel Budget
  - Request of more than \$1MM each year
  - Executive Team reduction to FY16/17 budget level
  - Additional 25% reduction, current budget reduced to avg. of \$470k per year
- Kaka'ako Makai
  - 10% of projected revenue assigned for grants
- LLC grants funding
  - During FY17, OHA provided funding to approximately \$760,000
  - Proposed budget for LLC funding is not yet finalized

She adds that this Budget includes 9 FTE positions that plan to be frozen, approximately \$900,000 in salaries. During the Peoples Strategy Study and Analysis, they are working on it being an organization-wide response and hoping to present it to the board in June. The Fair Labor Standards Act will also be applied this year.

**Mr. Kim** adds to Ka Pou Nui's comments, emphasizing that this is just a preliminary assessment and they will be going into more detail to look closely into the comments that they have received. In regards to Kaka'ako Makai, the above was just a reminder to the Trustees that one of the four primary funding sources for OHA's Core Operating Budget is the 10% of the projected

revenue from Kaka'ako Makai. In addition to this, they are looking at other potential opportunities for additional revenue streams and capacity building opportunities.

Moving on to the "Funding" Portion, he directs Trustees to Attachment 1 that provides a Budget Summary Table; which the Chair thought was a better format because it was most similar to the Action Item format.

Table 1 shows OHA's Spending Limit, based on OHA's spending policy – which establishes the maximum amount of Core Budget. Table 2 shows OHA's Core Operating Budget that is currently being proposed.

**Trustee Akana** asks about the Spending Policy still being at 5% and not at 4.5%?

**Mr. Kim** responds that this is currently being looked at by the Fiscal Sustainability Plan Committee. For the purpose of the FY18-FY19 Biennium Budget, they followed the Spending Policy that is currently in effect and approved by the Board – which is 5%.

**Trustee Akana** asks when they expect to have that ready?

**Chair Lindsey** recalls a recent conversation that revealed that the .5% difference was not too significant.

**Ka Pouhana** adds that this kind of change is up to the Board.

**Trustee Ahuna** agrees and adds that the Board makes those decisions.

**Ka Pouhana** agrees and continues saying that they have presented the decision to the Chair, RM Chair, etc. Administration shares that they can prepare the Action Item, but this is at the discretion of the board regarding the issue. The analysis has been done by Spire regarding the .5% reduction. They are prepared to show the board what that would look like. The Board has not moved on this policy yet.

**Trustee Akana** responds that the Board must do that.

**Chair Lindsey** responds that she believes the discussion was with herself and Spire. She will be happy to look at this issue.

**Mr. Kim** adds that the reduction of .5% would approximate to \$1.8 million of further reduction, which means that Administration would have to look for an additional reduction of \$1.8 million should the Spending Policy be amended eventually.

Returning to Table 1, highlighting the 4 primary Funding Sources:



Funding

OHA's core operating budget is dependent upon four major sources of funding. The four are: a percentage of investment portfolio, public land trust allotments, Kaka'ako Makai revenues, and requested of State of Hawai'i general fund.

Funding Sources	Realign. #1A		Biennium Budget Request	
	FY 17	FY 18	FY 18	FY 19
<b>1. Core Operating Budget</b>				
5% of the NHTF Portfolio	\$17,658,436	\$17,555,826	\$17,555,826	\$17,448,120
Public Land Trust Revenues	15,100,000	15,100,000	15,100,000	15,100,000
10% Kaka'ako Makai Gross Revenues	357,575	433,997	433,997	440,709
State of Hawai'i General Funds	2,991,004	3,037,879	3,037,879	3,037,879
<b>Sub-total - Core Operating Budget:</b>	<b>\$36,107,015</b>	<b>\$36,127,702</b>	<b>\$36,127,702</b>	<b>\$36,026,708</b>

\*OH General Fund - final version of the bill has not been issued, but is expected by Thursday, April 27, 2017.

Budget data presented are preliminary and subject to change.

He highlights that the Spending Limit and the resulting Core Operating Budget of \$36.1 for FY17, 18, 19 have remained very consistent throughout the years; this trend also goes back to FY12. As Ka Pouhana mentioned earlier to 2009, the 5% funding at that time represented about \$20 million per year. Right now, OHA's current Spending Policy does reflect an overall reduction of \$2.5 million in comparison to 2009.

**Trustee Machado** asks a question pertaining to page 7 – she asks regarding their statement that for years 2018-2019, the non-core budget must not exceed \$35 million. Is that a true statement?

**Mr. Kim** says no – page 7 was a summary of the comments they received from the beneficiaries.

**Trustee Machado** asks if this is a realistic suggestion?

**Mr. Kim** responds that for the Core Operating Budget, this is something that would be a real impact if the 4.5% Spending Limit is being considered. Again, he shares that this discussion should not only include a reduction of \$1.8 million, but what is the real impact to the programs and services that OHA will be providing to the beneficiaries. This is a discussion and decision that must be considered by the Board.

