

**HAWAIIAN HOMES COMMISSION**  
Minutes of June 19 and 20, 2017  
Meeting held at Hale Pono`i, Kapolei Parkway

Pursuant to proper call, the 688th Regular Meeting of the Hawaiian Homes Commission was held at Hale Pono`i, 91-5420 Kapolei Parkway, Kapolei, O`ahu, Hawai`i, beginning at 9:30 a.m.

**PRESENT** Jobie M. K. Masagatani, Chairman  
Doreen N. Canto, Maui Commissioner  
Kathleen P. Chin, Kaua`i Commissioner  
Gene Ross K. Davis, Moloka`i Commissioner (Arrived 10:17 a.m.)  
David B. Kaapu, West Hawai`i Commissioner  
Michael P. Kahikina, O`ahu Commissioner  
William Richardson, O`ahu Commissioner,  
Wren Wescoatt, O`ahu Commissioner

**EXCUSED** Wallace A. Ishibashi, East Hawai`i Commissioner

**COUNSEL** Craig Iha, Deputy Attorney General

**STAFF** William Aila Jr., Deputy to the Chairman  
Paula Aila, ICRO Manager  
Rodney Lau, Admin. Services Office  
Kahana Albinio, Acting Land Management Division Administrator  
Dean Oshiro, Acting Homestead Services Division Administrator  
Kaleo Manuel, Acting Planning Office Manager  
Norman Sakamoto, Acting Land Development Division Administrator  
Paul Chin, Land Agent  
Niniau Simmons, NAHASDA Manager,  
Stewart Matsunaga, Master Planning Community Development Manager  
Robert Freitas, Planner  
Leah Burrows-Nuuanu Secretary to the Commission  
Gigi Cairel, Grant Specialist  
Kalei Young, Land Agent  
Juan Garcia, Homestead District Supervisor

**ORDER OF BUSINESS**

**CALL TO ORDER**

Chair Masagatani called the meeting to order at 9:34 a.m. Seven (7) members were present at roll call.

**APPROVAL OF AGENDA**

**MOTION/ACTION**

Moved by Commissioner Canto, seconded by Commissioner Kahikina, to approve the agenda.  
Motion carried unanimously.

**PUBLIC TESTIMONY ON AGENDIZED ITEMS**

## **ITEM A-1 Bo Kahui Re: Item G-3**

B. Kahui testified on the Water Policy Implementation report and the approval of the water policy implementation. He noted that La`i `Opua 2020 did not receive the staff's recommendation for implementation until recently. After reviewing it, he found no mention of a water plan that La`i `Opua developed. He asked that a decision for the Water Plan be deferred until further consideration be given to La`i `Opua 2020, and its Water Development Plan.

## **ITEMS FOR DECISION MAKING**

### **CONSENT AGENDA**

#### **HOMESTEAD SERVICES DIVISION**

##### **RECOMMENDED MOTION/ACTION**

Acting Homestead Services Division Administrator Dean Oshiro presented the following: Motion to approve the Consent Agenda as listed in the submittal.

##### **DISCUSSION**

Chair Masagatani asked Commissioners if there were any Items from the Consent Agenda that they wanted to move to the Regular Agenda.

Commissioner Ka`apu asked that Item D-9, Approval of Assignment of Leasehold Interest, be moved to the Regular Agenda.

- ITEM D-2 Ratification of Loan Approvals (see exhibit)**
- ITEM D-3 Approval of Consent to Mortgage (see exhibit)**
- ITEM D-4 Approval of Refinance of Loans (see exhibit)**
- ITEM D-5 Approval to Schedule Loan Delinquency Contested Case Hearings (see exhibit)**
- ITEM D-6 Approval of Streamline Refinance of Loan (see exhibit)**
- ITEM D-7 Approval of Homestead Application Transfers / Cancellations (see exhibit)**
- ITEM D-8 Approval of Designations of Successors to Leasehold Interest and Designation of Persons to Receive Net Proceeds (see exhibit)**
- ITEM D-10 Approval of Amendment of Leasehold Interest (see exhibit)**
- ITEM D-11 Approval to Issue Non-Exclusive Licenses for Rooftop Photovoltaic Systems for Certain Lessees (see exhibit)**
- ITEM D-12 Commission Designation of Successor-MOANA L. KERLEGAN, Lease No. 12501, Lot No. UNDV182, Kapolei, Oahu**
- ITEM D-13 Commission Designation of Successor-RAY A. AARONA, JR., Lease No. 4128, Lot No. 54, Waimanalo, Oahu**
- ITEM D-14 Commission Designation of Successor-FRANCIS K. KAHALEKAI, Lease No. 5020, Lot no. 22, Nanakuli, Oahu**
- ITEM D-15 Request to Schedule Contested Case Hearing-Authorization to Proceed to Public Notice Under Section 209, HHC, Due to Nonresponsive Designated Successor**
- ITEM D-16 Request to Surrender Lease -LURLINE A. BADEAUX, Agricultural Lot Lease No. 6135, Lot No. 152, Kalamaula, Molokai, Hawaii**
- ITEM D-17 Request to Surrender Lease Interest-CLAYTON ULUALOHA TALLETT, Residential Lot Lease No. 4210, Lot No. 82-A, Waimanalo, Oahu, Hawaii**

