

COMMITTEE ON RESOURCE MANAGEMENT
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Robert K. Lindsey, Jr., Vice Chairperson
Leina'ala Ahu Isa, At-Large
Kalei Akaka, O'ahu
Keli'i Akina, At-Large
Brendon Kalei'aina Lee, At-Large
Carmen Hulu Lindsey, Maui
Colette Y. Machado, Moloka'i/Lāna'i
John Waihe'e IV, At-Large



**STATE OF HAWAII'
OFFICE OF HAWAIIAN AFFAIRS**

**MEETING OF THE COMMITTEE ON
RESOURCE MANAGEMENT**

DATE: Wednesday, September 25, 2019
TIME: 10:00 am
PLACE: OHA Board Room, Nā Lama Kukui
560 N. Nimitz Hwy., Suite 200
Honolulu, HI 96817

AGENDA

- I. Call to Order
- II. Public Testimony*
- III. New Business
 - A. Action Item RM #19-14: Action Regarding the Economic Development Policy Implementation Procedures
 - B. Action Item RM #19-15: Action Regarding the Debt Management Policy Implementation Procedures
 - C. Action Item RM #19-17: Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)
- V. Adjournment

If you require an auxiliary aid or accommodation due to a disability, please contact Raina Gushiken at telephone number 594-1772 or by email at: rainag@oha.org no later than three (3) business days prior to the date of the meeting.

*Notice: Persons wishing to provide testimony are requested to submit 13 copies of their testimony to the Chief Executive Officer at 560 N. Nimitz, Suite 200, Honolulu, HI, 96817 or fax to 594-1868, or email BOTmeetings@oha.org 48 hours prior to the scheduled meeting.

Persons wishing to testify orally may do so at the meeting, provided that oral testimony shall be limited to five minutes.

† Notice: The 72 Hour rule, pursuant to OHA BOT Operations Manual, Section 49, shall be waived for distribution of new committee materials.

‡ Notice: This portion of the meeting will be closed pursuant to HRS § 92-5.



Trustee Dan Ahuna
Chairperson, Committee on Resource Management

9.12.19

Date

OFFICE OF HAWAIIAN AFFAIRS

Action Item
Committee on Resource Management
September 4, 2019

RM #19-14

Action Item: Action Regarding the Economic Development Policy Implementation Procedures

Prepared by:  8/27/2019
Sylvia M. Hussey, Ed.D. Date
Ka Pouhana Kūikawā, Interim Chief Executive Officer

Reviewed by:  8/27/19
Raymond Matsuura Date
Pou Kako`o Mahele Kumupa`a, Investment Manager

Reviewed by:  8/27/19
Gloria Li Date
Ka Pou Kihī Kanaloa Wai, Kūikawā, Interim Chief Financial Officer

Reviewed by:  8/27/19
Lisa Watkins-Victorino, Ph.D. Date
Ka Pou Nui Kūikawā, Interim Chief Operating Officer

Reviewed by:  8/27/19
Ke Kua, Trustee Dan Ahuna Date
Luna Ho`omalū o ke Kōmike Resource Management
Chair of the Committee on Resource Management

RM #19-14: Action Regarding the Economic Development Policy Implementation Procedures

I. Proposed Action

Administration recommends the Board of Trustees (BOT) approve the accompanying Economic Development Policy implementation procedures as outlined in Attachment A.

II. Issue

Whether the BOT should take action on the accompanying Economic Development Policy implementation procedures associated with the Fiscal Sustainability Plan (FSP).

III. Background¹ and Context of the Economic Development Policy

Overview. As outlined in *Action Item RM #19-07: Action regarding Economic Development, Debt Management, Spending and Investment and Real Estate Policies*, in 2016 OHA understood the need to become fiscally sustainable. Fiscal sustainability was defined as the ability of a government or government agency to sustain its current rate of spending, revenue and other policies in the long run. To do this, OHA needed to change the way it operated and therefore began implementing the Fiscal Sustainability Plan (“FSP”). To propel OHA’s progress in these



efforts, the Committee formed five work groups representing the BOT, OHA Administration, and staff experts to address five main areas that may pose risks to OHA’s fiscal sustainability. The five areas were: spending policy, pension benefits, legal and taxable structure, Department of Hawaiian Home Lands, and real estate investment.

Although the last meeting held by the five working groups was in December 2017, the desire

to implement the FSP, beginning with related policies, remained a priority of Administration through the election of new Trustees and Board leadership in 2018.

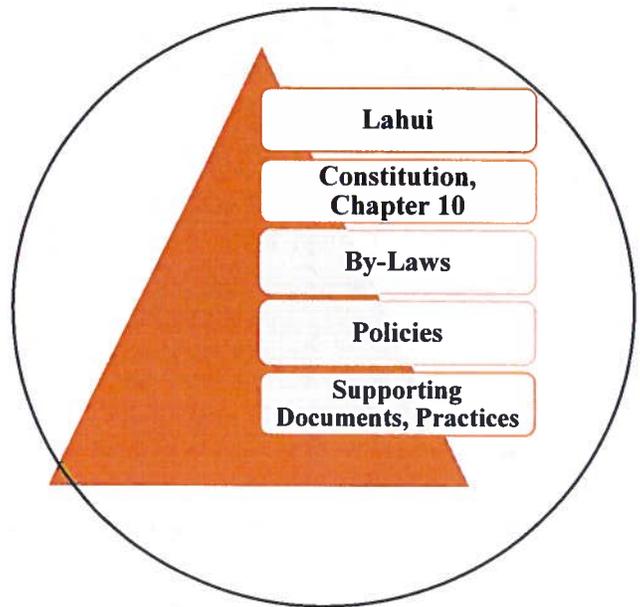
¹ Source: Fiscal Year 2018-2019 Summary, Next Steps Checklist, May 2019, transmitted via letter dated May 15, 2019 .

Disclaimer

The information contained in this report is confidential to the Office of Hawaiian Affairs (“OHA”) and may not be disclosed without the express written consent of OHA Board of Trustee (“BOT”) Chair, Resource Management (“RM”) Committee Chair, OHA executive management, and Spire Hawai’i LLP (“Spire”). This information is intended solely for the use of OHA and is not intended to be, and should not be, used by anyone other than OHA. This report should not be used for any other purposes or reproduced in any form that is inconsistent with its intent or is not authorized. If you are not authorized, please note that the use, further transmission, or disclosure of the contents of this report is strictly prohibited. Under the standards promulgated by the American Institute of Certified Public Accountants (“AICPA”), Spire considers all material confidential. However, we defer to OHA counsel on the issue of whether any material is subject to disclosure under Statelaw.

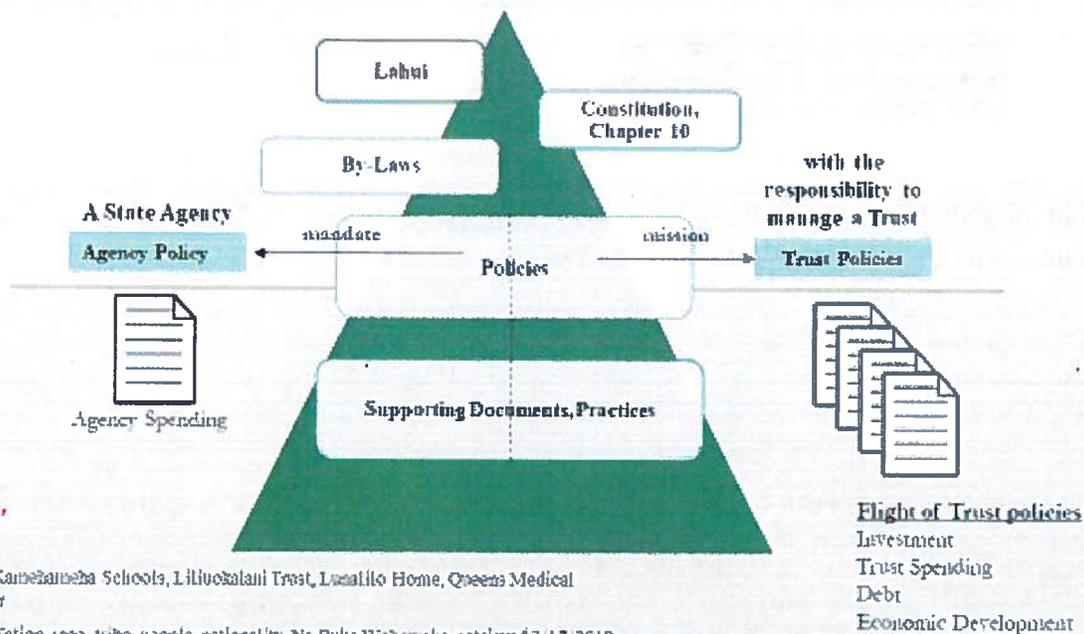
IV. Alignment of the Policy to the Board Governance Framework.

Overall. In January 2019, the Board approved the formation of a permitted interaction group (PIG) to: Investigate various elements of governance frameworks and models, including but not limited to cultural, indigenous, native, national and international contexts. In April 2019, the Board approved the PIG’s recommendation to approve the five elements of OHA’s Board Governance Framework: 1) Identity; 2) Values and Mana; 3) Statutory Basis; 4) Policies; and 5) Supporting Documents and Practices (Operations).



Element 1) Identity is expanded below and illustrates the dual nature of identity and the related impact to policies.

Element 1: Identity. Ho’oulu Lahui Aloha – To Raise a Beloved Lahui. A State Agency with the responsibility to manage a Trust, that identifies and operates more similarly to Ali’i Trusts [1] with a lahui mindset in improving the well-being of our lahui [2]. Such an identity is rooted in the ‘ōlelo no’ēau. E ‘ōpō‘ōhī, have the heart of a chief, have the kindness, generosity, and even temper of a chief. ‘ōlelo no’ēau 369 [3]. OHA’s identity is also place based, that OHA’s *kuleana* is to this place of Hawaii.



[1] - Kamehameha Schools, Liliuokalani Trust, Lualilo Home, Queens Medical Center

[2] - Nation, race, tribe, people, nationality, Na Puke Wehewehe, retrieved 3/17/2019

[3] Pololi, ‘Olelo No’ēau, Hawaiian Proverbs & Poetical Sayings, p. 45

RM #19-14: Action Regarding the Economic Development Policy Implementation Procedures

L-Lāhui Level Policies. Via Action Item #19-06, the Board approved the findings of the L-Lāhui Level Policies PIG and recommended approval of the following policies: (1) E Mālama (to protect); (2) E Ho‘omau (to perpetuate); (3) E Pūpūkahi i Holomua (to unite in order to progress); (4) E ‘Imi ‘Ike (to seek knowledge); (5) E Ho‘oulu Lāhui (to grow the Lāhui), developed in accordance with the approved PIG purview. L-Lāhui level policies for OHA’s Board Governance Framework, is intended to articulate the Hawaiian cultural foundation of the organization as a basis for the *kaumaha* (heavy weight, sadness) or significant *kuleana* (responsibility) to normalize Hawaiian language, protect and exercise native rights regarding ‘āina, water, wahi pana and iwi kupuna, strengthen ‘ohana and kaiāulu, perpetuate Hawaiian culture, knowledge and practices and engage in global, international indigenous contexts.

T-Trustee Level Policies. Next in the series of cascaded Board Governance Framework policy work is the formulation of T-Trustee Level policies which would articulate broad, systemic, strategic, overarching policies that are attributed to OHA’s Trustee role as a result of the Constitution and Chapter 10 purposes and duties (e.g., fiduciary, care, obedience, code of ethics). The two policies approved via Action Item RM #19-07---Economic Development and Debt Management Policy; and the two additional policies---Spending and Investment and Real Estate Policies are examples of T-Trustee Level Policies; and work will continue and be “on-ramped” to the T-Trustee Level permitted interaction group when formulated.

In short, action on the implementation procedures of the approved Economic Development policy is aligned to the Board Governance Framework work.

Resource Management Committee Action. Attachment B outlines the actual Economic Development Policy as approved by the Trustees at the May 29, 2019 meeting; and at that time, via RM #19-07, Administration committed to the Trustees, to return with the implementation procedures for Board action. The Meeting of the Committee on Resource Management Committee

Report dated May 22, 2019 with Action Item RM #19-07: Action regarding Economic Development, Debt Management, Spending and Investment and Real Estate Policies is attached which outlines the background and context of the overall fiscal policies (Attachment C).

Board Action. At the June 6, 2019 Board meeting, the action noted at left was taken.

Trustee Dan Ahuna moves to						
A. Approve the Economic Development Policy, noting that Administration will return with the implementation procedures for Board action;						
B. Approve the Debt Management Policy, noting that Administration will return with the implementation procedures for Board action;						
C. Acknowledge the Spending Policy language and the existing Native Hawaiian Trust Fund (NHTF) Spending policy, as Amended, noting Administration will return with consolidated policy document for Board action; and						
D. Acknowledge the Investment and Real Estate Policy language and the existing NHTF Investment and Real Estate Vision, Mission, and Strategy policies, noting Administration will return with consolidated policy document(s) for Board action.						
Trustee Robert Lindsey seconds the motion.						
TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEINA'ALA AHU ISA			X			
TRUSTEE DAN AHUNA	x		X			
TRUSTEE KALEI AKAKA			X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON KALEI'ĀINA LEE					X -Abstain	
TRUSTEE CARMEN HULU LINDSEY			X			
TRUSTEE ROBERT LINDSEY		x	X			
TRUSTEE JOHN WAIHE'E			X			
TRUSTEE COLETTE MACHADO			X			
TOTAL VOTE COUNT			8		1	
MOTION: [] UNANIMOUS [x] PASSED [] DEFERRED [] FAILED						
Motion passed with eight (8) yes votes, and one (1) abstention.						

V. Alignment to Strategic Plan Foundation and Strategic Directions



In March 2019, via BOT #19-03 Approval of the foundational principles and directions for the next OHA Strategic Plan 2020+, the Trustees approved the following Strategic Foundation and Strategic Direction elements—as depicted below:

Strategic Foundation
‘Aina. Strengthen our ancestral connection to ‘aina through responsible stewardship to preserve legacy lands and to responsibly develop economically viable lands.

Mo’omeheu. Strengthen Native Hawaiian’s connection to culture by supporting opportunities to engage in ‘Olelo and ‘ike activities and initiatives.

‘Ohana. Promote healthy ‘ohana relationships by providing opportunities in communities to engage in ‘aina and mo’omeheu based activities and initiatives as well as opportunities to engage in the well-being of their communities via civic participation and leadership.

‘Aina, mo’omeheu, and ‘ohana are foundational to the work of OHA. **This foundation is the lens through which decisions, planning, activities, initiatives, policies, procedures, and practices are made.** Pilina with āina, mo’omeheu, ‘ohana, kaiaulu, and community partners is how we engage in the implementation of our strategies. Building pillina with communities and organizational partners is critical to successfully achieving our vision and mission.

Strategic Directions

Economic Stability. Engaging in strategies to enhance the economic development and financial empowerment of the lāhui will ensure that Native Hawaiians progress toward a state of economic stability.

Quality Housing. Leveraging partnerships to ensure Native Hawaiians can obtain affordable rentals as well as homeownership while also engaging in opportunities to affect legislation that support Hawaiian Home Lands, overall housing costs, and housing supply will greatly enhance the ability for Native Hawaiians who so desire to remain in Hawai’i.

Educational Pathways. Supporting initiatives, leveraging partnerships, engaging in strategies to develop educational pathways that strengthen culture-based education, early education, K-]2 and post-secondary education will ensure that Native Hawaiians are grounded in their past while participating in a technologically oriented future.

RM #19-14: Action Regarding the Economic Development Policy Implementation Procedures

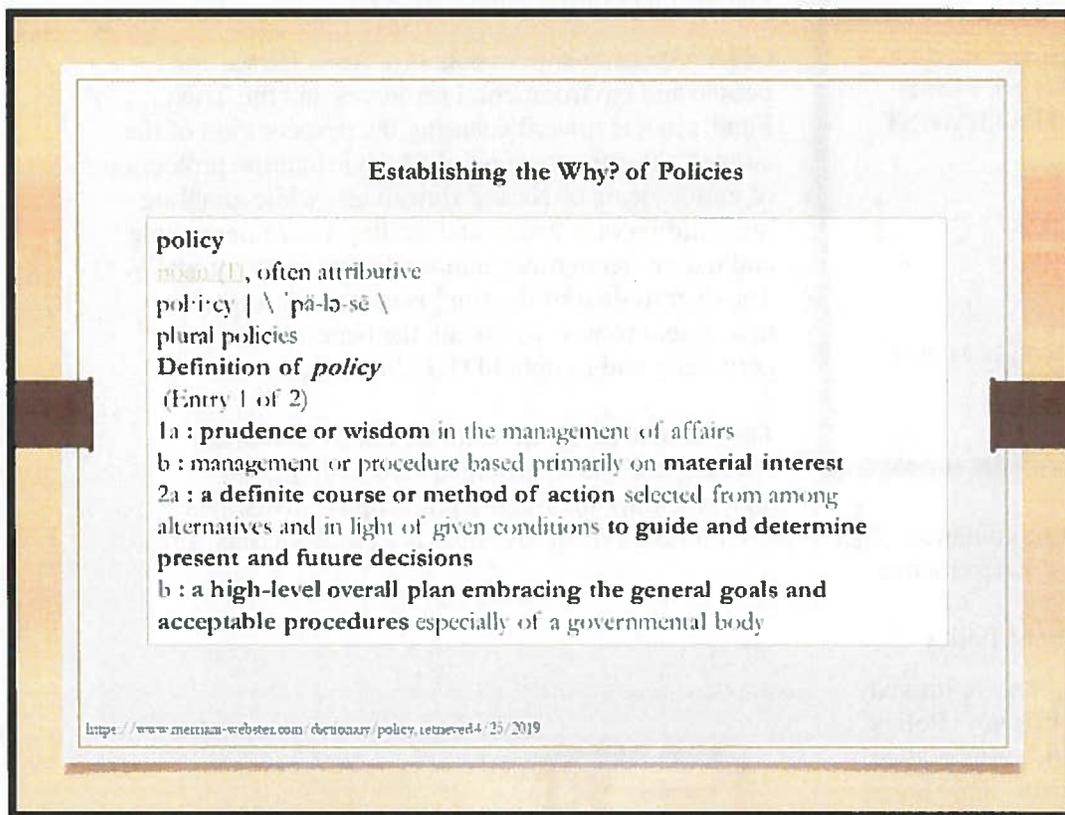
Health Outcomes. Supporting initiatives, leveraging partnerships, engaging in strategies to promote healthy and strong families.

In short, action on the implementation procedures of the approved Economic Development policy is aligned to the Strategic Foundation and Directions elements described above.

VI. Policy Review and Analysis²

Background. During this fiscal year, the following policies were developed or reviewed: Spending; Debt Management; Investment and Commercial Real Estate; Economic Development; and Fiscal Stabilization. These policy revisions have the following long-term objective of proposing a distinct potential direction for OHA as an organization as it relates to who it is: A

primary State agency that provides services and programs to Native Hawaiians (HRS Chapter 10-3); a semi-autonomous State agency which relies on self-funding (Legislative opinion); and a State agency to better the conditions of Native Hawaiians. As of February 2018, the BOT placed a moratorium on the use of the Fiscal Reserve³

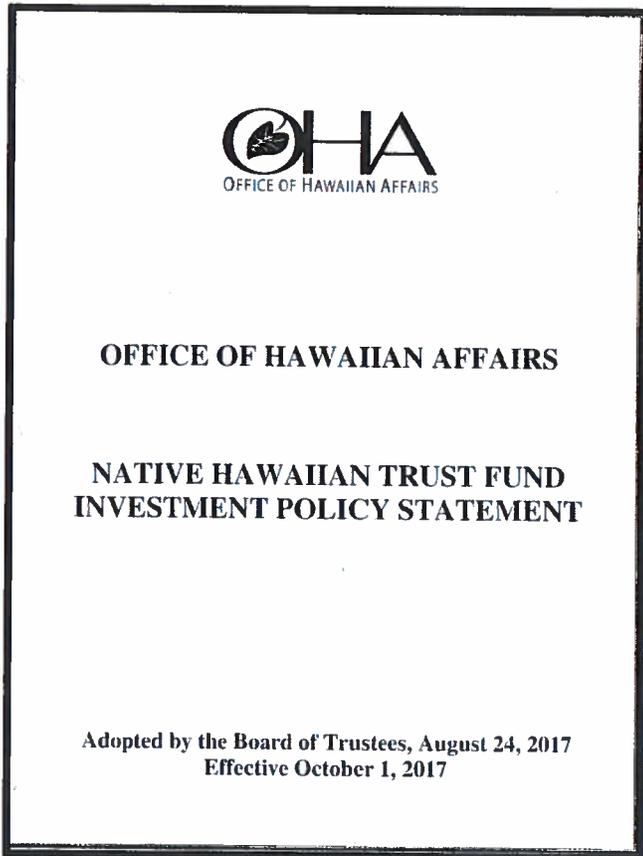


² Source: Fiscal Year 2018-2019 Summary, Next Steps Checklist, May 2019, transmitted via letter dated May 15, 2019.

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³ Moratorium on Fiscal Reserve Spending, RM 18-03 AI, February 2018



Alignment to the Native Hawaiian Trust Fund Investment Policy Statement⁴. Adopted by the Board of Trustees (BOT) on August 24, 2017 (and effective October 1, 2017), the Native Hawaiian Trust Fund Investment Policy Statement (“IPS” or “NHTFIPS”) governs the investment of assets held in the Office of Hawaiian (OHA) Native Hawaiian Trust Fund (“NHTF” or “the Fund”), including, but not limited to investment objectives, and the expectations and requirements with respect to the ongoing management of the Fund’s assets.

OHA’s mission is to malama (protect) Hawai‘i’s people and environmental resources and the Trust Fund’s assets toward ensuring the perpetuation of the culture, the enhancement of lifestyle and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and nation, recognized nationally and internationally. The overall goal of the fund is to provide superior investment returns to sustain the beneficiaries in perpetuity and to uphold OHA’s mission.

The purpose of the Investment Policy Statement (“Statement”) is to provide: clear and mutual understanding the Fund’s philosophy, investment

objectives and policies; guidance, objectives and limitations in investing the Fund’s assets; and evaluate the Advisors’ performance.

VII. Economic Development Policy

The purpose of the approved Economic Development Policy (“Policy”) was to ensure that revenue enhancement and other economic development projects undertaken by the Office of Hawaiian Affairs (“OHA”) are conducted in a manner consistent with best practices and aligned with OHA’s long-term strategies and current conditions.

Economic Development Policy



- Requires Administration to develop policies for analyzing and selecting economic development projects
- Requires Administration to develop performance standards for staff and consultants, and define permissible and impermissible projects
- Requires the Administration to develop criteria for selecting operating structures (such as LLCs and partnership)

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⁴ Native Hawaiian Trust Fund Investment Policy Statement, Adopted by the Board of Trustees, August 24, 2017, Effective October 1, 2017

RM #19-14: Action Regarding the Economic Development Policy Implementation Procedures

- Requires Administration to develop policies for analyzing and selecting economic development projects
- Requires Administration to develop performance standards for staff and consultants, and define permissible and impermissible projects
- Requires the Administration to develop criteria for selecting operating structures (such as LLCs and partnership)

It is the policy of the Board to ensure the development of procedures for selecting economic development projects and the operating structures for the projects that reflect cultural priorities and current economic conditions. The Board believes that documented procedures are important to ensure consistency within OHA regarding the use of land, cultural assets and other resources, and OHA's expectations for business conduct. Additionally, the principles reflected in the procedures can be incorporated in development and other economic development agreements, enabling projects that are developed will be consistent with OHA's needs and priorities.

A lack of due diligence, standards and/or criteria may occur when there is no clear policy. Because this is a new policy, implementation procedures are provided to effect its launch.

VIII. Economic Development Policy – Implementation Procedures

Note: The scope of the Economic Development Policy is for its application by OHA for its own investment considerations vs. grant opportunities and awards to beneficiaries (e.g., Kulia, Community grants).

Refer to Attachment A for proposed implementation procedures.

IX. Certification of Funding Availability

N/A – no funding required for action item.

X. Recommended Action(s)

Administration recommends the Board of Trustees (BOT) approve the Economic Development Policy implementation procedures as detailed in Attachment A.

XI. Alternatives

- A. Take no action, leaving the approved Economic Development Policy without implementation procedures (Attachment B).
- B. Amend the Economic Development Policy implementation procedures (Attachment A).

RM #19-14: Action Regarding the Economic Development Policy Implementation Procedures

XII. Time Frame

This action shall be effective immediately upon approval by the BOT.

XIII. Attachment(s)

- A. Economic Development Policy Implementation Procedures Attachment
- B. Economic Development Policy, including Section IV. PROCEDURES TO IMPLEMENT THE POLICY
- C. Meeting Minutes of the Committee on Resource Management Committee Report dated May 22, 2019

XIV. PROCEDURES TO IMPLEMENT THE POLICY

Ka Pouhana shall develop, for approval by the Board, procedures regarding economic development projects which shall be congruent with this Policy. The procedures shall model best practices and must address, at a minimum:

1. Procedures for analyzing and selecting economic development projects, including the requirements for the due diligence analysis and process prior to selecting the projects, the process for requesting approval by the Board, and reporting requirements to the Board.
2. Performance standards for OHA staff and external consultants, managers, or advisors.
3. Permissible/impermissible projects, if any.
4. Criteria for assessing different operating structures for the projects, including the evaluation criteria for selecting structures (such as LLCs and partnerships) so that diverse factors such as risk to OHA, control by OHA, and revenue potential can be weighed to achieve a structure that best fits OHA’s needs.

The procedures shall detail how the policy principles will be implemented - what will be done, what resources will be used and what results will be expected.

1. Procedures for analyzing and selecting economic development projects, including the requirements for the due diligence analysis and process prior to selecting the projects, the process for requesting approval by the Board, and reporting requirements to the Board.

Responsible Unit	Procedure Description
Start (Trigger)	Project, initiative, offer, prospect, opportunity, etc. comes to the attention of the organization (via Board or Administration).
Board or Administration	Delegate (Board) or route (Administration) preliminary review of the economic development project, initiative, offer, prospect, opportunity, etc. for initial strategic or policy alignment to the Resource Management Committee, including whether the project is considered permissible or impermissible.
Resource Management Committee (RMC)	Complete or delegate to Administration the due diligence analysis and processes after determination.
RMC or Administration	Initiate and complete due diligence analysis and processes, including but not limited to the various risk assessments: <ul style="list-style-type: none"> • Considering the nature and type of project, initiative, offer, prospect, opportunity, etc. (e.g., in-state, out-of-state, international) • Strategic or Policy Alignment: Analysis based on OHA’s strategic foundation, direction and policy alignment (e.g., spending, investment). • Investment Offering: Shares already issued, funding need and

Responsible Unit	Procedure Description
	<p>rationale (e.g., reason for capital offer), share price and valuation methodology or basis, business model, impact of capital investment on the overall ownership, potential exit value, professional advice, debt provision or vehicles, tax or other government provisions, assumptions, projections, pro-forma (e.g., balance sheet, income statement, revenues, cash flow, debt service, operations, market decline provisions, reserves), shareholder control, share class type.</p> <ul style="list-style-type: none"> • Business: Type of business (e.g., existing, emerging, new technology, start-up, regulated); market factors (e.g., new, continuing, expanding, regional, saturated, product or service demand and distribution, assumptions); business model (e.g., retail, wholesale, vertical integration, social enterprise), management experience (e.g., seasoned, start-up); audited financial statements; debt structure, projections, assumption, pro-forma (e.g., balance sheet, income statement, revenues, cash flow, debt service, operations, market decline provisions, reserves); technology (e.g., business productivity, operations, manufacturing or distribution); intellectual property rights; • Reputation: Company or individuals involved with project, initiative, offer, prospect, etc., including reputation, financial capacity, previous business experience in the identified market. • Other: Consideration of other factors or unique circumstances.
Administration	<ul style="list-style-type: none"> • If recommended, prepare and submit Action Item for Board consideration and action. • If not recommended, prepare analysis transmittal to the Resource Management Committee (Administration) or Board (RM).
Board	Consider and act on Action Item.
End (Action)	Act on approved Action Item (recommendation) or note Analysis Transmittal (non-recommendation)

2. Performance standards for OHA staff and external consultants, managers, or advisors.

Action	Procedure Description
Start (Trigger)	Project, initiative, offer, prospect, opportunity, etc. comes to the attention of the organization (via Board or Administration).
RMC or Administration	Identify staff and/or external consultants, managers or advisors to aid in the due diligence analysis that:

Action	Procedure Description
	<ul style="list-style-type: none"> • Have the requisite knowledge and responsibilities within the organization (staff); and/or • Are already on professional services contract to provide such services; and/or • Can be secured via OHA employment (e.g., 89-day, new position hire) or procurement methodologies (e.g., independent consultant) with the requisite knowledge and responsibilities.
Staff and/or 3 rd party consultants, managers or advisors	<p>Performance standards/expectations after assignment of responsibilities (e.g., staff or 3rd party consultants, managers or advisors).</p> <ul style="list-style-type: none"> • Due Diligence: Execute the identified due diligence activities in the time line prescribed. • Post Investment Monitoring: Periodic monitoring and reporting based on the investment provisions.
End (Action)	Act on approved Action Item (due diligence) or transition to periodic monitoring and reporting (post investment reporting).

3. Permissible/impermissible projects, if any.

Action	Procedure Description
Start (Trigger)	Project, initiative, offer, prospect, opportunity, etc. comes to the attention of the organization (via Board or Administration).
Board or Administration	Delegate (Board) or route (Administration) preliminary review of the economic development project, initiative, offer, prospect for initial strategic or policy alignment to the Resource Management Committee, including whether the project is considered permissible or impermissible.
Resource Management Committee	Impermissible projects, initiatives, offers, prospects, etc., are those that counter individually or collectively the tenants of the Board approved L-Level Lāhui policies: (1) E Mālama (to protect); (2) E Ho‘omau (to perpetuate); (3) E Pūpūkahi i Holomua (to unite in order to progress); (4) E ‘Imi ‘Ike (to seek knowledge); (5) E Ho‘oulu Lāhui (to grow the Lāhui).
End	Return to due diligence analysis process.

4. Criteria for assessing different operating structures for the projects, including the evaluation criteria for selecting structures (such as LLCs and partnerships) so that diverse factors such as risk to OHA, control by OHA, and revenue potential can be weighed to achieve a structure that best fits OHA’s needs.

Note: In the case that the project, initiative, offer, prospect, opportunity, etc. does not already provide an operating structure (e.g., corporation, partnership, limited liability corporation, non-profit, public private partnership) for the investment, the policy implementation procedures described below will be applied in addition to the due diligence analysis above.

