

BUDGET AND FINANCE COMMITTEE

Council of the County of Maui

MINUTES

April 28, 2011

Council Chamber, 8th Floor

CONVENE: 9:07 a.m.

PRESENT: Councilmember Joseph Pontanilla, Chair
Councilmember G. Riki Hokama, Vice-Chair
Councilmember Gladys C. Baisa, Member (Out 2:25 p.m.)
Councilmember Robert Carroll, Member
Councilmember Elle Cochran, Member
Councilmember Donald G. Couch, Jr., Member (Out 11:26 a.m.)
Councilmember Danny A. Mateo, Member
Councilmember Michael P. Victorino, Member
Councilmember Mike White, Member (Out 11:26 a.m.)

STAFF: Scott Kaneshina, Legislative Analyst
Michele Yoshimura, Legislative Analyst
Camille Sakamoto, Committee Secretary
Sarah Dyal, Executive Assistant to Councilmember Elle Cochran

ADMIN.: Sananda K. Baz, Budget Director, Office of the Mayor
Lance T. Hiromoto, Director, Department of Personnel Services
Patrick T. Matsui, Deputy Director, Department of Parks and Recreation
Kyle K. Ginoza, Director, Department of Environmental Management
Eric A. Nakagawa, Chief, Wastewater Reclamation Division, Department of Environmental Management
David S. Taylor, Director, Department of Water Supply
Adrienne N. Heely, Deputy Corporation Counsel, Department of the Corporation Counsel

Seated in the gallery:

Eric H. Yamashige, Assistant Chief, Solid Waste Division, Department of Water Supply

Michael M. Miyamoto, Deputy Director, Department of Environmental Management

OTHERS: William D. Tavares, Co-Chair and Co-Founder, Committee For More Equitable Taxation ("COMET")

Paula Newell, Co-Chair, Committee For More Equitable Taxation ("COMET")

Steve Wilson, Maui Aloha Aina Association

Jeanne Skog, President and CEO, Maui Economic Development Board

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PRESS: *Akaku: Maui Community Television, Inc.*

CHAIR PONTANILLA: . . .(*gavel*). . . The Budget and Finance Committee meeting for April 28th is now in session. Time is 9:07. Present this morning we do have Member Carroll.

COUNCILMEMBER CARROLL: Good morning.

CHAIR PONTANILLA: Good morning. Member Baisa.

COUNCILMEMBER BAISA: Good morning.

CHAIR PONTANILLA: Good morning. Member Cochran.

COUNCILMEMBER COCHRAN: Aloha, good morning.

CHAIR PONTANILLA: Good morning. Member Couch.

COUNCILMEMBER COUCH: Morning.

CHAIR PONTANILLA: Good morning. Member Hokama.

VICE-CHAIR HOKAMA: Chairman.

CHAIR PONTANILLA: Good morning. Member Victorino.

COUNCILMEMBER VICTORINO: Aloha and good morning, Chair.

CHAIR PONTANILLA: Good morning. Member White.

COUNCILMEMBER WHITE: Good morning.

CHAIR PONTANILLA: Good morning. And, Chairman Mateo, good morning. From the Administration we do have Adrienne Heely --

MS. HEELY: Good morning.

CHAIR PONTANILLA: --our Corporation Counsel; our Budget Director, Mr. Sandy Baz.

MR. BAZ: Aloha.

CHAIR PONTANILLA: And from Personnel Services, Director Lance Hiromoto.

MR. HIROMOTO: Good morning.

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CHAIR PONTANILLA: Supporting the Committee, again, we do have Scott Kaneshina, Michele Yoshimura, as well as Camille Sakamoto. Members, we have three people signed up for public testimony, but before I take public testimony, I'd just like to remind the Members as well as the people of Maui County in regards to what's happening at the State Legislature. Just to inform you guys that, you know, as far as our Representatives and Senators, they really support the issues that we have here in Maui County. So if you hear anything other than that, you know, both Representatives as well as Senators are really involved in trying to save that TAT for Maui County and other issues that we have in the State Legislature. So I thought I'd make that announcement to ensure that, you know, our folks on Oahu is, you know, supporting us here in Maui County. Members, again we have three people signed up for public testimony, and if every one of us can turn or put our cell phone to the silent mode, Chair will appreciate that. For those that are providing public testimony, you have three minutes to provide your testimony. Chair will give you one minute to conclude. Come forward, speak directly into the mic, state your name, organization that you represent, and, and give your testimony. Once you are done if you can stick around at the lectern, you may have some questions from the Committee Members. So with that, Members, our first testifier, Mr. William Tavares.

ITEM NO. 1: PROPOSED FISCAL YEAR 2012 BUDGET FOR THE COUNTY OF MAUI (C.C. No. 11-80, 11-100, and 11-101)

...BEGIN PUBLIC TESTIMONY...

MR. TAVARES: Good morning.

CHAIR PONTANILLA: Good morning.

MR. TAVARES: Probably the 100th time I've been here. I am Bill Tavares, Co-Chairman, Co-Founder of COMET, the Committee for More Equitable Taxation, 89 years young, not yet the phantom of the Council.

COUNCIL MEMBERS: ...*(Laughter)*...

MR. TAVARES: In the spring of 1988, 23 years ago, a quarter century, a group of four visionary men and one woman established the Executive Committee of COMET when they became alarmed at the rapid rate of increase in the annual assessment of our properties. In our many meetings, we decided on the strategy that we would follow in our passionate determination to reform Maui County's patently cruel, intrinsically immoral property tax system. The founders of this dynamic determined group were Beatrice Kahanu, George Kahanu, Morrow Bagda, Lyle Bettger, and myself. Only George and I are still here. It is my great pleasure to today to announce the appointment as a Co-Chairperson Paula Newell, who is in the audience and who will speak after me, as Co-Chairperson of COMET to replace the late, great activist and property tax expert Tony Fisher who knew I think more about property taxes than any person in this entire State. She is the daughter of the late Lyle Bettger, one of COMET's founders. Lyle, by the way, was a retired

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Hollywood actor who acted in many movies, among them *The Sea Chase* with John Wayne and Lana Turner, early '60s; Carroll [sic] B. DeMille's *Carnival Story* and *The Greatest Show on Earth*. He was also...acted in *Hawaii Five* many times. I want to repeat today some of the statements I have made in the past. Perhaps the most significant one was this, the present property tax system is cruelly unfair and consequently basically immoral and those who defend the system share in that immorality. The County provides us with fire/police protection, warns us about tsunamis, approaching storms, but does very little to protect us or to shield us from a system of taxation that allows a distant sale of a property --

MR. KANESHINA: Three minutes.

MR. TAVARES: --to have a disastrous effect on ones property, miles away, rocketing upwards one assessments...ones assessments and taxes. Each year residents become fearful, particularly in those areas most coveted by the new Vikings--I term I originated--otherwise known as flippers who pillage our coastlines and communities...communities and cause anguish to countless homeowners who hope to continue living on these properties. COMET has not waned in its heroic efforts to secure true property reform for our property tax system for the past 23 years, and we vow, we vow to continue to do so under Paula Newell for the...her leadership for the next 23 years if that is necessary, so help me God. Thank you.

CHAIR PONTANILLA: Thank you, Bill. Members, any questions for the testifier this morning? Seeing none, thank you again for being here.

MR. TAVARES: By the way I just want to say, maybe some of you didn't know, but I survived two heart attacks last November. I never dreamt I would be here speaking again. Thank God I am able to do this again. Thank you very much.

CHAIR PONTANILLA: Thank, thank you, Bill. Nice to see you again. Next testifier is Paula Newell.

MS. NEWELL: Thank you for the opportunity to speak to you today. I would like to introduce myself, my name is Paula Newell, and I stand before you as the new Co-Chairperson of COMET. COMET stands for the Committee for More Equitable Taxation. Its mission is to improve upon the system of property taxation within the County of Maui and develop a better standards that can become equitable. It is an honor to represent this fine committee and to attempt to step into the shoes of the late, great Tony Fisher. It is also an honor because my father Lyle Bettger was one of the five original founders of COMET. Today, Mr. Bill Tavares is with me. He too is one of the original five. Mr. Tavares is perhaps one of the most admirable men living in our community. He has been extremely dedicated to the cause of fairness. I am what you call the second generation of COMET and I'm not going away anytime soon. We also have several new members that have joined our cause and you will meet them very soon in the future. One of my goals is to earn your respect and in turn feel the same from you. This is how the exchange of positive ideas and changes can occur. Those individuals that started COMET were visionaries. I say this because these five citizens, as far back as 23 years ago, saw a terrible injustice blowing in the wind. Property assessments were being unfairly determined and they decided to do

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something. They worked unselfishly wanting only to see an equitable system set up within Maui County. It was because of their efforts that the Circuit Breaker and the \$300,000 Homeowners Exemption came to fruition. There are many, there are many future issues and proposals that COMET would like to discuss; however, today I want to open my first presentation to you on a personal note and this relates directly to property taxes. I want each of you to picture this scenario involving my family here on Maui. If you find yourself honestly answering yes to any of the ending questions that I pose then you need to come onboard with COMET's mission. I'm talking about a piece of property that my family called home. It was located in the Paia-Kuau area. Yes, it was oceanfront and it was truly special. My parents purchased it outright in 1963. Our family lived there for close to 40 years. After losing my parents to aging, I inherited the property. It was hard enough to lose my parents and then the property taxes bills arrived. Now my father passed away in 2003, and at that time, the bill was \$7,500. Each year after that until 2008, when I was finally forced to sell, the tax bill had increased to \$33,000. No changes or improvements had been made since 1986. Now can you justify this yearly assessment during that time? I can't, but I can tell you what happened, speculation and unfair property comparisons. To add salt to the wound, when I met with a County Property Tax official, her response to me was that if I couldn't afford to pay this \$33,000 --

MR. KANESHINA: Three minutes.

MS. NEWELL: --then I couldn't afford to own this property. I was extremely insulted and could not believe how out of touch this office was. This was coming from an office that has approximately six assessors--and I could be wrong on that, maybe it's more now--to handle a workload of over 70,000 parcels to review. There is simply no way that a fair consideration can be conducted in these circumstances. So my two questions to you are, would you have felt that you were being taxed in a non-equitable way? And also, would you decide to take a stand? More than ever we understand the importance of a budget, and if property taxes account for over 50 percent of the General Fund, isn't it critical that each of this...that when this process is done that it's done accurately and fairly? How can any of us that own property here in Maui plan our futures when we don't know even year to year what our largest lifetime investment is going to cost? So basically we're asking for transparency...

MR. KANESHINA: Four minutes.

MS. NEWELL: Thank you. And I guess that's all I can say for right now. I have the rest of it on my paper, and I would be happy to take any questions if anyone has any.

CHAIR PONTANILLA: Thank you, Paula. Yeah, we have your testimony with us --

MS. NEWELL: Thank you.

CHAIR PONTANILLA: --so we can read the rest of the comments --

MS. NEWELL: Okay.

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CHAIR PONTANILLA: --that you wanted to present.

MS. NEWELL: Thank you.

COUNCILMEMBER COCHRAN: Chair?

CHAIR PONTANILLA: Members, any questions for the testifier? Member Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. Thank you, Ms. Newell.

MS. NEWELL: Thank you.

COUNCILMEMBER COCHRAN: Was your land considered kuleana type lands?

MS. NEWELL: I don't believe so. I mean we had owned it for 40 years, but I don't think so, no.

COUNCILMEMBER COCHRAN: I was just curious. Thank you.

MS. NEWELL: Thank you.

CHAIR PONTANILLA: Thank you. Any more questions, Members? Seeing none...oh, Member Baisa?

COUNCILMEMBER BAISA: Yes, thank you very much, Chair. And thank you for coming. It's a pleasure to meet you.

MS. NEWELL: Same as well, thank you.

COUNCILMEMBER BAISA: Nice to see you joining the group that's been with us every year that I've been here and I know long before that.

MS. NEWELL: Thank you. And I'd like to hope and think that my father's here today.

COUNCILMEMBER BAISA: Well who, who knows, right? Very, very assuredly. What I wanted to ask you is I gathered from this that you eventually were...you had to sell in order to, to be able to afford, afford this?

MS. NEWELL: That is correct. We were unable to continue at this accelerated increases, and I really was never able to get any true answer as to why it had increased so much other than the fact that it was oceanfront property and that properties within that North Shore area had sold for exorbitant amounts of money. Which is great for the person that's selling because they get the money, but, you know, it really should be done at the time of the sale that the assessment should

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be redone at that time. That, that's our belief, but it just became too much for me to be able to handle. I could not afford it.

COUNCILMEMBER BAISA: How big was the parcel?

MS. NEWELL: One point one acres, and it was located on Lae Place. It's just to the right of the Buddhist Temple in Paia.

COUNCILMEMBER BAISA: Okay. Well thank you. I have a feeling that we'll be seeing quite a bit of you. You know, we do have some hearings coming up on Real Property Tax. I'm sure you'll be there.

MS. NEWELL: Yes, and we have some specific proposals we would like to be able to discuss and present, too.

COUNCILMEMBER BAISA: Thank you.

CHAIR PONTANILLA: Thank you. Member Carroll?

COUNCILMEMBER CARROLL: Thank you, Chair. You were living on the property?

MS. NEWELL: Yes, I was living on the property.

COUNCILMEMBER CARROLL: And a Circuit Breaker wasn't...you, you couldn't use the Circuit Breaker?

MS. NEWELL: We didn't qualify for the...for that unfortunately, so...

COUNCILMEMBER CARROLL: You...that was your residence? Your residence?

MS. NEWELL: Yes. But then I did finally buy some property in Haiku and moved up into there until the other place was sold. We had to actually rent it for a short period to try to generate income until the property was sold.

COUNCILMEMBER CARROLL: Well, yeah, then the Circuit Breaker you wouldn't be able to use it.

MS. NEWELL: Yes.

COUNCILMEMBER CARROLL: Thank you.

MS. NEWELL: Thank you.

CHAIR PONTANILLA: Thank you. Members, any more questions for the testifier? Member Couch?

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COUNCILMEMBER COUCH: Thank you. Welcome, welcome to COMET.

MS. NEWELL: Thank you.

COUNCILMEMBER COUCH: That's...good luck, good luck with that. We'll, we'll be talking, I'm sure.

MS. NEWELL: Appreciate it.

COUNCILMEMBER COUCH: So you were living on the house. Did you get the Homeowners Exemption?

MS. NEWELL: Yes, we did get the Homeowners Exemption.

COUNCILMEMBER COUCH: But yet the...2 percent of your adjusted gross income was not --

MS. NEWELL: Yes.

COUNCILMEMBER COUCH: --low enough to bring it down?

MS. NEWELL: Yes.

COUNCILMEMBER COUCH: So the 33,000, did you say on...

MS. NEWELL: Two thousand and eight is when we sold the property, and it had gone almost up to 33,000.

COUNCILMEMBER COUCH: That was after the Homeowners Exemption --

MS. NEWELL: Yes.

COUNCILMEMBER COUCH: --and, and the homeowner rate of 250?

MS. NEWELL: Yes.

COUNCILMEMBER COUCH: Okay, thank you.

MS. NEWELL: Thank you.

CHAIR PONTANILLA: Thank you. Members, more questions? Seeing none, thank you again, Paula.

MS. NEWELL: Thank you.

CHAIR PONTANILLA: Next testifier is Steve Wilson.

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MR. WILSON: Aloha, Council Chair and Council Members. My name is Steve Wilson. I've been farming on Maui for the last 20 years sustainably. In the last seven years, we've held a Body and Soil Conference. That's who I'm here to represent, Maui Aloha Aina Association. We were pleased to have Councilmember Victorino here this year, and, and Councilmember Cochran has been up to the farm and to see what kind of, of, of people that we bring in. We had over 400 people this year for a three-day event, and we've kind of been pigeonholed into a "organic commodity". At all of our events that we've had up there, the...all...many of the other commodities, the Coffee Growers Association, Alex from the Maui, Maui Cattle has been up there taking notes and applying what he has learned. The, the winner of the prestigious coffee award has come to every event and has not only applied what he's learned from the events that we've had up there but also has hired some of the folks that we have brought in so that he can build his farm up to that point. You may ask why this organization? And what's happening now with the cuts that are going on, it's basically cutting our hands and legs off. We'll no longer be able to bring these folks over if these cuts go through. There is no representation. I served on the Maui County Farm Bureau Board and we...I was there, we, we put in Ag in Classroom which is one of the best things that we've done. And then aside from the water issues and, and helping farmers get water, there is no representation for small farms, and that's where Maui Aloha Aina Association comes in and, and takes over. And you ask well, yeah, they're small farms or what they are, but for every dollar that I produce, I'm putting \$8 back into the community if my product is consumed within 100-mile radius. So for every \$125,000 of produce that I produce, I'm putting \$1 million back into the economy of Maui County. There is no other, no other type of manufacturing, mining, whatever, that has that kind of return on your dollar. So I mean if it's about the dollars and cents and, and the strides that we have made over the years, it's just it...you're losing revenue in the County by, by cutting these things off and not allowing us to bring these folks in. My water reduction has been...from when I started, has gone down 60 percent using the...what we've learned --

MR. KANESHINA: Three minutes.

MR. WILSON: --from, what we've learned from the, the things that the, the folks that we have brought in. My fertilizer usage has gone down 75 percent. Most people over-fertilize. All of Kula...our former president, when I served on the Farm Bureau, said, yeah, all the old farms are going out, they're having to sell because their, their lands are depleted and they have to be rebuilt. But if you stay in the status quo where we're at now and just keep doing what you're doing, you're going backwards.

MR. KANESHINA: Four minutes.

MR. WILSON: You need to...I'll, I'll quickly sum it up. If, if you're not going and using the technology that is out there now then you're just going backwards, and it's, it's more financial to the County and the money that it brings in, more so than the effort that we have to do 'cause we don't get paid for anything we do. Thank you.

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CHAIR PONTANILLA: Thank you.

MR. WILSON: And if you have any questions.

CHAIR PONTANILLA: Thank you. Mr. Couch?

COUNCILMEMBER COUCH: Thank you. Thank you, Mr. Wilson, for coming up today. Did you say you had 400 people attend that conference?

MR. WILSON: It was just about 400 on Sunday.

