

BUDGET AND FINANCE COMMITTEE

Council of the County of Maui

MINUTES

October 30, 2012

Council Chamber, 8th Floor

CONVENE: 1:35 p.m.

PRESENT: Councilmember Joseph Pontanilla, Chair
Councilmember G. Riki Hokama, Vice-Chair (In 1:57 p.m.)
Councilmember Gladys C. Baisa, Member
Councilmember Robert Carroll, Member
Councilmember Elle Cochran, Member
Councilmember Donald G. Couch, Jr., Member
Councilmember Danny A. Mateo, Member
Councilmember Michael P. Victorino, Member
Councilmember Mike White, Member (Out 3:50 p.m.)

STAFF: Scott Kaneshina, Legislative Analyst
Michele Yoshimura, Legislative Analyst
Camille Sakamoto, Committee Secretary

ADMIN.: Sananda K. Baz, Budget Director, Office of the Mayor
Danilo F. Agsalog, Director, Department of Finance
Carmelito P. Vila, Manager, Motor Vehicle and Licensing Division, Department of Finance
Jacob Verkerke, Information Systems Manager, Management Information Systems Division, Department of Management
Kyle K. Ginoza, Director, Department of Environmental Management
David S. Taylor, Director, Department of Water Supply
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

Seated in the gallery:

John Buck, Administrative Assistant, Office of the Mayor (Item BF-11(3))
Michael M. Miyamoto, Deputy Director, Department of Environmental Management (Item BF-109)
Paul J. Meyer, Deputy Director, Department of Water Supply (Item BF-52)
Holly Perdido, Fiscal Officer, Department of Water Supply (Item BF-52)
Jeffrey Pearson, Engineer, Engineering Division, Department of Water Supply (Item BF-52)

OTHERS: Frank R. DeRego, Chair, Cost of Government Commission (2011-2012) (Item BF-11(3))
Ronald Kawahara, Vice-Chair, Cost of Government Commission (2011-2012) (Item BF-11(3))
Jason Medeiros
Stephen West

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

CHAIR PONTANILLA: . . .(*gavel*). . . The Budget and Finance Committee Meeting is now convened. Time is two, oh, I'm sorry, 1:35. Chair would like to recognize the Members that are present this afternoon. We do have present Member Carroll, Member Baisa, Member Cochran, Member Couch, Member Victorino, good afternoon, Member White and Chairman Mateo. Good afternoon, Members. Excused at this time is Member Hokama. From the Administration, we do have the Budget Director, Mr. Sandy Baz, as well as from our Deputy Corporation Counsel, Jeff Ueoka, good afternoon. Supporting the Committee, we do have Camille Sakamoto who is the Secretary as well as Michele Yoshimura and Scott Kaneshina, both of 'em are Legislative Analysts. Members, we have several items on the agenda, four items. At this time, though, the Chair would like to call for public testimony. Do we have anybody signed up for public testimony?

MS. SAKAMOTO: No, Mr. Chair.

CHAIR PONTANILLA: Okay, thank you. If there's no objections, the Chair would like to close public testimony.

COUNCIL MEMBERS: No objections.

CHAIR PONTANILLA: Thank you.

**ITEM BF-11(3): COST OF GOVERNMENT COMMISSION ANNUAL REPORTS
(ANNUAL REPORT 2011-2012) (CC 12-42)**

CHAIR PONTANILLA: The first item on the agenda this afternoon is BF-11(3), Cost of Government Commission Annual Reports (Annual Report 2011-2012). The Committee is in receipt of a report entitled Cost of Government Commission, County of Maui, Report of Findings and Recommendations for Commission 2011-2012. At this time the Chair would like to welcome, if you can sit upfront here, two members of Commission, we do have Frank DeRego who is the Chairman and Ron Kawahara who was the Chairman, last year?

UNIDENTIFIED SPEAKER: Yes.

CHAIR PONTANILLA: Gentlemen. Okay, before I call on Mr. DeRego or Mr. Kawahara, Mr. Baz, you have any comments to, to make at this time?

MR. BAZ: Thank you, Mr. Chair. We are in receipt of the Cost of Government Commission's Report for 2011-2012 on these two items, the County Office Space Requirements and Universal Trash Pick Up. As you are aware, Mr. Chair, the Administration has been actively looking at purchasing facilities and doing studies to see about reducing some of our rent costs and we are in support of that item for sure.

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CHAIR PONTANILLA: Okay, thank you. Mr. DeRego, comments? Oh, why don't you give your report.

MR. DeREGO: Oh, okay, thank you very much. First of all I would like to thank the Chair and the Members of Budget and Finance Committee for having the Cost of Government here again with you today. We are here to present our 2011-2012 Annual Report but before we begin with the business at the hand, I'd like to thank several individuals. My name first of all is--I guess we have to do that for the record--my name is Frank R. DeRego, Jr. I am Chair of the Cost of Government Commission and to my left is Ron Kawahara who is the Vice-Chair of the Cost of Government Commission. On to thank yous. As this will be our last meeting in a public forum with the Council Vice-Chair and Budget and Finance Chair, Joe Pontanilla, I would like to thank him for his work with the Commission, his open-door policy to meet with me and the other members of the Commission resulted in a productive partnership, so we'd like to thank you very much, Mr. Chair, for your participation and your support of the Cost of Government Commission. I also want to recognize and thank Council Chair, Danny Mateo, for his valuable contributions. He has met with me and other Members on several occasions, providing valuable ideas and feedback. I want to say mahalo to all the Council members who have--oh, before I go on to all the Council members, I'd like to thank both of these Members for their dedication and service to the people of the County of Maui. I want to extend my best wishes to both of them, Danny and Joe--

CHAIR PONTANILLA: Thank you, Frank.

MR. DeREGO: --as you move forward from this Chamber to other endeavors. So thank you very much for your service to the people of the County of Maui. I want say mahalo to all the Council members who have met with me and other members of the Commission. We usually darken your door at some point after we produce our Report and, in, in pairs, of course. This is a more formal setting to present the findings and recommendations of the Commission, but we do make the rounds to each Council member so we can talk story, right, about what's going on in the County and about our recommendations and about our work. I'd also like to send a mahalo nui loa to Mayor Alan Arakawa; the Mayor's Executive Assistant, John Buck; the M² as I call them, Michelle Esteban and Michelle Makii who staff the Commission respectively; Scott Hanano; the Budget Director, Sandy Baz here. Thank yous go out to Tracy Takamine, Chief of the Solid Waste Division in this Report and to Kyle Ginoza, Director of the Department of Environmental Management. And thank yous also go out to Guy Hironaka, Real Property Lease Manager, and to the Director of Finance, Danny Agsalog. Finally, mahalos to Keith Regan of the Department of Management and the Mayor's Chief of Staff, Herman Andaya. It's a lot of thank yous. On a sad note I want to recognize the loss of a valued and respected member of our community who was a member of the Cost of Government Commission as we produced the Report that lies before you. The Reverend Walter Baloaloa was an esteemed colleague and friend. We lost him on September 30th of this year. The Commission and Maui nui grieve with his family and his church community but we also celebrate his gentle touch, his sense of humor and his dedication to public service. He will be missed. Now to the business at hand. The purpose of the Cost of Government Commission as mandated by Article 8, Chapter 16 of the Maui County Charter, is to investigate and report on ways to promote economy, efficiency and improved service in

