

Committee on Asset and Resource Management

Trustee Rowena Akana, *Chair*

Trustee John D. Waihe'e, IV, *Vice-Chair*

Members

Trustee Lei Ahu-Isa

Trustee Dan Ahuna

Trustee Peter Apo

Trustee S. Haunani Apoliona

Trustee Carmen Hulu Lindsey

Trustee Robert K. Lindsey, Jr.

Trustee Colette Y. Machado



STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
560 N. Nimitz Hwy., Suite 200
Honolulu, Hawai'i 96817

LIEUTENANT GOVERNOR'S
OFFICE

MEETING OF THE COMMITTEE ON ASSET AND RESOURCE MANAGEMENT (ARM)

~~15 JAN 21 11:00 AM~~

DATE: Tuesday, January 27, 2015
TIME: 10:00 a.m.
PLACE: OHA Board Room, Suite 200
560 N. Nimitz Hwy.
Honolulu, HI 96817

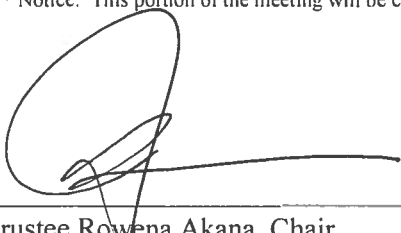
AGENDA

- I. Call to Order
- II. Community Concerns / Beneficiary Comments*
- III. Unfinished Business**
 - A. Discussion on OHA Budget Priorities.
 - B. Presentation by Ka Pouhana Kamana'opono Crabbe, Ph.D., on OHA's Organizational, Operational, & Investment Strategies.
- IV. Executive Session***
 - A. Consultation with legal counsel on questions and issues pertaining to Board of Trustees' powers, duties, privileges, immunities, and liabilities regarding Huena Power. Pursuant to HRS §92-5(a)(4).
- V. Announcements
- VI. Adjournment

*Notice: Persons wishing to testify are requested to submit 10 copies of their testimony to the CEO at 560 N. Nimitz Hwy., Honolulu, HI 96817 or fax to 594-1865 48 hours prior to the scheduled meeting. Oral testimony shall be limited to five minutes.

**Notice: The 72 hour rule, pursuant to OHA Operations Guide, may be waived for distribution of new committee materials.

*** Notice: This portion of the meeting will be closed pursuant to HRS § 92-5. For further information, please call 594-1954.



Trustee Rowena Akana, Chair
Committee on Asset and Resource Management

1/20/15

Date

Office of Hawaiian Affairs
560 No. Nimitz Highway, Suite 200
Honolulu, HI 96817

Committee on Asset & Resource Management

MINUTES OF MEETING OF JANUARY 27, 2015

TRUSTEES PRESENT:

TRUSTEE ROWENA AKANA, CHAIR ARM COMMITTEE
TRUSTEE JOHN WAIHE'E, IV, VICE CHAIR ARM COMMITTEE
TRUSTEE DAN AHUNA
TRUSTEE PETER APO
TRUSTEE HAUNANI APOLIONA (Left at 11:18 a.m.)
TRUSTEE CARMEN HULU LINDSEY
TRUSTEE ROBERT LINDSEY

TRUSTEES EXCUSED:

TRUSTEE LEI AHU ISA
TRUSTEE COLETTE MACHADO

BOT STAFF:

ANI PANG
CAPSUN POE
HAROLD NEDD
LAURENE KALUAU-KEALOHA
LOUISE YEE-HOY
NATHAN TAKEUCHI

BETHANN AHSING
CLAUDINE CALPITO
LADY GARRETT
LEHUA ITOKAZU
REYNOLD FREITAS

ADMINISTRATIVE STAFF:

KAMANA'OPONO CRABBE, CEO
HAWLEY IONA, CFO
ERNEST KIMOTO, CC
MOMILANI LAZO, CEO

KAWIKA BURGESS, COO
KEHAU ABAD, CED
MEHANA HIND, COO

DAVID OKAMOTO, INVT
RYAN GONZALES, MRM

DEREK KAUANOE, GOV

GUESTS:

RODNEY LEE, PKF PACIFIC HAWAII LLP
DAN PURCELL

BUZZY AGARD

I. CALL TO ORDER

Chair Akana called the meeting to order at 10:03 a.m. Trustees present are Ahuna, Apo, Akana, Apoliona, Hulu Lindsey, Robert Lindsey, and Waihe'e constituting a quorum of seven (7) Trustees. Excused absences were received from Trustees Ahu Isa and Machado.

Chair Akana said for the record of the committee, I'd like to acknowledge that Trustee Bob Lindsey, Hulu Lindsey, Trustee Dan Ahuna, Trustee John Waihe'e, Trustee Peter Apo, and Trustee Haunani Apoliona and myself are present. We don't have the minutes from the last meeting. They'll be distributed for the next meeting and two other subjects that were going to be on the agenda today have been moved. One will be next week on February 3rd, and the presentation on budget by the Administration will be done on February 10th.

II. COMMUNITY CONCERNS / BENEFICIARY COMMENTS

There were no Community Concerns / Beneficiary Comments.

III. NEW BUSINESS

A. Discussion on OHA Budget Priorities

Chair Akana said this morning, we are dealing strictly with the priorities on our budget and Trustees were to look at the plan that was given to us by PKF and discuss today the kind of alternatives that the Trustees want to focus on in the next two years. So Rodney, if you're here, if you'd like to come on up in case the Trustees have questions regarding the analysis. Okay, so who wants to begin with the priorities and talk about what they think about this PKF draft and the kinds of things that have been outlined for us?

Kamana'opono Crabbe, Ka Pouhana/CEO said Madame Chair? Just a point of clarification. Admin understands the priority for Trustees to discuss, you know, either individual Trustee priorities for budget concerns. I just wanted to either defer to PKF as the consultant that my understanding where we left off from the last presentation is that there were, perhaps maybe before we get to this discussion that their much more higher level issues that we would need to be discussing as an organization in terms of our long term goals and as an organization in terms of fiscal sustainability and exactly, we all have kind of on the same page where we are going with our investments, our spending patterns and the strategies that we've been implementing for the past four years and then get down to another discussion how, either Admin's performance in achieving those goals related to the strategic plan and then where we're at in terms of what can we do better to achieve them.

Chair Akana said let me say this. I think, you know, before the end of last year, we did look at your report on the strategic plan. In fact, it was before your evaluation and we did look at where we were on the strategic plan goals and so on and I think the consensus was that we were fine. What this meeting is about is the more urgent priorities. We are aware of what is on our strategic plan, but as the presentation done by PKF last week and Trustees and you have a copy of their report, it is important for us, as a board, to focus in on certain priorities that we can see and make a difference in over the next two years. That's not to say that we're going to forget about our long-term goals. That's always there,

but because our monies are limited and because we, obviously, are spreading ourselves so wide, that there are no real markers in the kinds of things that we've been able to achieve, where people can say, "you guys have done this." I'm not talking about research. I'm talking about actual things that we can say that we made a serious commitment in the community. Education, as we talked about last week and I think Peter shared, and I shared, that in 1980, the three priorities were education, housing and health. In 1994 and 1996 or seven, we did two plebiscites, the Board did. We sent out to every OHA voter, what were the priorities for them. It was education, housing, health and at that time, a new priority which was recovery of ceded lands. So there were four. We look at what today's wants are and they haven't changed. The only difference is the priority in which those priorities were listed. OHA has done a tremendous job with Education and from 1993, from the time we got our settlement with the state; we focused on helping in education. We were successful in creating a Masters and a Doctors program at the University. We paid for those programs until the University finally picked them up on their own. We bought Hawaiian language schools. We sued the DOE and insisted that they have immersion in the schools according to Constitution. We've done so much more for education than any other priority. So what this meeting is about, basically, is for Trustees to really look at the hard, hard facts. It's not to say, again, let me repeat, that we're going to ignore the Strat Plan, but using the Strat Plan to divert monies in every direction, has not helped us. From 1993, from the time we received our money, this is 2015. We cannot keep going that way and I think this analysis shows us why. If you look at all the pages, there were so many things that are important in this analysis. On page four, "emphasis the realization there is a cost to money." So I think Rodney can explain that again, but the fact that, for instance, we had so much in our reserve fund. There is a cost to that. Because we weren't making money on that and it was a temptation for Trustees to be overspending.

