

STATE OF HAWAI'I
OFFICE OF HAWAIIAN AFFAIRS
560 No. Nimitz Highway, Suite 200
Honolulu, HI 96817

Minutes of the Office of Hawaiian Affairs Committee on Resource Management
Wednesday, August 24, 2016 9:30 a.m.

ATTENDANCE:

TRUSTEE COLETTE MACHADO, CHAIR
TRUSTEE HAUNANI APOLIONA, VICE-CHAIR
TRUSTEE DAN AHUNA
TRUSTEE ROWENA AKANA
TRUSTEE PETER APO
TRUSTEE CARMEN HULU LINDSEY
TRUSTEE ROBERT LINDSEY
TRUSTEE JOHN WAIHE'E IV

ADMINISTRATION STAFF:

KAMANA'OPONO CRABBE, CEO
MOMILANI LAZO
HAWLEY IONA
LISA VICTOR
LISA WATKINS-VICTORINO
KAWIKA RILEY
MILES NISHIJIMA
KEITH YABUSAKI
JOCELYN DOANE
LORNA LOEBL
MISTI PALI-ORIOLO
MEHANA HIND
STERLING WONG
JOHN KIM
JONATHAN CHING
MATT KODAMA

EXCUSED:

TRUSTEE LEI AHU ISA

BOT STAFF:

LIANA PANG
CLAUDINE CALPITO
DAYNA PA
U'ILANI TANIGAWA
LOUISE YEE-HOY
LAURENE KALUAU-KEALOHA
REYNOLD FREITAS
LEHUA ITOKAZU
LADY GARRETT
JEREMY KAMA HOPKINS

GUESTS:

RODNEY LEE
KELLII MAKEKAU

I. CALL TO ORDER

Chair Colette Machado – Called to order the meeting of the Committee on Resource Management, Wednesday, August 24, 2016, at 9:34 a.m. We have received one excused absence from Trustee Lei Ahu-Isa.

Trustee	Present	Excused	Comments
TRUSTEE LEI AHU ISA		X	Excused
TRUSTEE DAN AHUNA	X		

TRUSTEE ROWENA	AKANA	X		
TRUSTEE PETER	APO	X		
TRUSTEE HAUNANI	APOLIONA	X		
TRUSTEE HULU	LINDSEY	X		
TRUSTEE ROBERT	LINDSEY	X		
TRUSTEE JOHN	WAIHE'E	Not present		Arrived 9:41 am
CHAIR COLETTE	MACHADO	X		
TOTAL		7	2	
At the Call to Order, there are Seven (7) Trustees that are Present.				

II. COMMUNITY CONCERNS

None.

III. NEW BUSINESS

Chair Machado – Called up Kamana’opono Crabbe who will then delegate and call the staff to the table.

Ka Pouhana Crabbe – Aloha Chair Machado and Trustees, every year for the Biennium Budget, we usually go in for general Funds requests to the Legislature as support for our Community Grants. This year we wanted to not only explain that but also go over in terms of the 2017 Total Operating Budget. We’ll begin with the General Funds in Community Grants; we have our Chief Financial Officer Hawley Iona as well as our Grants Manager Dr. Keith Yabusaki, with that turned it over to Hawley in terms of the action item and go through the presentation.

Chair Machado – Hawley before you begin, I’m going to call Rodney to the table.

A. RM #16-06: OHA’s Preliminary FB 2018-2019 General Funds and Community Grants Budgets

(For details, refer to materials distributed: RM #16-06 OHA’s Preliminary FB 2018-2019 General Funds and Community Grants Budgets)

Hawley Iona – Mahalo Madam Chair and Trustees, the purpose of the Action Item (AI) is twofold, as we prepare to go out for solicitation for our upcoming FB 2018-2019 Community Grants Program, we would like your approval, and we are set to launch it on September 2016. Included in this AI will be our proposed, and what we’re calling “preliminary budget”, we call it preliminary primarily because the amount itself is an estimated amount outside of the full big picture of our biennium budget, that is not actually scheduled to the board for initial discussions around March or April of next year. So that’s why we deem it as “preliminary”. The second part of the AI which is the General Funds also a “preliminary budget” and is also done primarily because there is a significant portion of the community grants programs budget that is generally funded and we are also bringing that to you as “preliminary”, preliminary meaning, we as Administration will move forward on doing what we need to do to get ready for the submission of our budget bill. Between now and then, if there is anything significant and that comes up, we will work very closely with Chief Advocate Riley and his

staff to make any adjustments and then bring it back to you at that point. Moving forward we will give a brief background of what our funding sources are.

Page 3, Table #2, we give you just a high level overhead historical general funding levels. As you may recall at our peak in FY2008 – FY2009 we were a little over \$3 million, in FY2010 – FY2011 we were given a directive by our Governor to reduce our budget along with all State Budgets by 20%, that's where you see a significant decrease under our Ka Pouhana's Administration, we have been successful since 2014 and restoring a lot of that budget. We are lingering right now during our current biennium around \$3 million and ask of you is for consideration to allow us to go in for more than \$3 million.

Page 6, Table #4, we have a breakdown of what we are hoping you would approve for our general funds ask, so it's actually \$3,521,574 million per year, broken down between what we refer to as our proviso areas.

Page 6, Table #5 – Note that we are asking for an increase of personnel of \$400,000 and there's a net increase between housing, income and health of \$130,000. There are some continued conversations regarding our personnel costs, as you know, as discussed back in June when you approved the \$800,000 from fiscal reserve for our Fringe Benefit Deficit. We still have that expected burden moving forward and it's going to be an increase burden. We and Administration was thinking of some ways we can help to reduce that burden moving forward.

Trustee Akana – The \$400,000 increase in personnel, what is that?

Hawley Iona – Right now, we have historically received from the State Legislature \$520,000 for personnel and what that is if we have a \$13 million personnel budget, they pay a very small portion of \$520,000. That goes to partially fund 62 generally funded positions and all were asking for is, of the same amount, a bigger increase from the State. We're not asking to increase our overall personnel budget; we're just asking the State to take on a larger portion of it. So OHA can use that money for programs.

Trustee Akana – Why are we over? How come we have these positions that we're over our budget in funding? Did you folks hire more people than the board had approved? Is that why?

Trustee Waihe'e arrived at to the table at 9:41 a.m.

Hawley Iona – The answer is no. We actually have currently filled positions at less than what is authorized by the board. The total number authorized by the board is 179 positions.

Trustee Akana – A 179 now we have.

Hawley Iona – Correct, and that was actually with the most recent biennium. So, back in 2014-2015 was the last time we actually made changes to our personnel count.

Trustee Akana – But the last count I had was 167, now we're at 179. We had said that we're going to look at all these positions in different departments to see why our budget is so inflated. Do we need all of these positions? Why do we have so many positions? We have layers of bureaucracy in our office. When are we going to start looking at this? This is ridiculous, absolutely ridiculous, we are paying for personnel than Hawaiian Homes, how is this possible?

Hawley Iona – Madam Chair if I may. We do have authorized 179 positions documented and records. The 167 is actually what we refer to as our core personnel count, the difference between the 179 and the 167 is what you have authorized us for our federal programs as well as two positions for our commercial property.

As part of the next action item, not discussing the current action item, but the next one for the budget realignment, we actually do talk about how Administration has strategically frozen a number of positions because of the concern we have regarding our fringe benefit deficit, so we are addressing it and taking real action. I believe Pouhana has relayed that to Chair.