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government. The Report you have before you is the result of the hard work of volunteers who meet at least once a month at the Commission's regular meetings but spend many hours in their subject matter areas on subcommittees interviewing individuals, pouring over data from existing reports or from information they requested, finally hammering out findings and recommendations. I've expressed this thought before in this Chamber but I want to repeat it. We are not a department. We are a volunteer Commission with limited times and resources. That being said, the Commission over the last few years has been able to provide the County with food for thought. We are not omniscient. We don't have all the answers but we do provide a backdrop for further investigations by the Mayor's office and by the Council of the issues that the Commission surfaces. In that light, in the introduction to the Report you'll notice, which is the responsibility of the Chair, I decided to go on a little fishing expedition to see what the legislative and executive branches of County government had done with the Cost of Government's Reports since 2008. I think the results speak for themselves. With few exceptions, the County has used the information and recommendations of the Commission to pursue further reflection and action on the subjects that the Commission surfaced. We don't try to get into the weeds. We attempt to look at broad policy issues and make findings and recommendations based on those, but sometimes we also give very specific recommendations based on our research. The 2011-2012 Report focused on two areas. The first area was County Space Requirements and Management and the second was Universal Trash Collection. On the Chair of the first Committee was Vice-Chair of the Commission and, but also Chair of the subcommittee, was Ron Kawahara on County Space Management. Unfortunately the Chair for the subcommittee on Universal Trash Collection has just had a knee reconstruction, that's Hal Davis, and he's not going to be able to be with us today so I have to pinch hit for him and I'm not going to be an expert as he would be in delving into the subject matter, but as much as possible I'll try to give what the recommendations and findings were for that Committee, and we'll try to answer as many questions as we can without Hal being present. So without further ado, I'll pass over the mike to Vice-Chair Ron Kawahara. Thank you.

CHAIR PONTANILLA: Ron?

MR. KAWAHARA: Thank you, Frank. Chairman Pontanilla, Members of the County Council, ladies and gentlemen. I was the, my name is Ron Kawahara for the record. I was charged with heading the subcommittee on the County Office Space Requirements and Management. So we came up with, after our investigation, we have eight findings, eight, and eight recommendations. I'm just gonna go briefly through them and summarize the significant parts of the Report. In our findings, we found that the County's annual cost to lease outside office space from private parties has risen from \$592,000 in 2002 to nearly \$3.8 million in 2011. That's a significant increase. The County space requirements for commercial space increased from a little over 43,000 square feet in 2002 to a little over 83,000 square feet in 2011. It goes without saying that we expect this trend to continue as the County's population increases and more demand for County services. The third finding was that each County department negotiates its own commercial leases, often without any commercial property leasing expertise. The commercial lease agreements signed by the various County departments are inconsistent because different forms are used by different owners of these commercial properties. Certain County departments, for example the Planning, Public Works, Water, are spread over more than one location. The

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result is obviously will be inefficiencies and inconveniences for both the department personnel and the public. Until recently the information for the commercial leases was maintained on a manual system. Another finding was that the old Wailuku Post Office building acquired by the County in 2009 is underutilized as storage space. And the eighth and final finding of our subcommittee was that the Federal, State and four, and County employees and their clients oftentimes monopolize the Wailuku Municipal Parking Lot to the detriment of the surrounding merchants and customers. So our subcommittee came up with eight recommendations for the Administration and Council to consider. First, all negotiations for commercial office spaces should be centralized in the Department of Finance and administered by a qualified person with market knowledge of commercial real estate and facilities management. Secondly, the County should use a standard form for all of its commercial leases. Deviations from the standard form can be addressed through an addendum to the lease. The advantage is that administration of the leases will be simplified and countless hours saved in attempting to review and analyze nearly 100 different leases. Obviously the County is a very desirable tenant since it pays its lease rents on time and has never defaulted on a lease agreement. As a result, any owner, lessor, or rental agent would agree to such a standard form in order to secure the County as a tenant. The third recommendation is that all commercial leases should be tracked using computerized property management software. The obvious advantage is that any rental data can be accessed almost instantaneously; expiration of leases and other trigger dates can be tracked; a history of memorandums, understandings, agreements, and other items of note can be maintained; and a copy of the lease can be electronically accessed. The subcommittee, at the same time the subcommittee also recognizes that the County has recently developed in-house software to track the various County leases. However, numerous property management software is available commercially that may offer better features at comparable cost. The use of propriety software may result in negative consequences if a substitute programmer must be used. An analysis should be conducted on the pros and cons of using in-house versus commercial property management software. Fourth recommendation, the subcommittee has concluded that it would be economically advantageous for the County to acquire and/or develop all of its own office spaces. This is consistent with the Chris Hart and Munekiyo & Hiraga Reports shown in Exhibits A and B. In addition, the County-owned facilities should be managed in-house. At the same time, the subcommittee also recognizes that certain County services need to be represented in the community and that it would be more feasible from an operational standpoint to lease outside commercial spaces. Recommendation number five, the County currently pays little over \$3.7 million in outside commercial rent. Working backwards, an equivalent loan or bond offering would amount to about \$48 million at an annual interest rate of 6 percent amortized over 25 years. In other words, the County would be in the same financial position if it were to acquire or develop its own office spaces at a cost of approximately \$48 million. The major advantage is increased efficiency by departments, by department personnel that are housed in one location. In addition, another advantage is that there will be no escalation in lease rents when the economy improves. The only ongoing cost would be for maintenance. In fact, the County's maintenance costs would likely be lower than for commercial office spaces because certain items, insurance, management fees, security, et cetera, would be eliminated or substantially reduced. Recommendation number six, the subcommittee recommends that the old Wailuku Post Office building acquired at a cost of \$1,540,000 in August 2009 be demolished and a new office structure built. The current three-story, 14,700 square foot building is currently used for storage

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of County records. In reviewing the old Wailuku Post Office property inspection summary, which is attached to a copy of our Report, the building contains asbestos, lead and mold. A new structure with more than three floors would address some of the office space shortfalls. Number seven, the subcommittee recognizes that constructing any new office building also requires providing adequate parking space for the occupants as well as the public. We are noting for the record that both the Maui Redevelopment Agency and the Wailuku Main Street Association have publically stated that their highest priority is the construction of a multi-level parking structure in the Wailuku Municipal Parking Lot. Such a parking structure, along with other smaller parking lots would go a long way towards alleviating the parking shortage in Wailuku town. In addition, both organizations have stated that development of the multi-level parking structure would be an impetus to economic growth for Wailuku. The final recommendation is the County should perform a cost benefit analysis to determine whether it may be more economically advantageous to acquire existing commercial buildings rather than build its own office spaces. The current market for commercial space is still depressed. Many properties are worth less than the replacement value. Given the current economic malaise, the subcommittee strongly recommends that a thorough analysis be made on whether to acquire existing commercial spaces as opposed to constructing new office buildings. Many commercial properties are currently valued at less than their replacement cost. The subcommittee at the time specifically recommended that the County pursue the acquisition of One Main Plaza. Currently the County is the largest single tenant of One Main Plaza. I think it occupies more than 50 percent of the available space, utilizing a total of nearly 35,000 square feet and paying an annual rent of \$908,000. That's our findings and recommendations. The conclusion of the subcommittee is that it would be advantageous for the County to acquire and build its own office spaces. The annual cost savings would amount to over \$3 million. The savings would increase substantially as the number of County employees increase as a result of population growth and demand for more County services. In order to manage the additional office spaces, the County should create an in-house property management division within the Finance Department to manage and maintain the facilities using qualified personnel and appropriate technology. Acquiring or building more office spaces means that the County must also provide more parking spaces. The subcommittee joins with the Maui Redevelopment Agency, the Wailuku Main Street Association and other stake holders in recommending that the Wailuku Municipal Parking Lot be converted to a multi-level parking structure. In addition, the subcommittee agrees with both organizations that the first floor of the building constructed on the remnant parcel located in the Wailuku Municipal Parking Lot be used for retail or other similar purposes and not for office space. That concludes my report, Mr. Chair.

CHAIR PONTANILLA: Thank you, Mr. Kawahara. Members, we're gonna take this Report first if, you know, in regards to questions that you may have and then go on to the next one, which is the Universal Trash Pick Up Subcommittee Report. So at this time, Mr. Baz, do you have any comments to the Report that was made? I know that the Administration is currently doing its space requirement or audit.