- ITEM D-18**    **Approval for Payment of Net Proceeds-THE ESTATE OF EDWIN KAIMALIA CRUZ (Deceased), Residential Lot Lease No. 5298, Lot No. 47, Waianae, Oahu, Hawaii**
- ITEM D-19**    **Commission Designation of Successor-STANLEY K. KAAHANUI, JR., Agriculture Lease No. 2082A, Lot No. 187, Hoolehua, Moloka'i**

## **LAND DEVELOPMENT DIVISION**

- ITEM E-1**    **Approval of Lease Award – Rodney M. Adric**

### MOTION/ACTION

Moved by Commissioner Kahikina, seconded by Commissioner Ishibashi to approve the Consent Agenda, except for Item D-9. Motion carried unanimously.

## **REGULAR AGENDA**

## **HOMESTEAD SERVICES DIVISION**

- ITEM D-9**    **Approval of Assignment of Leasehold Interest (see exhibit)**

### RECOMMENDED MOTION/ACTION

Acting Homestead Services Division Administrator Dean Oshiro presented the following: Motion for the Approval of Assignment of Leasehold Interest, and there are 30 assignments.

### MOTION

Moved by Commissioner Canto, seconded by Commissioner Chin, to approve the motion as stated in the submittal.

### DISCUSSION

Commissioner Ka`apu is concerned about the listings for No. 24 and No. 27. He asked if the Department is getting the declarations of the sellers that the transfers are being done for no considerations? D. Oshiro said the documents are being prepared, but it has not been incorporated yet, still finalizing the documents.

Commissioner Ka`apu said he would like to hold the two items. Chair Masagatani asked for a motion to amend the main motion to remove No. 24 and No. 27, to be considered at a later date.

### MOTION TO AMEND /ACTION

Moved by Commissioner Ishibashi, seconded by Commissioner Ka`apu, to amend the main motion to remove items No. 24 and No. 27, to be considered at a later date. Motion carried unanimously.

### ACTION ON MAIN MOTION AS AMENDED

Motion carried unanimously.

### MOTION/ACTION

Moved by Commissioner Canto, seconded by Commissioner Wescoatt to convene in executive session pursuant to Section 92-5(a)(4), HRS, to consult with its attorney on questions and issues pertaining to the Commission's powers, duties, privileges, immunities, and liabilities. Motion carried unanimously.

## **EXECUTIVE SESSION IN**

**9:49 A.M.**

The Commission anticipates convening in executive meeting pursuant to Section 92-5(a)(4), HRS, to consult with its attorney on questions and issues pertaining to the Commission's powers, duties, privileges, immunities, and liabilities on these matters.

1. Update on issues related to Sandwich Isles Communications.

## **EXECUTIVE SESSION OUT**

**10:55 A.M.**

## **ITEMS FOR INFORMATION/DISCUSSION**

### **WORKSHOPS**

### **ADMINISTRATIVE SERVICES OFFICE**

#### **ITEM H-2 Fiscal Year 2018 DHHL Budget (related to H-5)**

##### **RECOMMENDED MOTION/ACTION**

None, for information only. Administrative Services Officer Rodney Lau presented the following: Workshop on the DHHL Budget to fund its operating and administrative cost, the loan cost and the CIP cost in one budget submittal. The Legislator provided for FY 2018 \$25.12 million in general funding support.

R. Lau stated when the analysis was done, because there are fringe benefit costs involved, the net effect of the general fund support is \$18.25 million. The increase for the FY2018 was due to \$184k in collective bargaining, and a transfer of the \$6.8 million to the Department of Budget and Finance. Administrative Services is requesting that approximately \$20 million be transferred from the HHL Administration account to the Hawaiian Home Operating Fund to address a need for CIP or development projects that Norman will be talking about.

Chair Masagatani said there three items and one is the approval of the budget and limiting the Chairman's authority to up to \$500,000 and the Chairman's authority to move between cost elements. The two-year development budget is a new thing.

R. Lau stated the non-appropriated portion of the Hawaiian Homes Operating Funds is at the Commission's discretion, and the request is the monies be available for two years tied to the biennium budget so it won't lapse annually. It removes the going back and forth to the Governor's office asking for permission to spend the monies again. The request is the monies be available for two years to expedite the implementation of the development projects.

R. Lau said there are two revolving loan funds; the Hawaiian Home Loans Fund and the Hawaiian Home General Loan Fund. Also related to the loans are the Hawaiian Home Trust Fund which has a reserve account for the FHA 247 loan program. The Hawaiian Home Lands Trust Fund, under certain situations, can be used to fund the write-off of loan funds. Then there's NAHASDA which is allowed to provide for loan financing.

There are five purposes provided in Section 209: the cancellation and re-award of leases and loans, financing real property taxes, contingency for guaranteed and insured loans portfolio improvement purchase, and the improvements purchased write-downs. The new fund added is the NAHASDA fund for new loans totaling 8 million dollars.

R. Lau stated the \$3 million is for delinquent real property taxes that the Counties have been asking the Department to make whole. These are lessees that are delinquent in their real property taxes and the Counties are asking the Department to pay.