Action	Procedure Description
Start (Trigger)	Project, initiative, offer, prospect, opportunity, etc. comes to the attention of the organization (via Board or Administration).
Board or Administration	Delegate (Board) or route (Administration) preliminary review of the economic development project, initiative, offer, prospect for initial strategic or policy alignment to the Resource Management Committee, including whether the project is considered permissible or impermissible.
RMC or Administration	<p>Consider the elements of the project, initiative, offer, prospect, opportunity, etc., including but not limited to considerations regarding:</p> <ul style="list-style-type: none"> • Objectives (e.g., non-profit, liability limitation, profit, social enterprise capital, capacity building, enabler, preservation, conservation); • Key elements (e.g., methodology, purpose, land acquisition, product, service, financing); • Parties involved (e.g., public, private, Native Hawaiian, community, continent, international); • OHA role in and capacity to operate, manage or oversee the business structure (e.g., in-house capacity, 3rd party capabilities); and • Regulatory (e.g., operations, county, state, national, international).
End	Return to due diligence analysis process.

ECONOMIC DEVELOPMENT POLICY

I. PURPOSE

The purpose of this Economic Development Policy (“Policy”) is to ensure that revenue enhancement and other economic development projects undertaken by the Office of Hawaiian Affairs (“OHA”) are conducted in a manner consistent with best practices and aligned with OHA’s long-term strategies and current conditions.

II. POLICY

It is the policy of the Board to ensure the development of procedures for selecting economic development projects and the operating structures for the projects that reflect cultural priorities and current economic conditions. The Board believes that documented procedures are important to ensure consistency within OHA regarding the use of land, cultural assets and other resources, and OHA’s expectations for business conduct. Additionally, the principles reflected in the procedures can be incorporated in development and other economic development agreements, enabling projects that are developed will be consistent with OHA’s needs and priorities.

III. SCOPE & AUTHORITY

The projects covered by this Policy are all projects intended to increase the value of OHA assets, generate additional revenues, or achieve cultural and socio-economic priorities. Ka Pouhana is delegated the authority to develop the procedures necessary to implement this Policy. Nothing in this delegation is intended to diminish the approval authority of the Board as stated in the State Constitution, State law, or other OHA policies and procedures.

IV. PROCEDURES TO IMPLEMENT THE POLICY

Ka Pouhana shall develop, for approval by the Board, procedures regarding economic development projects which shall be congruent with this Policy. The procedures shall model best practices and must address, at a minimum:

1. Procedures for analyzing and selecting economic development projects, including the requirements for the due diligence analysis and process prior to selecting the projects, the process for requesting approval by the Board, and reporting requirements to the Board.
2. Performance standards for OHA staff and external consultants, managers, or advisors.
3. Permissible/impermissible projects, if any.
4. Criteria for assessing different operating structures for the projects, including the evaluation criteria for selecting structures (such as LLCs and partnerships) so that diverse factors such as risk to OHA, control by OHA, and revenue potential can be weighed to achieve a structure that best fits OHA’s needs.

The procedures shall detail how the policy principles will be implemented - what will be done, what resources will be used and what results will be expected.

V. EXCEPTIONS TO THE POLICY

While adherence to this Policy is required in applicable circumstances, changes in the capital markets, programs and other unforeseen circumstances may produce situations that are not covered by the Policy or require modifications or exceptions to achieve Policy goals. In these cases, the Board may consider and approve exceptions to provisions within this Policy. When a request for exception is made to the Board, a memo detailing the rationale for any exception to the Policy must be submitted to the Board.

**MEETING OF THE
COMMITTEE ON RESOURCE MANAGEMENT
COMMITTEE REPORT**

May 22, 2019

The Honorable Colette Machado,
Chairperson Board of Trustees
Office of Hawaiian Affairs

Madame Chair Machado,

Your Joint Committees on Resource Management and Beneficiary Advocacy and Empowerment, having met on May 22, 2019 and after full and free discussion, recommends approval of the following action to the Board of Trustees:

- A. Approve the Economic Development Policy, noting that Administration will return with the implementation procedures for Board action;
- B. Approve the Debt Management Policy, noting that Administration will return with the implementation procedures for Board action;
- C. Acknowledge the Spending Policy language and the existing Native Hawaiian Trust Fund (NHTF) Spending policy, as Amended, noting Administration will return with consolidated policy document for Board action; and
- D. Acknowledge the Investment and Real Estate Policy language and the existing NHTF Investment and Real Estate Vision, Mission, and Strategy policies, noting Administration will return with consolidated policy document(s) for Board action.

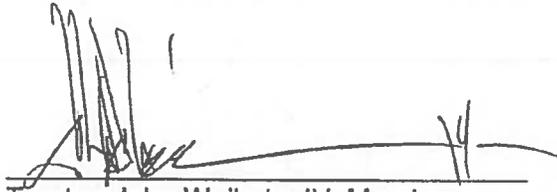
Relevant attachments are included for your information and reference. Attachment(s):

- 1) Action Item RM #19-07
- 2) RM #19-07 Roll Call Sheet

Respectfully submitted:



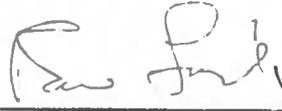
Trustee, Chair Dan Ahuna



Trustee John Waihe'e, IV, Member

Excused

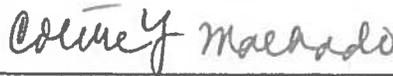
Trustee Leina'ala Ahu Isa, Member



Trustee Robert Lindsey, Member



Trustee Carmen Hulu Lindsey, Member



Trustee Colette Machado, Member

Excused

Trustee Brenden Lee, Member



Trustee Kalei Akaka, Member



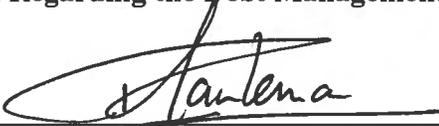
Trustee Keli'i Akina, Member

OFFICE OF HAWAIIAN AFFAIRS

Action Item
Committee on Resource Management
September 4, 2019

RM #19-15

Action Item: Action Regarding the Debt Management Policy Implementation Procedures

Co-Prepared by:  8/27/19
Paul Harleman, MBA, EA, Trustee Aide
Office of Keli'i Akina, Ph.D., Trustee At-Large
Date

Reviewed by:  8/27/19
Raymond Matsuura
Pou Kako'o Mahele Kumupa'a, Investment Manager
Date

Reviewed by:  8/27/19
Gloria Li
Ka Pou Kihī Kanaloa Wai, Kūikawā, Interim Chief Financial Officer
Date

Reviewed by:  8/27/19
Lisa Watkins-Victorino, Ph.D.
Ka Pou Nui Kūikawā, Interim Chief Operating Officer
Date

Co-Prepared & Reviewed by:  8/27/2019
Sylvia Hussey, Ed.D.
Ka Pūhaha Kūikawā, Interim Chief Executive Officer
Date

Reviewed by:  8/27/19
Ke Kua, Trustee Dan Ahuna
Luna Ho'omalū o ke Kōmike Resource Management
Chair of the Committee on Resource Management
Date

RM #19-15: Action Regarding the Debt Management Policy Implementation Procedures

I. Proposed Action

Administration recommends the Board of Trustees (BOT) approve the accompanying Debt Management Policy implementation procedures as outlined in Attachment A.

II. Issue

Whether the BOT should take action on the accompanying Debt Management Policy implementation procedures associated with the Fiscal Sustainability Plan (FSP).

III. Background¹ and Context of the Debt Management Policy

Overview. As outlined in *Action Item RM #19-07: Action regarding Economic Development, Debt Management, Spending and Investment and Real Estate Policies*, in 2016 OHA understood the need to become fiscally sustainable. Fiscal sustainability was defined as the ability of a government or government agency to sustain its current rate of spending, revenue and other policies in the long run. To do this, OHA needed to change the way it operated and therefore began implementing the Fiscal Sustainability Plan (“FSP”). To propel OHA’s progress in these



efforts, the Committee formed five work groups representing the BOT, OHA Administration, and staff experts to address five main areas that may pose risks to OHA’s fiscal sustainability. The five areas were: spending policy, pension benefits, legal and taxable structure, Department of Hawaiian Home Lands, and real estate investment.

Although the last meeting held by the five working groups was in December 2017, the desire

to implement the FSP, beginning with related policies, remained a priority of Administration through the election of new Trustees and Board leadership in 2018.

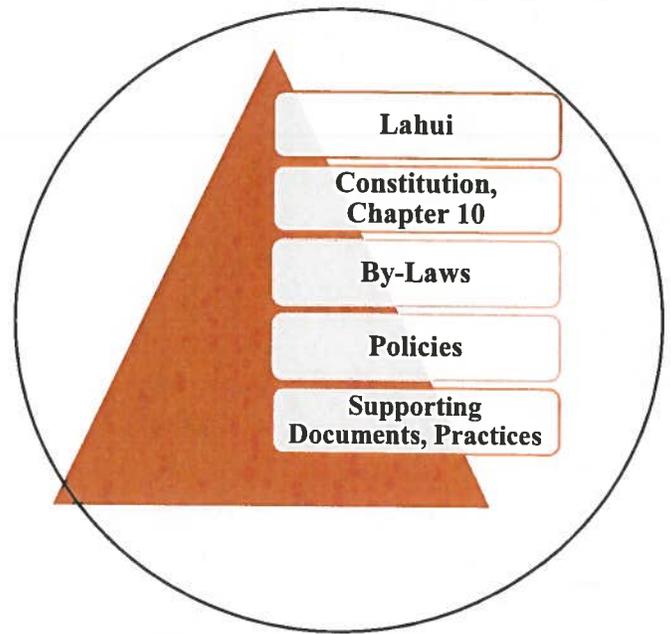
¹ Source: Fiscal Year 2018-2019 Summary, Next Steps Checklist, May 2019, transmitted via letter dated May 15, 2019 .

Disclaimer

The information contained in this report is confidential to the Office of Hawaiian Affairs (“OHA”) and may not be disclosed without the express written consent of OHA Board of Trustee (“BOT”) Chair, Resource Management (“RM”) Committee Chair, OHA executive management, and Spire Hawai’i LLP (“Spire”). This information is intended solely for the use of OHA and is not intended to be, and should not be, used by anyone other than OHA. This report should not be used for any other purposes or reproduced in any form that is inconsistent with its intent or is not authorized. If you are not authorized, please note that the use, further transmission, or disclosure of the contents of this report is strictly prohibited. Under the standards promulgated by the American Institute of Certified Public Accountants (“AICPA”), Spire considers all material confidential. However, we defer to OHA counsel on the issue of whether any material is subject to disclosure under Statelaw.

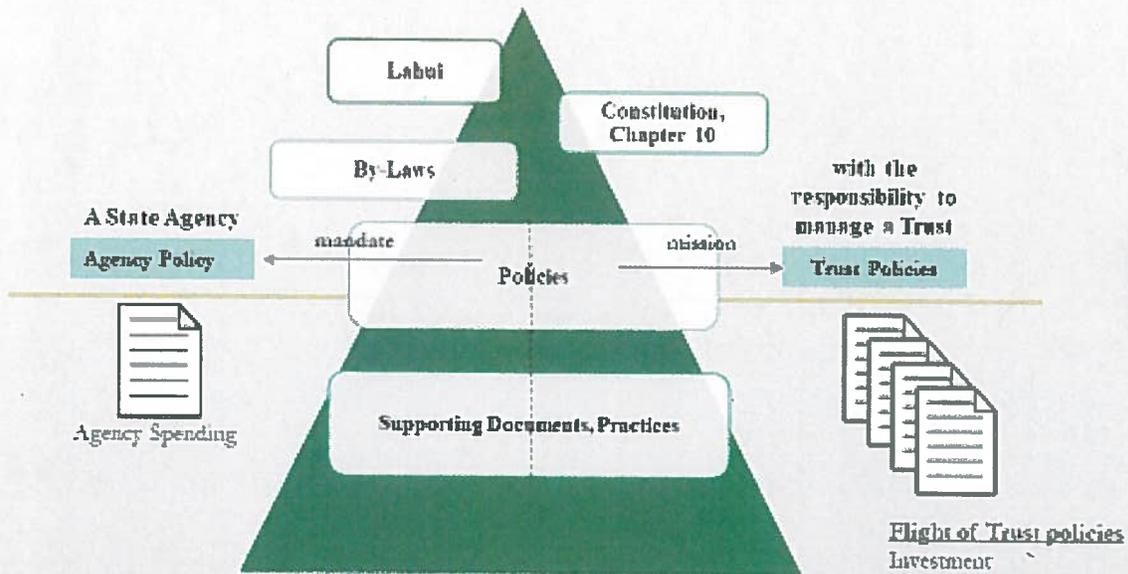
IV. Alignment of the Policy to the Board Governance Framework.

Overall. In January 2019, the Board approved the formation of a permitted interaction group (PIG) to: Investigate various elements of governance frameworks and models, including but not limited to cultural, indigenous, native, national and international contexts. In April 2019, the Board approved the PIG’s recommendation to approve the five elements of OHA’s Board Governance Framework: 1) Identity; 2) Values and Mana; 3) Statutory Basis; 4) Policies; and 5) Supporting Documents and Practices (Operations).



Element 1) Identity is expanded below and illustrates the dual nature of identity and the related impact to policies.

Element 1: Identity. Ho’oulu Lahui Aloha – To Raise a Beloved Lahui. A State Agency with the responsibility to manage a Trust, that identifies and operates more similarly to Ali’i Trusts [1] with a Lahui mindset in improving the well-being of our Lahui [2]. Such an identity is rooted in the ‘ōlelo no’ēau, *E ‘ōpū ali’i, have the heart of a chief, have the kindness, generosity, and even temper of a chief, ‘ōlelo no’ēau 369* [3]. OHA’s identity is also place based, that OHA’s *kūleana* is to this place of Hawaii.



[1] – Kamehameha Schools, Liliuokalani Trust, Lualilo Home, Queen’s Medical Center

[2] – Nation, race, tribe, people, nationality, Na Puke Wehewehe, retrieved 3/17/2019

[3] Pūkui, ‘Olelo No’ēau, Hawaiian Proverbs & Poetical Sayings, p. 45

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L-Lāhui Level Policies. Via Action Item #19-06, the Board approved the findings of the L-Lāhui Level Policies PIG and recommended approval of the following policies: (1) E Mālama (to protect); (2) E Ho‘omau (to perpetuate); (3) E Pūpūkahi i Holomua (to unite in order to progress); (4) E ‘Imi ‘Ike (to seek knowledge); (5) E Ho‘oulu Lāhui (to grow the Lāhui), developed in accordance with the approved PIG purview. L-Lāhui level policies for OHA’s Board Governance Framework, is intended to articulate the Hawaiian cultural foundation of the organization as a basis for the *kaumaha* (heavy weight, sadness) or significant *kuleana* (responsibility) to normalize Hawaiian language, protect and exercise native rights regarding ‘āina, water, wahi pana and iwi kupuna, strengthen ‘ohana and kaiāulu, perpetuate Hawaiian culture, knowledge and practices and engage in global, international indigenous contexts.

T-Trustee Level Policies. Next in the series of cascaded Board Governance Framework policy work is the formulation of T-Trustee Level policies which would articulate broad, systemic, strategic, overarching policies that are attributed to OHA’s Trustee role as a result of the Constitution and Chapter 10 purposes and duties (e.g., fiduciary, care, obedience, code of ethics). The two policies approved via Action Item RM #19-07---Economic Development and Debt Management Policy; and the two additional policies---Spending and Investment and Real Estate Policies are examples of T-Trustee Level Policies; and work will continue and be “on-ramped” to the T-Trustee Level permitted interaction group when formulated.

In short, action on the implementation procedures of the approved Debt Management policy is aligned to the Board Governance Framework work.

Resource Management Committee Action. Attachment B outlines the actual Debt Management Policy as approved by the Trustees at the May 29, 2019 meeting; and at that time, via RM #19-07, Administration committed to the Trustees, to return with the implementation procedures for Board action. The Meeting of the Committee on Resource Management Committee Report dated May

22, 2019 with Action Item RM #19-07: Action regarding Economic Development, Debt Management, Spending and Investment and Real Estate Policies is attached which outlines the background and context of the overall fiscal policies (Attachment C).

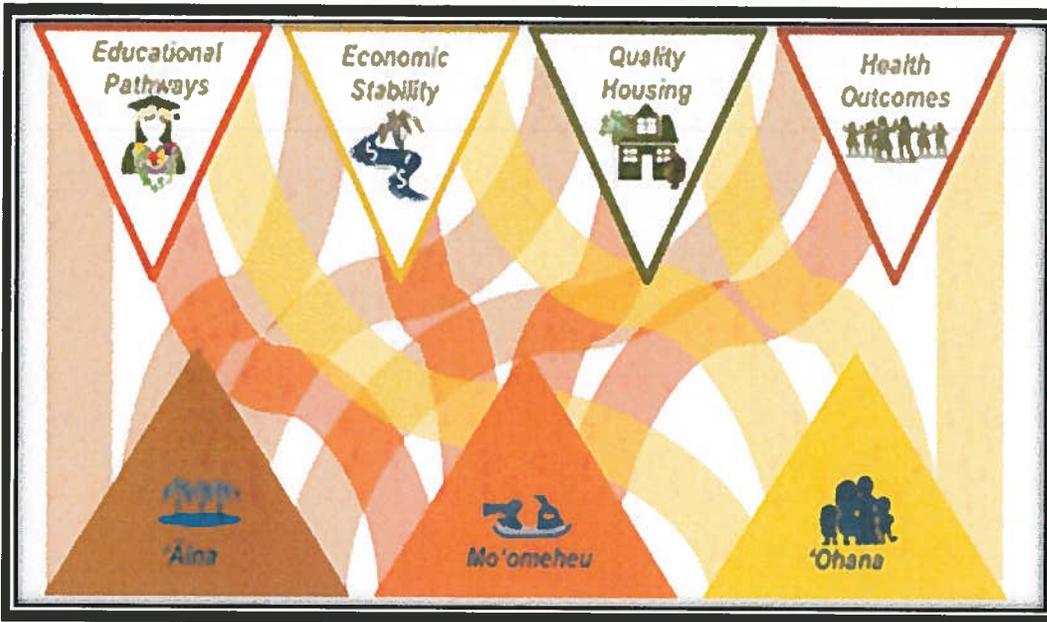
Board Action. At the June 6, 2019 Board meeting, the action noted at left was taken.

Trustee Dan Ahuna moves to							
A. Approve the Economic Development Policy, noting that Administration will return with the implementation procedures for Board action;							
B. Approve the Debt Management Policy, noting that Administration will return with the implementation procedures for Board action;							
C. Acknowledge the Spending Policy language and the existing Native Hawaiian Trust Fund (NHTF) Spending policy, as Amended, noting Administration will return with consolidated policy document for Board action; and							
D. Acknowledge the Investment and Real Estate Policy language and the existing NHTF Investment and Real Estate Vision, Mission, and Strategy policies, noting Administration will return with consolidated policy document(s) for Board action.							
Trustee Robert Lindsey seconds the motion.							
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEINA'ALA	AHU ISA			X			
TRUSTEE DAN	AHUNA	x		X			
TRUSTEE KALEI	AKAKA			X			
TRUSTEE KELI'I	AKINA			X			
TRUSTEE BRENDON KALEI'ĀINA LEE						X -Abstain	
TRUSTEE CARMEN HULU LINDSEY				X			
TRUSTEE ROBERT LINDSEY			x	X			
TRUSTEE JOHN WAIHE'E				X			
TRUSTEE COLETTE MACHADO				X			
TOTAL VOTE COUNT				8		1	
MOTION: [] UNANIMOUS [x] PASSED [] DEFERRED [] FAILED							
Motion passed with eight (8) yes votes, and one (1) abstention.							

Strategic Plan Foundation and Strategic Directions

V. Alignment to

RM #19-15: Action Regarding the Debt Management Policy Implementation Procedures



In March 2019, via BOT #19-03 Approval of the foundational principles and directions for the next OHA Strategic Plan 2020+, the Trustees approved the following Strategic Foundation and Strategic Direction elements—as depicted below:

Strategic Foundation
'Aina. Strengthen our ancestral connection to 'aina through responsible stewardship to preserve legacy lands and to responsibly develop economically viable lands.

Mo'omeheu. Strengthen Native Hawaiian's connection to culture by supporting opportunities to engage in 'Olelo and 'ike activities and initiatives.

'Ohana. Promote healthy 'ohana relationships by providing opportunities in communities to engage in 'aina and mo'omeheu based activities and initiatives as well as opportunities to engage in the well-being of their communities via civic participation and leadership.

'Aina, mo'omeheu, and 'ohana are foundational to the work of OHA. **This foundation is the lens through which decisions, planning, activities, initiatives, policies, procedures, and practices are made.** Pilina with āina, mo'omeheu, 'ohana, kaiaulu, and community partners is how we engage in the implementation of our strategies. Building pillina with communities and organizational partners is critical to successfully achieving our vision and mission.

Strategic Directions

Economic Stability. Engaging in strategies to enhance the economic development and financial empowerment of the lāhui will ensure that Native Hawaiians progress toward a state of economic stability.

Quality Housing. Leveraging partnerships to ensure Native Hawaiians can obtain affordable rentals as well as homeownership while also engaging in opportunities to affect legislation that support Hawaiian Home Lands, overall housing costs, and housing supply will greatly enhance the ability for Native Hawaiians who so desire to remain in Hawai'i.

Educational Pathways. Supporting initiatives, leveraging partnerships, engaging in strategies to develop educational pathways that strengthen culture-based education, early education, K-]2 and post-secondary education will ensure that Native Hawaiians are grounded in their past while participating in a technologically oriented future.

Health Outcomes. Supporting initiatives, leveraging partnerships, engaging in strategies to promote healthy and strong families.

RM #19-15: Action Regarding the Debt Management Policy Implementation Procedures

In short, action on the implementation procedures of the approved Debt Management policy is aligned to the Strategic Foundation and Directions elements described above.

VI. Policy Review and Analysis²

Background. During this fiscal year, the following policies were developed or considered: Spending; Debt Management; Investment and Commercial Real Estate; Economic Development; and Fiscal Stabilization. These policy revisions have the following long-term objective of proposing a distinct potential direction for OHA as an organization as it relates to who it is: A primary State agency that provides services and programs to Native Hawaiians (HRS Chapter 10-

3); a semi-autonomous State agency which relies on self-funding (Legislative opinion); and a State agency to better the conditions of Native Hawaiians. As of February 2018, the BOT placed a moratorium on the use of the Fiscal Reserve³

Establishing the Why? of Policies

policy

noun (1), often attributive

pol·i·cy | \ 'pā-lə-sē \

plural policies

Definition of *policy*

(Entry 1 of 2)

1a : **prudence or wisdom** in the management of affairs

b : management or procedure based primarily on **material interest**

2a : **a definite course or method of action** selected from among alternatives and in light of given conditions **to guide and determine present and future decisions**

b : **a high-level overall plan embracing the general goals and acceptable procedures** especially of a governmental body

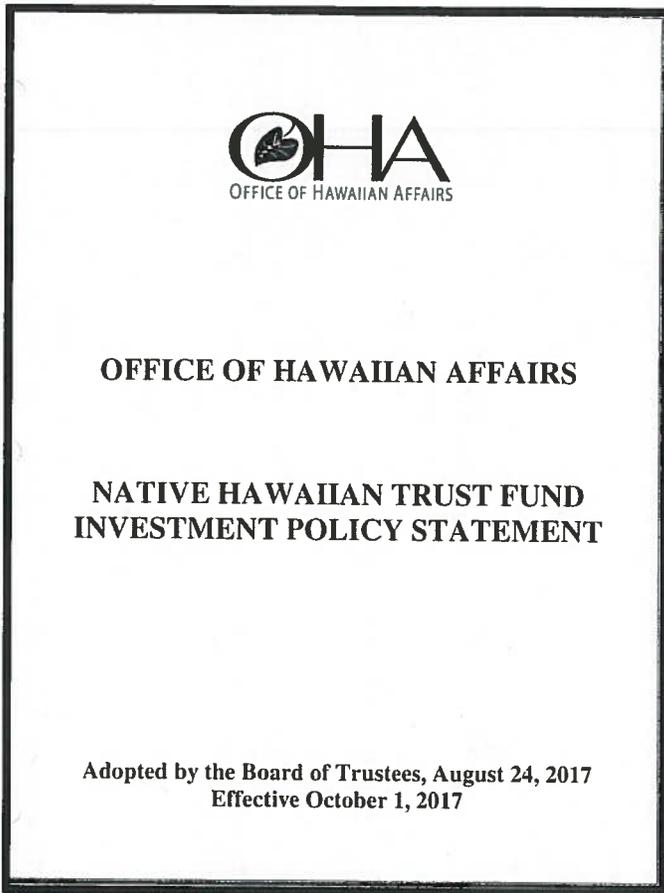
<https://www.merriam-webster.com/dictionary/policy>, retrieved 4/25/2019

² Source: Fiscal Year 2018-2019 Summary, Next Steps Checklist, May 2019, transmitted via letter dated May 15, 2019.

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³ Moratorium on Fiscal Reserve Spending, RM 18-03 AI, February 2018



Alignment to the Native Hawaiian Trust Fund Investment Policy Statement⁴. Adopted by the Board of Trustees (BOT) on August 24, 2017 (and effective October 1, 2017), the Native Hawaiian Trust Fund Investment Policy Statement (“IPS” or “NHTFIPS”) governs the investment of assets held in the Office of Hawaiian (OHA) Native Hawaiian Trust Fund (“NHTF” or “the Fund”), including, but not limited to investment objectives, and the expectations and requirements with respect to the ongoing management of the Fund’s assets.

OHA’s mission is to malama (protect) Hawai`i’s people and environmental resources and the Trust Fund’s assets toward ensuring the perpetuation of the culture, the enhancement of lifestyle and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and nation, recognized nationally and internationally. The overall goal of the fund is to provide superior investment returns to sustain the beneficiaries in perpetuity and to uphold OHA’s mission.

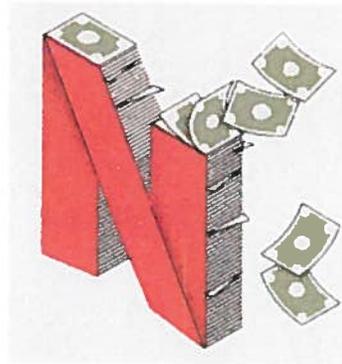
The purpose of the Investment Policy Statement (“Statement”) is to provide: clear and mutual understanding the Fund’s philosophy, investment objectives and policies; guidance, objectives and

limitations in investing the Fund’s assets; and evaluate the Advisors’ performance.

VII. Debt Management Policy

As approved by the BOT via Action Item #19-07 in May 2019, OHA shall not incur debt that is more than necessary to fund the OHA project or purpose for which the issuance was approved and any associated financing costs. Debt proceeds should be secured as close to the date of expenditure as possible, unless there are practical reasons to issue sooner, in which cases such reasons should be documented and approved by the Board.

Debt Management Policy



- Defines purpose for debt – Section III
- Defines debt – Section II
- Does not allow debt that is more than needed, and requires the debt to be secured as close to the date of expenditure as possible
- Requires debt to improve net worth or generate value, including cultural value
- Prohibits debt without a repayment solution, requires debt to be taken against an asset only for financial gain, requires due diligence prior to issuing debt
- Requires debt study every two years
- Requires administration to develop procedures to implement policy

⁴ Native Hawaiian Trust Fund Investment Policy Statement, Adopted by the Board of Trustees, August 24, 2017, Effective October 1, 2017

RM #19-15: Action Regarding the Debt Management Policy Implementation Procedures

The policy further: Defines purpose for debt; Defines debt; Does not allow debt that is more than needed, and requires the debt to be secured as close to the date of expenditure as possible; Requires debt to improve net worth or generate value, including cultural value; Prohibits debt without a repayment solution, requires debt to be taken against an asset only for financial gain, requires due diligence prior to issuing debt; Requires debt study every two years; Requires administration to develop procedures to implement policy. OHA should not issue debt that it cannot repay or that causes it to incur undue financial risk. OHA should not take on debt without a repayment solution that is consistent with its spending and withdrawal policies and its budget. Debt should be taken against an asset only for a financial gain.

Prior to incurring debt, OHA must consider financial alternatives where its assets and portfolio are not totally at risk. OHA should leverage its assets wisely by using debt strategically and prudently. A rigorous due diligence analysis should be conducted prior to issuance of debt, including impact of future budgets, sufficiency of revenues dedicated to debt service or operating costs of capital assets, and impact on ability to provide future services. A lack of repayment plans and dedication of funds, use of debt to cover operational costs and lack of diligence required to assume debt may occur when there is no clear policy.

Because this is a new policy, implementation procedures are provided to effect its launch.

VIII. Debt Management Policy – Implementation Procedures

Refer to Attachment A for proposed implementation procedures.

IX. Certification of Funding Availability

N/A – no funding required for action item.

X. Recommended Action(s)

Administration recommends the Board of Trustees (BOT) approve the Debt Management Policy implementation procedures as detailed in Attachment A.

XI. Alternatives

- A. Take no action, leaving the approved Debt Management Policy without implementation procedures (Attachment B).
- B. Amend the Debt Management Policy implementation procedures (Attachment A).

XII. Time Frame

This action shall be effective immediately upon approval by the BOT.

RM #19-15: Action Regarding the Debt Management Policy Implementation Procedures

XIII. Attachment(s)

- A. Debt Management Policy Implementation Procedures
- B. Debt Management Policy, including Section IV. PROCEDURES TO IMPLEMENT THE POLICY
- C. Meeting of the Committee on Resource Management Committee Report dated May 22, 2019
- D. Debt Management Procedures Analysis & Recommendations, August 2019
- E. OHA Revenue Bonds, White Paper, July 2019

IV. PROCEDURES TO IMPLEMENT THE POLICY

Ka Pouhana shall develop, for review by the Board, procedures regarding debt which shall be congruent with this Policy. The procedures shall model best practices for issuing debt. The procedures must address, at a minimum

1. Procedures for incurring and managing debt, including the requirements for the due diligence analysis and process prior to incurring debt, the process for requesting approval by the Board, and reporting requirements to the Board
2. Performance standards for OHA staff and external consultants, managers, or advisors
3. Permissible/impermissible forms of debt

The procedures shall detail how the policy principles will be implemented - what will be done, what resources will be used and what results will be expected.

A. Purpose and Uses of Debt

In managing debt, OHA shall distinguish between long-term debt and short-term debt. Debt with maturities that exceed three years are considered long-term debt and debt with maturities that are less than three years are considered short-term debt.

Debt shall only be used to fund capital projects. Under no circumstances shall long-term debt proceeds be used to fund current operations or maintenance expenditures.

1. Long-term debt proceeds shall only be used for the purpose of financing or refinancing the cost of design, acquisition, improvement and construction of capital projects that relate to the mission of OHA and align with its Strategic Plan objectives.
2. Short-term debt may only be used to fund temporary cash flow shortages for capital projects or unexpected and significant repair and maintenance expenses for existing capital assets.

B. Guidelines for Decision-making

OHA shall use the following guidelines for decision-making regarding the assumption of debt:

1. To preserve debt capacity, OHA shall only consider debt when necessary and only if utilizing pay-as-you-go financing is not feasible.
2. Capital projects that are fully self-funded and that relate to OHA's Strategic Plan objectives will receive priority consideration.
3. Capital projects that are partially self-funded and relate to OHA's Strategic Plan objectives will only be considered if the project generates significant cultural value to OHA's beneficiaries and produces adequate revenue to offset recurring expenditures for maintenance.
4. OHA shall balance the objective of achieving the lowest cost of capital with the objective of limiting exposure to restrictive liens and debt covenants, interest rate, default, and liquidity risks.

