

**COST OF GOVERNMENT COMMISSION
MINUTES
Kalana O Maui Building, 9th Floor, Mayor's Conference Room
Thursday, July 12, 2012**

PRESENT: Frank De Rego Jr., Chair
Garrett Evans, Member
Alexander Gat, Member

Ronald Kawahara, Vice-Chair
Fred Rohlfig, Member
Victoria Johnson, Member

EXCUSED: Jeffrey Halpin, Member
Joseph Kanahuna, Member

STAFF: John Buck, Executive Assistant
Michelle Makii, Administrative Assistant

Scott Hanano, Corporation Counsel

I. CALL TO ORDER

Chair De Rego called the meeting to order at 9:01 AM. He introduced Michelle Makii as the new Administrative Assistant.

II. PUBLIC TESTIMONY

There was no public testimony.

III. REVIEW AND DISCUSS JUNE 14, 2012 MINUTES

Chair De Rego proposed to defer the minutes. June 14, 2012 minutes was deferred to the next meeting with no objections.

IV. REVIEW AND DISCUSS CORRESPONDENCE RECEIVED

a. Letter of resignation from Commissioner Walter Baloaloa

Chair De Rego proposed to send Mr. Baloaloa a letter from the commission. He explained that Executive Assistant Mike Molina is in the process of finding a replacement for Mr. Baloaloa. Commissioner Rohlfig reported that he saw Mr. Baloaloa recently.

V. PRESENTATION ON THE DEPARTMENT OF WATER SUPPLY BY MR. DAVE TAYLOR, DIRECTOR, THE DEPARTMENT OF WATER SUPPLY

Chair De Rego welcomed Mr. Dave Taylor, Director of the Department of Water Supply. Mr. Taylor presented a PowerPoint presentation on the whole system of water management, infrastructure development and future plans for the Water Department titled Water System Management & Optimization Update.

Mr. Taylor presented on three main topics:

1. Quick review of efforts to date
2. Current status of system optimization assessment
3. Discussion of future funding options

Mr. Taylor began his presentation by stating that the issues in the Department of Water Supply (DWS) are less about management and engineering, and more about policy issues that have to be decided by the County Council.

Mr. Taylor gave a brief background on water availability, value, and quality. He explained that their performance measures to judge their success or failures include:

1. Developing new and reliable sources, both independently and through public-private partnerships
2. Producing high quality water at the lowest possible cost

3. Preparing compliance strategy to meet or exceed current and future water quality regulations

Their overall goal is to achieve reliability of existing facilities 99.9997% over the long-term at the lowest possible cost. That is the department's definition of efficiency.

Mr. Taylor explained where our water comes from – 38 groundwater sources, 145 storage tanks, 6 surface water treatment facilities, 295 million gallons total storage capacity, 750 miles of pipeline, 24/7 services and about 33.5 million gallons provided daily. He showed a map of where the County's water systems are located. He also showed pictures of wells, which is the main water source, and water treatment facilities to indicate the complexity and sophistication of their engineering operations.

Next, he explained their Fiscal Year 2012 Operating Budget for the DWS which totaled \$53 million. The dollar breakdown of expenses (in millions) include: \$17.3 electricity, \$11.6 salaries and wages, \$11.3 operations, \$6.4 debt service, \$6.2 employee benefits and \$0.2 equipment. He said by far the biggest expense goes to infrastructure. He showed different scenarios in a cost-basis spreadsheet for infrastructure needed in a 20 year plan.

Next, he presented a graph of the debt service options in year 2013-2031 which shows that the more that they borrow, the bigger the debt is. The second graph showed the funding options financial projections in year 2013-2031 which shows the revenue decisions versus what the DWS can produce.

Mr. Taylor stated that in the past, the DWS did not have a good track record in terms of getting their capital projects out. They recently revamped their system of doing things to be more efficient. He showed a list of the fifty projects that they are currently tracking over a 6 year plan. All phases of each project are projected so that they know exactly: 1) when those phases are scheduled, 2) if enough people have been assigned, 3) the department has enough work hours allocated, and 4) there is enough money budgeted.

Next, he showed a list of about fifty water source options mainly looking at cost per thousand gallons over twenty years. He then displayed a map of the 1,312 requests for Upcountry water meters. The department looked at each of these requests one-by-one to see where they are located, how many meters were requested, how far are the sites were from the main water lines, and what it is going to take (i.e. infrastructure costs) for a meter to be installed. He stated that if everyone on the Upcountry meter list gets a water meter, it would mean a 20% increase in the total volume of water demand. DWS staff looked at each case and sorted the list by estimated cost. The costs ranged from \$5,000 to \$500,000.

Mr. Taylor explained about source versus reliable capacity. He thinks that the main problem is reliable capacity. Therefore, he is having his engineers do a "de-bottlenecking" analysis to figure out where the problem is and how to solve it. His options to increase available water include: finding additional sources, back up wells, additional preventive maintenance, more storage tanks, connecting storage tanks, larger waterline and operational changes. They are also looking at supply and demand projections to figure out their optimal efficiency. He also presented an Upcountry Maui water system projections graph showing different scenarios of supply and demand.