**Trustee Machado** in response to Trustee Akana, she shares that they were looking to some kind of ball park figure in the future. She understands that this is a beneficiary comment. Knowing that General Funds were reduced, she thought this was a little too low in comparison to what OHA operates on, but this may be something that they need to look at seriously.

**Trustee Akana** shares that she is of a different opinion because she notices that nothing in the budget changes as far as personnel. The Legislature has wisely suggested that OHA cut personnel; and she notices that there are no cuts. When you have more than half of the budget going to personnel, that's where the organization needs to cut. If the Legislature is punishing

OHA because that is not what OHA is doing, then cutting other places will end up in cutting programs.

**Chair Lindsey** responds to Trustee Akana sharing that prior to her coming in, the Administration announced that they were freezing 9 positions totaling \$900,000.

**Trustee Akana** responds to say yes, but those are the ones that have not been filled.

**Ka Pouhana** responds that the discussion earlier clarified that Administration has been working on a Peoples Strategy to look at staff reductions at all levels, to look at streamlining programs and structures. Administration has frozen 9 positions and is looking into additional staff reductions. This would likely mean a reality of high level positions being consolidated, streamlined, or eliminated. Additionally, the State salary commission, as of 2016, the salaries of OHA's current Executive Management and some Managers are actually now much lower than the State. In 2015, the State caught up with their projections and are about 2-3% higher than OHA salaries for Executive Management and Staff. The State Government does their own salary commission, and in looking at 2016-2019, all State salaries will surpass OHA.

**Chair Lindsey** thanks Ka Pouhana.

**Trustee Waihe'e** directs his question to Mr. Kim regarding the \$35 million suggestion. He asks where the individual got the \$35 million figure came from?

**Ka Pou Nui Victor** responds that they do not know what kind of analysis went into that figure, but that they simply wanted to represent the comments received.

**Trustee Ahu Isa** asks if the Collective Bargaining Bill affects OHA? Does OHA follow the SR pay scale?

**Ka Pouhana Crabbe** responds that OHA does follow the SR pay scale.

**Trustee Ahu Isa** shares that she noticed that the Governor gave in to the HSTA – the government will pay more health premium for the teachers. She shares that OHA cannot stay status quo when they are getting raises.

**Trustee Akana** says that OHA does not have to because they are not mandated to do that.

**Ka Pouhana Crabbe** emphasizes that the State does their own salary analysis, which is separate from OHA's (also accommodating inflation, etc.)

**Trustee Lindsey** directs his question to John. He shares that he would surmise that in developing and preparing the budget, that inflation is factored into the process?

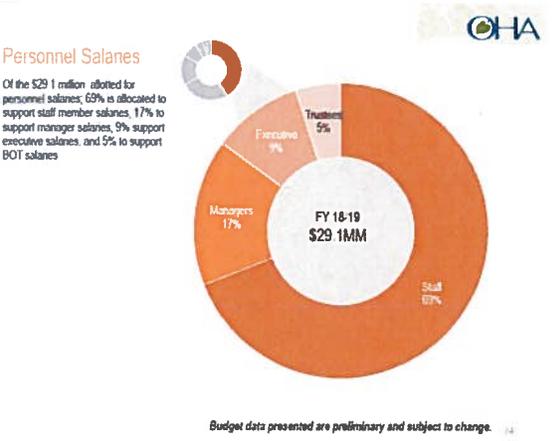
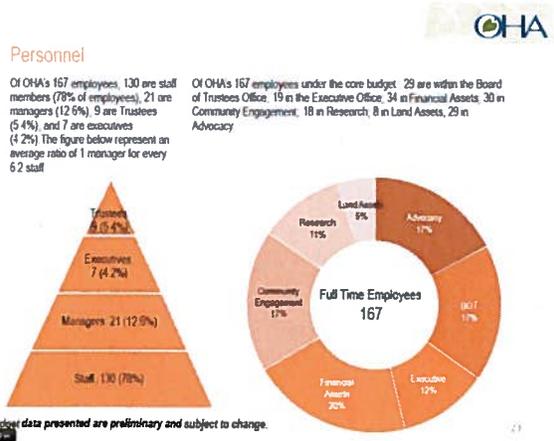
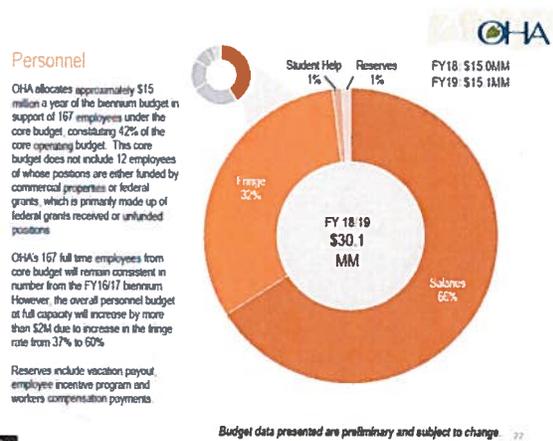
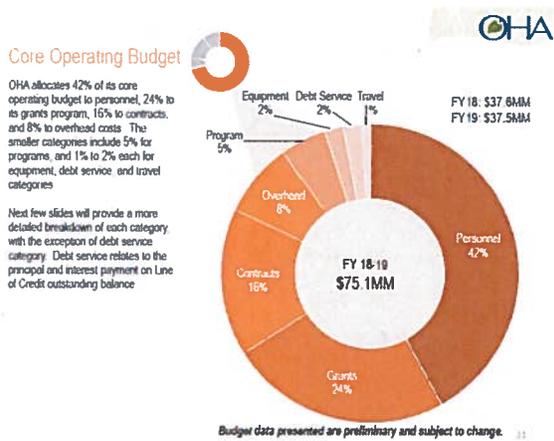
**Mr. Kim** responds that inflation is factored into OHA's budget based on the individual budget requests that programs are responsible for preparing. SR rating is something that is used as a