C. Debt Service Limitation

Under no circumstances shall debt service payments exceed twenty percent of Public Land Trust expenditures.

D. Permissible/Impermissible forms of Debt

In accordance with the provisions, restrictions and limitations of the Hawaii state Constitution, Hawaii Revised Statutes, and applicable provisions of the state Debt Management Policy, OHA shall only consider the following forms of permissible debt:

1. Reimbursable General Obligation Bonds as defined by HRS Chapter 39
2. Revenue Bonds as defined by HRS § 10-25
3. Revenue Anticipation Bonds as defined by § HRS 10-24
4. Financing Agreements as defined by HRS Chapter 37D

To reduce risk and preserve debt capacity, under no circumstances shall OHA enter into the following forms of debt agreements;

1. Conduit debt obligations in which OHA would be liable to pay for the principal and interest for debt instruments issued by third-party entities in which OHA does not hold an ownership interest.
2. Non-Exchange Financial Guarantees in which OHA would provide credit enhancements or financial assurances to a third-party entity in which OHA does not hold an ownership interest.
3. Derivatives Instruments, such as interest rate agreements or swaps.

E. Financing Agreements

If financing agreements are considered the appropriate method of financing, OHA shall consult with the Department of Budget and Finance to determine whether OHA can participate in any state financing opportunities. Additionally, OHA shall solicit and consider proposals from various statewide and national financial institutions.

F. Revenue Bonds

If revenue bonds are considered the appropriate method of financing, OHA shall reach out to the Department of Budget and Finance to request for assistance in the structuring, preparation and sale of revenue bonds. The State Debt Management Policy shall be used as the basis to determine the structure, issuance, methods of sale, standards for professional service providers, and pricing of revenue bonds.

G. Debt Structuring

In structuring debt, OHA shall use the following guidelines:

1. Debt proceeds shall be secured as close to the date of expenditure as possible.
2. Debt maturity structures shall not exceed the lesser of the expected useful life of the project financed or 30 years.
3. Debt amortization schedules for long-term debt shall be structured with either annual level principal payments or annual level debt service payment.
4. Principal payments must be made no later than five years from the date of the debt issuance.
5. Debt covenants shall not consist of features that prohibit or restrict potential refunding or refinancing opportunities in the future.

H. Board of Trustees Approval

The Board of Trustees must approve all decisions regarding new debt as well as the refinancing and refunding of existing debt.

Action items that involve decision-making on debt shall include a financial plan that covers the useful life of the capital project to be financed. At minimum, the financial plan shall include estimates for the cost for design, acquisition, construction, financing and ongoing maintenance of the capital project.

I. Refunding/Refinancing

OHA shall monitor outstanding debt for refunding and refinancing opportunities at least annually. Refunding and refinancing decisions shall be considered under the following circumstances:

1. When refunding or refinancing would generate a net present value savings on debt service.
2. When refunding or refinancing would result in the modification of restrictive debt covenants.
3. When refunding or refinancing would involve the conversion between variable and fixed interest rate structures.

J. Debt Affordability Study (“Study”)

The Study shall use generally accepted financial ratios that are consistent with the methodologies adopted by credit rating agencies. At minimum, the Study shall include the following financial ratios:

1. Outstanding debt as a percentage of unrestricted net assets,
2. Outstanding debt, pension and other post-employment benefit liabilities as a percentage of Unrestricted Net Assets,

3. Debt service as a percentage of Public Land Trust expenditures, and
4. Debt service, pension and other post-employment benefit contributions as a percentage of Public Land Trust expenditures.

J. Board Reporting

Consistent with OHA Executive Policy Manual section 3.4.f., a summary of outstanding debt shall be submitted in conjunction with the Multi-Year Financial Plan, which shall be submitted in conjunction with the Biennium Budget.

DEBT MANAGEMENT POLICY

I. PURPOSE

The purpose of this Debt Management Policy (“Policy”) is to ensure that all debt issuances undertaken by the Office of Hawaiian Affairs (“OHA”) are completed in an efficient manner and in accordance with best practices.

II. POLICY

It is the policy of the Board to adhere to prudent financial management practices and commit to long-term capital and financial planning. This Policy will enable OHA to foster consistency and optimize the use of its limited resources to meet its long-term capital needs.

OHA believes that debt is an equitable means of financing projects and represents an important means of meeting fiscal responsibilities. Adherence to a policy is essential to ensure that OHA maintains a sound debt position and protects the credit quality of its obligations.

OHA intends to use debt efficiently to maximize the delivery of projects within acceptable levels of risk, balancing obtaining the best possible credit ratings, minimizing interest costs, and optimizing future flexibility.

A. Purpose of Debt

OHA shall not incur debt that is more than necessary to fund the OHA project or purpose for which the issuance was approved and any associated financing costs. Debt proceeds should be secured as close to the date of expenditure as possible, unless there are practical reasons to issue sooner, in which cases such reasons should be documented and approved by the Board.

Debt should improve OHA’s net worth or help to generate value, including cultural value. Additionally:

1. OHA should not issue debt that it cannot repay or that causes it to incur undue financial risk. OHA should not take on debt without a repayment solution that is consistent with its spending and withdrawal policies and its budget.
2. Debt should be taken against an asset only for a financial gain. Prior to incurring debt, OHA must consider financial alternatives where its assets and portfolio are not totally at risk. OHA should leverage its assets wisely by using debt strategically and prudently.
3. A rigorous due diligence analysis should be conducted prior to issuance of debt, including impact of future budgets, sufficiency of revenues dedicated to debt service or operating costs of capital assets, and impact on ability to provide future services.

B. Financial and Credit Limitations

In addition to legal limitations, financial and credit limitations must also be considered, such as target coverage levels and credit ratings goals, before issuing new debt. In conjunction with this Policy, OHA will undertake a Debt Affordability Study (“Study”)

every two years to optimize the use of limited debt capacity while meeting public spending goals and to ensure the prudent use of debt and to preserve enough future debt capacity. The Study analyzes the OHA's debt profiles and presents relevant financial metrics to assess debt affordability. Before the issuance of any new debt, the analysis and recommendations of the most recent Study should be considered. The financial and credit impact of new debt must be evaluated, in order that OHA will not issue debt that it cannot repay or that causes it to incur undue financial risk.

III. SCOPE & AUTHORITY

The debt covered by this Policy is as defined in GASB Statement 88, namely: “[F]or this purpose, debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.” Debt includes, but is not limited to, issuances under Hawai‘i Revised Statutes (“HRS”) sections 10-22 and 10-23. Nothing in this Policy is intended to supersede the requirements of State or federal law, including Article VII, sections 12 and 13 of the State Constitution, HRS sections 13(2) and 10-36, and HRS chapter 10, part II. All debt is to be issued pursuant to the provisions, restrictions and limitations of the State Constitution, the HRS, the applicable provisions of the State of Hawai‘i Debt Management Policy, applicable federal law, and other mandatory requirements.

IV. PROCEDURES TO IMPLEMENT THE POLICY

Ka Pouhana shall develop, for review by the Board, procedures regarding debt which shall be congruent with this Policy. The procedures shall model best practices for issuing debt. The procedures must address, at a minimum

1. Procedures for incurring and managing debt, including the requirements for the due diligence analysis and process prior to incurring debt, the process for requesting approval by the Board, and reporting requirements to the Board
2. Performance standards for OHA staff and external consultants, managers, or advisors
3. Permissible/im permissible forms of debt

The procedures shall detail how the policy principles will be implemented - what will be done, what resources will be used and what results will be expected.

V. EXCEPTIONS TO THE POLICY

While adherence to this Policy is required in applicable circumstances, changes in the capital markets, programs and other unforeseen circumstances may produce situations that are not covered by the Policy or require modifications or exceptions to achieve Policy goals. In these cases, the Board may consider and approve exceptions to provisions within this Policy. A memo detailing the rationale for any exception to the Policy must be submitted to the Board.

**MEETING OF THE
COMMITTEE ON RESOURCE MANAGEMENT
COMMITTEE REPORT**

May 22, 2019

The Honorable Colette Machado,
Chairperson Board of Trustees
Office of Hawaiian Affairs

Madame Chair Machado,

Your Joint Committees on Resource Management and Beneficiary Advocacy and Empowerment, having met on May 22, 2019 and after full and free discussion, recommends approval of the following action to the Board of Trustees:

- A. Approve the Economic Development Policy, noting that Administration will return with the implementation procedures for Board action;
- B. Approve the Debt Management Policy, noting that Administration will return with the implementation procedures for Board action;
- C. Acknowledge the Spending Policy language and the existing Native Hawaiian Trust Fund (NHTF) Spending policy, as Amended, noting Administration will return with consolidated policy document for Board action; and
- D. Acknowledge the Investment and Real Estate Policy language and the existing NHTF Investment and Real Estate Vision, Mission, and Strategy policies, noting Administration will return with consolidated policy document(s) for Board action.

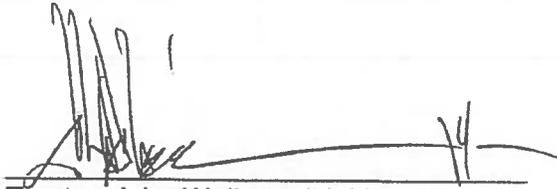
Relevant attachments are included for your information and reference. Attachment(s):

- 1) Action Item RM # 19-07
- 2) RM #19-07 Roll Call Sheet

Respectfully submitted:



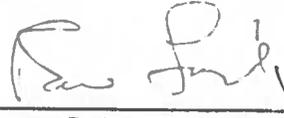
Trustee, Chair Dan Ahuna



Trustee John Waihe'e, IV, Member

Excused

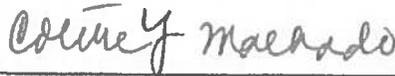
Trustee Leina'ala Ahu Isa, Member



Trustee Robert Lindsey, Member



Trustee Carmen Hulu Lindsey, Member



Trustee Colette Machado, Member

Excused

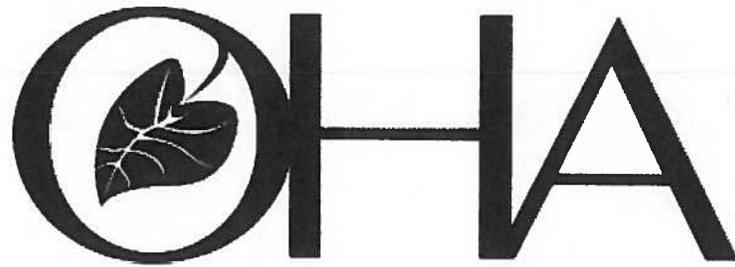
Trustee Brenden Lee, Member



Trustee Kalei Akaka, Member



Trustee Keli'i Akina, Member



DEBT MANAGEMENT PROCEDURES

Analysis & Recommendations

Prepared at the request from Administration:

Paul Harleman, MBA, EA
Trustee Aide
Office of Keli'i Akina, Ph.D., Trustee At-Large

August 14th, 2019

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APPENDIX

A. DEBT PROFILE

I. OBJECTIVE

On May 22, 2019, the Board of Trustees approved a series of board level policies, including a Debt Management Policy. The Debt Management Policy requires that specific procedures are developed to address the following:

1. Incurring and managing debt
2. Due diligence process and analysis
3. Board decision-making and reporting
4. Performance standards for OHA staff and external consultants
5. Permissible/impermissible forms of debt

The development of specific recommendations for debt management procedures requires that due diligence is performed to ensure that the proposed procedures align with OHA's current debt profile as well its future strategic and capital needs.

The objectives of this report are threefold:

- To provide a review of the best practices for debt management policies and procedures,
- To provide an analysis of OHA's current debt profile and future debt capacity, and
- To propose specific recommendations for the implementation procedures of the "Debt Management Policy."

II. METHODOLOGY

The (i) *Government Finance Officers Association (“GFOA”) Best Practices for Debt Management Policies* and the (ii) *Standards & Poor’s/Moody’s Credit Ratings Framework* define best practices that OHA can use as a framework to develop its debt management procedures.

(i) GFOA Best Practices

The GFOA best practices for debt management policies are mainly developed for state and municipal governments that have the statutory authority to issue bonded debt instruments. Because OHA’s statutory authority is limited to the issuance of revenue bonds, not all the GFOA best practices are relevant for OHA. Nevertheless, the following recommended GFOA framework for debt management policies can be used as an outline for OHA’s debt management procedures (Appendix 1).

1. Conditions for debt issuance
2. Restrictions on debt issuance
3. Debt service limitations
4. Limitations on Outstanding debt
5. Characteristics of debt issuance
6. Debt issuance process

In addition to defining best practices for debt management procedures, the GFOA also provides guidance for structuring debt. The following guidelines for structuring debt are generally accepted as best practices:

- Match short-term capital needs with short-term debt, and long-term capital needs with long-term debt.
- Restrict variable rate debt to short-term financing in order reduce interest rate risk exposure.
- Restrict the use of long-term debt proceeds to capital projects.
- Prohibit use of long-term debt to fund current operations or new programs.
- Avoid debt covenants that unduly restrict the ability to redeem bonds and refinance non-bonded debt instruments.
- Do not extend the maturity of debt beyond the useful life of the capital project that is being financed.
- Adopt a debt amortization schedule with equal principal or debt service payments.

(ii) Standards & Poor’s/Moody’s Credit Ratings Framework

Standards & Poor’s and Moody’s are the two leading credit rating agencies that opine on the credit worthiness of both governmental and corporate bonds. The factors generally considered by credit rating agencies should therefore provide a baseline to develop OHA’s debt management procedures.

Table 1 provides a summarized overview of the factors that credit rating agencies consider as part of their credit ratings process for general obligation bonds.

Table 1. Standards & Poor's/Moody's Credit Rating Criteria¹

Credit Rating Criteria	S&P	Moody's
1. Economy	30%	30%
Diversified asset base		
Strong statewide economic indicators		
2. Financial Measures	30%	30%
Stable, diversified operating revenues		
Budgetary flexibility		
Fiscal reserves & liquidity		
3. Debt & Long-term Liabilities	10%	20%
Modest capital/debt needs and regularly updated CIP plans		
Rapid amortization of debt (less than 65% within 10 years is good)		
Predominantly fixed rate debt (less than 15% variable debt is good)		
Pension and OPEB ¹ funding funded based upon the ARC ²		
Carrying cost for debt (less than 15% of spending is good; greater than 25% is bad)		
4. Management & Institutional Framework	20%	20%
Efficient decision-making process and consistent cooperation among decision-makers		
Adherence to financial policies and timely reporting		
Support from state government in case of fiscal distress		

Source: Government Finance Officers Association, 108th Annual Conference, "Rating Agencies: How New Evaluation Criteria Could Impact Your Rating"

Since the "Management & Institutional Framework" and "Economy" criteria are already addressed by different policy working groups, the emphasis of this report is solely on the "Financial Measures" and "Debt & Long-Term Liabilities" categories.

The Debt Management Policy and related implementation procedures are certainly significant. However, as illustrated by the credit ratings framework, they are only part of the overall equation that affects OHA's creditworthiness. The work on the economic development policies and the additional efforts by the various Permitted Interaction Groups (PIG) are equally important.

Best practices from both the GFOA and the credit rating agencies are used throughout this report as the basis to evaluate OHA's current debt profile, future debt capacity, as well as the development of specific recommendations for debt management procedures.

¹ Other Post Employment Benefits; In OHA's case this refers to the contributions for the Employer Union Trust Fund (EUTF)

² Annual Required Contribution (ARC); In OHA's case this refers to the actuarially determined minimum annual contribution that must be made to the Employment Retirement System (ERS).

III. DISCUSSION OF FINANCING OPTIONS

OHA’s financing options consist of (i) bonded debt options and (ii) conventional financing agreements.

(i) Bonded Debt

The bonded debt options available to OHA consist of reimbursable general obligation bonds, revenue bonds, and revenue bond anticipation notes.

Table 2. State of Hawaii Credit Ratings

Bond Program	Fitch	Moody's	S&P
State of Hawaii - G.O. Bonds	AA	Aa1	AA+
Revenue Bonds			
DHHL	A	Aa3	
DOT Airport System	A+	A1	AA-
DOT Harbor System	A+	A2	A+
DOT Highway System	AA	Aa2	AA-
HHFDC Rental Housing	A	A1	
HHFDC Single Family	AAA	Aaaa	AA+
UH Board of Regents	AA	Aa2	

- **Reimbursable G.O. Bonds**³ are general obligation bonds that are issued by the State of Hawai’i on behalf of either a department or political subdivision. The bonds are secured by the full faith and credit of the State of Hawai’i and are subject to reimbursement of debt service payments from the beneficiary department or political subdivision.
- **Revenue Bonds**⁴ are not secured by the full faith and credit of the State of Hawai’i and are instead secured by revenues to be derived from either the financed project , other departmental or agency revenues, or a combination of both.
- **Revenue Bond Anticipation Notes**⁵ are notes that are secured by the proceeds of the sale of the revenue bonds and the revenues that are pledged towards the revenue bonds. They are used as a short-term financing vehicle in anticipation of the sale of revenue bonds.

Table 3 provides a summarized comparison of the reimbursable general obligation bonds and revenue bonds financing options that are available to OHA.

³ HRS § 10-31 (3) “Reimburse the general fund of the State for any bond requirements on general obligation bonds issued for an office project or projects to the extent required by law”

⁴ HRS § 10-27 (2) states that revenue bonds may contain covenants as to: “the use and disposition of the revenue of the office project”, “the use and disposition of the revenue of all office projects”, “and the revenues of the office”

⁵ HRS § 10-24

Table 3. Comparison: Reimbursable G.O. Bonds vs Revenue Bonds

	Reimbursable G.O. Bonds	Revenue Bonds
Credit Rating & Interest	Because the bonds are backed by the full faith and credit of the State of Hawai'i they generally carry a higher credit rating and lower interest rate.	OHA revenue bonds will likely have a lower credit rating than the State of Hawai'i.
Issuing Fees	The Department of Budget and Finance will cover the issuance fees.	Budget and Finance Department could assist in the process. However, OHA would need to retain <ol style="list-style-type: none"> 1) underwriter(s), 2) financial advisors (municipal advisor) to assist in the structuring of the bond issuance, 3) bond counsel to issue a disclosure with respect to the tax treatment of the bond, 4) bond trustee or fiscal agent, and 5) credit rating agencies. <p>According to a 2013 study done in California, the average issuance costs for bonds ranged from 2.5% - 0.4% per \$1,000⁷.</p>
Recurring Fees	The Department of Budget and Finance will cover the recurring fees.	Requires ongoing costs for the following: <ol style="list-style-type: none"> 1) Permanent employee(s) to manage the required recordkeeping, reporting and investor relations. 2) Annual credit ratings 3) bond trustee, and 4) arbitrage rebate service providers to ensure compliance with IRS arbitrage rules.
Legislative Approval	Requires legislative approval and more scrutiny.	Requires legislative approval. However, because revenue bonds are not backed by the full faith and credit of the State of Hawai'i, they are generally exposed to reduced levels of legislative scrutiny.

(ii) Financing Agreements

In addition to bonded debt instruments, OHA is also allowed to enter into conventional financing agreements such as loan agreements and lines of credit. However, according to HRS Chapter 37D and the State Debt Management Policy, financing agreements by departments and agencies are to be approved by the Director of Finance and Attorney General. It is unclear whether this requirement applies to OHA as a semi-autonomous state agency.

⁷ California Debt and Investment Advisory Commission

IV. REVIEW OF DEBT PROFILE

Review of OHA's debt profile requires that debt be properly defined for the purposes of this report. Action Item RM #18-12, which established a new budget system, and the recently adopted Debt Management Policy define debt and debt service as follows:

- **Debt Management Policy:**
 - "Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established."
- **RM 18-12 (Budgeting System):**
 - "Financing agreement means any lease purchase agreement, installment sale agreement, loan agreement, line of credit, or any other instrument of indebtedness of which the full faith and credit of OHA are pledged towards the payment of principal and interest."
 - "Debt Service means interest and principal repayments on financing agreements"

Considering these definitions, an obligation is therefore considered debt if it satisfies the following three criteria:

1. It is a contractual obligation to pay cash.
2. It is an amount that is fixed at the date the contractual obligation is established.
3. The full faith and credit of OHA are pledged towards the payment of principal and interest.

Subsequently, RM #18-12 requires that any payments made towards an obligation defined as debt be treated and budgeted as debt service. Strict readings of the definitions for debt and debt service require, therefore, that OHA's annual payments to DHHL are in fact included in OHA's debt profile as well as its assessment of future debt capacity.

Although the DHHL payments are currently classified as grants for budgetary purposes, they are reported as a discounted debt obligation⁸ on OHA's financial statements, and creditors and credit rating agencies are likely to include the DHHL financial obligation in their assessment of OHA's creditworthiness. For these reasons, the DHHL financial obligation is included in OHA's debt profile for the purposes of this analysis.

⁸ In 2012, the State Auditor required the total gross commitment to DHHL be reflected on OHA's balance sheet with a debt service schedule to correspond to the actual \$3 million payment. Subsequently, the \$90 million obligation was discounted according to a 30-year debt amortization schedule. (Source: OHA DHHL Evaluation Report, July 15, 2015)

(i) Outstanding Debt

Table 4. Debt Profile OHA

Agreement Date	Matures On	Entity	Amount	Debt Service	Interest Rate	Outstanding Principal (6/30/2018)
08/12/20018	5/22/2039	DHHL	\$41.8M ⁹	\$ 3M	N/A	\$ 29.5M ¹⁰
8/14/2012	9/1/2022	Bank of Hawaii	\$ 21.3M	\$ 1.3M ¹¹	3.6% ¹²	\$ 19.7M
2/2/2015	2/3/2024	Bank of Hawaii	\$ 5M ¹³	\$ 1.8M ¹⁴	3%-4.5% ¹⁵	\$ 8.3M
6/28/2013	6/28/2023	Bank of Hawaii	\$ 6.7M ¹⁶			

Table 4 provides a summary of OHA's debt profile. Appendix 1 provides a comprehensive analysis of the structural details of all financing agreements.

The carrying value ("book value") of OHA's outstanding debt as of June 30, 2018 amounts to \$57.5 million. It is important to note, however, that because of the unique characteristics of the DHHL financial obligation, the carrying value of OHA's outstanding debt is not consistent with the actual value of OHA's outstanding debt.

Per the accounting rules, only outstanding principal is reflected as a liability for financial statement purposes. In DHHL's case, the actual value of the financial obligation after the refinancing of the DHHL revenue bond amounts to \$41.6 million, which is \$12.1 million higher than the reported carrying value of \$29.5 million. Although the accounting rules allow for the discounting of financial obligation to DHHL, it is important to understand that unlike conventional debt instruments in which debtors are only liable for outstanding principal, OHA is contractually obligated to pay the entire outstanding balance of \$41.6M¹⁷ to DHHL.

For the purposes of this report, the carrying value of the DHHL liability is used as opposed to the actual value of the financial obligation. As a disclaimer, it is important to note that creditors and

⁹ This reflects the discounted value of the \$90 million financial obligation. The interest rate per the Supplemental Agreement #2337.01 is 5.733%, which allows OHA to discount the financial obligation based upon a 30-year debt service amortization schedule.

¹⁰ This reflects the discounted carrying value; the full obligation to be repaid after the refinancing of the DHHL revenue bonds amounts to \$43.6 million

¹¹ This does not include the payment of \$17.3 million in 2023.

¹² This reflects the amended rate. The initial interest rate was 3.35%.

¹³ This reflects the maximum allowable draw.

¹⁴ No principal payments have been made as of June 30, 2018.

¹⁵ The interest for the lines of credit are based upon the following elections made by OHA: Variable options are base rate +/- 0.5%, LIBOR +/- 0.75%; Fixed option is federal home loan bank index +/- 0.75%. The current Base Rate is 4.5%; LIBOR is 2.2%; 6-year federal home loan bank index is 2.39%.

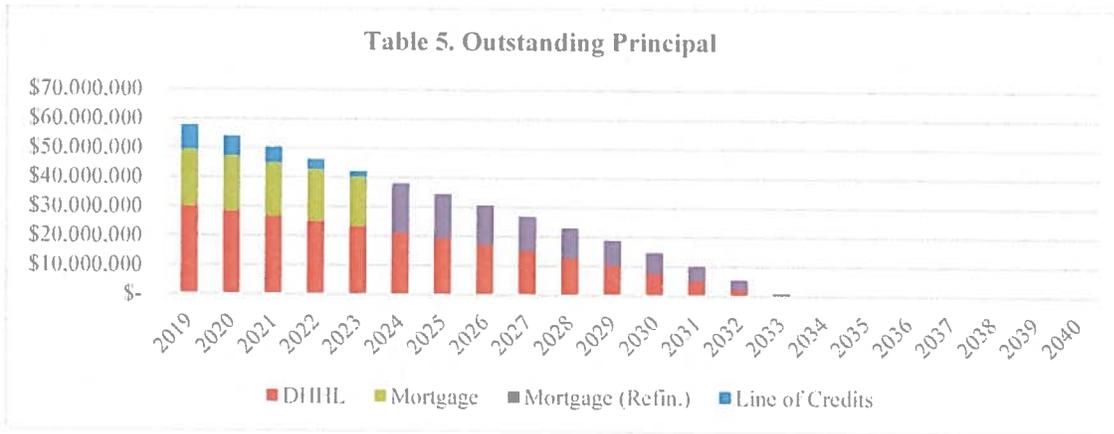
¹⁶ This reflects the maximum allowable draw.

¹⁷ OHA Legal Counsel is of the position, as shared during the meetings of the FSP DHHL work group, that OHA is legally required to pay the entire outstanding balance of the DHHL financial obligation. Only DHHL is able to reduce the amount of the financial obligation.

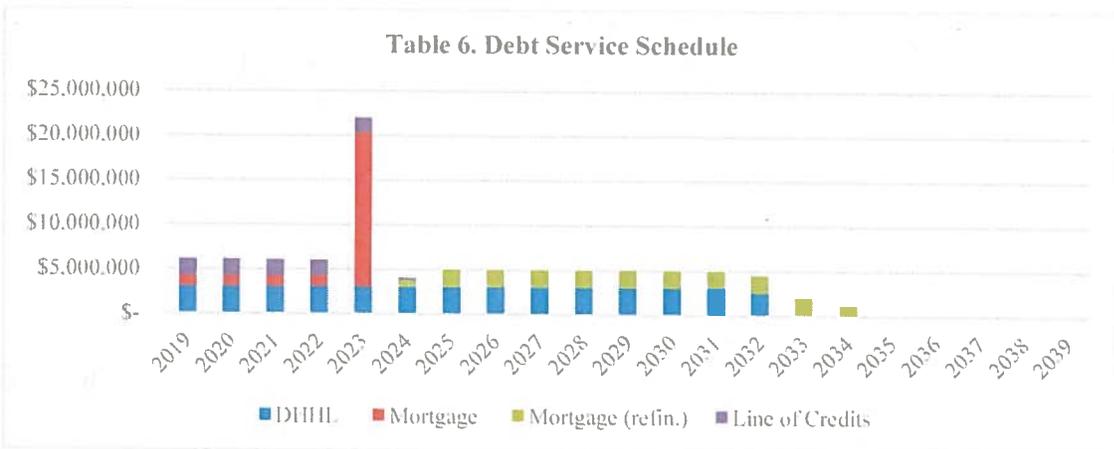
rating agencies may use the actual value of the DHHL obligation in their assessment of OHA’s creditworthiness.

(ii) Debt service & Amortization

According to the current debt amortization schedule, more than 63% of outstanding principal is expected to be repaid within the next ten years. This is generally viewed as positive factor. However, since the current debt service schedule consists of a \$17 million payment for Nā Lama Kukui in 2023, it does not provide for a realistic scenario.



It’s reasonable to assume that the mortgage with Bank of Hawaii will have to be refinanced in 2023. The displayed amortization schedule assumes a refinancing of the mortgage at a 3% fixed rate for 10-years. The 10-year 3% fixed rate loan would mirror the current debt service for Nā Lama Kukui. Under this scenario, only 49% of outstanding principal is expected to be repaid within the next ten years, which is less than the 63% benchmark established by the credit rating agencies.



Sources for Table 5 and 6: Mortgage and Line of Credit debt schedule is retrieved from the OHA Financial Statements 2018, Note L – Long Term Liabilities. DHHL debt schedule is retrieved from the DHHL Memorandum to Chair Machado (August 10, 2017). Mortgage refinancing assumes that the Bank of Hawaii mortgage is refinanced at a fixed 10-year loan at 3%.

(iii) Net Pension and OPEB Liabilities

In addition to debt, OHA’s credit worthiness is also affected by its participation in the Employment Retirement System (“ERS”) and the Employer Union Trust Fund (“EUTF”). Due to recent changes in the government accounting standards, OHA’s proportionate share of the unfunded liabilities for the ERS and EUTF are now fully disclosed on OHA’s financial statements.

Although the Board of Trustees has limited ability to manage OHA’s risk exposure to increased future payments for pension and OPEB liabilities, the likelihood of increased future payments should be carefully evaluated in the context of debt decision-making.

The ERS and EUTF are required to conduct an actuarial valuation study every two years. The actuarial valuation studies contain a projected schedule with minimum annual required contributions for the next 30 years.

Since these actuarial valuation studies form the basis for potential future fringe benefit rate increases, they should be carefully reviewed on a regular basis. Especially the risk exposure to increased healthcare costs needs to be monitored carefully. Under the most recent actuarial study for the EUTF, a 1% increase in the assumption that is used to project healthcare costs could potentially result in a 17% increase of OHA’s Net Pension Liability¹⁸.