MR. BAZ: Yeah, Mr. Chair, there's number of items that we've already addressed or currently addressing as related to this study, and I can try to answer as much questions as I know here and if we need Managing Director, I can call him out of his meeting.

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CHAIR PONTANILLA: Okay, fine, thank you. Mr. Kawahara, I have a fast question in regards to looking at office space and, you know, one of the things that you talk about is an offsite, probably offsite type office space. And, you know, at one time, you know, that was heavy in my mind in regards to relocating some departments to an area where people can easily access to, such as Human Services, Water Department and departments that are, do receive Federal monies in regards to rental space, that, that monies, the Federal monies, could be utilized to pay for the construction of a new office building or even leasing office space here for Maui County. Have any thought been considered such as, as that?

MR. KAWAHARA: Oh, yes. I think we also recognized that certain County services should be in the community for service, access by the public, and just because it makes common sense to do so. The subcommittee wasn't prepared to determine which of those services should be out there but currently we have vehicle licensing, that's the only one that comes to mind but I'm certain, I'm certain there's several others that are out in the community and it makes sense to keep them there. So we're not recommending that 100 percent of County services be centrally located, but I would think that the vast majority of County services, particularly where departments such as Water and Planning are split over several locations, it would make sense for efficiency and for public convenience as well as just operational efficiency to house them in one location. County just doesn't have the space right now.

CHAIR PONTANILLA: Yeah and I, I would agree and, you know, when we talk about parking, you know, because it's an issue here in Wailuku town, you know, I had a conversation Mr. DeRego, you know, just looking at Wailuku town itself, when you look at the town, you know, it's so congested that adding more facilities within the Wailuku...within here, this particular campus, then it just add to the problem. Mr. Carroll, you have any questions?

COUNCILMEMBER CARROLL: I find the Report very informative but I have no questions at this time.

CHAIR PONTANILLA: Thank you. Ms. Baisa?

COUNCILMEMBER BAISA: I'm really happy to hear the Report 'cause everybody's heard me say my famous thing about better to buy than to lease 'cause you don't have a box of receipts at the end of your life. You've just proven that. And I found it very interesting and want to thank you for the figures and the comparison of, you know, what we would have to go into bond obligations to build things as what we're paying. So really I don't have a whole lot of questions. I just really think it's a great Report and now it's up to us to see how far we can follow up on these recommendations. But thank you very much, Chair.

CHAIR PONTANILLA: Thank you. Ms. Cochran?

COUNCILMEMBER COCHRAN: No questions.

CHAIR PONTANILLA: Mr. Couch?

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COUNCILMEMBER COUCH: No questions.

CHAIR PONTANILLA: Mr. Hokama?

VICE-CHAIR HOKAMA: Chairman, pardon my tardiness but I was able to listen to Mr. DeRego and Mr. Kawahara in my office. So I appreciate the hard work, gentlemen. And for me, I am dedicated to keeping Wailuku the County seat. Thank you.

CHAIR PONTANILLA: Thank you. Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you. And, you know, specific questions on specific areas I think I'd be more inclined to go to the Administration than...you made recommendation, now I would want to, I'd like to take, the next step is going to the Administration and asking 'em where specifically we're working on certain things and especially the municipal parking, you know, which this Administration had kinda nixed and after so many years of waiting, again we're back to square one. You know, I'm not going to question their decision. I just think we need some answers in that area because the Wailuku merchants and as well as the livelihood of Wailuku town really depends on parking. I mean, we can add more space but if we don't add more parking, we still back in where we are and, and that's not enough space. And the State has benefited tremendously from that through all the ticketing that our famous officer has done throughout the town of Wailuku. So I'd like to stop that, start getting some money into some paid parking where we could benefit instead of paying it all to the State in the area of parking tickets. But that's another conversation, Mr. Baz and Administration, and I'm hoping they're listening because I'd like to sit down in the very near future. That's something that needs to be addressed. But beyond that, thank you, gentlemen, for the tremendous Report. You have something you want to add, Mr. DeRego, I mean if you would allow Mr. DeRego to add...

CHAIR PONTANILLA: Sure, Mr. DeRego.

MR. DeREGO: Yeah, I just wanted to say in response to Councilmember Hokama and Mr. Victorino, that we found this to be a very complex problem that works on various levels, whether it's, you know, keeping the County seat, you know, here in Wailuku, whether it's increasing business, whether it's increasing parking. So any solution we realized had to be an integrated solution, had to work in parallel, not only with government services but also economic development. So we realize that this was, you know we tried to be as broad as possible but specific in terms of what kind of recommendations or what direction we feel the County should go in. But we realize this is a tough policy decision. It's a tough issue. It's been with us for, I would say at least the last 20 or 30 years, so. I think another informative thing, if you like pictures, look at the exhibits like D, E and F. The charts are great because they show you the direction of where we're going in terms of rental costs and that's, it's not encouraging in that regard. So, and especially even in the depressed market, as Ron was saying, we're paying premium lease rents even in a depressed market at this point, so.

COUNCILMEMBER VICTORINO: Mr. Chair, if I may?

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CHAIR PONTANILLA: Mr. Victorino?

COUNCILMEMBER VICTORINO: You know, and again, I hope Mr. DeRego and Mr. Kawahara, you don't take that as a reflection on the Committee. My statements were more broad in nature also -

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UNIDENTIFIED SPEAKER: Oh, yeah.

COUNCILMEMBER VICTORINO: --yeah, yeah, okay. Yeah, I don't want you think that I was, your recommendations are great and the Administration now and, and us will have to work on it. I thank you very much for it. But I agree with you, I think one of the biggest things missing in all our, our leases is the option to renegotiate when things change. And I think that's something that we need to work on 'cause most leases in the commercial world we make options to renegotiate after so many years because both sides, both the renter and the rentee, have this opportunity to change based on ...

MR. BAZ: Mr. Chair, if I could?

MR. DeREGO: I just wanted to say, I just wanted to say I was actually supporting what you were saying.

COUNCILMEMBER VICTORINO: Oh, okay.

MR. DeREGO: So don't, don't worry about that. I was actually supporting what you said.

COUNCILMEMBER VICTORINO: I apologize, I apologize.

CHAIR PONTANILLA: Okay, Mr. Baz, I'm gonna call you soon as I'm done with the other two Council members. Mr. White?

COUNCILMEMBER WHITE: Thank you, Mr. Chair. And thank you again for the Report. I always find your findings very interesting and helpful, and as you mentioned earlier we have followed through on implementing changes because of your Reports. So I think my colleagues would agree with the, the importance. And like Mr. Hokama, I totally support maintaining the County's seat in Wailuku and not letting it leak one direction or another. My question is in looking at the fact that our expenses have gone up by more than six times in roughly ten years, is to what degree are we paying what you would consider market rent in some of our newer leases versus you mentioned premium? How does the premium that we're paying compare to what you would consider market rent?

MR. KAWAHARA: The premium rents result because these leases were negotiated in '05, '06, '07. So in some cases the County is paying \$2 a foot, which is well above commercial office space today, plus CAM of about anywhere from \$.80 to \$1.25 per square foot, so quite a bit. I believe that the Finance Department has taken steps to centralize the leases, I mean a lease negotiation,

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instead of leaving each department try to do it on their own. And so the, hopefully, at least Guy Hironaka whom we've interviewed seems to have a commercial property management background, so he speaks the language and knows the market. So when leases come up for renewal, I would say over the next couple of years while the economy is still somewhat sluggish, I believe the County can achieve better rates. However, at least according to Mr. Bernanke, 2015 or late 2014 is when the economy starts to improve. So when leases, the County or any tenant is gonna be at the mercy of the state of the economy. As the economy improves, you're gonna be paying more rent. The County can eliminate this because, simply by acquiring or building its own office spaces. And it just makes for better operations, efficiency, and committee strongly recommends that the County take a serious look at this thing because cost is not going to go down over the long term, it's only going to go up.