Kamana'opono Crabbe, Ka Pouhana/CEO said correct.

Chair Akana said using that reserve to do this, do that, do this, do that, and you cannot go on that way. And this is why the Trustees have to look seriously at what is most important to them and what they want to see happen in the next two years for this office and this is the focus.

Kamana'opono Crabbe, Ka Pouhana/CEO said so actually, I do agree with you, with that, Chair. I think, slightly, based on our review of PKF's analysis, my interpretation that there is a higher priority for the organization to be looking at our financial spending patterns. So just like you said we've, in the past, there was a wealth in the fiscal reserve, but that has gone down. And then how are we looking at our five percent spending policy in terms of trying to achieve the strategic plan and how are we doing that operationally. But my interpretation here is that there's some specifics on recommendations on what we could do, such as on page thirteen, "eliminate the fiscal reserve spending, reduce spending by one percent," and we've considered that in Admin, even looking at the five percent spending policy and then refinancing the DHHL debt service. But, I guess is, looking at the Board to guide Admin, for that discussion and then we should be looking at long term is, are we all on the same page on what we want to achieve, especially like those specific markers or deliverables like Kakaako Makai. How do we figure that out into the two-year, five-year plan? And then getting direction from the Board on the possibilities of increasing the revenue from Kakaako Makai commercial properties and then how that goes back into the Trust Fund. And really the message I got from this is that our responsibilities as fiduciaries are to make sure that we replenish the Trust in perpetuity, so that we have enough, and from the analysis is, at our current rate, we will only have limited number of years until we will not be achieving intergenerational equity.

Chair Akana said but that is exactly my point, and so we still come back to, we can fix the fiscal reserve by taking the advice of really our money managers who've come several times to say that having more

than three million is not really prudent. So this committee and the Board could take a position to say we will not have more than three million at any one time in the fiscal reserve. That would cut out all the excess spending or the "wish list" kind of things or what we used to call "parachutes" where people would just drop them on the Board at any old time, not go through a grant process or anything, but just all of the sudden there is a need, so "okay let's fund this" and it's an emotional whim. And this is where the fiscal discipline has to apply. And so, for the three million that we set aside in the reserves, there has to be criteria outlining what that three million can be used for and that will stop the wish list of grabbing it for any old thing.

Kamana'opono Crabbe, Ka Pouhana/CEO said we support that, Chair. Actually, that's a great suggestion.

Chair Akana said so if the committee can agree to that, that's one of the things we ought to do. Chair Bob Lindsey.

Trustee Robert Lindsey said thank you Madame Chair. You know, I agree with Ka Pouhana totally and fully. I think in a nice way, he is saying, and Rodney you said last week, the onus is on us. If we are to be fiscally sustainable, we need to have fiscal discipline. Clearly, the fiscal reserve is supposed to be used only for emergencies, but we have been using it for whatever and I think, you know, it starts here. We're going forward. We need to help manage the spending. Administration has been put in a difficult position. You know, you have a want, and you say you want to do this as a Board, and they have to scramble and find ways to satisfy that want. And in satisfying that want, we've been dipping into fiscal reserves. So, I think in terms of advancing our situation forward, yes we have several options to look at. Increasing the spending policy or increasing our revenue by one percent. There are several options, but I think it starts right here at our table right now, where as we move forward into the future, any matter that is brought to this table needs to be analyzed from several perspectives. I know in my time at Kamehameha, and I hate to talk about Kamehameha, but one of the things that we imposed upon Administration, Trustees and staff was when we considered any matter that was brought to the table, we had to look at it from five different angles. One was education, because that was our primary mission. The other was culture, environment, economics, and community and I think we need to impose a similar process here for us to consider, wherein we look at anything that's brought to the table for consideration, what are the risks, program, operations, investment. And then we need to look at other factors as well in our decision making, but always seeing the "forest," the forest being what we have in our portfolio and the "tree," what that tree is going to cost us, if we decide we're going to cut that tree down, and do something about it. So I think that's where Pouhana is coming from. He's looking to us.

Kamana'opono Crabbe, Ka Pouhana/CEO said yes, we're looking to the ARM committee to help guide us and, for example, and I'll just throw it out now, is because we know we are spending beyond the revenue that we're taking in, we're already start to think about, for example, the Board's commitment to charter schools, the one point five. So rather than that coming out of fiscal reserve we need to incorporate that into the total operating budget. But knowing that one point five will be coming into the budget, then, we are actually evaluating currently, does that mean we make decisions on minimizing our scholarship fund, our grants program that goes out for the seventh, eighth grade reading and math? Because we're making progress on that, but it forces us to make decisions operationally on some of those strategies. There may be other Trustee priorities that we don't want to tap into the fiscal reserve, but how are we going to fund it? Is the time now or should it be two to five years from now and invest in the planning?

Chair Akana said no, I think this plan tells us we need to start now. Now. And so that's why I've asked everybody to really think about this because we have to start now. We wait five years and we're going to be five years behind and in worse shape than we're in now. So if we can set the parameters so that the Administration is clear about where the board wants to go, for instance, we can agree that three million will be the amounts set aside in the reserves. Criteria will be developed as to how to use it. There'll be no realignments of budgets, I won't consider any realignments, and then we have to live within our budget means. That's going to be, you know, hard already. So, yes, the answer to you is "yes." We're going to have to, for instance, under education, we're going to have to look at how much we spend in each category and what our long-term commitments may be. But you have to balance that out. And that doesn't mean that if one program, and this is OHA's fault, because some people think that it's an entitlement for them because they've continued to come here and this is the culture that OHA has created and we need to fix it by saying that, you know, we have a certain amount of money and we're going to try to meet these different needs. But it means it will be less in various categories. Some time ago, I think it was last year, I mentioned that when we first got our money and we set-up education funds where the Master's program and the Doctor's program came from, we decided that a certain percentage of monies that we earned from the portfolio would go directly towards education so that it never came out of our budget. It was like a set aside. So now, what's happened, I don't know what happened to that but it's sort of disappeared and we need to look at that again. And this is where we go to investments where you set aside a certain investments, a percentage of that investment, the ones that are not risky, like the fixed income. So we look at some fixed income revenues that generate "X" number of dollars and we commit from that fixed income a certain percentage of that will go directly to education. So that way it doesn't come out of our budget. It's not going to be something we increase all the time because we have more needs on education, but we know it's going to come from that fixed income. Okay, so that's the kind of thing that we need to plan and that starts now.

Kamana'opono Crabbe, Ka Pouhana/CEO said right and I would agree with you, Chair, because I what you're talking about is actually on page sixteen, the organizational strategy. How are we making those decisions at the Board level and how does it accomplish our vision and our mission, but you're getting down to the actual details of what that strategy is.