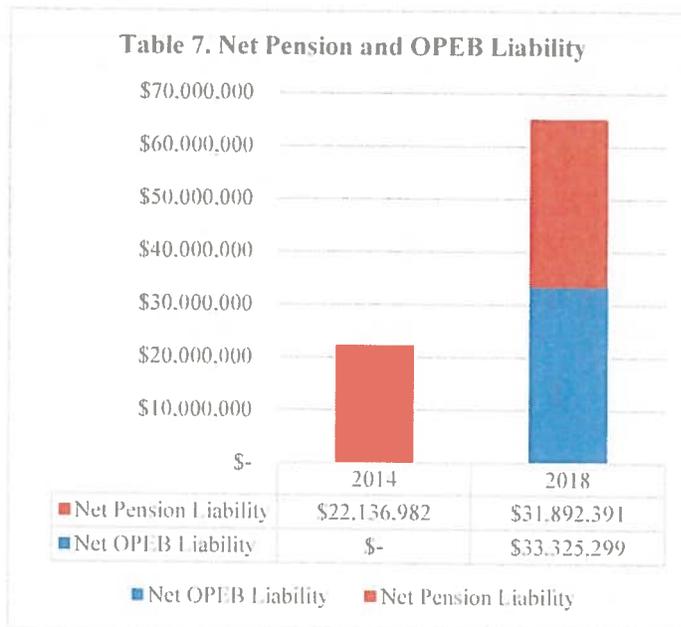


Table 8. Annual Required Pension & OPEB Contributions

	Required Contribution FY2018		Actual Contribution FY 2018	
Pension Contribution	\$	1,694,776	\$	1,621,477
OPEB Contribution (Healthcare)	\$	2,123,100	\$	1,881,695
Total	\$	3,817,876	\$	3,503,172

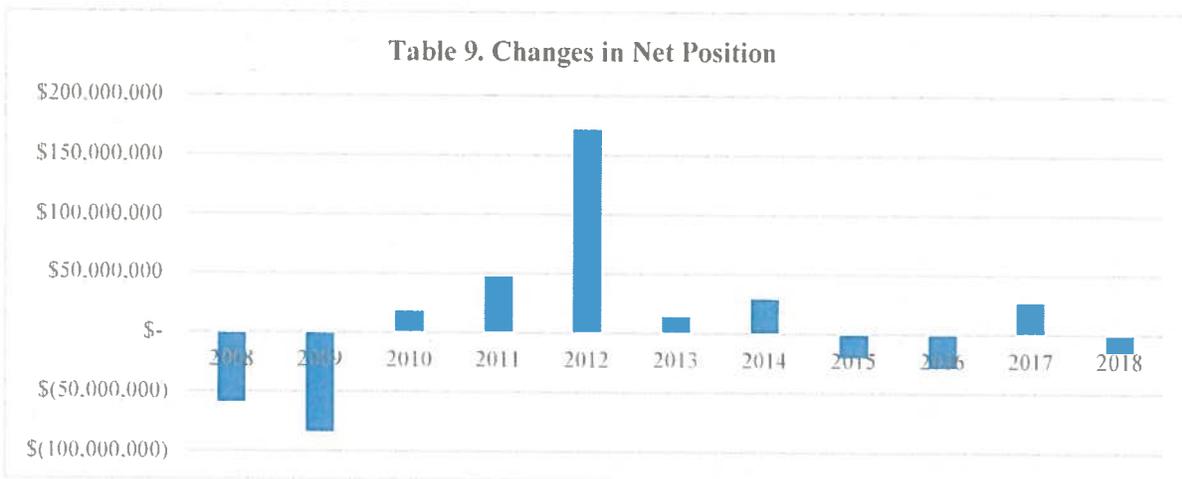
Sources for Table 7 and 8: OHA Financial Statements 2018, Schedule of Contributions (Pensions) page 69, Schedule of Contributions (OPEB) page 72, Schedule of Changes in Net OPEB Liability page 71, Schedule of OHA’s Proportionate Share of Net Pension Liability page 68.

¹⁸ Hawaii Employer Union Health Benefit Trust Fund Retiree Health Care Plan, Actuarial Valuation Report as of July 1, 2018, Page 16.

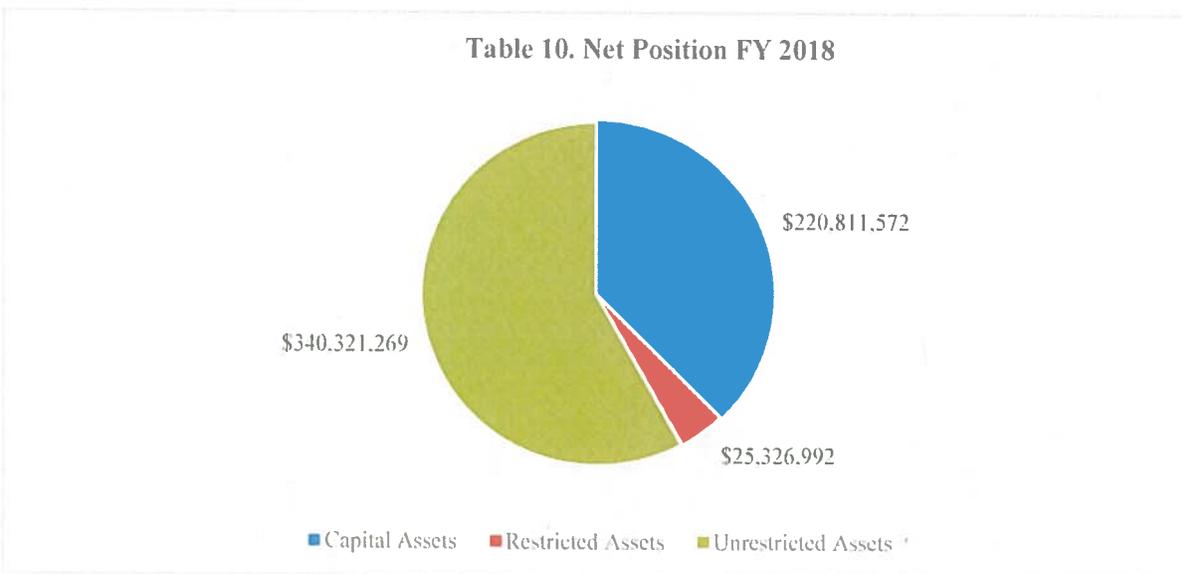
V. REVIEW OF FINANCIAL MEASURES

Financial measures such as the performance of assets, revenue generated capabilities, as well as the flexibility to adjust expenditures are important considerations with respect to the issuance and management of debt.

(i) Net Assets



Over time, increases and decreases in the net position provides a useful indicator of whether OHA’s financial position is improving or deteriorating. Since 2008, OHA’s net assets have grown from \$446 million to \$586 million. However, this growth is primarily due to the transfer of Kaka’ako Makai (valued at \$200 million) by the State of Hawai’i in 2012.

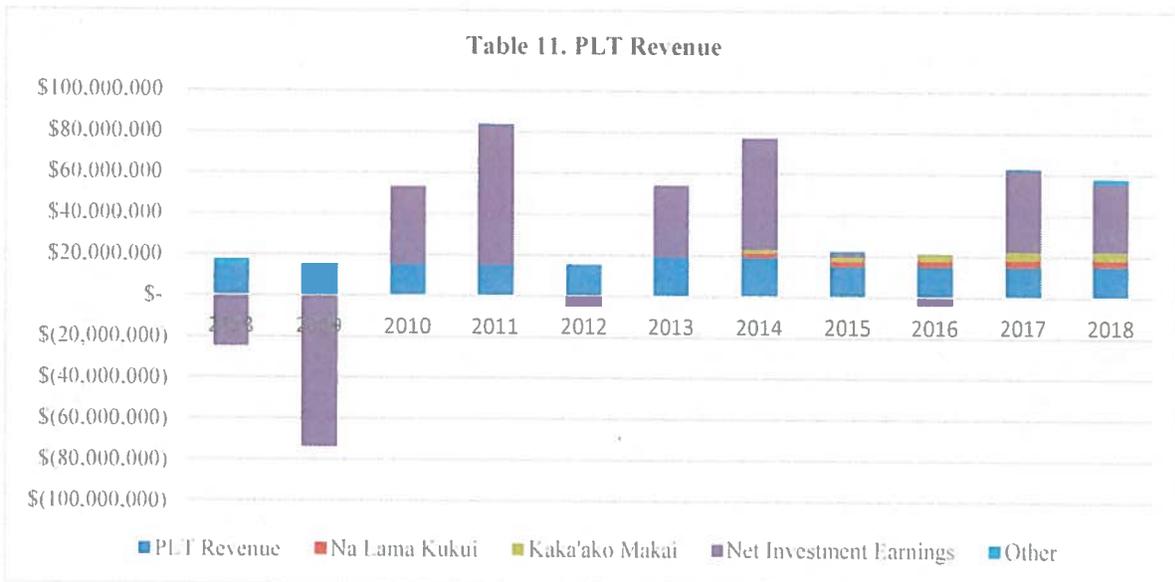


Sources for Table 9 and 10. OHA Financial Statements for the period 2008-2018. Statement of Net Position

In addition to changes in net position, OHA’s unrestricted net assets reflect an important measurement of the solvency OHA, which refers to OHA’s ability to meet long-term debt and financial obligations. However, since OHA has the discretion to sell its commercial properties, the unrestricted net asset balance, combined with the appraised value of commercial real estate assets would provide a more suitable measurement of OHA’s solvency. Because real-estate assets are recorded at their book value for financial statement purposes, OHA should consider regular appraisals for commercial real estate in order to better assess future debt solvency ratios.

In addition to the importance of tracking the unrestricted net asset balance, it is also important to highlight that due to the budget proviso for the general funds, debt service is traditionally paid for by public land trust assets. From a debt management policy perspective, public land trust revenues and expenditures are therefore an appropriate debt management indicator as opposed to total revenues and expenditures, which would provide a distorted view of OHA’s debt position because it would include general, federal, as well as proprietary fund¹⁹ revenues and expenditures.

(ii) Public Land Trust Revenue (“PLT”)



Sources: OHA Financial Statements 2008-2018. Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.

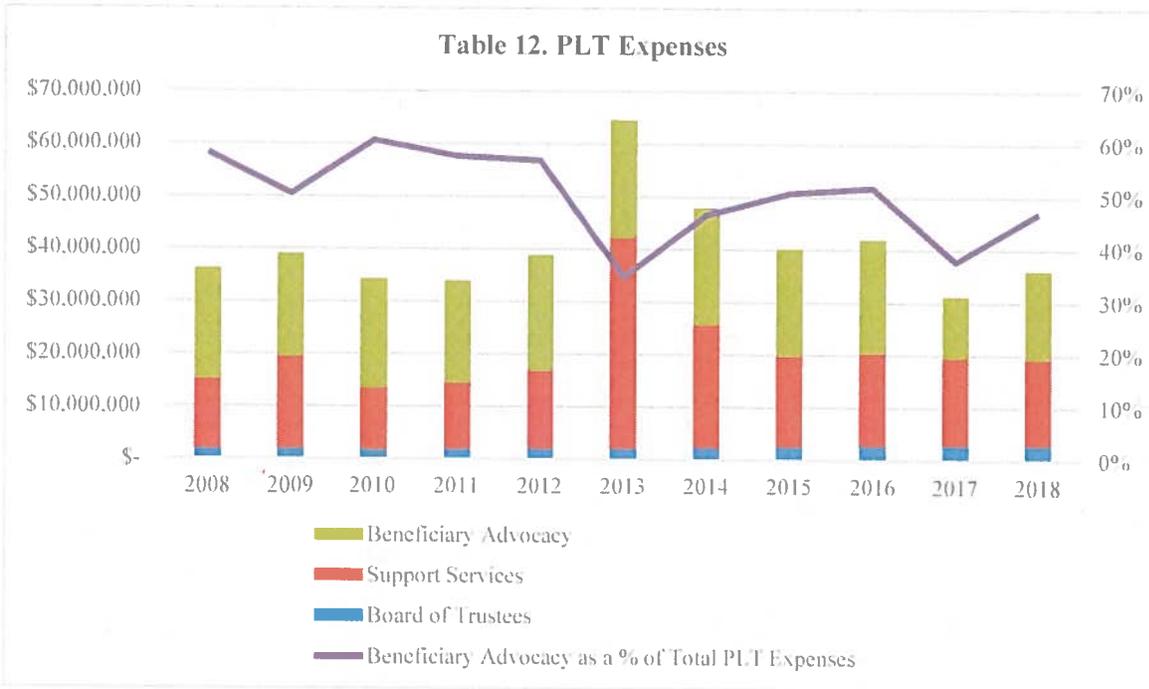
Revenues are often used as the basis for debt policies. For example, the State Constitutional limit for outstanding general obligation bonds is tied to 18.5% of the average general fund revenues for the preceding three years. PLT revenues are predominately tied to the performance of the Native Hawaiian Trust Fund (“NHTF”) financial assets portfolio. Because of the volatility of the financial markets, the PLT revenues would not provide for a stable measurement of OHA’s debt capacity.

¹⁹ Reflects Hi’ilei Aloha LLC and Ho’okele Pono LLC

(iii) Public Land Trust Expenditures

In contrast to the PLT revenues, PLT expenses have been relatively stable throughout the last decade because they are subject to the Spending Policy, which restricts draws to the 20-month moving average of the NHTF.

Because of the stability, PLT expenditures form a better measurement of OHA’s debt capacity. This approach is consistent with the City & County of Honolulu, which has capped debt service on general obligation bonds to 20% of the operating budget²⁰.



Sources: OHA Financial Statements 2008-2018. Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.

With respect to the issuance of debt, OHA should also assess how future debt service payment would impact its ability to respond to the growing needs among beneficiaries. A review of PLT expenditures illustrates that within the last decade, the share of beneficiary expenditures relative to total PLT expenses has gradually declined from 58% in 2008 to 47% in 2018. OHA defines beneficiary advocacy expenditures on its financial statements as disbursements that provide for the “betterment of all Hawaiians through improving access to resources, benefits, and services, in the areas of housing, education, health, and economic development”²¹.

Because beneficiary advocacy is at the core of OHA’s mission, it would be prudent to evaluate and assess the impact of future debt service payments on beneficiary advocacy expenditures.

²⁰ Office of the City Auditor. Audit of the City Debt Service Practices (2006)

²¹ OHA annual financial statements (2018), page 5.

VI. DEBT AFFORDABILITY

The recently adopted Debt Management Policy requires that a “Debt Affordability Study” be conducted every two years to “optimize the use of limited debt capacity while meeting public spending goals and to ensure the prudent use of debt and to preserve enough future debt capacity.”

The credit rating agencies provide a framework of commonly used debt ratios that OHA could implement as part of the “Debt Affordability Study”. The following debt ratios are commonly used:

- **Outstanding Debt as a % of Unrestricted Net Assets:** measures the degree to which assets are available to pay for debt and financial obligations.
- **Debt Service as a % of Revenues:** measures the ability to pay debt service with revenues.
- **Debt Service as a % of Expenditures:** measures the ability to pay debt service relative to other expenditures.

Since both debt as well as pension liabilities affect OHA’s creditworthiness and debt capacity, it is highly recommended that the above-mentioned ratios are evaluated for both outstanding debt, debt service, as well as pension and OPEB liabilities and contributions.

Benchmarks for debt ratios are relative statistics that fluctuate over time. However, generally a debt service ratio that is less than 15% of spending is considered acceptable by credit rating agencies. Similarly, a debt service ratio that exceeds 25% of spending is generally considered as unfavorable.

OHA’s debt ratios reflected in Table 13 indicate that without increased PLT revenues, OHA has limited to no capacity to responsibly take on additional debt service payments. Both debt service and payments for pension and OPEB contributions currently account for nearly 25% of total PLT expenses. This means that in the absence of revenue generating activity, incurring additional debt service will negatively affect OHA’s creditworthiness as well as its ability to respond to the growing needs among beneficiaries.

Table 13. Debt Capacity Assessment

	Actual					Projected						
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<u>As a % of Unrestricted Net Assets</u>												
Outstanding Debt	17.5%	19.6%	21.8%	19.4%	17.1%	16.2%	15.0%	13.9%	12.8%	11.6%	10.4%	9.3%
Pension & OPEB Liabilities	5.7%	5.8%	6.8%	18.7%	19.3%	18.9%	19.1%	19.2%	19.3%	19.3%	19.3%	19.3%
Outstanding Debt, Pension & OPEB Liabilities	23.2%	25.4%	28.6%	38.1%	36.4%	35.1%	34.2%	33.2%	32.1%	30.9%	29.7%	28.5%
<u>As a % of Unrestricted Net Assets & Commercial Properties (book value)</u>												
Outstanding Debt	11.1%	12.0%	12.9%	11.9%	10.3%	9.9%	9.2%	8.5%	7.8%	7.1%	6.3%	5.7%
Pension & OPEB Liabilities	3.7%	3.6%	4.0%	11.5%	11.7%	11.6%	11.7%	11.8%	11.8%	11.8%	11.8%	11.8%
Outstanding Debt, Pension & OPEB Liabilities	14.8%	15.5%	16.9%	23.4%	22.0%	21.5%	20.9%	20.3%	19.6%	18.9%	18.2%	17.5%
<u>As a % of Public Land Trust Revenue</u>												
Debt Service	5.1%	19.2%	25.2%	7.9%	8.8%	14.2%	14.3%	14.1%	13.9%	11.8%	11.2%	10.7%
Pension & OPEB	2.0%	11.9%	15.2%	5.0%	5.6%	7.6%	7.8%	7.9%	8.0%	8.1%	8.2%	8.3%
Non-Discretionary Costs	7.2%	31.1%	40.4%	12.9%	14.4%	21.9%	22.1%	21.9%	21.8%	19.9%	19.4%	19.0%
<u>As a % of Public Land Trust Expenses</u>												
Debt Service	7.8%	10.7%	10.5%	16.0%	14.1%	16.9%	17.0%	16.7%	16.4%	14.0%	13.3%	12.7%
Pension & OPEB	3.1%	6.7%	6.4%	10.1%	8.9%	9.1%	9.2%	9.3%	9.4%	9.6%	9.7%	9.8%
Non-Discretionary Costs	10.9%	17.4%	16.9%	26.1%	23.0%	25.9%	26.2%	26.0%	25.9%	23.5%	23.0%	22.5%

Actual Financial Data (2014-2018):

The actual financial figures are derived from the OHA Financial Statements for 2014-2018.

Debt and debt service data is derived from Note L Changes in long-term liabilities (Compensated absences and capital lease obligations are excluded). The DHHL outstanding debt balance is derived from the Governmental Funds – Balance Sheet Committed fund balance for the Public Land Trust. The data for unrestricted net assets and outstanding pension and OPEB liabilities is derived from the Statement of Net Position.

Projected Financial Data (2019-2025):

The projected financial data for the 2019-2025 time-frame is based on various assumptions.

The pension and OPEB liabilities and contributions are assumed to grow proportionately to the Unfunded Actuarial Accrued Liability (UAAL) and Annual Required Contribution (ARC) as projected by the most recent actuarial valuations for the ERS and EUTF.

The Public Land Trust revenues and expenditures are based on the 5-year average for 2014-2018.

VII. RECOMMENDATIONS

The following provides a summary of findings with respect to OHA's debt profile and debt capacity. The SWOT analysis forms the basis for (i) strategic considerations and (ii) specific recommendations for OHA's debt management procedures.

Strengths:

- The ratio of current debt service to PLT expenditures is within acceptable limits (less than 15% is good).

Weakness:

- Only 49% of outstanding debt is scheduled to be repaid within the next 10 years (less than 65% is the benchmark).
- The refinancing of the mortgage for Na Lama Kukui has reduced the recourse to 53% of the property value. However, the refinancing has also increased the interest rate from 3.3 to 3.6%.
- Payments of principal for the mortgage for Na Lama Kukui and lines of credit were delayed by two years.
- A line of credit is designed to provide short-term liquidity, and was not a suitable method to finance capital improvement projects for Na Lama Kukui.
- The mortgage for Na Lama Kukui includes a 1% prepayment privilege fee, which has increased the costs for future refinancing.
- The mortgage for Na Lama Kukui has a final payment that consists of 87% of principal due in 2023.
- The DHHL obligation has substantially reduced OHA's debt capacity.

Opportunities:

- All current debt is held by Bank of Hawaii. Banking diversification could provide more favorable financing terms and potential for increased deposit returns.
- The implementation of debt management procedures could lead to better financing decisions.
- Reimbursable G.O. Bond could potentially provide an affordable and effective means of financing for OHA.
- The development of formal cash management policies and procedures could lead to increased deposit returns on excess cash.
- Closer cooperation with the Budget & Finance department with respect to financing decisions could potentially lead to more favorable terms on conventional financing agreements.

Threats:

- Since OHA is a participating employer within the EUTF, its debt capacity could be impacted by potential liability adjustments due to changing projections for future healthcare inflation.
- Beneficiary advocacy expenses have gradually declined from 58% of total PLT expenses in 2008 to 47% in 2018.
- It is unclear currently whether OHA's financing agreements require formal approval from the Hawai'i Finance Director and Attorney General (HRS Chapter 37D).

(i) Strategic Considerations

The following provides strategic recommendations to be considered in discussions of debt management procedures.

- **Cash Management Policy** – The development of an organization-wide cash management policy could potentially result in increased deposit returns and efficiencies in the management of working capital.
- **Relationship with Budget & Finance** – Fostering a formal relationship with the Department of Budget & Finance could potentially result in more favorable financing terms through either Reimbursable G.O. Bonds or collaborations on conventional financing agreements with local and national banks.
- **Banking Diversification** – Banking diversification, at both the state and national level, could potentially result in more favorable financing terms as well as deposit returns through a more formalized treasury function.

(ii) Recommendations for Debt Management Procedures

The following are specific recommendations for the development of OHA's debt management procedures.

1. Distinguish between short-term (<3 years) and long-term debt (>3 years).
2. Establish a debt ceiling that limits debt service to less than 20% of total PLT expenses.
3. Restrict long-term debt to capital improvement projects only, and prohibit the use of debt proceeds for operating or maintenance expenses.
4. Use the credit rating agency framework as the basis for the "Debt Affordability Study."
5. Prohibit the issuance of conduit debt obligations and non-exchange financial guarantees such as the DHHL financial obligation.
6. Avoid debt covenants that include features that prohibit or restrict future refunding or refinancing opportunities.
7. Require that principal payments are made no later than five years from the date of the debt issuance.
8. Restrict debt maturity schedules to the lesser of the expected useful life of the project financed or 30 years.
9. Use debt amortization schedules that are structured with either fixed annual principal or debt service payments.
10. Encourage diversification among banks as an effort to obtain more favorable financing terms.
11. For revenue bonds, use the "State Debt Management Policy" as the policy and require formal coordination with the State of Hawai'i Director of Finance (HRS § 39-68)

12. The current policy requires that debt only be taken against an asset for a “financial gain”. Providing a working definition for “financial gain” in the procedures provides better guidance and more flexibility with respect to projects that consist of predominantly cultural gains as opposed to financial gains.
13. Require formal Board of Trustees approval of all decision-making on new debt as well as the refinancing of existing debt.
14. Require that refinancing opportunities be reviewed on a regular basis.

(iii) Recommendations for Implementation

The following are some recommendations that could be considered as part of the implementation of the proposed debt management procedures.

1. Obtain a legal opinion from Board Counsel and the Attorney General to determine whether OHA is required to comply with the requirements of HRS Chapter 37D.
2. Since the DHHL debt service payments are properly classified as beneficiary advocacy expenditures, consider reclassifying the DHHL grant to debt service for budgeting purposes.
3. Create a formal nexus between the budget and the financial statements by classifying budgeted expenses by fund type (General Fund, Public Land Trust, Federal Funds, Other) and financial reporting division (Beneficiary Advocacy, Support Services, Board of Trustees).
4. Create a cash management policy and treasury function to better manage OHA’s working capital and potentially increase returns on cash deposits.

VIII. MAHALO

This research was conducted at the request from OHA Administration. The research would not have been possible without the contributions, expertise, support and guidance from the following individuals:

- Rodney Lee; Executive VP, Spire Hawaii LLP
- Lucas Sayin; Partner, Spire Hawaii LLP
- Gill Berger; Chairman Board of Directors (retired), Pacific Rim Bank.
- Wes Machida; State of Hawaii Budget Director (retired)
- Kalbert Young; VP Finance, University of Hawaii
- Ray Matsuura; OHA Investment Manager

OHA Revenue Bonds

White Paper



JULY 2019

700 Bishop Street | Suite 2001 | Honolulu, Hawaii | 96813

DISCLAIMER

The information contained in this report is confidential to the Office of Hawaiian Affairs (OHA) and may not be disclosed without the express written consent of OHA Board of Trustee (BOT) Chair, Resource Management (RM) Committee Chair, OHA executive management, and Spire Hawaii LLP (Spire). This information is intended solely for the use of OHA and is not intended to be, and should not be, used by anyone other than OHA. This report should not be used for any other purposes or reproduced in any form that is inconsistent with its intent or is not authorized. If you are not authorized, please note that the use, further transmission, or disclosure of the contents of this report is strictly prohibited.

Under the standards promulgated by the American Institute of Certified Public Accountants (AICPA), Spire considers all material confidential. However, we defer to OHA counsel on the issue of whether any material is subject to disclosure under State law.

Introduction

This white paper summarizes the origins of OHA’s revenue bond authority and describes the conditions necessary for an OHA revenue bond issuance. This white paper is a research summary and should not be considered legal or financial advice.

Short summary

OHA has statutory revenue bond authority to finance its projects. However, in order to consider revenue bonds as a financing option, OHA must have enough reliable revenue streams to support the bond issuance, as well as the fiscal, human and infrastructure resources necessary to support the bond through its life. Until OHA can meet these conditions, it should consider more conventional means of financing, provided debt policy requirements can be met.

OHA’s Revenue Bond Authority

The authority for OHA to issue revenue bonds¹ is statutory, and not constitutional. This authority was granted by Act 283 of the 1994 State Legislature and was codified as Part II of Hawaii Revised Statutes (“HRS”) chapter 10.

Act 283 defined OHA revenue bonds as “revenue bonds, interim certificates, notes, debentures, or other evidence of indebtedness of the board authorized by or issued under this part” and stated that the purpose of granting OHA revenue bond authority was to “enable the office to maximize the trust funds without eroding the trust corpus by providing another alternative to leverage the trust funds.”²

¹ Revenue bonds are a form of debt, secured by revenues of the issuing entity.

² It is noteworthy that prior to the passage of Act 283, OHA filed a lawsuit on January 14, 1994, against the State based on the failure of the State to fully compensate OHA for its share of State revenues. Andrade, Troy J.H., Changing Tides, A Political And Legal History of the Office of Hawaiian Affairs (May 2016), page 100.

OHA's revenue bonds can be used to finance "office projects," broadly defined in HRS §10-21 as:

- (1) The lawful acquisition of any property, real, personal, or mixed, tangible or intangible, or any interests therein, pursuant to section §10-4(2);
- (2) Any capital improvement projects on lands held by the office pursuant to section §10-4(2) or in the public land trust, including but not limited to the construction of buildings and other improvements; infrastructure development, and other enterprises which are acquired, constructed, reconstructed, rehabilitated, improved, altered, or repaired by or on behalf of the office;
- (3) Pilot projects, demonstrations, or both, where those projects or demonstrations fulfill criteria established by the board, pursuant to section 10-5(7); and
- (4) Any other projects determined by rules adopted by the board pursuant to chapter 91 or otherwise authorized by the board in accordance with applicable law to be for the betterment of native Hawaiians and are consistent with the purposes of this chapter.³

As revenue bonds are a form of debt secured by revenues of the issuing entity,⁴ Act 283 contemplated that the revenue bonds would be "secured by moneys received by OHA from the twenty per cent share of revenue from the public land trust."⁵

By legislative action in 2009, the legislature inserted a definition of revenues in order to (1) "[b]roaden the sources of revenue by which the Office of Hawaiian Affairs may meet the requirement that its projects be self-supporting"⁶ and (2) explicitly exclude general fund appropriations and

³ HRS §10-21.

⁴ HRS §39-61.

⁵ Act 283 1994 SLH.

⁶ Stand. Com. Rep. No. 1247 on H.B. No. 899, H.D. 1, S.D. 1, 2009 Regular Session.⁶ The stated reasons for the amendments were to (1) clarify and strengthen OHA's bond authority and (2) better reflect the state of government bond practices. Act 146, 2009 Session Laws of Hawaii. However, by 2009, OHA's share of public land trust (PLT) revenues had significantly diminished due to unfavorable legislative and gubernatorial actions, and OHA no longer received a 20 per cent share of PLT revenues. See, Andrade, pages 100-184.

previously committed funds from inclusion in the definition of “revenues of the office.” Revenues are now defined in HRS §10-21 as:

"Revenues of the office" or "office's revenue" means all rates, rentals, fees and charges, and user taxes, received by the office of Hawaiian affairs, and all money and revenue derived from the operations of the office, other than:

(1) General appropriations; and

(2) Funds, the terms of which preclude their being used for payment of the costs of acquisition, purchase, construction, reconstruction, improvement, betterment, extension, or maintenance of an office project or the costs of a loan program or the payment of principal or interest of revenue bonds.⁷

⁷ Consideration of “loan programs” was added in 2013, by Act 171.

Revenue Bond Vetting Process

1. Identify the project and the amount of bonds required, consistent with statutory and debt policy requirements

OHA must identify how the bond proceeds will be used, and the uses must fall within the definition of “office project” or “project” in HRS §10-21. Note that HRS §§10-21(3) and (4) require the BOT to establish criteria or rules for qualifying pilots, demonstrations and other projects. Since OHA does not currently have such criteria or rules, they will have to be established before projects falling under subsections (3) and (4) are selected.

Debt Capacity of the bond. Debt capacity refers to the total amount of debt an organization can incur and repay according to the terms of the debt agreement⁸. The amount of the bonds required should be determined based on consultation with the financial specialists noted in the section below entitled “Assess adequacy of infrastructure for bond issuance.”

The two main measures to assess debt capacity for bonds are looking at the balance sheet and cash flow. These two measures will determine how much debt OHA can handle. In order to assess the level of debt capacity, the following matrix summarizes the measurements required to determine it.

⁸ <https://corporatefinanceinstitute.com/resources/knowledge/finance/assessing-debt-capacity/>



Source: <https://corporatefinanceinstitute.com/resources/knowledge/finance/assessing-debt-capacity/>

By using the ratios captured above, OHA, with its financial specialists, can assess the amount of bonds it can realistically manage. This can be achieved as long as the amount of cash at hand from OHA can easily cover the interest expense, and ultimately cover the principle repayments that are required. Bond lenders will look at a combination of balance sheet measures and cash flow measures when assessing OHA's total debt capacity of the bond.

Also affecting the amount of bonds that can be issued is HRS §39-61, which requires that the undertaking or loan program financed by revenue bonds must be self-sustaining:

“Rates, rentals, fees, and charges; undertaking and loan programs to be self-sustaining. (a) The department issuing revenue bonds pursuant to this part shall impose, prescribe, and collect rates, rentals, fees, or charges for the use and services of, and the facilities and commodities furnished by, the undertaking or for the use and services and benefits of the loan program for which the revenue bonds are issued, and shall from time to time whenever necessary, so that, together with the proceeds of the user taxes derived with respect to the undertaking pledged to the payment of those revenue bonds, the undertaking or loan program shall be and always remain self-sustaining. The rates, rentals, fees, or charges imposed

and prescribed shall produce revenue which, together with the proceeds of the user taxes, will be at least sufficient:

(1) To make the required payments of the principal and interest on all revenue bonds issued for the undertaking or loan program, including the payment of all revenue bonds and interest thereon for the payment of which the revenue, or user taxes, or combination of both, are or shall have been pledged, charged or otherwise encumbered, or which are otherwise payable from the revenue or user taxes, or combination of both or are payable from a special fund maintained, or to be maintained, from the revenue or user taxes, or combination of both, including reserves therefor, and to maintain the special fund in an amount at least sufficient to pay when due all revenue bonds and interest thereon which are payable from the special fund, including reserves therefor.” (Emphasis added.)

Size of the bond. The size of an issuance is also constrained by HRS §§10-3, -21 and -30. HRS §10-3 requires that OHA’s revenue bonds must be paid for and secured only by the revenues of the project or projects financed and/or OHA revenues. Under HRS §10-21, OHA cannot use general fund appropriations or other funds with terms that “preclude their being used for” the purposes of the bonds, or the payment of principal or interest of revenue bonds,” thus eliminating the funds needed for OHA’s existing obligations (lines of credit, mortgages) or funds committed for other purposes (such as OHA’s payments to DHHL and the PLT revenues budgetarily committed for operations) would potentially be excluded from consideration. Finally, since HRS §10-30 requires that OHA’s revenue bonds must be paid for and secured only by the revenues of the project or projects financed and/or OHA revenues, OHA’s current revenue stream might be insufficient to support a high-quality bond issuance.

