

STATE OF HAWAII
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
Honolulu, Hawaii 96813

May 3, 2017

Chairperson and Members
Hawaii Community Development Authority
State of Hawaii
Honolulu, Hawaii

HCDA Board Members:

SUBJECT: Shall the Authority Disband the Hawaii Community Development Authority's Asset Management Task Force and Form and Appoint a Task Force to Evaluate the Financial Position of the Hawaii Community Development Revolving Fund and Potential for Further Revenue Generation?

SUMMARY:

At the April 5, 2017 meeting Member Mary Pat Waterhouse recommended that the board consider a task force to evaluate the financial position of the Hawaii Community Development Revolving Fund (HCDRF) and potential for further revenue generation. This recommendation was made in light of the legislature's denial of various capital improvement project requests and certain provisos contained in the current budget draft, HB100 HD1 SD1, which mandates that the Hawaii Community Development Authority (HCDA) fund all positions using the HCDRF, starting, July 1, 2018.

AUTHORITY:

Permitted interactions of a group of board members is governed by Hawaii Revised Statutes (HRS) § 92-2.5(b) which states that two or more members of a board, but less than the number of members which would constitute a quorum may be assigned to:

- (1) Investigate a matter relating to the official business of their board, provided that:
 - (A) The scope of the investigation and the scope of each members authority are defined at a meeting of the board;
 - (B) All resulting findings and recommendations are presented to the board at a meeting of the board; and
 - (C) Deliberation and decisionmaking on the matter investigated, if any, occurs only at a duly noticed meeting of the board held subsequent to the meeting at which the findings and recommendations of the investigation were presented to the board.

BACKGROUND:

At its October 7, 2015 meeting, the Authority formed and appointed a similar budget task force to evaluate the financial position of the HCDRF. Lead by Member Waterhouse, the task force also included, Member Shirley Swinney, Member Beau Bassett, and Member Tracy Ban. The task force met at various dates between October 2015 and April of 2016. The significant findings and recommendations of the task force are listed below.

Findings:

- HCDRF revenues from leasing and management activities were severely impacted with the transfer of HCDA lands to the Office of Hawaiian Affairs in 2012;
- HCDA expenditures are primarily concentrated in the Leasing and Management subaccount, also the least restricted funding source;
- Certain expenditures funded by the Leasing and Management subaccount could be drawn from other restricted sources with more robust balances; and
- Measures should be taken to sustain the Leasing and Management subaccount.

Recommendations:

1. Reduce expenditures out of the HCDA's discretionary Leasing and Management subaccount by transferring qualifying costs to other restricted funding sources;
2. Consider funding Kalaeloa staff thru Community Development District assessments as provided for under HRS § 206E-196;
3. Seek legislative and other capital improvement project funding sources for HCDA projects; and
4. Form an Asset Management Task Force to evaluate current revenue levels and potential for further revenue generation.

HCDA staff has since worked to implement the various recommendations of the Task Force. While an Asset Management Task Force was formed and appointed, it has not met.

ANALYSIS:

The feedback and tentative results of the 2017 legislative session, provides new information that may be considered to update the Budget Task Force's previous findings and recommendations. Further, the Asset Management Task Force could be eliminated and the assigned matter consolidated in the scope of the proposed task force.

The purpose of the proposed task force would be to evaluate the financial position of the HCDRF and potential for further revenue generation.

RECOMMENDATION:

HCDA staff recommends that the Authority:

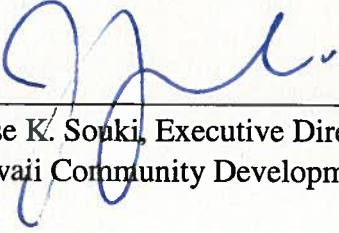
1. Disband the Asset Management Task Force; and
2. Form and appoint a task force to evaluate the financial position of the Hawaii Community Development Revolving Fund and potential for further revenue generation.

Respectfully submitted,



Aedward Los Banos
Administrative Services Officer

APPROVED FOR SUBMITTAL:



Jesse K. Souki, Executive Director
Hawaii Community Development Authority