Chair Akana said I don't want to take ten months trying to do that so we're just going to do it.

Kamana'opono Crabbe, Ka Pouhana/CEO said I'm not proposing ten months, but I guess is having that high level organizational discussion amongst the Board and that we're all on the same page. I guess what I'm asking is that, it would help us have a better understanding what that direction is as well as how we plan for the long term to increase our inter-generational equity.

Chair Akana said the other thing I want to suggest and throw it out for the Trustees to consider is that, when the market went south.

Kamana'opono Crabbe, Ka Pouhana/CEO said in 2008, or even...

Chair Akana said right. Many endowment funds and trusts lowered their spending policy. For instance, Kamehameha is at four and a half, I think.

Kamana'opono Crabbe, Ka Pouhana/CEO said I think they're four percent.

Chair Akana said oh, four percent. So that is also something we need to consider. We're at five percent now, and in many cases we went over that five percent, breaking our own policy, and so that no longer can occur. And so I want you to think about lowering that spending policy to maybe four-and-a-half. So,

if we can be clear that were going to have no realignments, three million set aside as “rainy day fund” or whatever we want to call it, with criteria, lower the spending policy to four-and-a-half, and then really prioritize from the huge list that we have what we’re going to focus on. Now, this committee is going to look at every division. And so we’re going to be looking at how we can maximize the dollar in each division and perhaps move positions around to augment things, you know, because let’s say one division has twenty people, I’m exaggerating, but we may not need twenty people over there. We may need some extra people somewhere else. And so, you know, it’s just conversation. We’re going to look at that, okay? What was the other thing? Did you have something to say Trustee Lindsey?

Trustee Hulu Lindsey said I was just concerned about some of the agencies that really depend on us and their monies have been coming out of fiscal reserve, and those are like Liko A'e, the charter schools, Nā Pua No'eau. How are we going to take care of them? Maybe a policy decision needs to be made as to how we take care of them before the budget is finalized.

Chair Akana said Trustee Apo.

Trustee Apo said I have trouble navigating the financial model that we have, both the revenue end and it’s hard for me to figure out what’s going on. So what I’m going to say to you is kind of the way that I organized it in my head. I separate out the portfolio management, the 350 million, and producing revenue from the grants which totals five hundred fifty million or so, as a very special separate...

Chair Akana said thousand you mean? Not million. Five hundred and fifty thousand?

Kamana’opono Crabbe, Ka Pouhana/CEO said \$350 million.

Trustee Apo said \$350 million for the portfolio, but then additionally we have other sources of revenue that we tend to cite as four fifty to five hundred fifty million, I don’t know which one it is. Other assets.

Chair Akana said assets but not income.

Trustee Apo said yeah, okay. So the portfolio management, I think we seem to be in pretty good shape, you know, so that part, I don’t think it’s broken. I think it might be a little bit fragile because I think we only have David now, yeah, as an investment manager?

Kamana’opono Crabbe, Ka Pouhana/CEO said right, correct.

Trustee Apo said so I want to make sure at least that part of the operation is a real priority to keep our investment management strong as it has been and that part’s okay. It’s the rest of it that kind of puzzles me sometimes. When I look at, I cluster the spending categories, really, five thousand foot level. One, protect the entitlements. What does it cost us? What do we need to be doing that we’re not doing already to protect the entitlements. What is the cost to that or how much are we willing to allocate to that effort.

Chair Akana said legal fees.

Trustee Apo said that’s one. Second, Native Rights, and Native Rights I would cluster as a kuleana that includes holding the state and feds’ feet to the fire on the trust responsibility. A lot of that is in Advocacy, so what is the cost to do that? Hulu’s committee, is really, in my opinion, is the building of a national geo-cultural economic footprint. So that is the “nation” vision of physically putting a nation together acre, by acre, by acre, and I think that’s really important. And that’s another spending cluster that kind of dovetails with creating revenue, but we got to spend in order to create, so that’s three

clusters. The last one is the real tough one to hold the line, which is where the health, the education, I call it community empowerment. So when you talk about the charter schools, those things that you mention. That spending category is always the one that we have to dip into the fiscal reserve. You know, save this program or somebody comes up with a great new idea that we cannot resist, or impossible to ignore, so we got to spend it on that. So at least in my mind, when we think about spending that way, it's easier for me to look at a program and in my own mind figure out where it fits in the priorities. Protect entitlements, Native rights, national geo-cultural footprint, community empowerment. And out of that would flow a budget, for me, would be easier to understand and to measure whether we're succeeding or not. Now, I am not suggesting we completely redo how we budget, but, you know, I'm just kind of trying to throw out how we create these spending categories in a way, at least on paper, in a way that makes us all easier to figure out.

Chair Akana said Trustee Apoliona.

Trustee Apoliona said one of the things you are talking about, Peter, seems to me to relate to our strategic plan. I guess the question is, are we proceeding with our strategic plan or are we going to toss it? The Strategic Plan has been a major focus, now exactly some of the things you're saying are dovetailed with the strategies of the Strategic Plan and those priorities. So it's about getting it centered here. To me, that's one of the major places to start, at our strategic plan, because our strategic plan efforts, our strategies cost money. Period. And sometimes it goes beyond because of the other things that Trustees do at the table. If Trustees never do that at the table, maybe it wouldn't be, but hey, policy makers are policy makers. And things happen and things come up. But to me the core is the Strategic Plan, unless we're going to throw it out. The Strategic Plan has been worked on and it's supposed to be producing results and we're supposed to be putting us on the line for the results. Are we going to throw our hands up and go, "okay, we're going to change the results." That don't make sense to me and so, as I said, some of the things Peter is mentioning are consistent with our Strategic Plan. So let's get with our Strategic Plan and get the "pen to pencil" and then, you know, figure out where they dovetail, where they don't dovetail, where do we have to put things on the side now because we've got to reconsider discussions like that. That makes sense to me. Everything else? Just talking.

Chair Akana said Trustee Waihe'e.

Trustee Waihe'e said maybe this is for Rodney. It's about the fiscal reserve. The fiscal reserve is money that, it gets formed when we budget money for stuff and whatever we don't spend goes into that. So my concern is that if, let's say that we decide that we're not going to have the fiscal reserve so we're just going to spend all the money we have budgeted. We're still in the same boat that we're in if we're spending all the fiscal reserve, you know what I'm saying? So isn't the problem not really that we're spending the fiscal reserve so much as we're over budgeting our budget to begin with?

Rodney Lee, PKF Pacific Hawaii LLP said I think they're both cases so let me clarify. I think the issue that we saw with the fiscal reserve was even the assignment of the money, so there's money that were gained that caused the fund to go up twenty-one million, but that became, perceptively, that the monies that you could allot and spend. So that addressing it by specifically putting in limits would help. With respect to the budget itself and inflating the budget, certainly, yes. There's certainly the budgeting process, but looking at what the overall spending was our concern. The net result of the spend. What was the budget plus all the incidental spending that occurred beyond it. So yes, looking at the overall spend would help to focus in on what is the priority and what are the priorities and hopefully that answers your question. With respect to Trustee Apoliona, we're not suggesting in any way to divert

from the Strategic Plan. What we are suggesting is to be more specific about what you would like to do so that there is focused discussion. That there is time to consider those.

Trustee Apoliona said that's fair.