Chair Masagatani said that seems like a large number, and the Department has not advanced on real property taxes in some years. The whole portfolio is delinquent. R. Lau requested that he amend the submittal. Chair Masagatani suggested reallocating the monies toward the new loans. The direct loan financing is probably going to be in the new loans or the re-awarded loans.

Chair Masagatani said she has an adjustment on the Executive Budget under Attachment A; there are additional items included in the object codes.

R. Lau stated the object code 5700 relates to the Hale Kalaniana`ole Bldg. and Hale Pono`i building, which was financed back in 2006 through certificates of participation financing. The annual payment is about 1.7 million dollars and the Department is looking to refinancing that debt for significant savings.

Chair Masagatani asked why are electricity and water being funded out of the Administration and Operating fund. Large cost for this is for the DHHL building and all of DHHL's facilities state-wide like the water systems on Moloka`i.

Acting Land Development Division Administrator Norman Sakamoto presented the Lot Development Projects via PowerPoint slides.

## **ITEMS FOR DECISION MAKING**

### **REGULAR AGENDA**

#### **PLANNING OFFICE**

#### **ITEM G-1 Amend Portion of 'Aina Mauna Legacy Program Plan – Composition of Implementation Advisory Council**

##### **RECOMMENDED MOTION/ACTION**

Acting Planning Program Manager Kaleo Manuel presented the following:

Motion that the Hawaiian Homes Commission approves amendment of the 2009 Aina Mauna Legacy Program Plan related to the Composition of the Implementation Advisory Council.

The Implementation Advisory Council should consist of two groups. The first group should be a "Policy Group" and consist of two (2) representatives from Hawai`i Island Homestead Associations and four (4) waitlist beneficiaries on the Hawai`i Island Waitlist. The second group should consist of technical experts and specialists that would also advise DHHL and the HHC on natural and cultural resource best management practices.

##### **MOTION/ACTION**

Moved by Commissioner Kahikina, seconded by Commissioner Chin, to approve the motion as stated in the submittal. Motion carried unanimously.

#### **ITEM G-2 Extend the Implementation Period of the Native Hawaiian Development Program Plan**

RECOMMENDED MOTION/ACTION

Acting Planning Program Manager Kaleo Manuel presented the following:  
Motion that the Hawaiian Homes Commission extends the Implementation Period of the Native Hawaiian Development Program Plan for one year through June 30, 2018.

MOTION

Moved by Commissioner Canto, seconded by Commissioner Chin, to approve the motion as stated in the submittal.

DISCUSSION

K. Manuel stated staff hasn't had the chance to take an updated Native Hawaiian Development Program Plan out to the community. Staff is recommending the carry out of the existing plan and extend the period of implementation with the \$1 million budget that was in place since 2012, and continue to provide the NHDPP components listed on page 2 of the submittal and to also continue the grants program. Staff is recommending to bring back the regional plan priority project grants because of the need for other types of grant funding or requests by beneficiaries. Staff is planning to take the NHDPP out for consultation in early 2018, so they can have a new NHDPP by July 2018.

ACTION

Motion carried unanimously.

**LAND MANAGEMENT DIVISION**

**ITEM F-1 Approval to Issue License to MIRA Image Construction, Inc. and Prometheus Construction, Puowaina, Punchbowl, Oahu, TMK: (1)2-2-005:035(por.)**

RECOMMENDED MOTION/ACTION

Land Agent Paul Chin presented the following:  
Motion for Approval to issue the License to MIRA Image Construction and Prometheus Construction at Puowaina, Punchbowl, O`ahu.

DISCUSSION

P. Chin recommended that the Hawaiian Homes Commission grant its approval to issue a License covering the subject area as identified and described below for staging and storing construction equipment and materials related to the sewer improvement and slope stabilization projects on Hawaiian homelands.

MOTION/ACTION

Moved by Commissioner Chin, seconded by Commissioner Kahikina, to approve the motion as stated in the submittal. Motion carried unanimously.

**ITEM F-2 Issuance of Right of Entry Permit, SOH Department of Health (DOH), Clean Water Branch (CWB), Lualualei, Oahu, TMK: (1)8-6-003(por.)**

RECOMMENDED MOTION/ACTION

Supervising Land Agent Kalei Young and Land Agent Paul Chin presented the following:  
That the Hawaiian Homes Commission authorizes the issuance of the Right of Entry Permit covering the subject area in Lualualei for a rehabilitation restoration of Lualualei Reservoir.

MOTION

Moved by Commissioner Canto, seconded by Commissioner Chin, to approve the motion as stated in the submittal.

DISCUSSION

K. Young stated that the State DOH CWB cited the City & County of Honolulu for damages done to the reservoir. There was a settlement, and part of that settlement was to restore the reservoir. Staff is requesting a right of entry, even though the original contract is for 3-years, a month-to-month right of entry permit

Department of Health Clean Water Branch Program Specialist Michael Burke stated the City & County was caught dumping refuse into the Mailiili Stream. There was a settlement agreement, but DOH CWB wanted to put the money back into the Mailiili area to rehabilitate the area. One of the locations identified was the Mailiili Reservoir, which is usually overgrown, but the DOH, CWB thinks there's a spring there because the overgrowth of California grass is always green. M. Burke said they hired a local company to do native plant restoration work and ideally, for the community, to change the perception that it is not a good place to dump old tires and trash, and to help improve the water quality and the way it looks.

