

Chief Executive Officer's

M E S S A G E



HAMILTON I. MCCUBBIN

RENEWAL

Kamehameha Schools has emerged from its time of uncertainty as a vital and expanding 21st century educational system with its focus on renewal and the collective commitment of our *'ohana* to seek guidance in Ke Ali'i Bernice Pauahi Bishop's Christian and Hawaiian cultural values.

Kamehameha Schools' arduous journey this past year has enabled this institution to reconnect to the vision of our beloved Ke Ali'i Pauahi and to rededicate its endowment, curricula and staff to ever-greater service to people of Hawaiian ancestry.

At no other period in our history has so much change occurred in such a short time; change that both prepared us for our future and restored the historic values of our mission.



GOVERNANCE

With Judge Kevin Chang's May 1999 naming of five Interim Trustees – attorney Ronald D. Libkuman, former Honolulu Police Chief Francis A. Keala, American Savings Chief Operating Officer Constance H. Lau, Vice Admiral Robert K. U. Kihune, and former 'Iolani School Headmaster Rev. David P. Coon – the work of shaping Kamehameha Schools' future began in earnest.

Between May and August 1999, the Interim Trustees and staff met almost continuously with representatives of the Internal Revenue Service (IRS) to tackle Kamehameha Schools' most pressing concern: maintenance of its tax-exempt status. With IRS contingencies met – including key policies guiding how Kamehameha Schools invests, spends and governs itself – a Closing Agreement was crafted and a settlement reached on February 23, 2000.¹

¹The complete text of the IRS/Kamehameha Schools Closing Agreement is available on Kamehameha Schools' website at <http://www.ksbe.edu>.

CEO MANAGEMENT STRUCTURE

Integral to reaching agreement with the IRS – and assuring Kamehameha Schools’ tax-exempt status – was the stipulation that a Chief Executive Officer (CEO)-based management structure be established and implemented.

A CEO-based management structure was first recommended in the *100th Annual Account* for fiscal year 1985 by court appointed Master Michael D. Hong. The recommendation was reiterated by several subsequent Masters, in Arthur Andersen LLP’s 336-page *Kamehameha Schools Bernice Pauahi Bishop Estate Management Audit Findings* of July 1998, and in Master Colbert Matsumoto’s *Consolidated Report on the 109th, 110th, and 111th Annual Accounts* – for fiscal years 1994, 1995 and 1996 respectively. The recommended CEO structure was finally established as part of a new institutional *Governance Policy* adopted by the Interim Board of Trustees in August 1999.

While retaining the oversight and policymaking role of the Board of Trustees, the CEO management structure created a traditional business configuration at Kamehameha Schools by allocating authority over day-to-day operational activities to the CEO and an Executive Management Team (designation later changed to Chief Executives) representing Kamehameha Schools’ principal groups. The Executive Management Team – Chief Education Officer, Chief Financial Officer, Chief Investment Officer, Chief Legal Officer, and Chief Administrative Officer – experts in their respective fields, advise and report to the CEO on the operations of the organization. In turn, the CEO reports and is accountable to the Trustees for policy implementation.

Thus, the CEO management structure broadened and balanced the governance of Kamehameha Schools by formalizing delegated authorities and establishing distinct lines of responsibility and accountability within its organizational framework.

To further clarify responsibility and lines of authority within Kamehameha’s newly developed educational system, the Chief Education Officer will oversee the administration of three K-12 campuses on O’ahu, Maui and Hawai’i, extension and outreach programs, and expanding early childhood programs.

KAMEHAMEHA SCHOOLS

Effective January 1, 2000, in a move that reaffirmed the wishes of our founder – that her schools “... be known as and called the Kamehameha Schools” – Interim Board of Trustees formally changed the name of our institution from Kamehameha Schools Bishop Estate to Kamehameha Schools.

TRUSTEE SELECTION



A Trustee Screening Committee appointed by Judge Kevin Chang announced the criteria of their search for permanent trustees for Kamehameha Schools in January 2000. The Screening Committee was made up of former court-appointed Master Colbert Matsumoto, attorney Melody MacKenzie, Hawai’i Community

Foundation Executive Kelvin Taketa, business executive Kenneth Brown and Kamehameha Schools alumni including Alumni Association president Roy Benham, educator Winona Beamer and Col. Michael Rawlins, Hawai’i National Guard.

The Committee accepted nominations from the community in the search for persons with backgrounds in education, strategic planning, finance and business. Seeking persons of integrity and in good standing in the community, they stressed the importance of Hawaiian values although Hawaiian ancestry was not a selection prerequisite.

This community-based nomination process resulted in seven finalists who were recommended to the court for final selection.

Named in November 2000, the five permanent Trustees are: attorney J. Douglas Ing; real estate veteran Diane J. Plotts; retired Vice Admiral Robert K.U. Kihune and American Savings Bank executive Constance H. Lau, both Interim Trustees; and master navigator Nainoa Thompson.