Rodney Lee, PKF Pacific Hawaii LLP said but if you do that then I think, you know with Trustee Waihee, certainly the comments, then you can understand what the parameters on the budgeting is and I agree with him that we have to look at in a total.

Kamana'opono Crabbe, Ka Pouhana/CEO said right.

Chair Akana said Trustee Lindsey and then the Administrator.

Trustee Robert Lindsey said I just wanted to amplify what Rodney just shared. The Strategic Plan is a good plan. It's our guiding document, but clearly, the priorities in that plan are nation building, housing, education, and health and I think all we are saying is we need to focus. And so what is that focus? Where do we focus when it comes to housing? Where do we focus when it comes to health, education and nation building? And that's all we're trying to establish here in terms of priorities.

Kamana'opono Crabbe, Ka Pouhana/CEO said thank you Madame Chair. Administration is actually working, I believe it's the 10th we have a report back to the board about the results of the strategic plan, because we have updated the data from 2013 and we will share the progress that we have made and we are making progress in those areas. But also I think it's important that, so far, in order to evaluate that process, exactly what Trustee Apoliona was saying, are the current strategies that we are implementing, are they being effective? But I also agree with Trustee Apo is, you know, is the cost worth it and if it's not worth it then we kind of have that...

Chair Akana said refocus the money.

Kamana'opono Crabbe, Ka Pouhana/CEO said right. But going back to Rodney, I did want to bring this up because it goes back to Trustee Hulu Lindsey's question is, we can put restrictions on the fiscal reserve, and I concur with that. And we have the Strategic Plan as the guide. But in his presentation couple weeks ago, what I kept hearing is, discipline, discipline, discipline, and it's those other golden parachutes that we have to have a better understanding on how we make the decisions about that. Do we fund or do we not fund and what's driving that. And it gets back to the vision mission, the Strategic Plan and the strategies that we can all agree on where we're implementing I guess, so...

Chair Akana said okay, let me speak to that. The reserve is easy to fix, because we can just do that. The other thing that's also easy to fix is that at the end of the fiscal year, whatever is not spent in the trust fund portion of OHA's budget, goes back into the portfolio or the Trustees, if they're told how much is left, we can apply it to the next fiscal year, which is what we used to do. What built up that fund was that the "ask" kept coming for the year and year after and year after as the same and yet the monies that were not spent were set aside in this reserve. That's how it got to be twenty-one million. But that's not going to happen anymore. At the end of the fiscal year, whatever's left of the unspent Trust Funds, the Board will have to decide if we want to put it back in the Trust or do we apply it to the next fiscal year. That way, we're not taking more money out of the Trust to match with what the state gives us in other funds. We need to do that. And another thing, I want to go back to what Peter was saying. The other thing we need to do with Administration is, for instance, the monies that come from this building and the rentals and so on, it should not be comingled with our other funds. We need to have a separate accounting of what is spent on this building for repairs, electricity, whatever it is, and compare it with

the rents. That should be separate. It cannot be comingled and thrown in to our budget and left to the Administration to reallocate that money someplace else. No, that is not to happen, anymore. If you're doing that, you need to stop. Well I thought I heard Mr. Burgess say that at one of our meetings. We can go back to the minutes, but somewhere we have those documents.

Trustee Ahuna said so I just want to understand my role as a Trustee here. So I'm thinking we're managing a Trust. It's a governance model, right? I'm looking at it as spending and returns are our past, our risk is our future and, you know, basically what we do is preserve equity among generations. So as I'm looking at this management, we managing priorities in the middle. Our priorities is our Strategic Plan, so we got to be briefed. We got to know our roles and responsibilities and who got to be briefing us on all of this. And what I feel is our job is to manage this volatility, this risk that we set forward so no matter what, we want to reach this number by the end of the fiscal year. I think what I'm having trouble with understanding is, I'm not good at the investment side of the portfolio, so I would like someone to be briefing us on these things. I'm not good at how well these things tie in with our Strategic Plan. I would like to know how it relates to how we're going to move in the future with managing that risk and these are the alignments that I feel is more of the governance side. Basically, it's hard to pin point what is the exact issue or how we can do better. I'm hoping that we can get information as more parts of our organization comes to the Board and briefs us so we can manage this future risk. So that's just how I'm seeing it. And to me everyone here is talking about the same thing. Now we're getting into roles and responsibilities of who does what, how this manager will be integrated with this one. Is it more or less, you know? What are we going to be looking at? Those are the priorities we have to look at. We know the spending. We know the returns. Now we got to know how we're going to proceed this journey.

Rodney Lee, PKF Pacific Hawaii LLP said thank you for your comments. Through our analysis, what we're looking toward for the Board is, the Board is there as the stewards of the Trust and therefore you provide guidance in which direction of how to create this inter-generational equity. As we said before, it's not just about the numbers, because the numbers work out based on, we can work the numbers out, not meaning we can earn more money, but you can manage the money responsibly if you understand what your priorities are. If you cannot understand what the priorities are, then it becomes very difficult, and that's what we've seen as the activities that have been happening in the past years. That's where the fiscal discipline comes in. We're not saying you have to something drastic as much as to do what you set out to do as a steward. To question the decisions or suggestions that are there. To have alternatives and trade-offs, to understand what they are, and then take the risk, right? Because the risk only becomes there when you make the decision. So as far as the role, the role is really providing a clear direction. I think that's where, from our point of view, we look to the Trustees as guidance so that, then yes, like Kamana'o is saying, Administration then can now put a plan together and say, "how," right? And how much is it going to cost? What is the results that could be report back to the Trustees, but Trustees own the direction. You have to own the direction and this is where this discussion is actually very good. Trustee Apoliona, Trustee Apo, they're bringing up the topics. Now how do you say, okay so, if you had to make a trade-off, that's another question. If you had to make a trade-off, what would be more important? I'll go back to the local style kind of decisions. You go get lunch, you're hungry, you want a plate lunch, but you know, like my doctor tell you, you have to lose weight. You got to figure out, is my health more important or is that plate lunch, that mixed-plate, is going to be better? You got to understand what those priorities are, so I would put my health first and I would get salad and although there is a risk of me not enjoying it, I'm going to know that's better off, I will be healthier, I will be better for myself, and for my family, and that I see is the same. It's a weird analogy, I admit that, but it's the same type of decisions that need to be made.

Chair Akana said Trustee Hulu Lindsey.

Trustee Hulu Lindsey said I just want to make a point in that we, as Trustees, are obligated to also grow our Trust and not spend everything above what we've been doing. In the last three years that I've been here, we've stayed, I believe it was \$360 million and everything above that we've made we've spent and we should somehow figure out a way to save so that we can grow the Trust and that's our obligation as Trustees. Not just spend, spend, spend.