COUNCILMEMBER WHITE: Did you in your studies take a look at any utilization factors? Are we, are we using the space that we're renting efficiently?

MR. KAWAHARA: This is anecdotal but in going to the various County offices either because of subcommittee business or just because of my business, I'd say the space is being utilized very effectively. In some cases, you can see overcrowding. And, but I think where departments like the Planning Department, Water Department, split over several locations, it's just harder to manage. So, but I think in time this, the County Administration recognizes the issue and think the County has addressed some of it. But detailed analysis, economic and financial, needs to be done on, you know, acquiring spaces with parking, building, and if you're gonna acquire space now is the time to do it, because generally I can expect that the rents, the commercial market will remain somewhat sluggish for another 2 years, possibly. Being in the, I'm also a certified property manager, so right now if you would try to acquire commercial real estate, it's hard to get an 8 percent capitalization rate or 8 percent return. You would think, because right after the great recession in 2008, commercial properties were selling for 10 to 12 percent return because it was so risky and it was not a good thing. So the market is improving in that respect. So I would, I would suspect that, you know, acquiring or building office space is anywhere from a probably a three-year, three to five year thing for the County having to go through the process, budgeting, bond floating, you know, all of those things. But I think the County, I think everyone recognizes that there is a problem. The question is how do you as the decision makers address this and move forward by allocating resources either through the budget or bonds, and proceed. After this point it's pretty much gonna be a financial and political issue. So we've made our findings and our recommendations and I think it's, it's, at least in my mind, I think in the public's mind or anybody, it's kinda what "a no brainer" that we need to do something.

COUNCILMEMBER WHITE: Uh-huh. Thank you. And I'll wait to hear Mr. Baz's, I'm sure the Administration is already addressing some of these issues because they've been aware of them for a while too. So I'll wait and hear --

CHAIR PONTANILLA: Okay, thank you.

COUNCILMEMBER WHITE: --his responses...

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CHAIR PONTANILLA: Chairman Mateo?

COUNCILMEMBER MATEO: Chairman, thank you. Gentlemen, thank you very much. Just to follow up, my, my interest is in really the old Wailuku Post Office and, you know, I'm gonna assume at this point that, that your discussion primarily involved just perhaps the tearing down and restructuring versus an actual sale of the existing property because of the sluggish market, is that, is that part of the discussion that occurred?

MR. KAWAHARA: We didn't discuss selling the building because it would be difficult selling it without cleaning up the asbestos, mold and other issues in the building. To try to remediate the property is not cost effective. There's a report issued by the old Wailuku Post Office that was conducted by Stan Zitnik, First Assistant in the County's Department of Management, did in September 3, 2010 in which the, pointed out the problems with the Wailuku Post Office. So from, from a efficiency standpoint, you'd have to discount the property substantially because the remediation is gonna cost, I don't know, in the seven figures easily. And it's only three stories, it's underutilized, even if you were able to remediate it. So it makes more sense to construct a new facility, multi-story, and that would help alleviate, since you already own the property but not utilizing. It's a storage space.

COUNCILMEMBER MATEO: That's all it is, yes. And, and I really, I thank you for your Report because a lot of it is really not new to us, but to see it again with a whole new fresh coat of paint and presented again, it does make a lot of sense at this point. And maybe just for Administration when Mr. Baz is prepared to share information, you know, the recommendation for the property management division because of the number of leases, you know, I'm sure that your Department is already looking at such potentials as we also look at the, the space study for our own initial campus, so maybe perhaps some information. Thank you, Mr. Chair.

CHAIR PONTANILLA: Okay, thank you. Mr. Baz?

MR. BAZ: Thank you, Mr. Chair, and I appreciate the discussion and questions of the Council members. As we go through their recommendations, like I mentioned in the beginning, the Administration when we first got in, we understood lease cost, me as the Budget Director, I started looking at going, oh, we got three, over three and half million dollars in lease costs and how can we, you know, remediate some of those issues of, of extended costs. We did approach One Main Plaza initially and the owners said that they didn't want to sell to us, they weren't interested in, in selling. So that was one of the, the first things that we looked at, at the existing facility, existing use, you know, we, the, our call, Administration in its first go-around tried to purchase the facility and we weren't successful, but the idea of us owning versus renting is, is a very good one, of course, and something that we, we support significantly. Just as far as the commercial leases go, we have had some leases, specifically in One Main Plaza and other leases, that have come to terms and we have renegotiated those at significantly lower cost than we were paying so that's helped. Our Real Property Manager, Department of Finance has done a good job in that. He has also been able to negotiate some of the leases and reduce the lease costs even prior to expiration of the lease while the current lease is going on, because they understand the market is, is, was so inflated before and, and it is so depressed now. Those are, are things we're

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working on. We did purchase the Fire Department's building where they have their warehouse and some office spaces in Waikapu, and that was gonna, you know, we were paying \$30,000 a month in rent, so we're paying, you know, about that much in, in bond, you know, in Debt Service, but it's only, it's gonna be ours instead of paying rent for so many years and actually the, the rent costs were gonna be starting to escalate pretty significantly in, in that lease. So we've looked at other spaces. There are some commercial facilities that existing buildings that are in, you know, that are available for sale, but it goes to this whole idea of decentralization of, of having office spaces split all around. If we go and look at, you know, one building that's, maybe the Ueoka Building where our Prosecutor's Office is, you know, there's, that's one section there. There's some other buildings down in, in Kahului and in Wailuku Industrial and different things that we could purchase even in Wailuku but again it's a matter of convenience for the staff and the personnel. Currently there is a study that we have procured, Group 70, which is a architectural and planning firm. They have gone through, met with the department directors, met with the staff, Administration, and I believe they've talked to the Council members as well and looking at, you know, what are the needs, what are the availability and what are the different options. And, you know, a lot of it is going to be focused on this campus itself here and what possibilities do we have with the old Wailuku Post Office facility, with our lot here, you know, between Kaohu Street and Wells Street and on also the Kaohu Street parking lot across the street as our majority of the County-owned lands. So that, we're hoping to have that prepared in and finalized in February so that I can present it, some findings prior to our, as part of the Fiscal Year '14 Budget 'cause we'd like to get those items in and so we can start, you know, working towards our, our end goal of reducing our lease costs. The other idea of that is that, you know, if, if it's feasible then yes having 'em here would be, would be the best option. If it's not feasible, what are the other options including different things like some of the new commercial space that's available in Maui Lani area and their Village Center and other commercial vacant land, the hundred acres that we purchased for our base yards and, and other County operations facilities as well as, I mean, when you look at, at a building that is, can hold the capacity of what we need to operate as a County, you know, you look at what's available and what's out there and, I mean, there's not much there. One very crazy idea that somebody had floated was maybe even why don't we buy the Maui Mall, you know, we already pay \$400,000 in rent over there every year, why don't we just buy the whole mall and then we can get the money back from some of the people that are there and occupy some of the other spaces, and there's very definite concrete issues of why that, that wouldn't work but, you know, that's just to give you an idea of some of the, the discussions and concepts that we've had. So one thing that is happening is within another couple of weeks, there will be an RFP issued for the demolition of the old Wailuku Post Office. That is something that we understand, you know, as Mr. Kawahara mentioned, you know, that, to remediation of the environmental issues of that building would've cost more than us to, you know, demolish it and, and, and like Mr. Chair, Chair Mateo mentioned, either sell it or, or redevelop that area. And so we are going forward with demolition of that and we hope to have that demolished hopefully by the end of the year or beginning part of next year. Those are the basic comments I have related to the study and I can, like I said, try to answer some of the questions if the Members have any other questions to discuss.

CHAIR PONTANILLA: Okay, Members, any questions for Mr. Baz? Okay, we go, Mr. Hokama, Member Victorino, and Member Baisa.

