

BUDGET AND FINANCE COMMITTEE

Council of the County of Maui

MINUTES

July 14, 2009

Council Chamber, 8th floor

CONVENE: 1:35 p.m.

PRESENT: Councilmember Joseph Pontanilla, Chair
Councilmember Danny A. Mateo, Vice-Chair
Councilmember Jo Anne Johnson, Member (in 1:57 p.m.)
Councilmember Sol P. Kaho`ohalahala, Member
Councilmember Bill Kauakea Medeiros, Member
Councilmember Michael J. Molina, Member
Councilmember Wayne K. Nishiki, Member

EXCUSED: Councilmember Gladys C. Baisa, Member
Councilmember Michael P. Victorino, Member

STAFF: Gayle Revels, Legislative Analyst
Yvette Bouthillier, Committee Secretary

ADMIN.: Helene Kau, Assistant Budget Director, Budget Office, Office of the Mayor
Stan Zitnik, First Assistant, Department of Management (BF-11)
Ken R. Fukuoka, Director, Office of Council Services (BF-35 and BF-11)
Carol Gentz, Community Development Block Grant Program Manager, CDBG,
Office of the Mayor (BF-2)
Traci Fujita Villarosa, First Deputy Corporation Counsel, Department of the
Corporation Counsel

OTHERS: **Item 11:** Craig Anderson, Chair, Cost of Government Commission
Rebecca Kikumoto, Member, Cost of Government
Commission
Bradford Ing, Member, Member, Cost of Government
Commission
Yarrow Flower, Member, Cost of Government Commission

PRESS: *Akaku: Maui Community Television, Inc.*
Ilima Loomis, The Maui News

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CHAIR PONTANILLA: ...*(gavel)*... Good afternoon. The Budget and Finance Committee meeting is now in session. At this time the Chairman would like to recognize the Members that are present this afternoon. We do have Member Molina, Member Kaho`ohalahala, Member Medeiros, Member Nishiki and our Chairman Member Mateo. Excused at this time are Members Baisa, Johnson and Victorino. I understand that Member Johnson is in route. Supporting the Committee this afternoon again is our Staff, Gayle Revels, Committee Legislative Analyst as well as our Committee Secretary, Yvette Bouthillier. From the Administration upfront we do have the First Deputy Corporation Counsel Traci Fujita Villarosa and the Assistant Budget Director in the Office of the Mayor, Helene Kau. Members, we do have three items on the agenda this afternoon. But before we go into the agendized items, is there anyone signed up for public testimony? No one? Is there anyone out there in the gallery that would like to provide public testimony at this time? Please step forward. Seeing none, Members, if there's no objections the Chair would like to close public testimony.

COUNCIL MEMBERS: No objections.

CHAIR PONTANILLA: Thank you.

ITEM NO. 35: AMENDING ORDINANCE NOS. 3620 (2009), 3624 (2009), 3625 (2009) AND 3632 (2009) PERTAINING FY 2009 BUDGET, TO CORRECT CERTAIN BALANCES; AND AMENDING ORDINANCE NO. 3626 (2009) PERTAINING TO FY 2009 BUDGET, TO CORRECT CERTAIN AFFORDABLE HOUSING FUND PROVISOS (C.C. No. 09-190)

CHAIR PONTANILLA: Members, our first item is BF-35. This items is amending Ordinance Nos. 3620 (2009), 3624 (2009), 3625 (2009) and 3632 (2009) pertaining to certain totals in the Fiscal Year 2009 Budget and also amending Ordinance No. 3626 (2009) pertaining to provisions in the Affordable Housing Fund to make technical corrections that carry amendments made in prior bills to the current bills. As the Council passed all of these bills in a very short timeframe, the changes made in one bill did not necessarily carry through to the following bill. These changes are all housekeeping in nature and there are no additional changes to the Fiscal Year 2009 Budget. And, Members, if you look at your agenda, the first bill is a bill, proposed bill entitled "A BILL FOR AN ORDINANCE

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AMENDING ORDINANCE NO. 3620 (2009) PERTAINING TO THE FISCAL YEAR 2009 BUDGET, TO CORRECT CERTAIN BALANCES". The second bill is a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. 3624 (2009) PERTAINING TO THE FISCAL YEAR 2009 BUDGET TO CORRECT CERTAIN BALANCES". Again the purpose of the proposed bill is to make technical correction similar to the first one. The third bill is a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. 3625 (2009) PERTAINING TO THE FISCAL YEAR 2009 BUDGET, TO CORRECT CERTAIN BALANCES". The purpose of the proposed again is to make technical corrections. And the fourth bill is a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. 3626 (2009) PERTAINING TO THE FISCAL YEAR 2009 BUDGET TO CORRECT CERTAIN AFFORDABLE HOUSING FUND PROVISOS". And the purpose of this proposed bill is to make technical corrections. And the last bill is a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. 3632 (2009) PERTAINING TO THE FISCAL YEAR 2009 BUDGET, TO CORRECT CERTAIN BALANCES." Again the purpose of the proposed bill to make technical corrections.

With that said the Chair would like to call on the Assistant Budget Director, Ms. Kau for comments.

MS. KAU: Thank you, Chair. I think you described the nature of the technical corrections quite clearly. I have no comments, thank you.

CHAIR PONTANILLA: Thank you. Members, any questions for the Assistant Budget Director at this time? Seeing none, the Chair's recommendation is to pass the proposed bills on first reading and to file the County Communication.

VICE-CHAIR MATEO: Chairman? Chairman, I move for the adoption of all of the five bills as you have so recognized.

CHAIR PONTANILLA: Thank you. Any second?

COUNCILMEMBER MEDEIROS: Mr. Chair, I second the motion.

CHAIR PONTANILLA: Thank you. It's moved by Member Mateo, second by Member Medeiros. Members, any more discussion? Seeing none, all in favor of the motion please say "aye".

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COUNCIL MEMBERS: Aye.

CHAIR PONTANILLA: Any oppose? Seeing none, there's six ayes, three excused, Member Baisa, Johnson and Victorino. Motion is carried.

VOTE:

AYES:	Councilmembers Kaho`ohalahala, Medeiros, Molina, Nishiki, Vice-Chair Mateo, and Chair Pontanilla.
NOES:	None.
ABSTAIN:	None.
ABSENT:	None.
EXC.:	Councilmembers Baisa, Johnson, and Victorino.

MOTION CARRIED.

ACTION: **FIRST READING of proposed bills entitled "A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. 3620 (2009) PERTAINING TO THE FISCAL YEAR 2009 BUDGET, TO CORRECT CERTAIN BALANCES"; "A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. 3624 (2009) PERTAINING TO THE FISCAL YEAR 2009 BUDGET, TO CORRECT CERTAIN BALANCES"; A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. 3625 (2009) PERTAINING TO THE FISCAL YEAR 2009 BUDGET, TO CORRECT CERTAIN BALANCES"; "A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. 3632 (2009) PERTAINING TO THE FISCAL YEAR 2009 BUDGET, TO CORRECT CERTAIN BALANCES"; and "A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. 3626 (2009) PERTAINING TO THE FISCAL YEAR 2009 BUDGET, TO CORRECT CERTAIN AFFORDABLE HOUSING FUND PROVISOS"; and FILING of communication.**

ITEM NO. 11: COST OF GOVERNMENT COMMISSION REPORT (C.C. No. 09-98)

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CHAIR PONTANILLA: The second item for this afternoon is BF-11, Cost of Government Commission Report. At this time the Chair would like to invite Mr. Craig Anderson up forward. Ms. *[sic]* Anderson is the current Chair of the Cost of Government Commission. Ms. *[sic]* Anderson, I think you got to come over here. Make yourself real comfortable. Thank you. The item BF-11 is from the Cost of Government Commission Report. The Committee is in receipt of the Cost of Government Report of Findings and Recommendations for Commission term April 1, 2008 to March 31, 2009. Before I call on Mr. Anderson to review the report with us, Ms. Kau, do you have any comments to make at this time?

MS. KAU: None. Thank you.

CHAIR PONTANILLA: None? Thank you. Ms. *[sic]* Anderson.

MR. ANDERSON: Aloha and good afternoon, Committee Chair Pontanilla and Members of the Budget and Finance Committee. My name's Craig Anderson, I'm the current Chair of the Cost of Government Commission. I'm joined today by two of our commissioners, Rebecca Kikumoto and Bradford Ing. You have the report in front of you. I thought I'd start by just maybe giving a little bit of background on how we embarked upon our work this last year and how we arrived at the report that you have in front of you.

It was a little over a year ago that we, in one of our meetings, decided to meet with the Mayor and get direction from the Mayor and the Administration on areas of focus for our group last year. During that meeting the Mayor highlighted several areas to include the County's hiring system. She shared with us her concerns about at the time the amount of overtime that was being incurred, the impact that open positions were having on the productivity of the County and the, and how work was, was being done or not being done. So the hiring system was one area. The area of energy, asking us to follow up on the five working groups as an offshoot from the 2007 Energy Expo. The third area was to look at the reimbursement policy within the County with the specific question of what does it cost to cut a check? The fourth area was to look at the Department of Management and the efficiency and the structure within the Department of Management. And then the fifth was to also ask the Council for any input on areas of focus. So taking that, you know, those cues from the Mayor we proceeded with defining subcommittees and then embarked upon our work over the next probably six or seventh months with, with five subcommittees, and you'll see those outlined in, in our report.

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Basically those subcommittees included audit, CIP or Capital Improvement Programs, Energy, Managing Director's office and Department of Personnel Services.

I think in general our focus was to, to look at work that we thought was, was tangible and realistic. We tried to stay away from world hunger type issues and tried to focus on things that we thought were within our grasp and, and that we could make a reasonable recommendation on. So, you know with that as our backdrop the subcommittees began their work. In the report you'll see the resources that each of the committees networked with. We had several meetings with the, with the Cost of Government Commission as a whole, several presentations by individuals. And then in, in producing our report our, our emphasis and our focus was really to create a document that had an executive summary overview which would give you kind of a thumbnail sketch of each of the subcommittees and their recommendations. And then if, if that got your attention, so to speak, the backup and the detail was behind it so that you could look further into, you know, how we arrived at those recommendations and, and some of the work that was done. So anyway, I just, you know, the report that you have in front of you and, and it's, it's fairly self explanatory, but I did want to give some overview as to how we arrived at the report and, and how, how we conducted our, our, our efforts leading up to that.

CHAIR PONTANILLA: Thank you. And, Ms. *[sic]* Anderson, what we'd like to do is, you know, go from, you know, your subcommittee's report. We'll take up the Audit Subcommittee report first. I know you have, you know, did your finding, your analysis and what is important is the potential savings, and again the recommendation that the subcommittee came up with. So if you can give us like a brief report on each of the subcommittee report and then we'll have the Members Q&A on each of the subcommittee report. So we'll take one report at a time and the first one is the Audit Subcommittee report.

MR. ANDERSON: Okay. Thank you. The, the Audit Subcommittee really focused on the audit, existing audit procedures and the potential for improvement in the areas of audit within the County. And, and the findings of that subcommittee found that while there are financial audits that take place as a part of the Finance Department, there is an area of opportunity for what we referred to as operational audits or audits that really look at some of the processes within the County functionality. You know in business it's not uncommon for, for, you know, efforts to be put forward to, to look at efficiencies and to look at, you know, importing best

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practices from other businesses either within the same industry or outside of the industry. And, you know, based on the work from all the subcommittees we believe that there, there exists some opportunity for savings within the County. We arrived at that number, we took, you know, there were some general kind of rules of thumb within business on shrinkage and, and, you know, if you read anything on Six Sigma, you know, businesses can, can realize windfall from, you know, 1 percent up to 15 or 20 percent, depending on, you know, the, the, the breadth of their efforts. But we took a very conservative estimate with a \$500 million budget for the County. We believe that there's at least a 1 percent savings if we were to, to look at a dedicated position of, of operational audit, a person who was independent from Finance who could, you know, focus on specific areas within the County and, and look for efficiencies, waste and those sorts of things. So I guess that's, you know, basically an overview of, of, of where the Audit Committee [*sic*] was coming from.

CHAIR PONTANILLA: Thank you. Members, any questions regarding the Audit Subcommittee's report? Member Kaho'ohalahala?