COUNCILMEMBER COUCH: Oh, on, on one day?

MR. WILSON: On one day. Over the period of the conference, there was three...you know, close to a thousand.

COUNCILMEMBER COUCH: And they were all paying customers? The bulk of 'em?

MR. WILSON: I'm not...I can't...I don't have access to that information. There was, there was a lot of people that donated their time and how that kind of thing works --

COUNCILMEMBER COUCH: Okay.

MR. WILSON: --but they, they weren't all paying customers.

COUNCILMEMBER COUCH: Well thank you. Thank you very much.

CHAIR PONTANILLA: Thank you. Any more questions, Members? Member Cochran?

COUNCILMEMBER COCHRAN: Thank you, good to see you. And the Ag in the Classroom, that was done by the Maui County Farm Bureau?

MR. WILSON: That's correct. That's when, when I was on the, on the Farm Bureau Board, that's one of the things that we initiated, and just like any other organization, what made that organization work was the work of one person doing 90 percent of the work. And I'll, I'll...it was Gerry Ross, the same fellow that...credit where credit's due --

COUNCILMEMBER COCHRAN: Kupaa.

MR. WILSON: --the one that, that got the award for the coffee. If it hadn't been for his work, Ag in the Classroom would have just gone down the tubes.

COUNCILMEMBER COCHRAN: Thank you.

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CHAIR PONTANILLA: Thank you.

COUNCILMEMBER COCHRAN: Thank you, Chair.

CHAIR PONTANILLA: Any more questions, Members? Just a quick one from me. Did you give...did, did the Administration give you any reason why your organization, Maui Aloha Aina, wasn't going to be funded?

MR. WILSON: I'm, I'm not quite aware. I, I know that we...the president goes to, to the major...once a year, goes over which doesn't have to be in that budget to, to see these speakers, talk to 'em, bring 'em over. They come, they come unpaid, none of these speakers are paid. All that's paid for is their airfare over, they donate their time. When I was on, on the Board of, of the, of the Maui Farm Bureau, there were other...most of the money of all the commodity groups never got used. I mean there was one...in the, in the years I was there, aside from Maui Aloha Aina, only one commodity group, somebody wanted to go to the mainland and go to a conference and his...and was going to give a report that we never saw but was...that was covered under that and he went. So most of it...the whole time I was there, those, those commodity groups, three-quarters of 'em never used the money. It got shifted around and stuff and that's just how it is. And this, this is one group that I mean we...the work that we do is, is so, so vital to the community, and if it's about dollars and cents, eight to one --

CHAIR PONTANILLA: Thank you.

MR. WILSON: --dollars that, that are, are produced, versus the Obama tax thing they, they got --

CHAIR PONTANILLA: Okay.

MR. WILSON: --74 percent, we're talking 800 percent.

CHAIR PONTANILLA: Okay. Thank you, Mr. Wilson. I think you answered my question. Thanks.

MR. WILSON: Okay. Mahalo, Chair, and mahalo, Council Members.

CHAIR PONTANILLA: Okay, fine. Members, Mr. Wilson was the last person to sign up for public testimony. Is there anyone that want to provide public testimony at this time? If not, Members, if there's no objections, Chair would like to close public testimony.

COUNCIL MEMBERS: No objections.

...END OF PUBLIC TESTIMONY...

CHAIR PONTANILLA: Thank you.

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DEPARTMENT OF PERSONNEL SERVICES

CHAIR PONTANILLA: Okay. Members, this morning...well we're going to be having several departments coming to these Chambers, and they're coming because we requested for them to be here. The first one that is here this morning is Lance Hiromoto, who is the Director of Personnel Services, and basically our interest was in regards to the negotiation that was recently completed with HGEA along with the State of Hawaii and to provide us with some information in regards to the conditions of the proposed...proposal that was approved and ratified by their members. So at this time, I would like to call on Mr. Hiromoto to provide us with an overview. Mr. Hiromoto?

MR. HIROMOTO: Good morning, Chair and good morning, Members of the Budget and Finance Committee. County of Maui employees who are members of HGEA Bargaining Unit 2, Bargaining Unit 3, 4, and 13 voted last week and this past Monday on a new contract proposal and ratified the agreement. And for your information, Bargaining Unit 2 comprises of supervisory employees in blue collar positions. Bargaining Unit 3 comprises of non-supervisory employees in white collar clerical positions. Bargaining Unit 4 consists of supervisory employees in white collar positions, and Bargaining Unit 13 comprises of professional and scientific employees. And HGEA member employees make up approximately one-half of the County's unionized employee population. The details of the agreement that was recently ratified, for example, how it's going to be implemented have yet to be finalized. Staff from the State Department of Human Resource Development with the assistance of the various County Personnel staff are currently working on the contract language and will then be working with HGEA staff on finalizing this contract language. The HGEA contract basically provides for regarding salaries a 5 percent reduction in salaries effective July 1, 2011 to June 30, 2013 with no step movements during this contract period. With regard to health benefits, effective July 1, 2011 and including June 30, 2013, the employer will pay a specific dollar amount equivalent to 50 percent of the final premium rates established by the Employer-Union Trust Fund, EUTF, for the respective health plan including administrative fees. Currently the employer pays 60 percent of the health plan costs and all of the administrative fees. Supplemental time off, effective July 1, 2011 to and including June 30, 2013, employees shall receive six hours per month supplemental time off with pay to be used within this contract period. With regard to duration, the duration of the agreement is effective July 1, 2011 through and including June 30, 2013, so it's a two-year contract. Again the actual contract language is currently being worked on at this time. We are still in negotiations with the United Public Workers Union, with the Hawaii Fire Fighters Association, and with the State of Hawaii Organization of Police Officers. Thank you very much.

CHAIR PONTANILLA: Thank you. I'll start off with Mr. Hokama.

VICE-CHAIR HOKAMA: Mr. Hiromoto, you know, for us, it comes down to the dollars and cents as we prepare the total revenue picture for ourselves. So what, what is the net from this contract that's been ratified? You know, is it plus 5 percent for the County? Is it...which means it's minus 5 percent for the employees? Is it minus 5 percent for the County plus 5 percent for the

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employees? Have you folks figured out in terms of whether...what was gained or lost as far as from a financial perspective for us? Is there a savings for the County?

MR. BAZ: Mr. Chair?

CHAIR PONTANILLA: Go ahead.

MR. BAZ: Good morning, Council Members. So in initial calculations for bargaining...total number of active HGEA employees is 1,167, and the monthly salary or...is 4.2 million, annual salary is about \$50.8 million for those 1,100 employees. So we're approximating a 5 percent across the board reduction to be about \$2.5 million.

VICE-CHAIR HOKAMA: And that's with the calculation of the six hours per month for, for X amount of time of this contract?

MR. BAZ: Yeah. The, the six hours per month is a non-cost item, it...as far as dollar is concerned, it is a cost item for productivity but not for actual dollars.

VICE-CHAIR HOKAMA: So there's no additional cost from this furloughs?

MR. BAZ: No.

VICE-CHAIR HOKAMA: So how do we calculate this since we heard from Mr. Machida yesterday, is this calculated, this additional time, as part of their retirement calculations?

MR. HIROMOTO: Chair?

CHAIR PONTANILLA: Go ahead.

MR. HIROMOTO: I don't...my understanding of the supplemental time off is that they need to use it...employees need to use it within this contract period, so it's...there is an expiration date for this six hours per month. It can accumulate every month, it comes out to nine days a year --

VICE-CHAIR HOKAMA: Right.

MR. HIROMOTO: --but it has to be used before June 30, 2013.

VICE-CHAIR HOKAMA: So as it comes to calculations for our benefits since we dealing with a large amount for, for this year's budget consideration, is that part of retirement calculations in addition to the standard wages and fees we, we currently estimate off of? You were sitting next to Mr. Machida, Mr. Baz. You understand what I'm saying? Is this in addition to what we've been calculated off the normal SR pay or whatever it is?

MR. BAZ: From my understanding, the...

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VICE-CHAIR HOKAMA: Because then it...for us it is a cost item because it's going to impact us when we calculate later on the retirement contribution requirements.

MR. BAZ: And, and again I guess it would be subject to the final language in the contract, but from my understanding the 5 percent across the board reduction would be relative to their retirement so that the, the pay that's calculated for their initial...their eventual retirement would be 5 percent less. Versus the furlough system which was a salary reduction and the...which didn't affect how much was calculated into their retirement. Does that answer your question?

VICE-CHAIR HOKAMA: I think maybe later on someone's going to have to show us how, how this math really works. You know, I mean I understand the, the, the agreement kind of language you have to put forth, but, you know, I'm...I just want to be reassured that we know what we...what we've agreed to and how we're going to pay for what we're agreeing to. That's my concern. Thank you, Chairman.

CHAIR PONTANILLA: Thank you, Mr. Hokama. Mr. Couch? Ms. Cochran?

COUNCILMEMBER COCHRAN: No.

CHAIR PONTANILLA: Ms. Baisa?

COUNCILMEMBER BAISA: No. And I think it's interesting that this is viewed as no cost, no cost increase. What I'm worried about is, yes, it may be an initial no cost increase, but what we saw with the furloughs was that it resulted in additional Premium Pay because when people were not there they had to pay. So I think there is a cost involved but we don't know what it is.

CHAIR PONTANILLA: Thank you.

COUNCILMEMBER BAISA: You know, when I'm not here and it's a job that has to be performed, somebody's going to do it.

CHAIR PONTANILLA: Thank you. I agree. Mr. Carroll? Chairman Mateo?

COUNCILMEMBER MATEO: Yeah. Thank, thank you very much, Mr. Chair. And I, too, I, too, see a cost factor involved here, and I don't know how we, we cannot, cannot see it. And, and like Mr. Hokama, I really would like to see how it actually breaks down into not being a cost item. Mr. Hiromoto, because UPW, Police, and Fire are still negotiating or still, you know, in, in talks, are, are you comfortable enough with this HGEA ratification that because of certain conditions in that particular agreement that the pending negotiations may not have any additional or adverse impacts on this County's budget?

MR. HIROMOTO: I cannot guarantee that it will not impact it, but because we still have UPW out there that we're working with that have other options. I mean they can, they can negotiate with

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us a, a...perhaps a better deal, but then the Governor in accordance with HRS 89...Chapter 89 has, you know, it has half of the votes. So he pretty much controls whether other negotiated contracts are going to be better and whether that in fact would then affect HGEA's ratified contract. So, you know, I cannot guarantee that but, yeah, just cannot guarantee what would happen in the, in the future.

COUNCILMEMBER MATEO: Okay. Well in, in the same token, last fiscal year was a pretty morbid year for both County and State, and yet in the last agreement period, Police and Fire, while everybody was taking a hit and, you know, and a reduction, Police and Fire negotiated for a pay increase. So, you know, I just don't know how to take a look at projecting for our budget, because for this County alone, 1,167 employees under HGEA, you know, does have a direct impact on our ability to pay if we're...we don't appropriate ample in our, in our budget predictions. So, you know, it still is room for concern, and I'm just still worried of taking a look at the other three units still negotiating at this point. So I'll just end there with, you know, I guess sorrow, I guess.

COUNCIL MEMBERS: ...*(Laughter)*...

CHAIR PONTANILLA: Mr. Hiromoto, maybe you can give us an example as far as, you know, what was agreed upon lately and should other unions, you know, that work in government should they have a much better contract. What, what would happen? Simple example.

MR. HIROMOTO: Well the, the simplest example is if another bargaining unit were to negotiate a 4 percent reduction in pay as opposed to a 5 percent reduction in pay which HGEA ratified, then of course my understanding is that HGEA units would have then a 4 percent reduction in pay.

CHAIR PONTANILLA: So it, it, it's going to be always a moving target then?

MR. HIROMOTO: That's correct.

CHAIR PONTANILLA: Yeah. Mr. White?

COUNCILMEMBER WHITE: Therein lies the cost. Could you give me an account of roughly how many of the HGEA positions that are covered by this agreement are such that they need to be replaced if the individual is not on duty? My understanding is it's mostly clerical so they wouldn't necessarily be in positions like an ACO which would have to be, you know, replaced on the nine days of additional time off. But how many of the HGEA positions are you aware of that would need to be replaced on the nine days that they are taking off?

MR. HIROMOTO: I think first of all the nine days that has been negotiated is a little different from the furlough in that the furlough was a set day and everybody took off, whereas this one I am hoping that our supervisors can use their best judgment in scheduling time off just like vacation and not significantly impact overtime costs. So there's a difference between that. With regard to your

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question, I don't know, I'm sure if you speak to the various departments, they, they can give you an idea and they, they may say that all of their employees are irreplaceable, but I don't know.

...*(Laughter)*...

COUNCILMEMBER WHITE: Yeah, that, that could very well be. I think the, you know, to me the, the challenge is the most favored nations being a, a direct cost item, but I think, additionally I think somebody else mentioned the reduction in productivity is also a cost. And I don't know how to, I don't know how to measure that, but my concern is that as we look at the reduction in productivity, it's similar to what we saw during the furloughs where there was, there was some increase in overtime. But to a large degree I don't think any of us really felt a drop in, in services or felt a, a driving concern that the job wasn't getting done. And I'm, and I'm just wondering if, if with this kind of an agreement we're, we're in some ways saying we don't need those people for nine days, which in, in some respect says maybe we don't need that many people. How would you respond to that?

MR. HIROMOTO: Okay. And I think that...I'm hoping that our managers would use their managerial skills and schedule accordingly to minimize the overtime impact on their operations, so I'm just hoping that they do that.

COUNCILMEMBER WHITE: Okay. And, and, Chair, I would, I would like some costing on this that would take into consideration any kind of real costs and projected...I guess there's no way you can project the cost--

CHAIR PONTANILLA: ...*(inaudible)*...

COUNCILMEMBER WHITE: --of a most favored nations clause, so.

CHAIR PONTANILLA: Corporation Counsel?

COUNCILMEMBER WHITE: Thank you, Chair.

MS. HEELY: Chair, and good morning, good morning, Council Members. I just want to explain what the law describes cost items as to be. In Chapter 89, it defines cost items as all items agreed to in the course of collective bargaining that an employer cannot absorb under its customary operating budgetary procedures and that require additional appropriations by its respective legislative body for implementation. And I hope that gives a little bit of clarity, but in terms of number, not so much. And I did have an opportunity to review that 1972 Attorney General opinion that further discussed the definition of cost items, and basically they concluded that where sufficient funds and flexibility available to implement the negotiated items, those items don't require appropriations and therefore are not cost items. So in a nutshell, cost items require a legislative approval and non-cost items do not. But in terms of numbers, why it's...the Committee is asking the right questions, because it's kind of up in the air still.

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COUNCILMEMBER WHITE: Well I guess the question, Chair, is the most favored nation is not a cost right now, but --

CHAIR PONTANILLA: But it may.

COUNCILMEMBER WHITE: --it's clearly, I mean it clearly could be a huge cost.

CHAIR PONTANILLA: Yeah.

COUNCILMEMBER BAISA: Yes.

COUNCILMEMBER WHITE: So anyway, thank you, Chair.

CHAIR PONTANILLA: Thank you. Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you, Chair. I think, Mr. Hiromoto, what I'm concerned with, with the favored nations clause is that all the other unions going to shoot for the minimum 5 percent anyhow, because they're not going to want to be undercut or they're going to look for ways of getting as much as. So there's no incentive now, and that's the...that's my first concern. That's another issue in itself. The other concern is what specifically does this clause hold? Does it hold for medical payments, co-payments, I mean what does it...vacation? So if another bargaining unit doesn't get 5 percent reduction or takes 5 percent but now gets maybe...agrees to more sick leave, more paid sick leave, I don't know, you know, other things that are not dollars...not direct dollars but indirectly they are dollars, that's a cost item, you know. You know, maybe it'll take the, the six hours for this period of time or maybe they'll say I don't want that so don't give us that. Maybe when you look at it, some of the essential workers, like Mr. White mentioned, ACOs and some of those, they'll say that that doesn't make sense for us so we don't want that. So if that's taken out, would HGEA then automatically go back on that and say okay, they didn't get it...I mean they got that, I want the same thing. Is that what this is all about?

MR. HIROMOTO: Member Victorino, that's a good question. That needs to be, that needs to be clarified and we are trying to clarify that. That is, that is one of the questions that we have.

COUNCILMEMBER VICTORINO: I think there's a lot of uncertainty that lays out there, Mr. Hiromoto, and I'm not blaming you, it's just the sign of our times. You know, I think the unions are trying to protect and, and take care of their employees which I have no qualms with that, but on the other side, you gotta be realistic, we are in very austere times. And in the private sector for which many of us work in, we have taken cutbacks and, and reductions, but they're true reductions, you know, we don't close our offices because we took a 5 percent cut. The girls don't stay home another day because of it, they just take 5 percent cut. So, you know, this is a concern I see. You know, I want to, you know, like I said yesterday, I really like the fact that our employees are...our public employees are protected with their retirement, because the private sector has done a very poor job in that respect. And you've seen 'em raid funds and all that, but

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that's another issue. This is one where I'm concerned that once this...and we don't know and we're trying to put dollars here, like Mr. Hokama said, we're trying to figure out cost, but we have no...it's...no way of knowing. And like Mr. Pontanilla said, it's a moving target right now. We have no idea where we're going to end up. So that's the challenge. I mean you come tell us what is happening but really you leave more doubt in my mind than you did answer any questions, and not your fault, again. And how long before we get this ratification...not ratification but finalization of the contract? How long will that take?

MR. HIROMOTO: Member Victorino, are you referring to the HGEA contract or?

COUNCILMEMBER VICTORINO: Yeah, the HGEA, yeah, 'cause that's the only one that's done right now. The final...you said you gotta sit there and HGEA and you folks have to sit down and discuss all the terms and all that and then come out with ...*(inaudible)*... you said finalized contract.

MR. HIROMOTO: Correct.

COUNCILMEMBER VICTORINO: Yeah, okay. When does that occur?

MR. HIROMOTO: There is no deadline for that, but we are currently working on the, the language for just these specific articles in the contract. The rest of the contract, for example, night shift differential or vacation or things like that are not affected, so we are only working on these particular items. So I...and I don't know what the deadline if there is a deadline; however, we're currently working on those.