Trustee Akana – I would like to suggest is before we start hiring new positions for different things we take on, whether it's new property management or whatever. We look at what we do have already and what we can spare to reduce those positions, so that we can fund these other ones. You can't keep adding, adding and blow ourselves out of the water, we're not bringing in a lot of income here. I don't know what else to say, that Rodney told us this over and over. Our Administration is not listening.

Ka Pouhana Crabbe – As the CFO has shared and stated Administration has never gone over the approved number of positions that the board has approved, so that's clear, we have not. What has happened is there have been periods where we either have not employed up to the current status, so I just wanted to for the record that 160 is an inaccurate estimate, that's not an official number. We need to understand that the total of number of positions that the board has approved is 179 and we have not gone over that. Trustee Akana does have a point and it's not just personnel cost; I believe the presentations that SPIRE has presented to the board as well as Administration. Personnel costs will always take up a large amount, but when we look at our Core Operating Budget and we look at the totality of OHA's organizational fiscal status. One, she's correct is that we are not bringing in as much income or revenue as expected and Two, our spending patterns, so those two major factors are a very strain on our ability to move forward with our budget. So in the future as part of the fiscal sustainability plan we are looking at the option of personnel costs as possible reductions, but that's not the only solution we're looking at. We have to look at the totality in terms of our investment portfolio, in terms of some of the initiatives that we're looking with the Legislature to increase the revenue. So that's a much larger picture in terms of personnel costs that I want to share.

Trustee Akana – As a follow-up and that is Mr. Administrator, I personally would like you to do is to look at OHA in totality and see where in the divisions or departments where we could save money by actually doing instead of hiring 5 people in one division, which brings up our health costs and all of the fringe benefits and so on. Can we do contract hiring to do a various things like, let's just take land division, we would hire a firm like Bishop Estate does, like Savio or others that they've used, where they do specifically certain things that we don't even have the capacity to do, but they can go much further and we pay them for their contract work and we don't have to pay for the fringes, for the salary, for all of the things that increases our budget. I think we could do well if we start looking at some of that and not take on more people than we need. We need to do that in every division and that is one of the ways to cut. It's not about equal; it's about how we manage.

Trustee Hulu Lindsey – I just needed to clarify my own mind that this item \$400,000 is to help us if the Legislature could give it to us to help us with that extra fringe rate, that we recently discussed last month.

Hawley Iona – Correct, there is no doubt that the fringe rate will continue to impact us. If we can get the State to take out a larger burden of the personnel costs in total, it'll have a significant impact.

Trustee Apoliona – I just wanted to speak to the issue of the feasibility of the sustainability plan which is the eye level focus that we are now engaging in and that should sweep everything down to what stays, what goes, what gets rearranged, we can't be jumping, we just got to be steady methodical and very clear. That's the fiscal sustainability that me as one Trustee of many around the table is expecting to get delivered.

Trustee Apo – I think we're heading in the same direction and I would echo Trustee Apoliona and I also think that Trustee Akana's point is going to be a key provision of the sustainability plan to allow for our personnel

model to flex by looking at more contract services where it's appropriate and where the responsibilities may or may not last long and look forward to the sustainability plan and think it would be a very broad sweep. I think administration is on board with moving forward with that.

Chair Machado – I think my own response to Trustee Akana is simply saying Trustees went impose the 179 positions (personnel positions), I just whispered to Rodney how do we undo it, so based on what we we're able to implement for the models that going come out of the FSP, we may have to automatically reduce from 179, and that would take Trustees analysis, we would have to conduct our due diligence and also our fiduciary role. So it does seem huge to 179 full-time positions and then the core is broken down by 160, but the burden is left to us once we are provided with the details. We have a really good consultant and these questions are helpful because hopefully it will lead to the discussion with staff and the consultant here. I appreciate all of this involvement.

Hawley Iona – The second portion of our AI specifically starting on page 7 is laying out our vision for the Fiscal Biennium 2018-2019 Community Grants Program, keep in mind we're not presenting the full grants budget at this point, we're simply focusing on the community grants program. Table 6 on page 7 goes through the timeline, so with your approval, we will be prepared to make our public announcement starting September 1st next week. Going through the online application period, the orientation sessions which have already been scheduled and will take place in all of our communities and will be going through pre-application deadlines and I want to point out that is one of the biggest criticism we receive from the Trustees, is really what happens at the deadline dates, right if someone fails to submit the correct document just by mistake, they're automatically disqualified, the pre-application deadline takes that into consideration. So on November 23rd, a few weeks out from the deadline, they'll be able to submit it, they'll be able to have the grants staff vet, whether or not all the documents that they receive or that they send in actually are the correct documents, at that stage they will not be evaluating anything at all. It's just simply a checking of the actual documents that are submitted. Once the proposals are received in-house, we will go through the vetting process; the second part starting on page 8, that we discussed is the external grant reviewers. The second biggest criticism we receive from the Trustees, your board has been in going back to allowing outside community members to opine on the proposals themselves. We are seeking your approval today to authorize, once again it's a preliminary community grants program budget of \$3.2 million per year, broken down in Table 7, and it is a decrease from the current authorization that you have given us for the current biennium that we're in. Over the biennium it's a \$1.4 million decrease and that's primarily because we all have fiscal constraints moving forward that we're aware of. In working with the grant staff, we wanted to just go ahead and do that.

Trustee Apo – Can you highlight the decrease of that \$1.4 million? What kind of stuff forces us to do the reduction?

Hawley Iona – I'm sorry, so it's actually specifically been the known decrease in fringe moving forward, we suspect it's still going to be at a minimum of about a \$2 million increase per year.

Trustee Apo – So it's pretty much the fringe.

Hawley Iona – This specific grants will take about a \$700,000 hit outside of that, we're still looking to cutting a combination of things like positions, programmatic, contract costs, so this is just one component. Although we'll have less overall in four of the six categories, we are still committed to providing funding for the categories that we have funded in the past.

Chair Machado – Just a comment Hawley and Keith Yabusaki, you know this past fiscal year we we're engaged with tremendous requests, grantees failed to make the cut and then they come up to the Trustees

seeking our consideration for funding, and in the past, we've utilized the fiscal reserve as that recommendation, even from Admin and from certain Trustees-at-Large, moving forward I hope that does not continue. The fiscal reserve will be used specifically for the purpose that we've outlined and that we cannot allow the grantees that are looking to OHA who could not make the qualifications, or their needs have exceeded what they have to achieve, so they come to us to ask for kokua and that has put us into some difficulty. Because it was Rodney who pointed out that we are in violation of our own fiscal reserve policy and our spending policy, by allowing those grants.

Hawley Iona – We've already been starting and the bottom line is we now have a standard letter template, which just really very clearly states financial situations, does not allow us to consider your request at this time. It's always hard to say no, but it's something that is long overdue and we have started.

Trustee Robert Lindsey – Hawley, I realize the need for us to be careful moving forward to assure that we stay financially stable. Do you folks know how in making a sincere and thoughtful attempt to achieve that, how it's impacting our strategic plan and our strategic priorities and the benchmarks?