ACTION

Motion carried unanimously.

**ADMINISTRATIVE SERVICES OFFICE**

**ITEM H-1 Report and Recommendation of HHC Investigative Committee on Bond Refunding relating to Revenue Bonds and Certificates of Participation**

RECOMMENDED MOTION/ACTION

Administrative Services Officer Rodney Lau presented the following:  
Motion that the Hawaiian Homes Commission accepts the report and recommendation of the Hawaiian Homes Commission Investigative Committee on Bond Refunding relating to Revenue Bonds series 2009 and Certificates of Participation 2006 Series 8.

MOTION

Moved by Commissioner Kahikina, seconded by Commissioner Canto, to approve the motion as stated in the submittal.

DISCUSSION

R. Lau introduced Holly Pocal of Stifel, Nicolaus & Company, and John Wang of Orrick, Herrington & Sutcliffe, who helped with the report.

H. Pocal stated there are two resolutions, one for the refunding of the revenue bonds and another resolution authorizing the refunding of the certificates of participation. The resolutions outline the parameters under which both bond issues can be issued. It establishes a max par amount, max to interest cost, and also gives Department staff authority to proceed with the next steps of the bond financing. The Amended and Restated Master Bond Indenture provide the legal framework for the issuance of bonds, making sure security is in place. There's the Second Supplemental Indenture, which provides additional details to the specific security framework of the 2017 Revenue Refunding Bonds. There's a Purchase Contract, an agreement between the Department and Stifel, Nicolaus; for Stifel to purchase the bonds and sell them to investors and that is executed at the time the pricing is set for the bonds. The Continuing Disclosure Agreement is requiring the Department

to provide certain financial data annually. The Escrow Agreement relates to the 2009 Bond Refunding. For a period of time, proceeds from the refunding will be sitting in an Escrow which will be invested in certain securities. The Official Statement is the primary document that describes the Department, its finances, the security pledge and Stifel uses this to market and sell the COPs (certificate of participation) and revenue bonds to investors.

Commissioner Kahikina asked if OHA is asking for the savings back? R. Lau said OHA would get the savings too because it is \$15 million less for them to pay.

H. Pocal said the documents are similar. The COPs are similar to the indenture; there is a Trust Agreement which describes the security and legal framework for the COPs. There is a First Amendment to the Lease, which gives more specifics related to the 2017 refunding certificates. The Purchase Contract is similar to the Purchas Contract on the revenue bonds and the same with the Continuing Disclosure Agreement and the Official Statement. Between the two, many of the documents are the same.

Chair Masagatani stated that today the Commission needs to accept the report of the Committee. The Committee would disband, and tomorrow staff is asking the Commission to adopt the Bond Resolutions that are necessary.

Commissioner Chin said she will need to abstain as she does not understand the whole concept of what is being done. Chair Masagatani said ok. Noting the abstention of Commissioner Chin.

#### ACTION

Motion carried. Noting the abstention of Commissioner Chin.

### **PLANNING OFFICE**

#### **ITEM G-3 Acceptance of Water Policy Plan Implementation Program Report for FY 2017 and Approval of Water Policy Plan Implementation Program for FY 2018**

#### RECOMMENDED MOTION/ACTION

Acting Planning Program Manager Kaleo Manuel presented the following:

Motion that the Hawaiian Homes Commission accept the Water Policy Plan Implementation Program Report for FY2017 and Approve the Proposed Water Policy Plan Implementation Program for FY2018.

#### MOTION

Moved by Commissioner Canto, seconded by Commissioner Davis, to approve the motion as stated in the submittal.

#### DISCUSSION

K. Manuel introduced consultant Dr. Jonathan Scheuer who stated that beneficiary consultations and the Water Policy Plan have led to achievements like the State adopted the State Water Projects Plan, which calculates all of the water needs around the State. The focus is to get those needs translated into reservations for the next fiscal year. The proposed budget is \$400,000 which will cover the implementation of findings from the Native Hawaiian Rehabilitation Fund study. The NHRF revenue has been going down over the years, so we have advocacy strategies to try and increase the amount of revenue coming in the Department from those water licenses, many of

which are being renegotiated since the effort two years ago to modify the revocable permitting process at the State Legislature.

The other major accomplishment was the dispute around the Waimea River on Kaua'i. There has been Beneficiary Consultation with KIUC and other efforts. We are hopeful that other long-standing water disputes around the State can be mediated rather than litigated. The water policy implementation program is not a capital improvement program. One of the things that came out of the Water Policy Program was, at some point, the Department would want to look at centralizing water management of all the water systems.