COUNCILMEMBER VICTORINO: I would assume the deadline should be by July of this year because the contract starts then, right?

MR. HIROMOTO: Correct.

COUNCILMEMBER VICTORINO: I, I would hope, yeah, Mr. Chair, you...and that's the deadline, 'cause I can see you guys in July of 2013, say oh, we finally finalized the contract from 2011. Now I've heard of stuff happening like that and I sure hope it doesn't happen again, because that would be another huge impact coming out of the woodwork. So, Mr. Hiromoto, I know you're doing your best and thank you for the information, but I'm more confused and more worried now than I was when...before you walked in. So I apologize for that. Thank you, Chair.

CHAIR PONTANILLA: Thank you. Mr. Hiromoto, you know, you say that the employees can, you know, accumulate up to two years, right, 18 days. Okay. Right now if you're at your max, you know, you can take 21 days of vacation, 9 days of, you know, this time off with pay, so that's one month. But if an employee, you know, decides to accumulate for 18 days, after the two-year period is over, does he lose the 18 days if he doesn't take it within two years?

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MR. HIROMOTO: Chair, my current understanding is that the employee needs to use the 18 days before June...before July 1, 2013.

CHAIR PONTANILLA: So if he doesn't use it, he lose it?

MR. HIROMOTO: He loses it. It, it has to be used within the contract period.

CHAIR PONTANILLA: But for scheduling purposes, like say if employees decide to take it, like say a department with ten people, they come close to that expiration date and I gotta take it, they all decide to take it. What happens?

MR. HIROMOTO: I would hope that the manager would not put himself into that kind of situation, but the language again has not been...the exact language has not...or the actual language hasn't been developed so it doesn't address that type of situation. But I would hope that the supervisor and the manager would use his skills to make sure that, that situation does not happen.

CHAIR PONTANILLA: So I guess as soon as a contract is written up in proper language, that supervisors as well as managers gonna be apprised of what's in the contract so that those things don't happen?

MR. HIROMOTO: Yes.

COUNCILMEMBER VICTORINO: Chair?

CHAIR PONTANILLA: Okay. Mr. Hokama? I just go continue.

COUNCILMEMBER VICTORINO: Okay.

VICE-CHAIR HOKAMA: Yeah. Yeah, thank you, Mr. Victorino. Chairman, thank you. This is intriguing and I guess maybe that's what someone figured how so you don't have to return to the funding agencies, because their argument, it's a non-cost item, Chair. 'Cause if you go past the so-called contract term then of course you're looking at a potential higher cost for those same days taken at a far future date. But I think for, for our side, you know, for Corp. Counsel and for Mr. Hiromoto, I think our position should be that every new contract is a new cost item. I can see the definition that she shared for existing contracts that we've agreed to and we've also by vote agreed to fund, but every time you get one new contract to me that is new cost item. And I don't know why we don't take that position and why it shouldn't return back to all the councils and...for consideration on a new contract, Chair.

CHAIR PONTANILLA: Thank you. You need a response from...?

VICE-CHAIR HOKAMA: No, I, I think we just need to push our position harder at the table.

CHAIR PONTANILLA: Mr. Couch?

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COUNCILMEMBER COUCH: Thank you. Along those lines, Lance, who does the...who finalizes the contract? Is it you and a couple other people and HGEA side or are you not involved in that?

MR. HIROMOTO: Normally it would be the Chief Executive, so . . . *(inaudible)*. . . the mayors, State would be the Governor or...and the Chief Justice for the courts. They would all sign off on the contract.

COUNCILMEMBER COUCH: I'm sorry, I don't mean who signs it, who actually sits down and hammers out the language?

MR. HIROMOTO: Currently the State Department of Human Resources staff, Labor Relations' staff is drafting language. They send over drafts to us, ask us for our comments, questions, and, and they finalize the draft. They, they take it over to HGEA and work with their staff and their questions, and they hammer out the actual language.

COUNCILMEMBER COUCH: Because I'm, I'm concerned that, that our concerns aren't going to be heard because you're not going to be able to be involved in that process.

MR. HIROMOTO: No, they do send it over for our comments.

COUNCILMEMBER COUCH: After the fact, I know how that...

MR. HIROMOTO: No, not after the fact.

COUNCILMEMBER COUCH: Well I mean after...

MR. HIROMOTO: During the process.

COUNCILMEMBER COUCH: Right, okay. I'm wondering if we can put any kind of language preventing this banking of the 18 days, because that will have a devastating effect if everybody says...you know, you can't...unless you, unless you have something that the managers can stand by and saying look, I can't give you all the 18 days, the last 18 days of the two years. The managers may not be able to say, look you have, you have to go...you have to take one of your days today or this month or whatever. There's...we need some language in there to prevent that 18-day thing, 'cause that's just a nice big swell of non-work for...18 days essentially is three weeks. Right? Eighteen working days is three weeks. If everybody wants to take it at the last three weeks of July...or June in 2013, we're in big trouble, and there...we have to have something. I, I have a really strong concern about that, so is there any way you can get that before they start final...or I mean before they send their draft? We really need to, to take a look at that.

MR. HIROMOTO: Member Couch, the, the, the language that I saw with regard to that supplemental time off did say that it had to be used within the contract period which ends on June 30, 2013.

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COUNCILMEMBER COUCH: Right. That's...

MR. HIROMOTO: But...

COUNCILMEMBER COUCH: Yeah, that's not enough. That is not enough.

CHAIR PONTANILLA: That's scary.

COUNCILMEMBER COUCH: Yeah, that's very scary. And the other part with the non-favored...or favored nation status, if for instance the Fire Department gets 4 percent cut but they don't take the 9 days, does that mean HGEA will...if they take the 4 percent cut they also have to give up the 9 days? I guess that's being a little bit clearer as an example.

MR. HIROMOTO: I'm sorry, could you repeat that?

COUNCILMEMBER COUCH: The Fire Department negotiates a deal that they only take a 4 percent cut, okay, but in that 4 percent cut they don't take the extra 9 days. Now the HGEA says oh, we like the 4 percent because it's less than 5 percent, we'll take that deal. Does that mean they also have to take the part that says no more 9 days? Or can they take the 4 percent and still keep the 9 days? And if so, we need to have that kind of stuff in that contract as well.

MR. HIROMOTO: That, that's the part of the contract we...part of the agreement or...that we need to clarify, whether you can mix things...mix a combination. Correct?

COUNCILMEMBER COUCH: See I'm just...I hope you understand our deep concern, and I would like to know if at any time that Council can give their input to that as far as at least comments on the, on the language.

MR. BAZ: Yeah. Mr. Chair?

CHAIR PONTANILLA: Go ahead...*(inaudible)*...

MR. BAZ: You know, I've had discussions with Mayor Arakawa regarding this, and, you know, he's discussing on a regular basis with the Council of Mayors. You know, the biggest thing to consider is that the mayors only have half the votes, and our Mayor, we only have, you know, one vote as far as it's concerned with what's going on. And there's a lot of things that we were expressing that this Council is very concerned with as well, that we have pushed for, that we've tried that, you know, information that was told to the mayors is not necessarily what information is out there in the public. And there are some very concerning items to this that we're, we're still trying to work with, and we understand your concerns. As far as it's relevant to this budget, which is why I think the discussion needs to happen, is we don't know. We could budget it to be the 5 percent less and that's how we could, you know, prepare the Fiscal Year two thousand and...excuse me, 2012 Budget or we could not, and that's a decision that, you know, the Council

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and I hope, you know, working with the Administration comes to a conclusion on. But it, it's still very ambiguous. The...not just the favored nation items but, you know, other items in there, other unions. You know, if UPW, SHOPO, and Fire Fighters don't negotiate by, you know, June 10th when you have a Charter-required date to submit this budget up to the Administration, then that's a problem, you know. And, and, and Fiscal Year '12 Budget may have to be amended based on those negotiations in the future. So I, I want to try to, you know, discuss those things as how they're relative to the Fiscal Year '12's Budget.

COUNCILMEMBER COUCH: I agree, and I mean they're, they're very relevant. I, I would hope that prior to even the Mayor having to vote yes or no on this, a lot of this stuff can get hammered out at Lance's level as much as possible, but hopefully you're contacting other counties. I'm sure they, they're aware of this whole thing that could happen, but you never know. You never know that they...that might have gone over their heads, so hopefully you're talking to the other counties and the State. My goodness, if, if the State agrees to this and there is no language in there, can you imagine three and a half weeks at the State level? I mean somebody's got to be thinking about this at a higher level, and, and they've got to put language in there. That's scary. Thank you.

CHAIR PONTANILLA: Thank you. Fast question for Lance in regards to coming back to the 18 days. You know, if someone would or decide to accumulate 18 days of...if you had a bad manager and say I, I don't want to give you this 18 days, can that employee sue the manager as well as the County? How do we make, you know, how do we satisfy that employee?

MR. HIROMOTO: If we had a bad manager, I...see the, the current proposal doesn't have language. For, for example, our vacation language in the contract provides that if an employee at the, you know, at the end of the year accumulates up to the maximum amount and perhaps put in for vacation throughout the year but was denied by the manager...by the department head, the department head at the end of the year can petition the Director of Finance to allow this employee to carry over the excess. That type of language is not currently in this article. All it says is that it has to be used...it must be used before the end of the contract period. So I would suspect then an employee who perhaps was putting in for this type of leave and was being denied the leave and at the end of the contract period had to forfeit the leave, I would suspect that the employee would file a grievance on that. And we'd go through the normal grievance process and, you know, which would culminate if not settled prior in an arbitration for that particular employee.

CHAIR PONTANILLA: So that's the only recourse that that employee would have in regards to not taking...because he was denied?

MR. HIROMOTO: That's what I can see.

CHAIR PONTANILLA: Okay. Member Cochran?

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COUNCILMEMBER COCHRAN: Chair, you know, this is just generalizing but, 'cause the...we don't have any distinct, you know, numbers and all this stuff, and it, and it's just really bothersome and frustrating. First time being here you would think that...I assume this is an ongoing issue where these negotiations happen and the numbers aren't coming down when needed in, in our decision-making process, this and that. I would think by now that something could be worked out to where it's, it's a more user friendly sort of procedure but I guess not. And, and talking about the accumulation of hours and all this stuff, I mean in the private sector hotel business per se where I came from, we all knew we had hours being accumulated, and as mature, intelligent-minded adults, we knew when that time was going to come up and we worked together to take our time...our leaves on the slower periods of the year, this and that. So I think it, it does come down, I don't...I know Admin doesn't want to micromanage, but, you know, these directors need to be held accountable for how their employees or how they're dictating scheduling or what have you. I mean that boils down to excess Premium Pay and, and, and things of that nature. So I really see that there should never be an issue or concern where this happens, ten people wanting to take vacation all at once. How does that kind of stuff occur? I have never seen it happen in 25 years at the hotel and we all have that...we lose, we lose it, if we don't...lose it...use it or, or if we don't, you know, use it kind of idea. So you're aware that your time's ticking and that you need to be using it and we all adjust to one another to be able to accommodate it. So anyways, I don't know, I mean it's just a generalizing of the whole predicament that we get into. So thank you, Chair.

CHAIR PONTANILLA: Thank you. Ms. Baisa?

COUNCILMEMBER BAISA: Oh God, where to begin? First thing was this morning I listened to the Mayor on his radio show, I was driving and this was going on. He did mention and I don't know if this is proprietary information, and if it is then you don't have to answer but if it isn't I'd like to know. He was talking about the HGEA settlement 'cause people were calling in. This person called in and Mayor kind of expressed his concerns, a lot of the concerns we're talking about, but he said that one mayor had agreed. Do we know who that was? He said it wasn't him.

CHAIR PONTANILLA: I can't tell you, but maybe you can tell 'em.

COUNCIL MEMBERS: ...*(Laughter)*...

MR. HIROMOTO: Member Baisa, I...that is proprietary information. We cannot divulge that.

COUNCILMEMBER BAISA: Okay. Well by the process of elimination we know it wasn't Mayor Arakawa, I heard him say it. And I'm very glad that he was one of those people who said no, because this, this agreement really bothers me. It is too ambiguous for us who have to deal with the implementation and the cost. And, you know, I want to say that I heard it said, well we didn't notice too much the furlough days, but I think those of us that were with our nose to the ground when this was happening, we heard all the complaints about the initial days of furlough where services were closed down, people were not served. I think one of the things I remember extremely well was the courts that were so affected, and people had to be held longer than

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24 hours or they had to be released because they couldn't be taken in for grand jury or whatever it was. And we know that park schedules were affected and all kinds of things were affected because of furlough, so there was an impact on furloughs. And I'm happy, you know. I think after a while, after the furloughs first came out, there was a lot of furor over it, but as time went by and I would be in the elevator, I would often hear people say oh, I'm glad it's a furlough day because I've gotten used to it and now I, you know, I have an extra day with my family or I've adjusted my lifestyle so that now I can, you know, have some, some free time. So I think there's two sides to the furloughs. What I'm...want to ask Sandy, Sandy, tell me again, in the budget that we have before us, there is no 5 percent cut for HGEA factored in, so we're going to find some money if this happens allegedly? Is that correct?

MR. BAZ: Yes. When we produced the budget, we eliminated the salary adjustment for the furloughs, so that's why you see the increases in the A Accounts for all the different programs, and we have not, since negotiations started with HGEA or since the ratification, of course, modified that. So...

COUNCILMEMBER BAISA: So at 5 percent reduction for all the HGEA people, how much is that that we have?

MR. BAZ: If we reduce the 5 percent, it'd be approximately \$2.5 million.

COUNCILMEMBER BAISA: Okay. So that is allegedly a savings but, you know, I have my doubts about what kind of saving that's going to be, because the impact on service, you know, really, really bothers me. Because as it was said, you know, it's about productivity, and you can't really do your job when you're not there. You know, I managed a fairly large corporation and we had 300 employees, and when somebody wasn't there, yeah, we'd manage but it does slow down how fast the paper moves. Because most of these people are, you know, clerical types or management types, and stuff does slow down and it does catch up with you. So I am really concerned about this contract. I think the part that drives me totally crazy is this favored nation thing. I had never in all my years of...and, you know, I grew up in a union house so I've been around this from when it began, my father was one of those first ILWU people. I've never heard this favored nation thing. Sandy, I know you sent us a little thing. What exactly does that mean in, in vernacular? Or, Lance, is this common in, in negotiating in Personnel?

MR. HIROMOTO: I've heard...Member Baisa, I've heard that terminology but I've never like used it...experienced it.

COUNCILMEMBER BAISA: You know, I wouldn't mind if we were on the Indian Nation, at least we had the, the casino so we could get the money, but this is kind of, kind of an unusual thing. And I think because we've never seen it, it makes us scared. But anyway, so much for trying to make decisions without information. But again thank you very much. I'm sure it's not easy to sit at that table.

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CHAIR PONTANILLA: It's not. Mr. Baz, what would be the County's savings in regards to the health, health care?

MR. BAZ: That's a little bit harder number to, to pin down because of the 50 percent and the administrative fees being now split 50 percent and all that. From...it looked like from HGEA's projections it would be for Fiscal Year '12, a \$348,000 savings. They did take into account...one of the things...another factor in, in figuring EUTF is that medical expenses, premiums keep going up, right? So even though we may see a savings in only paying 50 percent instead of 60 percent, we're still going to see an increase, and so your savings aren't going to be particular. So approximately 350,000 I'd say it would be.

CHAIR PONTANILLA: Okay. Thank you. Mr. Carroll? Chairman Mateo?

COUNCILMEMBER MATEO: I would just like to hire the individual who threw, you know, favored nation status on the table for consideration, because if he could have gotten it past negotiators who maybe didn't understand the terminology as well, I mean, you know, he can sell sand to the Arabs and I think we should hire him.

CHAIR PONTANILLA: Okay.

MR. BAZ: Mr. Chair?

CHAIR PONTANILLA: Yes?

MR. BAZ: Since Ms. Baisa mentioned it, you know, that...I did look up what favored nation is about and of course there's a Wikipedia thing and all that, but basic definition is a most favored nation clause is a contract provision often used in context of payments for medical care. In health law the clauses are sometimes called equal rate or comparable rate provisions, because they require doctors to let plans match, not beat, any lower reimbursement rate from another insurer. These clauses typically require a provider to give the payer the lowest rate that it gave to any other comparable payer. Payers tend to argue that these clauses are legitimate and a reasonable way to controlling rising health care costs and their impact on premiums. Providers and other opponents argue that they are an anti-competitive and lead to informal provider collusion to create a price floor in the local market. And you can see how that might relate exact opposite to union bargaining negotiations with...

CHAIR PONTANILLA: Thank you. Mr. White?

COUNCILMEMBER WHITE: Well I happened to have a most favored nations agreement with the ILWU, so the, the question in my mind is whether, whether the, whether the union will be able to cherry-pick provisions in other contracts or whether they have to take the whole section that is referred to whether it's wages and, and hours or whatnot. We got into a most favored nations agreement because the union...it was during good times and the union was asking for really, really big raises, so basically we got into it because we said we'll agree to that, but if you then

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bring on a new hotel or go and contract with somebody that's not part of our group a better deal or a lower cost deal, then we can cherry-pick that. So I...that's why I'm so concerned about this because I'm very familiar with it, and, you know, if we have, you know, if we have an agreement in some other sector, I, I need to know whether they could cherry-pick just, just the wage part of the agreement or whether they have to take the whole package. And so I would love to have the Personnel Services Department or somebody in the Administration give us an idea of what, what the breadth of application of that most favored nations clause is. And the other, the other question I have is if...is the agreement something we have, we have to accept as the County Council even if we feel there's a potential cost because the Governor and one mayor accepted it, or as the funding authority does the agreement have to go back to the bargaining table? I think I heard it last time, if one of the six governing or funding bodies denies it, whether it's one of the four councils or the House or the Senate. So can you refresh my memory on that?

CHAIR PONTANILLA: Corporation Counsel?