Quality/Rating of the bond. According to the Municipal Securities Rulemaking Board (MSRB), the quality of a bond issue is assessed on such factors as the source of funds for repayment of principal and

interest of the bonds and any economic or other trends that may impact revenues. The MSRB was established by Congress in 1975, to protect municipal securities investors, municipal entities and the public interest. In support of their mission to protect public interest, MSRB provides educational resources to help inform potential investors about municipal securities. Per MSRB “a credit rating is the evaluation or assessment that a rating agency assigns to a bond to indicate the likelihood that the issuer will repay the bond.”⁹ Investment grade bonds are rated as BBB-/Baa3, and without an obvious stream of revenue to repay the bond issuance, being rated as an investment grade bond may prove difficult.

Unlike other government agencies with substantial tax or fee revenues, OHA might not have enough reliable revenue sources to support the kind of issuance it needs.¹⁰

2. Assess adequacy of infrastructure for bond issuance

Considerable resources and infrastructure are needed to support a bond issuance. First, fiscal resources are required. OHA must pledge adequate funds for the punctual payment of revenue bonds and interest (from the revenue of the office project or projects or loan program or programs for which the bonds have been issued, or the revenues of the office, or both), and for reasonable reserves to back these payments.¹¹ In addition, OHA, as an issuer, will also incur other issuance expenses, which vary according to the nature, size and complexity of the financing. These include underwriting costs and insurance. Issuance costs must be paid for by OHA under HRS §10-22, which provides that “OHA must advance such moneys of the office, not otherwise required, as are necessary to pay the expenses incurred in making the preparations for the initial issuance of revenue bonds under this part.”

⁹ <http://www.msrb.org/~media/Files/Education/Credit-Rating-Basics-for-Municipal-Bond-Investors.ashx??>

¹⁰ The PLT revenues are now capped at \$15,100,000, and are not immune to future (downward or upward) adjustment by the State Legislature.

¹¹ HRS §10-22.

Next, human resources and organizational infrastructure are also required. OHA must develop an internal governance structure with enough expertise to make timely, informed decisions during the bond process and to guide the external specialists.

Other resources and infrastructure necessary to support a bond issue fall into two broad categories, pre-issuance and post-issuance.

Pre-issuance human resources consist of a financing team of specialists, that OHA must engage externally, since it does not have internal resources.¹² The team should consist of:

- Bond counsel
- Financial advisor or municipal advisor
- Underwriter/Investment banker
- Paying Agent/Trustee
- Rating Agency
- Bond Insurance Provider or Other Credit Enhancer

Post-issuance resources and infrastructure are required for OHA to perform compliance and reporting responsibilities for the life of the bond. Among the post-compliance responsibilities are debt management (including prompt payment) and complying with continuing disclosure and investment requirements.¹³ OHA currently does not have either the human resources or systems to perform these responsibilities, so these must be procured externally.

3. Obtain necessary approvals

The BOT must pass a resolution to authorize the bond issuance.¹⁴ Prior to BOT action, OHA's Debt Policy requires presentation of the following analyses to the BOT:

- Identification of a repayment solution
- Consideration of financial alternatives
- Assessment of the impact of the debt on future budgets

¹² For a more detailed description of team responsibilities, see *Debt 101 (Volume 1) – Issuing a Bond*, GFOA, pages 1-2.

¹³ The GFOA has best practices covering major pre- and post-issuance requirements.

¹⁴ HRS §10-23.

- Rigorous due diligence analysis, including assessing the sufficiency of revenues dedicated to debt service, consideration of the operating cost of capital assets and the impact on OHA’s ability to provide future services
- Debt Affordability Study (if one has not been done in the last two years)
- Financial and credit impact of new debt

HRS §10-36 requires OHA comply with the State constitutional requirements for bonds in Article VII, sections §§12 and 13, therefore, these requirements will prevail over any contradictory language in HRS chapter 10. Also, as a State agency, OHA is required to follow the requirements applicable to State agencies, unless specifically exempted.

OHA must submit the BOT resolution to the State legislature for approval to issue the bonds. It is significant to note that by Act 146, 2009 SLH, the State legislature amended HRS §10-4(6) to remove the language that stated the principal amounts of OHA’s revenue bonds needed to be “authorized from time to time by law.” The reason for this removal was that OHA’s authority to issue revenue bonds would be strengthened, because the BOT could “[i]ssue revenue bonds without legislative authorization and approval.”¹⁵ However, the same legislature inexplicably added back the requirement for legislative approval in an amendment to HRS §10-22(2), by inserting the requirement that revenue bonds issued under HRS chapter 10 needed to be in such principal amounts “as may be authorized by the legislature from time to time.” There is no written legislative history that appears to directly address this discrepancy.

If other State agencies issue bonds for capital improvements, they must receive capital appropriation authorization. In OHA’s case, there is no requirement in HRS §10-22(2) that the cost of the “office project” funded by the revenue bond must be “as authorized by law.”¹⁶ To be certain about the applicability of the capital

¹⁵ Conference Committee Rep. No. 161 on H.B. No. 899, H.D. 1, S.D. 1, C.D. 1 (2009)

¹⁶ The requirement for legislative approval was in H.B. No. 899, but was removed from H.B. No. 899 (2009). See, Conference Committee Rep. No. 161 on H.B. No. 899, H.D. 1, S.D. 1, C.D. 1 (2009).

appropriation authorization, OHA should consult with its legal counsel.

Other Bond Options

HRS §10-31 states, in part, that:

...the revenues of the office project or the loan program, and the revenues of the office shall produce revenue at least sufficient to:

* * * *

(3) Reimburse the general fund of the State for any bond requirements on general obligation bonds issued for an office project or projects or for a loan program or programs to the extent required by law;

This language implies that OHA can request that the State issue general obligation bonds for its projects or loan programs. General obligation bonds of the State must be authorized pursuant to the State Constitution by a majority vote of the members to which each house of the Legislature is entitled. The Legislature enacts laws specifying the amount of such bonds that may be issued and defining the purposes for which the bonds are to be issued.

Summary

Whether OHA can effectively use revenue bonds for its financing needs depends on its capacity to assume additional debt, the reliability of its revenue streams and whether it has the fiscal, human and infrastructure resources necessary to support the bond through the life of the bond. If these conditions cannot be met, revenue bonds may be a hypothetical, rather than realistic, option for OHA, and it should look at more conventional means of financing that are appropriate under the debt policy.

Section **3**

Other Bond Options

HRS §10-31 states, in part, that:

...the revenues of the office project or the loan program, and the revenues of the office shall produce revenue at least sufficient to:

* * * *

(3) Reimburse the general fund of the State for any bond requirements on general obligation bonds issued for an office project or projects or for a loan program or programs to the extent required by law;

This language implies that OHA can request that the State issue general obligation bonds for its projects or loan programs. General obligation bonds of the State must be authorized pursuant to the State Constitution by a majority vote of the members to which each house of the Legislature is entitled. The Legislature enacts laws specifying the amount of such bonds that may be issued and defining the purposes for which the bonds are to be issued.

OFFICE OF HAWAIIAN AFFAIRS
Action Item

Committee on Resource Management
September 25, 2019

RM #19-17

Action Item Issue: **Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)**

Prepared by:



Grace Chen Date 9/12/2019
'Aho Hui Mo'ohelu, Budget Analyst

Reviewed by:



Gloria Li Date 9/12/19
Ka Pou Kihi Kanaloa-Wai Kūikawā, Interim Chief Financial Officer

Reviewed by:



Lisa Watkins-Victorino, Ph.D. Date 9/18/19
Ka Pou Nui Kūikawā, Interim Chief Operating Officer

Reviewed by:



Sylvia M. Hussey, Ed.D. Date 9/12/19
Ka Pouhana Kūikawā, Interim Chief Executive Officer

Reviewed by:

Dan Ahuna Date
Luna Ho'omalua Komike Resource Management, Chair

RM #19-17: Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)

I. PROPOSED ACTIONS

Administration recommends that the Committee on Resource Management approves; and further recommends that the Board of Trustees (BOT) approve, the following actions:

1. **Approve** OHA's Total Operating Budget Realignment #1 for fiscal year 2020 as outlined in **ATTACHMENT #1**;
2. **Transfer \$2,000,000** in cash from the Kaka'ako Makai cash account to the Native Hawaiian Trust Fund for use when needed in realizing OHA's Total Operating Budget Realignment #1 as outlined in **ATTACHMENT #1**;
3. **Reimburse** to Trustee Hulu Lindsey, **\$758.12** utilized in support of beneficiaries impacted by the Kauaula, Maui fire in August 2018;
4. **Designate¹ \$1,445,000** in unspent, unencumbered funds (fka Fiscal Reserve) from FY 2018, for the purposes noted below:
 - a) **\$500,000** to support Disaster Recovery;
 - b) **\$500,000** in support of funding the audit by the State Auditor as required by State of Hawaii's Act 37/HB172;
 - c) **\$100,000** for the purposes of repatriation (e.g., iwi kupuna, moe pu, funerary items), beyond current fiscal biennium project;
 - d) **\$120,000** for litigation contingencies; and
 - e) **\$225,000** for possible fringe rate increases beyond current FY 2020 budgeted 63% fringe rate; and
5. **Activate** seven (7) frozen OHA staff positions and proceed with implementing the proposed Organizational Charts dated 9/4/19 as illustrated in **ATTACHMENT #4**.

¹ Designate=specifically identify, plan for, reserve; Trustee authorization and approval still needed to activate the designated or specified funds.

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1. OHA’s Total Operating Budget Realignment #1 for the fiscal year 2020, updated 9/16/2019
2. FY2020 Budget Adjustments Details, updated 9/16/19
3. LLC Business Analysis, updated 9/15/2019
4. FY2020 Budget Realignment #1 Book (includes Section V. Proposed Organizational Charts as of 9/4/2019)

RM #19-17: Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)

II. ISSUE

Whether or not the Board of Trustees (BOT) should approve the: 1) OHA’s Budget Realignment #1 for fiscal year 2020 as outlined in **ATTACHMENT #1**; 2) Transfer of cash to the Native Hawaiian Trust Fund from Kaka`ako Makai for Budget Realignment #1; 3) Reimbursement of funds to Trustee Hulu Lindsey; and 4) Board designations in the Fiscal Reserve. All actions are summarized and referenced in Table 1 below:

Table 1. Summary of Budget Realignment Actions

#	Amount	Purpose	Funding Source
1.	\$1,998,547	Budget Realignment – ATTACHMENT #1 and Unfreeze and activate seven (7) frozen OHA staff positions	Native Hawaiian Trust Fund
2.	\$2,000,000	Cash transfer to Native Hawaiian Trust Fund (NHTF) for realignment needs	Kaka`ako Makai
3.	\$758	Reimbursement to Trustee Hulu Lindsey	Native Hawaiian Trust Fund
4.	\$500,000	Designation re: Disaster Recovery	Fiscal Reserve
5.	\$500,000	Designation re: State Audit in State of Hawaii’s Act 37/HB172 (2019)	Fiscal Reserve
6.	\$100,000	Designation re: Repatriation, beyond current fiscal biennium project	Fiscal Reserve
7.	\$120,000	Designation re: Litigation Contingency	Fiscal Reserve
8.	\$225,000	Designation re: Fringe Rate Increase, beyond FY20 fringe rate	Fiscal Reserve
Total	\$5,444,304		

RM #19-17: Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)

III. BACKGROUND – Purpose of Budget Realignment

The OHA Biennium Budget is prepared every two years, for the ensuing two years. The current Biennium Budget covers the periods from July 1, 2019 through June 30, 2020 (FY 20) and July 1, 2020 through June 30, 2021 (FY 21) and was approved by OHA's BOT on June 20, 2019, Action Item RM #19-09, OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21).

As the budget is prepared only once every two years, adjustments are often required to update the budget to current conditions. Moreover, as was noted in "Section XIII. Post Budget Approval, Noted Items" of Action Item #19-09,

"While the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21) were prepared in accordance with existing policies and procedures, Administration found this year's biennium budget construction effort to be very challenging and needing policy alignment and update. Consequently, Administration would like the Trustees to understand, support and note the following considerations to be implemented post approval of the biennium budget, resulting in a strategic and better aligned budget and projections..."

6. **"Work Plan and related Budget Realignment.** *Work plan (e.g., program objectives, activities) and budget realignment for FY 2020-2021 based on Board Governance Framework, including policies; Strategic Plan 2020+ strategies; governance, tactical and operational plans (e.g., technology, projects, key personnel position hires). The following realigned budgets will be brought back for Board review and action: A) Operating Budget – 2 Year (20/21); B) Major Project Budget (20/21); and C) Capital Budget (5-Year beginning with FY 20). In addition, reserve designation proposals for Trustee consideration and action (e.g., fringe, disaster, iwi kupuna repatriation) will also be provided. (September 2019);"*

The process of updating a budget that has already been approved is referred to internally as a "budget realignment". This action specifically addresses the current fiscal periods from July 1, 2019 through June 30, 2020 (FY 2020) and July 1, 2020 through June 30, 2021 (FY 2021) and seeks approval to realign OHA's FY 2020, FY2021 Total Operating Budget (TOB) which was approved by the BOT on June 20, 2019. This Action Item seeks Trustee consideration and approval for budget realignment to properly reflect current organizational projects and priorities.

On September 6, 2019, the FY2020 Budget Realignment #1 Book (RBB) was distributed to the Trustees to provide details ahead of this Action Item.

RM #19-17: Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)

IV. DISCUSSION

A. OHA’s Budget, Available Funds and OHA’s Spending Limit

An *appropriation* is an authorization granted by the OHA Board of Trustees or Hawai‘i State Legislature permitting the agency, within established fiscal and budgetary controls, to incur obligations and to make expenditures for specific purposes. An *appropriation* is usually limited in amount and period of time during which it may be expended. The sources of funding available for spending include the following *appropriations* detailed in **Table 2** below:

Table 2: Sources of Funding

Type	Description	Appropriation Number
Core Operating Budget	General Fund appropriations drawn from the State of Hawai‘i	100
	Public Land Trust Revenues (PLT) received annually from various State Agencies conducting business on PLT lands	901
	Matching Fund appropriations by the State of Hawai‘i but drawn on the Native Hawaiian Trust Fund (NHTF)	910
	A portion of the NHTF, and also includes revenues received from 1) past-due settlements dividend and interest earnings received thereon, 2) twenty (20) percent of estimated lease and other revenues generated from OHA-owned Kaka`ako Makai (KM) parcels allocated for grants, and 3) thirty (30) percent of KM’s FY 18 and FY 19 net revenue allocated for OHA’s Legacy Property Management ²	930
Core Operating Budget	One-time cash transfer from Kaka`ako Makai (KM) Revenues generated from OHA-owned parcels to the Native Hawaiian Trust Fund	930
Fiscal Reserve Authorizations	Appropriations authorized from the NHTF by OHA’s BOT up to a maximum of \$3 million annually pursuant to its Spending Policy	935
Commercial Property	Kaka`ako Makai (KM) Revenues generated from OHA-owned parcels	938

²Per BOT approved Action Item RM #19-10. Approval of a second amendment to BOT #12-05 – Kaka`ako Makai properties to the Land Legacy Program, dated August 21, 2019.

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Type	Description	Appropriation Number
	Nā Lama Kukui (NLK) Revenues generated from its investment (formerly known as Gentry Pacific Design)	939
Legacy Property	Palauea Cultural Preserve – includes a percentage of all home sales within the development	310
	Wao Kele O Puna Management Fund – includes previously-authorized Board appropriations for current and future programmatic needs	315
Special Programs Budget – <i>Federal</i>	Federal-fund appropriations for the Hālawā Lūluku Interpretive Development (HLID) Project	200
	Federal-fund appropriations for the Native Hawaiian Revolving Loan Fund (NHRLF) Program	202
Special Programs Budget – <i>Other</i>	Hawaiian Projects – includes funds collected from Ka Wai Ola advertisement sales and other miscellaneous income	320
	Repayments for the OHA-DHHL Homesteader Loan Program	902

OHA’s Budget is comprised of all five *Sources of Funding* as summarized in **Table 3** below, and is discussed herein, to include the following:

1. Core Budget
2. Fiscal Reserve Authorizations
3. Commercial Property
4. Legacy Property
5. Special Programs Budget – Federal and Other

RM #19-17: Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)

Table 3: Spending Limit for OHA's FY 2020 Budget

Funding Sources	FY 2020			
	Approved Budget	Proposed Realignment #1	Adjustments	Ref Page(s)
1. Core Budget				
5% of NHTF Portfolio	\$17,692,555	\$17,692,555	\$0	
Public Land Trust Revenues	15,100,000	15,100,000	0	
State of Hawai'i General Funds ³	3,037,879	3,037,879	0	
Allocation of Kaka'ako Makai Revenues	1,435,610	1,866,436	430,826	
One-time Cash Transfer from Kaka'ako Makai ⁴	0	2,000,000	2,000,000	
Sub-total - Core Budget:	\$37,266,044	\$39,696,870	\$2,430,826	
2. Fiscal Reserve Authorizations				
Available for FY 2020 Authorizations ⁵	\$0	\$0	\$0	
Sub-total – FR Authorizations:	\$0	\$0	\$0	
3. Commercial Property				
Kaka'ako Makai	\$10,878,315	\$10,878,315	\$0	
Nā Lama Kukui	7,909,481	7,909,481	0	
Sub-total – Commercial Property:	\$18,787,796	\$18,787,796	\$0	
4. Federal Programs Budget				
Halawa-Luluku Interpretive Development	\$4,099,249	\$4,099,249	\$0	
Native Hawaiian Revolving Loan Fund	902,005	902,005	0	
Sub-total -Federal Programs Budget:	\$5,001,254	\$5,001,254	\$0	
5. Special Programs Budget				
Special Programs Budget - Legacy Properties	\$880,257	\$880,257	\$0	
Special Programs Budget – Other	367,862	367,862	0	
Sub-total – Special Programs Budget:	\$1,248,119	\$1,248,119	\$0	
Total Spending Limit:	\$62,303,213	\$64,734,039	\$2,430,826	

³ SOH General Fund – approved by the Governor as Act 037(19) on June 12, 2019, conveyed as Governor's Message No. 1138.

⁴ Request in this Action Item a one-time cash transfer from Kaka'ako Makai for use in Core Budget.

⁵ In February 2018, via RM #18-03, the Board approved a moratorium on the use of fiscal reserve funds until specific policy changes are approved by the Board of Trustees.

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- 1. Core Budget:** Reflects the primary budget consisting of three budget types: operating, project and capital budgets. Operating budget consists of payroll, operations, and program expenditures. A Project budget is made up of planned expenditures for particular deliverables having a beginning, middle and end for a duration of 1 to 2-year period (e.g., professional services, other contractors, software or hardware). Capital budget consists of significant expenditures to acquire, construct or maintain land, buildings, structures and equipment for the duration of 3 or more years. Core budget includes the following four (4) funding sources:

 - **Withdrawals from the Native Hawaiian Trust Fund (NHTF)** are limited by the Native Hawaiian Trust Fund Spending Policy. This policy limits the withdrawal to five (5) percent of the NHTF's twenty-quarter (20-quarter) rolling average market value, as defined, to ensure that resources held within the trust are available for future spending.
 - **Public Land Trust (PLT) Revenues** are received from the State of Hawai'i and have been set at \$15,100,000 (Act 178, SLH 2006) per year, until further legislative action.
 - **Kaka'ako Makai (KM) Revenues** are allocated to OHA's Core Budget for grant funding and is calculated at twenty (20)⁶ percent of estimated lease and other revenues generated from OHA-owned Kaka'ako Makai parcels funding and thirty (30) percent of FY 18 and FY 19 net revenue to OHA's FY 20 FY 21 Legacy Property management funding.
 - **Kaka'ako Makai (KM) Cash** with a one-time cash transfer from the Kaka'ako Makai cash account to the Native Hawaiian Trust Fund for OHA's Core Budget to be used in this FY 20 period as needed for Realignment #1 spending.
 - **State of Hawai'i General Fund** appropriations are determined by the legislature during each Biennium. The State Legislature passed as Act 037(19) an appropriation of \$3,037,879 annually for FY 20 and FY 21⁷.
- 2. Fiscal Reserve Authorizations⁸:** The funds to be withdrawn from the NHTF also include any uses of the fiscal reserve that have been authorized by OHA's Board of Trustees (BOT) and are known as Fiscal Reserve Authorizations. The maximum designations allowable to be made in any given fiscal year, using any combination of items - budget stabilization, unpredicted one-time payments and capital acquisitions - are limited to no more than \$3,000,000 annually. The \$3,000,000 limitation is based on the fiscal year in which the designation is made, regardless of the year of funding specified in the designation. Any actions taken subsequent to this Action may be added to the budget at a later date, but are not contemplated in the current budget submission.

⁶ The proposed Kaka'ako Makai policy with the two noted changes (e.g., 10% to 20% for grants, 30% to 50% for Land Legacy) is going through the policy review and approval process including the final, 2nd reading at the September 19, 2019 Board meeting.

⁷ The FY21 General Fund appropriation is conditioned by the Act 37 audit, being conducted by the State Auditor and scheduled to be completed in December 2019.

⁸ In February 2018, via RM #18-03, the Board approved a moratorium on the use of fiscal reserve funds until specific policy changes are approved by the Board of Trustees and as of September 2019, the moratorium is still in effect.

OHA'S NHTF Spending Policy's Fiscal Reserve Withdrawal Guidelines

OHA's fiscal reserve fund is designed to provide money in certain situations including budget stabilization, unpredicted one-time payments and capital acquisitions. The maximum designation is \$3 million annually. The \$3 million limitation is based on the fiscal year in which the designation is made, regardless of the year of funding specified in the designation and requires a vote of super majority (6 affirmative votes) for approval.

There may be special circumstances that will require the use of funds in excess of the situations noted above, therefore, the criteria noted in the guidelines can be waived by OHA's BOT with a vote of super majority plus 2 (8 affirmative votes).

OHA's Fiscal Reserve Balance is calculated as follows:

Beginning Balance

+ Increases:

Audited financials that include:

- Unexpended and unencumbered "approved" core operating budget***
- Unused funding from a prior fiscal year that is later "lapsed"***

- Decreases

BOT-authorized withdrawals

= Ending Balance⁹

Lapsed funds are added back to OHA's Fiscal Reserve fund. As of June 30, 2016, OHA's Fiscal Reserve balance was approximately \$2.09 million. Since June 1, 2017, OHA's Ke Kaupoku, its Board of Trustees, did not authorize any withdrawals, leaving \$2.09 million available for future designations beginning in FY 18 (July 1, 2017 through June 30, 2019) and which have accumulated to \$5.7 million at the end of FY18. See **Table 4** below and specific details in the Realignment Budget Binder (RBB) Attachment #4. Moreover, in February 2018, via RM #18-03, the Board approved a moratorium on the use of fiscal reserve funds until specific policy changes are approved by the Board of Trustee and is still in effect.

According to OHA's Spending Policy, only "upon the close of OHA's fiscal year-end financial records and the successful completion of a financial audit engagement" can OHA calculate and authorize for use any unexpended, unencumbered or unused funding that has been "lapsed." Therefore, any FY 19 lapses are not reflected in the \$5.7 million estimate but are expected to increase the \$5.7 million estimate upon issuance of OHA's FY 19 Audited Financial Statements (currently scheduled for completion by the Spring of 2020).

⁹ Specific details in the Realignment Budget Binder (RBB)'s Attachment #4 titled "Fiscal Reserve Rollforward"

RM #19-17: Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)

TABLE 4: OHA's FY 2020 Fiscal Reserve Authorizations and Requests

Description	Date Approved by the BOT	Action Item #	Current Year Lapse	Prior Year PO Cancellation	Subtotal	FY 2020 Balance of Fiscal Reserve Authorizations	Ref. Page(s)
FY17 Beginning Balance:						\$2,090,142	
Add: FY17 Unspent, Unencumbered (audited)			1,096,804	1,057,034	2,153,838	\$4,243,980	RBB¹⁰ Attachment #4
Add: FY18 Unspent, Unencumbered (audited)			1,489,758	12,218	1,501,976	\$5,745,956	
Add: FY19 Unspent, Unencumbered (unaudited)			<i>2,464,433</i>	<i>2,084,600</i>	<i>4,549,033</i>	<i>\$10,294,989</i>	
Subtotal (1):			5,050,995	3,153,852	8,204,847		
FY20 Beginning Balance:						\$10,294,989	
Disaster Recovery	Designated	RM #19-17			(500,000)		
Act 37/HB172 State Audit	Designated	RM #19-17			(500,000)		
Repatriation	Designated	RM #19-17			(100,000)		
Litigation Contingency	Designated	RM #19-17			(120,000)		
Fringe Rate Increase	Designated	RM #19-17			(225,000)		
Subtotal (2):					(1,445,000)		
Ending Balance:						\$8,849,989	

3. **Commercial Property:** Reflects the revenues generated on OHA-owned commercial property lands, Kaka'ako Makai and Nā Lama Kukui properties, and is summarized as follows:

- **Kaka'ako Makai (KM) Revenues¹¹** are currently estimated at \$4,308,255 for FY 20 and \$4,419,016 for FY 21 from lease revenues. Twenty (20) percent of gross revenue is allocated to OHA's FY 20 and FY 21 Core Budget for grant funding and thirty (30) percent

¹⁰ FY 20 Realignment #1 Budget Binder (RBB)

¹¹ The proposed Kaka'ako Makai policy with the two noted changes (e.g., 10% to 20% for grants, 30% to 50% for Land Legacy) is going through the policy review and approval process including the final, 2nd reading at the September 19, 2019 Board meeting.

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of FY18 and FY19 net revenue to OHA's FY 20 FY 21 Legacy Property management funding.

- *Nā Lama Kukui (NLK) Revenues* are from lease revenues. **Realized surplus is retained for remaining debt service payments** incurred from the purchase of the property and its Honolulu office build-out.

4. Legacy Property: Reflects the funds designated for use on specific legacy property.

- *Palaua Cultural Preserve Revenues* are derived from the sale of homes in an affluent area on Maui. The .05% of each sale has been deposited into an account for which the funds are to be used for the upkeep and long-term stewardship of this historical site.
- *Wao Kele O Puna Management Fund* balances consist of previously-authorized Board appropriations for current and future programmatic needs.

5. Special Programs Budget – Federal: Reflects the basic operating budget consisting of payroll, operations, and program expenditures for Federally-funded OHA Projects & Programs including:

- Hālawā Lūluku Interpretive Development (HLID) Project;
- Native Hawaiian Revolving Loan Fund (NHRLF) Program; and
- EPA Brownfields Assessment Grants for Kaka'ako Makai.

The amount of federal funding available each year for these Programs is based on budgets submitted by OHA and approved by the respective grantors.

Special Programs Budget – Other: Reflects special programs funded through other sources of income including:

- Hawaiian Projects
 - ✓ Ka Wai Ola advertisement sales;
 - ✓ Conference sponsorships; and
 - ✓ Other miscellaneous income
- Hawaiian Rights
 - ✓ Legal settlements*

**Note reduction in Available Funds reflected in Table 5 and explained below.*
- Homesteader Loan Program
 - ✓ Repayments received for the OHA-DHHL Homesteader Loan Program

These amounts are considered special program income and not part of the NHTF. Expenditure of these funds is authorized through BOT approval of the Special Programs Budget. As of June 2019, the approximate available funds for FY 2020, for Special Programs Budget appropriations, are summarized in **Table 5** below:

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Table 5: Available Funds for OHA's FY 2020 & FY 2021 Special Programs Budget-Other

Funding Sources	FY 19	FY 20	FY 21
Beginning Balance*	\$129,031	\$142,862	\$0
Hawaiian Projects	76,205	75,000	75,000
Homesteader Loan Program	187,626	150,000	120,000
Sub-total Available Funds:	\$392,862	\$367,862	\$195,000
BOT-Approved Appropriations	-250,000	0	
Proposed Appropriations	0	-367,862	-195,000
Estimated Net Available Funds:	\$142,862	\$0	\$0

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B. TOTAL OPERATING BUDGET ADJUSTMENTS

The following sections outline and provide explanation on the major adjustments (increases/decreases) to the budget as a result of this realignment. Proposed adjustments to OHA’s FY 2020 Total Budget are outlined in **Table 6** below:

Table 6: FY 2020 Approved Total Budget and Realignment #1 Comparisons

Total Budget	FY 2020			Ref Page(s)
	Approved Budget	Proposed Realignment#1	Adjustments	
1. Core Budget				
Personnel (including fringe)	\$16,905,440	\$16,933,809	\$28,369	
Non-Personnel	20,360,603	22,401,774	2,041,171	
Sub-total – Core Budget:	\$37,266,043	\$39,335,583	\$2,069,540	
2. Fiscal Reserve Authorizations				
Fiscal Reserve Authorizations	\$0	\$1,445,000	\$1,445,000	
Sub-total – FR Authorizations:	\$0	\$1,445,000	\$1,445,000	
3. Commercial Property				
Kaka'ako Makai	\$2,553,946	\$2,261,175	(\$292,771)	
Nā Lama Kukui	5,853,411	5,950,051	96,640	
Sub-total – Commercial Property:	\$8,407,357	\$8,211,226	(\$196,131)	
4. Federal Programs Budget				
Halawa Luluku Interpretive Development	\$4,099,249	\$4,099,249	\$0	
Native Hawaiian Revolving Loan Fund	902,005	902,005	0	
Sub-total – Federal Programs Budget:	\$5,001,254	\$5,001,254	\$0	
5. Special Programs Budget				
Legacy Properties				
Palauea Culture Preserve	\$160,380	\$160,380	\$0	
Wao Kele O Puna Management Fund	256,610	256,610	0	
Sub-total – Special-Legacy Properties:	\$416,990	\$416,990	\$0	
Special Programs Budget – Other				
Hi'ilei Aloha & Subsidiaries	\$292,862	\$405,000	\$112,138	
Ho'okele Pono & Subsidiaries	75,000	88,000	13,000	
Sub-total – Special – Other:	\$367,862	\$493,000	\$125,138	
Sub-total – Special Programs Budget:	\$784,852	\$909,990	\$125,138	
Total Budget:	\$51,459,506	\$54,903,053	\$3,443,547	

B1. Core Budget Adjustments

The Core Budget (CB) is consisted of three budget types: operating, project and capital budgets. Operating budget consists of payroll, operations, and program expenditures. Project budget is made up of planned expenditures for particular deliverables having a beginning, middle and end for a duration of 1 to 2-year period. Capital budget consists of significant expenditures to acquire, construct or maintain land, buildings, structures and equipment for the duration of 3 or more years. The following sections outline and provide explanation of the major adjustments (increases/decreases) to the CB because of this realignment. Proposed adjustments to the are outlined in **Table 7** below. A listing of all proposed FY 20 adjustments, by Category and Object Codes is provided in Appendix, pp. A-1 to A-3.