guideline to be consistent with the State’s salary level, but as Trustee Akana has shared, OHA is not mandated to follow.

**Trustee Akana** directs her comment to John, sharing that in adding up all of the funds OHA gives out, Spire said too, the funds that OHA gets for the rental of the building, Administration is using it to defray expenses on the building. It should be in a separate category because they are not using that money in the operating budget.

**Mr. Kim** responds that the Core Operating budget includes OHA’s costs as tenants. OHA’s costs as landlords are maintained separately outside of Core, which is self-sustaining. The budget for Nā Lama Kukui and Kaka’ako Makai is based on the anticipated revenue and surplus that carries over from prior year’s operation.

He directs Trustees to the second page of Attachment 1 – OHA’s Core Budget category and then directs Trustees to the personnel section. This includes all expenditures that are directly related to personnel:

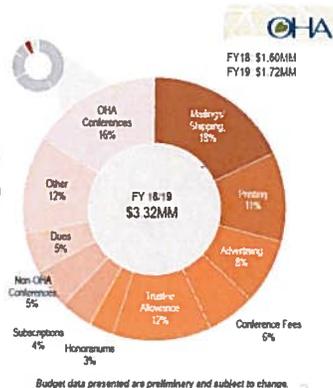


**Mr. Kim** reiterates that these numbers include a proactive approach of budgeting for fringe rate at 60%. This increase is offset by the 9 frozen FTE positions as Ka Pou Nui had mentioned.

He then moves on to the Program Budget also provided in Table 5 in Attachment 1:

**Program**

The next budget category is in Programs, to which OHA allocates approximately \$1.6 to 1.7 million annually to operating costs or 5% of the core business budget. These are costs directly related to programs such as mail, printing, advertising, seminars, conferences organized by OHA, and trustee allowances. Other expenses include costs related to multiple trust efforts, OHA staff meetings, workshops, name plates, etc.



Budget data presented are preliminary and subject to change.

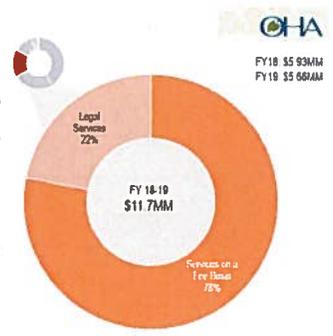
He moves on to the next category of Contracts:

**Contracts**

Contracts constitute 16% of OHA's core operating Budget and is comprised of two main areas: services on a fee basis and legal services.

Service on fee includes contracts from many areas of expertise to help support our strategic priorities. It also includes OHA's legal and social services providers who provide services directly to the beneficiaries, not to OHA.

Legal services are comprised of various litigation and consulting needs that arise in the ordinary course of business.



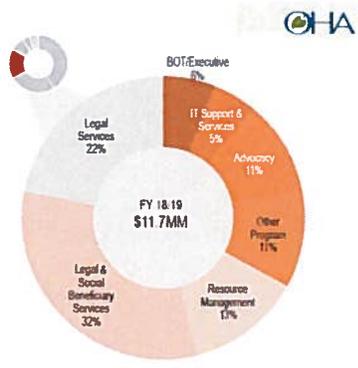
Budget data presented are preliminary and subject to change.