COUNCILMEMBER KAHO'OHALAHALA: Thank you, Chair. As I'm looking at your, your summary of recommendations under that Audit Subcommittee, Item No. 6 which is the audit component of the vacant position under the Council with job title Legislative Analyst, it needs to be strengthened to focus on audits. Do you want to elaborate on that?

MR. ANDERSON: I will do my best. I was not on the subcommittee, but as I recall when looking at the job description for the position that was posted, there was a very brief reference to the audit functionality. I think the, I think the statement in the, in the duties and responsibilities said something about accounting and audit experience but didn't really detail out specifically what that audit experience needed to be. So I think the recommendation there is, is maybe to bolster the, the specificity in the job description to make sure that, you know, we're recruiting for the right person and that we get the right talent to fill that job.

COUNCILMEMBER KAHO'OHALAHALA: Okay. And then your comment about the appointment term should be revised?

MR. ANDERSON: I'm sorry, the...

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COUNCILMEMBER KAHO`OHALAHALA: You have the appointment term should be, in that same, same item, should be revised using the State auditor position as a template.

MR. ANDERSON: Yeah. I think that refers to staggering the tenure of the position so that they would span across Administrations so that you'd have some continuity within that position and you, you know, you wouldn't lose any of the benefit or the focus or the experience or knowledge of what was going on. So with the State system it spans the Administration terms.

COUNCILMEMBER KAHO`OHALAHALA: Okay. Considering that we, Chair, are on a...

CHAIR PONTANILLA: Yeah. Let me expound on this. Because the legislative area, none of the employees are civil service and all of the employees are approved by this Council for all of their positions. And in this area I think what we need to do is to have Mr. Fukuoka give us some idea in regards to what Mr. Anderson is saying that, you know, we get this overlap. Because, you know, all of us are elected officials we got to somehow ensure that there's that continuity from one Council to the next Council. So that's something that we need to bring up with Mr. Fukuoka on how do we handle this continuity issue like Mr. Anderson has just, you know, brought forward to us. So...

VICE-CHAIR MATEO: Chairman?

CHAIR PONTANILLA: Mr. Mateo?

VICE-CHAIR MATEO: Chairman, thank you. And in terms of the audit position with Office of Council Services, that particular position they've already gone through an interview process and they're looking forward to a final selection process. The, you know, as, as mentioned earlier, the requirements involved accounting and bookkeeping skills which tells us that the direction that this particular position is going to look into is more a financial picture. The recommendation from the commission strongly recommends an operational audit which in fact differs to a degree in looking at the process versus expenditures and accountability. So I think for us with the Office of Council Services position, you know, I don't know what we're going to do at this point in trying to address the specific recommendation from the commission. Because this commission's recommendation primarily stems or, or looks at the operational

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components, and that in fact, in fact differs from what we're initially looking at, Chairman. Thank you.

CHAIR PONTANILLA: Yeah. Thank you for that information. And again all of these recommendations that we see, that are made by the subcommittees it is my hope that these recommendations go to the responsible area. One is legislative body and then the other one is Administration, to move forward on the recommendations that are made by this commission. You know in previous years, you know, they've come out with a lot of recommendations and I don't think we took actions on those recommendations. So it is my hope that these recommendations as noted by the commission, you know, we take action on the legislative side as well as on the Administration side. And there needs to be follow-up so, and there will be follow up in regards to the reports that are made by the commissioners. So thank you, Mr. Mateo, for that. Mr. Nishiki?

COUNCILMEMBER NISHIKI: No, no. My, my, my answer was given by Danny.

CHAIR PONTANILLA: Okay. Members, any more questions regarding the audit recommendation that is being made by the commission? Member Mateo?

VICE-CHAIR MATEO: Chairman, thank you. If Mr. Anderson can share a little more light in terms of the operational aspects and if you can tell us specifically, you know, how we should be directing the focus of looking at is it process and procedure or is it how it's, how processes are, with County government, you know, nothing is flexible, it's in concrete.

MR. ANDERSON: Right.

VICE-CHAIR MATEO: So can you kind of tell us what the commission was looking at in terms of operational versus financial?

MR. ANDERSON: Sure. Thank you. I, I think to answer your question directly it's a little bit of both where, where there is latitude, and we understand that there are certain processes and procedures that are, that are flexible and some that are not. I think the, the notion is that by having a dedicated position of someone looking at from the outside, you know, how things work and where, where there are opportunities to improve efficiency just, you know, there's a person who gets up every morning and that's what their, you know, that's what their purpose is. So it really provides, you

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know, the County a great resource. For that person to be deployed wherever, you know, there may be an opportunity. So, you know, we didn't, we didn't go as far as to identify which areas within the County system they would be deployed. We just know that, yeah, we believe that, that by having a dedicated operational audit position that we'd be able to, to identify, you know, windfall savings and efficiencies.

VICE-CHAIR MATEO: Thank you. Thank you, Chairman.

CHAIR PONTANILLA: Thank you. Members, any more questions regarding this item? Thank you. And again whatever recommendation that is being brought forth by the Committee will be forwarded to the legislative side as well as the Administration side to take action on the recommendations as made by the Committee. So the next one is the CIP Subcommittee Report.

MR. ANDERSON: Okay. Yeah. In the CIP Subcommittee we, we started by looking at the reports that are produced out of the Director of Finance Office that, which is basically a tracking report that shows all of the outstanding CIP projects. And when we looked through that report we found that there was a large volume of projects there that, that dated, you know, 2004 and earlier, some going back into the '90s that were still showing on the report, still showed encumbered funding. And it was our belief that, that, that seemed a little peculiar to us and that there was an opportunity to, to if nothing else clean up the bookkeeping on those. But there may in fact be some encumbered funds that are not needed anymore that could be reallocated to upcoming or needed capital projects. So as you see in the recommendations there, you know, we, we believe that there are some tools already in place that could easily be leveraged, and if there was, you know, some, some, perhaps some change in releasing funding to departments and making it a prerequisite that they had to clean up their outstanding projects before they get more money. And the other, the other component of this was the Countywide CIP Coordinator which at the time of this writing was not filled, and we understand that if it's not filled it's soon to be filled. So we believe that that individual will be able to, you know, kind of birddog, for lack of a better word, this, this master list of capital projects and, and help all parties concerned tighten it up and, and identify encumbered funds that aren't needed.

CHAIR PONTANILLA: Thank you. Members, any questions for Ms. *[sic]* Anderson? Member Kaho`ohalahala followed by Member Molina.

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COUNCILMEMBER KAHO`OHALAHALA: Thank you, Chair. I would like to go specifically to the, the observation that is talking about reviewing job descriptions at various levels in various departments. There appears to be a lack of specific fiduciary responsibility in the job description. And then you make in your recommendations a statement there that job descriptions should include a fiduciary/financial objective and metric other than merely operating within the budget. So do you want to just share a little bit more about this specific observation and recommendation?

MR. ANDERSON: Yeah. Sure. Thank you. This actually we, this was something that we identified when we were looking through the Department of Personnel Services and the hiring cycle. And when we look, we were looking at job descriptions, at least the ones that we reviewed, you know what we didn't see was any specific defined responsibility for leadership positions to make improvements to financial performance or to aggressively or proactively seek efficiencies or, or savings or to improve their, their areas of responsibility. And we thought that that was an opportunity, you know, maybe system-wide. As we got further into it we, we learned what that process really involves in changing job descriptions and it may border on that world hunger kind of, kind of issue. But we do think that, that there's an opportunity to, to increase the focus of, of, of, you know, financial responsibility and looking for ways to, to be more efficient in general.

COUNCILMEMBER KAHO`OHALAHALA: And your, your recommendation was that it, it be included somehow in the, the --

MR. ANDERSON: In the --

COUNCILMEMBER KAHO`OHALAHALA: --job description.

MR. ANDERSON: --in the job description. In a perfect world it would, yes, and so, you know, everybody would know that that's part of what they are responsible for.

COUNCILMEMBER KAHO`OHALAHALA: And then in your observation then you found that there was a lack of, of that kind of response or...

MR. ANDERSON: There was a lack of specific language in the job descriptions that, that addressed looking for efficiencies or finding ways to save the County money. There was, we didn't really find any of that in specific job description language.

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COUNCILMEMBER KAHO`OHALAHALA: Okay. I'm just trying to go back whether or not your observation was only in the language of the description, job description, or were you actually describing the condition under which you observed?

MR. ANDERSON: It was in the job description only.

COUNCILMEMBER KAHO`OHALAHALA: Okay. Thank you for that clarification.

CHAIR PONTANILLA: Thank you. Just a fast question for Mr. Anderson in regards to, well you're discussing job description. But did the committee take a look at, when you talk about efficiency, goals and objectives that would provide efficiency, have the committee take a look at, you know, something like that?

MR. ANDERSON: No, I don't believe we did. But that's, that's a good follow-up item for us for this year.

CHAIR PONTANILLA: Okay. Good. Thank you. Member Molina?

COUNCILMEMBER MOLINA: Thank you, Chair. Good afternoon, Mr. Anderson. And first of all thank you for all of your hard work and the commission's work on this particular, on these matters. Especially this one, CIP, it's definitely been an ongoing issue for many years, but I certainly agree with a lot of the findings here. How many, do you, just off the top of your head, how many CIP projects have not been completed, I mean, from, cumulatively from all of the departments? Do you have a figure for us you could provide?

MR. ANDERSON: Oh, gosh.

VICE-CHAIR MATEO: I'm just curious.

MR. ANDERSON: I didn't bring the details with me but I, I remember, I don't know, it's, it's dozens, it's dozens. And I think when we added up those predating 2004 it was \$8 million in encumbered funds, so it was, it was a lot. And some, as we talked, you know, to individuals we found some were just administratively had never been closed out, some were in some, you know, stage of partial completion and others were just, you know, we didn't really know why they were still on the list.

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COUNCILMEMBER MOLINA: So part of your assessment was there was just basically no follow-up from some of the departments or...

MR. ANDERSON: Yeah. Well...and conversely to that, that there were some departments that seemed to manage their CIP maybe better than others and that there's an opportunity to export best practices from those departments that, that do a good job, and whether they've got dedicated resources or just somebody who knows, you know, who's, who's focused on it. We're not sure. But certainly an examination within the, within the various departments would uncover that.

COUNCILMEMBER MOLINA: Uh-huh. Okay. And one more question with one of your findings here where it states that department, number two, as a part of the budget process, department heads should be held accountable to close out old projects and provide -- report on unencumbered [*sic*] funds. So can you just kind of give me a more, it sounds somewhat of a strong, it's like a strong statement you're making --

MR. ANDERSON: Yeah.

COUNCILMEMBER MOLINA: --when you say accountable. Can you kind of go into more detail on what you mean by...so, in other words, are you trying to say that there seems to be a lack of accountability on our, some of our department heads?

MR. ANDERSON: Well I guess you could make that connection. I think what, what the spirit behind this comment was that based on the report and we saw that there were outstanding CIP projects dating back into the '90s, clearly every year as part of the budget process there were projects being approved for various departments. So one suggestion might be that before you get this year's approved you need to be accountable to give us an update on where you are with the other ones. And, well, why is that one from 1998 still outstanding? You told us last year it was going to be closed out. What happened? So that would be an example of the, of that accountability. Wherever that should lie, I'm not really sure. But we think, you know, before you get dessert you got to finish your meat. So, you know, if there was that same kind of process with CIP maybe that would be helpful.

COUNCILMEMBER MOLINA: Okay. All right. Well thank you very much for clarifying that comment. Thank you, Mr. Anderson. Thank you, Chair.

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MR. ANDERSON: Thank you.

CHAIR PONTANILLA: Thank you, Member Molina. During your review have you come across any department that had like say a tracking system, like a project management system that tracks a project from start to finish which include spending?

MR. ANDERSON: I don't, I don't recall following it all the way through like that, no. I don't.

CHAIR PONTANILLA: Thank you. Member Medeiros followed by Member Nishiki followed by Member Johnson.

COUNCILMEMBER MEDEIROS: Mahalo, Mr. Chairman. Mr. Anderson, thank you for being here and for the work you, you folks did on these. In your observations and findings you talk about the Countywide CIP Coordinator which up to this point we don't know if it's filled and it's been vacant for a long time. What do you think the relationship should be between the Countywide CIP Coordinator and the departmental CIP coordinators? Because if they work independently we going end up how we are now --

MR. ANDERSON: Right.