Commissioner Richardson asked if there is any part in the plan that addresses getting the Hawaiian Home Lands out of the water business completely and turning it over to the County as it should be. J. Scheuer stated there is a provision in the Hawaiian Homes Commission Act that requires the Department to not divest itself of any water systems that it wholly owns; Anahola and Moloka'i. The Water Policy Plan did not suggest trying to go for that policy change and divest the systems. What it did say is to set goals for financial break-even points. While not reflected in the report, a lot of the work will stem the significant losses to that system and bring the water systems to a higher level of management.

Commissioner Ka'apu asked for an estimate of when the policies will be turning into water that hits the beneficiaries. K. Manuel said what staff can try to do is bridge the gap between the policy and the implementation. Now that the State Water Project Plan has been approved, those interested are noting the needs of DHHL, and now an active role can be taken. DHHL is connecting with DLNR to get them to revive their land and water development programs. They used to allocate five million a year to put in new wells throughout the State. The goal for DHHL is to get a portion of those water credits.

ACTION

Motion carried unanimously.

**RECESS**

**1:25 P.M.**

**RECONVENED**

**2:20 P.M.**

**ITEMS FOR INFORMATION/DISCUSSION**

**GENERAL AGENDA**

**REQUESTS TO ADDRESS THE COMMISSION**

**ITEM J-1 Eliza Maukele- Contested Case Reconsideration Decision**

E. Maukele testified concerning her home on Ala Koa Street in Waimanalo. E. Maukele stated that Patricia Maukele is trying to kick her and her family out of her home. Patricia Maukele claims she is the lessee of lot 79A. E. Maukele said she knows that is her lot because she is the wife of Joseph A. Maukele. She asked the Commission how Patricia Maukele became the lessee of 79A.

Acting Homestead Services Division Administrator Dean Oshiro stated that Mr. Maukele passed away, he named his sister as his successor. Unfortunately, the Department had no choice but to

honor the designation of successor form that was in file. Based on all the documents, Mr. Maukele named his sister as the successor.

**ITEM J-2 Homelani Schaedel- Maluohai Community Association**

H. Schaedel updated the Commission on the trees at Maluohai, stating that the trees needed to be removed for safety reasons. She gave an update that two men drove into the Maluohai sign so a few letters are missing. She acknowledged and thanked the Department for the Ho‘olimalima project because thirty-four families, through the NAHASDA program, will realize their dream of being homeowners.

**ITEM J-5 Mahealani Meheula- Hawaiian Community Assets (HCA) Department of Housing and Urban Development (HUD) housing counseling update**

Kahaunani Mahoe-Thone and M. Meheula presented for an update on their Homeowners Program and an overview of the current contract for the Hale Program. HCA is a HUD-approved counseling agency providing foreclosure prevention counseling, and grants and loans to prevent foreclosure in the State of Hawai‘i. HCA uses grant funds to pay for the cost of staffing, occupancy and program materials for services provided.

**ITEM J-7 Bo Kahui, Dora Aio- La‘iopua 2020**

D. Aio asked about the status of the vacancies in La‘i Opuu. Some homes are empty and boarded up. B. Kahui talked about the association fee delinquency list and their request for a Kona DHHL office. Chair Masagatani stated the Department has his letter and when the budget rolls around, then the Department will advocate for more positions to be filled. B. Kahui did his report on the LO2020 plans and accomplishments. LO2020 requests \$300k administrative and operating funds for 15 months to meet their shortfalls.

**ITEM J-9 Patti Silva, Oswald Stender, Howard Luke, Bug Gibson- Manawale‘a Riding Center**

P. Silva testified on behalf of the Manawale‘a Riding Center. They have come before the Commission again to plead their case for the Manawale‘a Riding Center. Manawale‘a Riding Center is a 501 (c)(3), a non-profit organization that provides therapeutic horseback riding to children and adults with disabilities for the last 16-years in Waimanalo.

Chair Masagatani stated that the Department is under tremendous pressure to develop whatever it can, especially on O‘ahu, for homesteading. Waimanalo is the most attractive property on this island. It’s not just Manawale‘a, it’s all of the revocable permit holders.

**WORKSHOPS**

**PLANNING OFFICE**

## **ITEM G-5 Water Systems 101: Technical, Managerial, Financial Capacity**

### RECOMMENDED MOTION/ACTION

None, for information only. Acting Planner Manager Kaleo Manuel and Planner Gigi Cairel presented the following:

### DISCUSSION

G. Cairel gave an introduction to the purpose of the workshop. In August 2016, the US Department of Agriculture Rural Development Agency (USDA RDA) awarded 16 million dollars to DHHL for major improvements to its water systems. One of USDA's conditions is that the Hawaiian Homes Commission possesses the technical, managerial, financial capacity (TMF) to manage and operate these public water systems. The Department owns four water systems of which three are public and regulated by the Department of Health. The Pu'ukapu Water System on Hawai'i island is the one water system that is not regulated. As the owner of these water systems, the Department's greatest kuleana is to protect the community's health and safety by providing clean and safe water. The water systems serve about 900 customers and over 80-90% are beneficiaries. The Ho'olehua water system also serves community facilities such as the airport, post office, schools and Churches. In FY2016, the Department had a cost of services analysis completed and the operating cost without reserves was about 1.5 million dollars. We billed for about \$600k, and DHHL contributed about \$900k in FY2016.