Ka Pouhana Crabbe – I would respond this way Trustee Lindsey is that, the two major prongs for achieving the strategic plan has been advocacy and grants. The grants funding is a portion of the trust fund and we only can use that amount of funding for our grants programs. Those grants programs help to support the community non-profits, to serve our community to make the impact on each of the results as much as possible. That money is already limited, we leveraged with the state legislature for general funds and we've been quite successful in their cooperation. We will be doing a presentation on the results that we've achieved respective to the strategic plan. The challenge for us would be because we only have 10% of the trust fund for grants.

Hawley Iona – Currently, it's actually at 27%, the minimum is 10%.

Ka Pouhana Crabbe – Because of the situation we are in now and we want to be very prudent in preserving the trust fund. We already have made measures to cut back fees which will save, but would need to have multiple strategies to increase revenue in different types of initiatives so that we can increase the amount of funds that we want in the grant program to achieve even more of the strategic results, right now we are limited of what we can provide, but the results for what we have achieved for the strategic plan, we'll be able to present to the board within the month.

Trustee Apoliona – I see us going back to the discussion on the fiscal sustainability because we start moving all the pieces which is in the process of going. This is all going to have to align and be realigned as necessary.

Trustee Robert Lindsey – I would think yes and moving forward we have a financial sustainability plan which we will be looking at soon and along with that we perhaps need to amend the strategic plans.

Trustee Apo – I think the challenge is that you know there are only three buckets when we have any discussion. Where we start the fiscal year with funds are allocated but not committed, the fiscal reserve is one, grants is the other place and then in sponsorships. So, whenever costs rises the fixed cost of the rest of the operation rises, those are the only three places that we can actually get money, which is what we're doing now with the grants. So, in the fiscal sustainability plan, somehow we got to make some accommodations as to how we're going to deal with that because what we've been doing is we've been actually violating the fiscal reserve policy by using that as the go to place in order to not take money from grants. It's all on your head Rod.

Rodney Lee – I think the discussion that's on the table right now is going to be very relevant during the fiscal sustainability plan discussions, there are going to be very broad implications for all the considerations, so with respect to positions, it's not just nearly the number of positions but the impact of those positions to the organization and how they're related to the compliance measures even beyond fringe benefits. It also goes to the delivery of services, in talking to grants and how to effectively manage those, there will be decisions that have to be considered there. And as Kaman'o has said there's going to be additional efforts and some of those will require some very weighty decisions on how to reduce the risks that are out there. There are some risks to some of the revenue, we see that in the investment portfolio itself, but we probably need to take a long hard look at that. So not to give any indication at this point, but you will see that in the fiscal sustainability plan which we've worked with getting a lot of information from administration as well as the consultants that are at hand, it's going to be a lot to consider, with respect to the strategic plan, with respect to the mission itself, with respect to the size of the organization and the structure of the organization, with respect to the legality of the legal mandate that's set before OHA and OHA needs to reconsider as it looks twelve years down the line because as the years go on, based on the current status quo, OHA will face some challenges because OHA has no control over but, I think I appreciate all the comments that are made by the Trustees. I think all of them are relevant, all of them are substantiated. We're going to have to discuss all of those and it's going to be critical.

Trustee Apoliona – We are beginning to roll out our fiscal sustainability plan, what's our first date going to be?

Rodney Lee – September 13th.

Trustee Apoliona – September 13th, okay mark that.

Chair Machado – You're going to get notice from my office, we will send out the notification. It's September 13th & 14th and the second phase is 27th & 28th. Everything is timing, we just finally getting staff to agree on the 13th & 14th, because I wanted to do it next week Wednesday and Thursday, but cannot, they not ready. You will be notified timely, please rely on the effort of this committee and my staff.

Ka Pouhana Crabbe - Yes, that is correct Chair.

Trustee Ahuna – I just wanted to make a comment to that, I to believe that the fiscal sustainability plan is the most important thing but I also think and believe that what you guys prepared for us today is a very good plan to move on and I totally support you guys and I just want to make sure you understand that. So thanks you guys.

Trustee Apoliona – Take the motion.

Ka Pouhana Crabbe – Just a comment, so with the fiscal sustainability plan which is really looking at a very high look of the organization both financially, operationally including the strategic plan that we administration are trying to align the direction including the strategic plan and possible adjustments to that in addition to some of the major organizational priorities and initiatives that are before us, so that there's an alignment of what we can do operationally for the organization in achieving say like public land trust funds, some of the other big initiatives that we're looking at down the line. We're still looking at Kaka'ako Makai, when is an appropriate time for consideration of many of the goals we want to accomplish there, but it also has to align with the fiscal sustainability plan so that everything within a projection that is agreeable to our financial stability, so we are pairing that together with the fiscal sustainability plan.

Hawley Iona – And Madam Chair, just finally on page 4 of that AI we kind of lay out in more detail what the six different proviso areas are.

Trustee Ahuna – That’s good.

Chair Machado – This kind of proposal if we approve it, really goes well with the general request for the Legislature, because they really want to see how diverse our services is getting the everyday person.

Ka Pouhana Crabbe – That’s correct.

Chair Machado – So this can be our bragging piece, explaining this is what we done with very little. I just say that because I think we’re going to need the help.

Ka Pouhana Crabbe – And that’s correct, I really want to acknowledge Hawley and Keith because we’ve gained some trust from the legislature because of the grants program and that we are able to show results that are connected to a strategic plan and we can identify all of the non-profits or beneficiaries of that to the point it’s helping to inform or guide their own grant and aid program, so in a way they’ve I would say they’ve taken our grant program and trying to improve their grant program, so that’s a plus.

Trustee Hulu Lindsey - I just wanted to comment that you know when our staff like Kamana’o and Hawley goes before that Legislature Budget committee, they really get raked over the coals. So something in detail will help them. Because I remember a session two years ago, they just nailed you and nailed you, while he was on the pulpit (microphone).

Trustee Apoliona – The only other concern I would have is from the legislature, they don’t lob some fresh ideas they have, that they think OHA should be doing. That’s the balance and I’m hoping we’re going to hold the line.

Hawley Iona – So Madam Chair, if this really is a kakou effort, I so mahalo Pouhana for your kind words. I would actually like to mahalo Jocelyn specifically, I know she’s back there. Jocelyn was really instrumental in allowing us more of the framework for how we actually go to the legislature and make our argument. This current biennium really was the most solid that we’ve had and it included a lot of info graphics to basically explaining our picture. So mahalo, Jocelyn, Sterling, Chief Advocate Riley, Mehana and her team was very instrumental in getting our ideas onto paper and of course, we wouldn’t have any of that without the data itself from Dr. Lisa Watkins-Victorino.

Trustee Apo – One question, besides personnel it seems to be another area where it’s difficult to manage and its legal fees. I’m not sure what our approach is now because stuff happens and when stuffs happen we got to defend ourselves. It’s not a question, but you’re thinking about it.

Trustee Akana – How do you defend when they ask you a question like that, why is your personnel so high and your legal fees so high?

Ka Pouhana Crabbe – I think Rodney can explain, because we had a number of discussions.

Trustee Akana – Why does he have to reply?

Ka Pouhana Crabbe – Personnel costs are always going to be the most expensive and that not only includes salaries, but includes fringe benefits, as well as any HR package we come up with. But the more increase we have the more burden of the state putting it back on us is part of the challenge we’re dealing with right now.

Now we have to reevaluate with moving forward whether the current operational structure we have is adequate to achieve what we want to achieve moving forward so that's one.