COUNCILMEMBER MEDEIROS: --with a lot of uncompleted projects.

MR. ANDERSON: Yeah. I, I appreciate the question. I think, you know, what comes to mind for me is a dotted line reporting structure perhaps where they've got a direct reporting to whoever their direct supervisor is. But they do have to answer to the Countywide CIP Coordinator just someone who's keeping tabs on all the projects would make sense.

COUNCILMEMBER MEDEIROS: Okay. And you did mention that some departments have more effective and efficient CIP processes than others do. So with that observation would it be a recommendation of your commission that there be established policies and procedures to . . . *(end of tape 1A)* . . . standardize how CIP coordinators perform their duties and responsibilities so there would be some kind of standard? Because right now all the CIP coordinators in the departments act independently.

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MR. ANDERSON: Yes, absolutely. And I think it goes back to the best practice import. You know, if there are some good things already, you know, happening we should capture those, build upon those and refine a system that, I agree with you, you know, have it be, you know, system-wide.

COUNCILMEMBER MEDEIROS: Right. Okay. Thank you so much for that responses, Mr. Anderson. Mahalo, Mr. Chairman.

CHAIR PONTANILLA: Thank you. Member Nishiki?

COUNCILMEMBER NISHIKI: . . .*(Inaudible)*. . . Continuing on that question with Mr. Medeiros. What specific department did you find had a effective and efficient CIP process if you can remember that?

MR. ANDERSON: Yeah. Like I said I didn't bring the detail report. I believe the Water Department was one. Yeah. Yeah. I believe that was the, that was one of two.

COUNCILMEMBER NISHIKI: Mr. Chairman, I guess if he didn't bring his homework we could ask him to give that so that maybe we can look at the Water Department or whoever had an outstanding process and at least not model it but at least use that now.

MR. ANDERSON: Right.

COUNCILMEMBER NISHIKI: And you may know, Mr. Chairman, when Mr. Medeiros asked about the CIP Coordinator being vacant, did we envision what Cost of Government's recommendations would be in regards to the responsibilities of the CIP Coordinator?

CHAIR PONTANILLA: I, I do know there's a person that's been selected, and it is my hope that the Administration would look at this CIP Coordinator that reports to the Managing Director as a focal for all of the CIP coordinators. You know like Member Medeiros had indicated we have one, two, three, four, maybe five departments with CIP coordinators. Somebody got to coordinate the work. And if we do have a project management system in place, and I do know one department, Environmental Management, the Wastewater Division, they have had tremendous success in utilizing this project management system. And this system was introduced to the County I believe during the Apana's Administration, and only that one division currently utilizes that particular project management program. But again in regards to the CIP Coordinator that's going to be reporting to

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the Managing Director, because I'm assuming that she oversees all the different departments here in this County. So with, with that, you know, it is my hope that the CIP Coordinator in the Managing Director's office will be the focal in regards to Capital Improvements Projects here in Maui County. We do have quarterly reports that is provided by the Director of Finance to this Council, but the information that is provided, you know, hopefully can be more meaningful for Council Members, you know, for you and I to really understand. Right now, you know, it tells you what the project description, where it is, what is the funding, how much has been spent. But truly, you know, it can be improved in regards to, you know, I asked earlier, start to finish with the expenditures, you know, as we go forward. Right now, you know, really we don't know when projects are being completed. You know, we don't know if it's meeting standards in regards to when we start a project, when we complete and if we're spending according to what we budget. So one of the other issues that, you know, you know, going to be forwarded to the Cost of Government is projects that are, you know, you have lot of change orders that, that, you know, really it's up into the capital improvement dollars for the County of Maui. So we need some oversight on that too. And hopefully the CIP coordinator position will do that for us.

COUNCILMEMBER NISHIKI: Well hopefully the Cost of Government can give some direction as to what the CIP Coordinator should be doing I think would be tantamount in asking this Administration when they do have that warm body. Thank you.

CHAIR PONTANILLA: Thank you. Member Johnson?

COUNCILMEMBER JOHNSON: Yes. Thanks very much for being here, Craig.

MR. ANDERSON: . . . *(Inaudible)* . . .

COUNCILMEMBER JOHNSON: I'm glad to see that you braved the pali and came over. I, I wanted to ask, in fact Chair Pontanilla touched on the issue of change orders, and I was curious to know because as a function of a lot of the project bid awards they'll come in, contractors will come in with a low bid and then all of a sudden the costs just balloon out of control with change orders. And I wondered if you had an opportunity to look at that aspect of our CIP projects and if you had any comment.

MR. ANDERSON: Good to see you as well, Ms. Johnson. We didn't get into that level of detail, but I understand exactly what you're, what you're

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saying, and I know, you know, it's a common practice in our industry that, you know, projects are tracked for, change orders are tracked for... finish cost versus budget. You know and there's, and there's tracking done by department or by division to look at who's got the closest, you know, accuracy ratio between, you know, budget and how much they asked for versus how much it really costs. You know, from a cash flow perspective what are the expectations of each of the projects so the County can forecast that and then just, you know, tracking, when will the project end. So all of those things I think are part and parcel to, you know, the processes that could be looked at in determining, you know, moving forward how we, how we handle it.

COUNCILMEMBER JOHNSON: Yeah. And I, and I really appreciate that 'cause I think you raise very good issues. And when you talk about tracking that leads me to my next question which is in your experience or in other, I don't know have you looked possibly at other jurisdictions who utilize software or particular type of software that integrates each one of the department's CIP projects and then spits out a report that basically gives all the things that you just were speaking about.

MR. ANDERSON: I, I'm, I'm not aware of specific jurisdictions, you know, relative to the County, but I am aware of software being available that will track projects, and it would seem to me that it might be something that this Countywide CIP Coordinator would have at their fingertips to be able to manage all the projects Countywide.

COUNCILMEMBER JOHNSON: Yeah. And, and I believe, I think in one of our last meetings that we had with Public Works, they just purchased a new software tracking system which will help them also to maintain priorities and assign some kind of a, I guess a listing or timeline, integrate those things. So you might as part of your kuleana just look at that, see if it's something that might have applicability. Because for us, you know, we're dealing with different kinds of things here at the Council. We don't...we're not into the micromanaging the Administration.

MR. ANDERSON: Sure.

COUNCILMEMBER JOHNSON: But I think in your situation, even just from your business exposure, from a business perspective if there are other companies or...obviously you deal with multi-million dollar CIP projects all the time. There's got to be something out there that we could apply at government level that would help us to get control of these projects.

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MR. ANDERSON: Right. Absolutely. In addition to what you just mentioned, just the coordination of projects so you're not digging up a road and putting a culvert under a road that you've just repaved, you know, and coordinating projects between departments to make sure that the, the, the, what do I want to say, the, the...

COUNCILMEMBER JOHNSON: Resurfacing or...

MR. ANDERSON: No. But just the, the order of them makes sense --

COUNCILMEMBER JOHNSON: Oh, right.

MR. ANDERSON: --and they were doing the first one first and so forth. So that's also a part of that tracking system that we can get.

COUNCILMEMBER JOHNSON: And, and you don't want to do the work twice because just outside the County building we've seen that happen more times than I care to mention.

MR. ANDERSON: Yeah.

COUNCILMEMBER JOHNSON: So the, the final thing that I, you know, would really like if possible and I don't know if it's something that, you know, you really want to deal with or not. But I think that the communication between departments and it has to do with the last thing that you said, is you don't want to come and see something being dug up or work repeated. If you within the scope of your duties can look at communication, I say interdepartmental, even with, within a department sometimes the people who are doing the actual work may not be communicating everything that they need to communicate to the people above them. And then when you go from Public Works to Planning to, you know, maybe a different department entirely, I don't know how much they really talk. Because when we see what they're telling us it's like, do you guys ever speak with one another? Because things seem to happen in a sort of illogical way which costs us more time and more money over, you know, over whatever many months it is. So --

MR. ANDERSON: Right.

COUNCILMEMBER JOHNSON: --if you could take a look at that I'd really appreciate it because for us one of the things that we had during budget

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was, I guess, an unspoken concern about the roadway resurfacing projects. And we all basically made our concern known because we removed the money from that part of the budget. And my concern is still that we don't get sufficient communication at our level to be able to meet the needs of either the departments or the general public. And if you could give a suggestion or look at how we might facilitate better communication between the various departments and the Council I'd really appreciate it. Because we have e-mails that we send back and forth, then at times we will also be...like right now we're in the mode of you must make a formal request...and it changes over time, sometimes it's pick up the phone and call, other time it's e-mails, now it's back to formal requests. So whatever you can do to help facilitate that dialogue that benefits the public and not have, I guess, too much formality and protocol get into the way of doing our business. You know we don't want to step on the Administration's toes but by the same token we get asked these questions time and time again. Every Member of the Council gets asked in their different district, when is this project coming forward, when is that? So if you could help us in make a constructive suggestion as to how we might more efficiently communicate with the Administration not in an adversarial way but just so that, yeah, we document it but that it's a quick response and turnaround time. 'Cause I can guarantee you there are people on this Council that are still waiting, probably Wayne is still waiting for responses to questions that he had asked in previous terms, and we never seem to get a response and that bothers me. So whatever you can do to help us, I think we'll be able to help our constituents. Thank you.

MR. ANDERSON: Thank you.

CHAIR PONTANILLA: Thank you. Member Molina?

COUNCILMEMBER MOLINA: Thank you, Chair. Mr. Anderson, one of your comments that caught my eye was number five, review process within departments with inventories of equipment, for example, Parks, Public Works, to ensure that asset care and personal responsibility is in place. Can I ask why this comment was made? Was it due because in your findings that there was an unusually high amount of equipment or supplies that was unaccounted for, missing, so forth? Is, is that, was that one of the reasons why this comment was made?

MR. ANDERSON: No. Actually as we looked at, at capital in the context of capital we just wanted to make sure and couldn't within the timeline that we worked with on this report define or determine if there was in fact kind

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of a care and feeding system in place for County assets, fleet, major equipment. You know, is every truck, is every lawnmower, is every weed whipper, is it catalogued. Do we know where it is, when does it, when did it get its last, you know, maintenance and, you know, are they all still where they need to be. And, and we just put that as an actionable item here that, you know, if it doesn't in fact exist we think it should, because that's part of the capital spend or, you know, those are assets for the County and they need to be cared for.

COUNCILMEMBER MOLINA: Okay. So basically it was just a general suggestion or recommendation and not because there's any research finding that there was things missing or unaccounted for?

MR. ANDERSON: No. No.

COUNCILMEMBER MOLINA: Okay. All right. Well I think that's a good standard process to review. And being that money will be tight next budget session, I know under the leadership of Mr. Pontanilla, you know, department heads will be under closer scrutiny with regards to their requests for more funding for...whether it be for equipment or CIP and so forth. So anyway, thank you, Mr. Anderson. Thank you, Chair.

MR. ANDERSON: You're welcome.

CHAIR PONTANILLA: Thank you. So, Mr. Anderson, you know, what Mr. Molina has brought up is very, a very good point in regards to how do we keep our inventory up to date. And, you know, it's something that hopefully that you guys can take a look at, up-keeping inventory for the County of Maui. Because, you know, for instance, vehicles is a big part of this County and really we don't know the inventory at this time so...okay. Members, any more questions? Member Medeiros?

COUNCILMEMBER MEDEIROS: Mahalo, Mr. Chairman. This question I'd like to direct to the Assistant Budget Director, Ms. Kau. The Countywide CIP position that this Council provided and funded, how long has that been vacant?

MS. KAU: I believe the position was established in the last budget cycle. I know that the department had interviewed and offered. The candidate then declined the position and so we had to go out again. The Department of Management had to go out again.

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COUNCILMEMBER MEDEIROS: There was only one candidate for the position?

MS. KAU: They had offered it to the candidate that they felt was best suited for the position, best qualified.

COUNCILMEMBER MEDEIROS: Okay. So there wasn't a panel review of the top two or three candidates?

MS. KAU: There was indeed a panel that reviewed and interviewed all of the candidates.

COUNCILMEMBER MEDEIROS: And so it was reduced down to one to see if that one candidate would accept the position?