MS. HEELY: Yes, let me look, look that up. I believe that's in 89-10, where it says that after ratification the administration within ten days have to notify the legislative bodies of any cost items requiring appropriations. And it reads, the State Legislature or the legislative bodies of the counties acting in concert as the case may be may approve or reject the cost items submitted to them as a whole. If the State Legislature or the legislative body of any county rejects any of the cost items submitted to them, all cost items shall...or all cost items submitted shall be returned to the parties for further bargaining. So the question is if...is it a cost item or not? And because it doesn't require additional funding we...I believe it's not a cost item, based on the Attorney General opinion and the definition of cost items in HRS. But...

COUNCILMEMBER WHITE: Would you look into whether the loss of productivity is a cost item and whether a most favored nations that may have a future cost could be calculated into that as a cost item? Thank you, Chair.

CHAIR PONTANILLA: Good point. Thank you. Mr. Victorino?

COUNCILMEMBER VICTORINO: Okay. Couple of quick questions and I guess we've beaten this horse to death and then some and buried it and brought it back up again, so I mean we're really going at it, you know. And, you know, I think we, we need this group as a negotiating team.

UNIDENTIFIED SPEAKER: Yes.

UNIDENTIFIED SPEAKER: Yes.

COUNCILMEMBER VICTORINO: This is a group would negotiate a most favorable nations clause that would take care of all our problems. I know that, I feel confident of that, and this is not a campaign speech, excuse me, Mr. Chair. Excuse me. Two questions I have, you know, you mentioned that these days off, the six hours per month is not a cost item, right? You mentioned that, Mr. Hiromoto, right? You did not mention that? Okay, no. So the six days...the six

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hours--six days, there I go, excuse me--or the 18 days is part of the 5 percent reduction, is that what is...how that is calculated? Explain the six hours then. Thank you.

MR. HIROMOTO: Again we don't have...Member Victorino, again we don't have actual language on that provision; however, the way that I understand it is that every month an employee would earn six hours of what they call supplemental time off that can be accumulated but must be taken before June 30th or by June 30th of 2013. And that roughly come...that does come out to nine days a, a year.

COUNCILMEMBER VICTORINO: A year, 18 days, okay. That, that calculation we got long time ago.

MR. HIROMOTO: Yeah.

COUNCILMEMBER VICTORINO: What I'm asking you is because I've heard this now cost, you got 18 days additional time off in a two-year contract, okay. The best I can say as a businessman and the best I can calculate, that costs me money. And, and you're saying it doesn't cost us anything, why?

MR. HIROMOTO: Well I, I didn't say it didn't cost any money, but I think it does. It, it would cost us money if...through loss of production...productivity for example, which is hard to cost. We would lose...we would incur more cost if we had to replace the person that takes the time off, so I'm hoping that our managers would use their best management skills in preventing that and looking for times when they can allow an employee to take the time off without incurring overtime costs to replace that employee. So that's what I'm, I'm saying with regard to that, those time off.

COUNCILMEMBER VICTORINO: Because I keep hearing it's not a cost item, and yet really it is a cost item.

MR. BAZ: Yeah. Mr. Chair? Our interpretation --

CHAIR PONTANILLA: Mr. Baz?

MR. BAZ: --of it is that, because of the definition in, in HRS 89 and because of the Attorney General's opinion of it being a...a cost item is something that would create additional appropriations by the legislative body, that it's not a cost item. Unless for some reason overtime went so significant that it went beyond what was originally appropriated, and, yeah, then that would be something that we'd have a lot other issues with if it's only six hours a month. But so while we...while I, I, I don't disagree with you as far as that it being a cost item, what our interpretation is from, you know, what Corporation Counsel's saying and, and, you know, what we're looking at, the Attorney General and all that is that it may not require additional appropriations by you, the Council for this item at, at this point.

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COUNCILMEMBER VICTORINO: Well, you know, and another thing, Mr. Chair, maybe we have to go back and ask the Attorney General. Since 1972 the world has changed, and maybe it's time we go back and ask 'em what is a cost item today in our world which is the reality of what we live in? In 1972 things were a lot different. In fact, many of us was still in high school and college. So with that being said, I think that's something I would like to request but I don't know how that goes and I'll, I'll go with that. The next question I have for you, this most favored nation status, how many governmental entities use this? Because you just said medical. Okay, I got that. I'd like to know what other governmental entities if they're out there and, and how they work it...you know, again, I hope somebody looked into this. Because, you know, I would imagine when you explained it, Mr. Baz, you basically covered about medical, medical costs, and, and that said, okay, I could see if this was all based on your medical fees and your medical payments, but we're talking salaries, we're talking time off. What other, what other, you know, please, and if you can't find it out then maybe we put it in writing and get back to us. But I'd like to know what other counties and states did this, you know, 'cause I'd like to know if we're the only ones or --

MR. BAZ: Yeah.

COUNCILMEMBER VICTORINO: --maybe there's other ones that...and they could explain how it works there.

MR. BAZ: Right. Mr. Chair, when we did the research on that, that clause when it --

COUNCILMEMBER VICTORINO: Yes.

MR. BAZ: --first came out, historically it's used...government entities dealing with other government entities, nation to nation, as far as treaties and trade, and that's where the term originated.

COUNCILMEMBER VICTORINO: Okay.

MR. BAZ: As far as use with personnel and union negotiations, I'm not sure of that, and we can dig more if you'd like. But it's up to your direction.

COUNCILMEMBER VICTORINO: Well thank you, Mr. Baz, because your first explanation was just talking about medical costs and all that, and that didn't make a lot of sense because I've always known that was between nations and, and, and states but never between union and governmental entity. So that's what I'm asking.

MR. BAZ: Well as I was...I was trying to express that as it relates to contracts --

COUNCILMEMBER VICTORINO: Yeah, yeah, yeah.

MR. BAZ: --and that was the closest thing I could find to a contract in most favored nation.

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COUNCILMEMBER VICTORINO: Well I thank you, but I think we're interested in hearing is what other government entities use this with unions? Because I'm mean this is intriguing. And if we are the first in the world to do it then I wanna know why we are the first. I like being the leader but sometimes maybe being the leader isn't the way I wanna be at this point. I'm sorry. I just getting carried away, Mr. Chair, I will stop --

CHAIR PONTANILLA: Okay. Thank you.

COUNCILMEMBER VICTORINO: --here and let others ask questions. Thank you, Chair.

CHAIR PONTANILLA: Yeah. Mr. White already know about this. Government is first time. Mr. Hokama?

VICE-CHAIR HOKAMA: Chairman, let me just quickly make my point so that I think for, for Mr. Hiromoto, he can understand why I view it the way I view it, yeah. You...most of us know the general age of our workforce and we always talk about the concern of the baby boomers retirement from the public sector. So I assuming there's a good number of our employees that have already reached what we've allowed by law and, and contracts, 90 days maximum vacation time. Therefore, they're required to take 21 of those earned days, yeah? So 21 days of working time is at least one full month including weekends. Then we pay 13 holidays, okay. Now we're going to give them 9 paid service leave, whatever we want to call it, so that's 43 days in a year, over 2, 2 months of work over...including weekends. So normally the smart employee is going to say I'm going to take the 9 days, I use it or lose it first, then I'm going to try and work off my 21 days, I have to because I've always maxed out my 90 days of vacation. Okay. So that's at least another month. The manager, if they take it all at one time, is going to have to figure out how do I make my rest of my crew produce for one month this absent employee who is required to take vacation. Well maybe I cannot live with it, 'cause you know what, half my section is all people with 90 days or more vacation accrued time already because they're all senior employees. So the only way, they're going to have to ask for that waiver or agreement from Personnel Services with the union to not be penalized 'cause they cannot work off their 21 earned days. So they're going to carry that over so they can take it at another cost item period, which means then I gotta adjust my Health Fund, my Retirement Fund, my OPEB Fund, because it's going to be added to retirement calculations eventually. So how do I not view that as a cost item? Okay. I just going through just one component of what we know from contract and Personnel regarding the parameters of this maximum vacation days. And we're not even counting sick leave yet, Chairman, okay, what they can take for sick leave. So just by this amount of days in a work year that's being impacted, I cannot be convinced yet how this is a non-cost item for me. So, you know, I hope Mr. Hiromoto can say, you know, for, for the Maui guys, this is how they're looking at it, and tell me how to tell them they're wrong in viewing it in this manner. Because I don't have a problem...like we've done in the past, Chairman, an opinion is an opinion. If we need to for protect our interests, let's go to court and get a ruling from a judge. I would rather deal with a ruling than a 40-year-old opinion. Thank you, Chairman.

CHAIR PONTANILLA: Thank you. And that's what the Chair is copying right now. Mr. Couch?

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COUNCILMEMBER COUCH: Thank you. I just remember back when I was in a different life programming computers. You say cost item, here is a cost item. Whether it was positive or negative number it doesn't matter, it's still a cost item. So in my mind even though it's a negative number it's still a cost item, but I don't know how that works with your HRS 89-whatever. Mr. Baz, does this...you know, in our budget you put in some step increases in, in some...you didn't but your departments put in some step increases in some of the positions. Does this affect those? There weren't many, but...

MR. BAZ: Yeah. No, Mr. Chair, we did not include step increases as what's considered step increases for current classified employees. There was reclassifications and there was employees that were hired at different steps than a previous employee was, was...that held that position. So a step change that you see in the Details there most of the time is a new employee that would have been hired at a different step. Some positions were reclassified but that's a different process.

COUNCILMEMBER COUCH: Okay. Good, that's good to know. And you mentioned, you made a comment just I think to Ms. Baisa. You said if we reduce 5 percent. Do you mean...are you saying that you as the Administration don't endorse that or...you used the word if, so I didn't know you had any choice in the matter. It sounds like you do have a choice in the matter.

CHAIR PONTANILLA: Mr. Baz?

MR. BAZ: At this point, we're unsure if we have a choice in the matter, but...and, and also because of the favored nation issue if...what the final outcome is. And the National Labor Relations Board does have a definition for favored nation, and this is the Federal government's National Labor Relations Board is the independent Federal agency created by the act in 1935 to, to work on union issues. Their definition is a clause in a collective bargaining agreement whereby the union agrees that if, if it signs a contract with another employer containing more favorable terms, such terms will automatically apply to the present contract. Sometimes the term is applied where the union only agrees that it will not execute a contract with more favorable terms with another employer, or that the contract is reopened for negotiation if a more favorable clause is granted to another employer. And more towards Mr. White's explanation of, of how it relates to his hotel. But the other discussion item as the Administration is if--the word "if"--if there is a part of the agreement that says up to 5 percent reduction in salaries versus a 5 percent across the board reduction in salaries, that would be a discussion that we would have, the Administration and most likely with you as Council as well, similar to the discussion that happened with furloughs last year. The language in the furlough negotiations was an "up to two furlough days", and the County of Maui chose to submit a one furlough day.

CHAIR PONTANILLA: Thank you. You guys get more questions? Ms. Cochran?

COUNCILMEMBER COCHRAN: No.

CHAIR PONTANILLA: Member Baisa?

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COUNCILMEMBER BAISA: Yes. I've been listening to the discussion about these nine days. According to this agreement, if it's all signed and sealed and goes ahead, where they can say you have to use it by a certain time or you lose it. You know, I find that really interesting because employment law has always considered vacation as earned income. That is why when you quit regardless of what you have, your employer's stuck to pay.

CHAIR PONTANILLA: Right.

COUNCILMEMBER BAISA: So I'm wondering how this is in conflict with standing employment law, and has anybody looked at that? And then my last thing is, it's really interesting because we're a government agency, but if we were in the private sector, any time is looked at as money. Time is money. So no time, no money. There is an impact, I don't care how you look at it. But my question is about the employment law.

CHAIR PONTANILLA: Okay. Thank you. And hopefully Mr. Hiromoto is listening really good.

COUNCIL MEMBERS: . . .*(Laughter)*. . .

CHAIR PONTANILLA: That's one question that I think need to be...

COUNCILMEMBER BAISA: You know, they let sick leave expire but not vacation, you have to pay, you're stuck. This is why in the private sector we watch it very carefully 'cause when a person terminates and you have to pay --

CHAIR PONTANILLA: You gotta, yeah.

COUNCILMEMBER BAISA: --you got trouble.

CHAIR PONTANILLA: Yeah. Mr. Carroll? Thank you. I no like call on this side because right now the Chair is going take...unless you guys have a burning question right now for Lance. I, I think he tried to answer all of the questions that we asked, and I, I, I just want to say, you know, thank you, Mr. Hiromoto, for being here providing us with information on the agreement that was agreed upon a couple days ago. And I, I know you're the negotiator for the County of Maui and you heard the Members this morning in regards to our concerns. And hopefully you bring it up to the table, because I, I think Maui County is, you know, the Council Members of this County is very aware of, you know, probably what's going on in regards to this contract. And we want to make sure that what is agreed upon is fair not only to the employees but fair for the people that pay our taxes and the people that we represent. Let's...let me ask you this one final question.

COUNCIL MEMBERS: . . .*(Laughter)*. . .

CHAIR PONTANILLA: What if we were to, as a Council, as a legislative body, refuse to accept this contract?

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MR. HIROMOTO: Chair, I think the...no, the only part that the Council has is to approve, in accordance with HRS, the cost items of the contract. And the, the question that you folks have posed is whether there is cost items so --

CHAIR PONTANILLA: Yeah, yeah.

MR. HIROMOTO: --is there a, is there a requirement for the Administration to come to...before the Council to produce this cost and, and at that time can you folks reject and the contract? So we're...our opinion is that is not a cost...this contract is not a...does not have cost items in it and that's where the debate is, I guess.

CHAIR PONTANILLA: Okay. And, and then Mr. Hokama's comments in regards to probably going to court. Okay.

COUNCILMEMBER WHITE: Chair? If I could just make one comment?

CHAIR PONTANILLA: Sure.

COUNCILMEMBER WHITE: The, you know, using Mr. Hokama's example of all the time off that we have now, no private business could make a go of it on Maui with that kind of a vacation schedule, sick pay schedule, and holiday schedule. And, you know, and talking or referring back to Ms. Baisa's concerns about this being a cost because it's, it is money, the, the bottom line is if this were a private company adding nine days of paid time off to a calendar and trying to continue to run a business profitably, it wouldn't be possible. With that nine extra days, this is a cost item. We're just lucky, you know, we have taxpayers that are willing to pay the...or maybe not all that willing to pay the bill, but that we can turn to, to cover these costs. And so I, I'm, I'm a little dismayed that it's, it's not concern...not considered a cost item.

CHAIR PONTANILLA: Thank you. Thank you, Member White. I also was going to make another short comment but I better not.

COUNCIL MEMBERS: . . .*(Laughter)*. . .

CHAIR PONTANILLA: So, Members, Chair is going to call for a ten-minute recess. And when we get back, we'll discuss the golf course with Mr. Matsui. Again, Lance, thank you very much for being here.

MR. HIROMOTO: Thank you, Chair. Thank you, Members.

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CHAIR PONTANILLA: The Budget and Finance Committee meeting is in recess till 10:50.
...*(gavel)*...

RECESS: 10:42 a.m.

RECONVENE: 10:53 a.m.

CHAIR PONTANILLA: ...*(gavel)*... The Budget and Finance Committee meeting is now reconvened. Members, the Chair is going to go up to 11:30 this morning, and then we'll break for lunch and return at 1:30. Okay.

DEPARTMENT OF PARKS AND RECREATION
GOLF COURSE PROGRAM

CHAIR PONTANILLA: Members, with us this morning, we do have Pat Matsui from the Parks and Recreation Department. Members, you folks had some questions regarding the golf course, so at this time maybe opening comment, Mr. Matsui, if you have any.

MR. MATSUI: For the proposed budget, we're not proposing any changes to the rates, to the different rates. Between...in 2010, there was...there were rate increases. For residents, it went from \$8 to \$10. Non-residents went from 50 to 55. Non-Maui County residents, that still is without the card, they went from 30 to \$35. So there was some increases already. So we're not proposing any changes from last year's.

CHAIR PONTANILLA: Okay. Mr. Hokama?

VICE-CHAIR HOKAMA: Thank you, Chairman. Mr. Matsui, I can appreciate since, you know, the rates went up last year, we wouldn't want to do it again...this year again, but what's...tell me for, for us though as a Committee is the amount from the General Fund transfer whereby...you know, I guess in a sense you could say we losing 2 million a year on the golf course program since we going to try and get 2 million in General Fund transfers. Can you tell us what, what, what the program is trying to do to get more revenue from its fees and reduce the impact of the transfer?

CHAIR PONTANILLA: Mr. Matsui?

MR. MATSUI: You know, looking over, you know, how many people have been using the golf course over the years, it's been going down steadily. There was a big spike when, you know, the economy went down, but, you know, there's been a steady decrease in number of rounds and so the amount of revenues has been less. Last year after the changes...what we're projecting this year is less rounds. Last year was like 80...83 rounds...83,000 rounds. This year we're projecting 72,000 rounds. No, excuse me, in 2009, was 83,000 rounds, 2010 came down to 78,000, and this year we're projecting 72,000 rounds. So it's been steadily declining. I think one of the reasons is the condition of the golf course which we've started to institute programs to

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turn that around, but...and part of it is we, we kind of look at, at some of the trends and, and part of it is it's one thing you can increase fees but then, then there's less demand for it so you get less rounds. So you gotta kind of balance that, of increasing fees and, and, you know, the number of rounds that you're going to be getting.

VICE-CHAIR HOKAMA: Well, you know, other courses have increased their fees and, you know, for some, it, you know, it doesn't appear to be the...a detriment to their rounds. So I would say that, you know, I think we need to be more concerned about, I, I think, what the golfer feels, what they're getting in return for their payment of fees. I think that, that's the area we need to work on, and maybe after budget in Mr. White's Committee we can talk about...or you can explain to, to the Members more detailed what you folks trying to do to make this turnaround. 'Cause I'm willing to look at all options of turning this golf program around for the County, so we'd be, you know, happy to hear what you got to say. But that's, that's my concern, Chairman, you know, we losing ground on this and, you know, we, we gotta make a decision some point in time this year or, or down the road soon, which route we're going to keep or, or we're gonna, you know, if we're going to give up golf, we're going to privatize golf, or we're going to put in more money for golf, you know, those are things. I think one thing maybe the Committee needs to hear from you, Mr. Matsui, is after the USGA audit and the recommendations that it provided the County to how to improve our program, what has transpired? Has half of the recommendations been implemented? We, we decided not to take any, anything from that audit? We...you, you still plan to implement the full audit recommendations?