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VICE-CHAIR HOKAMA: Thank you, Chairman. Any of you gentlemen can, can give your, your take on it, but, I was just curious in, in listening to the comments about the space concern for the County, whether or not there was discussion on either, I understand _____ growing, but, you know, 90 percent of our sister counties reduced their size for the last two, three years, reduced. So was part of the review looking at either maintaining or reducing the total personnel count for the County, thereby reducing the need of more physical requirements?

MR. KAWAHARA: Well, no, we didn't look at that. Actually when I think in terms of long term, I'm thinking in terms of 20 plus years. I cannot logically see how the County's personnel would be reduced. On technology can help certainly, but it can only do so much. You still need, it's a, I would think 80 percent of the County's budget is somehow personnel related, either in benefits or in salary or something of that nature. So while we in theory think we want to reduce the size of government, the practical reality is that there are many services that require people, from Parks, Maintenance, Fire, Police, just Administration, so over 20 years, I don't see, maybe in a short term there might be some department that might be consolidated and therefore gets some efficiencies that way. But in terms of 20 years or more, I think the number of personnel working at the County, even as efficient as it could possibly be, would probably increase over today.

VICE-CHAIR HOKAMA: Uh-huh.

MR. KAWAHARA: There's no doubt in my mind that would be the case.

MR. BAZ: And, Mr. Chair, the, the County of Maui has reduced employee positions by 3 percent over the last two and a half years as well. So that is a factor to realize. We have shrunken a little bit with everybody else.

MR. DeREGO: In response to your question, Councilmember Hokama, I think it's important that any reductions, and I think you'd agree with this, be targeted 'cause I think there are ways of gaining efficiencies over time even as the County grows. I think technology is going to be an important part of that. So as we project overall growth, let's say in County government, we always have to be conscious of efficiencies that we can make in certain areas where reductions in staff as improvements in technology and other kinds of work flow processes occur. So I would agree with you that those are the important things to look at. Just, this is sort of a sociologist comment I think. I don't know if you're aware of this but Maui County was the most undercounted county in the United States in terms of population. The, if you look at the American Community Survey, they had only projected us to be about 145,000 by the year 2010 and then when the census came out we were 154,000. So the way we're growing, there's gonna be a lot of demand for County services in the future because if the census can't even keep track of 10,000, almost 10,000 people, it's gonna be a requisite upon us to really keep tabs on how County services are growing in regards to the growth of the population. Even the State has, DBEDT, has had to go back and now redo all their calculations from 2000 on in terms of their projection of population growth simply because you'd have a curve looking like this from 2009 to 2010, all of a sudden 10,000 people show up in Maui County, right? So, just, just, and sort of an anecdotal but a very

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important one actually 'cause population growth on the island is, is booming. It hasn't slowed down even in spite of the recession.

VICE-CHAIR HOKAMA: I hope you shared that with the Planning Department because, you know, we're working on General Plan updates and lot of it is forecasting then, of course, you know, we rely on the most accurate information to make the best decision. So thank you for that comment. I appreciate it. Thank you.

CHAIR PONTANILLA: Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you. And this kinda tacks on to what you just got through talking about, Mr. DeRego, the growth of the population of Maui County. It is not just in Central Maui, it is really growing in certain areas, South Maui, West Maui, even exponentially in, in Paia and, and, and Makawao and those areas. And it's been slowed down because of water and if water ever becomes solved, you would see a real change in that. So the one issue I have with some of this, you know, commercial leases again based everything, a lot of it's based in Central Maui, yet I foresee in my concept of what government should be, something what Oahu has is satellite city halls, eventually, and I think we've made attempts, right, Mr. Baz, with Upcountry and West Maui and South Maui. I can see the attempts being made but they tacked on to County facilities which then hurt County facilities like our Parks and now we are using up in South Maui the Community Center is become a lot of our different entities for County facilities, same thing with Tavares Center. You know, you start looking at Makawao, Eddie Tam, you know, we start shoving services into our Parks and Recreational facilities. And that cramps that up. So now, you know, my whole thing in this is we're going to build beyond just this campus, I'd like to see us look toward building in the outlying districts so that they would have centralized systems. You know, you do a lot computerized but still need, as you just said, and you just said, we need personnel there. You know, we need personnel to do certain things. So I think part of the study, Mr. Baz, is, is that it has to start moving towards that direction, that would be my first, first comment. The second comment is parking. And again I go right back to that parking. I'm stuck on parking because I've seen the hundreds of...I could've built one building in Wailuku with all the ticket money we've paid out, the ticket fees, right? I mean, the fines that we've paid in, in, and no offense, I'm not blaming the gentleman, but --

CHAIR PONTANILLA: We don't get anything.

COUNCILMEMBER VICTORINO: -- I know we don't get anything. That's what makes it worse yet, okay, but, you know, again, you know, parking, with lack of parking we have this real frustrated community that comes around here, and Mr. Hokama can tell you, you know, this is our County seat and yet our people are getting ticketed to come here to do business in Wailuku. And I'm not just talking the merchant, I just talking the government entities, whether it's State and, and the County, and the Feds, whatever, yeah. So, parking, you know, Mr. Baz, we cannot forget parking, you know. I'm not humping on just that parking lot, I'm talking parking in general. We had a concept of building parking structure back here on Kaohu and that kind of went to the wayside. They were gonna build multi-level parking right back here between Kaohu and, and the County Building. I mean, there's a, I've seen a lot of plans in the six years I've been here

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and I can imagine Mr. Hokama and some of those who have been here longer, probably seen a lot more plans than that. But we only keep putting plans, we keep talking about it, we keep talking about it and then again maybe one day I will retire and we will still be talking about it, but something's gotta be done. So this helps give us again a new, fresh perspective. But, Mr. Baz, we cannot forget parking 'cause parking really predicates everything else we do. And if we're gonna build, like for example, Mr. Kawahara and Mr. DeRego, if we're gonna tear down and build a new building there, I'd like to see the first three stories parking and then build from that point or go down a story or two, whatever, but put lots of parking for our building so our constituents as well as our employees get off of the streets and stop getting ticketed. We have enough ticket fines to build two buildings I think by this time. And if we make another 20 years we can build another multi-million dollar structure unless we got a different concept on fines and tickets. Sorry, Mr. Chair. Thank you.

CHAIR PONTANILLA: Okay, thank you. Ms. Baisa?

COUNCILMEMBER BAISA: Thank you very much, Mr. Chair. I, I'd want to weigh in on this idea of, that Mr. Hokama mentioned about keeping Wailuku as the County seat. I agree with him. I think historically this is where we want to have the County seat. To that end, I would really like to see, you know, we've been talking about the possibility of building a parking lot in that space that's next to us that's used for a parking lot right now and I'd like to see something multi-level go up right there. It would be really great to have it right next to this building because, you know, the other one is great too and we may get to the point where we need all of it, but for our purposes, wouldn't it be really nice to have that right here? Was that discussed a lot by the committee?

CHAIR PONTANILLA: Mr. Baz or, or Mr. Kawahara, or Mr. DeRego?

MR. KAWAHARA: Well, we addressed the parking in our Report because you can't talk about office space without talking about parking. I know the Wailuku Municipal Parking Structure has been somewhat controversial, but I think there were three separate surveys done and that's the single biggest problem with Wailuku is lack of parking. And both the MRA and the Wailuku Main Street organization and merchants in the area have stated that if we can have more parking, that would be the economic engine, so to speak, that would stimulate economic development improvement in the area. Now I can tell you that the Wailuku Municipal Parking Lot by itself is not the answer. You need to have ancillary parking. Nobody's gonna park in the Wailuku Municipal Parking Lot and then walk to Happy Valley for example or even walk three blocks. So you need ancillary surface level parking but this, I know that this parking structure, I mean has been batted back and forth, I've been involved in some of the discussions, but at some point the County has to address this issue because even if you create more parking, more office space, you're gonna have to provide the parking. But three separate survey, of course it depends on when the survey is taken and what day it's taken, but in many cases, Federal, State and County employees and their clients monopolize the parking lot, and other times they don't, but generally that is an issue. That parking lot was not meant for that purpose, it was meant for the employees and the customers. And there's studies that I've read that was circulated by our Planning Department and through the MRA and the Wailuku Main Street where the solution to other small

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cities in solving the parking issue was to make paid parking on the streets and make the municipal parking free. That drove people to the municipal parking lot. There's a study, couple studies out, showing that this is how some other municipalities solved their parking, old town parking issues, for what that's worth.