Chair Akana said it used to be that we only spent what we earned. That's how OHA used to be when we first got our money and we did manage. And by the year 2000, we had four hundred million. But if you look at, going back, you see that everything we've made, we've used and we've overcompensated. For instance, programs, this is not going to be easy Trustees. It's not. It's not going to be easy because people have counted on us for so long and they expect it like an entitlement. But this is where, you know, choose the salad or the plate lunch. I mean, we're going to have to get down to that. When you look back over the last ten years and you see how much we've earned in the stock market, even when the stock market was not doing as well, we've used every bit of that and more. And when there was legislative mandates, where OHA matched, say, Native Hawaiian Legal Corp. or Alu Like or whoever it was, okay, when the state would cut back because they didn't have funds, what did OHA do? We went over and above what our commitment was to make up for what the state didn't pay. That's been OHA's problem. The fiscal responsibility is to hold the line. To take on Hawaiian Home's debt service was ridiculous for an indefinite time. When I reviewed that contract, I was shocked because the Board, and I think John remembers, in the Board discussion, I remember clearly that the Board said we would carry this debt as long as OHA had the fiscal means to do so. When I read the contract almost a year later, I see that OHA committed for time immemorial to this thing. That is not what the Trustees said. Not. And so, these types of things, when Trustees make a decision at the table, and then it translate to something else when the contract is written, causes you to pause about what went on, but hereafter, you know, when Trustees make commitments like this, I would hope that, before the contract is signed, that the Board gets to review it, or at least the Board Chair, whoever that is, that would review a contract after the fact so we don't end up in these kinds of situations, because it has occurred over and over. Now getting back to the fiscal responsibilities and getting to the hard decisions. I think it was Trustee Ahuna that said how do we meet these things is if we're going to have these guidelines. He said it in a different way, but let me say that with the case of Native Hawaiian Legal Corp., the fifty percent that they would give back on a case that they won, went right to Native Rights. And that's how we paid for Native Rights. We used money and maximized the money with other things. In the last meeting before the election, the Board allowed Native Hawaiian Legal Corp. to keep all of it. And then gave them \$400,000 for raises. I don't know, but that is an example of over the top. Over the top. That is unconscionable to me. And these are the kinds of things that cannot continue to go on. And it isn't just Trustees, staff has to be on the ball too. You know you cannot overspend in travel, you cannot overspend making videos when it's not what the Board views as our priority and in terms of nation building. I don't know how Pohakuloa fits in. You know what I'm saying? These are the kinds of things, I'm not just talking about just Trustees have to have discipline, staff has to too. You cannot abuse those monies.

Kamana'opono Crabbe, Ka Pouhana/CEO said we agree with you Madame Chair.

Chair Akana said Trustee Apo.

Trustee Apo said you know, I'm not sure it's a matter of discipline as just the very nature of the body politic. Politics is the practice of persuasion. It's like that Japanese story Rashomon, you know. People

see the same event, they all witness it at the same time. When they go to court, they all have a different story of what they thought happened and I think it's not different with us, the legislature or county councils. We each have perceptions of priorities. That education is more important than this or nation building is more important. So this dialogue about, with the assumption that somehow we will all magically see everything the same way is not real. And what he's trying to do is help us think this through so at least we can close down a little bit more, so we can get a little bit closer to being in agreement, right, on stuff. And an example of things that are going to happen, I said last time budgets are not static. They cannot be that static, no matter how best intended. So here we are negotiating the ceded lands settlement, two hundred million Kaka'ako, and in the eleventh hour, that bill gets inserted in Act 195. Okay? You either have to agree with Act 195 or we may not give you the two hundred million dollar settlement. That's how we got into Act 195. We had no control over that unless you wanted to turn down the settlement and so when we move forward and I don't know how many millions of dollars we're into that now, so those things happen, you know. I'm not saying that it's right or wrong, but we are going to be constantly hit with these parachutes that don't come from us. The charter schools, they're not, as was pointed out, you know, we kind of, I think, persuaded ourselves that that was really important. That was another couple million dollars. It all adds up.

Chair Akana said Kamana'o.

Kamana'opono Crabbe, Ka Pouhana/CEO said thank you Madame Chair. I appreciate what Trustee Apo just shared. I think PKF, in their analysis, is trying to guide us. Rather than get very broad, kind of narrow in, so let me just share, this is from the Executive Leadership. From October all the way to January we've been really trying to huddle. We respond and articulate some of these strategies and how we're trying to get to some of the priorities. So as far as we're looking at it is, Kaka'ako Makai is a priority and the other legacy lands. Kaka'ako Makai is because that's the future of that geo-economic footprint, but it's going to take time for it to unfold and we're looking at that three to five year period to hopefully break ground. And we're moving in that process, but also we're looking at some of the other land to also be revenue generating, such as Galbraith, Waialua Courthouse, and so forth. So that plan is moving up. In a way, that's the land track priority. Two is nation building and we've invested in it in terms of the line of credit and that is moving, we're looking to the next two years, a year-and-a-half for it to unfold, but we're still going to have to pay off the line of credit. The other is the Strategic Plan and then what priority the Board sees as, for example, I think you even included it in your analysis, I think it was like, back in 1984 or something, some of the priorities then are very consistent now in terms of education and health.

Chair Akana said nothing's changed.

Kamana'opono Crabbe, Ka Pouhana/CEO said yeah, but I think what's very significant today is that we are measuring it and we can account for the amount of investment we have had and track the progress and that's what we will be sharing. But the last priority is this fiscal sustainability in terms of achieving the long term goal of intergenerational equity and all of these different kinds of initiatives or projects that come before the board and the organization. What is the decision making flow so that you can make the best decision, with the best information and does it align with our vision mission, with our strategic plan, with the current priorities? But also how, if we take the risk of, for example the Hawaii Direct Investment, that's something that could increase revenue, but it's a risk. Any investment is a risk and it's a calculated risk but we have to look at how much are we going to invest per year, in the next two years, or is it just kind of a free-for-all and we're going to let the open door and I think that's where we have to make some real serious decisions about it and we are planning to bring that before the ARM and the Board. I agree. So that's how we're looking at some of the priorities. Kaka'ako Makai, nation

building, strategic plan and achieving the inter-generational equity and how we're looking at our investment portfolio and David and Hawley and her team have been really looking at it to tighten up, but also meeting the needs of the future economic objective of increasing revenue, but when can we project that? And, in a way, we're going to have to sacrifice now to achieve that in the next five to ten years, you know. So what I'm trying to say is we have met and we're trying to, are we on the right track, you know? We need some feedback and I think Rodney and his team have been extremely helpful in kind of guiding us, that, you know, this is where the Board alignment, we should be aligning with you folks and so forth.

Chair Akana said I think before we get to Trustee Ahuna, I want to say that that's the focus. I mean that's what we're really trying to achieve here. While we have the Strategic Plan, I think it's very clear that what OHA has done in the past is pick things out of that plan, yeah, okay, this grant fits that goal in the plan, let's fund it. This thing fits the Strategic Plan, let's fund it. So, what we're trying to say here is that we need to stop that. We need to look at what the priorities are, that's not to say we just don't pay attention to any of those things, that's not what I'm saying, because we have a huge legal fund and that's another discussion. How much money should we set aside in the budget for legal services, right? That would take care of the kinds of cases that we have to navigate. Not only lawsuits but native rights now because that's not coming out of the Native Hawaiian Legal Corp. fund, you know? And that maybe revisited somehow, okay? Another thought. So, if we don't start looking at how we can meet the needs that we've identified, that we want to help to fund, we have to find something that will be a vehicle that will help to fund that. Otherwise, we make the hard choices at the plate lunch or the salad. This is going to be so difficult for Trustees who have not really used this discipline before because we fund everything, but remember that OHA gets twenty percent, and we haven't really truly received twenty percent.

Kamana'opono Crabbe, Ka Pouhana/CEO said right.

Chair Akana said right? And we look at chapter ten and all of the needs that we're supposed to be funding, we have the littlest amount of money, the smallest amount of land, and yet we have this huge mandate. We have Kamehameha Schools whose one purpose is education. Now, if we cannot fund all of these other things that no one else is funding, we need to go to Kamehameha Schools and say, come on now, we need your help here. We've done this much and thus and such. Also use our legal fund to advocate for them. The state is not doing their job. They're supposed to be getting their same fair share that they give to every public school student for education for these kids. So this is where we use our money. Make them do it. Sue them. We've done it before. This is advocacy.