In terms of personnel costs, I do want to share that we do have to balance that out with the state because their auditors in previous audits given, we are the third largest land owner and has commented about OHA specifically having a land management unit to manage our legacy lands and now that we're moving into commercial properties, we have to do that. I think you bring up a good point is how we balance that out with staff or can we also achieve the goals and objectives for our land properties through other contracts. The legal piece is contingent on a number of factors, how we reduce risks to the organization and as we know the nationhood are one and a calculating risk we move forward with but it's an expense that we have to defend the organization with any a threat to our trust fund. Two would also be for other matters that include personnel and other risks to the organization, some of them are unplanned and that's the nature of it, but I think the more we can reduce the risks, we will have a better grasp on our legal expenses and would be reduced in the future.

Chair Machado – To be honest with you this proviso is for Native Hawaiian Legal Corporation.

Trustee Akana – Which Native Hawaiian Legal Corp.?

Chair Machado – This primary Native Hawaiian Legal Corporation, the provisos represent that we match and they match,

Trustee Akana – What are we at now about \$1,500,000 million plus.

Hawley Iona – its \$1.48 million, and just so that I can clarify, the provisos actually an open procurement and so at this point Native Hawaiian Legal Corp is our current provider.

Trustee Akana – I think that the perfect example of land thing we were talking about to reduce costs there, when the auditor pointed out that we didn't have lands, but we didn't have a land that (inaudible) that would have been an perfect opportunity to hire out rather than hire in. You hire the experts for those kinds of things and you don't carry all the extra weight.

Ka Pouhana Crabbe – Point taken Trustee.

Chair Machado – The next point is we're regenerating income from Kaka'ako. If there is no more discussion, I'd like to move on this Action Item RM #16-06: OHA's Preliminary FB 2018-2019 General Funds and Community Grants Budget, so if there is no further discussion, I'd like to move for the approval of this AI.

Trustee Apoliona – Madam Chair the Committee on Resource Management approves and recommends that the Board of Trustees approve:

- (1) OHA's preliminary general funds budget of \$3,521,574 per fiscal year to fulfill its requirement of submitting OHA's FB budget bill to the State Legislature in December 2016 for the FY 2017-2018 and FY 2018-2019 biennium and
- (2) OHA's preliminary community grants program budget of up to \$3,200,000 per fiscal year for the FY 2017-2018 and FY 2018-2019 biennium.

Trustee Ahuna – Seconded the motion.

Chair Machado – Asked for discussion on the Action Item RM #16-06.

Trustee Akana – So the general fund budget is what we’re asking the Legislature and then we would match that.

Ka Pouhana Crabbe – That is correct.

Chair Machado – Asked for any more discussion on the Action Item RM #16-06. Hearing none, called for the vote.

TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA/ ABSTAIN	EXCUSED/ ABSENT
LEI AHU ISA						Excused
DAN AHUNA		X	X			
ROWENA AKANA			X			
PETER APO			X			
HAUNANI APOLIONA	X		X			
HULU LINDSEY			X			
ROBERT LINDSEY			X			
JOHN WAIHE'E			X			
CHAIR COLETTE MACHADO			X			
TOTAL VOTE COUNT			8	0	0	1
MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED						
Motion passes with eight (8) YES votes, no (0) NO votes, no (0) abstention and one (1) excused.						

Chair Machado – Proceeds onto RM #16-07.

B. RM #16-07 FY 2017 Total Operating Budget Realignment #1

Ka Pouhana Crabbe – At this time I’d like to present the Operating Budget Realignment, we’ll have Hawley to review it, what we’re asking is for the board’s approval for OHA’s Total Operating Budget #1 for this fiscal year 2017 as presented in this packet.

Hawley Iona – Attachment #1, this is what I would refer to as a follow-up action, back in June and we included it as attachment #2 in your packet. In June your board approved a little over \$800,000 from our fiscal reserve, at that point and time, administration had brought forth for really the first time publicly that we we’re struggling with a significant fringe benefit deficit, at that time we we’re estimating around \$2 million, we’ve gotten it down to about \$1.6 - \$1.7 million. \$833,000 and some change was approved from fiscal reserve and this realignment #1 is simply the balance of that, so it’s administration basically taking funding from elsewhere within our non-personnel budget and reallocating it to our personnel budget for that deficit. The summary of what we will refer to as our total operating budget realignment #1, it begins on page 8 Table 4, prior to page 8 it’s just about laying down the history of the funding sources and what the funding sources are comprised of. Table 4 is a snapshot of also what we refer to as attachment #1 for what we are asking for total approved spending. I’ll go through all five sections of our different funding sources.

1st – Core Operating Budget which is where the majority of our fringe benefits deficit is included. Overall there is an increase and that's simply because we have an added 10% from the increase in Kaka'ako Makai revenues, as you know your board has also approved 10% from Kaka'ako Makai revenues to go back to our grants program, so you'll see later on in the AI, where we have increased that. At this point administration is not asking for any authorizations from fiscal reserve. The commercial properties although you'll see and \$800,000 overall increase which is in expenses, I did bypass unintentionally the previous table on page 5 which actually shows an increase in revenues and estimated surplus of over \$2 million increase. Legacy property will go into further detail later on, but there is an increase specifically for Palauea and that's just in our management and stewardship for Palauea Cultural Preserve. Special programs overall, there is an increase, but I will note that the increase is really within the Federal programs, as a reminder the programs are pursuant to the grantor approving the budget and so we're just aligning it to your approval as well and then the decrease is really in our special programs budget other than federal and that also explains that specifically in regards to the significant funding source for the special programs budget which is the repayments on our now currently defunct OHA DHHL Homesteader Loan program, as more the loans are terming out and being paid in full, we just have less income in that specific funding source. Core Operating adjustments begin on page 9, once again you'll see where increasing personnel costs, not the total positions, not the salary, but we are increasing the overall for the fringe and non-personnel is decreasing. Table 6, does show we actually do have an overall decrease in salaries, partly because we are purposely freezing certain positions and so we have seen a small decrease. The significant increase there would be in our overall fringe.

Chair Machado – Hawley, before you change to the next page (inaudible) \$50,000.

Hawley Iona – Our employee incentive program and we have a number of people even in this room who have taken advantage of it, is really targeted towards just an additional benefit for employees to further their education, as you know within the current position and we can offer certain professional trainings, but we can't really qualify them if you will, we can't pay for qualifying them for something more than their current position. That's what the employee incentive program is. One of our prize students is Manager Keola Lindsey who obtained his Masters.

Ka Pouhana Crabbe – Correct and he is now seeking his doctorate at the University of Hawaii as a result of the incentive program.

Hawley Iona – And I believe it's limited to \$5,000 per year, per employee.

Trustee Waihe'e – Is there an incentive, like if they go to that program that they have to work here afterwards? Like what if they just get it and then go work somewhere else?

Ka Pouhana Crabbe – It's a contingency, so however amount you receive from the benefit, it's expected that you for every year. Correct.

Hawley Iona – So if you do terminate employment for whatever reason, there is an expectation to pay it back and we have that, just to let you know also for regular professional development in your current position if the total cost is going to exceed \$1,000, you basically have to sign a piece of paper saying if you leave within a year, you would have to pay that back as well.

Chair Machado – Is there a certain Grade Point Average (GPA) they have to achieve?

Ka Pouhana Crabbe – They have to pass, get at least a C.

Hawley Iona – It's a 3.0.