MR. BAZ: And, Mr. Chair, I could add the current study Group 70 is doing, that was, Ms. Baisa, a major focus of and direction towards them was adequate parking for the facility, and some of the initial concepts that, that I've seen, included multi-level structure on this campus here is one of the first ones that I saw. So, yeah, we wanna make sure that we're building not just office space, but parking space for not just the new offices but also our current employees and, and ones that are housed here as well.

COUNCILMEMBER BAISA: Thank you very much. You know, parking for the employees in, in this building is still a big issue. When I first got here, my employees were paying humongous bills, fine bills for, you know, not making their two-hour, making it to their car within seconds of that two minutes and two hours and it is an issue. So I think, you know, that for me is really important. Thank you.

CHAIR PONTANILLA: Thank you, Ms. Baisa. Just a comment from the Chair. You know, this municipal parking, that structure that we all talk about has been going on for over 20 years now but in the meantime, in the meantime, it's probably gonna take between five and ten years before we see anything happen. I don't know if the Committee had ever consider a shuttle type service with the frequency of...you know, I look at the stadium, you get probably four, five hundred parking spaces over there and the hospital utilize it for their employees and they do have a shuttle that goes back and forth reasonable time, probably every 15 minutes. So if something like that can be devised by the County of Maui to provide frequent services from the stadium to Wailuku Town and to the outlying areas like, you know, like Mr. Kawahara mentioned, like Happy Valley, you know, go in Wailuku Town, Happy Valley, County Building, just outside going towards maybe, you know, the subdivision where Stanford Carr has his development going. Has that thing ever been considered, something like that?

MR. KAWAHARA: No, we didn't consider it because from a economic perspective, now this is my opinion, is that Wailuku commercially has to compete with Kahului essentially. It's, you competing with the big box retailers like Kmart, Walmart, Costco, you have Maui Mall, you have Queen Kaahumanu Shopping Center and they provide free and convenient parking. Now if Wailuku were to adopt a shuttle system, you need to, this has to become, how, what's the term I want to use, very comfortable for people who want to shop in Wailuku. Wailuku is very unique in that we have both State, County and Federal offices here. We don't have that kind of situation in the other small towns like Makawao, Paia, Lahaina. Most of those places have some sort of municipal parking. The fact that we have those government offices located here puts a strain on the available parking that doesn't exist in the other small towns but it is certainly a possible solution, you know, it's, but in order to make, to revitalize Wailuku, you have to have commercial interest. In order to make it a small town concept where people will want to live, work and play in Wailuku, you've gotta have an active night life and weekend life which means, according to the studies that have been done, they want to have retail or restaurants or that type

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of businesses that will stay open at night, not offices on the first floor. So, so the MRA, I mean the MRA and the Wailuku, both, both organizations, the Wailuku Main Street Association, talked extensively about trying to keep Wailuku within the small town development concept and, but they have both stated that the number one thing that was missing was more parking.

CHAIR PONTANILLA: Yeah, and thank you for your comments. And the reason why I brought it up is because when you go to different municipalities, you know, they have a transportation system that service the community, and should we build that structure, you know, somehow, somewhere, we gotta find an area to have people park while construction goes on. So we gonna lose probably over 200 parking in that one particular area. Mr. DeRego?

MR. DeREGO: Just one comment 'cause I see Mr. Couch wants to get in, in the discussion. So I'll just make a short comment here. Any parking, vital economic development and resident population I think are the three things that are gonna have to work in parallel. I grew up on Wells Street, okay, where the old telephone company building was, okay. And there was a neighborhood in that area at one time and you could walk to Mike's Market, you could walk to Kress Store, or National Dollar, or Ogawa Jewelry or whatever, right, okay? You could walk.

COUNCILMEMBER BAISA: Who remembers that?

COUNCILMEMBER VICTORINO: You had no car.

MR. DeREGO: Yeah. If you had a car, you went to Kahului to the brand new spanking shopping center down in Kahului if you wanted to have a fun Friday night. But I think these things work in parallel. You can't talk about parking outside of redeveloping the economy outside of creating some, some viable density, a neighborhood in the middle of Wailuku again. What's happened basically is we've got all these office buildings and the neighborhood went away. So, you know, it's also about people. It's not bringing people from the outside in, but also trying to generate enough traffic in the middle of Wailuku, people who live, work, are interested in being there, you know, and, and create these communities 'cause we've kinda pushed ourselves out in one shape or form. So this is a personal opinion of mine when we were going through all of this, but all of these strategies have to work in parallel. You know, you can't solve the parking problem and then all of a sudden have nobody parking in the parking lot because there's really nobody there that wants to come, you know. So, so that's just my comment on, on that question.

CHAIR PONTANILLA: Thank you. I'm gonna call on Mr. Baz and then, oh, I'm sorry, Mr. Carroll, and then Mr. Couch and then we'll end it because we still get couple more stuff that we need to talk about.

MR. BAZ: Mr. Chair?

CHAIR PONTANILLA: Mr. Baz?

MR. BAZ: Thank you, Mr. Chair. Just in response to your specific question about shuttles, we did approach the hospital and seeing about some kind of a shared shuttle system. They did not want

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to do that and so we looked at doing it on our, on our own. We did get quotes on how much it would be for a 15-minute interval shuttle between the War Memorial Stadium parking lot and the County Building with a couple of stops in Wailuku Town as well, and it was hundreds of thousands of dollars to provide that shuttle service. So, you know, unless we want to beef up maybe the Maui Bus and have a more public type of a system, the cost effectiveness of it was really not there to provide that shuttle system.

CHAIR PONTANILLA: Okay, thank you. Mr. Carroll?

COUNCILMEMBER CARROLL: Thank you, Chair. In 2004 and 2005 when there was a lot of discussion about putting a parking structure over there in Wailuku, it became obvious at that time that it was not going to happen anytime soon. Obviously it hasn't happened until today. So at that time I suggested and we put \$200,000 into the budget, into the 2006 Budget, for the study for a parking structure and offices either across the street in the parking lot over there with a shuttle service at that time to, for our employees so, you know, they'd have a place to park during the construction or look at doing over here at, nearer this building and it was agreed at that time that people around here don't like us anymore because we take their parking. Merchants in Main Street, they don't like us because we take their parking. And it seemed at that time that, that was worth a \$200,000 study to see if we could bring that about. It was in the budget until the last minute and one Council member went and took out a zero that made it \$20,000, so it never happened. I would hope that perhaps the Administration could again consider putting in some money for that study. At that time it was a good idea, it looks like it could be done in a reasonable amount of time and something that possibly we could afford instead of waiting on something that there's so much controversy that it could never happen. I would hope that, that could be reconsidered again by the Administration and then the Council could look at it during the budget period and see if it's something that we can do. And we talked about, he was just saying that we could create parking but where the people gonna be, well we're talking about creating parking that we need right now for our people which would relieve parking for the other places and that alone would help to stimulate business in this core. Thank you.

CHAIR PONTANILLA: Thank you. You can bring it up in the 2014 Budget. Mr. Couch?

COUNCILMEMBER COUCH: They answered, Mr. Baz and Mr. Carroll --

CHAIR PONTANILLA: Okay, fine.

COUNCILMEMBER COUCH: --answered my questions.

CHAIR PONTANILLA: Thank you.

COUNCILMEMBER VICTORINO: Chair, real quick.