Kamana'opono Crabbe, Ka Pouhana/CEO said but that's a risk too. That's a financial risk, but it is a calculated decision.

Chair Akana said no, what I'm saying is, continuing to give four hundred thousand, half a million, every year, every other year, we could spend half of that in a lawsuit and make them do it. You see what I'm saying?

Kamana'opono Crabbe, Ka Pouhana/CEO said oh yeah, I agree.

Chair Akana said you've got to make these decisions. You cannot keep funding everything. You cannot. It's impossible. Impossible.

Kamana'opono Crabbe, Ka Pouhana/CEO said right, right.

Chair Akana said and that's all I'm saying to you guys, that we can do this in advocacy. That's what we do. Advocacy, right? Dan.

Trustee Ahuna said thank you Madame Chair. So for me, I want to move as a Trustee and preserving equity among generations is the overall goal. I feel to reduce the financial volatility of the future, we have to institute fiscal discipline. And that's where I think we're at right now. When we institute this discipline, then the Administrative staff will know where we're coming, and then they can align with the priorities and they can be giving us more relevant information to this fiscal discipline. And it's about governance, like, I worry about us. Me and myself. Winning and losing doesn't matter. Other organizations doesn't matter. We need to be sound in how we set the fiscal discipline. And that's the priorities you will be looking at to fit within this. And then, when you come to the table, then we can have a better understanding of both sides. You know what I mean? Instead of going to one specific thing and trying to fix everything, you know what I mean?

Kamana'opono Crabbe, Ka Pouhana/CEO said right.

Trustee Ahuna said I just want to understand that, I want to institute fiscal discipline in this and I think that's what the message is. How we do that, I don't know how to yet because our roles and responsibilities, I have the understanding that, I don't know if we're supposed to be telling people what to do, or what or where. I just need that help and guidance here at this Board table.

Chair Akana said this is the beginning, Dan.

Rodney Lee, PKF Pacific Hawaii LLP said I think this is the beginning. So the first was, and I commend all of you, the first is realizing that fiscal discipline is necessary and something that needs to be done. So it's the first step. The second is a discussion amongst the Trustees which I think was intended to discuss what priorities you believe, individually, need to be put on the table. Trustee Apo is very wise. Not that you can completely one hundred percent agree. It is to put the parameters in place so that there is some play ground, like we had discussed. You cannot make your baseball field bigger. You cannot bring a cannon into it. You make those rules so that there's some structure, but within it, structure gives flexibility.

Kamana'opono Crabbe, Ka Pouhana/CEO said right.

Rodney Lee, PKF Pacific Hawaii LLP said and that's the misconception. People think structure means compliance. It doesn't. It actually just provides you a backbone. Like, we have a skeleton that allows us to do the things we do and I think that's the next step, is to discuss what you believe, based on your constituents who you represent, and then come to the table and to be able to vet them out in purposeful, productive, meaningful discussions. So that then Administration has a good idea what the picture may look like. They come to this table, what should they know before coming to the table? What should they know ahead of time and what questions should they think about so that they can prepare, because you will ask them, you will challenge them. You will put them to task. And they're capable people. They need, as every good organization needs, direction, policy. That is your role. I see that. And not to be a politician, but to be advisors.

Chair Akana said okay, Trustee Apo.

Trustee Apo said you know, one place to start is, do we all agree that the Strategic Plan, that we all agree with the Strategic Plan as it is formally expressed? Yes? If we agree on that, that's a huge step I think.

Chair Akana said not quite.

Trustee Apo said then if we don't agree on the Strategic Plan as it is currently articulated, then that's the first thing we got to do is to either realignment or change it and I would not look forward to that discussion.

Kamana'opono Crabbe, Ka Pouhana/CEO said but I really do appreciate you putting it on the table, Trustee, because there's different interpretations on how we are accomplishing that and where is it in their priorities ranking?

Chair Akana said yeah, good point, Peter.

Trustee Apo said like when I look at the Strategic Plan, it's laid out in a pyramid, so that suggested to me from the first day I walked in that this is the priority.

Kamana'opono Crabbe, Ka Pouhana/CEO said yes.

Trustee Apo said number one, culture, right?

Kamana'opono Crabbe, Ka Pouhana/CEO said right.

Trustee Apo said okay, that's another level of agreement, you know. As you pointed out, do we establish a priority pyramid and then that's how you make decisions. Stuff like that, so that'd be the part of the discussion that we got to do first.

Kamana'opono Crabbe, Ka Pouhana/CEO said excellent point.

Trustee Apo said and then the budget will begin to align so that we understand it, that you know, this falls under culture, this falls under blah, blah.

Chair Akana said let me just speak to that, Peter. You know I think we all agree that everything that is in the Strategic Plan, we all agree that we need to be looking at it as something that we commit to doing. However, you cannot fund everything on that Strategic Plan with the same amount of money, the same amount of gusto and trying to accomplish it at the highest level.

Trustee Apo said I agree. What I'm speaking to is understanding the budget document.

Chair Akana said right.

Trustee Apo said the Strategic Plan is not laid out in a way that you can actually connect the budget document, that dot, to the plan, then we don't know what we're talking about. That's where I get confused.

Chair Akana said that's a good point because when look at how the grants come to the table, the grants division, I'm not picking on anybody, I'm just using them as an example, the grants division will grant a grant based on the criteria they have and does it fit the Strategic Plan. That was my point in the beginning. So anything on there, could be canoe, could be build a shed for somebody down at the beach to house their surfboards or whatever, you know, because as long as they can somehow tie this to that, okay. So the grants people say okay, that fits. That was my whole point. But you see, at the top of the pyramid, I'm glad you brought it up because that's not our top priority. You know what I mean? I don't know if in designing it that's how it worked out, but, I mean really.

Trustee Hulu Lindsey said the point I want to make is, when Kamana'o put that pyramid together, he had a different structure of priorities and then he changed it, maybe couple years later? But the point is the pyramid is changeable.

Chair Akana said it's flexible.

Trustee Hulu Lindsey said you know, according to the priorities that the board has and our administration. And at the time that he moved it to culture, maybe that was the priority, you know? So it's changeable. It's not something that's fixed in stone.

Chair Akana said it was always meant a guide. I think John has something he wants to say.

Trustee Waihe'e said how do I say this? The thing though is, okay, right now, even with our broad, what people are saying are broad priorities, there have been things we funded that do not fit in our Strategic Plan and we fund them anyways.

Kamana'opono Crabbe, Ka Pouhana/CEO said that's correct.

Trustee Waihe'e said and I'm sure Hawley can verify this. I'm wondering how realistic, no and some of it was good, I mean things that we want to fund, I mean like Nā Pua No'eau and charter schools, they flat out told us it doesn't fit in our Strategic Plan.

Kamana'opono Crabbe, Ka Pouhana/CEO said well actually the charter schools have complied

Trustee Waihe'e said they have?

Kamana'opono Crabbe, Ka Pouhana/CEO said they have complied so they do provide data from their haumana on seventh, eighth grade on their performance on reading and math. Unfortunately, Nā Pua No'eau's, you know, goals do not, you know, really fit our specific strategic results.

Trustee Waihe'e said my point is, is it realistic to think we're going to fix it just by changing the, by narrowing it down even further, when there's going to be stuff we're going to want to fund. I mean, it's one thing to say we're going to do it, but when it comes before you, it's hard to say we're not going to fund this because it doesn't fit into the...