MR. MATSUI: We are implementing the recommendations. Their basic recommendation was to move from what we have now to the Seashore Paspalum, and, and so we've been doing it slowly. We started...we did a pilot project for the practice green, and we've started changing the tees already, I think we're...I don't know, one-third of the way done. But we're, we're slowly implementing that.

VICE-CHAIR HOKAMA: Okay. Thank you, Chairman. I'm, I'm done with what I need to know.

CHAIR PONTANILLA: Okay. Thank you. Mr. Matsui, I know you guys gave us some responses, in fact April 20th anyway. I was kind of interested in the non-Hawaii residents' play. You know, at one time it was heavily used at...well non-residents used to go to Waiehu Golf Course and they, they were the ones that really provided the revenues for that golf course. But, you know, recently...well this information that you gave me shows that non-Hawaii residents had played only 767 rounds. Previous years I, I know the numbers were pretty high. But what I'm trying to get at is that we know that the other golf courses around Maui are reducing their rates or had reduced their rates, so how do we compete with those golf courses that have reduced their rates even lower than what is considered for Waiehu Golf Course? Pukalani goes like 42 bucks, Maui Lani like 35 bucks.

MR. MATSUI: Yeah, there's two kinds of non-residents, one is the non-State of Hawaii residents, they're charged \$55. There's the Maui County residents and State of Hawaii residents who do

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not have tax clearance that show that they played [*sic*], you know, the preferred rate for the resident and, and that is \$35. So --

CHAIR PONTANILLA: Yeah. What I'm trying to get...

MR. MATSUI: --you're talking about the \$35 fee?

CHAIR PONTANILLA: Yeah, what I'm trying to get is, you know, if I was a non-resident or even a guy coming from Oahu, you know, when I compare Waiehu with some of the golf course price, compare prices, you know, for me if I was a non-resident I would go to other golf courses in regards to pricing.

MR. MATSUI: Yeah, you're correct in that prior to this, we were charging non-Maui County residents \$30 per round, and then last year it got raised to \$35. And you're correct in that there are other courses on the County that they could go to that would be, you know, in that range, so, you know, we noticed that there is a drop in that category on the number of play. And, and I think we are losing some business to the competition 'cause of the, the rate hike.

CHAIR PONTANILLA: So what are you guys doing?

MR. MATSUI: Well we wouldn't object to lowering that category, the rate on that category.

CHAIR PONTANILLA: Okay. So you're already taking action on the audit report to improve the conditions of the golf course?

MR. MATSUI: That's correct. Yes, we're trying to improve the golf course so that there's more demand for play and justifying the rate increases.

CHAIR PONTANILLA: Okay. How much effort? You guys say slowly doing this correction. How about like full effort trying to improve the golf course?

MR. MATSUI: Well since January, you know, we've stepped up the maintenance program. We have one pilot project that we're doing with EKO Compost where they've...a demonstration where they, they brought in compost and gave that to us free. They've given us...brought it in for free, too and, and spread it out. I think it's on the tenth fairway that we're working on. And then over the last six months, we've been working with the University of Hawaii. They've set up several test plots and mixing of herbicides to get rid of the...that...it's not crabgrass but the --

UNIDENTIFIED SPEAKER: Weeds.

UNIDENTIFIED SPEAKER: Goosegrass.

MR. MATSUI: --Goosegrass, yes. And, and so their study was just completed and so we're going to be implementing on certain fairways that goosegrass study.

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CHAIR PONTANILLA: So your, your, your existing...oh well, your 2012 Budget, is it sufficient or will it be sufficient to correct the conditions of the golf course, you know, after your study is made?

MR. MATSUI: Yeah, the amount we have appropriated that we, we, we feel we can improve the course. You know, it's not going to happen overnight, but over the next fiscal year we, we know we can substantially improve it, that, that you will see a big improvement to the condition of the golf course.

CHAIR PONTANILLA: Thank you. And, and when we made the study way back when, when Mr. Hokama was still here, at that time the PGA guy told us that if you implemented the, the recommendation today, two years from now you would have one of the better golf course in the State of Hawaii, so hopefully we get there. Mr. Couch? Ms. Cochran?

COUNCILMEMBER COCHRAN: Well I guess I've already expressed my not so happiness with this particular project. You know, I'm just curious, the input of Seashore Paspalum, this EKO Compost donation, I mean is that going to make up for the 2.3 million that we dig out of our General Funds to put towards this course? I mean do you have a dollar amount? I mean improving, improving the course, thereby hopefully drumming up more users of the course, is that going to add up in the end, you know, to create this...to make this self sufficient?

MR. MATSUI: I, I think it's going to be a while before we become self sufficient. You know, the last time I think was in '06 that we were pretty close to being self sufficient, and that includes the revenues from the pro shop and the, and the food, the, the restaurant.

COUNCILMEMBER COCHRAN: Back then the County ran those concession stands?

MR. MATSUI: No, we...that was bid out, but that includes the revenue that we get from the lease. But, yeah, it's, it's going to be a while. Over the years, you know, we've started having to throw more and more General Fund money into the golf course, you're correct, and, and we're trying to reverse that trend.

COUNCILMEMBER COCHRAN: But you've been saying that for many years already, so I, you know, as a newcomer to this and money is hard to come by, it just seems sort of a losing battle at this point. I mean...and so my big question is if it's not being self sufficient throughout these years--I know you're making steps still--what, what is the bottom line reason for keeping such a money-grubbing entity going?

MR. MATSUI: You know, again it's a municipal golf course, you know, we charge lower rates. You know, we're not in it to make money. You're right, there's a lot of improvements that we, we need to do. You know, over the years the condition has deteriorated. We've thrown a lot of CIP money into it, you know, we've, we've put in over the years. The past ten years we put in a brand new irrigation system that has...that we can control each sprinkler head, and we have a

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computer system that monitors how much water is going out, when. And we also have a brand new or pretty new maintenance shop, and we've over the years upgraded our equipment. So, you know, now we're concentrating on the manpower side and getting them to be properly managed and, and the work, you know, that the workers do their work. So, you know, it's something that we're trying to turn around. You know, we just started in January, so and I, and I know over the years it's always been a problem, and, and so I know even last year the Council was talking about privatizing. And, and so we did...we kind of looked into that and there are some consultant firms that you could hire that they could look at privatizing, and that's one of the options I think the Council was talking about that we should consider privatizing. But it's something that is not within our Department's...it's not our call, you know, it, it's the Administration, the Council's call.

COUNCILMEMBER COCHRAN: Thank you, Mr. Matsui. I'm not, yeah, questioning or doubting your, your work and pursuing this towards a, you know, positive manner. I did hear about Rick Medina maybe wanting to do something. Possibly we could talk to him. But also I just want to commend you on actually showing up here to be, to being on the hot seat for your Department and also showing up in the community outreach meetings that we've all attended, I've, I've seen your face in the crowd. So I just want to, I want to commend you on stepping up to the plate and doing that. So thank you so much.

CHAIR PONTANILLA: Thank you. Ms. Baisa, questions?

COUNCILMEMBER BAISA: Well this sounds like déjà vu, this is my fifth go at this. I always feel rather inadequate to discuss the golf course because I have very little golf experience, and every year we sit here and, you know, beat it up and try to figure out how we can make it work. But frankly I'm not a golfer but I have a cousin who's a professional golfer, and I asked casually the other night at a party, what do you think about the golf course. I just wanted to hear what would be said, and the answer was it's a beautiful wonderful golf course but it needs a lot of work, and I think therein lies the answer to the declining revenue. You know, if you have a choice to spend your golf money in a golf course that really is good or one that's mediocre, I guess you spend your money--especially if you have to pay more--where you're going to be on a beautiful course that is well maintained. So until we can do something about the condition of the golf course, we're going to deal with this losing money, and I don't think we can come up with any more brilliant ideas. We've asked every question, we've had an audit, we've had suggestions about change this green and change that green, and get ahold of the golf cart money and whatever. And really nothing's worked, so, Chair, I don't want to beat this to death. Thank you.

CHAIR PONTANILLA: Well hopefully by utilizing that audit that we did several years ago will help this golf course. It was just not taken seriously two-three years back, so that's the reason why we're, you know, having Mr. Matsui on the hot seat here. Mr. Carroll?

COUNCILMEMBER CARROLL: As Councilmember Baisa has said, we've...I think we've explored every option possible over the years, and I would just hope that the current Administration can come up with a good maintenance plan and something that we can afford to do and get it up to it,

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standard and minimize the loss is about what can do. It's very doubtful if that golf course will ever be truly self sufficient. Golf courses just aren't made that way. I think Ala Moana is one of the few that I know that is...generates money. But I commend the Parks Department for doing their best to try to bring it up to what it should be. Thank you.

CHAIR PONTANILLA: Thank you. Mr. Mateo, questions?

COUNCILMEMBER MATEO: Mr. Chairman, thank, thank you very much. And like yourself, you know, we, we anticipated a lot that, that was provided to us through the audit that the Department should have been implementing years ago. But there, there potentially is another option that we look at, and for most part we've talked about the potential of privatization. And that is something that the Department has more or less briefly looked at, but the other option lies within the political will of this body. This body must make that decision whether we're willing to invest the monies to turn this golf course around once and for all, or we look at the more severe option that the Department is currently looking at. So, you know, the option is clear for us, because, you know, like year after year, we deal with the same problem over and over again. To, to use the words, you know, sustainable and the Waiehu Golf Course in one sentence is something that is a rarity, and, and, you know, it's going to be years before we may ever see something like that. But it all falls back on our laps, the political will to invest the resource. Thank you, Mr. Chair.

CHAIR PONTANILLA: Thank you. Mr. White?

COUNCILMEMBER WHITE: Thank you, Chair. Mr. Matsui, does the Parks Department have the flexibility to reduce rates to compete more directly with the other golf courses on their own or does that require Council action?

MR. MATSUI: Any rate and fee that we charge requires Council action.

COUNCILMEMBER WHITE: Then for Corp. Counsel, do we have...I would assume we have the ability to give them a range of rates to, to utilize. Because I think it's...I mean what's concerning to me is that we're sitting here with a \$55 rate when other, other golf courses that are in really good shape are charging much less. So can we give a...give them a range so that they can maintain a competitive pricing?

CHAIR PONTANILLA: Corporation Counsel?

MS. HEELY: Chair, quick answer, yes. It's well within the Council's discretion to give a range of rates. The only requirement under the Charter, that all rates and fees be in, in the proposed budget, so that's why it's in our Appendix B. So I believe the other rates and fees in Appendix B, there are places where ranges are given.

COUNCILMEMBER WHITE: And, and, Chair, I'd just like to make the point that while there's a lot of discussion over sustainability of the golf course, it's one of the only parks for which we

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charge usage. You know, the...all the other parks throughout the County we charge nothing and no one talks about sustainability, no one talks about it being a, you know, a money loser. We're spending, other than the 2 million, roughly 20...24 and \$25 million on parks Countywide, and I don't hear, I don't hear anyone else clamoring to begin charging the members of our community that are using those parks. So I think we need to temper our, our drive for sustainability or fiscal, you know, break even on a...on the, on the golf course. I, I would love to...I would love for it to get there and I, and I think that they are making changes, and we need to support their move and maybe we should put a little more money into it. Because I think the way I would rather look at this park is it's the only one that's providing a cash flow to offset the expense. Obviously it's not offsetting it, but I'd like, you know, I'd like us to move in that direction. So thank you.

CHAIR PONTANILLA: Thank you. Mr. Baz?

MR. BAZ: Mr. Chair, I'd like to just reflect back to when we discussed the transfer to...supplemental transfer to Golf Fund. The reason why it's so significant this year was for us to actually realize the...because it's a special fund, depreciation is charged to that fund as well as other items, and there had been some...when, when you look at the, the cost of that entity as an enterprise itself, you, you have to include those costs in there which are not generally included into other programs or departments within the County. And if...and analyzing, you know, I did a very quick analysis of the golf fees that we've been receiving over the last ten years or so, they've actually been pretty steady. There hasn't been, you know, this huge decline in golf fees that would necessitate a big change. And so that leads me to say okay, well what is the, what is the problem then? How come we're having to supplement the Golf Fund so much over the last few years? And looking, again, another very quick analysis of the expenditures over the last four years, what's increased significantly is salaries and wages, electricity, and depreciation. You guys remember there was a large facility that was built on the...a maintenance facility that was built on the golf course a number of years ago. Once that maintenance facility was completed, depreciation starts. And so just in, between FY '09 and FY '10 it changed from \$200,000 of depreciation to \$481,000 of depreciation. So, you know, those are the kinds of factors that we're looking at in trying to, to analyze the golf course, its program function, and, and I've only played on there a few times, say a handful of times in my whole life even though it's something that's close by over here. And so I can't tell you the quality of the golf course and comparative play and those kind of things, but just from a numbers perspective and, and a public service that we provide from it, you're right, Mr. White, it, it very much applies to, you know, this is something that's a County asset that we want to...we, we have to make that choice of whether or not to, to do it and then, you know, that we've made the choice to do it in, in the past, you know, we need to manage it as much as possible. So those are the kind of factors that as management, you know, Mr. Matsui mentioned, you know, we've only kind of been here since January and, and analyzing this, and we understand that it's a large problem that has, have a long history and a lot of different factors involved in it. But, you know, we want to the opportunity to be successful in it, and actually we appreciate your, your suggestion of a varied rate if that has some impact to the, the actual fees collected.

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COUNCILMEMBER WHITE: Yeah. Well it, it makes no sense for us to sit here with a \$55 rate if other courses are charging 35, and we have to be able to respond as a private course can respond to changes in the economics. But you bring up, I think, an important part of the equation and I don't have the numbers in front of me, but the, the transfer or the...you mentioned that the golf course because it's a special fund has to account for...does it have to account for overhead back to the County? So it's overhead and all the fringes, right? So if you were add those two elements, how much does that make up of the, of the total or of the 2 million that we're subsidizing it?

MR. BAZ: Let's see here. Well in, in the...depreciation is not something that's shown up in the Detail Budget because it's a, a non-cost item, but it's something that shows up in the, the Consolidated Annual Financial Report, the CAFR. And so that's where you'll see that the Fund reduced by that amount. But the Operations Special Cost in the Details on Page 12-58 show the amount...Operations Special Costs are contributions to the General Fund for ERS, FICA, Health Fund, Other Post-Employment Benefits, Debt Service, and Administrative Overhead Charges. And it's gone, you know, just in this chart from FY 2009, from \$771,000 to in FY 2012, we're requesting \$960,000.

COUNCILMEMBER WHITE: Okay. So that's, that's basically half of the amount of the subsidy, and that's not a cost that's, that's reflected in any of the other Parks' budget, right? Because it's all, it's all in Finance?

MR. BAZ: Yes. 'Cause the Parks Department is General Fund --

COUNCILMEMBER WHITE: Right.

MR. BAZ: --funded.

COUNCILMEMBER WHITE: Right. So again there's another unequal comparison between all the other parks and the golf course in particular?

MR. BAZ: Yes. From, from your consideration, yes.

COUNCILMEMBER WHITE: Yeah. Thank you. Thank you, Chair.

CHAIR PONTANILLA: Okay. Mr. Couch?

COUNCILMEMBER COUCH: Thank you. I agree with Councilmember White about adding a range of fees to the golf, and that's, that's a great idea and I will be suggesting that in, in my proposal to you, Chair. And I also agree we don't charge for swimming pools, we don't charge for tennis courts, we don't charge for baseball fields...well except for the Ikaika League. But, you know, it, it's one of those things that it's another segment of our population that it's a recreation thing for them, and besides, we're going to need someplace for Mr. Mateo and Mr. Pontanilla to go...keep 'em off the streets next...after this term.

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CHAIR PONTANILLA: Thank you. Mr. Matsui, how many employees we have at the golf course?
Twenty two? Twenty two and a half?

MR. MATSUI: Oh, 21.9.

CHAIR PONTANILLA: Twenty one point nine. How many employees take care Keopuolani Park?

MR. MATSUI: I would say about six.

CHAIR PONTANILLA: Six?

MR. MATSUI: Yeah. Plus the irrigator is seven.

CHAIR PONTANILLA: Okay. I just was trying...

MR. MATSUI: And then there's...and there's supervisors too, but...

CHAIR PONTANILLA: Yeah. I just was trying to compare the acreage. I, I know golf courses, you need specialized type people and the whole bit, yeah. But anyway, I was going to make this comment in regards to three golf courses on...in, in St. George that is run by the city with a private entity running the golf course with 15 employees.

MR. BAZ: Mr. Chair?

CHAIR PONTANILLA: Yes?

MR. BAZ: Just to clarify, there, there are nine and a half groundskeepers at the Parks Department --

CHAIR PONTANILLA: Okay.

MR. BAZ: --in the golf course.

CHAIR PONTANILLA: And the rest are clerical and...

MR. BAZ: The rest are clerks, equipment operators, mechanics, sprinkler --

CHAIR PONTANILLA: Okay.

MR. BAZ: --you know, various, janitor.

CHAIR PONTANILLA: Yeah. Similar to the one on the mainland. They even take care of the, the pro shop, so, you know, big difference. You know, I just did some fast, fast calculation in regards to, you know, all of the different rates that we have. If, if we made it like say an average of \$28 per

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round, you know, that golf course can make \$2 million, so, yeah. Again, you know, Mr. Couch had offered to produce some, I guess, amendments in, in the golf rates, so take a look at the handout that they gave us back in April the 20th. It gives you pretty good numbers as far as their projections on the number of rounds for weekdays and weekends and holidays. Okay. Members, any more questions? If not, Chair is going to recess this meeting until 1:30. This meeting is in recess. . . .(gavel). . .

RECESS: 11:26 a.m.

RECONVENE: 1:36 p.m.

CHAIR PONTANILLA: . . .(gavel). . . The Budget and Finance Committee meeting is now reconvened.

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

CHAIR PONTANILLA: Members, with us this afternoon we do have Mr. Kyle Ginoza, the Director for Environmental Management. We had a request by Member Cochran that he be present this afternoon, so at this time I'd like to call on Ms. Cochran.