Trustee Ahuna – I was wondering, does that apply to our personal staff too?

Ka Pouhana Crabbe – Yes, that applies to Trustees aides and staff. It's for all staff.

Trustee Akana – Does some personnel attend these classes during the day time while they should be working?

Hawley Iona – I don't have that information.

Ka Pouhana Crabbe – Actually part of the agreement is that they be able to schedule it outside of work time and on their own time. Most of them take classes at night or on the weekends or online.

Trustee Ahuna – And the process is, do we go to you?

Ka Pouhana Crabbe – You go to HR and there is a form you fill out. They ask for your proof, if you're a registered student. How much you paid for your tuition, books and then your reimbursed.

Trustee Ahuna – Thank you so much, that answers a lot.

Hawley Iona – Page 10 Table 7, shows where in our non-personnel budget the allocations are incurring specifically we further describe the contracts, the grants and the travel adjustments. So going to contracts \$305,096 was taken from there and reallocated to personnel. We don't give you the detail necessarily but it was with across all paia, that these impacts occurred and very purposeful of course. In the grants budget, there is a change primarily due to the 10% increase in Kaka'ako Makai revenues and so that 10% was I believe \$78,000 and then the difference is just some minor adjustments in those areas. Table 10, we go through more about the Sponsorships budget and then page 12 Table 11, the final category that we explain is the travel. We provided this table primarily because it shows your board's provision if you will on approval of our biennium budget back in June 2015. The expectation placed upon administration is that there was an across the board travel cut for out-of-state travel and it was specifically it was to reduce it by 10% above FY2015 levels.

Chair Machado – Hawley could you go back to Table 10.

Hawley Iona – Sure.

Chair Machado – On Federal Advocacy (inaudible) \$65,000. Could you or Kamana'o explain what that is?

Ka Pouhana Crabbe – Called Chief Advocate Riley share. Typically we have certain functions in the DC area that have been planned or at least we support and those sponsorships are requested through the work plan process and approved by the Chief Advocate. I'll let Kawika Riley share.

Kawika Riley – Ka Pouhana is correct, off of my head essentially the sponsorships budget for the DC Bureau breakdown to 2 internships for Native Hawaiians to go through what's called the Washington internship for Native students program. One partnership that we have with Ka Huli Ao, the Center for Excellence in Native Hawaiian Law, where Native Hawaiian law students placed with the Senate committee with Indian Affairs and then as Pouhana mentioned we have partnerships with 4 National Indigenous organizations, National Congress of American Indians, National American Indian Housing, Council Alaska Federation of Natives and the National Indian Educational Association and then one partnership with the Asian Pacific Islander Scholarship Forum where we get placements, we get a booth, time to talk to their leadership. It's just a really important

way that we ensure that Native Hawaiians needs and their existence of the native Hawaiian people is recognized at the federal level and when these partners like MCI which has now taken our federal program budget, you know the \$70 - \$80 million in funding for Native Hawaiian Federal programs and they've made it part of their ask, that's thanks to a lot of the work that was done and part of that is our willingness to participate in their activities and provide very modest sponsorships.

Trustee Ahuna – Does the Federal team bring in any federal monies for grants or anything?

Kawika Riley – I think the most important thing that we've worked on is insuring that federal funding for Native Hawaiian programs continues to be advocated for. Currently, it's about \$70 - \$80 million each year that goes directly to Native Hawaiian community through the Native Hawaiian Education Act and the Native Hawaiian Health Care & Improvement Act and other programs. And we know from seeing how in the past when some of Senator Inouye and Senator Akaka's earmarks fell through, the first place that those Native Hawaiian organizations came to, to ask for support was OHA, and the last thing we want to see, would be it's one thing when Senator Inouye earmarks fell through and we took a \$1 million hit, it'll be a calamity to see that \$70 million fall through the floor and would have a tremendous impact in our community. But in addition to directly answer your question, we actually per Ka Pouhana's direction a couple months ago, we started to monitor grants, federal grants and identified a number of areas where we may be able to bring that money into OHA and in many cases, the grants are available to community groups who are not available to state agencies, so when we identify that, then we're starting to develop a process to share that information with other Native Hawaiian organizations.

Ka Pouhana Crabbe – Just as a follow-up, given the fiscal sustainability plan and our grants program this is a very viable opportunity where we can utilize the DC Bureau staff in addition to their advocacy help identify grants that not only benefit OHA but the Hawaiian community. We have to build up to it and then have a real concrete big direction in terms of structure and staff on who can do that and how it ties back into the strategic plan.

Trustee Apoliona – I know you folks do periodic updates as part of the advocacy area. Kawika and Kamana'o is it possible that Cody can do some updates, because otherwise their way out there, unless we go to DC, we don't necessarily have an engaging with her. Might be really good as part of your program rolls out for the advocacy area. I'd appreciate that very much.

Ka Pouhana Crabbe – Like a teleconference.

Kawika Riley – Mahalo for that Trustee, at the BAE meeting later today, administration will be providing Washington DC Bureau an update and Cody will be calling in. I'll be doing it in person but she will also be available to answer any questions.

Trustee Apoliona – See ask and you receive.

Trustee Akana – I'd also like to see the DC Bureau watch for legislation that could impact us whether it's positive or negative. Anything coming down the pike that may impact our funding, or give access and we can jump on, things like that. What is coming out of legislation in the house or the senate? I would think there right there.

Kawika Riley – Thank you for that. Maybe a spoiler alert for 1:30p. That is another thing we will be talking about, so the DC Bureau monitors all pending federal legislation that specifically names Native Hawaiians and in our presentation we're going to be talking about some of our plans to essentially propose something that

come to a federal policy matrix similar to what the Trustees are familiar with for the state legislation. And to bring those updates to the board with recommendations for OHA to take positions on certain critical federal bills that affect Native Hawaiians. So that's one of the things we will be talking about at the BAE committee.

Trustee Akana – Now we have this TV network “Hale Noelo” going on downstairs. If we had a direct link from them to the DC office, so that for instance if there was legislation that was going to affect our elderly or whatever and these things could be linked here, it would be so helpful, we could access this kind of stuff. That is another avenue for information that other agencies could access as well as OHA. We have the capacity to do this to link now.

Trustee Apo – I just wanted to note that in the forthcoming review of our policies, you will see a provision that speaks on what Trustee Apoliona was talking about on regular reports on the DC operation for the board. So we're going to look at that. What are the areas that we might want to get at least a briefing on is the AA companies, they kind of sit in the shadows which I think they prefer to be, but it would be good if the board could get a briefing out of the DC office. Who the AA companies are?

Kawika Riley – I'd be happy to talk with you and your staff to get more information on that.

Trustee Waihe'e – Hawley, I hope you didn't already explain this and maybe I was talking to Trustee Akana about this earlier. The only increase in the sponsorships in the realignment is the CEO-Initiated and that's the most active of all the sponsorships, I can see why it would get more. Are we foreseeing things that would necessitate an increase from the current budget?

Hawley Iona – I'm sorry, could you rephrase that question?

Trustee Waihe'e - Are we foreseeing things that would require an increase in that budget coming up in the future?

Hawley Iona – You know a lot of the times we get most of our requests in the first half of the year because that's when a lot of the events happen. I personally do not see it significantly increasing and we actually have tapped out on what we have allocated within the \$125,000, it's not all depleted yet, and we've kind of put a hold on it because we do want to balance it out throughout the year, so we don't have to necessarily increase.