G. Cairel introduced representatives from the Rural Community Assistance Corporation (RCAC), a non-profit corporation that serves rural communities in thirteen states. For over 40-years, RCAC has provided technical assistance on small rural water systems throughout the Western United States, including Hawai'i and the Western Pacific. Adriane Skinner is a Certified Operator from Maui, Mary Flemming is a Financial Management Specialist from the California office, and Gail Burn-Babbard from Waimea, HI; all three represent RCAC.

A. Skinner has been working with the Department's staff for about a year and a half, her object today is to leave the Commission with some information and context about the water systems to help with decisions regarding financial and policy, questions that are coming up, and official documents that need to be finalized.

DHHL adopted Water Policy Vision and Mission states that the object is to provide the best quality and safe drinking water in quantity, if necessary, at the lowest possible cost. It's the ideal, but it's not always easy, especially with the smaller systems, where the revenues don't cover the expenses without very, very careful management.

The EPA and the State Department of Health oversee and regulate the public water systems. The Safe Drinking Water Act was signed into law in 1974, and water has been chlorinated in the United States since the early 1900s due to bacterias, e.g., typhoid, malaria, giardia; with some fatal incidents in Canada and the United States. The Safe Drinking Water Act has rules requiring sampling for bacterial contaminants. DHHL is ultimately responsible for safe drinking water for those who use their water systems. The Department has the capacity and responsibility to support its operators and staff to make sure that the mission of the best quality and safe drinking water is cared for.

For DHHL's most recent sanitary surveys, none of the three publicly regulated systems had any significant deficiencies. That was not happening 5-10 years ago. The amount of progress that's been made in the last 10-years is huge.

DHHL's regional staff on the islands are spending far too much time on the water when they have a lot of other responsibilities. A central water division that can oversee the contract operations and can help manage the Ho`olehua system, interfaced with regulatory agencies, interfaced with finance and planning and land development, you would move light-years with just a couple positions. DHHL has gotten to a point, and if the Department does not keep going, things can degrade again, and there is a risk of a public health issue. DHHL has been lucky over the past 10-years of not having any reported public health issues. It's had security issues but not immediate contamination issues.

G. Cairel stated that RCAC is tasked with a concept paper on effective utility management. Their task is to analyze a centralized water division within the Department, privatization, what are the pros and cons. Planning expects them to be finished in a couple of months to provide some analysis of management structures.

Financial Management Specialist, Mary Flemming-Leslie, works with water and wastewater utilities all over the thirteen Western States. She found that DHHL operates like a municipality, having some different programs and projects that the Department operates. DHHL had not, before doing the applications to USDA funding, recognized that it needed to be tracking each utilities' costs and revenues. This has made the cost of service analysis complex because things were put together, not necessarily by the utility.

M. Flemming-Leslie stated that the full scope of what is included in financial capacity is not always thought of until after being reminded of it. Everything revolves around the policies and procedures; it's the glue that keeps it all together. Then it's the accounting and record-keeping reporting systems, which has been a snag for the Department, but it is progressing very well. Being financially sustainable means you are selling your water service to the customers at a rate that consistently generates enough revenue to keep you going short-term and long-term. There is a microeconomics term called the scale of economies.

The more output you have, it is assumed that the cost per unit is probably lesser. Small utilities have a problem with this, and it does not work in their favor at all because there is a smaller number of customers to spread the costs around. The cost of service analysis is intended to be an analytical tool. The true cost of service means looking at those things that you may not think of as being an actual cost of providing the water service and use it for a basis for your budget controls.

The Department has four water systems, and one of them is not a public water system. The total operating costs for all four utilities in 2016 were 1.4, almost 1.5 million dollars. There is about \$200k in receivables still out there. DHHL is supplementing the water utilities by almost \$900k per year. M. Flemming-Leslie used the depreciation cost as the assumed CIP reserves. Taking into consideration the reserves, the total costs DHHL is contributing is about 2.7 million dollars. When the Department is ready to make policies about how much to set aside for reserve funding, as a rule, even if the Department can get grants or loan funding to replace equipment, a 20% match is usually required. It is difficult for a small utility to fund 100% of what it needs to replace.

G. Cairel stated there is a draft for administrative water rules that will be going out for beneficiary consultation. K. Manuel stated that there are a lot of critical components for the water rates assessment that cannot be glossed over, so Planning will need to talk with the RCAC team to see what can get done within the period recommended. He stated it might be a heads-up to the community letting them know that the March deadline to increase rates may not be met, but know that the rates will increase based on the study. K. Manuel said that it is now June, so getting something done in three months, which has not yet started, will probably be impossible to meet the

benchmarks. Commissioner Wescoatt said in terms of the rates, it isn't nearly important as how we operate the water system correctly.