Contracts cover 2 main areas: Services on a Fee Basis and Legal Services:

**Services on Fee Basis Contracts**

Through a State Proceed, 32% is allocated to legal and social services. Legal services providers provide beneficiary legal representation for the assertion and defense of quiet title actions, assistance with ahupua'a and kuleana tenant rights, and preservation of Native Hawaiian land trust entitlements. The remaining is allocated for social services, including referral services and case management, to at risk beneficiaries to immediately address unexpected crises.

The 19% allocated for Resource Management includes funding for public water initiatives; access to Papahānaumokuākea; and state advocacy, services related to Kukuiākui, and, additionally, IT database contracts.

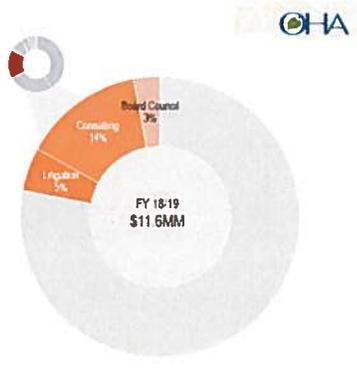


Budget data presented are preliminary and subject to change.

**Legal Services Contracts**

Fourteen percent (14%) of the contract budget is allotted for legal consultants who provide OHA with non-litigation legal advice in a particular area of law. Five percent is allotted for litigation in which services are rendered in either defending OHA and/or Trustees or as a plaintiff & the Board of Trustees so desires.

The remaining 3% is allotted for counsel to the Board of Trustees in which legal advice is rendered regarding Trustee duties, privileges, immunities and liabilities.



Budget data presented are preliminary and subject to change.

**Trustee Akana** asks a question regarding Contracts Budget's section – she asks if OHA is paying for facilities and support services for the contractors? She refers to page 5, table 7 of Attachment 1.

**Mr. Kim** shares that Trustee Akana is referring to \$43,000 and \$54,000 for FY18/19 and shares that he will provide more detail. Off the top of his head, he believes that this fee is related to moving services, etc.

**Ka Pouhana Crabbe** calls on Miles Nishijima to clarify.

**Miles Nishijima** believes that what this figure is referring to is OHA facilities. For OHA offices at Na Lama Kukui as well as the neighbor islands and DC.

**Trustee Akana** asks if he calls that contracts? They are our employees and OHA pays for them?

**Mr. Nishijima** responds that they have contracted services.

**Mr. Kim** adds that these fees are dependent on the type of services.

**Ka Pouhana Crabbe** adds cleaning contracts, moving services, etc.

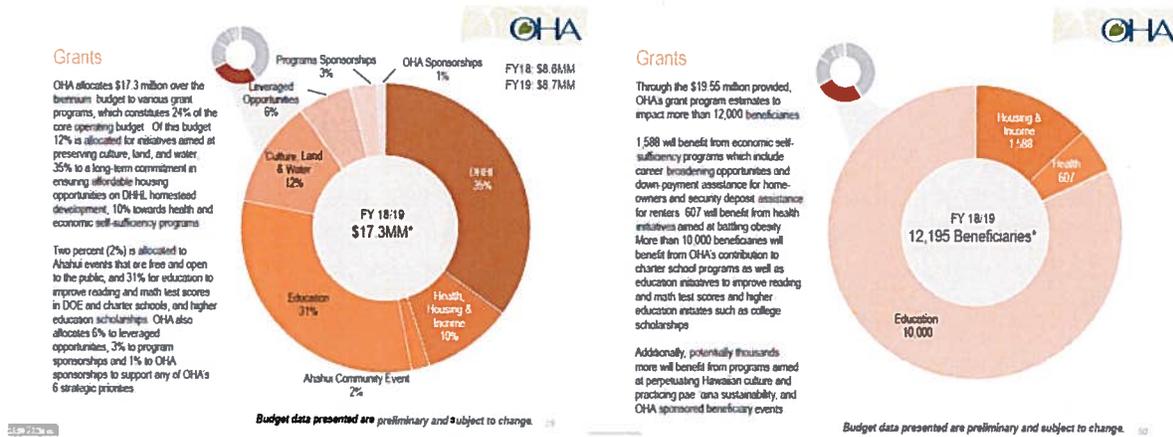
**Chair Lindsey** asks if the legal services is NHLC?

**Mr. Kim** responds that this is the procurement, so social services and legal services provisos requires OHA to go through the 103-D procurement process. The current service provider is NHLC. This is half general fund and half trust fund.