Kamana'opono Crabbe, Ka Pouhana/CEO said but I think that's what Rodney is saying is the fiscal discipline...

Trustee Waihe'e said we have to just, okay.

Kamana'opono Crabbe, Ka Pouhana/CEO said and decision making into that doesn't really align

Chair Akana said we should make a very serious attempt to do it because we're running out of money.

Trustee Hulu Lindsey said but I also think that if that is going to be our decision, we need to contact those agencies way ahead of time so they can plan their budgets. You know, so let's just say Nā Pua No'eau, they get big money from the federal government

Chair Akana said and the state now.

Kamana'opono Crabbe, Ka Pouhana/CEO said that's correct. The University.

Chair Akana said that's what I mean.

Kamana'opono Crabbe, Ka Pouhana/CEO said so a good example of that, Trustee, is that we have been trying to use our Advocacy staff to work with the University because it was the University's commitment to support them, they proposed a total of twelve positions, full time, but they have only funded six and so our funding goes to fund the other six. So we are trying to advocate and we did go to the Board of Regents to recommend, you know you folks made this commitment, we are picking up the tab, all we're asking is you folks fulfill your commitment. And if you do what you say you're doing, then the program can be institutionalized not only in the University of Hawaii but in the community.

Chair Akana said yeah, that was my point about using our Advocacy as an advocacy role either to try to navigate for them or if push comes to shove then we use legal means to help twist the arm, because that is our responsibility. That is what we're supposed to be doing.

Kamana'opono Crabbe, Ka Pouhana/CEO said right.

Chair Akana said but it is not our responsibility to fund everything that comes across the table, because it's not fiscally possible to do that. So Trustee Lindsey is correct in saying that we need to start notifying these agencies now that the Board is going to reassess their budgeting and based on the priorities set by the Board, we will be funding these things and you cannot continue to count on us to pick up everything.

Kamana'opono Crabbe, Ka Pouhana/CEO said right.

Chair Akana said another way that OHA needs to help these organizations is to provide grants service. Help them to write federal grants. Help them to, if you go up to Hamilton and Sinclair Universities, you will find so many scholarships. I know I did it when my daughter was going to college. There are, I mean, volumes of books that give out scholarships. Many of them are specific, you know, if you're going into medical or engineering or whatever, but there are many that are just for liberal arts and you read that stuff and it gives you the criteria, it tells you when you have to send in the application and all of these things. We have to make these kinds of things available, with information to help our people, but I think that by offering grant service to these organizations who will relieve the pressure on us and you will help them. You know how you "teach a man to fish," that's the concept, right? Teach them how and let them go on their own. They cannot keep coming back to OHA. It's too easy.

Kamana'opono Crabbe, Ka Pouhana/CEO said right, so actually, Madame Chair, since 2011 OHA has been sponsoring the Native Scholarship Aha's. It's a partnership with Native Hawaiian Education Association. So we provide them fifty thousand dollars to organize statewide community, these gatherings, and they bring together all of the Native Hawaiian organizations that provide scholarships, in addition to what exactly you are saying, the other sources that they can look to for funding, either federally, Pell Grants, and so forth. But what we also ask is that they collect data on not just those who attend, but our scholarships that are given to Hawaii Community Foundation that its tracked, so we know who's getting what scholarships, what school they're going and they're tracking them long term. So in a way, we already are on that path in achieving that result.

Chair Akana said we need to expand that and use our Ka Wai Ola. No, I'm serious. Because, no, we have to. It will save us, long term, millions of dollars if we help in that way and use the Ka Wai Ola to notify people. How much advertising is done? Instead of doing films that nothing to do with even our mission, spending millions there.

Kamana'opono Crabbe, Ka Pouhana/CEO said loloikawai was part of our priorities Trustee.

Chair Akana said you know, just a point, okay?

Kamana'opono Crabbe, Ka Pouhana/CEO said but we can have a discussion about that, right.

Chair Akana said use it. Use the newspaper and media to help our beneficiaries so that they can read it in the newspaper, we can see it in a TV ad, I mean what's it cost for TV, just as much as radio now days, or print. It's cheaper than print. So let's do that. Let's focus on doing that.

Kamana'opono Crabbe, Ka Pouhana/CEO said sure, sure.

Chair Akana said that will take the place of millions of dollars that we will have to pay. If we show them these things are available to you to help you, call us if you need help, yada, yada. We need to do that.

Kamana'opono Crabbe, Ka Pouhana/CEO said right.

Chair Akana said I'm serious.

Kamana'opono Crabbe, Ka Pouhana/CEO said oh no, I really appreciate this, not just me, but the Executive Team. So, one of the recommendations, just hearing the discussion is probably that Admin come back before the ARM committee, we're not going to discuss it today but as, under unfinished business, we begin to talk about the organizational, operational, investment strategies, and then we should bring back some of the thoughts, like Rodney was sharing, these are the kind of challenges we are dealing with so we need your guidance on problem solving at a policy level, how we do that, and then we get better guidance and then come back to you to say, okay, this is what we recommend that we can do.

Chair Akana said I think that's an excellent idea, because then the Trustees won't have comments or be disgruntled about how something is happening internally without us having any, you know, knowledge or input in it. Trustee Apo.

Trustee Apo said let me ask a question. If you take this pyramid, would it be possible to spread out the budget and put numbers in these pyramids? That would be a really interesting exercise. To look at the, well, operations would be clustered in.

Kamana'opono Crabbe, Ka Pouhana/CEO said well what we can do...

Trustee Apo said I'm not saying you should do it. I mean, I don't want to get you involved in all that.

Kamana'opono Crabbe, Ka Pouhana/CEO said no, no, you're correct. What we can do for each of those results, the ones on the base, we can tell you how much for grants is allocated, what is being done in public policy.

Trustee Apo said I was talking about the pyramid.

Kamana'opono Crabbe, Ka Pouhana/CEO said oh the green?

Trustee Apo said actually, the green would be. So then you could assign a percentage of our resources that are going into each of these green areas as a way to determine where we are, so if we need to make a shift, then at least it's something where we're actually connecting real numbers to a real budget category, for at least education purposes, not that you change the system.

Chair Akana said Trustee?

Trustee Robert Lindsey said thank you Madame Chair. Kamana'o, when it comes to that structure, that's something that kind of happened before you became Ka Pouhana.?

Kamana'opono Crabbe, Ka Pouhana/CEO said correct. The approved Strategic Plan in 2009 basically had economic self-sufficiency at the top, housing, medium family income, and then education. The reason why we put, when I became Pouhana, if you recall my proposal before the Board was Kukulu Ho and that was based on nation building and attaining governance. But you cannot have governance without a land base and control of the water. So it was taking a very cultural perspective to that, and then culture in terms of what Trustee Apo has always talked about is our identity. So we need those three elements to be working in concert with each other in striving for it. It doesn't necessarily mean that we place economic self-sufficiency lesser, but if we are an advocate for the future governance of Hawaii we need to be thinking about the connection of all three of that. How we perpetuate culture, our cultural identity, that's in land and water, and land and water as a base for governance.

Chair Akana said okay, but before we go to Dan, I want to just go back to that because, see, this is why a chart or even a list of priorities based on the Strategic Plan needs to be looked at as a skeleton or a guide and not as a bible, because as time goes by, you have different priorities that happened to pop in that become more important. I can see now the vision of nationhood, that whole thing is built on nationhood, but you see, that's not our number one priority.