**ITEM G-4 For Information Only – Kapolei Regional Plan Priority Project Updates**

RECOMMENDED MOTION/ACTION

None. For information only. Acting Planning Office Manager Kaleo Manuel and Planning Liason Lehua Kinilau-Cano presented the following:

DISCUSSION

L. Kinilau-Cano stated that in Kapolei, 21% of the land use is designated for residential. Lots of the development is happening in Kapolei, with the conversion of Ho`olimalima, the finishing up of Kanehili and Kauluokahai. Eighty-one percent of the industrial lands on this island is in the Kalaeloa region, and 84% of the commercial lands on this island is in the region of Kamakana Ali`i. In terms of the Kapolei regional plan, there are five priority projects; the Heritage Center and community commercial kitchen, the new school development, engaging beneficiaries for some of the commercial developments in the area, develop the pedestrian/bike path, and the parks. Chair Masagatani asked if the \$500k was given over to the Kanehili Community Association for the park? L. Kinilau-Cano said yes, it was given over. Chair Masagatani asked if the Department knows what the outcome was of that monies? L. Kinilau-Cano stated that the Kanehili Community Association is in the process of implementing its plan to put in their park.

**RECESS**

**5:34 P.M.**

**HAWAIIAN HOMES COMMISSION**  
Minutes of June 20, 2017  
Meeting held at Hale Pono`i, Kapolei Parkway

Pursuant to proper call, the 688th Regular Meeting of the Hawaiian Homes Commission was held at Hale Pono`i, 91-5420 Kapolei Parkway, Kapolei, O`ahu, Hawai`i, beginning at 9:00 a.m.

**PRESENT** Jobie M. K. Masagatani, Chairman  
Doreen N. Canto, Maui Commissioner  
Kathleen P. Chin, Kaua`i Commissioner  
Gene Ross K. Davis, Moloka`i Commissioner  
David B. Kaapu, West Hawai`i Commissioner  
Michael P. Kahikina, O`ahu Commissioner (arrived 10:00 a.m.)  
William Richardson, O`ahu Commissioner  
Wren Wescoatt, O`ahu Commissioner

**EXCUSED** Wallace A. Ishibashi, East Hawai`i Commissioner,

**COUNSEL** Craig Iha, Deputy Attorney General  
Ryan Kanakaole, Deputy Attorney General

**STAFF** William Aila Jr., Deputy to the Chairman  
Paula Aila, ICRO Manager  
Rodney Lau, Admin. Services Office  
Kahana Albinio, Acting Land Management Division Administrator  
Dean Oshiro, Acting Homestead Services Division Administrator  
Kaleo Manuel, Acting Planning Office Manager  
Norman Sakamoto, Acting Land Development Division Administrator  
Paul Chin, Land Agent  
Niniau Simmons, NAHASDA Manager,  
Stewart Matsunaga, Master Planning Community Development Manager  
Robert Freitas, Planner  
Leah Burrows-Nuuanu Secretary to the Commission  
Gigi Cairel, Grant Specialist  
Kalei Young, Land Agent  
Juan Garcia, Homestead District Supervisor

**ORDER OF BUSINESS**

**CALL TO ORDER**

Chair Masagatani called the meeting to order at 9:16 a.m. Seven (7) members were present at roll call. Commissioner Ishibashi was excused, and Commissioner Kahikina arrived at 10 AM.

## ITEMS FOR DECISION MAKING

### REGULAR AGENDA

#### OFFICE OF THE CHAIRMAN

#### **ITEM C-1 Request to Approve Payout of Net Proceeds to Emily Kaha`i, Maku`u Homestead Lot No. 117, TMK (3)-1-5-118:037**

##### RECOMMENDED MOTION/ACTION

NAHASDA Manager Niniau Simmons presented the following:

Motion that the Hawaiian Homes Commission approved the payout of net proceeds to Emily Kaha`i for eligible improvements on Maku`u Homestead Lot No. 117, TMK (3)-1-5-118:037.

##### MOTION

Moved by Commissioner Canto, seconded by Commissioner Davis, to approve the motion as stated in the submittal.

##### DISCUSSION

N. Simmons NAHASDA has been working with Ms. Pennington for eligible lots in the statewide inventory for Mrs. Kaha`i. A lot in Nanakuli has recently been selected, so Mrs. Pennington's home, which was appraised around \$326k in Maku`u, is County permitted, insured, and eligible for net proceeds payout.

Therefore, she is before the Commission to obtain approval for the payment to Mrs. Kaha`i for the appraised value for her improvements at the Maku`u residence to finalize the relocation process. With her payments, Mrs. Kaha`i will be able to move from her Maku`u home, find her temporary housing, and build her home. Any delays in her payments will cause her undue hardship and make it impossible to complete the relocation process.

##### ACTION

Motion carried unanimously.

#### **ITEM C-2 Request to Expand Homeowner Financing (60/40 Split) to NAHASDA Eligible Applicants and Undivided Interest lessees for offerings FY 2018, FY2019.**

##### RECOMMENDED MOTION/ACTION

NAHASDA Manager Niniau Simmons presented the following:

Motion that the Hawaiian Homes Commission approves the expansion of the homeowner financing (60/40 split) to NAHASDA eligible applicants and undivided interest lessees for offerings made in FY2018 and FY2019, using funds from the Native Hawaiian Housing block grant.

##### MOTION/ACTION

Moved by Commissioner Davis, seconded by Commissioner Canto, to approve the motion as stated in the submittal. Motion carried unanimously.