Next, he explained the four possible funding options for additional reliable capacity. He stated that right now, the DWS is 100% self-funded by water user fees but it doesn't have to be that way. That choice is entirely up to the council.

Overall, Mr. Taylor thinks that the main challenges in providing a sufficient water supply for the County now and in the future is not an engineering problem, but related to policy issues.

Commissioner Rohlfing commented that he is currently one of those people on the water meter list. He said that they have been told that there is plenty of water, but the question is how much is it going to cost

and how the water is going to be delivered. Mr. Taylor stated that the problem is building sufficient infrastructure to satisfy long-term supply and demand. He also explained, since the county budget is approved year by year, the DWS has a challenge in developing and keeping long-term plans in motion.

Chair De Rego asked if the economic downturn is taken into consideration in terms of fluctuations in revenue. Mr. Taylor answered that they changed the fundamental rate structure for water charges for this budget year. The fixed variable charges are more closely matching the DWS's fixed variable costs.

Chair De Rego commented that there seems to be policy bottlenecks. Mr. Taylor agreed and stated that without long-term direction, it is impossible to be efficient.

VI. DISCUSS IDEAS AND ORGANIZATION FOR THE COST OF GOVERNMENT COMMISSION 2012-2013 ANNUAL REPORT

a. Subcommittee Reports

i. Permits

Permits Subcommittee consists of Commissioner Gat, Vice-Chair Kawahara and Commissioner Evans. Commissioner Gat explained that back in 2006 there was a Zucker Systems Report, a firm from California that did an assessment of the Planning Department's permit process reporting the different issues within the department. The report's main focus included insufficient ways of processing permits, insufficient staffing and training issues. The subcommittee met with Executive Assistant, Randy Piltz. Mr. Piltz is in charge of overseeing the permit process and gathered a Permit Process Implementation Team. Mr. Piltz mentioned in the meeting with the Subcommittee that there have been a lot of improvements in the Public Works Department. On July 6th he also started a workshop where he brought in specialists from each of the program areas to address any issues that permit applicants have. Commissioner Gat commented that he stopped by the workshop and saw that it was a successful event.

Commissioner Gat explained that the Subcommittee met with David Goode, Director of Public Works to see if he had any ideas and what action his department was taking on the permitting issue. In the meeting, Mr. Goode said that they have done a lot of work with the County to improve the response time on the permit processing. Commissioner Gat explained that after the initial date of application there is a 30 day response time which is now in the County Code. In the meeting, Mr. Goode said that there is sufficient staffing and training. His biggest issue is their 20 year old permit tracking system called KIVA. He also explained that starting August, they are going to start workshops to address permit issues.

Mr. Buck commented that there are a lot of things pending with no comments on the KIVA system. He explained that Mr. Piltz has been asking the departments to explain the reason why permits are pending so they know how to follow-up on the issues. Commissioner Gat commented that the workshops were a good tool to help address those issues that were pending.

Commissioner Gat explained that Mr. Piltz felt that all these program areas are spread out. That is why having the workshop was a good way to centralize all the program areas to get permit questions answered quickly. Mr. Piltz mentioned that there are issues because there is one process no matter if it is a small matter or a large project. An idea he mentioned was to segregate processes based on complexity.

Commissioner Gat explained that they still have more investigating to do, specifically in the

Planning Department because they are involved with the SMA program which takes 45 days or longer to get approvals.

Vice-Chair Kawahara added that the public thinks that it is the County's fault for things taking too long, but rather it is the professionals who go back and forth filling out the application. The date the County should go by is the date that a full and complete application is submitted.

Commissioner Evans commented that the permits get sent out to multiple different departments which seem inefficient. Vice-Chair Kawahara mentioned that it wouldn't be difficult to get people trained in one single department to go through the permit process to make a single response faster. Vice-Chair Kawahara said that certain permits shouldn't have to go through the same process as more complex permits.

Mr. Taylor explained that he has been on every side of the permit process. He thinks that the number one reason why things take so long is the poor quality of the original permit applications.

Commissioner Evans commented that this issue of poor quality permit applications tie into the public's perception. He explained that people think that the wait is long so they rush to turn in a poor quality permit just to get their place in line.

Commissioner Gat asked Mr. Taylor that through his experiences, does each permit go through the same process. Mr. Taylor responded that, yes it goes through the same process and there are only 2 or 3 people in his department that handle it. Vice-Chair Kawahara commented that according to the Zucker Report, minor building permit applications should be handled by one person who is well-trained that can handle all different types of permits. Mr. Taylor commented that one person could be trained well enough to handle minor permits; however, it is not realistic to think that one person will have a vast amount of knowledge in all the different permit areas.

Vice-Chair Kawahara asked why large construction companies in the mainland can get a permit for a commercial project in one or two weeks. Mr. Taylor responded that it has to do with staffing, the ratio of how many work hours and certain skills versus how many work hours are being requested.