Table 7: FY 2020 Approved Budget and Realignment #1 Core Budget Comparisons

Core Operating Budget	FY 2020			
	Approved Budget	Proposed Realignment #1	Adjustments	Ref Page(s)
Non-Personnel	\$20,360,603	\$22,488,774	\$2,128,171	A-1 to A-3
Personnel	16,905,440	16,933,809	28,369	A-3
Total Core Operating Budget:	\$37,266,043	\$39,422,583	\$2,156,540	

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B2. Core Personnel Budget Adjustments

Personnel costs includes all expenditures directly related to personnel and comprises of Salaries & Fringe, Student Helper Program, Vacation Payments (including transfer of vacation leave to other State agencies), Employee Continued Education Program and Workers' Compensation Payments. The Core Personnel Budget has been adjusted to reflect estimated needs for FY 2020. Core Personnel Budget Adjustments are summarized in **Table 8** and described below:

Table 8: FY 2020 Approved Budget and Realignment #1 Core Personnel Budget Comparisons

Personnel	FY 2020			
	Approved Budget	Proposed Realignment #1	Adjustments	Ref Page(s)
Salaries & Fringe				
OHA Salaries	\$10,373,213	\$10,199,785	(\$173,429)	[A]
OHA Fringe	6,232,227	6,434,024	201,797	[B]
Student Helper Program	104,050	104,050	0	
<i>Sub-total Salaries & Fringe:</i>	16,709,490	16,737,859	28,368	
Reserves				
Vacation Payout	150,000	150,000	0	
Overtime	10,000	10,000	0	
Worker's Compensation Payments	5,950	5,950	0	
Continuing Education Program	30,000	30,000	0	
<i>Sub-total Reserves:</i>	195,950	195,950		
Total Core Personnel:	\$16,905,440	\$16,933,809	\$28,368	

Salaries & Fringe **increased by \$28,368** mainly due to the following:

[A] DECREASE in Salary of (\$173,429): OHA Administration updated the FY 2020 salary budget to take into consideration savings from higher than normal vacancies and frozen positions as well as additional salary expense for the seven (7) new, strategically created positions. Core Personnel Adjustments are shown in **Table 9** (birds eye view) below and an oversize view can be found in the FY 2020 Budget Realignment #1 Book, Attachment #4.

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Table 9. FY 2020 Approved Budget and Realignment #1 Core Personnel Budget¹²

Core Personnel Adjustments

FY 2020 Approved Budget and Realignment #1 Core Personnel Budget Comparisons													
Core Personnel Budget	FTE				BOT Approved Budget		FTE			Realignment #1		Adjustment	
	Com	Subst / Assistant	Prose	Lead	FY 20	FY 21	Developed	Advised	Total	FY 20	FY 21	FY 20	FY 21
Salaries & Fringe:													
Board of Trustees Offices	29	0	0	29	\$2,848,272	\$2,902,547			29	\$ 2,822,042.20	\$ 2,828,995.01	\$ 3,473.77	\$ 34,451.71
Executive Offices	34	0	-7	27	3,796,778	3,664,153	10	7	44	4,578,377	5,463,110	981,599	1,798,937
Financial Affairs	29	7	-1	35	2,872,967	2,873,639	-7		21	1,942,332	2,200,622	-257,632	-433,012
Community Engagement	30	0	0	30	2,424,834	2,712,511	-2		28	2,550,408	2,643,232	-108,427	-68,476
Research	14	0	-2	12	1,493,022	1,722,913			14	1,489,817	1,371,424	-4,037	28,540
Advocacy	23	0	-1	22	2,440,221	2,489,324			22	2,411,941	2,333,031	-23,270	-46,542
Lead Assess	8	7	0	15	692,813	708,911	-1		7	806,684	822,817	111,670	113,906
Student Relief Program					104,020	104,020				104,020	104,020	0	0
Sub-total Salaries & Fringe:	169	10	-11	158	\$16,789,494	\$16,940,347	0	7	163	\$16,737,839	\$16,281,137	\$28,349	\$1,341,018
RESOURCES													
Vacancies Payroll					\$150,000	\$150,000				\$150,000	\$150,000	\$0	\$0
Overtime					10,000	10,000				10,000	10,000	0	0
Workers' Compensation					5,925	5,925				5,925	5,925	0	0
Continuing Education Program					30,000	30,000				30,000	30,000	0	0
Sub-total Reserves:					\$195,925	\$195,925				\$195,925	\$195,925	\$0	\$0
Total Core Personnel Budget:					\$16,985,419	\$17,136,197				\$16,933,804	\$16,477,287	\$28,349	\$1,341,018

The overall budget impact is a decrease of (\$173,429) in FY 2020. Personnel adjustments as reflected are aligned with the proposed Organizational Charts dated 9/4/19 as provided in Section 5 of the FY 2020 Budget Realignment #1 Book.

[B] INCREASE in Fringe of \$201,797: OHA administration used the prevailing composite fringe rate of 60.08% to calculate fringe benefits for the FY 2020/2021 Total Operating Budget, Action Item #19-09, approved by OHA BOT on June 20, 2019. Since then OHA was notified by the State of Hawaii, Department of Budget and Finance (B&F) via Finance Memorandum # 19-07 of the rate increase from 60.08% to 63.08%. The 3% rate hike along with other factors such as vacancies, timing of recruitments and activation of previously frozen positions resulted in a budget deficit of \$201,797 in FY 2020.

¹² Oversize 11x17 "view can be found in the FY 2020 Budget Realignment #1 Book, Attachment #4 titled "FY20 Core Personnel Budget"

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B3. Core Non-Personnel Budget Adjustments

The FY 2020 Core Non-Personnel Budget consists of all operational and programmatic costs and has been adjusted to reflect estimated needs through June 30, 2020. OHA's FY 2020 needs are summarized in **Table 10** below:

Table 10: FY 2020 Approved Budget and Realignment #1 Core Non-Personnel Budget ComparisonsCore Non-Personnel	FY 2020			
	Approved Budget	Proposed Realignment #1	Adjustments	Ref Page(s)
Contracts	4,296,719	5,988,759	1,692,040	[A]
Program	\$1,351,878	\$1,484,603	\$132,725	[B]
Grants	9,660,921	9,660,921	0	
Travel	511,087	571,667	60,580	[C]
Equipment	995,570	1,068,820	73,250	[D]
Overhead	2,964,382	3,046,958	82,576	[E]
Debt Service	580,047	580,047	0	
Other	0	125,138	125,138	[F]
Total Core Non-Personnel Budget:	\$20,360,603	\$22,526,912	\$2,166,309	

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[A] Contracts Budget Adjustments:

The Contracts Budget includes Services on a Fee and Legal Services as summarized in **Table 11** below. The budget has **increased by \$1,692,040** to accommodate projects and capital expenditures in FY20 as highlighted in **Table 12**, and specific details in Appendix, pp. A-4 to A-6.

Table 11: FY 2020 Approved Budget and Realignment #1 Contracts Budget Comparisons

Contracts	FY 2020			Explanations / Ref Page(s)
	Approved Budget	Proposed Realignment #1	Adjustments	
Services on a Fee	3,481,719	4,958,759	1,477,040	A-4 to A-6
Legal Beneficiary Services	815,000	1,030,000	215,000	A-6
Total Contracts:	\$4,296,719	\$5,988,759	\$1,692,040	

Table 12: FY 2020 Contracts Budget Realignment #1 Highlights

Services on a Fee Paia	Budget Type				Justification
	Operating	Project	Capital	Grand Total	
01. BOARD OF TRUSTEES	260,000			260,000	OPERATING BUDGET: Financial consulting, lobbyist and parliamentary services
02. EXECUTIVE	349,000	259,800		608,800	OPERATING BUDGET: cultural protocol training, headhunter and CIO services; PROJECT BUDGET: Oracle Fusion implementation and Census Campaign
04. COMMUNITY ENGAGEMENT		60,000		60,000	Video production of Mismanagement of Mauna Kea

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Services on a Fee	Budget Type				Justification	
	Paia	Operating	Project	Capital		Grand Total
05. RESEARCH		(105,000)	180,000		75,000	OPERATING Budget: Housing study and ceded lands editor contract delayed until FY21. PROJECT BUDGET: Iwi Kupuna & Wahi Pana database repository, Civic Engagement study, and Criminal Justice Disparate Treatment report
06. ADVOCACY		120,000	40,000		160,000	OPERATING BUDGET: Legal, accounting and ship charters services. PROJECT BUDGET: ceded lands working group.
08. RESOURCE MANAGEMENT - LAND ASSETS		15,240	15,000	283,000	313,240	OPERATING BUDGET: Bulldozer training, PROJECT BUDGET: Cultural resource management training. CAPITAL BUDGET: Kukaniloko – design & permit of water storage, nursery and kupuna zone
Legal Services						
01. Executive		215,000			215,000	Legal consultation, due diligence, representation and labor laws
Grand Total		\$854,240	\$554,800	\$283,000	\$1,692,040	

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[B] Program Budget Adjustments:

The Program Budget includes Conferences, Meetings, Events – Not Org by OHA, Other Expenses, etc as summarized in **Table 13**. The Program Budget has **increased by \$132,725** to account for projects and capital expenditures in FY 2020 as highlighted in **Table 14** below with specific details in Appendix, pp. A-7 to A-9.

Table 13: FY 2020 Approved Budget and Realignment #1 Program Budget Comparisons

Program	FY 2020			Explanations / Ref Page(s)
	Approved Budget	Proposed Realignment #1	Adjustments	
Promotional Items	\$3,000	\$5,500	\$2,500	A-7
Books & Reference Materials	3,250	3,250	0	
Dues	44,707	44,057	(650)	A-7
Subscription	48,463	52,663	4,200	A-7
Freight & Delivery	2,900	2,700	(200)	A-7
Bulk Mail	186,757	186,757	0	
Printing	148,621	153,821	5,200	A-7
Advertising	170,135	170,135	0	
Auto Allowance	3,912	3,912	0	
Ada Accommodations	2,500	2,500	0	
Other Rentals	34,100	22,600	(11,500)	A-7
Honorarium	42,100	43,800	1,700	A-7, A-8
Volunteer Stipend	5,200	5,200	0	
Other Expenses	25,300	50,950	25,650	A-8
Seminar/Conference Fees	65,483	72,708	7,225	A-8
Conferences, Meetings, Events - Org By OHA	337,550	237,650	(99,900)	A-8, A-9
Conferences, Meetings, Events - Not Org By OHA	156,100	323,600	167,500	A-9
Protocol	7,000	7,000	0	
Trustee Allowance Report	64,800	64,800	0	
Leasehold Improvements	0	31,000	31,000	A-9
Total Program:	\$1,351,878	\$1,484,603	\$132,725	

RM #19-17: Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)

Table 14: FY 2020 Program Budget Realignment #1 Highlights

Program Paia	Budget Type				Justification
	Operating	Project	Capital	Grand Total	
02. EXECUTIVE	6,600	125,000		131,600	OPERATING BUDGET: Staff training and online legal research service. PROJECT BUDGET: Census workshops & FESTPAC
03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	1,425			1,425	OPERATING BUDGET: Grant reviewer honorariums
04. COMMUNITY ENGAGEMENT	(10,000)	63,500		53,500	OPERATING BUDGET: Investiture budget moved to FY21. PROJECT BUDGET: Get Out the Vote 2020
05. RESEARCH	(100,000)			(100,000)	Reclassified Iwi kupuna & wahikupuna dbase repository to Contact Services
06. ADVOCACY	8,100	600		8,700	OPERATING BUDGET: Promotional items, printing brochures, misc meetings and event costs.
08. RESOURCE MANAGEMENT - LAND ASSETS	5,500		32,000	37,500	CAPITAL BUDGET: Fire suppression system - Oahu office. OPERATING: signage for Maui office, kaliuokapaakai conference
Grand Total	\$(88,375)	\$189,100	\$32,000	\$132,725	

RM #19-17: Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)

[C] Travel Budget Adjustments:

The Travel Budget includes all expenditures associated with In-State and Out-Of-State travel to include transportation, accommodation, car rental, parking, mileage, and subsistence as summarized in **Table 15** below. The Travel Budget has **increased by \$60,580** to account for projects and capital expenditures in FY 2020 as highlighted in **Tables 15 to 17** below, with specific details in Appendix, pp. A-10 to A-12.

Table 15: FY 2020 Approved Budget and Realignment #1 Travel Budget Comparisons

Travel (by Type of Expenditures)	FY 2020			
	Approved Budget	Proposed Realignment #1	Adjustments	Explanations / Ref Page(s)
In-State Employee Travel				
Mileage	\$2,059	\$2,059	\$0	
Parking	10,550	10,550	0	
Transportation - In State	76,667	83,342	6,675	A-10
Subsistence - In State	92,666	96,736	4,070	A-10
Car Rental - In State	51,620	53,040	1,420	A-10
Subtotal - In-State Employee:	\$233,562	\$245,727	\$12,165	
Out-of-State Employee Travel				
Transportation - Out of State	\$82,250	\$110,000	\$27,750	A-11
Subsistence - Out of State	130,398	147,313	16,915	A-11
Car Rental - Out of State	20,868	23,618	2,750	A-12
Subtotal - Out-of-State Employee:	\$233,515	\$280,931	\$47,415	
Other and Non-Employee Travel				
Other Travel - In State	\$6,685	\$7,685	\$1,000	A-12
Other Travel - Out of State	37,325	37,325	0	
Subtotal - Other and Non- Employee:	\$44,010	\$45,010	\$1,000	
Total Travel:	\$511,087	\$ 571,668	\$ 60,580	

RM #19-17: Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)

Table 16: FY 2020 Approved Budget and Realignment #1 Travel Budget Comparisons (by Expenditure Type)

Travel (by Type of Expenditures, by Paia)	FY 2020			
	Approved Budget	Proposed Realignment #1	Adjustments	Explanations / Ref Page(s)
In-State Employee Travel				
Board of Trustees	\$100,720	\$100,720	\$0	
Executive	13,800	17,050	3,250	
Resource Management - Financial Assets	21,723	15,623	(6,100)	
Community Engagement	42,073	42,073	0	
Research	16,159	18,659	2,500	
Advocacy	25,587	38,102	12,515	
Resource Management - Land Assets	13,500	13,500	0	
Subtotal - In-State Employee:	\$233,562	\$245,727	\$12,165	
Out-of-State Employee Travel				
Board of Trustees	\$167,400	\$167,400	\$0	
Executive	18,870	23,660	4,790	
Resource Management - Financial Assets	5,515	16,540	11,025	
Community Engagement	3,190	3,190	0	
Research	7,640	16,640	9,000	
Advocacy	24,900	47,500	22,600	
Resource Management - Land Assets	6,000	6,000	0	
Subtotal - Out-of-State Employee:	\$233,515	\$280,930	\$47,415	
Other and Non-Employee Travel				
Board of Trustees	\$4,835	\$4,835	\$0	
Executive	33,400	33,400	0	
Community Engagement	0	0	0	
Research	775	775	0	
Advocacy	5,000	6,000	1,000	
Subtotal - Other and Non- Employee:	\$44,010	\$45,010	\$1,000	
Total Travel:	\$511,087	\$571,667	\$60,580	

RM #19-17: Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)

Table 17: FY 2020 Travel Budget Realignment #1 Highlights

Travel	Budget Type				Justification
Paia	Operating	Project	Capital	Grand Total	
02. EXECUTIVE	8,040			8,040	OPERATING BUDGET: HR Conference; IT COC maintenance visit and IT staff training
03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	4,925			4,925	OPERATING BUDGET: Grants' Foundant Training
05. RESEARCH	11,500			11,500	OPERATING BUDGET: Land Culture History: Travel to archival, geneology conferences.
06. ADVOCACY	36,115			36,115	OPERATING BUDGET: Maunakea related, NAGPRA training, travel to Midway Atoll, KMLAC meetings
Grand Total	\$ 60,580	\$ -	\$ -	\$ 60,580	

RM #19-17: Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)

[D] Equipment Budget Adjustments:

The Equipment Budget includes Repair & Maintenance, Furniture, Fixtures, and Software and Equipment, as summarized in **Table 18**. The Equipment Budget has **increased by \$73,250** as highlighted in **Table 19** below, with specific details in Appendix, p. A-13.

Table 18: FY 2020 Approved Budget and Realignment #1 Equipment Budget Comparisons

Equipment	FY 2020			
	Approved Budget	Proposed Realignment #1	Adjustments	Explanations / Ref Page(s)
Repair & Maintenance	\$838,020	\$853,270	\$15,250	A-13
Furniture & Fixtures	22,500	27,500	5,000	A-13
Software & Equipment	135,050	188,050	53,000	A-13
Total Equipment:	\$ 995,570	\$ 1,068,820	\$ 73,250	A-13

Table 19: FY 2020 Equipment Budget Realignment #1 Highlights

Equipment Paia	Budget Type				Justification
	Operating	Project	Capital	Grand Total	
02. EXECUTIVE	28,000	32,000		60,000	OPERATING BUDGET: IT equipment purchase, annual license & subscription fees. PROJECT BUDGET: Microsoft server upgrades and conference room refresh
03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	8,750			8,750	OPERATING BUDGET: Portfol annual license fee for Grants
08. RESOURCE MANAGEMENT - LAND ASSETS	3,000		1,500	4,500	OPERATING BUDGET: Project management software. CAPITAL BUDGET: Waiialua Courthouse floor & Pahua Heiau interpretive signage
Grand Total	\$39,750	\$32,000	\$1,500	\$73,250	

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[E] Overhead Budget Adjustments:

Overhead includes all expenditures associated with office rents and utilities, communication costs, insurance, supplies, and postage and is represented in **Table 20** below. The Overhead Budget has **increased by \$82,576** most notably to purchase insurance during FY 2020 as highlighted in **Table 21** below, with specific details in Appendix, p. A-14.

Table 20: FY 2020 Approved Budget and Realignment #1 Overhead Budget Comparisons

Overhead	FY 2020			
	Approved Budget	Proposed Realignment #1	Adjustments	Explanations / Ref Page(s)
Office Supplies	\$20,400	\$21,200	\$800	A-14
Other Supplies	19,600	20,000	400	A-14
Postage	22,100	22,100	0	
Telephone & Related Services	203,556	203,556	0	
Cellular Phone	30,000	30,000	0	
Parking Validations	45,750	45,750	0	
Electricity	312,020	313,152	1,132	A-14
Water	2,539	2,539	0	
Rental of Land & Building	1,084,441	1,086,135	1,694	A-14
Rental of Land & Building - CAM & Misc	672,709	672,709	0	
Rental of Equipment	84,614	84,614	0	
Insurance	378,853	419,403	40,550	A-14
Settlement - Lawsuit	30,000	30,000	0	
Leasehold Improvements	57,800	95,800	38,000	A-14
Total Overhead:	\$2,964,382	\$3,046,958	\$82,576	

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Table 21: FY 2020 Overhead Budget Realignment #1 Highlights

Overhead Paia	Budget Type				Justification
	Operating	Project	Capital	Grand Total	
02. EXECUTIVE	40,550			40,550	OPERATING BUDGET: Insurance premiums
03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	800			800	
06. ADVOCACY	(600)			(600)	
08. RESOURCE MANAGEMENT - LAND ASSETS	3,826	38,000		41,826	OPERATING BUDGET: additional rent & electricity costs Maui office. PROJECT BUDGET: Security cameras & video intercoms for neighbor island office
Grand Total	\$44,576	\$38,000		\$82,576	

[F] Other Budget Adjustments

Administration received from Hi'ilei Aloha and Ho'okele Pono (OHA's wholly-owned subsidiaries) request for an additional funding of \$125,138 for FY20. Given that the Special Program Budget is funded through sources of income as itemized on page 12, and that the approximate available funds for FY20 are already budgeted, see page 33, additional support for LLC funding needs will require another funding source. Administration recommends that LLC's financial needs be funded through OHA's Native Hawaiian Trust Fund (Core Budget) and as summarized in **Table 22** below with specific details in Appendix, p. A-19:

Table 22: Approved Budget and Realignment #1 Other Budget Comparisons

Other	FY 2020			
	Approved Budget	Proposed Realignment #1	Adjustments	Explanations / Ref Page(s)
Investment Capitalization - LLC	0	125,138	125,138	A-19
Total Equipment:	\$0	\$125,138	\$125,138	

RM #19-17: Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)

D. Commercial Property Budget Adjustments

The Commercial Property Budget consists of Kaka‘ako Makai and Nā Lama Kukui’s revised operational costs to reflect estimated needs through June 30, 2020.

D1. Kaka‘ako Makai

Kaka‘ako Makai’s gross revenues are currently estimated at \$4,308,255 per year from lease revenues. Estimated net available funds of \$7,535,316 for FY 2020, as summarized in **Table 23** and highlighted in **Table 24** below, **is to be retained for contribution to future expenditures on its parcels including expenditures relating to its master planning efforts.**

Table 23: FY 2020 Approved Budget and Realignment #1 Kaka‘ako Makai Budget Comparisons

Kaka‘ako Makai	FY 2020			Explanations / Ref Page(s)
	Approved Budget	Proposed Realignment #1	Adjustments	
Beginning Balance¹³	8,344,287	7,355,103	(\$989,184)	
Gross Revenue	4,308,255	4,308,255	0	
Less: Allocation to Grants ¹⁴ (Approved 10%; Proposed 20%)	430,826	861,652	430,826	[A]
Less: True-up of 10% Allocation for FY 2013 - 2018	72,206	72,206	0	
Less; KM Prior Year Net Revenue to Legacy Lands	932,578	932,578	0	
Sub-total Available Funds:	11,216,932	9,796,922	(\$58,358)	
Less: Expenses				
Personnel	\$278,161	\$285,390	\$7,229	[B], A-15
Program	81,475	81,475	0	
Contracts	610,000	810,000	200,000	[C], A-15
Travel	0	431	431	
Equipment	939,500	439,500	(\$500,000)	[D], A-15
Overhead	644,810	644,810	0	
Sub-total Expenditures:	2,553,946	2,261,606	(\$292,340)	
Estimated Net Available Kaka'ako Makai:	\$8,662,986	\$7,535,316	(\$292,340)	

Significant adjustments in the Kaka‘ako Makai budget include the following:

¹³ Kaka'ako Makai's beginning balance is updated to take into consideration BOT approved Action Item RM #19-05 FY19 Commercial Property Budget Realignment #1, dated May 1, 2019.

¹⁴ As per BOT approved Action Item RM #19-10, Approval of a second amendment to BOT #12-05 – Kaka‘ako Makai properties to the Land Legacy Program, dated August 21, 2019.

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[A] INCREASE: \$430,826 additional allocation from Kaka‘ako Makai to OHA’s Grants program. Via Action Item RM #19-10, OHA BOT approved a second policy amendment to the Kaka‘ako Makai Policy, Section 3.A.2), to increase the allocation of the gross revenues from Kaka‘ako Makai to OHA’s Grants program from 10% to 20%, and to increase the allocation of the net revenues to OHA’s Legacy Land Program (LLP) from 30% to 50%; and/or B) extend the LLP provision to beyond June 30, 2019.

[B] INCREASE: \$7,229 due to fringe rate increased by 3%. OHA administration used the prevailing composite fringe rate of 60.08% to calculate fringe benefits for the FY 20/21 Total Operating Budget, Action Item #19-09, approved by OHA BOT on June 20, 2019. Since then OHA was notified by the State of Hawaii, Department of Budget and Finance (B&F) via Finance Memorandum # 19-07 of the rate increase from 60.08% to 63.08%.

[C] INCREASE: \$200,000 additional budget request of \$100,000 to solicit and procure a contractor for the environmental impact statement preparation notice (EISPN) and \$150,000 for legal services. Reallocated **(\$50,000)** originally approved for contractor to prepare RFP for Lot A developer solicitation.

[D] DECREASE: (\$500,000) elimination of budget for the AAFES building fire sprinkler system upgrade. The building is 60% vacant and could be 100% vacant within the next two years as the current tenant, Hawaii State Department of Public Safety, is looking to relocate. Any capital expenditure on the property is pending further evaluation on the course of actions by OHA BOT and Administration.

Table 24: FY 2020 Kaka‘ako Makai Budget Realignment #1 Highlights

Kaka‘ako Makai Expense Category	Budget Type				Justification
	Operating	Project	Capital	Grand Total	
CONTRACTS		200,000		200,000	PROJECT BUDGET: Contractor for EISPN and legal services
EQUIPMENT			(500,000)	(500,000)	CAPITAL BUDGET: eliminate budget for the AAFES building fire sprinkler system upgrade
PERSONNEL	7,229			7,229	OPERATING BUDGET: Fringe rate increase by 3%
Grand Total	\$7,229	\$200,000	\$(500,000)	\$(292,771)	

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D2. Nā Lama Kukui

Nā Lama Kukui’s gross revenues are currently estimated at \$5,184,971 from lease revenues, including spaced occupied by OHA. Estimated net available funds of \$1,362,766 for FY 2020, as summarized in Table 25 and highlighted in Table 26 below, is to be retained for future debt service payments which includes an anticipated increase in the next fiscal biennium.

Table 25: FY 2020 Approved Budget and Realignment #1 Nā Lama Kukui Budget Comparisons

Na Lama Kukui	FY 2020			
	Approved Budget	Proposed Realignment #1	Adjustments	Explanations / Ref Page(s)
Beginning Balance	\$2,724,510	\$2,127,846		
Gross Revenue	5,184,971	5,184,971		
Sub-total Available Funds:	\$7,909,481	\$7,312,817	\$0	
Less: Expenses				
Personnel	0	77,875	77,875	[A] , A-16
Program	368,276	368,276	\$0	
Contracts	535,015	560,560	\$25,545	[B] , A-16
Equipment	1,311,958	1,305,178	(\$6,780)	[C] , A-16
Overhead	1,087,183	1,087,183	\$0	
Sub-total Expenditures:	\$3,302,432	\$3,399,072	\$96,640	
Debt Service	2,550,979	2,550,979	0	
Estimated Net Available Na Lama Kukui:	\$2,056,070	\$1,362,766	(\$96,640)	

Significant adjustments in the Nā Lama Kukui budget include the following:

[A] INCREASE: \$77,875 reallocation of personnel costs from OHA’s Core Budget to Non-core Budget to align expenditures with operations. Salary and fringe benefits for staff dedicated to managing and directly working with Colliers International, commercial property management company, on overseeing NLK leasing activities.

[B] INCREASE: \$25,545 additional budget request for contract services for property management, leasing and security needs.

[C] DECREASE: (\$6,780) realign budget for Repairs and Maintenance due to realized savings from year to date operations.

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Table 26: FY 2020 Na Lama Kukui Budget Realignment #1 Highlights

Na Lama Kukui	Budget Type				Justification
Expense Category	Operating	Project	Capital	Grand Total	
CONTRACTS	25,545			25,545	OPERATING BUDGET: contract services for property management, leasing and security needs
EQUIPMENT	(6,780)			(6,780)	OPERATING BUDGET: actual savings from operation in the Repairs and Maintenance expense category
PERSONNEL	77,875			77,875	OPERATING BUDGET: reallocate costs from Core Budget for staff assigned to managing and working with property management company on NLK leasing activities
Grand Total	\$96,640	\$0	\$0	\$96,640	

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E. Legacy Property Budget Adjustments

The Legacy Property Budget consists of operational costs associated with the long-term stewardship kuleana of these historical sites.

E1. Palauea Culture Preserve

Revised needs through June 30, 2020 are estimated and summarized in **Table 27** for the Palauea Culture Preserve and described below:

Table 27: FY 2020 Approved Budget and Realignment #1 Palauea Budget Comparisons

Palauea Culture Preserve	FY 2020			
	Approved Budget	Proposed Realignment #1	Adjustments	Explanations / Ref Page(s)
Beginning Balance	\$353,769	\$353,769	\$0	
Gross Revenue	65,570	65,570	0	
<i>Sub-total Available Funds:</i>	\$419,339	\$419,339	\$0	
Less: Expenses				
Program	3,000	2,700	(300)	A-17
Contracts	75,000	80,000	5,000	A-17
Grants ¹⁵	25,000	25,000	0	
Travel	4,680	4,680	0	
Equipment	43,500	39,000	(4,500)	A-17
Overhead	9,200	9,000	(200)	A-17
<i>Sub-total Expenditures:</i>	\$160,380	\$160,380	\$0	
Estimated Net Available Palauea Culture Preserve:	\$258,959	\$258,959	\$0	

The adjustments represent reallocation of budget between expense categories, with a net realignment #1 adjustments of zero, with specific details in ATTACHMENT #3, p. A-17.

¹⁵ Programmatic grants are on an operational hold, pending clarity regarding strategic alignment.

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E2. Wao Kele O Puna Management Fund

Included in OHA’s Biennium Budget, BOT #15-02 approved on June 25, 2015, was the establishment of the Wao Kele O Puna (WKOP) Management Fund to include previously-authorized Board appropriations for current and future programmatic needs.

The available balance of the Fund as well as needs through June 30, 2020 are estimated and summarized in **Table 28** below:

Table 28: FY 2020 Approved Budget and Realignment #1 Wao Kele O Puna Budget Comparisons

Wao Kele O Puna	FY 2020			
	Approved Budget	Proposed Realignment #1	Adjustments	Explanations / Ref Page(s)
Beginning Balance	\$460,918	\$460,918	\$0	
Less: Expenses				
Program	9,550	4,550	(5,000)	A-18
Contracts	70,000	73,500	3,500	A-18
Grants	10,000	10,000	0	
Travel	8,160	8,160	0	
Equipment	158,100	159,600	1,500	A-18
Overhead	800	800	0	
Sub-total Expenditures:	\$256,610	\$256,610	\$0	
Estimated Net Available Wao Kele O Puna:	\$204,308	\$204,308	\$0	

The adjustments represent reallocation of budget between expense categories, with a net realignment #1 adjustments of zero, with specific details in ATTACHMENT #3, p. A-18.