CHAIR PONTANILLA: Sure.

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COUNCILMEMBER VICTORINO: And I know, like you, one quick, one, one quick, one fast one. To answer your question, there's 780 parking stalls at War Memorial. I do that 'cause I do the Knights and we --

CHAIR PONTANILLA: Oh, okay, thank you.

COUNCILMEMBER VICTORINO: --know how many parking stalls we get.

CHAIR PONTANILLA: Seven hundred eighty customers can go there. Okay, Members, we still got one more report from the Cost of Government and this is the Universal Pick Up. So, Mr. DeRego? This one going take --

MR. DeREGO: Opala.

CHAIR PONTANILLA: --fifteen, twenty minutes.

MR. DeREGO: Ay, yay, yay.

COUNCILMEMBER VICTORINO: So _____ come here too often.

MR. DeREGO: Okay. This, the Universal Trash recommendations were picked up as part of the integrated Solid Waste Management Plan developed by the Department of Environmental Management in collaboration with their consultant Gershman, Brickner & Bratton, Inc. They took the opala tour. I don't know if you've done that before but they actually, it's called Tour de Trash, I think it is. And they also met with Tracy Takamine, who's the Chief of the Waste Division. Basically what I'd like to do is go through the findings and recommendations, but just with this caveat. The Commission limited the recommendations to increasing the number of households using the County service thus insuring a stable source of revenue for its operation and the environmental implications of trash discarded in fields and public lands. One thing that we realized when we were going through this, the subcommittee realized, is that no matter where trash ends up, it ends up in the landfill. Whether the County has to pick it up, whether it has to pick up, it has to be remediated, if it ends up in somebody else's field or yard or something else and the County's gotta go pick it up, okay, there's that extra cost, okay. If there's a car that's abandoned, no matter what, it's gonna end up somewhere at County expense. The Committee did not investigate the possibilities of public/private partnerships and the sale of methane produced by the landfills, but we're aware the Administration is investigating these avenues for revenue production. Commission believed there would be long-term environmental and revenue benefits from universal trash collection. The Commission also understands a significant investment in personnel and equipment and infrastructure would be needed to implement this system. So let me just go through the findings. First of all, one of, one of the first findings was that Solid Waste Management currently services approximately 25,000 customers who are billed at a rate of \$108 every six months for their trash service, an annual fee of \$216. The second finding was the Solid Waste Management Division spends approximately \$200,000 annually to bill all the customers for their trash pick up. The third finding is under the current system, the County bills each customer \$18 for a service that costs the County \$40 for each of its

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25,000 customers and this is something I think a policy issue we felt that the Council needs to look at. This results in the 55 percent subsidy for each customer and of that 55 percent, 40 percent is paid through the General Fund revenues collected from the real property tax assessments. There are about 300 accounts that are closed or delinquent every year, costing the County approximately \$64,000 a year in lost revenues. On average it takes three years to close a delinquent account. And last but not least, the final finding is the Solid Waste Division is currently understaffed by approximately four workers. We found out there tends to be a lot of overtime in the Solid Waste Division and a lot of it is picked up by overtime at this point. So the recommendations of the subcommittee was the subcommittee recommends that the County of Maui establish universal trash pick up system. You'll notice in the report we used some mainland examples. The closest example in Hawaii in terms of the County was Honolulu which also has a universal trash pick up system, but we felt these models might be better suited to, to Maui's situation, the ones that we used in the Report. The subcommittee also recommends that the County changes its current billing system for trash pick up. The cost of the trash pick up service should be included as a separate line item on the real property tax bill. The change would relieve the Solid Waste Management Division from dealing with the billing and collection cycle and transfer it to the Department of Finance which is well versed in such procedures. The subcommittee also recommends that trash collection fees be increased to offset the actual cost of the service. This would allow the Solid Waste Division to be more self-sufficient and rely less on General Funds to subsidize their operations. Last but not least the subcommittee recommends the hiring of four additional workers as an approximate annual cost of \$250,000. The cost of the new workers would be about \$55,000 more than the current overtime being paid to current workers. Subcommittee believes this will result in greater efficiency and flexibility and worker assignments and also add to the economy, you got four new workers now adding to the economy as well, so. That was the...

CHAIR PONTANILLA: You notice everybody smiling, yeah?

MR. DeREGO: Yeah, I know.

CHAIR PONTANILLA: Hard to swallow, man.

MR. DeREGO: Hard to swallow.

COUNCILMEMBER VICTORINO: _____ downsize government, now you saying ...

MR. DeREGO: Well, you know, this, let me comment on that, that. We talk about downsizing government, but as I said before, it has to be targeted downsizing. In some departments you're gonna find an increase simply because there is a necessity to increase that service. Waste collection, even though it's been automated, is going to be growing in this County, and I think we got a figure of, let's see, if you've got 40,000 households or 44,000 households and 25,000 of them are on trash collection, okay, where are the other 20,000 households dumping their trash? The County is ending up paying for this anyway. So trying to get people on the system and trying to make it a universal trash pick up system, even with the increase of workers and equipment that would be needed, would be a lot more efficient, a lot more flexible than the

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current system now where the County is having to pick up this garbage anyway and it all ends up in the landfill at some point.

CHAIR PONTANILLA: Thank you. I don't see any Environmental Management employees over here. So thank you for that report. Mr. Baz, you got...

MR. BAZ: Thank you, Mr. Chair. I know the Mayor is in great support of a certain type of universal trash collection. The details of which need to be discussed and worked out and there's a lot of different functionalities. Is universal trash pick up then on every parcel, is it only on residential, is it, you know, what real property tax items or consequences are there as far as the rates themselves and what they cover, condo owners who pay for their own commercial? I mean, there's a whole lot of different items that are related to this which we have, you know, had some initial discussions on, but we would like to discuss this further and internally discuss it and then approach the Infrastructure Management Committee with this type of an item.

CHAIR PONTANILLA: Thank you. Mr. Mateo, questions for any of the gentlemen down here?

COUNCILMEMBER MATEO: No. The jury's still out.

CHAIR PONTANILLA: Okay, fine, thank you. Mr. White? Mr. Victorino?

COUNCILMEMBER VICTORINO: No, I think I'll hold up till the Administration comes in and I think that's a fair way to do it, but thank you again for that hard work and that recommendations.

CHAIR PONTANILLA: Thank you. Mr. Hokama?

VICE-CHAIR HOKAMA: I would be happy at the appropriate meeting, Chair, to find out how we gonna, if we gonna look at Molokai and Lanai in a different perspective since it's, has different situations and possibly Hana. But, you know, if you want us to consider universal, at this point we only talking residential, not the whole program, just residential, correct, gentlemen? Then we gotta go after the property owner, Chairman. We cannot go after the tenant or the --

CHAIR PONTANILLA: Yeah.

VICE-CHAIR HOKAMA: --the user because what do you lien if they don't pay the bill? You gotta go after the property owner pay the bill and then if they don't at least Real Property Tax can lien the property. And if, that's the only way I, I can see working and, you know, commercial is its own unique issue so we might have to have a different approach but, you know, I think the Cost of Government gave a good recommendation. Thank you.

CHAIR PONTANILLA: Thank you. You know, coming from the utility company, phone company tried to do that but we just gave up. Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair. It sounded like Mr. DeRego, it sounded like you did consider the additional accounts that needed to be added on there. Did you, I noticed

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you have the agreement in here, the union agreement, but did you discuss some of this with some of the union folks or just you gonna assume that that's gonna be ...

MR. DeREGO: We did not want to step into that area. We just wanted to make sure that people knew what the issues were and what the present system is and that's gonna be part of the mix as, you know, 'cause overtime is also a part of that discussion, correct, whenever you have these negotiations. So that's why we put that in the exhibits as well. We put the, the union contract in there 'cause we knew, we wanted to recognize that's a part of the, part of the discussions, so.