## ADMINISTRATIVE SERVICES OFFICE

### **ITEM H-3 Adoption of Resolution no. 289 Authorizing the Issuance of Revenue Bonds and Authorizing Related Documents and Actions, for the Purpose of Refunding the Department of Hawaiian Home Lands Revenue Bonds, Series 2009**

#### RECOMMENDED MOTION/ACTION

Administrative Services Officer Rodney Lau presented the following:

Motion that the Hawaiian Homes Commission adopt resolution No. 289, authorizing the issuance of the DHHL refunding revenue bonds and authorizing related documents and actions.

#### MOTION/ACTION

Moved by Commissioner Davis, seconded by Commissioner Wescoatt, to approve the motion, as stated in the submittal. Motion carried unanimously.

### **ITEM H-4 Adoption of Resolution no. 290 Authorizing the Execution and Delivery of Certificates of Participation and Authorizing Related Documents and Actions, for the Purpose of Refunding the Department of Hawaiian Home Lands Certificates of Participation (Kapolei Office Facility), 2006 Series A**

#### RECOMMENDED MOTION/ACTION

Administrative Services Officer Rodney Lau presented the following:

Motion that the Hawaiian Homes Commission adopt resolution No. 290, authorizing the execution and delivery of certificates of participation and authorizing related documents and actions.

#### MOTION/ACTION

Moved by Commissioner Davis, seconded by Commissioner Wescoatt, to approve the motion as stated in the submittal. Motion carried unanimously.

**RECESS 9:39 A.M.**

**RECONVENED 9:55 A.M.**

### **ITEM H-5 Approval of Fiscal Year 2018 DHHL Budget**

#### RECOMMENDED MOTION/ACTION

Administrative Services Officer Rodney Lau presented the following:

Motion that the Hawaiian Homes Commission approves the FY2018 DHHL Budget.

#### MOTION

Moved by Commissioner Davis, seconded by Commissioner Wescoatt, to approve the motion as stated in the submittal.

#### DISCUSSION

Chair Masagatani said she wanted to make sure the Commissioners have all the

appropriate sheets. The submittal is the action item H-2. Three sheets were handed out yesterday entitled Administration and Operating Costs, The Loans Budget, The revised Rehabilitation Projects, and the Development Projects budget. The other item is the draft work plan that will be finalized and made public next month; then, there is a list of specific fees for services and the comparison sheet with information about the Legislative requests and Legislative results and another comparison sheet called Apples-to-Apples.

Chair Masagatani said that there is a statement on the submittal that reads: the DHHL will request from the Department of Budget and Finance that all general funds be used and exhausted prior to spending any DHHL special or trust funds. The Department will not be touching the trust funds and the special funds until we have exhausted the general funds.

ACTION

Motion carried unanimously.

**ITEM H-6      Transfer of Hawaiian Home Receipts Money at the End of the Fourth Quarter, FY 2017**

RECOMMENDED MOTION/ACTION

Administrative Services Officer Rodney Lau presented the following:  
Motion that the Hawaiian Homes Commission approve the transfer of the entire receipts deposited in the Hawaiian Homes Receipts Fund, as of June 30, 2017, to the Hawaiian Homes General Loan Fund.

MOTION/ACTION

Moved by Commissioner Canto, seconded by Commissioner Kahikina, to approve the motion as stated in the submittal. Motion carried unanimously.

**ITEMS FOR INFORMATION/DISCUSSION**

**WORKSHOPS**

**OFFICE OF THE CHAIRMAN**

**ITEM C-3      Workshop by U.S. Army Corps of Engineers on UXO affected Trust Lands**

RECOMMENDED MOTION/ACTION

None. For information only. NAHASDA Manager Niniau Simmons presented the following:

DISCUSSION

US Army Corps of Engineers Project Manager Loren Zulick presented the areas of interest including Kawaihae, Lalamilo Phase 1 and 2, Pu`ukapu, Popoli Target area, and Maku`u. L. Zulick spoke about the Formerly Used Defense Site (FUDS) program, the Comprehensive Environmental Response, Compensation & Liability Act (CERCLA), and the 3Rs of Unexploded Ordnance Safety: recognize, retreat and report.

MOTION/ACTION

Moved by Commissioner Canto, seconded by Commissioner Wescoatt to convene in executive session pursuant to Section 92-5(a)(4), HRS, to consult with its attorney on questions and issues pertaining to the Commission's powers, duties, privileges, immunities, and liabilities. Motion carried unanimously.

**EXECUTIVE SESSION IN**

**1:00 P.M.**

**EXECUTIVE SESSION OUT**

**2:15 P.M.**

**ANNOUNCEMENTS AND ADJOURNMENT**

**NEXT MEETING**

The next regular meeting will be held July 17 & 18, 2017, at Hale Pono'i, Kapolei, O'ahu.

**ADJOURNMENT**

**2:19 P.M.**

Respectfully submitted:

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Jobie M. K. Masagatani, Chairman  
Hawaiian Homes Commission

Prepared by:

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Leah Burrows-Nuuanu, Commission Secretary  
Hawaiian Homes Commission

**APPROVED BY:**

The Hawaiian Homes Commission at its regular monthly meeting on:

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Jobie M.K. Masagatani, Chairman  
Hawaiian Homes Commission