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F. Special Programs Budget Adjustments

OHA’s Special Programs Budget reflects budgets for special programs funded through non-trust-fund sources, including federal funds and other fund sources. OHA’s Special Programs Budget requests are summarized in **Table 29** below:

Table 29: FY 2020 Approved Budget and Realignment #1 Special Programs Budget Comparisons

Special Programs Budget Other	FY 2020			Explanations / Ref Page(s)
	Approved Budget	Proposed Realignment #1	Adjustments	
Beginning Balance	\$142,862	\$142,862	\$0	
Ka Wai Ola Revenues	75,000	75,000	0	
Homesteader Loan Repayments	150,000	150,000	0	
Sub-total Available Funds:	\$367,862	\$367,862	\$0	
Add: Funding from Native Hawaiian Trust Fund	0	125,138	125,138	
	\$367,862	\$493,000	\$125,138	
Less: Expenses				
Hi‘ilei Aloha & Subsidiaries	292,862	405,000	112,138	
Ho‘okele Pono & Subsidiaries	75,000	88,000	13,000	
Sub-total Expenditures:	\$367,862	\$493,000	\$125,138	
Estimated Net Available Special Programs Budget Other:	\$0	\$0	\$0	

As already mentioned on page 26 [F] Other Budget Adjustments, OHA Administration received from Hi‘ilei Aloha and Ho‘okele Pono request for an additional funding of \$125,138 for FY20. See Attachment 5. LLC Business Analysis. Given that that the Special Program Budget is funded through sources of income as itemized on page 12 and that the approximate available funds for FY20 are already budgeted, additional support for LLC funding needs will require another funding source. Administration recommends that LLC’s financial needs is funded through OHA’s Native Hawaiian Trust Fund (Core Budget) and as summarized in **Table 30** below:

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Table 30: FY 2020 Hi'ilei Aloha and Ho'okele Pono's Budget Realignment #1 Requests

Special Programs Budget - Other	FY 2020				Proposed Realignment #1 Total	Explanations / Ref Page(s)
	Approved Budget	Proposed Realignment #1				
	Funding Source					
	Special Programs	Core (NHTF)	Special Programs			
<i>Source of funds: Special Programs - LLC</i>						
Hi'ilei Aloha & Subsidiaries	292,862		292,862	292,862		
Ho'okele Pono & Subsidiaries	75,000		75,000	75,000		
<i>Sub-total - LLC</i>	\$367,862		\$367,862	\$367,862		
<i>Source of funds: Core Budget</i>						
Hi'ilei Aloha & Subsidiaries	0	112,138		112,138	A-19	
Ho'okele Pono & Subsidiaries	0	13,000		13,000		
<i>Sub-total - Core Budget:</i>	\$0	\$125,138	\$0	\$125,138		
Total Special Programs - LLC:		\$125,138	\$367,862	\$493,000		

LOWE'S

LOWE'S HOME CENTERS, LLC
214 HUKOLELE STREET
KAAHULUI, HI 96732 (808) 872-1920

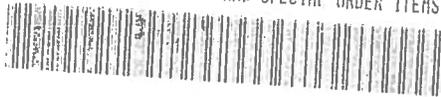
- SALE -

SALES#: SJ279LV2 2328787 TRANS#: 11648551 08-30-18

23901	1-1/2-IN SCH40 COUP 42901	0.93
0.98	DISCOUNT EACH	-0.05
23901	1-1/2-IN SCH40 COUP 42901	17.67
0.98	DISCOUNT EACH	-0.05
	19 @	0.93
23830	1-1/2-IN X 10-FT SCH40 P1	114.40
7.45	DISCOUNT EACH	-1.73
	20 @	5.72
107204	LCC. SYSTEM USE ONLY	0.00 H

SUBTOTAL:	133.00
TAX:	5.54
INVOICE 11131 TOTAL:	138.54
LCC:	138.54
TOTAL DISCOUNT:	35.60
MY LOWE'S CARD NUMBER: 481000231551306	

LCC:XXXXXXXXXXXX42 AMOUNT:138.54 AUTHCD:001065
SWIPED REFID:151203 08/30/18 20:49:18
STORE: 3279 TERMINAL: 11 08/30/18 20:55:57
OF ITEMS PURCHASED: 40
EXCLUDES FEES, SERVICES AND SPECIAL ORDER ITEMS



THANK YOU FOR SHOPPING LOWE'S.
SEE REVERSE SIDE FOR RETURN POLICY.
STORE MANAGER: TYSON - NOW HIRING

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YOUR OPINIONS COUNT!
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RM #19-17: Realignment #1 of the OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY 20) and 2020-2021 (FY 21)

RECOMMENDED ACTIONS Administration recommends that the Committee on Resource Management approves; and further recommends that the Board of Trustees approve, the following actions:

1. **Approve** OHA's Total Operating Budget Realignment #1 for fiscal year 2020 as outlined in **ATTACHMENT #1**;
2. **Transfer \$2,000,000** in cash from the Kaka`ako Makai cash account to the Native Hawaiian Trust Fund for use when needed in realizing OHA's Total Operating Budget Realignment #1 as outlined in **ATTACHMENT #1**;
3. **Reimburse** to Trustee Hulu Lindsey, **\$758.12** utilized in support of beneficiaries impacted by the Kauaula, Maui fire in August 2018;
4. **Designate¹⁶ \$1,445,000** in unspent, unencumbered funds (fka Fiscal Reserve) from FY 18, for the purposes noted below:
 - f) **\$500,000** to support Disaster Recovery;
 - g) **\$500,000** in support of funding the audit by the State Auditor as required by State of Hawaii's Act 37/HB 172;;
 - h) **\$100,000** for the purposes of repatriation (e.g., iwi kupuna, moe pu, funerary items), beyond current fiscal biennium project;
 - i) **\$120,000** for litigation contingencies; and
 - j) **\$225,000** for possible fringe rate increases beyond current FY20 budgeted 63% fringe rate; and
5. **Activate** seven (7) frozen OHA staff positions and proceed with implementing the proposed Organizational Charts dated 9/4/19 as illustrated in FY2020 Budget Realignment #1 Book, Section V.

V. ALTERNATIVE ACTIONS

- A. Amend the recommended action.
- B. Do not approve the recommended action.

VI. ATTACHMENTS

1. OHA's Total Operating Budget Realignment #1 for the fiscal year 2020, Updated 9/16/19
2. FY2020 Budget Adjustments Details
3. LLC Business Analysis, Updated 9/15/2019
4. FY2020 Budget Realignment #1 Book (includes Section V. Proposed Organizational Charts as of 9/4/2019)

¹⁶ Designate=specifically identify, plan for, reserve; Trustee authorization and approval still needed to activate the designated or specified funds.

OFFICE OF HAWAIIAN AFFAIRS
FY20 BUDGET REALIGNMENT #1

FY 2020 APPROVED BUDGET	FTE	Core	Fiscal Reserve	Commercial Property Budget		Legacy Property Budget		Special Programs Budget		FY 2020 Total Operating Budget
				Kaka'ako Maikai	Nā Lama Kukui	Palauca Culture Preserve	WKOP Mgmt Fund	Federal Funded	OHA Funded	
Personnel & Fringe	179.0	\$ 16,905,440	\$ -	\$ 278,161	\$ -	\$ -	\$ -	\$ 764,248	\$ -	\$ 17,947,849
Program		1,351,878	-	81,475	368,276	3,000	9,550	109,017	-	1,923,196
Contracts		4,296,719	-	610,000	535,015	75,000	70,000	4,014,215	-	9,600,949
Grants		9,660,921	-	-	-	25,000	10,000	-	-	9,695,921
Travel		511,087	-	-	-	4,680	8,160	37,045	-	560,972
Equipment		995,570	-	939,500	1,311,958	43,500	158,100	3,750	-	3,452,378
Overhead		2,964,382	-	644,810	1,087,183	9,200	800	72,979	-	4,779,354
Debt Service		580,047	-	-	2,550,979	-	-	-	-	3,131,026
Other		-	-	-	-	-	-	-	367,862	367,862
Totals:		\$ 37,266,043	\$ -	\$ 2,553,946	\$ 5,853,411	\$ 160,380	\$ 256,610	\$ 5,001,254	\$ 367,862	\$ 51,459,507

FY 2020 PROPOSED REALIGNMENT #1	FTE	Core	Fiscal Reserve	Commercial Property Budget		Legacy Property Budget		Special Programs Budget		FY 2021 Total Operating Budget
				Kaka'ako Maikai	Nā Lama Kukui	Palauca Culture Preserve	WKOP Mgmt Fund	Federal Funded	OHA Funded	
Personnel & Fringe	179.0	\$ 16,933,809	\$ -	\$ 285,390	\$ 77,875	\$ -	\$ -	\$ 764,248	\$ -	\$ 18,061,322
Program		1,484,603	-	81,475	368,276	2,700	4,550	109,017	-	2,050,621
Contracts		5,988,759	-	810,000	560,560	80,000	73,500	4,014,215	-	11,527,034
Grants		9,660,921	-	-	-	25,000	10,000	0	-	9,695,921
Travel		571,667	-	-	-	4,680	8,160	37,045	-	621,552
Equipment		1,068,820	-	439,500	1,305,178	39,000	159,600	3,750	-	3,015,848
Overhead		3,046,958	-	644,810	1,087,183	9,000	800	72,979	-	4,861,730
Debt Service		580,047	-	-	2,550,979	-	-	-	-	3,131,026
Other		125,138	-	-	-	-	-	-	367,862	493,000
Totals:		\$ 39,460,721	\$ -	\$ 2,261,175	\$ 5,950,051	\$ 160,380	\$ 256,610	\$ 5,001,254	\$ 367,862	\$ 53,458,053

Difference:		\$ 2,194,678	\$ -	\$ (292,771)	\$ 96,640	\$ -	\$ -	\$ -	\$ -	\$ 1,998,546
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ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

A	B	C	D	E	F	G	H	I	J
Wa Kele O Puna Budget Adjustments									
Category	Object Code	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	Description	Rationale for Realignment	Cost Type	Project	Capital
CONTRACTS	57110 SERVICES ON A FEE BASIS	0	15,000	15,000	New Gate for New Access Route	2. Strategic Realignment	Project	Gate for New Accessway	
CONTRACTS	57110 SERVICES ON A FEE BASIS	10,000	0	(10,000)	EA/EIS	2. Strategic Realignment	Operating		
CONTRACTS	57110 SERVICES ON A FEE BASIS	15,000	13,500	(1,500)	Helicopter Services	2. Strategic Realignment	Operating		
CONTRACTS Total		25,000	28,500	3,500					
EQUIPMENT	55810 REPAIR & MAINTENANCE	0	3,000	3,000	Cameras to monitor access points and key locations	2. Strategic Realignment	Operating		
EQUIPMENT	55810 REPAIR & MAINTENANCE	0	2,000	2,000	Gate Maintenance	2. Strategic Realignment	Operating		
EQUIPMENT	55810 REPAIR & MAINTENANCE	0	1,500	1,500	New GPS Unit	2. Strategic Realignment	Operating		
EQUIPMENT	55810 REPAIR & MAINTENANCE	5,000	0	(5,000)	Fencing Maint	2. Strategic Realignment	Operating		
EQUIPMENT Total		5,000	6,500	1,500					
PROGRAM	57270 PROTOCOL	2,500	0	(2,500)	Blessing/Ceremony	2. Strategic Realignment	Operating		
PROGRAM	57256 CONFERENCES, MEETINGS, EVENTS - NOT ORG BY OHA	500	0	(500)	Collaborations/ Outreach	2. Strategic Realignment	Operating		
PROGRAM	57255 CONFERENCES, MEETINGS, EVENTS - ORG BY OHA	2,000	0	(2,000)	Community Pilot Project	2. Strategic Realignment	Operating		
PROGRAM Total		5,000	0	(5,000)					
Grand Total		35,000	35,000	0					

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

A	B	C	D	E	F	G	H	I	J	
Palae Culture Preserve Budget Adjustments										
Category	Object Code	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	Description	Rationale for Realignment	Cost Type	Project	Capital	
2	CONTRACTS	57110 SERVICES ON A FEE BASIS	7,500	0	(7,500)	Design and Construct Public Viewing Area Barriers	2. Strategic Realignment	PROJECT	Implementation of Preservation Plan	
3	CONTRACTS	57110 SERVICES ON A FEE BASIS	7,500	10,000	2,500	Implementation of Preservation Plan	2. Strategic Realignment	OPERATING		
4	CONTRACTS	57110 SERVICES ON A FEE BASIS	15,000	25,000	10,000	Design and Construct Perimeter Barrier (Maikai)	2. Strategic Realignment	PROJECT	Implementation of Preservation Plan	
5	CONTRACTS	57110 SERVICES ON A FEE BASIS	30,000	35,000	5,000					
6	CONTRACTS Total									
	EQUIPMENT	58300 FURNITURE & FIXTURES	0	500	500	Ceiling Fan Installation	1. Restoration of Base Operational Cost	PROJECT	Building Improvement	
7	EQUIPMENT	55810 REPAIR & MAINTENANCE	2,500	0	(2,500)	Implementation of Preservation Plan	2. Strategic Realignment	OPERATING		
8	EQUIPMENT	55810 REPAIR & MAINTENANCE	2,500	0	(2,500)	Fence Maintenance	2. Strategic Realignment	OPERATING		
9	EQUIPMENT	55810 REPAIR & MAINTENANCE	5,000	500	(4,500)					
10	EQUIPMENT Total									
	OVERHEAD	53750 POSTAGE	200	0	(200)	Postage for Necessary Mailings	2. Strategic Realignment	OPERATING		
11	OVERHEAD	53750 POSTAGE	200	0	(200)					
12	OVERHEAD Total									
	PROGRAM	57120 HONORARIUM	500	200	(300)	Key Expert Presentations/Discussions to Assist with Planning	2. Strategic Realignment	OPERATING		
13	PROGRAM	57120 HONORARIUM	500	200	(300)					
14	PROGRAM Total									
15	Grand Total									

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

A	B	C	D	E	F	G	H	I	J	
1	Na Lama Kukui Budget Adjustments									
2	Category	Object Code	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	Description	Rationale for Realignment	Cost Type	Project	Capital
3	CONTRACTS	57110 SERVICES ON A FEE BASIS	432,615	458,160	25,545	Property management, leasing, security	1. Restoration of Base Operational Cost	OPERATING		
4	CONTRACTS Total		432,615	458,160	25,545					
5	EQUIPMENT	55810 REPAIR & MAINTENANCE	1,311,958	1,305,178	(6,780)	Building repair and maintenance	1. Restoration of Base Operational Cost	OPERATING		
6	EQUIPMENT Total		1,311,958	1,305,178	(6,780)					
7	PERSONNEL	57000 FRINGE BENEFITS	0	30,125	30,125	Fringe Benefits	2. Strategic Realignment	OPERATING		
8	PERSONNEL	52100 SALARIES	0	47,750	47,750	Salary	2. Strategic Realignment	OPERATING		
9	PERSONNEL Total		0	77,875	77,875					
10	Grand Total		1,744,573	1,841,213	96,640					

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

A	B	C	D	E	F	G	H	I	J	
1	Kaka'ako Makai Budget Adjustments									
2	Category	Object Code	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	Description	Rationale for Realignment	COST TYPE	Project	Capital
3	CONTRACTS	57110 SERVICES ON A FEE BASIS	0	100,000	100,000	Hire Contractor to Prepare EISP	2. Strategic Realignment	PROJECT	KM Development	
4	CONTRACTS	57110 SERVICES ON A FEE BASIS	50,000	0	(50,000)	Hire Contractor to Prepare RFP for Lot A Developer Solicitation	2. Strategic Realignment	PROJECT	KM Development	
5	CONTRACTS	57115 LEGAL SERVICES	60,000	210,000	150,000	Legal Services	2. Strategic Realignment	PROJECT	KM Development	
6	CONTRACTS Total		110,000	310,000	200,000					
7	EQUIPMENT	55810 REPAIR & MAINTENANCE	500,000	0	(500,000)	AAFES Fire Sprinkler Upgrade	2. Strategic Realignment	CAPITAL		
8	EQUIPMENT Total		500,000	0	(500,000)					
9	PERSONNEL	57000 FRINGE BENEFITS	0	110,390	110,390	Fringe Benefits	2. Strategic Realignment	OPERATING		
10	PERSONNEL	52100 SALARIES	278,161	175,000	(103,161)	Salary	2. Strategic Realignment	OPERATING		
11	PERSONNEL Total		278,161	285,390	7,229					
12	Grand Total		888,161	595,390	(292,771)					

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

B		D	E	F	G	H	I	N	O	P
Overhead Budget Adjustments			APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	DESCRIPTION	RATIONAL FOR REALIGNMENT	COST TYPE	PROJECT	CAPITAL
1	OBJECT CODE	LOB								
2	53100 OFFICE SUPPLIES	03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	0	800	800	General Office Supplies	1. Restoration of Base Operational Cost	OPERATING		
3	53100 OFFICE SUPPLIES Total		0	800	800					
4	53200 OTHER SUPPLIES	06. ADVOCACY	200	600	400	Books and DVD's, supplies for outside events	2. Strategic Realignment	OPERATING		
5	53200 OTHER SUPPLIES Total		200	600	400					
6	55010 ELECTRICITY	08. RESOURCE MANAGEMENT - LAND ASSETS	5,868	7,000	1,132	Maui Office - \$500/month - 6.83% rate hike + tax + contingency+relocation	1. Restoration of Base Operational Cost	OPERATING		
7	55010 ELECTRICITY Total		5,868	7,000	1,132					
8	55010 RENTAL OF LAND & BUILDING	06. ADVOCACY	63,525	62,525	(1,000)	Rental of building at 211 K St, NE	2. Strategic Realignment	OPERATING		
9	55010 RENTAL OF LAND & BUILDING	08. RESOURCE MANAGEMENT - LAND ASSETS	22,153	24,000	1,847	Maui- \$1,850/month plus contingency + 3% rent increase + (possible move)	1. Restoration of Base Operational Cost	OPERATING		
10	55010 RENTAL OF LAND & BUILDING	08. RESOURCE MANAGEMENT - LAND ASSETS	22,153	23,000	847	Kauai - \$1,850/month plus contingency + 3% increase + (possible move)	1. Restoration of Base Operational Cost	OPERATING		
11	55010 RENTAL OF LAND & BUILDING Total		107,831	109,525	1,694					
12	55910 INSURANCE	02. EXECUTIVE	6,876	14,076	7,200	(KP: ?) Excess Liability coverage renewal for all properties (gc 8/27...anticipate increase in premium)	1. Restoration of Base Operational Cost	OPERATING		
13	55910 INSURANCE	02. EXECUTIVE	15,341	17,741	2,400	(KP: ?) Property/Inland Marine	1. Restoration of Base Operational Cost	OPERATING		
14	55910 INSURANCE	02. EXECUTIVE	26,973	28,173	1,200	General Liability coverage renewal for all properties	1. Restoration of Base Operational Cost	OPERATING		
15	55910 INSURANCE	02. EXECUTIVE	0	17,000	17,000	Cyber liability coverage renewal	1. Restoration of Base Operational Cost	OPERATING		
16	55910 INSURANCE	02. EXECUTIVE	66,000	75,800	9,800	Workers Compensation coverage renewal	1. Restoration of Base Operational Cost	OPERATING		
17	55910 INSURANCE	02. EXECUTIVE	0	23,950	23,950	Premium for difference in conditions coverage	1. Restoration of Base Operational Cost	OPERATING		
18	55910 INSURANCE	02. EXECUTIVE	55,000	41,000	(14,000)	Banker's Professional liability coverage renewal	2. Strategic Realignment	OPERATING		
19	55910 INSURANCE	02. EXECUTIVE	160,306	153,306	(7,000)	(KP: ?) Public Officials/Employment Practices liability coverage renewal	2. Strategic Realignment	OPERATING		
20	55910 INSURANCE Total		330,496	371,046	40,550					
21	58200 LEASEHOLD IMPROVEMENTS	08. RESOURCE MANAGEMENT - LAND ASSETS	30,000	68,000	38,000	Security: Permanent security cameras & add'l video intercoms (added 4/24 bc)	1. Restoration of Base Operational Cost	PROJECT	Security (Neighbor island office)	
22	58200 LEASEHOLD IMPROVEMENTS Total		30,000	68,000	38,000					
23	Grand Total		474,395	556,971	82,576					

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

	B	C	D	E	F	G	H	I	N	O	P
	OBJECT CODE	REQUESTED	LOB	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	DESCRIPTION	RATIONAL FOR REALIGNMENT	COST TYPE	PROJECT	CAPITAL
1	Equipment Budget Adjustments										
2	55810 REPAIR & MAINTENANCE	3600 (INFORMA)02. EXECUTIVE	0	8,000	8,000	IT SUPPORT - AVCO	1. Restoration of Base Op	OPERATING			
3	55810 REPAIR & MAINTENANCE	3600 (INFORMA)02. EXECUTIVE	0	22,000	22,000	Annual InterGuard Licenses	1. Restoration of Base Op	OPERATING			
4	55810 REPAIR & MAINTENANCE	3600 (INFORMA)02. EXECUTIVE	50,000	55,000	5,000	Annual Microsoft Office 365 Subscription	1. Restoration of Base Op	OPERATING			
5	55810 REPAIR & MAINTENANCE	3600 (INFORMA)02. EXECUTIVE	100,000	76,000	-24,000	Annual Oracle Subscription	1. Restoration of Base Op	OPERATING			
6	55810 REPAIR & MAINTENANCE	3600 (INFORMA)02. EXECUTIVE	1,100	2,100	1,000	Subscription - Remote Access Software (GoToMyPC)	1. Restoration of Base Op	OPERATING			
7	55810 REPAIR & MAINTENANCE	3800 (GRANTS) 03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	0	8,750	8,750	Portfolio Software Advanced License for Grants Information Management System - License Period: 02/20/20-02/21/21	3. Strategic Reporting, Tr	OPERATING			
8	55810 REPAIR & MAINTENANCE	8303 (KUKANIL)08. RESOURCE MANAGEMENT - LAND ASSETS	22,500	15,000	-7,500	(KP- ?) Soil Remediation	1. Restoration of Base Op	CAPITAL			KKL Master Plan Development
9	55810 REPAIR & MAINTENANCE	8303 (KUKANIL)08. RESOURCE MANAGEMENT - LAND ASSETS	25,000	23,000	-2,000	Fire Break Expansion	2. Strategic Realignment	OPERATING			
10	55810 REPAIR & MAINTENANCE	8305 (WAILUA)08. RESOURCE MANAGEMENT - LAND ASSETS	1,000	5,000	4,000	Refinish Courtroom Floor	2. Strategic Realignment	CAPITAL			Waialua Courthouse Floor
11	55810 REPAIR & MAINTENANCE Total										
12	58300 FURNITURE & FIXTURES	8304 (PAHUA)H08. RESOURCE MANAGEMENT - LAND ASSETS	199,600	214,850	15,250	Interpretive Sign (fc (8/27/19): mv project to capital)	2. Strategic Realignment	CAPITAL			Pahua Heiau Preservation Plan
13	58300 FURNITURE & FIXTURES Total										
14	58400 SOFTWARE & EQUIPMENT	3600 (INFORMA)02. EXECUTIVE	0	27,000	27,000	IT SOFTWARE - Microsoft Server Upgrades (EOL) Windows 8 Servers and Below (6) @ 4500 each, Windows 7 and Windows Server 2008 & 2008 R2 End of Life January 14, 2020	1. Restoration of Base Op	PROJECT			Microsoft Software Compliance
15	58400 SOFTWARE & EQUIPMENT	3600 (INFORMA)02. EXECUTIVE	5,000	20,000	15,000	IT HARDWARE - EOL CPU/LAPTOPS/MONITORS/PRINTERS	1. Restoration of Base Op	OPERATING			
16	58400 SOFTWARE & EQUIPMENT	3600 (INFORMA)02. EXECUTIVE	8,000	13,000	5,000	IT EQUIPMENT - Miscellaneous hardware and computer-related accessories (e.g. hard drives, monitors, surge protectors, webcams, switches, speakers, memory, etc.)	1. Restoration of Base Op	OPERATING			
17	58400 SOFTWARE & EQUIPMENT	3600 (INFORMA)02. EXECUTIVE	4,000	0	-4,000	IT INFRASTRUCTURE - Disk STORAGE (SC 8/27/19: total request \$24K in FY20; to defer to FY21)	2. Strategic Realignment	OPERATING			HRP Digitization Storage
18	58400 SOFTWARE & EQUIPMENT	3600 (INFORMA)02. EXECUTIVE	0	5,000	5,000	IT HARDWARE - Conference Room Refresh	2. Strategic Realignment	PROJECT			Conference Room Tech (non Maui Ola)
19	58400 SOFTWARE & EQUIPMENT	8300 (LEGACY)08. RESOURCE MANAGEMENT - LAND ASSETS	0	5,000	5,000	Project Management Software	1. Restoration of Base Op	OPERATING			
20	58400 SOFTWARE & EQUIPMENT Total										
21	Grand Total										
22			221,600	294,850	73,250						

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

	B	D	E	F	G	H	I	N	O	P
1	Travel Budget Adjustments									
2	OBJECT CODE	LOB	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	DESCRIPTION	RATIONAL FOR REALIGNMENT	COST TYPE	PROJECT	CAPITAL
	54620 CAR RENTAL - OUT OF STATE	03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	0	375	375	Foundant Training (DataMgr, DataAnalyst)	3. Strategic Reporting, Tracking	OPERATING		
38	54620 CAR RENTAL - OUT OF STATE	03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	0	300	300	Foundant Conference (3 Staff)	3. Strategic Reporting, Tracking	OPERATING		
39	54620 CAR RENTAL - OUT OF STATE	06. ADVOCACY	0	850	850	Travel to Midway Atoll (note: 5 staff, 2 days, leadership retreat)	1. Restoration of Base Operational Cost	OPERATING		
40	54620 CAR RENTAL - OUT OF STATE	06. ADVOCACY	0	1,225	1,225	NAGPRA related training/conferences	2. Strategic Realignment	PROJECT	Repatriation	
41	54620 CAR RENTAL - OUT OF STATE	06. ADVOCACY	0	2,750	2,750					
42	54810 OTHER TRAVEL IN STATE	06. ADVOCACY	0	1,000	1,000	legislative meeting/hearing	1. Restoration of Base Operational Cost	OPERATING		
43	54810 OTHER TRAVEL IN STATE	06. ADVOCACY	0	1,000	1,000					
44	STATE Total		11,000	71,580	60,580					
45	Grand Total									

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

	B	D	E	F	G	H	I	N	O	P
Travel Budget Adjustments										
1	OBJECT CODE	LOB	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	DESCRIPTION	RATIONAL FOR REALIGNMENT	COST TYPE	PROJECT	CAPITAL
2	54460 TRANSPORTATION - OUT OF STATE	-03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	0	3,900	3,900	Foundant Conference (3 Staff)	3. Strategic Reporting, Tracking	OPERATING		
20	54460 TRANSPORTATION - OUT OF STATE	-05. RESEARCH	0	9,000	9,000	Re-instating travel budget for LCH. Travel to archival, genealogy conferences. For the purpose of building archival networking relationships and identifying & obtaining Hawaiian historical documents/	2. Strategic Realignment	OPERATING		
21	54460 TRANSPORTATION - OUT OF STATE	-06. ADVOCACY	0	6,000	6,000	Travel to Midway Atoll (note: 5 staff, 2 days, leadership retreat)	1. Restoration of Base Operational Cost	OPERATING		
22	54460 TRANSPORTATION - OUT OF STATE	-06. ADVOCACY	0	3,600	3,600	NAGPRA related training/conferences	2. Strategic Realignment	PROJECT	Repatriation	
23	54460 TRANSPORTATION - OUT OF STATE Total		0	27,750	27,750					
24	54510 SUBSISTENCE - OUT OF STATE	-02. EXECUTIVE	0	690	690	(SH: all 3 each yr?) SHRM National Conference	1. Restoration of Base Operational Cost	OPERATING		
25	54510 SUBSISTENCE - OUT OF STATE	-02. EXECUTIVE	0	1,100	1,100	(KP: /pp x # ppl) IT Staff Training	1. Restoration of Base Operational Cost	OPERATING		
26	54510 SUBSISTENCE - OUT OF STATE	-03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	0	870	870	Foundant Training (DataMgr, DataAnalyst)	3. Strategic Reporting, Tracking	OPERATING		
27	54510 SUBSISTENCE - OUT OF STATE	-03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	0	3,330	3,330	Foundant Conference (3 Staff)	3. Strategic Reporting, Tracking	OPERATING		
28	54510 SUBSISTENCE - OUT OF STATE	-06. ADVOCACY	0	3,950	3,950	Travel to Midway Atoll (note: 5 staff, 2 days, leadership retreat)	1. Restoration of Base Operational Cost	OPERATING		
29	54510 SUBSISTENCE - OUT OF STATE	-06. ADVOCACY	0	6,975	6,975	NAGPRA related training/conferences	2. Strategic Realignment	PROJECT	Repatriation	
30	54510 SUBSISTENCE - OUT OF STATE Total		0	16,915	16,915					
31	54610 CAR RENTAL - IN STATE	-02. EXECUTIVE	840	1,640	800	COC Maintenance visit	1. Restoration of Base Operational Cost	OPERATING		
32	54610 CAR RENTAL - IN STATE	-03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	960	0	(960)	Grant Orientations	2. Strategic Realignment	OPERATING		
33	54610 CAR RENTAL - IN STATE	-06. ADVOCACY	180	530	350	outreach sessions on leg package (note: used travel budgeted for other events/meetings for Maunakea related travel)	1. Restoration of Base Operational Cost	OPERATING		
34	54610 CAR RENTAL - IN STATE	-06. ADVOCACY	360	1,050	690	community meetings/county council/admin hearings	1. Restoration of Base Operational Cost	OPERATING		
35	54610 CAR RENTAL - IN STATE	-06. ADVOCACY	0	540	540	Maunakea related/reserves	2. Strategic Realignment	OPERATING		
36	54610 CAR RENTAL - IN STATE Total		2,340	3,760	1,420					

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

B		D	E	F	G	H	I	N	O	P
Travel Budget Adjustments		LOB	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	DESCRIPTION	RATIONAL FOR REALIGNMENT	COST TYPE	PROJECT	CAPITAL
1										
2	54260	02. EXECUTIVE	750	2,550	1,800	COC Maintenance visit	1. Restoration of Base Operational Cost	OPERATING		
3	54260	03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	0	300	300	(Added 8/27/19) Procurement - Site Monitoring	1. Restoration of Base Operational Cost	OPERATING		
4	54260	03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	4,000	0	(4,000)	Grant Orientations	3. Strategic Reporting, Tracking	OPERATING		
5	54260	05. RESEARCH	0	2,500	2,500	Research/All OHA meetings	1. Restoration of Base Operational Cost	OPERATING		
6	54260	06. ADVOCACY	750	950	200	outreach sessions on leg package (note: used travel budgeted for other events/meetings for Maunakea related travel)	1. Restoration of Base Operational Cost	OPERATING		
7	54260	06. ADVOCACY	750	4,375	3,625	community meetings/county council/admin hearings	1. Restoration of Base Operational Cost	OPERATING		
8	54260	06. ADVOCACY	0	2,250	2,250	Maunakea related/reserves	2. Strategic Realignment	OPERATING		
9	54260	STATE	6,250	12,925	6,675					
10	54310	02. EXECUTIVE	430	1,080	650	COC Maintenance visit	1. Restoration of Base Operational Cost	OPERATING		
11	54310	03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	1,440	0	(1,440)	Grant Orientations	3. Strategic Reporting, Tracking	OPERATING		
12	54310	06. ADVOCACY	540	810	270	community meetings/county council/admin hearings (note: used travel budgeted for other events/meetings for Maunakea related travel)	1. Restoration of Base Operational Cost	OPERATING		
13	54310	06. ADVOCACY	0	3,780	3,780	KMLAC Meetings	1. Restoration of Base Operational Cost	OPERATING		
14	54310	06. ADVOCACY	0	810	810	Maunakea related/reserves	2. Strategic Realignment	OPERATING		
15	54310	STATE	2,410	6,480	4,070					
16	54460	OUT OF STATE	0	500	500	(SH: all 3 each yr?) SHRM National Conference	1. Restoration of Base Operational Cost	OPERATING		
17	54460	OUT OF STATE	0	2,500	2,500	(KP: /pp x # ppt) IT Staff Training	1. Restoration of Base Operational Cost	OPERATING		
18	54460	OUT OF STATE	0	2,250	2,250	Foundant Training (DataMgr, DataAnalyst)	3. Strategic Reporting, Tracking	OPERATING		
19										