Trustee Hulu Lindsey – It is a request for an increase?

Hawley Iona – Correct, it's basically monies that has been (inaudible) budget already pursuant to his 10% authority.

Trustee Waihe'e – But the \$100,000 was not seen as enough.

Hawley Iona – Truthfully, a lot of the organization sponsors does go through his CEO sponsorships.

Ka Pouhana Crabbe – We actually have cut the sponsorships, we cannot keep up with the demand and so the \$25,000 was to see how we can keep it going.

Hawley Iona – And we've done a really great job in reducing the overall sponsorships.

Chair Machado – I need clarification. Hawley applied for this CEO initiative cause it's really not (inaudible) actually separate.

Hawley Iona – This would include Table tickets. The \$25,000 that was added, I believe was for EKF. Kamana‘o, if you could talk a little bit about that project.

Ka Pouhana Crabbe – That particular one is based on the Mauna Kea discussions and it was proposed that EKF come up with some cultural policy to help inform DLNR as well as OHA possible management of the mountain.

Trustee Ahuna – How much we spending on that?

Hawley Iona – That in this current year budget was \$25,000.

Chair Machado – It shouldn't have been taken out of Kaka'ako. It should've been taken out of an administrative level.

Hawley Iona – Correct, it was actually not.

Chair Machado – It states here the increase of \$25,000 in FY 2017 is being accommodated from the 10% increase in Kaka'ako.

Hawley Iona – Correct, that's actually for B1, not sponsorships. B1 is community grants and the \$25,000 that that's referring to is actually specifically to a commitment that we have in partnership with the Hawaii Community Foundation, so it's actually in our engagement with the Environmental Funders group. So, that's just the 3rd year obligation.

Trustee Apoliona – Thanks for the clarification.

Hawley Iona – So, it's actually not sponsorship.

Trustee Akana – Who's the environmental?

Hawley Iona – The Hawaii Community Foundation is really the lead of the Environmental Funders group that really just focuses on sustainability within the islands, energy, wastes, water, culture, agriculture and so OHA participates along with Castle Foundation and Kamehameha Schools. It's actually been a significant contributor to the upcoming World Conservation Congress, so putting together what they recently released was the 2016 stat of the Environment Report and so there is a number of things that OHA participates.

Trustee Akana – Why are we doing this?

Hawley Iona – Specifically, it's for a leveraging initiative.

Trustee Akana – A leveraging for what?

Hawley Iona – Leveraging, it's been vacant in recent months. We have a funding source specialist position that is currently frozen and that funding source specialist position was actually the forefront if you will of a broader initiative by the Office of Hawaiian Affairs to try and build community partnerships so that the ultimate intent is to not have OHA as the primary funder for all of these grants. The intent is to strategically partner with Kamehameha Schools, Castle Foundation, Atherton Foundation, so OHA doesn't continue to carry the burden if you will of the grants and the community projects and so we have partnered with Castle Foundation if you will for restoring a heiau on the Windward side, we've done strategic things like that.

Trustee Akana – I don't know if that answers my question at all.

Trustee Hulu Lindsey – My only concern on the sponsorships is that we ran out of money this past year and it was very embarrassing as I mentioned in an earlier meeting to go to Lunalilo and be sitting in the back of the bus. It was twofold, we give Lunalilo so much money and they didn't make sure that we had a table there for the renovations of that area. Our office didn't see that we had proper seating and yet, we're asked to go.

Trustee Akana – Well we paid for our own tickets. I guess Ka Pouhana made that decision to donate \$25,000 to this kind of organization. When we have other groups that are much more needy, I really don't see why we would give \$25,000 to this organization.

Hawley Iona – Are you still talking about the community grants? It's actually not a grant, I want to clarify that it's OHA's participation with the group that we're paying for, so the benefit really is how OHA as an organization can become more strategic in partnering with other funders.

Trustee Akana – So what does that fall under?

Hawley Iona – It's our leveraging initiative which the board approved. The board actually approved the position itself which is a leveraging position.

Trustee Akana – Wait, we have a personnel position. We fund a position for someone to give away money?

Hawley Iona – We fund a position, and it's a half-time position for a funding source specialist.

Ka Pouhana Crabbe – It's with the Native Hawaiian Revolving Loan Fund and it's a requirement.

Hawley Iona – Right, the funding source specialist and half-time federally funded. The half-time position that we pay for is about building strategic community funder partnerships. It's not about giving money away, that position cannot give money away.

Trustee Hulu Lindsey – I just wanted Pouhana's assurance that he would make sure that we have enough money to go through the fiscal year, because by December of last year, we were out of money. So, I guess you got to budget the sponsorship money.

Ka Pouhana Crabbe – So part of it is we applying for grants at the federal level and this position that Hawley is talking about is really how can we leverage ourselves OHA, so that we can develop partnerships within the local community to align with some of our strategic priorities and results. Our grant funding, we are looking at it as an asset and if we can partner that with others like Hawaii Community Foundation, it's a strategy where we need to collaborate those partnerships and seek those opportunities, that's what that funding is and what the Hawaii Funders group is.

Trustee Apo – Yes, the \$25,000 for Kanaka'ole Foundation to advise on the cultural positions on Mauna Kea, so I just wanted to caution us that whenever we get involved as an institution in presenting cultural positions that we have a way to validate what we are saying regardless of the source, obviously Kanaka'ole is a celebrated, but there were a number of claims on the Mauna Kea situation that cannot be validated, so I get concerned about that because as Trustees, we are the center of gravity, so whatever we adopt or say and whether it's that foundation or other people who we contract to present cultural positions on behalf of the Trustees, we have to have a way to validate it and there is a discipline to that because there is disagreement among Hawaiians, among scholars, so all I'm saying is as Trustees we have a responsibility to make sure that what we say, is culturally correct.

Ka Pouhana Crabbe – May I just clarify, it's not a culture position, I should be very clear. In early discussions, it was about concern for stewardship of Mauna Kea, but you had DLNR requirements, you had University of Hawaii requirements, so what this was is trying to develop some guidelines that incorporates scientific methods as well as cultural methods as a guideline that DLNR, UH and OHA can use in terms of management stewardship. The reason why it's under sponsorships, because this was unplanned, I didn't have it planned in my budget and it was a request that we leverage with the University of Hawaii who actually contributed \$200,000 and we only requested \$25,000. That is being used to move forward the discussion on stewardship for Mauna Kea.

Trustee Hulu Lindsey – When you say the University requested \$200,000.

Ka Pouhana Crabbe – They contributed \$200,000.

Trustee Hulu Lindsey – To what?

Ka Pouhana Crabbe – To the University of Hawaii – Hilo.

Trustee Hulu Lindsey – So the \$200,000 is for this cultural.

Ka Pouhana Crabbe – No, well it is, but the \$200,000 is being used to address stewardship management issues for the University of Hawaii Hilo to develop some kind of educational program that focuses on that, so the \$25,000 sponsorship we gave to help the EKF is to help with these guidelines if you will as that foundation, so that document will be used for whatever UH-Hilo educational programs regarding stewardship management of Mauna Kea.

Trustee Waihe'e – Since there under contract, do they have expectations that they have to fulfill based on us giving them the money, how does that work if it's a sponsorship?

Trustee Hulu Lindsey – It's really not a sponsorship, it's almost like a grant.