MS. KAU: I believe so.

COUNCILMEMBER MEDEIROS: Okay. And, and so can you give us an update of the status of that position?

MS. KAU: I believe that that position will be filled shortly.

COUNCILMEMBER MEDEIROS: Shortly meaning what?

MS. KAU: I believe before the end of the quarter.

COUNCILMEMBER MEDEIROS: Okay. Mr. Anderson, I just wanted to follow up on Member Molina's questioning. Because the Council does not manage the assets, what was your, in, in these reports and in your studies, what was your findings as far as we, we put a lot of capital and money into vehicles and equipment and so forth. So what is your recommendation of a better asset management? Because the Council can't say that, oh, you know, people shouldn't take home vehicles. That's up to the Administration. But it comes down to where the amount of funding for fuel may be reduced so that may, you know, kind of force that. Because, you know, we, we, we think next budget cycle may even be more challenging in finding funding. So did you, did your commission have any strong recommendations for asset management to the Administration?

MR. ANDERSON: Specifically, you know, or more specifically than what we put here, no. Just the, you know, we believe that there's a need to look at it and to develop something to make sure that there's something in place.

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Whether that's, you know, part of the scope of this new Countywide CIP Coordinator, you know, it's certainly something that could on some level be automated, you know, with software to have a tracking of where are the assets, what departments have them, how old are they, what's the replacement cycle, you know, you know. There's certainly some tracking that could be in place but...

COUNCILMEMBER MEDEIROS: Well yeah, I, I know for sure that Public Works Highways Division has a good tracking system for their assets. They, they do have a program that records all of the assets within the Highways Division and their maintenance program and their ages and their replacement cycles. So I, I just, you know, so when looking at asset management, Mr. Anderson, did you speak to directors or to the Administration about what kind of asset management they had in place?

MR. ANDERSON: No, we didn't.

COUNCILMEMBER MEDEIROS: No, you didn't?

MR. ANDERSON: No.

COUNCILMEMBER MEDEIROS: So this was just an observation in general?

MR. ANDERSON: A general recommendation just, you know, as part of the scope of looking at the capital for the County just to make sure that there was a consistent tracking system and, and maintenance oversight, you know, throughout the County.

COUNCILMEMBER MEDEIROS: Oh, I see. Okay. Thank you, Mr. Anderson. Mahalo, Mr. Chairman.

CHAIR PONTANILLA: Thank you. Members, any more questions regarding this area? If not, we go to the next one, Energy Subcommittee report.

MR. ANDERSON: All right. Okay. The Energy Subcommittee...I mean energy is a hot button. Last year as we, you know, had formed our subcommittees is when oil was up at \$160 a barrel. It was on the tip of everybody's lips. We knew that, you know, looking at energy cost was, was a responsible thing for us to be doing. And, and most of the focus of, of our, of our work and our recommendations revolves around the, the two positions, the Energy Coordinator and the Energy Commissioner and looking at how those two positions and individuals work together; what

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the output of their efforts both individually and collectively is as it relates to saving the County money and energy; and where opportunities lie. We met with, with both of these individuals, with Victor Reyes and Kal Kobayashi at our meeting last week to get updates from both of them. And just further to what you have in front of you in print we believe that there's still opportunities for, for improved coordination and efficiency between those, between those two. We'll be reviewing the, their, their presentations to us at our next meeting. But we know that energy will continue to be a focus for the County, and, and these two gentlemen can certainly contribute to, to helping us move forward in that area.

CHAIR PONTANILLA: Thank you. Members, any questions for Mr. Anderson? Member Molina?

COUNCILMEMBER MOLINA: Thank you, Chair. Mr. Anderson, you know in the, the commission's recommendation that a department of energy be formulated, was it factored in that, the, the cost of forming a department was, was, it was well worth the cost to form this separate department in terms of, I guess, the potential outcomes that a department could have long-term benefits for Maui County? Was that taken into consideration, the cost?

MR. ANDERSON: We, we didn't really go that far. We didn't identify what the structure of the department would be or what the cost would be. I think the notion was that if there was a dedicated resources coordinated, you know, that, that, you know, they could be self-funding at a minimum and, and could, you know, could yield windfall benefits beyond that. Just based on, on, you know, what we discovered in speaking with the coordinator and the, and the commissioner.

COUNCILMEMBER MOLINA: Okay.

MR. ANDERSON: Commission.

COUNCILMEMBER MOLINA: So the, did the commission find that what we currently have is not enough to, I guess, achieve the long-term energy objectives, I guess, for the County? Or, I guess well --

MR. ANDERSON: Well...

COUNCILMEMBER MOLINA: --because they, they, it was at their suggestion to the commission that a whole department be formed?

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MR. ANDERSON: Yeah. I think what, what some of our findings were, there's a lot of good work being done but whether it's all being directed and coordinated under a singular point might be where the opportunity lies. There's a lot of well intentioned, hard-working people out there. There's, you know, the Energy Expo from 2007 which is going to meet again two months from now. You know each of those subgroups has their work and these are all volunteers who are passionate about that, and then you've got Mr. Reyes and Mr. Kobayashi. You know so, you know, just the notion is if you had a singular person who is at 60,000 feet kind of looking at what everybody was doing and making sure that we were headed in the right direction and that we weren't overlapping or, or that, you know, that we were focusing our efforts in the right areas that that would be beneficial to look at.

COUNCILMEMBER MOLINA: Okay. All right. Thank you. You know and ultimately the formation of a whole new department will be up to the electorate, you know, in the form of a proposed Charter amendment if that be the case in the future. So anyway but thank you for your findings on this. Thank you, Chair.

CHAIR PONTANILLA: Thank you. Mr. Anderson, I, I see one bullet point that kind of interest me. This is improve the County employees' morale.

MR. ANDERSON: Where does it say, where is that one?

CHAIR PONTANILLA: This is on Page 2 of that report.

MR. ANDERSON: Okay. I'm sorry, I'm not finding it here. It's, it's under Energy Subcommittee?

CHAIR PONTANILLA: Yeah. Page 2 on that report. Bullet...it's a bullet item actually.

UNIDENTIFIED SPEAKER: Number seven.

MR. ANDERSON: Number seven.

COUNCILMEMBER KAHO'OHALAHALA: Second to the last.

CHAIR PONTANILLA: Second to the last one.

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(silence)

MR. ANDERSON: Oh, oh, in the back. Oh, I'm sorry. Got it. Yeah. Improve morale, why not. (laughter)

CHAIR PONTANILLA: No. I'm, I'm just curious because two employees yeah.

MR. ANDERSON: Yeah. Well I think if they work together they'd both be happier maybe but I don't know.

CHAIR PONTANILLA: Okay. I see where you're coming from.

MR. ANDERSON: (laughter)

CHAIR PONTANILLA: Okay.

VICE-CHAIR MATEO: Chairman?

CHAIR PONTANILLA: Member Mateo?

VICE-CHAIR MATEO: Chairman, thank you. Mr. Anderson, in reviewing this particular area itself I really want to thank you for bringing to light one of the County's best kept secrets called the Energy Division. We don't know what they're doing and if we don't know what they're doing, we are those that take a look at the budget process. I don't know how they can be happy because they're not, you know, there's a difference between succeeding and sucking seed. And for a long period of time if we were effective this Chamber would have energy efficient lighting, we would have photovoltaic on top of our roof, we would have a lot of energy efficient, you know, devices to assist us. We haven't gone nowhere. A lot of this is shibai, a lot of it is talk because it is the buzzword. So until we actually get moving and doing things, you know, I need to put my hand in the puka because, you know, it's really hard to see, you know, and especially, you know, I had a hard time, you know, just trying to swallow the recommendation of the creation of an energy division. That one I needed seatbelts to hold me in my seat. But, you know, you had a lot more of an advantage by being able to talk with these two individuals to actually find out what they're doing, something that, that we don't have a clue. So I just wanted to thank you for at least bringing this secret to, you know, the floor, so we have a better understanding that these two individuals are actually doing something. Thank you.

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CHAIR PONTANILLA: Thank you. Member Johnson?

COUNCILMEMBER JOHNSON: Yes. And, and one of the things that I know that the, that has been taking place is we're looking at the use of energy efficient vehicles for fleet purchases or trying to conserve on fuel costs. Were you able to take a look at any of our fleet purchase practices or do any kind of analysis as to cost benefit with regard to alternative energy vehicles?

MR. ANDERSON: No. Not as part of the scope of our subcommittee. Maybe some of the working groups have, have looked at that, but that wasn't anything that we covered in our, in the scope of our work.

COUNCILMEMBER JOHNSON: Yeah. And, and apropos of what Council Chair Mateo has said, I think that's something that before the next budget cycle we need to be looking at it comprehensively and not just in isolation. Because if we have all these funds that are available at the Federal level and we're not accessing them and we're not integrating the practices that are being recommended, even demand side management, we're not being educated. So I, I really think we need to ask some of the questions and I hope that, you know, we can all be on the same page. But I, I thank you. I know energy is, it's sort of like smart growth, it's talked about a lot but not, it doesn't seem that things are being implemented at the rate that you would think they would be implemented given all the advances in technology that we have. What's wrong with this picture? So anyway, I really appreciate it. Thank you.

CHAIR PONTANILLA: Thank you. Members, any more questions regarding this subcommittee report on energy? Member Medeiros.

COUNCILMEMBER MEDEIROS: Mahalo, Mr. Chairman. Mr. Anderson, in the Energy Subcommittee report I've read what the report is about. Did you get apprised of tangible results of the Energy Department?

MR. ANDERSON: Did we get apprised of tangible results of the Energy Department?

COUNCILMEMBER MEDEIROS: What they have done that we can touch or see or...

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MR. ANDERSON: Well the Energy Department, there isn't really one yet, right. So I guess your question is whether the Energy Coordinator or the Energy Commissioner were able to --

COUNCILMEMBER MEDEIROS: Correct.

MR. ANDERSON: --produce that for us. No, I couldn't really point --

COUNCILMEMBER MEDEIROS: No...

MR. ANDERSON: --to a report --

COUNCILMEMBER MEDEIROS: Okay.

MR. ANDERSON: --for you, sir.

COUNCILMEMBER MEDEIROS: I guess that supports our Council Chair's observations then. Thank you.

MR. ANDERSON: Absolutely.

COUNCILMEMBER MEDEIROS: Thank you, Mr. Chair.

CHAIR PONTANILLA: Any more questions on this area? If not, we go to Department of Management Subcommittee report.

MR. ANDERSON: Okay. The Department of Management Subcommittee was focused primarily on looking at the Department of Management structure, all the different moving parts within the Department of Management and the efficiencies or, or roadblocks to efficiency within that, within that area. You know the, the output, you know, briefly or simply stated is that there are, there are a whole host of functions that, that end up under the direction of the, of the Department of Management, some of which we, we clearly believe need to stay and belong there and others that we think, you know, have an opportunity to be looked at and be handled, you know, differently. We, we looked at it from the standpoint of, of "Span of Control" and, and benchmarked, you know, kind of "Span of Control" structures with, with other jurisdictions and other organizations. And from that standpoint alone it would appear that, that the Department of Management has got a lot of hats to wear and a lot of, a lot of, a lot of areas to follow up on. So anyway, that's, that's where we, that's where we went with this and, and how we arrived at our, at our recommendations.

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CHAIR PONTANILLA: Thank you. Members, any ...*(end of tape 1B)*... questions?

COUNCILMEMBER KAHO`OHALAHALA: Chair?

CHAIR PONTANILLA: Member Kaho`ohalahala?

COUNCILMEMBER KAHO`OHALAHALA: Thank you. Under your recommendations, number three, it said consider amending County Charter to provide more management flexibility. Do you want to elaborate on that?

MR. ANDERSON: Do I want to elaborate on that?

COUNCILMEMBER KAHO`OHALAHALA: Uh-huh.