COUNCILMEMBER COCHRAN: Thank you, Chair. Thank you, Directors, for being here. And I recall back...let's see, sent some questions down to, to your Department about the breakdown of the 5 million of the private donation. I wasn't sure, I don't believe we received any comment back yet on that. Do you recall, Mr. Ginoza, at this point?

MR. GINOZA: I don't remember receiving the written request.

COUNCILMEMBER COCHRAN: Okay.

CHAIR PONTANILLA: Ms. Cochran, the \$5 million you talking about is an agreement with Intrawest with the --

COUNCILMEMBER COCHRAN: Yeah.

CHAIR PONTANILLA: --County of Maui --

COUNCILMEMBER COCHRAN: Right.

CHAIR PONTANILLA: --5 million.

MR. GINOZA: I could give you some detail.

CHAIR PONTANILLA: I, I, I --

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COUNCILMEMBER COCHRAN: Okay.

CHAIR PONTANILLA: --got a call this morning --

COUNCILMEMBER COCHRAN: Okay.

CHAIR PONTANILLA: --from the attorney for Intrawest, and what was told of me is that we don't have a signed agreement, that's the reason why we don't have the \$5 million. Once we agree on the...on, on a signed agreement then it would be forthcoming, but maybe Mr. Ginoza or Budget Director can explain.

MR. GINOZA: Sure. Basically what happened...to give you a little bit of background on where...how we got to this point. The Department...and this was prior to when I got here so just from what I gather from correspondence and from, from speaking with staff. Up to the spring of 2009, Intrawest and Starwood had been in discussions with the County to, to be provided R-1 recycled water for their irrigation needs for their developments at North Beach. And basically Intrawest had agreed to provide some facility or fund facility improvements at the Lahaina Treatment Plant to, to help get recycled water. The...their attorney had drafted an agreement which we were advised...the Department was advised by Corporation Counsel that we cannot enter in such agreement, because my understanding is the agreement was for Intrawest to fund improvements on County lands which is not allowed. So instead what they advised us was to, to have like a...to send correspondence to them that we will provide you 185,000 gallons per day of recycled water on the condition that you fund the improvements, and if you don't fund the improvements then we'll no longer provide recycled water. So that's where it stood about February, 2009, so in March, 2009, the...my, my predecessor Cheryl Okuma sent a letter to Intrawest stating to that effect that we will provide 185,000 gallons per day of recycled water and that we're moving forward with the projects. And I can, I can go over again with you if you want the specifics of the scope, but basically it is for these projects to expand the, the capabilities at the Lahaina Treatment Plant of recycled water and that if they do not participate financially in doing these improvements, we'll turn off their recycled water. So there isn't an agreement because Corporation Counsel advised us that we cannot enter in such agreement.

COUNCILMEMBER COCHRAN: Okay.

CHAIR PONTANILLA: You have a question?

COUNCILMEMBER COCHRAN: I...yeah, I...

CHAIR PONTANILLA: You have any questions for Corporation Counsel?

COUNCILMEMBER COCHRAN: Yeah. Yeah. So we are not allowed to enter into this agreement at this point?

CHAIR PONTANILLA: Corporation Counsel?

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MS. HEELY: Mr. Chair? Mahalo, Ms. Cochran, for the question. I wasn't the Deputy assigned or I'm not knowledgeable about that agreement or what our office did advise, but if, if --

MR. GINOZA: Well and in...

MS. HEELY: --if the Committee would want me to --

MR. GINOZA: Oh.

MS. HEELY: --look into it, I can get a copy of our decision or our advice to, to the Department. But do you...

MR. GINOZA: Yeah. In Ms. Heely's defense this was David Galazin who, who has since left the County, who was a Deputy Corporation Counsel, and this was under Brian Moto. And I believe Brian Moto was the one who advised the Department that we could not enter in such, such an agreement.

CHAIR PONTANILLA: I'm, I'm, I'm sure there are records in regards to conversation regarding this agreement, and maybe Corporation Counsel and, and Environmental Management, you know, take a look at what, what was talked about. Because, you know, talking to the attorneys on the other side, yeah, no agreement was signed, and for what reason he, he didn't know. So, you know, just to follow up on Member Cochran's concern regarding the \$5 million and, and the improvement that would have been done at the Lahaina Treatment Plant so that Intrawest could get potable water for irrigation.

MR. GINOZA: Mr. Chair?

CHAIR PONTANILLA: Yes?

MR. GINOZA: I, I did have a chance to speak with Mr. David Taylor, the current Water Director who was Wastewater Reclamation Division Chief at the time, and he said he could come down and help give a history, because he was actually involved in it. You know, as you know I came in, in, a few months ago --

CHAIR PONTANILLA: Yeah.

MR. GINOZA: --but he was here throughout the process. So I don't know if --

CHAIR PONTANILLA: Oh, okay.

MR. GINOZA: --you would like insight from him.

CHAIR PONTANILLA: Ms. Cochran?

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COUNCILMEMBER COCHRAN: Sure.

CHAIR PONTANILLA: Okay.

COUNCILMEMBER COCHRAN: Yeah. We want to get elaboration.

CHAIR PONTANILLA: Mr. Hokama?

VICE-CHAIR HOKAMA: Chairman, in the meantime that Ms. Cochran is awaiting the arrival of Mr. Taylor, wouldn't it...I thought only Council can...I mean if this is an issue of who has authority to grant use of County property then it's Council --

CHAIR PONTANILLA: We have...yeah, yeah.

VICE-CHAIR HOKAMA: --through resolution or some mechanism unless it's a month-to-month agreement for a short timeframe within the terms that Finance Department finds acceptable. So I find it interesting a department is being asked to give a consideration of a grant of use of County property when I thought it was always just within Council's purview.

CHAIR PONTANILLA: Yeah, I agree.

MS. HEELY: And, and, Chair, that's correct under the Code. In, in terms of what advice was given to the Department and when it was given, and that may be subject to or privileged information as well and...what the analysis, but I would like an opportunity to look into what our Department advised the Department in regards to that. And...

CHAIR PONTANILLA: Okay. Okay.

COUNCILMEMBER COCHRAN: Great. Thank you.

CHAIR PONTANILLA: Maybe Mr. Taylor can provide us with some answers regarding that \$5 million. Mr. Taylor?

MR. TAYLOR: Yeah. Thank you, Mr. Chair. And thank you for the questions. I think Mr. Hokama's statements are, are the key to exactly what I was just going to explain. The discussions we had during this time when this was...how...we were looking at how to proceed with this, was that Corporation Counsel felt that usually when an outside developer builds something and dedicates it to the County, they build it on their land with their funds. Once it's all finished and it meets the technical requirements of the Department, we come to the County Council and only the County Council can accept it. The problem, the key technical problem with, with what was being talked about was they wanted preauthorization to start building and pouring concrete on County property, so essentially the Council would have to agree to it before it was built, not knowing what it was. And that's where this thing got hung up is how could we come to the

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Council and, and have the Council agree to accept something that hadn't even started construction on our property, so as soon as they started pouring concrete, whether it met our expectations or not, we sort of would have been stuck with it. And that's where Corporation Counsel advised us that this wasn't a very good way to proceed. A better way to proceed was the way we did proceed which was it would be a CIP project that we would build and they would fund, and that way there would be no question about whether or not Council would accept it at the end. Essentially what we discussed, how we discussed proceeding is that we would go through the standard consultant selection procedure, but first, we would go through the County budgeting procedure where the Council would approve the, the consideration of that we would be able to accept these funds. So once Council approved that in the budget then we can take the next step. Step two, we would go through standard procurement of a consultant, we would, we would develop a scope of work that was acceptable to us, develop a draft contract, show it to the developer, and as soon as the developer deposited that amount of money into our account, the Finance Director would then authorize the contract with those funds. Then we would design, then we would go out to bid, we'd get a low bid, get a contract ready for a construction contractor, show that contract to the developer, and as soon as the developer deposited that amount of money, we would then use that amount of money to execute the contract. So therefore the developer would be taking the financial risk, we would be doing the work, and it would be our project that they would be paying for. That was sort of the methodology discussed with the developer to do this, that dealt with the fact that we were using our land. So that was the history of why we went ahead this way and why we weren't able to enter into a contract. The contracts will be the design services contract which we will not execute until they give us the money, and then the construction contract which we will not execute until they give us the money. So that's basically how we got to this point and what happened in that time period.

CHAIR PONTANILLA: Thank you. Member Cochran?

COUNCILMEMBER COCHRAN: So, Mr. Taylor, as I understood it, designs has already been going forward with, with the project, and it should be possibly completed in about ten months, that quick?

MR. GINOZA: No, we...what I had previously, previously expressed is that we are currently in contract negotiations with the consultant, and a week and a half to two weeks ago we sent the draft contract or...yeah, the draft contract to Intrawest for their approval and are awaiting their response. So once we're able to secure their approval and then move forward, then the design will start, and we're looking at about this time--provided all, everything lines up--about this time next year we would have the design done.

COUNCILMEMBER COCHRAN: And so...but I thought maybe Mr. Taylor was saying none of this will start occurring until this, this 5 million is, is appropriated or put into our, you know, accounts?

MR. GINOZA: It, it's not that it's going to be a lump sum of 5 million that, that we agree to. We agreed to a certain scope of services that include design of certain components of the recycled

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water system and construction of certain components. The estimate for, at the time, for construction was \$3.275 million, and the Department added in a line item of 5 million to account for if costs went over, we could still accept the monies. Because if we put it at that amount and bids came over and they paid more than the 3.275 million, we'd have to come back and get a budget amendment. So the agreement is on completion of a scope of services versus an actual dollar amount which is why we wouldn't just get a lump sum payment of "x" amount of dollars, because it's not a lump sum agreement, it is a scope of services agreement.

COUNCILMEMBER COCHRAN: Okay. And the approval of acceptance of these funds is via us, the Council to accept it?

MR. GINOZA: Yes, through this, through this budget process. I mean that's why we put it in Appendix A typically.

COUNCILMEMBER COCHRAN: It, it's actually in this year's budget?

MR. BAZ: In Fiscal Year '11. Excuse me, Mr. Chair. Fiscal Year '11's Budget.

COUNCILMEMBER COCHRAN: I got more.

CHAIR PONTANILLA: Sure, go.

COUNCILMEMBER COCHRAN: Speaking of physical...FY 2011 Budget, there was a proviso in there for a 20 million, seven seventy-eight and some change appropriation for Wastewater Reclamation Facilities Program, it was in the Sewer Fund. And it was...and what's stated there is provided that the Department of Environmental Management begin testing in accordance with the requirements for sampling and reporting under Section 308 of the Clean Water Act for the County of Maui's Lahaina Wastewater Reclamation Facility. The Department of Environmental Management shall transmit a status report regarding this matter to the Council by January 1st. There was a status report letter sent and I...and, fellow Members, you do have a copy in front of you that was handed out. It was submitted to my IM Committee meeting on December 14th, which was the status report, and the status report basically stated that, you know, the Department is currently negotiating possible requirements for testing with the EPA and that there has been no action to date. That kind of alarms me, because here we are with EPA mandating us to do something, and your Department has basically...yes, you sent a status report but the status report's answer says there's no action when it's telling us we should begin the testing and what have you in, in compliance with the Clean Water Act and so on. So, you know, I, I'm just kind of concerned about that and where we stand with that at this point.

CHAIR PONTANILLA: Department?

MR. GINOZA: We...I know you won't like my answer, but we're still in negotiations with EPA. In fact just last week Tuesday, we had a teleconference with them to try to further along the coming to consensus of what they want to see tested and what they will test versus what we will test.

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And so, yes, we sent this in December 13th that we haven't started testing, and, yes, we were in negotiation and unfortunately we're still in negotiation. And we do have another telecon scheduled for I believe next week Tuesday, because we, we are going back and forth trying to figure out a...what they want and what we can provide, so that's kind of where it's at. I mean we, we hope to move forward soon.

COUNCILMEMBER COCHRAN: Are we not jeopardizing ourselves in getting possible fines of that nature or anything in the process of this negotiating?

MR. GINOZA: Not at this point because we're, we're negotiating with the EPA who would be the fining agency, and so we're just trying to get a better understanding of what they want to see and what they will provide or fund versus what the County will provide. Because what we don't want to be faced with is having all these requirements that, that would have to be County funded that nobody will necessarily be paying attention of, and because the EPA might think that, you know, we, we just want to do it that we just paying...we just using taxpayer dollars to do these potentially...these tests that we don't know what, what they'd be used for.

COUNCILMEMBER COCHRAN: Well as far as I know, you know, it's been mandated and, and I guess you're disputing or contesting this mandate by EPA, you know, to, to upgrade facility and what have you. So, I don't know, I'm, I'm just a little concerned and I...I'm wondering if Corp. Counsel feels that we need to have a concern here and should throw caution to the wind that, you know, not showing an effort to comply with EPA of all people is, you know what I mean, should be addressed? I mean I'm just looking out for lawsuits perhaps that could be coming down the pipeline because of this noncompliance and also fines, and this is taxpayers' dollars.

CHAIR PONTANILLA: Corporation Counsel?

MS. HEELY: Chair, if I may? I just want to try to refocus that we're --

CHAIR PONTANILLA: Sure.

MS. HEELY: --at Budget and Finance Committee meeting. We may be going beyond the scope, but...

CHAIR PONTANILLA: Yes, we are.

MS. HEELY: And I'm not sure what the terms of the agreement or the order from EPA was, and we've had assurances from the Department that they are in negotiations with EPA, the agency in and of itself. So it may have terms within the, the agreement that they would waive the fines if they are actually complying or working with EPA in regards to address the issue. So I don't think there's any admission that we are not complying with the EPA at this, this juncture.

CHAIR PONTANILLA: Thank you. Member Cochran, I understand your concern and I understand what Corporation Counsel is telling us. In a few weeks, we will be completed with our budget

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process, and at that time, you can bring it up in your Committee or whose Committee it is, to have Environmental Management provide us with an update in regards to the...I think there was a proviso that was put on the 2011 Budget that some study be made in regards...and, and provided that some response be given to this Council prior to spending funds from, from the budget, the 2011 Budget. So I, I just going to leave it at that.

MR. BAZ: Mr. Chair, would you like me to read the proviso from the Fiscal Year '11 Budget?

CHAIR PONTANILLA: Yes, please.

MR. BAZ: It, it says provided that prior to expending funds, the Department of Environmental Management shall work with the Department of Water Supply and private entities on a new verification study that provides the Council with future alternatives for the transmission and optimization of R-1 recycled water...oh no wait, I'm sorry. Pat, that's the wrong proviso.

CHAIR PONTANILLA: Wrong proviso.

COUNCILMEMBER COCHRAN: I like it.

MR. BAZ: No that's...yeah. This is the proviso that's on here.

MR. GINOZA: But basically while he's looking for it --

UNIDENTIFIED SPEAKER: The CIP portion.

MR. GINOZA: --over the last...I mean since, since I got here and in preparation for post-budget meetings particularly in your Infrastructure Committee, I'm just trying to gather enough information in terms of what the current status is with the negotiations with EPA so that when we have that meeting in your...I figured it would be in your Committee that we can move forward with, you know, what the current status is. We might have to go to executive session based on, you know, potential executive session issues, and so, you know, if...feel free to call my office if you, you want any further clarification. But that's, that's what I hope to get to after budget.

COUNCILMEMBER COCHRAN: Okay.

CHAIR PONTANILLA: Okay. For, for your information, Ms. Cochran, on, on Fiscal Year 2011 Budget Ordinance on Page No. 3, Wastewater Reclamation Facility's Program, Sewer Fund, Item No. 2, and just let me just read it. Provided the Department of Environmental Management begin testing in accordance with the requirements for sampling and reporting under Section 30...308 of the Clean Water Act for the County of Maui's Lahaina Wastewater Reclamation Facility. The Department of Environmental Management shall transmit a status report regarding this matter to the Council by January 1, 2011. And, and the letter that we received from Ms. Okuma at that time was basically the first status report. Correct me if I'm wrong.

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MR. GINOZA: That's correct.

CHAIR PONTANILLA: Okay. Fine. So, yeah, I would suggest at this time that once we get through with Budget that we have a thorough discussion with Environmental Management in regards to this particular issue that you bring forward.

COUNCILMEMBER COCHRAN: Okay. Thank you, Chair.

CHAIR PONTANILLA: Okay.

COUNCILMEMBER COCHRAN: Thank you.

CHAIR PONTANILLA: Thank you.

MR. GINOZA: Thank you.

CHAIR PONTANILLA: Okay. Any more questions for Mr. Ginoza?

VICE-CHAIR HOKAMA: . . .*(Inaudible)*. . . Chairman?

CHAIR PONTANILLA: Sure.

VICE-CHAIR HOKAMA: Back to the project itself and the CIP consideration. So without agreements we are still going to progress forward on this reclaimed water project on the assumption we will receive the private contribution or the private sector payment as it regards to this, this Budget...this upcoming Budget's consideration of the CIP request for West Maui?

CHAIR PONTANILLA: Department?

MR. GINOZA: Based on where we're at now, yes. So we are at the point where we, we got a design proposal, and as I mentioned a couple weeks ago roughly, we sent it to Intrawest to get their acceptance of it. If...and that's what we were advised by Corporation Counsel to do, and we're basically at the point of if they refuse to, to agree to it...

VICE-CHAIR HOKAMA: The project's dead.

MR. GINOZA: Well do we just turn off their R-1 water as we had agreed upon two years ago? And the project would then have to be County funded 100 percent.

VICE-CHAIR HOKAMA: So if I can just ask a, a follow-up?

UNIDENTIFIED SPEAKER: Sure.