Rodney Lee – I think it's just a mechanical question, it's not a dollar value. From what I hear from the conversations, the sponsorships is one way that OHA furthers it's influence and gets its message out and what it supports. And in the layout of the table, the way it look like it's shifting its priorities over to accommodate other priorities itself. And just a word of caution, you know if this has any impact of the way it's displayed, in other words, Papahanaumokuakea, you're a co-manager and you're reducing your sponsorship and then federal plans to seem to give \$70 - \$80 million reducing your sponsorship.

Hawley Iona - I do agree that's the perception if you look at Table 10 on page 11, that is not mechanically how it happened and you did caveat that in the beginning, specifically the small amounts that are being taken away from federal advocacy and Papahanaumokuakea was really part of the larger fringe benefit. I know I keep going back to that, but that was one task in really a number of tasks to get to the overall \$800,000 shifting if you will of money.

Rodney Lee – Be good to note that.

Hawley Iona – I will note that moving forward.

Rodney Lee – I think this is visually that an action item to ask for more money from the state regarding sponsorships strategically, does that make sense. I'm not questioning the amounts as much as the way it's presented and then maybe some clarification of these amounts \$1,500, \$5,000, \$11,000 to go to funding the

fringe benefit deficit and I think it's explainable. And I think the discussion at the table about the discretionary notes would be helpful.

Hawley Iona – Table 11 on page 12, once again just the provisions on what we're implementing upon your board's approval.

Travel specifically out-of-state is where you will see the provision reductions and that's what the 10% reduction fiscal year 15 levels came out to was \$146,000, the total right hand column for adjustments once again, the \$8,000 was because of the needed cuts in order to accommodate the budget for the fringe benefit deficit.

Chair Machado – I had a question on the non-employee travel?

Hawley Iona – The non-employee travel depending on who the non-employee is traveling, would very much go to Ka Pouhana or Chair Lindsey, so if it's non-employee travel, on behalf of the board, it would go to Chair Lindsey. If it's not non-employee, on behalf of administration, it goes to Ka Pouhana.

Trustee Akana – When a non-employee travels and the ticket is not used, who pays for that ticket (inaudible)?

Hawley Iona – It depends on when the request is made, so if the request is made before the travel and OHA actually purchases the travel on behalf of the non-employee and the travel is not done, the credit still exists, so if that non-employee ever travels within that specified period of time before it expires, then they can use it, if not, it's the cost that is eaten by OHA.

Trustee Akana – If it's not an OHA employee that person can travel on that ticket on OHA?

Hawley Iona – You know, I don't know the mechanics of it and I don't think so because it's purchased with the OHA corporate card, but I'd have to get clarification. I'm looking at John Kim and he's not quite sure about that answer either.

Trustee Akana – I will send you a memo.

Trustee Hulu Lindsey – I have a little concern, what if the 9 Trustees decide to educational travel to the mainland for let's say Commonfund, I don't think \$40,000 is enough? I see the \$29,000 cut.

Trustee Robert Lindsey – There was a proviso in the budget, it was two years ago.

Hawley Iona – In June 2015, a little over a year ago, the provision was 10% reduction from fiscal year 2015 levels, so that \$40,000 is what your board approved.

Trustee Hulu Lindsey – I'm just making a statement and saying I don't think that's enough for 9 Trustee's to travel if we decided to do an educational travel.

Hawley Iona – Chairperson Lindsey, your office has really done a good job in balancing if it's Commonfund only two Trustees are going, it's other opportunities you might be limited like DC to one or two to keep it within the budget, your office has done a good job as well as administration.

Trustee Akana – There is a problem and if you're a Trustee responsible for the fiscal monies of this office which is none of you are except the Trustees, the state auditor requires that you go to this training, it's a

requirement, it's not a gift, it's a requirement and that's something that should not be restricted. You folks better understand it and read Trust Law. It's just ridiculous. I can understand other kinds of travel being cut, but not trainings for Trustee's that manage money that is not acceptable.

Chair Machado – I was going to ask Rodney what he would consider.

Rodney Lee – I was just writing notes to dig further into the fiduciary requirements on the training. I don't have an answer at this point.

Hawley Iona – Commercial property adjustments on page 13 Kaka'ako Makai Table 12, this is actually Madam Chair you've referred to this as really the impressive management of our commercial properties by Miles Nishijima and his staff. The overall increase if you will in what we refer to revenues or spending limit is increasing based upon our current projections by \$1.7 million primarily it's a result of significant execution of new leases on the parcels. Please let me know if you would like further details, we can call Miles up. Overall we are asking for an increase in expenditures as well which is described in explanations D3 and D4 and overall there's still an increase in net available funds.

Trustee Apo – On D4, what are sprung structures?

Trustee Hulu Lindsey – That's the homeless tents.

Miles Nishijima – Aloha Chair and Trustees, sprung structures is our steel frame fabric enclosed structures; they've been around for 20 years. They're used extensively in the military and so if you're driving on the airport viaduct looking over toward the middle street side of Ft. Shafter, you're going to see a lot of this. It's also used extensively at Pearl Harbor, Hickam.

Trustee Apo – The purpose?

Miles Nishijima – The purpose is multi-purpose, in fact there have been some sprung structures that have been reused for a variety of purposes. There is one that was acquired by municipality to be a bus barn, later that structure was sold.

Trustee Apo – I'm just trying to determine its use in terms of revenue.

Ka Pouhana Crabbe – It's expenditure for Kaka'ako Makai.

Trustee Hulu Lindsey – Is that for the homeless?

Miles Nishijima – Right now there's been a slack in demand for surface parking from construction companies doing work in Kaka'ako, so it's trying to stay ahead of the curb. We see a higher productivity by putting in these sprung structures to be used for warehousing. They can be different colors, normally white.

Trustee Hulu Lindsey – For the homeless?

Miles Nishijima – No.

Trustee Hulu Lindsey – Because they suggested sprung structures on our homeless parcel.

Miles Nishijima – I believe that there is a homeless facility in Waianae that uses sprung structures.

Hawley Iona – Page 14 Table 13, once again overall increase in gross revenues specifically for Na Lama Kukui, so impressive we have gone into 2012 upon acquisition of the building we were actually at 66% occupancy rate, impressively Miles and his team has gotten that up to 95%, so congratulations. Small increase overall, in expenditures netting a net of available increase of nearly \$400,000. As a reminder this specifically does have debt attached to it, so whatever we have as net available really is for future debt service payments. Page 15 Table 14 Legacy Property Adjustments for Palauea Cultural Preserve the approved budget is \$30,000, I'll let Miles talk a little bit more about the intentions in if the budget is approved for stewardship for our Palauea.

Miles Nishijima – Called Jonathan Ching to the table to explain better in detail.