**Trustee Akana** asks a question regarding the IT support services – she asks if OHA refers them to PTAC?

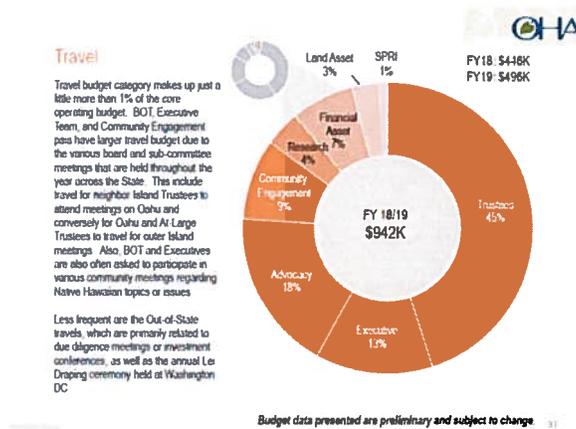
**Ka Pou Nui Victor** responds that the support is coming from System metrics – OHA's data center and network provider. They house OHA's services and systems – a secure environment.

Mr. Kim moves on to highlight the Grants Program, noting that it is a reduction from the FY17 Grants level and that it reflects the reduction in General Fund from Health, Housing, and Income proviso areas:



Ka Pouhana Crabbe clarifies that the \$3 million appropriation to DDHL is considered a grant, but it is not included in the Community Grants.

Mr. Kim moves on to highlight the smallest budget category, Travel:



He also notes that this also notes that this amount reflects a 25% reduction from the current year and believes this is a reasonable budget that will be sufficient to meet OHA's needs.

Trustee Akana asks a question regarding legal services – she asks what is the “Employee-Related Consultants & Employment Practices Liability Defense Deductible”?

Mr. Kim asks Corp Counsel, Albert Tiberi, for a response.

Albert Tiberi responds that this fund includes defense costs for when OHA gets sued. They have budgeted for the deductible, \$150,000. Through the current budget process, they reduced it down to \$95,000. If OHA is served with a lawsuit, this would go towards OHA's share of the deductible.

**Trustee Akana** asks if this is for employees?

**Mr. Tiberi** says this is for any one. OHA has a Public Officials Liability and Employment Practices Liability Policy – when Trustees are sued, Administration is sued, employees are sued...

**Trustee Akana** adds that this is “E & O” – which is for Trustees and officers.

**Mr. Tiberi** responds that the E & O policy is a combination of the Employee Practices Policy and a Public Officials Policy. Those funds could be used for either side.

**Trustee Akana** asks if there are 2 insurance policies?

**Mr. Tiberi** says just one.

**Trustee Akana** asks if this one that is for the employees is attached like a rider?

**Mr. Tiberi** responds to say that if a manager is named in a lawsuit, or more frequently, Kamana’o, they would be covered by the lawsuit.

**Trustee Akana** says ok and asks about the other categories of litigation, consultants, due diligence, etc. She says that it adds up to quite a lot of money - \$5-6 million.

**Mr. Tiberi** responds that the Legal Services part is \$1.2 million and the Total Core Contract is \$5.7 million. The litigation budget is for the on-going cases that OHA has – this figure is an estimation of what might be needed for those cases throughout this year. Legal Consultants and Due diligence includes the conflict representation program which is being budgeted for the Kaua’i kuleana quiet title cases. Additionally, there are funds in preparation for Kaka’ako Makai due diligence, in case OHA moves forward and requires legal expertise in this area.

**Trustee Akana** says ok, but the kuleana Kaua’i cases are being handled by NHLC?

**Mr. Tiberi** says no, NHLC has a conflict and cannot represent the parties involved. They will assist in any way they can, but OHA is trying to budget to help provide legal services if required.

**Trustee Akana** asks why they are in conflict? She says that the only reason that they would be in conflict is because they are representing someone that...

**Mr. Tiberi** says no, they had previously represented someone in the case, which prevents them from representing them on this case.

**Trustee Akana** says that because OHA is being told over and over that they need to cut back, it would really helpful if the guys preparing the budget would give them more explanation. She requests much more information; she is doing the check register right now and she can tell everyone that the legal fees are through the roof. With all the money that OHA has spent since

2010, OHA is the biggest charitable organization in the State of Hawaii. She has a real problem with a lot of the stuff that is in the budget.

**Trustee Ahuna** adds that Trustee Akana brings up a good point. He asks if these litigation costs include instances of when Trustees sue other Trustees? Are these the expenses? Like Grassroots, Kawanakoa suit, etc.?

**Ka Pouhana Crabbe** says yes.

**Trustee Ahuna** says the Trustees need to realize where this is coming from.

**Trustee Machado** has a question related to travel – she asks if the total is separated by Trustee versus Admin?

**Chair Lindsey** adds that she did ask Mr. Kim for a separation of the budget.

**Mr. Kim** adds that they will be preparing that information to include the separation by each paia for the action item. He shares that some of that information is on slide 31.