Kamana'opono Crabbe, Ka Pouhana/CEO said right, I agree.

Chair Akana said that's not our number one priority, you know? What our people need right now, I mean you cannot even think of nationhood when you're living in Ala Moana Park. I mean, who cares about nationhood? I want a tent over my head. I want to eat. I don't care what kind of nation you build. Right now, I just care about me and my family. That is, you know, to me, the kind of immediate thing. That doesn't mean we're not planning for nationhood, because we are. But it isn't the number one.

Kamana'opono Crabbe, Ka Pouhana/CEO said and I wouldn't disagree with you Chair. I think that we need to continue this dialogue so we all understand what pieces of the Strategic Plan are part of that priority and exactly how are we doing it to accomplish it.

Chair Akana said Trustee Ahuna.

Trustee Ahuna said okay and now getting back to clarity. For me that is like a triangle where each part relates on each part. That's just the stool, the platform. We're the legs. The question was we have to do this and we have to do this, that's where I come down to understanding. Who is we? Is it the Trustees or you guys? You know what I mean? So now if it's you guys, we got to focus and understand what that looks like and we got to have that understanding and just so that we no more crossover, because I don't want, you know, it looks good to me that Strategic Plan. I don't see it, there's no top to anything. It's just a revolving thing. You can turn it, you can do whatever you want with it. But it's what supports that is the governance side of it, the three legs that support all of that. I want to know whose job it is. Is it us to call the other Trusts to do these things, is it administrative, you know, I just have that understanding. So I think we're here today to understand this governance structure and how produce or institute fiscal discipline onto all of this.

Chair Akana said Bob?

Trustee Robert Lindsey said thank you Madame Chair. You know, I appreciate our conversation today, Chair, very much. I think this is a perfect vehicle to bring our house together, because critical to what we do as Administration, what we do as a Board, we need to be aligned and I think that's the big theme in our conversation today. How can we work together to do what's best for our people. So thank you for...

Kamana'opono Crabbe, Ka Pouhana/CEO said I would concur. I agree.

Chair Akana said I wanted Trustees to look at page seventeen of Rodney's presentation and, you know, it says, "OHA today, items for consideration" and "Who is OHA serving? Is OHA going to turn into a political advocacy group for every issue for Native Hawaiians or are we going to organize ourselves as a broad based organization where we can address all problems?" This was said in 1980 by one of the first Trustees Joe Kealoha and when you look at this statement, it's kind of true now isn't it? I mean, where are we going to focus, or are we out there focusing on everything? You know, accomplishing nothing. And so here we are, this is 2015, and so we don't want other people to be sitting in our chairs ten years from now saying what were those guys doing? You know, they never went anywhere from 1980 to 2015 and we're right back where we started from, so this discussion is very healthy.

Kamana'opono Crabbe, Ka Pouhana/CEO said right.

Chair Akana said and we need to take it further and so on the tenth when you guys present...

Kamana'opono Crabbe, Ka Pouhana/CEO said right.

Chair Akana said Rodney, I would like you to be here if you can?

Rodney Lee, PKF Pacific Hawaii LLP said absolutely.

Kamana'opono Crabbe, Ka Pouhana/CEO said we would like you to be here too Rodney.

Chair Akana said and so when we have questions about how the Administration is aligning with some of the things that are in here and what Trustees have said today, you can interpret for us if we're a little confused.

Rodney Lee, PKF Pacific Hawaii LLP said sure.

Chair Akana said one thing I've said before and I want to reiterate it again, I want to go back to line item budgets so that all the LOB's, which we will look at, I think we're going to start with grants, and then we'll go through all five, but line item budgets are going to be the way, not only for the Trustees to be disciplined, but for Administration as well. I think it will be easy to understand and I think Peter's questions will be answered and Dan's questions will be readily answered. Okay Trustees, I think this has been very healthy.

Rodney Lee, PKF Pacific Hawaii LLP said I think this is a very good start. I think, at least for the time that we have been allowed to be here that this is by far one of the most meaningful discussions that I've actually sat-in on. Not to be judgmental, but when you think about the question of longevity, the question of purpose and mission within any organization, for profit or not, it becomes to the direction of the leadership and here the leadership exists within the Board and then also within the Administration, but if the two sides can come together in an agreement and be productive and have these discussions, they're tough, but that's why you're here. I think we'll get to a better place and certainly we will do everything we can to support, you know, in the interpretation or hopefully some guidance and advice as

we go forward, but it's certainly there. Just one more thing. It reminded me of actually, Trustee Bob, you asked us to suggest a Board decision process, maybe that would be a better, more realistic aspect, a way to gauge, to make decisions. So that's something I will look into. I'm sorry, I didn't in the last week, but I will certainly look into that.

Chair Akana said on the tenth you will, right?

Rodney Lee, PKF Pacific Hawaii LLP said I will look into it more seriously now, but yes, that probably looks like something that maybe another discussion point for everyone to understand.

Trustee Robert Lindsey said thank you. You know it has to be a collaborative process. You know, we're family here. You know, we're the Board, we make policy decisions and we give it to Ka Pouhana and his Administrative Team, Executive Team, and staff to execute whatever decisions we make. But I think along the way, what's critical is that we come to the table and we talk back and forth and work together to make good things happen and I think that's a critical piece that we need to be aware of and that we need to develop the discipline.

Chair Akana said I just want to add one thing. I think that yes, today is a good day because we have an understanding now of kind of where we need to be going but what I hope to see in the future is that whatever the Board decides and the Administration agrees to doing, and I have to say that, you know, Trustees have had disagreements with our staff many times over various things and it is not their fault, because the Board has, in the last fourteen years, has not given real, direct guidance on how they want to proceed, and so left to their own devices, they decide among themselves how they're going to do whatever. And this is where there's been conflict, but I hope in the future, it will become very clear where the Board wants to go, not only to give them direction, but also where we want to see our money spent. You see, I speak only for myself at this point, that I have been very discouraged by how various divisions have been spending their money and it's money that we could put towards other things like we discussed today. So the values and the direction that the Board wants the Administration to go with is very important. So hopefully, when we get through this, they will have a very clear understanding of where we would like to see our money spend. And if there are contracts that go out to accomplish some of the things that we won't be doing in house, that the direction won't be changed. That whatever the Board's decision and purpose for those allocations will remain that way and not have a different interpretation. So I think this is a good beginning and hopefully everyone can understand each other better and work towards the same goal. So I want to thank all of the Trustees for their contributions and the Administration and thank you Rodney. I look forward to seeing you again.

Rodney Lee, PKF Pacific Hawaii LLP said okay, thank you Trustees.

B. Presentation by Ka Pouhana Kamana'o pono Crabbe, Ph.D., on OHA's Organizational, Operational, & Investment Strategies.

Item III. B. was deferred to the ARM committee meeting scheduled for February 10, 2015.

IV. EXECUTIVE SESSION

Item IV. A. was deferred to the ARM committee meeting scheduled for February 3, 2015.

V. ANNOUNCEMENTS

There were no announcements.

VI. ADJOURNMENT


Chair Akana said do I have a motion to adjourn?

Moved by Trustee Waihe'e, second by Trustee Robert Lindsey to adjourn the meeting. Hearing no objections, the meeting adjourned at 11:32 a.m.

Respectfully submitted,



Nathan Takeuchi, Aide
Committee on Asset and
Resource Management



Rowena Akana, Chair
Committee on Asset and
Resource Management

Approved: ARM meeting on February 17, 2015.