Jonathan Ching - Aloha Madam Chair and Trustees, so the biggest thing for Palauea this year is the preservation plan and that's located at the top under contracts \$50,000, I think we can get it for less than that, but that's how much we have to get that going. That would be the basis of the rest of the management of the property should OHA hold on to it and its' partially required when we took the property on. Other than that when you look into the grants, we took the grants out in this budget request because our current relationship with the University of Hawaii is being re-negotiated, so we don't have a mechanism to provide that grant, which was for the University to help manage the property. So currently we do have a new right-of-entry agreement with Corp. Counsel for review and we will be giving that to the University soon, because they do still want to use the property for their classroom services for the Hawaiian Studies program. What I've done is out of the \$126,000 I've created priorities for our team to look at, of which is the drainage easement, building maintenance, pest control, electricity and water and those types of things and the things we want to focus on and that comes to a budget amount of \$75,820. There are some medium and low priority items within this request, but we may choose not to do to preserve the fund including arborist and tree trimming, we did one in 2013, that was for \$8,000 and we may need to do that depending on the risk assessment. The biggest things we wouldn't do and totaled \$37,500 within this request is the stewardship like I was saying and the replacement of air-conditioning units and the maintenance of those units because we're not using the property regularly, that's something we can forego to the future or perhaps with a different user. Within this amount because the Palauea budget is its own account and if we don't use any of the money, it doesn't lapse, it just stays in the account, we're requesting this amount to do the freedom to do what we need to do on the property. Last year we didn't do anything on it and we really want to make sure we take care our building and our relationship with the surrounding community as far as the property maintenance. We do realize that we're going to do more of that than we thought have kokua with the University and plan to take that into our own hands to some extent.

Hawley Iona – And Madam Chair, if approved and if the full \$126,000 is utilized, the estimated balance will be a little over \$250,000, when we took kuleana of Palauea, the balance that came to us was about \$250,000, so I think it's provided enough revenue.

Trustee Hulu Lindsey – I had a meeting with the Chancellor and the head of the Hawaiian Studies program on Friday, and they would very much like to meet with Jonathan and possibly Pouhana and myself, so that it seems we're going in a circle as to what we want of them and what they want of us. There's some confusion, but I agree with administration that these things need to be done. I don't think the travel is a necessity, which travels costs of \$4,500 a year on a 20 acre preservation lot. I'm sure that you folks will control the budget and it is a great concern for the future that we're not utilize all that monies that's in there, that's not OHA money, it's that preservation money. But if we can arrange a meeting, yes they are waiting for that right-of-entry and they really want to continue using it and I'm not sure how they're expressing it to you folks. I didn't see all

these numbers, but I figured it was going to come up again and very justifiably, because we do have to take care of the place.

Ka Pouhana Crabbe – Is his part of what we have requested in this current table, is it used of the funding that's part of the home owners association and has that been allocated?

Trustee Hulu Lindsey – All of it and to have \$96,000 taken out, that's almost \$100,000 we're expected every year to build that program and the good thing of having the University involved, they got money, so they use their money and not this money, that's why they haven't asked us for money for two years, because whatever maintenance they've done and equipment they bought was at Hawaiian Studies expense. They have a budget there that they can expend small money to maintain.

Jonathan Ching – For the travel, we will only be traveling to do procurement related things to get things going for the management and if we start a preservation planning and needed to be there for those preservation planning meetings, those are the reasons we would go, otherwise we don't plan on going up there very much. And as to the funds as requested by the University, initially we gave them about \$5,000 with the agreement of which still \$900.00 remains, so they have been using their own funds and they have taken over a number of years and spent less than \$5,000.

Trustee Apoliona – I thought we've had discussions here at the committee table. I thought the issue was related to more legal issues and the jurisdiction.

Trustee Hulu Lindsey – That's done, that's why we going into right-of-entry again.

Trustee Apoliona – Well anyway, that's what I thought the issue was.

Ka Pouhana Crabbe – Just to clarify, there was a request by the cultural group and UH for OHA to consider leasing it to them and we even went as far as consulting with Corp. Counsel on really indemnification, but when the Maui Chancellor went back to the University regarding their legal position, they couldn't except the lease, for whatever reason, even though if we indemnified them, so we are back to where there is a right-of-entry and we still assume the duties of a land manager for maintaining the property and so forth. And that's why we have to move forward and the final that I'm aware of. I think Trustee Hulu Lindsey has a point we have to be prudent on spending, but I think that was the intent for the culture group and Maui was to have educational access and curatorship, so I think that's still the plan.

Jonathan Ching – If I can add, not only the indemnifications, but the university also has their regulations and stipulations on what they can do for maintenance, so we needed to do what we need to do. Previously we were having discussions with the university and it was unclear about what that boundary was, it's a little bit more clear now. The university does want to continue using the property and we support that because they help us to have a presence there and they're our eyes on the ground, it's a good relationship in that aspect. This process that we've gone through and this new understanding will help to actually take better care of the property because we'll be more responsible and very clear about rules and responsibilities and be able to move forward with proper care and move forward with a comprehensive management plan for the property.

Hawley Iona – Page 17 Table 16, are the adjustments to the special programs budget, I kind of already went over it, specifically the large increase for the Native Hawaiian Revolving Loan Fund (NHRLF) program is once again approved by the Administration for Native Americans incorporated into this budget and really is specifically due to the fact that the loan program has come in-house and we are actually doing it for the Malama Loan, all of the loan origination as well as loan servicing for the program. For Hi'ilei Aloha, there is

an overall decrease of \$180,000, once again because the funding source itself was impacted due to a number of loans have been already termed out and then paid off of via the OHA/DHHL Homesteader Loan Program. Specifically our ask Madam Chair in our proposed action is the approval of Attachment #1 is the summary of the overall total operating budget.

Trustee Hulu Lindsey – We didn’t go over Wao Kele O Puna (WKOP)

Hawley Iona – There is actually no changes in expenditures for WKOP, but Page 16 Table 15, the change is really in the overall management fund itself \$87,000 increase was specifically for our past approved budget that didn’t get spent, so that just increased the overall what we refer to as the WKOP management fund balance.

Chair Machado – Asked if there were any more questions. Called upon Trustee Apoliona to read the motion.

Trustee Apoliona – The Committee on Resource Management approved and recommended that the Board of Trustees approve OHA’s Action Item RM #16-07: FY Total Operating Budget Realignment #1 for FY 2017 as outlined in Attachment #1.

Trustee Apo – Seconded the motion.

Chair Machado – Asked for discussion. Hearing none, called for the vote.

TRUSTEE		1	2	‘AE (YES)	A’OLE (NO)	KANALUA/ ABSTAIN	EXCUSED/ ABSENT
LEI	AHU ISA						Excused
DAN	AHUNA			X			
ROWENA	AKANA					X	
PETER	APO		X	X			
HAUNANI	APOLIONA	X		X			
HULU	LINDSEY			X			
ROBERT	LINDSEY			X			
JOHN	WAIHE’E			X			
CHAIR COLETTE	MACHADO			X			
TOTAL VOTE COUNT				7	0	1	1
MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED							
Motion passes with seven (7) YES votes, no (0) NO votes, one (1) abstention and one (1) excused.							

IV. BENEFICIARY COMMENTS

None

IV. ANNOUNCEMENTS

Chair Machado – We will send out the memo for the Financial Sustainability Plan and workshops coming up.

V. ADJOURNMENT

Chair Machado – Sought to adjourn the meeting. .

Trustee Apoliona – Moved to adjourn the meeting.

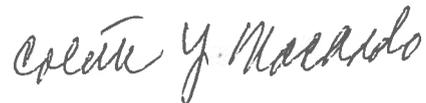
Trustee Apo – Seconded the motion.

Chair Machado – Asked for discussion. Hearing no objections the meeting adjourned at 11:12 a.m.

Respectfully submitted,



Laurene Kaluau-Kealoha, Aide
Committee on Resource Management



Colette Y. Machado, Chair
Committee on Resource Management

Approved: RM Committee meeting October 12, 2016