

**COST OF GOVERNMENT COMMISSION
MINUTES
Kalana O Maui, 9th Floor, Mayor's Conference Room
Thursday, July 8, 2010**

PRESENT: Yarrow Flower, Vice-Chair
Harold Davis, Member
Bradford Ing, Member
Ivan Lay, Member
Jody Yoshida, Member
Rebecca Kikumoto, Member

EXCUSED: Ann Moe, Chair
Norma Barton, Member

STAFF: Shelley Pellegrino, Executive Assistant to the Mayor
Aulani Delatori, Executive Secretary
Kalbert Young, Director of Finance

I. CALL TO ORDER

Vice-Chair Flower called the meeting to order at 9:03 a.m.

II. PUBLIC TESTIMONY

No one was present to give public testimony.

III. REVIEW AND DISCUSS JUNE 10, 2010 MEETING MINUTES

Member Yoshida moved to approve the June 10, 2010 meeting minutes and Member Ing seconded the motion. The motion was approved unanimously.

IV. REVIEW AND DISCUSS CORRESPONDENCE RECEIVED

No correspondence was received for the Commission.

V. INTRODUCTION OF NEW MEMBER FRANK DE REGO

Member Frank De Rego is currently off-island. He will be present for the August 12, 2010 meeting. Vice-Chair Flower stated that the Commission would be introducing Member De Rego at the next meeting.

VI. PRESENTATION OF BUDGET UPDATE BY FINANCE DIRECTOR KALBERT YOUNG

Finance Director Kalbert Young distributed handouts of his presentation to the members. He then presented a budget update, summarizing the annual budgets from fiscal years 2006 thru 2011 and highlighting revenue shortfall issues for 2011.

Director Young also provided an overview of fiscal year 2012 revenue concerns in regards to real property tax, transient accommodations tax, interest income, increased bonds, and carryover savings.

On the expense side of fiscal year 2012, Finance Director identified two areas of concern, which were salaries and fringe benefits.

The Commission then asked some questions of Finance Director Young.

Member Kikumoto asked Mr. Young to explain what he meant about the Commission looking into the salary situation in the County. Mr. Young stated that a previous report by the Commission mentioned negotiated contracts. He opined that because all of the government contracts (HGEA, UPW, SHOPO and FIRE) are going to expire on the same date, July 1, 2011, it would be an opportune time for the COGC to review labor costs.

Mr. Young then talked about some of the economic forecasts he reviewed regularly, including the University of Hawaii Economic Research Organization (UH ERO); Paul Brewbaker, economist at the Bank of Hawaii; Leroy Lainey, economist for First Hawaiian Bank and Hawaii Pacific University; and the Department of Business, Economic Development and Tourism (DBEDT). For larger expenses, his Department reviews U.S. Department of Energy and U.S. Census Data. Mr. Young then shared a portion of the UH ERO article with the Commission regarding tourism and construction on the outer islands.

Mr. Young ended his presentation by stating that because of a lagging effect, County government does not necessarily improve at the same time that the overall economy approves.

Vice-Chair Flower asked Mr. Young about the EUTF and if the county is required to use it. Mr. Young responded that it is required in the sense that there is no alternative.

Vice-Chair Flower thanked Mr. Young for attending the meeting and for his presentation.

VII. DISCUSS SUBCOMMITTEE OBJECTIVES, WORK PLAN, AND TIMELINES

A. Waiehu Golf Course Subcommittee

Member Ing handed out and shared the Subcommittee's Plan of Action (timeline) with Commission members. Member Davis then handed out a draft copy of the survey that the subcommittee plans to make available at the Waiehu Golf Course.

Member Kikumoto asked Mr. Young how much the fee increases were for the golf course in Fiscal Year 2011, which began on July 1, 2010. Member Davis then asked if the increase in fees closed the gap. Mr. Young stated that the fee increased by \$2.00., from \$8.00 to \$10.00. Mr. Young stated that this increase in fees did not close the gap because the golf course for fiscal year 2011 is short by \$670,000. This is a little bit less than last year.

Member Kikumoto asked Mr. Young how the County felt about privatizing the golf course. Mr. Young shared his thoughts with the Commission regarding privatizing the golf course using the Torrey Pines golf course in San Diego as an example.

B. Boards and Commissions Subcommittee

Vice-Chair Flower stated that the Subcommittee is currently in the process of reviewing the boards and commissions information provided to them by Ms. Pellegrino. They also have a spreadsheet which Chair Moe put together that compares all the boards and commissions on Maui with the other islands. They will be using the information to come up with their list of boards and commissions to explore for the report.

Vice-Chair Flower stated that their plan of action is to finalize the list and move forward with meeting staff or commission members. They hope to schedule some interviews before the August meeting.

Vice-Chair Flower asked Mr. Young if he could provide an idea as to the cost involved in running boards and commissions. Mr. Young stated that some boards and commissions do have actual expenses. These expenses include meal allowances for members, travel to Hana or Molokai and Lanai, court reporters, transportation, lodging, and per diems.

Mr. Young stated that the Commission could also recommended increasing the number of boards and commissions that would directly go towards cost of government. He suggested adding another Real Property Tax Board of Review. Finance is currently looking into this area with Corporation Counsel. The Board of Review is established by County Code. At present, the Board of Review has about 4,000 appeals. They are currently meeting twice per month instead of once per month and lasts for the whole day, with the Board hearing about 500 cases per meeting. Adding another board could garner government efficiencies and might be revenue positive for the county.

VIII. DISCUSS CREATION OF ADDITIONAL SUBCOMMITTEES FOR 2010-2011

The Commission had nothing to discuss regarding this. They will ask Members Lay and De Rego at the August meeting which subcommittee they would like to work on.

IX. DETERMINE NEXT MEETING DATE AND AGENDA

The next meeting is scheduled for August 12, 2010 in the Mayor's Conference Room at 9:00 a.m.

Ms. Pellegrino reminded the members of their suggestion at the June meeting that the Managing Director come before the Commission to speak. Members agreed to have Ms. Morrison come to the August 12, 2010 meeting. They would like her to discuss whether the Cost of Government's previous recommendations regarding her department were helpful. They also wanted an overview from her regarding the operations of the Department of Management and any suggestions she may have regarding subcommittee ideas for the annual report.

The meeting adjourned at 11:05 a.m.