**Ka Pouhana Crabbe** adds that the 25% reduction is just one mitigation effort; they are also looking at other areas to limit out-of-state and neighbor island travel. For example, taking less staff to the outer island meetings, consolidating car rentals, hotels, etc.

**Trustee Waihe'e** asks for a point of clarification regarding the “other” and “non-employee” categories of travel.

**Mr. Kim** responds that there are circumstances in which OHA asks beneficiaries or other consultants to travel for whatever issues they are working on.

**Trustee Akana** suggests creating a proviso on the “non-employee” category that requires approval by the chairman of the board so that it is not abused. Otherwise, she won't vote for this budget.

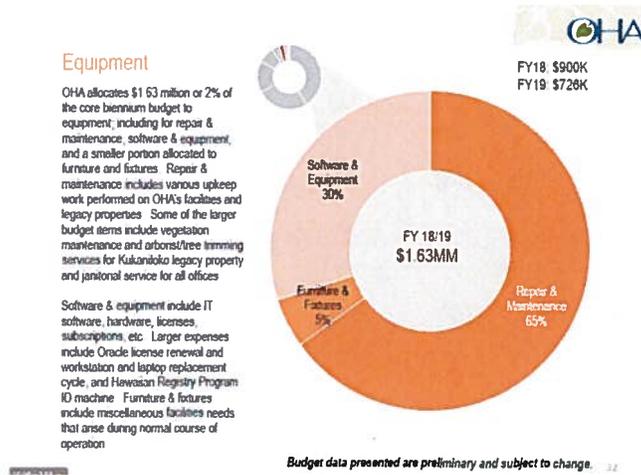
**Trustee Ahuna** adds that some of the Trustees live on other islands and some beneficiaries have a hard time attending meetings in Honolulu, so it is important that their beneficiaries are a part of OHA.

**Trustee Machado** adds that one of the most common areas is the kuleana for Papahānaumokuākea – taking scientists and consultants there cost money.

**Ka Pouhana Crabbe** adds that this is a good example, DLNR, together with NOAA, OHA consolidates resources. Rather than OHA paying for a scientist and a study, they help to pay for accommodations for the travel.

**Trustee Machado** shares another area of concern – would Administration be able to estimate how many individuals would be involved?

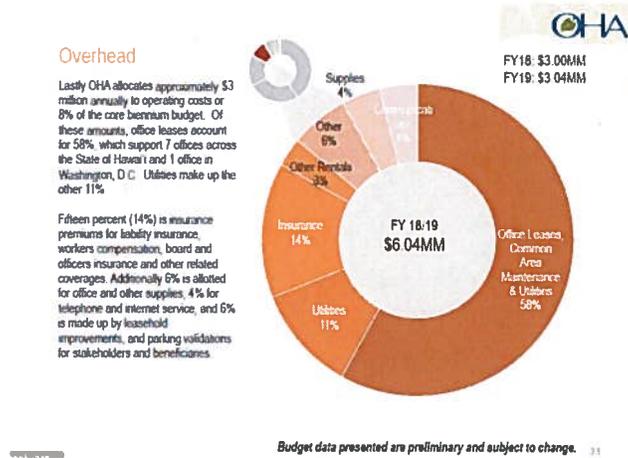
Mr. Kim adds that they will look into that information. He moves on to the Equipment category:



**Ka Pouhana Crabbe** adds that the Pou Nui has been working with the State IT to look at the possibility of the benefit of using their IT services; this would dramatically bring down OHA's IT services costs.

**Ka Pou Nui Victor** shares that they believe they have the opportunity to leverage like they have not before. She confirms that Trustee Ahuna's concern over bandwidth is a legitimate concern in this building. She also shares that they are asking the CIO to support OHA like they would any other state agency. Most significant is this budget category is the Oracle upgrade – this is also a requirement of the State system. This is how OHA began working with the state to leverage the state licensing system.

Mr. Kim moves on to the Overhead category:



Finally, he highlights the debt service category which represents the line of credit repayment based on the debt amortization schedule for the previously BOT approved Governance Planning budget of approximately \$3.5 million. Based on the payment schedule, they anticipate payments of \$579,000 and \$566,000 in FY18/19.

Trustee Akana asks if the debt would be cleared by 2019?

Mr. Kim responds that it is a 7-year term, so he would expect the term to go throughout early 2020. 2022-2023 would be the 7 year term. He also adds that they are looking into the refinancing options specific to the Nā Lama Kukui term loan and the line of credit for the office buildout. Additionally, they are looking at the possibility of consolidating this loan. They are assessing the current terms of the loan and if it makes sense to consolidate the loan at this point in time.

Chair Lindsey shares that the reason for the hesitation for including the debt is because the interest is so low, so it is to OHA's advantage to leave it as is.

Ka Pouhana Crabbe shares that this concludes their presentation and opens it up for questions.