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

Program Budget Adjustments									
B	D	E	F	G	H	I	N	O	P
OBJECT CODE	LOB	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	DESCRIPTION	RATIONAL FOR REALIGNMENT	COST TYPE	PROJECT	CAPITAL
1									
2	57255 CONFERENCES, MEETINGS, EVENTS - NOT ORG BY OHA	100,000	0	(100,000)	KP 5/6/19: Protection & Preservation of Iwikupena & Wahikupena Dbase Repository and Kuleana Lands Collaboration (Research, Community Training & Education) (REALIGNMENT of 8,000 to restore training/travel to LCH) (GC 8/27/19: duplicate request of \$100K, 5200 LCH 57110 Services on a Fee)	2. Strategic Realignment	OPERATING	Iwi Kupuna Training	
39									
40	57255 CONFERENCES, MEETINGS, EVENTS - NOT ORG BY OHA	101,800	1,900	(99,900)	(Added 8/29/19) FESTPAC Festival of the Pacific	2. Strategic Realignment	PROJECT	FESTPAC Festival of the Pacific	
41	57256 CONFERENCES, MEETINGS, EVENTS - NOT ORG BY OHA	0	100,000		Community events	2. Strategic Realignment	PROJECT	Get Out the Vote 2020	
42	57256 CONFERENCES, MEETINGS, EVENTS - NOT ORG BY OHA	32,000	72,000	40,000	Events hosted by other organizations	2. Strategic Realignment	PROJECT	Get Out the Vote 2020	
43	57256 CONFERENCES, MEETINGS, EVENTS - NOT ORG BY OHA	0	2,500	2,500	misc meetings and conferences, Chief Advocate (note: if we are expecting community to lead any future PLT outreach/advocacy efforts, we will want to provide event/meeting support for them)	1. Restoration of Base Operational Cost	OPERATING		
44									
45	57256 CONFERENCES, MEETINGS, EVENTS - NOT ORG BY OHA	0	2,500	2,500	Convening re How to Strategically Address Native Hawaiian Homelessness	1. Restoration of Base Operational Cost	OPERATING		
46	57256 CONFERENCES, MEETINGS, EVENTS - NOT ORG BY OHA	2,000	3,000	1,000	Pacific Day - New Zealand Embassy	2. Strategic Realignment	OPERATING		
47	57256 CONFERENCES, MEETINGS, EVENTS - NOT ORG BY OHA	0	4,500	4,500	Kaliuokapaakai	2. Strategic Realignment	OPERATING		
48	57256 CONFERENCES, MEETINGS, EVENTS - NOT ORG BY OHA	34,000	201,500	167,500					
49	58200 LEASEHOLD IMPROVEMENTS	0	1,000	1,000	INSTALLATION OF STORE FRONT SIGNAGE - MAUI	1. Restoration of Base Operational Cost	OPERATING		
50	58200 LEASEHOLD IMPROVEMENTS	0	30,000	30,000	DRAFTING/PERMITTING/INSTALLATION FLOW/TAMPER SWITCH TO FIRE SUPPRESSION SYSTEM -OAHU	4. Legal / Compliance	CAPITAL	Fire Suppression System	
51	58200 LEASEHOLD IMPROVEMENTS Total	0	31,000	31,000					
52	Grand Total	164,350	297,075	132,725					

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

Program Budget Adjustments									
B	D	E	F	G	H	I	N	O	P
OBJECT CODE	LOB	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	DESCRIPTION	RATIONAL FOR REALIGNMENT	COST TYPE	PROJECT	CAPITAL
1									
2									
21	06. ADVOCACY	800	400	(400)	Kamehameha Day lei for statues	2. Strategic Realignment	OPERATING		
22	06. ADVOCACY	1,000	200	(800)	Potential Native Speakers for cultural events in DC	2. Strategic Realignment	OPERATING		
23	06. ADVOCACY	200	0	(200)	Pacific Day lei for honored guests	2. Strategic Realignment	OPERATING		
24	57120 HONORARIUM Total	2,500	4,200	1,700					
25	57240 OTHER EXPENSES	0	650	650	(KP: \$120/pp x # ppl) Staff Retreat Expenses	1. Restoration of Base Operational Cost	OPERATING		
	57240 OTHER EXPENSES	0	25,000	25,000	Census Information Center workshops (GC 8/29/19: should be \$25K fr \$2500)	2. Strategic Realignment	PROJECT	Census Information Center workshops	
26									
27	57240 OTHER EXPENSES Total	0	25,650	25,650					
	57250 SEMINAR/CONFERENCE FEES	0	550	550	SHRM National Conference	1. Restoration of Base Operational Cost	OPERATING		
28	57250 SEMINAR/CONFERENCE FEES	2,000	3,500	1,500	(KP: \$500 pp x ppl) Training IT Staff	1. Restoration of Base Operational Cost	OPERATING		
29	57250 SEMINAR/CONFERENCE FEES	1,800	0	(1,800)	WorldatWork Compensation Class & Exam (Edwina, certification track)	2. Strategic Realignment	OPERATING		
30	57250 SEMINAR/CONFERENCE FEES	1,400	875	(525)	CNHA Native Hawaiian Convention	3. Strategic Reporting, Tracking	OPERATING		
31	57250 SEMINAR/CONFERENCE FEES	0	2,400	2,400	Foundant Conference (3 Staff)	3. Strategic Reporting, Tracking	OPERATING		
32	57250 SEMINAR/CONFERENCE FEES	0	5,000	5,000	(KP: \$500/pp x ppl) Professional Development for CO management and staff	2. Strategic Realignment	PROJECT	Get Out the Vote 2020	
33	57250 SEMINAR/CONFERENCE FEES	500	0	(500)	Alaska Federation of Natives Annual Convention	2. Strategic Realignment	OPERATING		
34	57250 SEMINAR/CONFERENCE FEES	0	600	600	NAGPRA related training/conferences	2. Strategic Realignment	PROJECT	Repatriation	
35	57250 SEMINAR/CONFERENCE FEES	5,700	12,925	7,225					
36	57250 SEMINAR/CONFERENCE FEES Total	0	1,500	1,500	Employee trainings/ workshops	1. Restoration of Base Operational Cost	OPERATING		
37	57255 CONFERENCES, MEETINGS, EVENTS - ORG BY OHA	1,800	400	(1,400)	Grantee Conference Expenditures- Community Grant	3. Strategic Reporting, Tracking	OPERATING		
38	57255 CONFERENCES, MEETINGS, EVENTS - ORG BY OHA								

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

	B	D	E	F	G	H	I	N	O	P
Program Budget Adjustments										
OBJECT CODE	LOB	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	DESCRIPTION	RATIONAL FOR REALIGNMENT	COST TYPE	PROJECT	CAPITAL	
1										
2	53300 PROMOTIONAL ITEMS	04. COMMUNITY ENGAGEMENT	1,500	3,000	1,500	Items including flags, shirts, pens, pencils, bags, or other items that are imprinted with an OHA logo for distribution at OHA-sponsored and organized events or to OHA partners. Increasing budget from previous years due to recent requests from other paia/programs for promotional items for distribution to their partners/events.	2. Strategic Realignment	PROJECT	Get Out the Vote 2020	
3	53300 PROMOTIONAL ITEMS	06. ADVOCACY	0	1,000	1,000	Miscellaneous promotional materials for student fairs, events, etc.	2. Strategic Realignment	OPERATING		
4	53300 PROMOTIONAL ITEMS Total		1,500	4,000	2,500					
5	53510 DUES	03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	650	0	(650)	HANO Membership	3. Strategic Reporting, Tracking	OPERATING		
6	53510 DUES Total		650	0	(650)					
7	53520 SUBSCRIPTION	02. EXECUTIVE	5,000	9,200	4,200	Online legal research service (gc 8/27 ...to restore original ask)	1. Restoration of Base Operational Cost	OPERATING		
8	53520 SUBSCRIPTION Total		5,000	9,200	4,200					
9	53610 FREIGHT & DELIVERY	06. ADVOCACY	400	200	(200)	Fed-Ex/Postage	2. Strategic Realignment	OPERATING		
10	53610 FREIGHT & DELIVERY Total		400	200	(200)					
11	53910 PRINTING	06. ADVOCACY	500	3,000	2,500	For community advocacy efforts and outreach	1. Restoration of Base Operational Cost	OPERATING		
12	53910 PRINTING	06. ADVOCACY	800	1,500	700	Producing OHA brochures/sponsorships materials for conference, events, activities	2. Strategic Realignment	OPERATING		
13	53910 PRINTING	08. RESOURCE MANAGEMENT - LAND ASSETS	0	2,000	2,000	Printing of KKL Conceptual Master Plan Summary	2. Strategic Realignment	CAPITAL	KKL Master Plan Development	
14	53910 PRINTING Total		1,300	6,500	5,200					
15	55750 OTHER RENTALS	03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	1,500	0	(1,500)	Facility Fees for Orientation Workshops	3. Strategic Reporting, Tracking	OPERATING		
16	55750 OTHER RENTALS	04. COMMUNITY ENGAGEMENT	10,000	0	(10,000)	Investiture - Rental of tents, tables, chairs, etc. (9/3/19 gc: move to FY21)	2. Strategic Realignment	OPERATING		
17	55750 OTHER RENTALS Total		11,500	0	(11,500)					
18	57120 HONORARIUM	03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	500	0	(500)	Orientation Workshop Room Donations	3. Strategic Reporting, Tracking	OPERATING		
19	57120 HONORARIUM	03. RESOURCE MANAGEMENT - FINANCIAL ASSETS	0	3,600	3,600	Grant Reviewer Honorariums- Kūlia FY 2020, FB 20-21 Emergency Financial Assistance, Charter School, Higher Education Scholarships	3. Strategic Reporting, Tracking	OPERATING		
20	57120 HONORARIUM Total		500	3,600	3,100					

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

	B	D	E	F	G	H	I	N	O	P
Contracts Budget Adjustments										
OBJECT CODE	LOB	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	DESCRIPTION	RATIONAL FOR REALIGNMENT	COST TYPE	PROJECT	CAPITAL	
1										
2	57110 SERVICES ON A FEE BASIS	08. RESOURCE MANAGEMENT - LAND ASSETS	0	2,500	2,500	7/8/19: Prop# 2001 - Moving services for Maui office.	1. Restoration of Base Operational Cost	OPERATING		
27	57110 SERVICES ON A FEE BASIS	08. RESOURCE MANAGEMENT - LAND ASSETS	0	15,000	15,000	Cultural Resource Management Training	1. Restoration of Base Operational Cost	PROJECT	Cultural Resource Management Training	
28	57110 SERVICES ON A FEE BASIS	08. RESOURCE MANAGEMENT - LAND ASSETS	52,500	0	(52,500)	Interim Parking Gravel	2. Strategic Realignment	OPERATING		
29	57110 SERVICES ON A FEE BASIS	08. RESOURCE MANAGEMENT - LAND ASSETS	5,000	240,000	235,000	(KP: ?) Design of Nursery(s) and Kupu Zone	2. Strategic Realignment	CAPITAL		KKL Master Plan Development
30	57110 SERVICES ON A FEE BASIS	08. RESOURCE MANAGEMENT - LAND ASSETS	175,000	200,000	25,000	(KP: ?) Design and Permit Water Storage	2. Strategic Realignment	CAPITAL		KKL Master Plan Development
31	57110 SERVICES ON A FEE BASIS	08. RESOURCE MANAGEMENT - LAND ASSETS	15,000	40,000	25,000	Barrier/Fence Construction (10k from FY20 and 10k from FY21) (gc (8/27/19): mv project to capital)	2. Strategic Realignment	CAPITAL		Pahua Heiau Preservation Plan
32	57110 SERVICES ON A FEE BASIS	08. RESOURCE MANAGEMENT - LAND ASSETS	10,000	12,000	2,000	Vegetation Outplanting (gc (8/27/19): mv project to capital)	2. Strategic Realignment	CAPITAL		Pahua Heiau Preservation Plan
33	57110 SERVICES ON A FEE BASIS	08. RESOURCE MANAGEMENT - LAND ASSETS	50,000	46,000	(4,000)	Site Drainage and Parking Lot Paving (2 years \$50k from FY20/ \$50k from FY21)	2. Strategic Realignment	CAPITAL		Waialua Courthouse Parking Lot
34	57110 SERVICES ON A FEE BASIS	08. RESOURCE MANAGEMENT - LAND ASSETS	0	50,000	50,000	Scope Writing Contractor/Contracting Advising	4. Legal / Compliance	OPERATING		
35	57110 SERVICES ON A FEE BASIS	08. RESOURCE MANAGEMENT - LAND ASSETS	422,700	1,899,740	1,477,040					
36	57115 LEGAL SERVICES	02. EXECUTIVE	50,000	100,000	50,000	Conflict Representation (gc 8/27 ...in event of Native Hawaiian Legal Corp)	1. Restoration of Base Operational Cost	OPERATING		
37	57115 LEGAL SERVICES	02. EXECUTIVE	40,000	100,000	60,000	Legal Due Diligence (RE -KM, NLK, other) (Grace (8/27/19: per Raina, reduce fr \$150K to \$100K)	1. Restoration of Base Operational Cost	OPERATING		
38	57115 LEGAL SERVICES	02. EXECUTIVE	75,000	125,000	50,000	Legal Consultants (Various HR, RE, Operations, Intellectual Property, Lending, Governance) (gc 8/27 ...to restore original ask)	1. Restoration of Base Operational Cost	OPERATING		
39	57115 LEGAL SERVICES	02. EXECUTIVE	0	50,000	50,000	(SH: investigation?) Employee Relations/Labor Law Consultation	1. Restoration of Base Operational Cost	OPERATING		
40	57115 LEGAL SERVICES	02. EXECUTIVE	0	5,000	5,000	HR Audit	2. Strategic Realignment	OPERATING		
41										
42	57115 LEGAL SERVICES		165,000	380,000	215,000					
43	Grand Total		587,700	2,279,740	1,692,040					

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

B		D		E		F		G		H		I		N		O		P	
Contracts Budget Adjustments																			
1	OBJECT CODE	LOB	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	DESCRIPTION	RATIONAL FOR REALIGNMENT	COST TYPE	PROJECT	CAPITAL									
2	57110 SERVICES ON A FEE BASIS	05. RESEARCH	0	40,000	40,000	NH Civic Engagement Study. Procure unique data collection and data set on NH participation in voting, leadership and advocacy. Disaggregated data is not currently available on this topic.	2. Strategic Realignment	PROJECT	Civic Engagement										
18	57110 SERVICES ON A FEE BASIS	05. RESEARCH	0	40,000	40,000	Update to OHA's 2010 report: The Disparate Treatment of NH in the Criminal Justice System. To give OHA a clear picture of whether anything has changed in the disproportionate representation of NH in the criminal justice system. To assist with Advocacy efforts.	2. Strategic Realignment	PROJECT	Criminal Justice										
19	57110 SERVICES ON A FEE BASIS	06. ADVOCACY	10,000	50,000	40,000	CLPLT Working Group, Outreach	1. Restoration of Base Operational Cost	PROJECT	Ceded Lands PLT										
20	57110 SERVICES ON A FEE BASIS	06. ADVOCACY	0	35,000	35,000	Ship charter(s) for access (GC 8/27/19: per discussion, reduce to \$50K fr request of \$85K)	1. Restoration of Base Operational Cost	OPERATING											
21	57110 SERVICES ON A FEE BASIS	06. ADVOCACY	0	40,000	40,000	Accounting firm for updated financial review data (specific UH and DOT underreporting research, and possible future updated financial review)	1. Restoration of Base Operational Cost	OPERATING											
22	57110 SERVICES ON A FEE BASIS	06. ADVOCACY	0	35,000	35,000	Constitutional Rights Legal Defense (note: this may be more appropriate in Corp counsel's services on a fee code could also be considered 2. Strategic Realignment) (GC (8/27/19): email Keola request clarification; to keep, not duplicate)	1. Restoration of Base Operational Cost	OPERATING											
23	57110 SERVICES ON A FEE BASIS	06. ADVOCACY	0	10,000	10,000	Maunakea related/reserves	2. Strategic Realignment	OPERATING											
24	57110 SERVICES ON A FEE BASIS	08. RESOURCE MANAGEMENT - LAND ASSETS	0	15,000	15,000	(KP: ?) Bulldozer Training Partnership	1. Restoration of Base Operational Cost	OPERATING											
25	57110 SERVICES ON A FEE BASIS	08. RESOURCE MANAGEMENT - LAND ASSETS	0	240	240	7/17/19: Re-key new Maui office storefront + 3 cylinder combination change and duplicate keys.	1. Restoration of Base Operational Cost	OPERATING											
26																			

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

B	D	E	F	G	H	I	N	O	P
Contracts Budget Adjustments									
OBJECT CODE	LOB	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	DESCRIPTION	RATIONAL FOR REALIGNMENT	COST TYPE	PROJECT	CAPITAL
57110 SERVICES ON A FEE BASIS	01. BOARD OF TRUSTEES	0	110,000	110,000	Financial Consultant to assist the RM Committee	1. Restoration of Base Operational Cost	OPERATING		
57110 SERVICES ON A FEE BASIS	01. BOARD OF TRUSTEES	0	100,000	100,000	Legislative Lobbyist	4. Legal / Compliance	OPERATING		
57110 SERVICES ON A FEE BASIS	01. BOARD OF TRUSTEES	0	50,000	50,000	Parliamentarian for BOT & Committee meetings (Est. \$250/hr, 3 hr/mtg. Est. 100 mtgs/year (est. BOT: 28 mtgs, RM: 22 mtgs, BAE: 28 mtgs, possible Land: 22 mtgs))	4. Legal / Compliance	OPERATING		
57110 SERVICES ON A FEE BASIS	02. EXECUTIVE	0	9,000	9,000	(SH: ?) Cultural Protocol Training (GC 8/27/19: Halau Ohia - Revise \$30K to \$9k)	1. Restoration of Base Operational Cost	OPERATING		
57110 SERVICES ON A FEE BASIS	02. EXECUTIVE	200	60,000	59,800	RM SOFTWARE - Oracle Fusion Implementation	1. Restoration of Base Operational Cost	PROJECT	Oracle Fusion	
57110 SERVICES ON A FEE BASIS	02. EXECUTIVE	0	75,000	75,000	Headhunter Services (GC (8/27/19): reduce fr \$123K to \$75K (Compliance Officer, System Dir) per discussion)	2. Strategic Realignment	OPERATING		
57110 SERVICES ON A FEE BASIS	02. EXECUTIVE	0	250,000	250,000	(Added 8/29/19) Outsource CIO services	2. Strategic Realignment	OPERATING		
57110 SERVICES ON A FEE BASIS	02. EXECUTIVE	0	100,000	100,000	Census campaign	2. Strategic Realignment	PROJECT	Census Information Center Awareness Campaign	
57110 SERVICES ON A FEE BASIS	02. EXECUTIVE	0	15,000	15,000	Separation/Transition Workforce Analysis and Planning	2. Strategic Realignment	OPERATING		
57110 SERVICES ON A FEE BASIS	02. EXECUTIVE	0	100,000	100,000	(Added 8/29/19) Temp Services (request fr FS: auditing, acctg, procurement)	2. Strategic Realignment	PROJECT	Oracle Fusion	
57110 SERVICES ON A FEE BASIS	04. COMMUNITY ENGAGEMENT	0	60,000	60,000	Video production vendor - long format videos	2. Strategic Realignment	PROJECT	Mismanagement in Mauna Kea	
57110 SERVICES ON A FEE BASIS	05. RESEARCH	30,000	0	(30,000)	Housing Study/ Survey	2. Strategic Realignment	OPERATING	Housing Study	
57110 SERVICES ON A FEE BASIS	05. RESEARCH	25,000	0	(25,000)	KP 5/6/19: Ceded Lands Phase 1 Launch.Move to 2021	2. Strategic Realignment	OPERATING	Ceded Lands	
57110 SERVICES ON A FEE BASIS	05. RESEARCH	50,000	0	(50,000)	KP 5/6/19: Ceded Lands Editor Contract re: Methodology. Move to 2021	2. Strategic Realignment	OPERATING	Ceded Lands	
57110 SERVICES ON A FEE BASIS	05. RESEARCH	0	100,000	100,000	Protection & preservation of Iwikupuna & Wahikupuna database repository and Kuleana Lands collaboration (Research, community training and education)	2. Strategic Realignment	PROJECT	Iwi Kupuna Training	

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

	A	B	C	D	E	F	G	H
1	FY20 CORE Budget Realignment #1 Total							
2	LISTING OF PROPOSED REALIGNMENT #1: BY CATEGORY, LINE ITEM							
3				FY20 PROPOSED REALIGNMENT #1				
4		FY20 BOT APPROVED	FY20 PROPOSED REALIGNMENT #1		BUDGET TYPES			
5	Row Labels	Sum of APPROVED BUDGET	Sum of PROPOSED REALIGN #1	Sum of NET ADJUSTMENTS	Sum of FY20 Operating	Sum of FY20 Project	Sum of FY20 Capital	Sum of FY20 TOB
64	54110 MILEAGE	2,059	2,059	0	2,059	0	0	2,059
65	54130 PARKING	10,550	10,550	0	10,550	0	0	10,550
66	54260 TRANSPORTATION - IN STATE	76,667	80,842	4,175	80,842	0	0	80,842
67	54260-TRANSPORTATION-IN STATE	0	2,500	2,500	2,500	0	0	2,500
68	54310 SUBSISTENCE - IN STATE	92,666	96,736	4,070	96,736	0	0	96,736
69	54460 TRANSPORTATION - OUT OF STATE	82,250	110,000	27,750	106,400	3,600	0	110,000
70	54510 SUBSISTENCE - OUT OF STATE	130,398	147,313	16,915	140,338	6,975	0	147,313
71	54610 CAR RENTAL - IN STATE	51,620	53,040	1,420	53,040	0	0	53,040
72	54620 CAR RENTAL - OUT OF STATE	20,868	23,618	2,750	22,393	1,225	0	23,618
73	54810 OTHER TRAVEL IN STATE	6,685	7,685	1,000	7,685	0	0	7,685
74	54820 OTHER TRAVEL OUT OF STATE	37,325	37,325	0	37,325	0	0	37,325
75	TRAVEL Total	511,087	571,667	60,580	559,867	11,800	0	571,667
76	PERSONNEL							
77	52070 VACATION PAYOUTS	150,000	150,000	0	150,000	0	0	150,000
78	52100 SALARIES	10,373,213	10,199,784	(173,429)	10,199,784	0	0	10,199,784
79	52110 SALARIES - STUDENT HELPER	65,000	65,000	0	65,000	0	0	65,000
80	52130 CONTINUING EDUCATION PROGRAM	30,000	30,000	0	30,000	0	0	30,000
81	52300 OVERTIME	10,000	10,000	0	10,000	0	0	10,000
82	56700 WORKERS COMPENSATION	5,950	5,950	0	5,950	0	0	5,950
83	57000 FRINGE BENEFITS	6,232,227	6,434,024	201,798	6,434,024	0	0	6,434,024
84	57000 FRINGE BENEFITS - STUDENT HELPER	39,050	39,050	0	39,050	0	0	39,050
85	PERSONNEL Total	16,905,440	16,933,809	28,369	16,933,809	0	0	16,933,809
86	Grand Total	37,266,043	39,335,583	2,069,540	37,328,483	1,213,600	793,500	39,335,583

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

	A	B	C	D	E	F	G	H
1	FY20 CORE Budget Realignment #1 Total							
2	LISTING OF PROPOSED REALIGNMENT #1: BY CATEGORY, LINE ITEM							
3				FY20 PROPOSED REALIGNMENT #1				
4		FY20 BOT APPROVED	FY20 PROPOSED REALIGNMENT #1				BUDGET TYPES	
5	Row Labels	Sum of APPROVED BUDGET	Sum of PROPOSED REALIGN #1	Sum of NET ADJUSTMENTS	Sum of FY20 Operating	Sum of FY20 Project	Sum of FY20 Capital	Sum of FY20 TOB
34	55510 RENTAL OF LAND & BUILDING	1,084,441	1,086,135	1,694	1,086,135	0	0	1,086,135
35	55515 RENTAL OF LAND & BUILDING - CAM &	672,709	672,709	0	672,709	0	0	672,709
36	55640 RENTAL OF EQUIPMENT	84,614	84,614	0	84,614	0	0	84,614
37	55910 INSURANCE	378,853	419,403	40,550	419,403	0	0	419,403
38	56810 SETTLEMENT - LAWSUITS	30,000	30,000	0	30,000	0	0	30,000
39	58200 LEASEHOLD IMPROVEMENTS	57,800	95,800	38,000	27,800	68,000	0	95,800
40	OVERHEAD Total	2,964,382	3,046,958	82,576	2,978,958	68,000	0	3,046,958
41	PROGRAM							
42	53300 PROMOTIONAL ITEMS	3,000	5,500	2,500	2,500	3,000	0	5,500
45	53520 SUBSCRIPTION	48,463	52,663	4,200	52,663	0	0	52,663
46	53610 FREIGHT & DELIVERY	2,900	2,700	(200)	2,700	0	0	2,700
47	53710 BULK MAIL	186,757	186,757	0	186,757	0	0	186,757
48	53910 PRINTING	148,621	153,821	5,200	151,821	0	2,000	153,821
49	54010 ADVERTISING	170,135	170,135	0	170,135	0	0	170,135
50	54190 AUTO ALLOWANCE	3,912	3,912	0	3,912	0	0	3,912
51	54850 ADA ACCOMMODATIONS	2,500	2,500	0	2,500	0	0	2,500
52	55750 OTHER RENTALS	34,100	22,600	(11,500)	22,600	0	0	22,600
53	57120 HONORARIUM	42,100	43,800	1,700	40,800	0	3,000	43,800
54	57220 VOLUNTEER STIPEND	5,200	5,200	0	5,200	0	0	5,200
55	57240 OTHER EXPENSES	25,300	50,950	25,650	25,950	25,000	0	50,950
56	57250 SEMINAR/CONFERENCE FEES	65,483	72,708	7,225	67,108	5,600	0	72,708
57	57255 CONFERENCES, MEETINGS, EVENTS - O	337,550	237,650	(99,900)	235,150	0	2,500	237,650
58	57256 CONFERENCES, MEETINGS, EVENTS - N	156,100	323,600	167,500	134,600	189,000	0	323,600
59	57270 PROTOCOL	7,000	7,000	0	7,000	0	0	7,000
60	57280 TRUSTEE ALLOWANCE REPORT	64,800	64,800	0	64,800	0	0	64,800
61	58200 LEASEHOLD IMPROVEMENTS	0	31,000	31,000	1,000	0	30,000	31,000
62	PROGRAM Total	1,351,878	1,484,603	132,725	1,224,503	222,600	37,500	1,484,603
63	TRAVEL							

ATTACHMENT #2 FY2020 BUDGET ADJUSTMENTS DETAILS

A	B	C	D	E	F	G	H	I	J	
1	Special Funds Budget Adjustments									
2	Category	Object Code	APPROVED BUDGET	PROPOSED REALIGN #1	NET ADJUSTMENTS	Description	Rationale for Realignment	Cost Type	Project	Capital
3	EQUIPMENT	58700 INVESTME	0	18,000	18,000	Hi'i'lei Aloha & Subsidiaries - Professional Fees	4. Legal / Compliance	Project	LLC	
4	EQUIPMENT	58700 INVESTME	75,000	88,000	13,000	Ho'okele Pono & Subsidiaries	2. Strategic Realignment	Project	LLC	
5	EQUIPMENT	58700 INVESTME	292,862	387,000	94,138	Hi'i'lei Aloha & Subsidiaries	2. Strategic Realignment	Project	LLC	
6	EQUIPMENT Total		367,862	493,000	125,138					
7	Grand Total		367,862	493,000	125,138					

LLC Business Analysis
 Updated: 9/15/2019
 HRS Chapter 428 - Uniform Limited Liability Company Act
 Operational Assumption: Wind-down, Dissolve and Terminate all Other LLCs

I. LLC Business Analysis
 From: 2019 05 Analysis

	FY 20	FY 21	Total
Professional Fees	\$ 99,000	\$ 18,000	\$ 117,000
Operations - Dissolution	\$ -	\$ 75,000	\$ 75,000
Operations - Wind Down	\$ 307,000	\$ 232,000	\$ 539,000
	\$ 406,000	\$ 325,000	\$ 731,000

II. RM #19-09 - OHA Biennium Budget for the Fiscal Biennium Periods 2019-2020 (FY20) and 2020-2021 (FY21)
 From: 2019 06 Biennium Budget Analysis
 Note: Unable to budget the entire projected amount given budgetary constraints.

	FY 20	FY 21	Total
Hi'ilei Aloha, LLC			
Professional Fees	\$ 99,000	\$ 18,000	\$ 117,000
Organization Dissolution	\$ -	\$ 75,000	\$ 75,000
Organization Ops - YB	\$ 90,000	\$ 24,000	\$ 114,000
Organization Ops - Winddown	\$ 103,862	\$ 78,000	\$ 181,862
Subtotal Hi'ilei	\$ 292,862	\$ 195,000	\$ 487,862
Ho'okele Pono LLC			
Organization Dissolution	\$ 75,000	\$ -	\$ 75,000
Organization Ops	\$ -	\$ -	\$ -
Subtotal Ho'okele Pono	\$ 75,000	\$ -	\$ 75,000
Grand Total	\$ 367,862	\$ 195,000	\$ 562,862

III. Difference - Realignment #1
 From: 2019 09 Budget Realignment Analysis

	FY 20	FY 21	Total
Hi'ilei Aloha, LLC			
Professional Fees	\$ 18,000 [a]	\$ -	\$ 18,000
Organization Dissolution	\$ -	\$ -	\$ -
Organization Ops - YB	\$ -	\$ -	\$ -
Organization Ops - Winddown	\$ 94,138 [b]	\$ 130,000	\$ 224,138
Subtotal Hi'ilei	\$ 112,138	\$ 130,000	\$ 242,138
Ho'okele Pono LLC			
Organization Dissolution	\$ 13,000	\$ -	\$ 13,000
Organization Ops	\$ -	\$ -	\$ -
Subtotal Ho'okele Pono	\$ 13,000	\$ -	\$ 13,000
Grand Total	\$ 125,138	\$ 130,000	\$ 255,138

- [a] - Includes added professional fees re: recent court action
- [b] - Includes additional amount for inter-company balance per 12/31/18 audit

IV. Updated: Realignment #1
 From: 2019 09 Budget Realignment

	FY 20	FY 21	Total
Hi'ilei Aloha, LLC			
Professional Fees	\$ 117,000	\$ 18,000	\$ 135,000
Organization Dissolution	\$ -	\$ 75,000	\$ 75,000
Organization Ops - YB	\$ 90,000	\$ 24,000	\$ 114,000
Organization Ops - Winddown	\$ 198,000	\$ 208,000	\$ 406,000
Subtotal Hi'ilei	\$ 405,000	\$ 325,000	\$ 730,000
Ho'okele Pono LLC			
Organization Dissolution	\$ 88,000	\$ -	\$ 88,000
Organization Ops	\$ -	\$ -	\$ -
Subtotal Ho'okele Pono, Ho'okipaipai	\$ 88,000	\$ -	\$ 88,000
Grand Total	\$ 493,000	\$ 325,000	\$ 818,000