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VICE-CHAIR HOKAMA: You know and again, you know, I'm sure Ms. Cochran is more detailed with this since this is within, you know, her district area, but I'm trying to balance off what we're hearing from a private sector agreement working with the County. And, and then also at the same time, you're asking us to look at adjustments to the reclaimed use rate fee structure including the meters, and, and, you know, I don't know if we really want to use reclaimed water or not because, you know, we, we talk a good story but at times some of our actions make it more difficult to accomplish the goal, Chairman. So I'm, I'm trying to getting an understanding from the Department, are we going with the carrot or are we just going try and beat 'em to, to use this reclaimed water? You know, what, what approach are we going to take? You know, especially if we're going go...like I think one of the Members brought up that 3-inch meter for the reclaimed, you know, we going from \$1,000 to \$18,000. So is it better for us to adjust our approach to this issue whereby we want to use maximum reclaimed water, reduce the requirements of potential additional or reduction of injection wells? Do we want to save potable water for drinking purposes only so we use everything else we need for landscape irrigation and plantings and roadsides improvements? I think we need to get a better and clearer goal and message, Chairman, because, you know, I mean I want to use reclaimed water but when he coming to me with one \$18,000 bill I gotta pay for a 3-inch meter, I'm going like yeah, Mr. White word is where's the love? You know, so for me it's like well maybe I don't want to spend then the 18,000, so, so much for that and I going still use my potable faucet to take care my irrigation needs which doesn't help us either. So I just ask that if we can kind of fine tune maybe our message and our approach on how we're going to reach our goal, because I find it conflicting at times, Department, if you can appreciate, you know, what I see before us.

MR. TAYLOR: And, and, Mr. Hokama, if I can just address this particular project again which is where your question sort of began. I'll let the Director address the overall philosophy. On this particular project, the developer came to the County because they did not have enough water for their project, and they said, you know, we need reclaimed water. We, we didn't approach them, they approached us, and they said we need the water, we will pay for the improvements that are necessary to get the water. And so that's how this project came to be, it wasn't a carrot or a stick, they came to us, and that's why they're paying the full cost. And that really meets sort of the definition of it being a resource, the person who wanted it is willing to pay the full cost. So this is one of the first projects we've had in the history of reclaimed water...

VICE-CHAIR HOKAMA: And, and, Mr. Taylor, so the Committee so we can understand what you're sharing with us, when you say...

CHAIR PONTANILLA: I going to stop this debate right now.

VICE-CHAIR HOKAMA: Okay. Yeah. Chairman, I'm sorry.

CHAIR PONTANILLA: We just...

VICE-CHAIR HOKAMA: You're right, you're right.

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CHAIR PONTANILLA: Yeah.

VICE-CHAIR HOKAMA: No, you make a good point.

CHAIR PONTANILLA: Yeah. And I understand where you're coming from in regards to the rates that are being proposed. You know, if we wanna ensure people utilize reclaimed water, you know, we, you know, how, how...what incentives do we give 'em?

COUNCILMEMBER VICTORINO: Yeah.

CHAIR PONTANILLA: Thank you.

COUNCILMEMBER VICTORINO: Chair, my question will be directly to the material and I will not stray from it. You claimed if they don't do this, then we're going to shut off their reclaimed water. For right now they're using reclaimed water, am I, am I correct to say that?

MR. GINOZA: Well that's what's...what we spelled out in the agreement --

COUNCILMEMBER VICTORINO: Okay. What are they --

MR. GINOZA: --that we'll provide 185...

COUNCILMEMBER VICTORINO: --using right now?

MR. GINOZA: About 185,000 gallons of reclaimed water per day.

COUNCILMEMBER VICTORINO: Okay.

MR. GINOZA: So like 6 million a year.

COUNCILMEMBER VICTORINO: Six million a year.

MR. GINOZA: I'm mean, sorry, 6 million a month.

COUNCILMEMBER VICTORINO: A month. Okay. So they don't agree to this, we shut 'em off?

MR. GINOZA: That's where we're at right now.

COUNCILMEMBER VICTORINO: No, no, wait. Yeah, the, the contract not issued, we shut 'em off, right?

MR. GINOZA: Yes.

COUNCILMEMBER VICTORINO: That's what you're saying?

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MR. GINOZA: Yes.

COUNCILMEMBER VICTORINO: That's what, what was agreed upon?

MR. GINOZA: Yes.

COUNCILMEMBER VICTORINO: And then they turn and they use potable water to then irrigate or they have no water whatsoever?

MR. GINOZA: That's correct, they...they're not supposed to have any more water, so basically all their landscaping should *make*.

COUNCILMEMBER VICTORINO: That's all I really wanted to know. Thank you very much. Thank you, Chair.

CHAIR PONTANILLA: Thank you.

COUNCILMEMBER VICTORINO: That's all.

CHAIR PONTANILLA: So again take up this matter in Committee for more thorough discussion. Okay. Thank you, Mr. Ginoza. Thank you, Mr. Taylor. But, Mr. Taylor, you can remain there.

UNIDENTIFIED SPEAKER: Thank you.

COUNCILMEMBER MATEO: Wait, wait, Chair, Chairman?

CHAIR PONTANILLA: Okay.

COUNCILMEMBER MATEO: Chair?

CHAIR PONTANILLA: Yes?

COUNCILMEMBER MATEO: My, my interest was not in, in Wastewater. My interest was more on the Solid Waste component of the Department.

CHAIR PONTANILLA: Oh, if you have a question Solid Waste then sorry, Kyle, stay seated.

MR. GINOZA: Oh, no problem.

CHAIR PONTANILLA: Okay. Mr. Mateo?

COUNCILMEMBER MATEO: Yeah. Thank you, Mr. Chair. And, Mr. Ginoza, I guess just to continue the, the discussion on the Department's interest in looking at curbside recycling. I just

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wanted to, to find out whether or not the Department's inclusion of costs is complete in this particular area of recycling to include the MRF? Because like the wanting to do it is a good, is a good gesture, yeah, but the cost implications are, really needs to be addressed because it's --

MR. GINOZA: Sure.

COUNCILMEMBER MATEO: --not only collecting --

MR. GINOZA: Yes.

COUNCILMEMBER MATEO: --the recyclables. Where the hell we going put the recyclables.

MR. GINOZA: Sure.

COUNCILMEMBER MATEO: And that is a component that had not been addressed by, by Solid Waste other than, you know, the schedule of pickups. You know, so can you --

MR. GINOZA: Sure.

COUNCILMEMBER MATEO: --shed more information on it? And the only reason I ask, Mr. Ginoza, is because, one, we cannot even keep up with collecting trash and here we are looking at going into an expanded service. So please tell me about the cost factors and how we gonna address it as a budgetary item in this upcoming Budget.

CHAIR PONTANILLA: Mr. Ginoza?

MR. GINOZA: In the, in the Fiscal '12 Budget that we proposed, there is a \$50,000 amount that would be used for...that we'd contract out the MRF portion of the recycling...the curbside recycling. As we have studied that issue of trying to implement curbside recycling, we felt that as we do the pilot program we should try to utilize some existing capacity...MRF capacity by outside contractors before we endeavor into doing a County-run facility for materials recovery. So we wanted to see basically if our pilot program is as successful as we hope that as we expand to other parts of the island that then we would contemplate whether or not we want a County-run MRF or to continue to utilize private resources for that function.

COUNCILMEMBER MATEO: Okay. And, and but if you're looking at the total projection for the recycling, if the advertising cost is projected at 35, if, if the contracting services is projected at 50, and the, the cart cost is 320,000, then where in here is, is the additional components, the additional labor cost, the additional trucks, et cetera.

MR. GINOZA: We, we would utilize the existing trucks and labor, so what we do is right now there's trash pickup twice a week, we'd still have one trash pickup a week, and that second trash pickup or second pickup would either be recyclables, single-stream recyclables where everything goes in one bin and then on alternating weeks it would be green waste. So the same staff instead of

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picking up trash twice a week would instead pick up trash once a week and either recyclables or green waste, the other pickup a week. And so it'll be the same staff and the same vehicles, it's just a matter of the way we get the, the resources is to reduce trash pickup once a week.

COUNCILMEMBER MATEO: Okay. But...

MR. GINOZA: To once a week.

COUNCILMEMBER MATEO: Okay. But that puzzled me because like we were originally talking about the trucks to provide the pickup that was having difficulty, because we were going through an aging fleet that needed replacement. We're talking about, you know, trucks that have difficulty in even meeting its trash pickups because of, you know, mechanicals or the lack of drivers available to do the route, and here we are expanding it. So, you know, I get, I get concerned about expanding and not really thinking through the cost factors that, that, you know, could be applicable to our difficulty financially. And, and then, okay, so we're going to move on from that part. The next question would be whether or not the agreements with the union had already been implemented or discussions already occurred to start up this particular program?

MR. GINOZA: I'm not sure if we actually...I think we've had initial discussions, but I don't know if we've had necessarily more formal discussions. Because we haven't gone through the budget process and made sure that...we were going to wait until, say, the Council approves that proposal then we would endeavor to --

COUNCILMEMBER MATEO: Deal with the union.

MR. GINOZA: --get more, more formal discussion with the union. And, and for that matter...and that's why we weren't anticipating starting in, you know, July 1st, because we anticipated that there would be some discussions with the union that would occur between May...between next month and when we'd actually start service. So the delay to like September, October would be one, to get the carts, and also to work out any type of union issues that might arise.

COUNCILMEMBER MATEO: Thank you. Mr. Chair, I'm done. Thank you.

CHAIR PONTANILLA: Okay. Thank you. The area that we're going to be doing the separation, have we entered into any kind of agreement or are we going to bid it out so that, you know, other companies may have a shot at doing the separation?

MR. GINOZA: We will go through a formal RFP --

CHAIR PONTANILLA: RFP.

MR. GINOZA: --process.

CHAIR PONTANILLA: Okay.

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MR. GINOZA: Because like I said we will rely on private industry to provide that resource management. So that's...you bring up a good point, that's another factor why we wouldn't necessarily start July 1st, because we'd have to work through the advertisement and contracting of that service.

CHAIR PONTANILLA: Okay, good. Thank you. Any more questions?

COUNCILMEMBER VICTORINO: Chair?

CHAIR PONTANILLA: Member Victorino?

COUNCILMEMBER VICTORINO: Since you brought that up I have a question, how many companies on Maui do that service that you know of?

MR. GINOZA: Two, I believe.

COUNCILMEMBER VICTORINO: You're sure, two?

MR. GINOZA: Yes.

COUNCILMEMBER VICTORINO: Okay. 'Cause I know only one that really does the total separation. The other one is more of a...you know, but whatever. Okay. So you're saying there, there would be two available?

MR. GINOZA: Ultimately oftentimes these Materials Recovery Facilities is quite labor intensive so --

COUNCILMEMBER VICTORINO: Right.

MR. GINOZA: --as long as you have, you have a place to plop it down and separate, then it's just a matter of packaging it up for shipment.

COUNCILMEMBER VICTORINO: Well I'll let you guys go there, but I, I know there was only one place that I know of that is legally set up for that. The other one has still a ways to go. But whatever, you know, look like we have a ways to go anyhow. Thank you, Chair.

CHAIR PONTANILLA: Thank you. And, and maybe we should have asked this question much earlier, why Maui Meadows? Why couldn't it be like someplace in Kahului or someplace in Wailuku --

COUNCILMEMBER VICTORINO: I wanted to ask but thank you, you asked.

CHAIR PONTANILLA: --where the facility is located?

COUNCILMEMBER VICTORINO: I agree.

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MR. GINOZA: We actually...it's...not only Maui Meadows, Maui Meadows is only a portion. There's actually, I believe, three other places that are routes within South Maui. So it's about half of South Maui, but we felt like they would have a good combination of green waste and recyclables and such versus some other places where there may not be too much green waste. So we just thought it would be representative of a community that would have a good quantity of disposal of different type of materials.

CHAIR PONTANILLA: So you're talking about lush?

COUNCILMEMBER BAISA: Chair?

CHAIR PONTANILLA: Member Baisa?

COUNCILMEMBER BAISA: You know, along the, the concerns about Maui Meadows, I'm assuming this is far enough away from the housing so that we're not going to have complaints about noise and trucks. And, you know, when we went to that MRF--which you also went to, Chair, and I know some of us had been--you know, it's noisy because you have bulldozers moving things around and, you know, equipment and bottles rattling and containers all around. So better be far away from people.

CHAIR PONTANILLA: Mr. Ginoza?

MR. GINOZA: Yeah, I, I don't know if I misunderstood your comment, but we not proposing doing the MRF by residential areas like . . . *(inaudible)* . . .

COUNCILMEMBER BAISA: I see, so it's just collection?

MR. GINOZA: It's just collection at Maui Meadows and a few other routes in South Maui.

COUNCILMEMBER BAISA: And then where will you do the...where do you do the actual stops?

MR. GINOZA: For instance, one might, one potential provider might be that one that you're talking about, but it would be appropriately zoned land and appropriately permitted land to do this --

COUNCILMEMBER BAISA: Okay.

MR. GINOZA: --type of more commercial/industrial operation.

COUNCILMEMBER BAISA: Okay. I guess I didn't follow the whole thing, but I want to make sure we don't put it near anybody --

MR. GINOZA: Sure, I agree.

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COUNCILMEMBER BAISA: --'cause I know they're going to scream. Thank you.

CHAIR PONTANILLA: Thank you. Any more questions for Mr. Ginoza?

COUNCILMEMBER COCHRAN: Yeah. Just following up --

CHAIR PONTANILLA: Member Cochran?

COUNCILMEMBER COCHRAN: --with the curbside recycling. So you have, I think, several phases, right, of this if this pilot program pans out, it works out great? So Phase II...so is there like three phases or how many is there?

MR. GINOZA: I believe there are four phases.

COUNCILMEMBER COCHRAN: Four phases?

MR. GINOZA: Roughly four phases.

COUNCILMEMBER COCHRAN: And...

MR. GINOZA: Finishing out Kihei, doing Central, doing West Maui and Upcountry.

COUNCILMEMBER COCHRAN: Would you be ready to take on two...couple phases say if there was money to be put towards it, towards the program at this point or no?

MR. GINOZA: I'm not sure.

COUNCILMEMBER COCHRAN: Okay. I was just curious.

MR. GINOZA: Yeah. I'm not...I don't want to speak for --

COUNCILMEMBER COCHRAN: A lot clamoring, that's why...*(inaudible)*...

MR. GINOZA: --Solid Waste because we haven't, we haven't discussed expanding more than the pilot, but I mean it's something that because it would, I mean, our...from the County's perspective, it's the, you know, the same kind of operation where it's still twice a week pickup. It would be a matter of if we, if we feel that the private industry can handle the material recovery side of it. That, I'm not sure about, but I could definitely check and I guess you have to decide by tomorrow but I can get back to you.

COUNCILMEMBER COCHRAN: I mean it kind of falls into Mr. Mateo's concerns too, yeah, with workforce to, to keep up and what have you, but I have been to the MRFs and they claim they're very, very highly confident that they can handle all of Maui, all of Maui. So even with the full laid-out plan, you know, implemented, so they seem to not have a problem, but.

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MR. GINOZA: Yeah. I think a part...in large part it was a matter of we didn't want to bite off more than we could chew as a Department, because it is a new initiative. We are trying to tackle half of a rather large community, and I would...I mean, like I said, I can check but that was kind of where we're at. We didn't want to propose something that might be...you know, we still have some challenges as far as, you know, we hope that by getting the new equipment for our refuse collection that we can improve the, the service that we provide. And so, you know, as we roll all of that in, we can try to continue to improve our programs.

COUNCILMEMBER COCHRAN: Okay. All right. Thank you.

CHAIR PONTANILLA: Thank you. Members, any more questions?

COUNCILMEMBER MATEO: One more.

CHAIR PONTANILLA: Mr. Mateo?

COUNCILMEMBER MATEO: Thank you, Mr. Chairman. Mr. Ginoza, speaking about biting off more than we can chew, how many districts are not automated for the, the regular trash pickup?

MR. GINOZA: I'm not sure. I mean basically there's certain areas within districts but not...like certain routes within certain districts, but it's not a particular district that's all manual.

COUNCILMEMBER MATEO: Which areas are not, are not automated?

MR. GINOZA: There's like...I'm not, I'm not really sure offhand.

COUNCILMEMBER MATEO: Not counting Molokai, tell me where else on this island is not, 'cause Lanai is automated.

MR. GINOZA: Hana, there's Wailuku...I think one street in Wailuku Heights. There's...

COUNCILMEMBER VICTORINO: Couple other areas in Wailuku that I know of.

MR. GINOZA: Yeah.

COUNCILMEMBER VICTORINO: They are, they are all over the island.

MR. GINOZA: There's pockets all over, and so, yeah, a lot of it depends on just spacing as far as getting our --

COUNCILMEMBER MATEO: Haiku.

MR. GINOZA: --trucks in and out.

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COUNCILMEMBER MATEO: Yeah.

COUNCILMEMBER VICTORINO: Yeah.

MR. GINOZA: And so that's, that's kind of what hinders us in making 100 percent automation.

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

CHAIR PONTANILLA: Okay. More questions, Members?

COUNCILMEMBER MATEO: . . .*(Inaudible)*. . .

CHAIR PONTANILLA: Every time I look at you, you get that question in your face.

COUNCILMEMBER VICTORINO: No, no, I just, I just . . .*(inaudible)*. . .

CHAIR PONTANILLA: Okay. Mr. Ginoza, thank you very much for --

MR. GINOZA: Thank you.

CHAIR PONTANILLA: --being here.

DEPARTMENT OF WATER SUPPLY

CHAIR PONTANILLA: Next up is the Water Department.

NOTE: Pause

CHAIR PONTANILLA: Okay. Thank you, Mr. Taylor, for being here. Elle, you got questions for Water?

COUNCILMEMBER COCHRAN: Oh yeah. Hi, Mr. Taylor. Thank you for being here. You know, I was browsing through our books and on Page 31-23, under CIP Countywide, there is the \$10 million that are allocated by your Department, and it's "acquisition and/or development of various as of yet undetermined water sources". So I'm just curious about that underdetermined word, and yet the funding is split up though. It's sort of been designated 9 million for land acquisition, 200,000 for other/engineering report, and 800,000 for construction. So I just want a little bit of more explanation on that.

MR. TAYLOR: Sure.

CHAIR PONTANILLA: Mr. Taylor?