Trustee Akina shares a comment for his fellow Trustees. He first thanks Ka Pouhana and the Administrative team for their hard work. He continues by saying Administration has done what the Trustees have asked them to do in terms of numbers for each cost area. This is important because HRS 10 requires Trustees to have an accounting of all funds expended. HRS also says that they must have a measure of the effectiveness of the programs that are undertaken. They must be able to see the expenditure funds and how effective they have been – this tells the Trustees whether they increase/decrease categories. As a fiduciary Trustee, he confesses that he does not feel prepared to vote for the budget positively. This is not a negative comment on

Administration, but rather about what the Trustees have asked them to do. He shares that they must ask Administration to show them a measure to indicate the success and effective spending for their beneficiaries. Traditionally in State Agencies, there is a PPBS (Program Planning Budgeting System) which they have talked about. This allows fiduciaries and officers to see the cost item in conjunction with the measure of effectiveness. Without that, they are only looking at half of the equation – just numbers. He asks the Chair if there is a way they can get a measure of this success to adequately prioritize. Based on the comments from the other Trustees, he believes it is important for them as well.

**Chair Lindsey** thanks Trustee Akina for his comments and shares that this is something that they can discuss with Administration.

**Trustee Akana** shares that Trustee Akina's question could be answered this way: OHA used to do budgets in a budget committee. Each paia would come to the budget committee each day for a week and they would present their budget. At the end of the week, they had a good idea of where the budget was. This is why she thinks the budget has ballooned and the Trustees have no idea of where the money is being spent and if it is working.

**Trustee Ahuna** thanks Administration's presentation. One of the biggest things that impressed him the most is that they went to the community to get effective input into the budget. This is transparency. This is working with our communities – and this is what is important to him. When looking at the effectiveness, they didn't have to do an audit. They located gaps and communicated these gaps. The effectiveness is what happened through the professionalism of the presentation that just happened. They are cutting costs, freezing positions, etc. They do not want to take action without the Trustees. He thanks Administration for their presentation.

**Trustee Akana** thanks Administration for their figures. She wants to correct Trustee Ahuna, chapter 10 says that the Board shall provide opportunities for the beneficiaries in every county to participate in the preparation of each biennial budget and supplemental budget. This isn't just putting it online but it does require OHA to go to each island to present the budget to the people. A lot of the people don't belong to Civic Clubs, private clubs, etc.

**Ka Pouhana Crabbe** makes a comment in reference to Trustee Akina's comment, which he thinks is very valid, for Trustees to have a greater insight into the effectiveness of their policies which Administration implements. He address the metrics of measurement – there is strategic plan of the entire organization. In the Strategic Plan, there are specific concrete results for each priority. This is where the 2-prong strategy of Grants and Advocacy come into play to address the impact of change in our communities. Every year, Administration does an annual update to the board that includes money and data collected from grantees. The score card has always been the strategic plan.

The other part – in which Trustee Akina has a point – he isn't sure that he can have an answer to that because the budget planning process starts in January. This presentation is the totality of the work plans and projects that OHA goes through.

**Chair Lindsey** shares that maybe there should be more communication with the Trustees.

**Ka Pouhana Crabbe** says yes, this is what he is aiming to share – Administration provides that report to the Trustees every month and every Trustees, as they have for the past 3 years.

**Trustee Ahu Isa** adds that Monica just did this for the charter schools.

**Ka Pouhana Crabbe** confirms and adds that they provided the information in the annual report.

**Trustee Machado** directs Trustees to the 1<sup>st</sup> page and shares that this highlights the work plan and process for the budgeting.

**Trustee Akina** thanks Ka Pouhana for his comment and has two comments. First, they praise Administration for the effective use of the funds that the Board authorizes. There is no question about that. Looking at the evaluation only helps them to get better. There is no challenge to that whatsoever. Secondly, he clarifies that his point was very specific – it is about when the Trustees get the actual budget document, they must have a measure to which they know that the organization has performed. This is a very technical question because they don't use the PPBS reporting system. This is not a criticism of the Administration but a suggestion to his fellow board members to make decisions that they must make. His office has recommended using the PPBS system.

**Trustee Akana** adds another suggestion, sharing that OHA has been criticized by many and share that one of the biggest communication breakdowns is this: Administration goes off on the master plan and strategic plan, and start the projects and then go to the Board with the budget. But they do not go to the Trustees in the beginning for input. Trustees are the policy makers and are supposed to give them the directives. Yes, Administration can work off of the Strategic Plan, but it was only supposed to be a guide, not do everything.

**Trustee Ahuna** asks when the Audit will be heard on the RFQ?

**Chair Lindsey** shares that it will take place after this current workshop.

**Trustee Ahuna** addresses the issue of transparency – he says that he read about the audit ideas in Ka Wai Ola, the Trustees didn't have the meeting yet. He asks what the difference is?