The permanent Trustees are serving staggered terms which began January 1, 2001. Compensation is limited to a maximum of \$97,500 per year with the board chair bound to a \$120,000 per year maximum.

STRATEGIC PLANNING

The most dynamic aspect of this year has been our year-long Strategic Planning effort.

With a mandate to develop a comprehensive, integrated educational and financial strategic plan that reflected stakeholder input, Kamehameha Schools, in October 1999, launched an information gathering and analysis of the educational needs of the Hawaiian community.

Grounded thematically in the Hawaiian proverb *'A'ohē hana nui ke alu 'ia – No task is too big when done together by all*, Interim Trustees, faculty and staff set out to rekindle relationships by making the strategic planning process as inclusive as possible. Participation from all of Kamehameha Schools' stakeholder groups – students, their families, faculty, staff, alumni, the Hawaiian community and the community-at-large – was eagerly sought and graciously given. For this process to occur meaningfully, a three-phase timeline was designed as illustrated in the following diagram.



DETAILS OF THE STRATEGIC PLANNING PROCESS



PHASE I

Gather community input

- Three thousand-plus comments were offered by more than 1,200 stakeholders during Phase I. From these we gained a clear understanding of the needs of the Native Hawaiian population and an idea of Kamehameha Schools' potential contributions. This input was reviewed in depth and organized into 16 major strategic issues.

PROCESSING COMMUNITY INPUT

PHASE I 10/99-1/00

PHASE II 2/00-5/00

PHASE III 6/00-8/00

Community Input

Define Strategic Issues and Draft Strategic Plan

Community Review

Start Strategic Planning

External Assessment

Community Input

Internal Assessment

Working Groups (WG) Analysis and Review

Core Planning Teams Review and Draft of Proposed Strategic Plan

Endowment Core Planning Team

EPLG & EMT*

Support Groups

Education Core Planning Team

Trustees Review/Action

Proposed

Strategic Plan

*Executive Planning Leadership Group and Executive Management Team



PHASE II

Define strategic issues and develop a Draft Strategic Plan

- Nearly 400 volunteers from throughout the state, participating in 16 Working Groups, studied the collected data and framed key issues, options and potential strategic directions for Kamehameha Schools.
- A statewide telephone survey – sampling more than 2,000 Hawaiian adults – provided additional perspectives while confirming that the 16 major themes were consistent with their priorities.
- Finally, all planning groups – including the Executive Management Team and the Board of Trustees – deliberated the Values, Vision, Mission, Guiding Principles and Goals the data had revealed. A Draft Strategic Plan – outlining seven specific goals – issued from their deliberations.

Goal 1: Kamehameha Schools will provide and facilitate a wide range of integrated, quality educational programs and services to serve more people of Hawaiian ancestry.

Goal 2: Kamehameha Schools will work with families and communities in their efforts to meet the educational needs of people of Hawaiian ancestry.

Goal 3: Kamehameha Schools will cultivate, nurture, perpetuate, and practice *‘Ike Hawai‘i* (which includes Hawaiian culture, values, history, language, oral traditions, literature, and *wahi pana* – significant cultural or historical places – etc.).

Goal 4: Kamehameha Schools will foster the development of leaders who focus on service to others.

Goal 5: Kamehameha Schools will optimize the value and use of current financial and non-financial resources and actively seek and develop new resources.

Goal 6: Kamehameha Schools will *mālama i ka ‘āina*: practice ethical, prudent and culturally appropriate stewardship of lands and resources.

Goal 7: Kamehameha Schools will continue to develop as a dynamic, nurturing, learning community.

PHASE III

Present the Draft Strategic Plan to the community

- The Draft Strategic Plan was shared at more than 30 statewide and mainland meetings and publicized widely to elicit community feedback that further refined the plan.
- Five initial educational program priorities were identified for Kamehameha Schools
 - Quality K-12 education
 - Early education
 - Literacy
 - Hawaiian culture and language
 - Vocational education
- Four initial endowment issues emerged as critical for Kamehameha Schools
 - Stewardship
 - Balancing educational and cultural values with economic return
 - Protecting its land legacy
 - Resource development

PHASE IV

Final Strategic Plan

The Trustees adopted Kamehameha Schools' final Strategic Plan in September 2000. In a small ceremony before the crypt housing the remains of Ke Ali'i Bernice Pauahi and Charles Reed Bishop at Mauna'ala, on September 28, 2000, the document was formally signed.

Trustees, the Executive Management Team and members of the Education and Endowment Core Planning Teams affixed their signatures to the document, vowing to make "every reasonable effort to support the plan's implementation for the benefit of Pauahi's children, the people of Hawaiian ancestry."