MR. ANDERSON: I really do. (silence) I think, you know, it was really talking about the, you know, the "Span of Control" and, and, and the delegation of duties, you know, how decisions are made, you know, the number of subordinates. You know, I think we also, you know, you know, looked at some of the, the Countywide functions that currently reside under the director or the Managing Director's responsibilities and perhaps looking at a different way to handle that, you know, with, with a department of administration or something. Oh, here it is. (long pause) Oh. Reorganizing County departments requires a County Charter amendment, that's right. So the examination, when we examine the Honolulu Charter, you know, we, we could examine how they handle it and, and maybe evaluate their processes and apply it to, to Maui County. So if we wanted to reorganize the department and, and parse out some of those areas that are currently under the Managing Director's responsibility, to our understanding it would require a Charter amendment and, and by looking at Honolulu's processes there might be some learnings from there that would allow us to, you know, adopt those practices to make it less cumbersome and more efficient here.

COUNCILMEMBER KAHO`OHALAHALA: Okay. I, I guess what I'm trying to get at is what are the specific recommendations that we would be looking at in, in a, in an amendment to a charter, you know, to our Charter so?

MR. ANDERSON: In, in terms of reallocating those duties? Is that...

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COUNCILMEMBER KAHO`OHALAHALA: Okay. I was just trying to get you to specifically tell us, you know, what areas that you believe would be of help in terms of making Charter amendments, yeah, since we are talking about trying to bring more efficiency to the Management Department. So I just thought you had something to offer in terms of specific recommendations for Charter amendments . . .*(inaudible)* . . .

MR. ANDERSON: I think the recommendation was just that, you know, when looking at the, the City of Honolulu those changes don't need to go through such a cumbersome process. So while it is perhaps a Charter amendment requirement to reorganize or reallocate the duties that perhaps we could look at doing it differently as opposed to having it be a Charter amendment. Does that make sense?

COUNCILMEMBER KAHO`OHALAHALA: Okay. I'll take a look carefully at this and then if I have specific questions I'll continue along with that.

MR. ANDERSON: Okay. Perfect. And, and I apologize, Malcolm Findley was our, our subcommittee chair on this, and he's much more versed on this than I am so I apologize that he's not in attendance today --

COUNCILMEMBER KAHO`OHALAHALA: No. No apology . . .*(inaudible)* . . .

MR. ANDERSON: --but I'm sure if he were here he'd, he'd have some...

CHAIR PONTANILLA: You're doing a pretty good job . . .*(inaudible)* . . . So the span of control for the Managing Director is one to 24 as I read it. That's, that's, that's a lot.

MR. ANDERSON: Yeah.

CHAIR PONTANILLA: And on the recommendation add deputy directors with supervising authority, when, when the Committee noted that recommendation, are we talking all the deputy directors in this County or adding a deputy director within the Managing Director's office with that authority?

MR. ANDERSON: Deputy director within the Managing Director's office.

CHAIR PONTANILLA: Okay. Questions, Members?

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COUNCILMEMBER MEDEIROS: Chair?

CHAIR PONTANILLA: Member Medeiros?

COUNCILMEMBER MEDEIROS: Mahalo, Mr. Chairman. So the managing, Department of Management has 24 staff? Is that correct?

MR. ANDERSON: Well no, there are 24 areas that...

COUNCILMEMBER MEDEIROS: Twenty four areas, but it says 24 employees.

MR. ANDERSON: Um...no --

CHAIR PONTANILLA: Actually it's the Department reporting to the Managing Director, the, either the director or Police Chief or Civil Defense.

COUNCILMEMBER MEDEIROS: So all the department directors are reporting --

CHAIR PONTANILLA: Yeah. All the department heads, yeah.

COUNCILMEMBER MEDEIROS: --to the Managing Director --

CHAIR PONTANILLA: Yeah. Along...

COUNCILMEMBER MEDEIROS: --is 24 employees?

CHAIR PONTANILLA: Along with some of the already employees in that particular Managing Director's office.

COUNCILMEMBER MEDEIROS: Okay. Maybe the Assistant Budget Director can tell us how many employees are in the Department of Management? How many staff members?

MS. KAU: I believe there are...directly reporting to the Managing Director would be the First Assistant, then I believe there's another staff member, there's a clerk. MIS directly reports to MD. GIS and Kal Kobayashi, those are --

COUNCILMEMBER MEDEIROS: Okay.

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MS. KAU: --direct reports to the MD.

COUNCILMEMBER MEDEIROS: So my understanding is recently we lost the First Assistant to the Managing Director. Has that position been filled?

MS. KAU: Yes.

COUNCILMEMBER MEDEIROS: Okay. Okay. Thank you for that information. Mahalo, Mr. Chairman.

CHAIR PONTANILLA: Thank you. Member Molina?

COUNCILMEMBER MOLINA: Thank you, Chair. Mr. Anderson, just further expanding on Mr. Pontanilla's question regarding the deputy directors having supervisory responsibilities. Now this is just a, 'cause I'm just reading Page 3 of your report, it is recommended that deputy director positions be created to assist with the management of individual departments. So again we have how many departments under the Managing Director's office? So a deputy director for each of those departments in addition to what those departments already have?

MR. ANDERSON: No.

COUNCILMEMBER MOLINA: Or just adding a, the responsibility of supervisor?

MR. ANDERSON: A supervisory responsibility of one or two deputy directors to, to spread the supervision load and efficiency.

COUNCILMEMBER MOLINA: Oh, okay. Thank you.

MR. ANDERSON: So not one for everyone department.

COUNCILMEMBER MOLINA: Okay. Okay. Thank you for that clarification there. I thought, boy, if we're going to add --

MR. ANDERSON: That's...

COUNCILMEMBER MOLINA: --more positions, whew. It's a lot of money.

MR. ANDERSON: Yeah. With the Cost of Government Commission ...*(inaudible)*...

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COUNCILMEMBER MOLINA: Thank you. Thank you. Yeah. We want to definitely keep costs down.

MR. ANDERSON: We're not here to drive the cost up.

COUNCILMEMBER MOLINA: Okay. Thank you.

MR. ANDERSON: Sorry about that.

COUNCILMEMBER MOLINA: Thank you, Mr. Anderson. Thank you, Chair.

CHAIR PONTANILLA: Thank you. Members, any more questions regarding this particular area? Let's see, the last one is the...

COUNCILMEMBER MEDEIROS: Chair? Chair? Sorry. Just one more question please.

CHAIR PONTANILLA: Member Medeiros?

COUNCILMEMBER MEDEIROS: Mahalo, Mr. Chairman. Assistant Budget Director, are all the staff members assigned under the Department of Management are non-civil service? They're all appointed?

MS. KAU: No.

COUNCILMEMBER MEDEIROS: Some are civil service?

MS. KAU: Yes.

COUNCILMEMBER MEDEIROS: Okay. But you don't know the breakdown?

MS. KAU: You know offhand I'd have to double check. I apologize I don't have my budget details with me.

COUNCILMEMBER MEDEIROS: Okay.

MS. KAU: But they aren't, you know, they're not all appointed.

COUNCILMEMBER MEDEIROS: Okay. Thank you. Thank you, Mr. Chairman.

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CHAIR PONTANILLA: Some of them have return rights, I understand.

MS. KAU: Yes. Thank you, Chair. That is correct.

CHAIR PONTANILLA: Yeah. Okay. Well the last area is the Department of Personnel Services Subcommittee Report.

MR. ANDERSON: Okay. This, this was an area that we, we looked at and again times were a little bit different when we embarked upon this journey. But at the time there were, there was a surplus of open positions. When we looked through the, the payroll records we noticed that there was a large quantity of overtime being paid, and, and we I guess made the assumption that with all those open positions and assuming that those were all necessary positions that there was some percentage of the work that needed to be done that wasn't getting done because there was nobody to do it. So when we dug into it we found that there were, as of a year ago next month there were 320 open positions at that time. Over half of them were, were predated 2007 or from 2007 and, and earlier which means that they were over a year old. So it just, it caused us to ask some questions about the processes and how that was possible. And some of the things that we uncovered had to do with the competitive nature of the marketplace. Some of it was, was wage related. Some of it was the process that's required to, to fill positions with the submission of only five applications at a time to the departments. In some cases as job descriptions or duties or the needs of the function had evolved over time they now maybe necessarily didn't perfectly match with the job description and that process to change those job descriptions is fairly arduous. So there, there were a whole host of issues that we thought needed to be looked at further to, to address that. Having said that I don't know how many open positions are in the County today. My guess is there's more applicants than openings. But anyway at the time this, this was, this was a pretty significant issue we thought.

CHAIR PONTANILLA: Thank you. Members, any questions in regards to this subcommittee report on the Department of Personnel Services? I think the last budget go-around we really scrutinized this one particular area. And I think the Director for that particular Department did some changes to reduce the numbers of vacancies that we had on the books.

MR. ANDERSON: One area to note in our findings, you know, the Police Department has been especially challenged with filling their open positions, and they've really gotten creative and, and in terms of their

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hiring process and they've got a one day turnaround where they'll do, you know, a hire . . . *(inaudible)*. . . kind of a blitz and mass interview a group of candidates at one time to try to expedite the process. And we thought that that was an example of a best practice and, and thinking and drawing a little bit outside the lines. You know for them it was out of necessity but some of the other departments with a lot of openings, you know, may want to look at that and, and look at some of their, their processes.

CHAIR PONTANILLA: Thank you. Members, any more questions for Mr. Anderson at this time? Member Kaho`ohalahala followed by Member Medeiros.

COUNCILMEMBER KAHO`OHALAHALA: Thank you. I was just looking at your recommendations and you don't really address some of what I think what was expressed to the, the Budget Committee as some of the reasons for the slowdown. And a reason was the fact that the departments themselves changed the position descriptions that now engage the Department of Personnel Services in a whole process of having to re-describe the position. So is, is that an area of, of review that you had in terms of how to streamline or become more efficient in that regard?

MR. ANDERSON: We, you know, we're aware that that takes place but it wasn't an area that we dug into specifically. You know we did uncover that, that changing job descriptions is, is a fairly arduous process, because all the jurisdictions have to approve a change, a material change in a job description as we understood it. But I, we didn't, I guess we weren't aware that that was a consistent issue throughout the departments, the changing of, of job duties or changing the job description.

COUNCILMEMBER KAHO`OHALAHALA: Yeah. And I think it came to light only because as we were scrutinizing the specific departments in their position counts and we find vacancies and then we find that some of the vacancies are advancements and movements. So the description of movement is changed, the person filling that now is no longer taking on that position description so it needs to be changed. And then the department is saying now we have to make all of these changes to accommodate the, the department's needs for, for staffing. So the time involved was, it seemed to be part of the, the delay in getting positions filled because of trying to go back and redo all . . . *(inaudible)*. . . So, so it seemed that there was these movements happening within the departments that also drove part of that down to Personnel Services that, which they

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had very little control of it. They're trying to accommodate and they got to start doing it.

MR. ANDERSON: Right.

COUNCILMEMBER KAHO`OHALAHALA: So I just thought that that might be area of review that you might have had. Okay. I guess you didn't take that area into, at least in, into consideration of importance then I guess? That, is that what you're saying?

MR. ANDERSON: Yes.

COUNCILMEMBER KAHO`OHALAHALA: Okay. Okay. Thank you, Chair.

CHAIR PONTANILLA: Yeah. And, and I think looking at observation, findings they kind of touched on that, the second bullet. We found that in some cases positions were not accurately posted, job title listed did not match the actual duties of the job presumably due to the arduous process of changing a job classification or title. And I think that's one of the biggest reasons why positions are not filled on a timely basis by the Department because of those changes as you mentioned, Member Kaho`ohalahala. Member Medeiros?

COUNCILMEMBER MEDEIROS: Mahalo, Mr. Chairman. Mr. Anderson, in your review of the Department of Personnel Services in the organizational structure of the Administration, does this Department come directly under the Mayor or is there some autonomy?

MR. ANDERSON: I think Department of Personnel Services comes under the Civil Service Commission, is that right?

COUNCILMEMBER MEDEIROS: Civil Service Commission? Well that's part of their work but they're a department as described in your report. So, well maybe the Assistant Budget Director, can you tell me in the organizational structure of County Administration if DPS comes under the Mayor as ever other department or does it have some autonomy?

MS. KAU: The Director is appointed and removed by the Salary Commission *[sic]*. Oh, sorry. It's the Civil Service Commission.

COUNCILMEMBER MEDEIROS: It's the Civil Service Commission? Okay. But does the Department answer to the Administration, to the Mayor?

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MS. KAU: I believe so.

COUNCILMEMBER MEDEIROS: But you're not sure?