**Chair Lindsey** shares that she believes that they should wait until the meeting to discuss it. She thanks Administration for their hard work and encourages the Trustees to submit input into the budget.

**Trustee Machado** asks what the subject of the second budget workshop will include.

**Mr. Kim** adds that it will include the non-core portion of the total Operating Budget and will take place on May 3<sup>rd</sup>.

**Trustee Machado** adds that in all fairness, for Trustees who chime in late, like Trustee Akana, she asks that they try to make recommendation for the May 3<sup>rd</sup> Meeting. They are interested in hearing what they have to say, but sometimes it's combative and hard to sit through. She commends Trustee Hulu for working hard to getting the Trustees together for the budget.

**Mr. Kim** adds that this is exactly the objective of these workshops. These types of discussions are helpful from the Trustees so that Administration can incorporate these comments and directives into the eventual action item.

**Trustee Lindsey** thanks the Administration for an excellent job. He believes they need to trim down the budget, but is concerned about the impact of such an action on all the strategic priority progress.

**Trustee Machado** comments on Trustee Akina's concern about the process being used. This is a biennium budget. If he is really enthusiastic about looking at a different system, then he would have adequate time to propose a different system at OHA. But this is not the time because they are trying to meeting the requirements. She says, realistically, if it came to a vote, she could not vote to support him because it is against the current objective of approving the budget.

**Trustee Akina** replies by thanking Trustee Machado because he does not plan to obstruct the moving to a biennium budget and hopes to input to a longer term process.

#### **IV. BENEFICIARY COMMENTS**

**Chair Lindsey** calls on Germaine Meyers for Beneficiary Comments.

**Germaine Meyers** greets the Trustees and introduces herself as a beneficiary of OHA as well as a Nanakuli Hawaiian Homestead beneficiary. She shares that she has input for the budget. She acknowledges Trustee Ahuna, who asks for transparency, as she would like the same thing. She asks Trustees to turn to slide 7, regarding the Community Sharing and comments received. She is the author of all 4 comments and addresses Trustee Machado's prior comment about not exceeding \$35 million. She directs Trustees to slide 20 that shows the "Historical Operating Budget" – core budget and non-core budget. \$35-37 million has been the consistency. All Administration has been describing has been Core Budget and has not addressed the non-core budget.

**Chair Lindsey** shares that Workshop #2 will cover non-core budget items.

**Ms. Meyers** adds that she said \$35 million for everything. Her next comment is regarding an audit by the Ad Hoc committee of all expenses up to \$500,000. Looking at the numbers that were out there, there was \$300,000 given to a PR firm and it was given after the budget was

created. Her 3<sup>rd</sup> comment, regarding no grants to LLCs, the pie graphs tell her that majority of the non-core budget items is going to the LLCs. If the LLC attorney is telling her not to talk about how they spend their money, then she is telling OHA why are they giving LLCs money if they are not being transparent?

Finally, she addresses SCHHA comments and wants to be transparent and share that it was given with input from Kamaki Kanahale. She lives in Nanakuli Hawaiian Homestead and explains the issues she has had with the organization not having any quarterly meetings since 2013. She questions their comments being passed off as representation of the beneficiaries in her communities because of the low membership in SCHHA/Nanakuli Hawaiian Homestead. She also shares the difficulties she has had with membership and becoming a member. She brings transparency to the Trustees on the difficulties they have been having there.

## **V. ANNOUNCEMENTS**

**Chair Lindsey** notes that there are no announcements.

**VI. ADJOURNMENT**

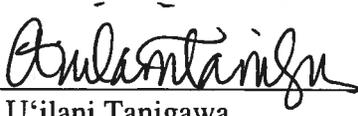
**At 12:08pm, Trustee John Waihe'e, IV moves to adjourn. Trustee Ahuna seconds the motion. Chair Hulu Lindsey notes that there are no objections.**

	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA			X			
TRUSTEE DAN AHUNA		X	X			
TRUSTEE ROWENA AKANA						
TRUSTEE KELI'I AKINA			X			
TRUSTEE PETER APO			X			
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE COLETTE MACHADO						X
TRUSTEE JOHN WAIHE'E	X		X			
CHAIRPERSON HULU LINDSEY			X			
<b>TOTAL VOTE COUNT</b>			<b>7</b>			<b>1</b>

**MOTION:  UNANIMOUS  PASSED  DEFERRED  FAILED**

**Motion passes with seven (7) YES votes and one (1) EXCUSED vote.**

Respectfully Submitted,



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

As approved by the Committee on Resource Management on May 24, 2017.



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Trustee Carmen Hulu Lindsey  
Committee Chair  
Committee on Resource Management