Kamehameha Schools Strategic Plan 2000-2015 will serve as both foundation and guide as Kamehameha Schools addresses the educational needs of the Hawaiian community well into this new century.²

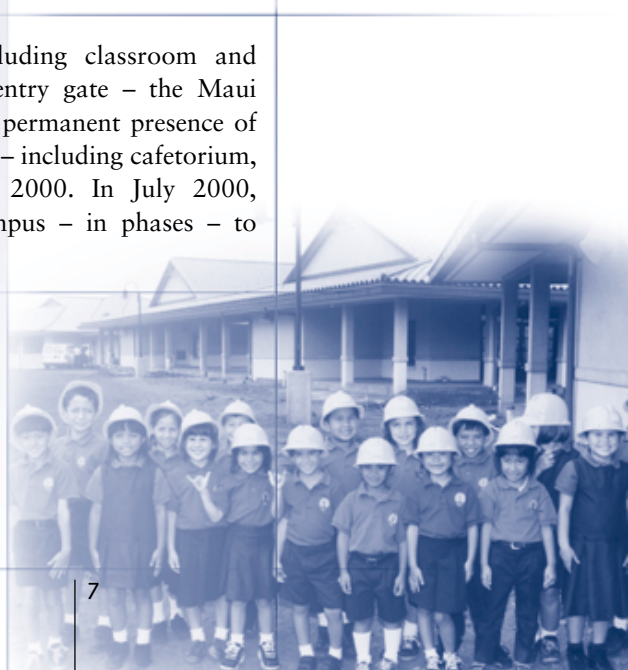


GROWTH AND EXPANSION

One of the important goals of our Strategic Plan – to "provide and facilitate a wide range of integrated, quality educational programs and services to serve more people of Hawaiian ancestry" – was in place by summer 1999. At that time, Kamehameha Schools was fully engaged in its largest construction program in decades. Major projects undertaken included:

- **Kūlana 'Ōiwi, Moloka'i – completed July 1999**
In partnership with ali'i trusts and other Hawaiian service providers, KS contributed to construction costs for a facility that houses a new KS Moloka'i preschool site and the first permanent multi-purpose service center for Native Hawaiians in the state.
- **Kalani'ōpu'u Swimming Complex, O'ahu Campus – completed August 1999**
Newly renovated, the pool is now Olympic-sized, heated, and meets standards for both international and state aquatic events.
- **Maui Campus, Maui – completed August 1999**
With the \$15,000,000 Phase I construction completed – including classroom and administration buildings, caretaker residence/service center and entry gate – the Maui Campus opened to grades K-6 in August 1999, marking the first, permanent presence of Kamehameha Schools beyond O'ahu's shores. Phase II construction – including cafetorium, band/music room, and gymnasium – was completed in April 2000. In July 2000, Kamehameha Schools adopted a plan to expand the Maui Campus – in phases – to eventually serve grades K-12.

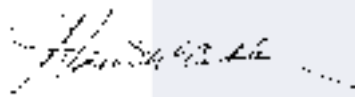
²*Kamehameha Schools Strategic Plan 2000-2015* is available on Kamehameha Schools' website at <http://www.ksbe.edu>. For a paper copy, call toll-free to (800) 842-4682, ext. 6348, or write to Kamehameha Schools, Communications Division, 567 S. King Street, Suite 301, Honolulu, Hawai'i 96813.



- **Waimānalo Preschool, O‘ahu – *anticipated completion June 2001***
Marking another partnership milestone, Kamehameha Schools is uniting with the Queen Lili‘uokalani Children’s Center and the Department of Hawaiian Homelands to develop adjacent parcels to house a multi-purpose service center for Native Hawaiians. Kamehameha’s \$2.6 million Waimānalo Preschool facility, which will be part of the center, is scheduled for completion in June 2001. It will accommodate 72 three- and four-year-old Hawaiian youngsters in four classrooms.
- **Hawai‘i Campus, Hawai‘i-Phase I – *anticipated completion August 2001***
Once Phase I construction is completed in August 2001, the 300-acre Hawai‘i Campus will become Kamehameha Schools’ third permanent campus site. Originally planned to house grades K-8, it was determined in 2000 that Kamehameha Schools’ Hawai‘i Island student body would best be accommodated by expanding the Hawai‘i Campus’ original design to serve grades K-12. This additional phased-in construction anticipates completion by 2005.
- **Athletic Complex, O‘ahu – *anticipated completion September 2001***
Approved in January 2000, this \$15 million project includes Kamehameha Schools’ first-ever regulation football field, 400 meter track with all-weather surface, a natural turf field, bleacher seating for 3,000 spectators, a promenade with concession stand, restrooms, ticket office and a scorer’s booth.

Much has been accomplished. Much remains to be done. Yet, in this year marked by incredible change and systemic transitioning, the hard work on behalf of Kamehameha Schools by a loving community has bequeathed a legacy of its own: an invigorated leadership, an empowered staff and stakeholders, an expanding educational system, and a return to core values.

At the dawn of the 21st century, Kamehameha Schools stands renewed and prepared for the challenges ahead – proud of its heritage, confident in its future.



Hamilton I. McCubbin, Ph.D.
CHIEF EXECUTIVE OFFICER
Kamehameha Schools