MS. KAU: I would have to get back to you on that.

COUNCILMEMBER MEDEIROS: Okay. All right. Thank you. Mahalo, Mr. Chair.

CHAIR PONTANILLA: Thank you. Members, any more questions for Mr. Anderson? Member Johnson?

COUNCILMEMBER JOHNSON: I just wanted to find out in regard to one of the areas that we've had a lot of problems in hiring and that's in our professional services like our engineers. I don't know if you examined particular categories or the challenges posed to the Department of Personnel Services in filling those kinds of positions. I know you made a general statement about the wages and, you know, different things of that sort. But did you look specifically at the engineers?

MR. ANDERSON: We didn't look specifically at engineers but it's one of the positions that did come up during our review as one of those that was misaligned with the, the market rate for those positions. So when they were trying to fill a certain level of talent the, I guess the budgeted wage was, was not aligned with what the market...

COUNCILMEMBER JOHNSON: If, if you could even go back, take a look at that one area because that's been one of our biggest reasons for not moving forward with a lot of Capital Improvement Projects and a lot of the services that are requested to move applications along for business and, you know, land use changes, that type of thing. Because I'd really, rather than leave the positions unfilled and continue to have the same problems I'd at least, I'd at least like to know what your recommendation would be as far as asset allocation with those positions.

MR. ANDERSON: Okay.

COUNCILMEMBER JOHNSON: Thank you.

MR. ANDERSON: So just, just if I could clarify. So maybe now in the context of the new economy and the budget direction with the open positions we

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could back and look at the current list of open positions and then look into, you know, why those are still open or, or...

COUNCILMEMBER JOHNSON: Right. Because I think that you're exactly right, that the market conditions have changed and there are many professional engineers on the mainland that are out of work. So I, anything we can do to take advantage of that situation and provide employment but also help our projects move forward. It's really critical because that, you know, with my being Chair of Economic Concerns, that is one of the biggest stumbling blocks we have as to moving forward and stimulating the economy. Because if you can't move forward with your projects, you can pour all the money in the world into projects, but if they're not being implemented because we lack the professional staffing, and particular are engineers, I'd really, I'd really like to move that forward. So I thank you for that, Craig.

CHAIR PONTANILLA: Thank you. Members, any more questions for Mr. Anderson? Member Medeiros?

COUNCILMEMBER MEDEIROS: Mahalo, Mr. Chairman. Mr. Anderson, following up on Member Johnson's questions regarding engineers. And she is correct, you know, we've had a hard time filling those positions. But in your look at that positions you did mention that there was a disparity in, in the salary or the wage that was paid. But also did you look at if a Civil Engineer IV in government and a Civil Engineer IV in private sector had the same responsibilities, duties and workloads and complexity of work?

MR. ANDERSON: No, we didn't. We didn't get into that level of detail.

COUNCILMEMBER MEDEIROS: So, you know, I think to compare salaries without looking at the job requirements may not be very accurate.

MR. ANDERSON: Got it. It's a very good point.

COUNCILMEMBER MEDEIROS: So, yeah, thank you.

MR. ANDERSON: Thank you.

CHAIR PONTANILLA: Thank you. First of all I'd like to thank, you know, Mr. Craig Anderson for being here this afternoon as the Chair for the Cost of Government Commission. I think you guys did a fantastic job on this

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go-around. And like I say, you know, both the legislative bodies, body as well as the Administration, you know, do have work cut out for each of us. Hopefully we can correct some of the things that you guys reported and, and, you know, you know, take lead on your recommendation to improve this County. I'm sure in this fiscal, you're going to do the same thing right? And you're going to come around and like you did the last time to ask, you know, what areas that we want to take a look at?

MR. ANDERSON: Right. I believe we've already transmitted a letter to the Council --

CHAIR PONTANILLA: Oh, okay.

MR. ANDERSON: --asking for recommendations. So in addition to the notes that I've taken here I'm sure I'll get some additional items from you.

CHAIR PONTANILLA: Okay.

MR. ANDERSON: The only caveat off this, we've got whatever, nine months left or eight months left so we'll do the best we can.

CHAIR PONTANILLA: Okay. Thank you. And, again, you know, what Mr. Anderson had done earlier was introduce several of the commission members that took part in this report gathering are here this afternoon. So I'd just like to recognize them, Rebecca Kikumoto, please stand, as well as Bradford Ing. Thank you very much for all of the hard work.

MR. ANDERSON: Yarrow Flower just joined us, she's --

CHAIR PONTANILLA: Oh, I'm sorry.

MR. ANDERSON: --a new addition . . . *(inaudible)* . . .

CHAIR PONTANILLA: And if you could stand please. Thank you for all the hard work that you provided this County in your findings. Thank you again.

MR. ANDERSON: Just one final question if I may?

CHAIR PONTANILLA: Sure.

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MR. ANDERSON: One of our intentions with last year's report was to, was to have it submitted in time for consideration during the budget process, and, and we realize now that we might have missed that window by some number of weeks or so. So what I'd like to learn today is, is when would you like to see this report so that it could be of some meaningful impact on next year's budget cycle? In a perfect world when you would you like to see it?

CHAIR PONTANILLA: Either January, February. We start our budget cycle March 15th.

MR. ANDERSON: Okay.

CHAIR PONTANILLA: So prior to that.

MR. ANDERSON: So . . . *(inaudible)* . . .

COUNCILMEMBER KAHO`OHALAHALA: Well . . . *(inaudible)* . . .

MR. ANDERSON: So...

COUNCILMEMBER KAHO`OHALAHALA: No, Chair, my, my, my thoughts were just about the section on, on the, the Charter amendments. That's not a budget item, that's, you know --

MR. ANDERSON: That's...

COUNCILMEMBER KAHO`OHALAHALA: --a much longer process.

MR. ANDERSON: Sure.

CHAIR PONTANILLA: Yeah, right.

COUNCILMEMBER KAHO`OHALAHALA: So, you know, if, if you were making some very serious recommendations in that regard the timeliness is of importance, yeah.

CHAIR PONTANILLA: Yeah.

MR. ANDERSON: Got it.

CHAIR PONTANILLA: Thank you for that.

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MR. ANDERSON: Okay.

CHAIR PONTANILLA: Okay. Mr. Anderson, thank you again --

MR. ANDERSON: Thank you very much.

CHAIR PONTANILLA: --from the Budget and Finance Committee --

MR. ANDERSON: Thank you all.

CHAIR PONTANILLA: --for doing your report to us.

MR. ANDERSON: Mahalo.

CHAIR PONTANILLA: Thank you. Members, the Chair is going to call for a ten minute recess and then we'll reconvene with CDBG. So this meeting is in recess until 3:10. . . .(*gavel*). . .

RECESS: 2:59 p.m.
RECONVENE: 3:11 p.m.

CHAIR PONTANILLA: . . .(*gavel*). . . The Budget and Finance Committee meeting is now reconvened. Members, before we go into the next item, if there's no objections, the Chair would like to defer --

COUNCILMEMBER JOHNSON: No objections.

CHAIR PONTANILLA: --item BF-11.

COUNCIL MEMBERS: No objections.

ACTION: DEFER pending further discussion.

CHAIR PONTANILLA: Thank you.

ITEM NO. 2: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (C.C. No. 09-12)

CHAIR PONTANILLA: Okay. The, the last item for this afternoon is BF-52 [*sic*], Community Development Block Grant Program.

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COUNCILMEMBER JOHNSON: Two.

COUNCILMEMBER KAHO`OHALAHALA: Two.

COUNCILMEMBER JOHNSON: Two.

CHAIR PONTANILLA: Oh, BF-2.

UNIDENTIFIED SPEAKER: Yeah.

CHAIR PONTANILLA: I was thinking about that bomber.

COUNCIL MEMBERS: (laughter)

COUNCILMEMBER JOHNSON: Oh, B-52.

CHAIR PONTANILLA: The Committee is in receipt of correspondence dated June 30, 2009, from Council Chair Danny A. Mateo, transmitting the Five Year Consolidated Plan Survey. CDBG Coordinator Carol Gentz is here to inform us and provide us with a PowerPoint presentation on the matter and we will, going to take a short recess to bring down the screen and we'll start with Ms. Gentz once the screen is down. So, Members, don't stray. The Chair is going to call for a short recess to bring the screen down. Meeting is in recess. . . .(gavel). . .

RECESS: 3:12 p.m.

RECONVENE: 3:13 p.m.

CHAIR PONTANILLA: . . .(gavel). . . The Budget and Finance Committee meeting is now reconvened. At this time the Chair would like to turn over the meeting to Ms. Carol Gentz. Carol?

MS. GENTZ: (Powerpoint presentation) Thank you and good afternoon, Council, Committee Chair Pontanilla and Committee Members. Today I handed out the CDBG fact sheet which is a brief overview of the program, has some additional information more than I'll be going over this afternoon. In addition we passed out the Community Development Needs table and the Community Development Goals and those, that table and goals are from the current Consolidated Plan.

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The purpose of today's agenda item is to discuss the County's Consolidated Plan as it relates to the CDBG Program and also receive input from the Committee on the priority Community Development Needs as well as the Development Goals.

As brief background, the CDBG Program was created by Title 1 of the Housing and Community Development Act of 1974 so it's a Federal program as you know. And the primary objective is the development of viable communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low- and moderate-income. So that's the important point, low- and moderate-income people need to benefit from projects funded by CDBG.

Now in order for activities to be funded, first all an activity must meet a national objectives, a national objective as outlined in 24 (CFR 570.208) and that's a Federal regulation specific to national objectives. So as we mentioned it principally benefit low- and moderate-income and low- and moderate-income as defined by Section 8 income limits. It needs to principally benefit low and moderate, or aid in the prevention or elimination of slum and blight, or meet a community development need of particular urgency. And the particular urgency most normally relates to national disasters where it has a big impact in the community where it affects the funding level and the health of the community. So normally we fund projects that principally benefit low- and moderate-income people, that's where the vast majority of our projects, that national objective is what is met. Also it must qualify as an eligible activities and some of the eligible activities are outlined in the fact sheet that I handed out and are outlined in the Federal regulations at 570.201 through 207. Also the activity must address a high- or medium-priority community development need and fulfill a community development goal as outlined in the Consolidated Plan. So this Consolidated Plan is very important as to what activities we'll be able to fund in the next five years.

So the Consolidated Plan serves to, as a planning document for the County. It also is a requirement to be submitted to HUD for the Federal funding of this grant. And it's also a strategic plan and it is a management tool. We also have to report to HUD on our progress in relationship to the plan.

So the County's Consolidated Plan addresses four formula grants: the CDBG Grant as well as HOME, Emergency Shelter Grant, and the

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Housing Opportunities for Persons with AIDS. Now the funding for the CDBG is received directly by the County, so this Consolidated Plan is the plan that HUD will look at for how we're going to use the funds because we're receiving the funds directly. The other three formula grants are actually received directly by the State of Hawaii and then is funneled through, passed through to the counties to implement specific projects. So the State is currently also running a parallel process in developing a Con Plan to address these, those last three programs, and that information is included for informational purposes in the County's Consolidated Plan. So what we're talking about today is specifically just the CDBG program since the County receives the funds directly. And that's just what I just said that those three projects are administered by the State.

So right now where we are is that we are in the fifth year of the current Consolidated Plan, and we have submitted the Annual Plan and it's currently being reviewed and approved by HUD. And then we should be receiving final approval in the next week or two, and then we are beginning to prepare our Consolidated Annual Performance and Evaluation Report, and that's our annual report to show what . . . *(end of tape 2A)*. . . progress we've made with the Consolidated Plan. And at the same time we're beginning the Consolidated Plan process and this as mentioned, since projects have to . . . *(inaudible)*. . . meet a need and address a goal, what is included in the Consolidate Plan is going to have a direct effect on what we do over the next five years. And this is where input from the Council can affect what kind of projects we will be funding over the next five years.

So in order to receive input in developing the Consolidated Plan, we specifically need to gather input from the community and specifically from low- and moderate-income people. So we conducted public hearings as outlined and specifically we went to the communities of Hana, Lanai and Molokai since they are low-and moderate-income communities. At least 51 percent of the persons living in those communities are considered low and moderate.