Commissioner Gat asked about the workshop in August. Mr. Taylor mentioned that there was another workshop a few months ago for a 100 engineering and architect consultants. Each department within the county presented on how to write better permit plans. Mr. Taylor thought that it was a helpful and successful event. He explained that the workshop in August is going to be a little bit more focused than the first meeting. There will be simultaneous seminars that are training sessions for these professionals. He explained that their biggest problem, where they lose the most work hours, is the iteration, when these poorly written plans go back and forth several times.

Commissioner Evans asked if there was a way to make these permit applications more objective. Mr. Taylor responded that he doesn't know how to make it absolutely objective. On their website they show good plans and bad plans to show these professionals what are good quality permit applications. However, there is no one way to do a set of plans, there is no one way of defining quality. His point is that the professionals are 90% of the problem, hence the workshops and seminars.

Chair De Rego asked if there was any legislation that would help improve the permit process.

Mr. Taylor answered that there's a legislative question when you come in for a small building permit- Do you have to upgrade your whole building to the current building codes? From a small project, it becomes a million dollar project. This problem, which ties up a lot of plan reviewers, requires a legislative decision. Commissioner Evans pointed out that in the Zucker Report it was reported that there was lack of clear policy and procedures. Mr. Taylor responded saying that the laws don't allow flexibility. Mr. Buck explained that because the laws are unclear, it triggered a lot of issues. He thinks that the Subcommittee should make recommendations for council to look at.

ii. County Services

Commissioner Johnson explained that the subcommittee's task was to create a list of the county services offered to the public and to develop recommendations, differentiating services that should be subsidized by taxpayers from those that are self-supporting.

The subcommittee met with Budget Director, Sandy Baz. In the meeting they found that there are 19 departments that provide some form of services to the county. Generally, the utility departments are the only ones that are self-sufficient. She explained that according to Mr. Baz, politics plays a significant role in these various departments being self-sufficient.

Commissioner Johnson explained that the county works diligently to be self-sufficient in terms of the funds they pay out. The general fund is funded by the transient tax by the property tax and the income revenue from the Department of Motor Vehicles.

Services are frequently analyzed and recommendations are made to the council during the budget time. Those recommendations are generally rejected after the council has evaluated the benefits or the resulting outcome. Some county departments are mandated by homeland security such as the Department of Motor Vehicle Licensing. The county also acquires revenue from grant funds which are allocated to various departments.

Commissioner Johnson explained that Mr. Baz provided a booklet with a list of the departments, which is also on their website. In the proposed budget for 2013, each one of the departments are analyzed and shown in detail.

Commissioner Johnson ended by saying that the subcommittee will be meeting with Managing Director, Keith Regan and Deputy Managing Director, David Ching.

Vice-Chair Kawahara commented that what he thought he would see was a listing of all the direct public services. He thinks that the subcommittee should identify what are the actual services provided to the public, estimates of the cost and revenue from that service.

Chair De Rego mentioned that the subcommittee was going to look at the budget.

Mr. Taylor commented that the report should be very precise about specific county services. He thinks that it will be difficult to account for the work hours for each specific service because no one really keeps track of the work hours that are allocated to certain services.

Vice-Chair Kawahara commented that the mission of the commission is identify the direct services and to figure out what services should be taxpayer subsidized or self-sustaining.

Commissioner Johnson explained that their plan is to divide the different departments on the website between the group and start noting down the direct services. Mr. Baz mentioned in their meeting that PALS, pools and recreations are specific department services that the commission should focus on.

Mr. Buck commented that the replacement for Ex-Commissioner Baloalua will be part of Commissioner Johnson's Subcommittee.

Commissioner Rohlfiing commented that in terms of the pool situation, the users of the pool should pay for using the facility. He thinks everyone should help carry the expense of government. Commissioner Johnson also commented that she agrees with the pool issue. Mr. Buck said that an idea to offset the cost of pool usage would be by selling things at a concession stand or charging for slides.

Mr. Taylor commented that the subcommittee should ask Mr. Baz or Director of Finance, Danny Aagsalog for a quick briefing on where the general fund money comes from. He thinks that what they are going to find is that a large portion of the fund comes from commercial and hotel and only a small portion comes from residential.

Commissioner Johnson closed by saying that she thinks that they have obtained a lot of good information that is very complex. The subcommittee will meet with Mr. Regan and Mr. Ching.

Chair De Rego closed the discussion due to time. Commissioner Gat announced that he is resigning from the commission. Chair De Rego thanked him for serving on the commission.

VII. DETERMINE NEXT MEETING DATE AND AGENDA

Next meeting, Executive Assistant Agnes Hayashi will be presenting on the Vehicle Policy. The next meeting will be August 9, 2012, 9:00a.m. to 11:30a.m. in the Mayor's Conference Room.

VIII. ADJOURNMENT

Commissioner Rohlfiing moved and Commissioner Gat seconded the motion to adjourn. Motion passed unanimously. Meeting adjourned at 11:39a.m.