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MR. TAYLOR: Thank you, Ms. Cochran...Member Cochran. The...first of all, let me say that the, the designation of the, the, the sub-numbers, land acquisition and those kind of things, those are I think more placeholders. In fact the whole thing is really a placeholder rather than a known project. I think as the Council knows, there are a number of possible water development options open to us. They've been talked about in Water Resources Committee, I think everyone's talked about a lot of them. During the course of Fiscal Year 2012, some...one or more of them may come to the point of acquisition, whether it's land or an existing well that we might want to purchase, et cetera. These are funds that are being identified that if something like that comes up, there is money to actually take action, though we don't know which one it might be, there will at least be money. And the obvious example that, the obvious example that came up during last term was the Piiholo South or the Franks Well. There was a lot of discussion about should we buy it, should we not buy it? And, you know, the side discussion that wasn't vocalized very much was well even if we wanted to, there's no money in the budget for it anyway. So this is money for things like that. It may be that project, it may be something else, so it really doesn't have a name on it, it doesn't have a particular project on it, there are a number of options. And it would give the County and the Council some options that if some opportunities come up, you know, we have something in the budget that we can move on it.

COUNCILMEMBER COCHRAN: Well I think having just a placeholder when we're sort of clamoring for some dollars to be put in very much needed areas is sort of...I mean if there is some tangible, definite, hey, this is what it's for or we're in negotiations to make this happen kind of thing. Anyways, I just sort of had concerns about the...whole undetermined, you know, portion of, of that 10 million. That's quite a nice chunk there sitting as a placeholder.

MR. TAYLOR: And to address that a little further, it's, it's April. This money is from, you know, CIP money is from July to 18 months later, December. So we are in discussions with a number of people who want to make deals with us. If we don't put money in this year, we're not going to put money in for, you know, it's going to be 14 months till any money's available. So essentially when you just look at the, the milestones of when budget comes up, this money will serve us, you know, for the whole next budget cycle, and if we don't put it in now all that talk, talk, talk, we will not be able to make any action until at least, you know, 14 months from now. So this basically is money that we can use over that next 14 months for these early discussions that should come to fruition in that time.

COUNCILMEMBER COCHRAN: And you're pretty confident about that?

MR. TAYLOR: There are a number of people who want to sell us things. Whether or not we can come to some agreement on price that the County and the Council is...can agree upon, yeah, I have no idea. But there are certainly people, you know, lining up on our, on our floor to talk to myself and the Deputy about these various options. Again, whether or not we can come to an agreement about the value is, is really the big question, but there are certainly opportunities. If money was not an object, you know, there's lots of water source to buy. It's a question of, it's a question of how much is it really worth and how reliable are the sources?

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COUNCILMEMBER COCHRAN: I...

CHAIR PONTANILLA: Go.

COUNCILMEMBER COCHRAN: I have follow-up. And thank you for bringing up the reliability of water resources. Also, under...in the CIP area for West Maui, you know, my hometown, there's that 5.2 million allocated for your Department, and I guess it's for developing additional water sources to accommodate the demand and provide service reliability, including that exploratory well design. And exploratory drilling, that sort of concept for me sounds something that again is not a very definite connotation to it. And so for this kind of large, you know, portion of money, I, you know, would you feel that the funds would be better allocated towards, you know, improving our existing infrastructure and developing a water source that is a, that is a sure thing versus maybe we might hit something here and get a, a return?

MR. TAYLOR: Water source development with wells, with groundwater is always a maybe thing, always. It's a maybe thing for somebody. And an exploratory well, it sounds like it's...let me explain what it is, it's the final well, it's the full sized well, it's the hole in the ground. You drill the well, you case it, then you test it. Now once it's tested and, and you can identify how much water comes out of it, then you do another project to develop the permanent pump, the permanent motor, the permanent ancillary equipment, and then it becomes your permanent well. It's not a...the exploratory well isn't like a little one-inch hole you drill and then you abandon. The exploratory well is meant to be the final well. It's just until we know it produces, it's considered exploratory, it's still in the, the testing phase if you will, but frankly every, every hole that's dug to try to find water is exploratory until it's finished. So there is really no other way to find water than to use the geotechnical analysis which identifies likely places to have good sites and then, then dig a hole, so that's what we're doing, that's really the only way there is to do it.

COUNCILMEMBER COCHRAN: Well, for me I mean I would...was hoping that the Department of Water could maybe think outside the box like everyone out in the community would like us all to do, and to consider, you know, the direct link as a water source to the recycled water and as a developable, reliable source. We got all those millions we're injecting, that's a reliable thing we keep doing every day, so, you know, it seems like a way for us to alleviate our water shortages and demands with the wasted resource. And so perhaps your Department working with your past Department, Environmental Management, you know, upgrading and extending our, our infrastructure for this reuse, you know, it, it could just add that much more potable. You know, the discussion with Kyle a little bit ago, it's, it's a win-win in my mind for developing a reliable, guaranteed source that's there, we just need to do a little upgrading which through the Intrawest thing that could happen, right? I mean there's funding that can make this all fall into place, be in compliance with all the stuff we need to do and so on and so forth which you're well aware of. So...and it's a guarantee, it's not like an exploratory thing, and I, I just want to hear your comments about that idea.

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MR. TAYLOR: What you're discussing is something I think, I think all of us in the water resources community agree with that concept. If we can displace irrigation water that's currently potable water and we can utilize that as, as our potable water source, that's a good thing. What you'll see when you look carefully at the, at these verification studies, I think they've been called, about...for, for, for reclaimed water expansion, they're all broken down into the cost for these reclaimed water systems and the amount of potable water that would be displaced, and that cost per gallon per day of potable displacement. It's that cost that we're really comparing to drilling a well. Let's just say for example, and I'll make numbers really simple, just a made-up example, that we spend \$10 million to do a reclaimed water system that displaces 200,000 gallons a day of potable water. So we spent \$10 million to get 200,000 gallons a day of potable water back. If we can spend \$3 million on a well that gives us 1 million gallons of potable water, you know, that's much, much less expensive and gives us much, much more water, so we have to compare the bang for the buck of expanding reuse to displace potable versus, you know, new groundwater development. And that's, I think that's the trick that, that a lot of people sort of miss when they talk about this. It sounds like win, win, win if you don't really crunch the numbers and say I'm also looking for a low cost per gallon alternative. If you didn't care about money, of course, you know, you could pump the reclaimed water all over the place and displace potable, you know, Upcountry from the Kihei Treatment Plant. But if you're really looking to keep your cost per 1,000 gallons at some reasonable level, you have to take that into account and compare it to other water source development. So you're absolutely right in concept, I mean there's, there's, there's no question that you're on the right track. The next step is what we do is when we crunch these numbers and we're looking for one of the criteria always has to be end of the day cost per 1,000 gallons, and we have to compare them apples to apples and, and see where we are. So right now what you see in the, the reclaimed water studies is that the low-hanging fruit's been grabbed. We already do reclaimed water near the plants to the large users. The next bunch of reclaimed water users are further away, a lot of them aren't using potable so there isn't displacement, and you're losing, you know, you're getting to that medium- and high-hanging fruit which doesn't give you a big bang for the buck. So that's really our struggle with, with the concept you're, you're talking about, is it's probably a lot more expensive or it is a lot more expensive than developing new groundwater sources. So it's something we can do. The question is, you know, are we...is our primary motivation low-cost water, low-cost reliable water, or is our primary motivation to subsidize recycled water and use that as a source? So we've always really been under the impression of what the community wants is a little bit of both but with the emphasis on we really need to pay attention to cost per 1,000 gallons and keeping that low. So I, I, I think that's really the rest of the story to, to your question there.

COUNCILMEMBER COCHRAN: You know, I kind...I have a question though for Corporation Counsel in regards to the Water Department funding of new water sources, and can wastewater infrastructure be considered that, if, you know, infrastructure upgrades can be considered a new water source?

MR. TAYLOR: Member Cochran, we've been discussing this with our staff and with Corporation Counsel, with a few different members of Corporation Counsel just today to, you know, we were aware this question was going to be asked, and we believe that the answer is yes.

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We believe that if, for example, there was going to be a recycled water expansion that was going to displace potable water and that was the purpose for it to get more potable water so we could give meters, that that would be a reasonable way to spend Department of Water Supply funds. It would essentially be equivalent to drilling a well for the same amount of, of water, and so Corp. Counsel and, and our own staff doesn't see anything legally that stops us from doing that. It, it hasn't been the policy of the County Council in the past, so a lot of people were sort of questioning it because it hasn't been done, but no one could find any legal obstacles to say we couldn't do it in the future.

COUNCILMEMBER COCHRAN: Okay. Well that's quite, quite enlightening. I think we stand to gain that way.

CHAIR PONTANILLA: Yeah, we will.

COUNCILMEMBER COCHRAN: Money.

CHAIR PONTANILLA: When you look at the --

COUNCILMEMBER COCHRAN: Thank you.

CHAIR PONTANILLA: --water use development plans that are being considered for Central Maui, what Mr. Taylor is saying is, is true. The lead is being taken up by, in the Water Department in regards to reclaimed potable water in Kihei as well as Lahaina and, and hopefully in the near future in Kahului, so.

COUNCILMEMBER VICTORINO: Chair?

COUNCILMEMBER COCHRAN: Yeah.

CHAIR PONTANILLA: Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you, Chair. And, you know, although I agree conceptually with Ms. Cochran, I'll bring up...and please turn to Page 26, Section 8-1-1.7 [*sic*] Revenues, for the Department Water states the revenues from the Department of Water Supply shall be kept in a separate fund and shall be in such as to make the Department of Water Supply self supporting provided that the Council may issue General Obligation Bonds on its behalf of the Department of Water Supply and may provide capital improvement appropriation for the Department of Water Supply. Ms. Heely, tell me what I just said.

CHAIR PONTANILLA: I, I, I guess based on your discussion with Water, Water this morning.

MS. HEELY: Mr. Victorino, you said what the, the Section 8-11.7 states and the funds can be used for to providing capital improvement appropriations for the Department of Water Supply. So I think it's all...and read together with what Mr. Taylor said, we don't see any restrictions on the use of

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that fund if it's...if the capital improvement involves a possible development of a new water source. We don't see anything that would preclude the use of that fund for that purpose.

COUNCILMEMBER VICTORINO: Okay. I just want to make sure that...it has been my interpretation and in the past that those revenues, because it was a special fund, could not be used for other purposes except for development of water. And if you are going to use non...or I should say non-potable, or I should say Wastewater and their development of their lines is under a different CIP project. Now you're saying because it would be directly tied in to issuance of meters, and that's would have to be stated there that it'd have to be issuance of meters. Okay. Because again there is a separation of fund, it is a special fund. It cannot be put back in the General Fund.

MR. TAYLOR: Yeah. Mr. Victorino, and that, that's exactly where I think we sort of split hairs in our internal discussion is we do not think it would be appropriate to use Department of Water Supply funds to pay for a reclaimed water system where somebody say currently using their own onsite well to irrigate. That is not acceptable.

COUNCILMEMBER VICTORINO: Okay.

MR. TAYLOR: But if the sole purpose of these funds was...where somebody was irrigating with potable water --

COUNCILMEMBER VICTORINO: Right.

MR. TAYLOR: --we're trying to displace it so we can get that potable water back and give it to somebody else, that project becomes equivalent to drilling a new well. It has...that is its primary purpose, and so because if that's the purpose, it would be appropriate for Department of Water Supply, or it could be appropriate for us to fund that in the same we would fund a well but not to fund reclaimed water to displace, you know, other non-potable sources.

COUNCILMEMBER VICTORINO: Wouldn't you say that really to make this really work, and again that's something we...and I hope that the, the Charter Commission is listening to this. Wouldn't it be like most municipalities to eliminate any challenge in court or anywhere, just put Department of Wastewater under the Department of Water, be one department. And many municipalities have done that, and it eliminates all that because it's still...one, one essential reason for existence, to provide quality water for users throughout the system. Quality water whether it's agriculture, irrigation, potable use, et cetera, but it's usable water within the system. Would you not agree with that?

MR. TAYLOR: I, I, I'm going to agree that that's probably beyond the scope of the budget hearing --

COUNCILMEMBER VICTORINO: Yeah, I know.

MR. TAYLOR: --and I'm sure there will be more talk about that --

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COUNCILMEMBER VICTORINO: . . .*(Inaudible)*. . . Yeah.

MR. TAYLOR: --in the future, and I'm sure we'll be a part of it.

COUNCILMEMBER VICTORINO: Yeah. Thank you.

CHAIR PONTANILLA: Thank you. Any, any more questions regarding the Water Department budget issue?

COUNCILMEMBER COCHRAN: Well...

CHAIR PONTANILLA: Any other discussion, take it up in Committee.

COUNCILMEMBER COCHRAN: It, it, it...I guess it's basically about how much we save, you know, in potable via the West Maui and South Maui facilities, 400 million each year. And just to reiterate I guess the importance I suppose and the practicality of, you know, developing this new water source for everyone and to free up potable. You know, in the end we could be, you know, additional 725 millions [*sic*] gallons of potable per year, so that's quite a few water meters I suppose and, and every other thing that, you know, makes our community great. So just can't say enough about that. Thank you.

CHAIR PONTANILLA: We, we all agree with you.

COUNCILMEMBER COCHRAN: Okay. . . .*(inaudible)*. . .

MR. TAYLOR: And we as a Department agree, and, and let me just say this, you know, to, to kind of wrap this up. Recycled water, desalinated water, groundwater, surface water, reservoirs, conservation, these are all methods to get more water for people that need it. We look at them all side by side. None of them are good, none of them are bad, they all have to be evaluated against each other. And what we'll find in certain areas due to geography and need, some of those options will be better than others. In on other areas, other options will be better. So what's important is for us not to pick one and try to push it, but to look at them all and say which is the best for the needs of each area. And that's I think what, what we feel our job is, is to look at them all equally and find what's the best match for each need.

CHAIR PONTANILLA: Thank you. Members, any more budgetary questions for Mr. Taylor?

COUNCILMEMBER VICTORINO: No, no.

COUNCILMEMBER COCHRAN: Actually for West Maui, I do.

CHAIR PONTANILLA: Go ahead.

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COUNCILMEMBER COCHRAN: I'm sure you're aware of Hans Michel, Kanaha Valley intake which is the sole supplier of Lahaina for water. I'm just curious, I know it's...goes back in history with this contract or agreement of what have you with Mr. Michels [*sic*]. Are we in a good financial position to carry that out basically with him and the contract or agreement, whatever it's called?

MR. TAYLOR: Yes. I, I don't, I don't remember the details but, but our Deputy's been negotiating with him directly. I think we're just entering into a new contract with him. We came up to a new agreement and, and I don't remember the details, but it's...he's, he's actually incredibly cooperative with us. And, you know, I think we have an excellent relationship with that situation, and that's probably going to be an ongoing situation we have. But no, I, I, I would characterize it as something we're going to have for a long time, and as long as, you know, he continues his cooperation which he, he seems more than willing to do, you know, it seems like a very workable situation.

COUNCILMEMBER COCHRAN: Well as I just pointed out because as I understand as it has been an ongoing situation with him, you know, I guess some...there's been monies appropriated at one time or another and then it's taken away somehow. I just want to make sure that not having enough funding to carry out whatever project that needs to be done there, we're in compliance with this agreement with him is not used as an excuse in this budget to tell him we don't have money for it, we don't have money for it.

MR. TAYLOR: I, I think those issues are, are primarily under control. I mean we do repairs out there, we've worked out some agreements with him that we'll do this and he'll do that, and, and what he gets paid. And the, the dollar value isn't...it's not something that's of, of a scope that's, you know, beyond what's allocated. It's nowhere...it's not millions of dollars or anything like that, so we certainly have the funds. It ends up being logistical issues more than anything, and our staff works with him on those.

COUNCILMEMBER COCHRAN: Okay. Well very good. I mean he said he's been more than patient throughout the year so just...thank you.

CHAIR PONTANILLA: Thank you. Okay, Members. Thank you, Mr. Taylor, for being here this afternoon. Tomorrow we'll, we'll convene at 9 o'clock, we'll receive public testimony, then the Chair is going to ask for a recess. So, Members, you can work on your proposal, and hopefully we can...hopefully the proposals can be submitted to Staff by 4 o'clock tomorrow afternoon.

MR. KANESHINA: Excuse me.

CHAIR PONTANILLA: We'll reconvene the meeting at 4:00 p.m.

MR. KANESHINA: Yeah. Excuse me, Mr. Chair. Just to clarify that the Member's proposals are due to the Committee in public session.

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CHAIR PONTANILLA: Yeah. So we'll reconvene at 4:00 p.m. to receive the, the proposals. For those of you...I'm just going to pass this information out to you regarding minimum tax if increased. If we increase the minimum tax from \$150 to \$200, the net gain in revenue is \$725,000. If we raise it to \$250, the revenue gain is \$1.5 million, and \$300, the net revenue gain would be \$2.4 million. This is minimum tax if any of you are contemplating, you know, raising the minimum tax. Okay. So with that, Members...

VICE-CHAIR HOKAMA: Chair, Chair, one question please --

CHAIR PONTANILLA: Sure.

VICE-CHAIR HOKAMA: --for clarification. If, if we don't put a consideration in our submittal then during next week during decision-making, we cannot consider anything else?

CHAIR PONTANILLA: No, you can. Like everything else in the last...in fact since I've been here, you know, we, we, we gotta make sure that everybody's comfortable and, and we take votes on every, every item that we go through, so.

VICE-CHAIR HOKAMA: Okay. I just wanted some clarity on that, Chair, 'cause who knows, we may go with none of the recommendations from nine of us. We might come up with our own, you know, unique compromised number next week, so.

CHAIR PONTANILLA: Well on Monday I'll be submitting to you folks a proposal, and from there we'll work out the budget.

VICE-CHAIR HOKAMA: Okay. Thank you.

CHAIR PONTANILLA: Yeah.

VICE-CHAIR HOKAMA: Thank you very much.

CHAIR PONTANILLA: And this will be based on whatever I receive on Friday afternoon.

VICE-CHAIR HOKAMA: Okay. Thank you, Chairman.

COUNCIL MEMBERS VOICED NO OBJECTIONS. (excused: GBC and MW)

ACTION: DEFER pending further discussion.

CHAIR PONTANILLA: So with that, the meeting for Budget and Finance Committee is now adjourned. ...*(gavel)*...

ADJOURN: 2:43 p.m.

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APPROVED:


JOSEPH PONTANILLA, Chair
Budget and Finance Committee

bf:min:110428

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 this 19th day of May 2011, in Haiku, Hawaii.


Daniel Schoenbeck