And then also we distributed a, this survey which was sent to the Council, as well as we sent it out to all of the sub-recipients both with current open project, projects and past projects. We e-mailed it to everyone on our contact list so people who approve, appeared at public hearings and people who have expressed interest in the program in the past. We sent it to all the County department directors and deputies, as well as the Maui Non

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Profit Directors Association for distribution to their membership, and it was also posted on the County's website.

Then in addition we have been doing consultation, direct consultations with the Mayor, County directors and deputies, nonprofits who have expressed interest in the CDBG projects, HUD directly, CDBG programs in other counties and we're here today to receive input from the County Council.

Then we've also been reviewing available studies and reports in the community, including the Human Needs Assessment that was conducted by Housing and Human Concerns and Focus Maui Nui, the, and other studies that we have available to us.

So at this point in time, based on the input we've received to date, what has emerged as high priorities are affordable housing, especially rental properties; health facilities; child care facilities; homeless; substance abuse facilities; public safety; and some infrastructure, especially solid waste and water/sewer improvements.

So the Con Plan is currently being drafted, and once it's drafted, we will be publishing a public notice in the paper, and there will be a public hearing and a 30-day public comment period. Then the Consolidated Plan will be submitted to HUD for a review and approval. I believe they have 45 days to review it. And we will not be able to move ahead to identify projects to be funded in Fiscal Year 2011 until that Consolidated Plan has been approved by HUD.

Now for additional information on CDBG, all of the reports are on the County's website under the Mayor's Office, then go to Community Development Block Grant. So you'll see at the bottom the resources. We've got the application packet, that's the last year's packet from 2009, the Annual Action Plan that just ended for, as of June 30, 2009, as well as the CAPER from other previous year and the current Consolidated Plan. So when we draft the Consolidated Plan, it will be available on the website, as well as each of the libraries in the, in the County. So at, that is my brief overview. At this point I will be available for questions and any comments from the Committee.

CHAIR PONTANILLA: Thank you. Members, we're going to take a short break and put up the screen, and we'll have Carol up-front and, Members, if you

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do have questions then we'll, we'll proceed with questions. So this meeting is now in recess. . . .(gavel). . .

RECESS: 3:23 p.m.
RECONVENE: 3:26 p.m.

CHAIR PONTANILLA: . . .(gavel). . . The Budget and Finance Committee meeting is now reconvened. The Chair would like to thank Carol for doing that overhead presentation. And, Members, if you do have questions for Ms. Gentz, Chair would entertain those. Member Mateo?

VICE-CHAIR MATEO: Chairman, thank you very, thank you very much. And, Ms. Gentz, thank you for, thank for the overview. I guess one of my questions would be because one of the, under the overview the primary objective, CDBG is the development of viable communities by providing decent housing as a suitable living environment. That's, that's just one component. And taking that, you know, by itself would CDBG funds also be available for the purchase of lands, so it could be combined with other County sources like affordable housing funds for us to actually have CDBG purchase the land and our funds could be used to actually construct these affordable units?

MS. GENTZ: Yes, land could be purchased with CDBG funds for affordable housing. Then the question would be when the houses are sold to individuals, depending on how the project is setup, if the land is sold with the house, then that money would have to come back to the program as what's called program income and then used for other projects.

VICE-CHAIR MATEO: Even if the people purchasing the property would fall in the, either the low or the moderate?

MS. GENTZ: Right. Uh-huh. Right.

VICE-CHAIR MATEO: So, so how would that work out because CDBG monies is achieving ones of its objectives?

MS. GENTZ: Right. But if you were selling the land and the house to a person there is income, there's a benefit to the individual, and so then that is considered program income and it'd have to revert back.

VICE-CHAIR MATEO: So if you work with a nonprofit where CDBG monies would purchase the lands and the only cost factors would be the home not

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including the land then with a nonprofit? Could that work out with CDBG monies?

MS. GENTZ: If there was some type of leasehold on the land itself, yes, it's a possibility that something could be, a program could be set up to, to take advantage of the CDBG funding.

VICE-CHAIR MATEO: And on this island, on Maui island alone where would be the areas that, you know, we could spend the CDBG funds?

MS. GENTZ: For this type of project?

VICE-CHAIR MATEO: Yeah.

MS. GENTZ: Well if you are benefiting, if you're going to sell the homes only to low- and moderate-income people, people meeting the CDBG income limits then you could construct the project anywhere on Maui, because the, you are benefiting low- and moderate-income people. You could only sell to low- and moderate-income people and then meet that national objective.

VICE-CHAIR MATEO: Do you know what the income criteria is for the moderate-income group?

MS. GENTZ: I don't have it with me. Let's see if I have it in here. I don't have it with me, it's the Section 8 income limit, so I don't have it off the top of my head.

VICE-CHAIR MATEO: So are we talking 80 percent and below or are we talking 50 percent and below median income?

MS. GENTZ: It's a little, it's, Section 8 starts out with 80 percent and then there are some adjustments, so it's 80 percent and below basically.

VICE-CHAIR MATEO: Okay. Thank you. Chairman, I've got other questions but I'll yield and wait my turn again.

CHAIR PONTANILLA: Thank you. Member Nishiki?

COUNCILMEMBER NISHIKI: Similarly when you said that as long these people meet the income criteria, how would it apply to again land purchase and then possibly building a rental using a nonprofit?

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MS. GENTZ: Similarly the, the rental would have to be predominantly for low- and moderate-income people. So you could again build an affordable rental property anywhere in the County because you would only, if you were only benefiting low- and moderate-income people.

COUNCILMEMBER NISHIKI: But in this case because it's rental no money would have to be returned to HUD?

MS. GENTZ: You, well it would actually be, not, the money wouldn't be returned to HUD. It would be returned to CDBG in, at the County level and used for other projects. But any, if there was any substantial profit from that rental then the net profit would have to come back to the CDBG program.

COUNCILMEMBER NISHIKI: Thank you. I'm done.

CHAIR PONTANILLA: Thank you. So in that case let, let, let's say if we on, on the rental, low-income rental, below 80 percent medium income, if we went ahead and just put in the infrastructure, meaning if the building is at certain location we provide the water, sewer, road then no monies will be returned to CDBG, because those infrastructure are already permanent in place?

MS. GENTZ: Again we'd have to look, it's a possibility and it would have to be structured correctly, because like for a street if only low- and moderate-income people were driving on the street then that would qualify. But if it's a major thoroughfare and you couldn't substantiate that only, or the, principally low- and moderate-income people are going on that street then that would be an issue. But there is some opportunities depending on the specific situation where infrastructure could be used to support an affordable housing project.

CHAIR PONTANILLA: And the reason why I bring up that subject is because of, you know, land is available for, to the County which we can provide affordable rental to 80 percent below medium/*sic* income and, you know, the utilization of CDBG monies just to provide infrastructure for that one unit. And that's the reason why for the question so that there are other means of receiving funds to create affordable rentals for this County. So thank you. Members, any more questions? Member Medeiros?

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COUNCILMEMBER MEDEIROS: Yes. Mahalo, Mr. Chairman. Ms. Gentz, now we seeing, you know, the ARRA stimulus funding coming through. Has your program received additional funding or you pretty much remain about the same level?

MS. GENTZ: We are going to be receiving about \$553,000 from, of recovery funds. We have submitted the application, the substantial amendment to HUD, and we should be receiving formal approval any time now. I would say within the next two or three weeks. We've identified two projects, rehabilitation work at the Maui Food Bank and at the J. Walter Cameron Center, specifically Easter Seals facility there. And we hope to have those projects moving in the next couple of months.

COUNCILMEMBER MEDEIROS: Okay. On your Page 12 of your presentation and, and Council Chair Mateo talked about affordable housing. So money is available to purchase land and construct affordable housing but it has to be rentals?

MS. GENTZ: Well, you know, as a Federal program there's always little caveats. CDBG funds cannot be used for the construction of new housing, for-sale housing. It can be used for the purchase of land and for infrastructure. It also could be used and there is some interest in the community for new homeowner, like savings accounts and down payment assistance and things like that. But it cannot be used for new construction.

COUNCILMEMBER MEDEIROS: So you cannot construct affordable housing even if you make it totally rental?

MS. GENTZ: Not with CDBG funds.

COUNCILMEMBER MEDEIROS: I see.

MS. GENTZ: But it can be combined as we've been discussing.

COUNCILMEMBER MEDEIROS: Right.

MS. GENTZ: It could be part of a package but it cannot specifically be used for new construction.

COUNCILMEMBER MEDEIROS: So if money is received from CDBG to purchase land for affordable housing and other funding is provided to

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construct the housing, you could sell the house only but not the land, similar to Hawaiian Homes?

MS. GENTZ: As I mentioned, if you sell the land then the income from the land would come...

COUNCILMEMBER MEDEIROS: No, no. Sell the house only.

MS. GENTZ: If, yeah, if you had some kind of deed restriction on the land that is a possibility.

COUNCILMEMBER MEDEIROS: Okay. And then you also list health facilities, and I'm wondering what are the parameters on health facilities that CDBG funds can help with? And I'm specifically talking about our Hana dialysis facility. Can we apply for money for staff development and salaries? Or can we apply for money for physical improvements to the structure?

MS. GENTZ: CDBG is mostly used for Capital Improvement Projects. In order to qualify for public service or continuing operational funds or operational funds for a project, it needs to be a new service or an expansion of an existing service. So if it's ongoing operating funds for a project CDBG funds cannot be used.

COUNCILMEMBER MEDEIROS: So CDBG funds would be used only for the initial operational startup of a new facility?

MS. GENTZ: Yes, or an expansion of a facility, of a...

COUNCILMEMBER MEDEIROS: Of an existing one?

MS. GENTZ: Of an existing program.

COUNCILMEMBER MEDEIROS: Okay. So you cannot always apply for continuing funding?

MS. GENTZ: No. For example, as an example of where we've funded a public service is the Hana Vocational Training program. It's an existing program but we are funding a new position so that's an expansion of an existing position. We're, we'll only be able to fund that for one year.

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COUNCILMEMBER MEDEIROS: I see. Okay. So some of this listings here are infrastructure like water and sewer improvements, solid waste disposal improvements. So money from CDBG can go to infrastructure?

MS. GENTZ: If it primarily benefits low- and moderate-income people.

COUNCILMEMBER MEDEIROS: Right. Right. Okay. And, and, you know, does areas get qualified in general by the income levels of the people living in that area? Say for Hana I know it qualifies. So you could apply funds like this to solid waste disposal improvements because it is in an area of low- and medium-income?

MS. GENTZ: Right. Hana, Molokai and Lanai are low- and moderate-income communities so infrastructure could be funded in those communities.

COUNCILMEMBER MEDEIROS: Okay. I thank you, Ms. Gentz, appreciate the information. Mahalo, Mr. Chair.

CHAIR PONTANILLA: Thank you. Member Johnson?

COUNCILMEMBER JOHNSON: Yes, Carol, thanks very much for the presentation. Because we're looking at the outline of the priorities and goals, objectives, you know, the things that you received back in response. How many surveys or how many returns are we looking at with regard to I guess the, you know, the, the priority list? Because you've got the survey that's in our binder and I just was curious because when I look at a sampling or I look at are you taking it from completion of this survey combined with public meetings combined with verbal input or, you know, how many responses are we looking at and what are the nature?

MS. GENTZ: We received about 80 responses to the survey and so we will be combining the results of that survey with comments we received in the public hearings, comments we're getting from consultation with the individuals as I outlined in the presentation and, and also those studies that I mentioned. And looking at all of that information in totality and coming up with the goals and the needs in the next consolidated plan.

COUNCILMEMBER JOHNSON: Okay. And so then when you're...I guess when you're looking at this what...I don't recall seeing what the last, and I'm not sure if you can answer it, but when you look at a sampling or you look at input and coming up with a recommendation, you know we always look at that, we look at the numbers, how much input was in the last

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survey, you know, like responses from 100 different people, 200, 500, 1,000?

MS. GENTZ: I don't have that number off the top of my head. But I believe that there were no more than, than the number of responses we got this time.

COUNCILMEMBER JOHNSON: Okay. Yeah 'cause that, that always and it concerns me, Mr. Chair, a little bit only because when you have a very narrow sampling it sometimes tends, if there's a real effort, a lobbying effort whatever that's out there, it sometimes tends to skew what the results are. So when...if I were I guess at the Federal level looking at this it might be helpful if you could just provide what the sampling and if it's from Focus Maui Nui, information from all these different sources. I think the broader it can be the more helpful it is to you and to us and to justify some of the projects that we're doing. But I, I really appreciate it because I know it's not easy to get responses back. You know, people want to do that about as much as they want to have their teeth pulled. So but I really appreciate your effort. Thank you.

MS. GENTZ: Thank you.

CHAIR PONTANILLA: Thank you. I responded.

COUNCILMEMBER JOHNSON: I did too.

CHAIR PONTANILLA: Carol, one fast question. Can we utilize CDBG funds to purchase like furniture, beddings? You know we have a new fire station that's going to be built on Kaunakakai. But I don't know if, you know, the inside to house the fire fighters in regards to beds, lockers, you know, things like that could be purchased with those funds.

MS. GENTZ: Generally equipment is not funded by CDBG. The times when it is again it is for a new service or an expansion of an existing service. So I don't imagine that, like equipping, equipping the fire station would be a high priority although CDBG funds could be used for the construction or rehabilitation of fire stations.

CHAIR PONTANILLA: Thank you. Members, any more questions for Carol? Member Nishiki?

COUNCILMEMBER NISHIKI: In your hard copy, Page 12, the Consolidated Plan Process and it says based on input to date, the following community

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development needs have emerged as high priorities. When I look at the eight bullets there, are they in any way the way the higher, affordable housing was one of the higher ones, the rental especially?

MS. GENTZ: They are not...let me see... I'm kind of comparing different data sets, so they are...and affordable housing was in a different, was a different question. So they're not exactly in the order --

COUNCILMEMBER NISHIKI: Okay.

MS. GENTZ: --in priority order.

COUNCILMEMBER NISHIKI: So when you list all of these eight different bullets here, you're just saying to us that these are areas in which our community needs help in?

MS. GENTZ: They're areas that the community identified were priority needs. Yes.

COUNCILMEMBER NISHIKI: Okay. Thank you.

CHAIR PONTANILLA: Thank you. Member Kaho`ohalahala?

COUNCILMEMBER KAHO`OHALAHALA: Yeah. Thank you, Chair. Carol, you know, I'm looking at the report and looking at when these comments were made, they were made in 2004. And I'm looking at the Lanai meeting that you had seeking comments or input to the, your, your community meetings.

MS. GENTZ: I'm sorry?

COUNCILMEMBER KAHO`OHALAHALA: Your community meetings, Consolidated Plan hearings on Lanai.

MS. GENTZ: Were from 2004?

COUNCILMEMBER KAHO`OHALAHALA: Yeah. They're dated 2004.

MS. GENTZ: There were meetings in 2004. We had additional meetings just in May in 2009. I think you might be looking at the consolidated, the current Consolidated Plan and not the new one.

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COUNCILMEMBER KAHO`OHALAHALA: Oh, okay. Okay. My, my thought was in terms of the community development Lanai is an eligible site you said? Okay.

MS. GENTZ: That's correct.

COUNCILMEMBER KAHO`OHALAHALA: Considering that the, the current condition of the island is that it's a single economy island with a single employer. It makes really, really difficult in these times when the only employer is now laying off everyone. You know so, so what ideas then, you know, can be looked at as potential areas of economic development for a community that's eligible? You know you've got the highest energy costs, you've got some of the highest food costs on an island and you have only a single-employer island. I'm trying to understand how to take advantage of this kind of funding and how to make sure that we're prioritizing. And I'm going to just speak for my resident district which is Lanai to make sure that we're, we're mindful of the current conditions that have changed very drastically over the last few months to the point that now I'm not sure what the specific percentage of unemployment is on the island but it's, it's very high. And people are pretty much hanging in not knowing what they're going to do from day to day. You know so how does, how does CDBG then as a program offer a community that needs some economic development in the current condition that it's, it's in, single owner, single employer almost, in most cases and high energy, high food, high fuel costs?

MS. GENTZ: Economic development activities can be funded by CDBG and it would be, the community would have to develop some kind of program. So we could, in the past we've helped with microenterprise loans. We can help with training. I believe also we could do...help rehabilitate some of the businesses too. But what the important part is, CDBG we don't administer programs so the community would have to develop a program that we could fund. So it would be a matter of the community coming up with some type of, identifying what project would help the community.

COUNCILMEMBER KAHO`OHALAHALA: Okay. And then in the situation where ownership of, of land, ownership of buildings, ownership of spaces that are all under the one owner, how do you begin to employ a, a program that needs a little bit more diversification from a single owner, single ownership? So do you consider purchasing land that allows an opportunity to begin that's an economic opportunity, is that something that's available to, to them to, for consideration?

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MS. GENTZ: I'd need to check into that. I'm not, some, you know, that type of program doesn't, you know, come to mind quickly, but I'd have to look into that and see if that was a possibility.

COUNCILMEMBER KAHO`OHALAHALA: Okay. Because right now all, all spaces for any kind of business activity is still owned by a single owner, landowner. So your opportunities are still very restricted in, in that regard. So anyway, these are I think important areas that need to be explored and that's why I'm trying to see what assistance this program might lend to the, the community of Lanai. And then, and then prioritizing them because you do have a process in which you're prioritizing, you know, these. So how do you give consideration for, you know, we've got a three, three-island, four-island County and then we're competing really for funding that's available. And then the prioritization of the funding is, is done with your processes. And then what consideration...so how do you prioritize the condition of one place versus another place in terms of where projects should be given support versus, you know, just generally support ...*(inaudible)*...

MS. GENTZ: Uh-huh. Well, the first thing we need to consider is the Consolidated Plan. And at...the current Consolidated Plan does not give any priority to specific islands or communities. But we do have that priority needs that we talked about and then the goals. So it's important that and really will have an impact on what we fund in how we craft the priorities and the goals specifically. We, this current Consolidated Plan is pretty broad and, you know, the goals, we have 15 or 20 goals, and no way do we enough money to fund all those goals. So I would like to see our goals for the next five years maybe be a little more specific. But once we establish the priority needs and the goals, then it's a matter of who submits an application at this point. And then we have our criteria where we evaluate the proposals that we receive. And so, as I said, the current Consolidated Plan does not prioritize different communities so everyone's...so then currently we evaluate them based on the goal, how they meet a goal and the strength of the proposal.

COUNCILMEMBER KAHO`OHALAHALA: Okay. And I just wanted to also just allow for the fact that while some of the goals may be important and given high consideration the, the needs may vary from one island to another. So they, they may not specifically fit the concentration of where you want projects to be steered, because that's not the highest consideration or concern for one community versus another community.

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So, so that I hope would be taken into consideration so that you're not looking at a "one policy fits all" situation, kind of a scenario.

MS. GENTZ: Uh-huh.

COUNCILMEMBER KAHO`OHALAHALA: Okay. Thank you.

CHAIR PONTANILLA: Thank you. Very good point. Member Mateo?

VICE-CHAIR MATEO: Thank you, Chairman. Ms. Gentz, out of the 80 respondents that, that you recognized were any of these respondents County departments?

MS. GENTZ: To the survey specifically?

VICE-CHAIR MATEO: Yeah.

MS. GENTZ: Yes. There were a couple from departments.

VICE-CHAIR MATEO: And do the departments actually end up submitting applications for projects?

MS. GENTZ: Certainly. Fire often submits them. I've been talking to Environmental Management because they're, we looked a little more closely at some eligible activities and there's some for the, like landfill that we haven't taken advantage of in the past. Police is interested and then Public Works and Parks we've funded projects in those . . . *(end of tape 2B)*. . . areas as well in the past five years.

VICE-CHAIR MATEO: Okay. 'Cause I know more recently it's primarily been the Fire Department that has been coming forward with a lot of requests for a lot of different apparatuses and the like, and it just seems that CDBG funds, Federal monies, you know, I think, I think the County should take full advantage of utilizing these funds. And, and, you know, we do know that the bulk of the funds through CDBG is essentially nonprofit, nonprofit organizations who come through to ask for a good chunk of the money. In reviewing the nonprofit requests, does the Department take a look at double dipping? Going to CDBG for a request for funding, coming to the Council on a line item, going through the GRC for funds, so you've got these multiple pots that nonprofits, you know, sometimes...and I don't know whether they do or not. So I am just assuming and you know what happens when you assume. You know that they do go to the multiple

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pots. So does your Department take a look at, you know, the organization requesting for CDBG funds if it's a nonprofit?

MS. GENTZ: We do look at the total project and where...how they're going to fund the, the project. So we are aware sometimes that they, the nonprofits are applying to other County programs for funding. So we will evaluate that when we're evaluating the proposal. I think in the past we have considered leveraging of CDBG funds with other funds from other programs, and we haven't distinguished whether it was a County, you know, funds or other funds from other sources. We have considered projects that are leveraged strong projects. Where we've got caught, gotten caught in a little bit of a bind is when those other funding streams don't come, they don't receive that funding. And we've had to cancel a couple projects in the last year that haven't been able to move their project forward because they haven't received other funding. So in the current economic conditions it's going to be interesting. We're going to have to look at that even closer and decide whether, you know, is it more advantageous for us, for the program to fund one or fewer projects but fund them fully as opposed to is it really realistic currently for, to expect them to get funding from other sources.

VICE-CHAIR MATEO: Okay. So you do actually take a look at their dependency on the County source especially?

MS. GENTZ: Uh-huh.

VICE-CHAIR MATEO: Thank you. The other question I have is the, the Con Plan, the five-year plan. These economic times, five years is such a long time and because of the economic difficulty, you know, every year needs start to change depending on the, the current situation. How flexible is CDBG to readjust the Con Plan that's been designed for five years?

MS. GENTZ: We can amend the Consolidated Plan so, so there is some flexibility.

VICE-CHAIR MATEO: Does that come through us or that's just something that you and HUD discuss?

MS. GENTZ: At this point in time we haven't done material changes and it hasn't come before the Council, amendments to the Consolidated Plan.

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VICE-CHAIR MATEO: Okay. But you have that flexibility to amend your Con Plan?

MS. GENTZ: Right. If there is an...you know, something that suddenly comes up as a big need or if things change economically, in the economics we could change it, we could make some changes.

VICE-CHAIR MATEO: Thank you. Thank you, Chairman.

CHAIR PONTANILLA: Thank you. Members, any more questions for the Department? Seeing none, the Chair would like to thank Carol for being, Carol Gentz for being here providing us with information regarding the Community Development Block Grant program. That's all we have on the agenda.

COUNCILMEMBER NISHIKI: I got a, I got a question.

CHAIR PONTANILLA: Sure, Mr. Nishiki.

COUNCILMEMBER NISHIKI: Yeah. What is the amount that we normally receive?

MS. GENTZ: Currently we receive 2,072,000 in this current fiscal year.

COUNCILMEMBER NISHIKI: Okay.

MS. GENTZ: It's been about that for the last three or four years.

COUNCILMEMBER NISHIKI: Okay. Thank you, Mr. Chair.

CHAIR PONTANILLA: Thank you. If there's no objections the Chair would like to provide his recommendation to file the correspondence dated June 30, 2009.

COUNCIL MEMBERS: No objections.

ACTION: FILING of correspondence dated June 30, 2009, from Council Chair Mateo, by C.R.

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CHAIR PONTANILLA: Thank you. That's all we have for this afternoon, Members. And is there any announcements? Seeing none, the Budget and...oh, before I close the meeting I'd just like to thank Helene Kau for being here, Carol for being here, our First Deputy Corporation Counsel Traci Fujita Villarosa, as well as our Staff members Yvette and, and Gayle. Thank you. And, Members, thank you for attending this Budget and Finance Committee meeting. The Budget and Finance Committee meeting is now adjourned. . . .(gavel). . .

ADJOURN: 3:58 p.m.

APPROVED:



JOSEPH PONTANILLA, Chair
Budget and Finance Committee

bf:min:090714

Transcribed by: Daniel Schoenbeck

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CERTIFICATE

I, Daniel Schoenbeck, hereby certify that the foregoing represents to the best of my ability, a true and correct transcript of the proceedings. I further certify that I am not in any way concerned with the cause.

DATED the 3rd day of August, 2009, in Pukalani, Hawaii



Daniel Schoenbeck