COUNCILMEMBER COUCH: Okay, and, you know, there's, there's all the questions of, you're, you're talking about condominiums versus single family dwellings. Well, you know, a lot of the places, certainly in my district, have a ohana and a home, is that counted as a single family dwelling? If, if it is then you get so many cans per TMK? I don't know, have you gone that --

MR. DeREGO: We haven't --

COUNCILMEMBER COUCH: --to that level?

MR. DeREGO: --gone into that depth, no, but we decided that this was an issue simply because of the cost disparities first of all in terms of what's being charged for the service --

COUNCILMEMBER COUCH: Yeah, yeah.

MR. DeREGO: --as versus what the actual costs of the service are and then also in terms of trying to give the Department of Environmental Management in that area a stable income revenue resource. So this is why we looked at this area. The, as the Director, Budget Director Baz, was saying, this is something that they're looking at and there are kind of numerous nuances to, you know, the owners, condos, private collections, you know, all of those things, so, that have to be taken into consideration, so.

COUNCILMEMBER COUCH: But did you look in, you said you looked at Honolulu or these other municipalities, did you look at those kind of things as well when you compared them?

MR. DeREGO: I, well, in Prince George's County they actually charge everybody regardless for whether it's a condo but the, if you notice in the report it's sort of a tiered system depending on what level of service that you're getting, so. But, but it is connected as Councilmember Hokama says, it is connected to the landowner or the property owner and sometimes whole condominiums will go into the service with the County and then they divide up the bills from there, so. But we didn't get awful deep into the weeds on that. We just were trying to find some examples that might be useful as models and have the Administration look at it and then bring it to the Council for consideration.

COUNCILMEMBER COUCH: Okay, thank you. Thank you, Chair.

CHAIR PONTANILLA: Thank you. Ms. Cochran?

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COUNCILMEMBER COCHRAN: Thank you, Chair. Yeah, I mean, for me I don't get service and so to tack some kind of refuse fee onto my property tax, and I understand that some of my opala does somehow get to the landfill, but I don't get any service out there and places like Kahakuloa, Honokohau also. So those things I'm sure Mr. Baz knows and it's on the table to discuss but not to forget Molokai and Lanai too and also areas such as the place where I live and quite a few of our residences. And so I'm looking at this, I guess, PowerPoint from Tracy Takamine in regards to the staffing and where you folks pulled out your extra four staffers in their Department would help and his PowerPoint is not numbered. Well I guess it's the second page from the beginning of his presentation under staffing, and it breaks down the section and then it says authorize and then assigned, there's numbers there. So it shows the discrepancy, 32 authorized for landfill, assigned are 30 and then refuse collection 45 are authorized, 43 are assigned. So I don't know if Mr. Baz or yourself has a, my question is authorized meaning it's budgeted and thereby they're open positions right now and he just needs bodies to fill these positions that are pre-budgeted?

CHAIR PONTANILLA: Mr. Baz?

MR. BAZ: Mr. Chair, without having discussion with the Division Chief, "authorized" I'm assuming is the budget authorization for employee count and we can go back and verify that. "Assigned" I've never heard that term used in this area so I'm not sure what that means.

COUNCILMEMBER COCHRAN: Okay, thank you. ...*(inaudible)*...

CHAIR PONTANILLA: Thank you. Ms. Baisa?

COUNCILMEMBER BAISA: Yes, thank you very much, Chair. I've been kicking this around since I got here. I've always thought it was a probably a good idea that we ought to take a look at 'cause it is disconcerting to know that, you know, we have a lot of trash running around the place and that the costs obviously are much greater than what we're paying. And it's really important that we take care of our rubbish. But there are concerns, you know, I, every time I talk about this I hear people who have private trash pick up like condo people say well not fair to charge us because we don't use it. So I think that's something, of course, we'd have to take a look at. Putting it on the property tax bill is a whole other issue. Including it in property tax is another story. I mean, there's a lot of options here and so we really need to look at that really carefully. I think if we're ever gonna bring this to a Committee we might want to have our fellow folks from Honolulu who have already done this come talk story with us. It might be interesting to have them here so that we can ask them, you know, what did you run into and exactly what are you doing? So definitely something to look into. Thank you.

CHAIR PONTANILLA: Thank you. Mr. Carroll? Okay, thank you. Final comment, Mr. Baz?

MR. BAZ: Thank you, Mr. Chair. Just a, yeah, thank you, final, very, just brief comment only. The current General Fund supplemental transfer of the Solid Waste Fund for Fiscal Year '13 is \$5 million. So to a certain extent, real property taxpayers are paying for residential trash collection and, and landfill services at this point. And so we would like to have that resolved one

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way or the, I mean, it could be the other, completely other direction in that we don't actually have a Solid Waste Fund and it all gets paid out of the General Fund which is another option as well. But, anyway, just those brief comments and thank you, Mr. Chair, for bringing this items up.

CHAIR PONTANILLA: Thank you. At this time, the Chair would like to thank Mr. DeRego as well as Mr. Kawahara for being here. I know, lot of questions in regards to office space and understand that it's going to be brought up in February in regards to the findings. So again, you know, thank you very much for being here.

MR. DeREGO: Thank you.

CHAIR PONTANILLA: Okay, Members, we're gonna take a short break, five minutes. If we can report back at 3:05, Chair would appreciate that. And then we'll be taking up the BF-112 which is the appropriation that we made for the computer equipment and three Equivalent Personnel for Real Property Tax Division. Recess. . . .(gavel). . .

RECESS: 3:00 p.m.

RECONVENE: 3:06 p.m.

CHAIR PONTANILLA: . . .(gavel). . . The Budget and Finance Committee Meeting is now reconvened. Thank you, Members. For the last item that we just covered, BF-11(3), Chair's recommendation is to defer, if there's no objections.

COUNCIL MEMBERS: No objections.

CHAIR PONTANILLA: Thank you.

COUNCIL MEMBERS VOICED NO OBJECTIONS. (excused: GB, RC, and DM)

ACTION: DEFER pending further discussion.

ITEM BF-112: FY 2013 BUDGET APPROPRIATIONS FOR REAL PROPERTY TAX DIVISION (COMPUTER EQUIPMENT AND PERSONNEL) (CC 12-206)

CHAIR PONTANILLA: The next item on our agenda is BF-112, Fiscal Year 2013 Budget Appropriations for Real Property Tax Division (Computer Equipment and Personnel). In Fiscal Year 2013 Budget, there is an appropriation of \$930,000 for computer equipment and 3.0 Equivalent Personnel. Your Chair would like to discuss the status of both of these item and starting with the computer equipment. Here with us this afternoon, we do have the Finance Director, Mr. Agsalog, with us, so at this time the Chair would like to call on Mr. Baz.

MR. BAZ: Thank you, Mr. Chair. As you outlined, there was an appropriation made during the Fiscal Year '13 Budget deliberations for equivalent personnel, three Equivalent Personnel and

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additional funding for software and, and equipment for Real Property Tax Division. The funding for the personnel, one of the positions was left without funding and the other two positions were funded half for six months. So the Department of Finance Director is here to discuss these items and we can answer as much questions as we can with him.

CHAIR PONTANILLA: Okay, thank you. As far as the equipment?

MR. BAZ: I'll, I'll let the Director --

CHAIR PONTANILLA: Okay, fine.

MR. BAZ: --give a status report on that.

CHAIR PONTANILLA: Okay, thank you.

MR. BAZ: Mr., oh, excuse me, Mr. Chair? Another thing is we do have the Director of Information and Technology Services, our Chief Technology Officer, Mr. Jacob Verkerke, here as well to discuss those.

CHAIR PONTANILLA: Okay, thank you. And before I call on the, Mr. Agsalog, you know, Chair is going to defer this item, okay. We're here to discuss what was appropriated and where we at in regards to the computer equipment and the hiring of the personnel for Real Property Tax Division. I feel that the Real Property Tax Division plays a major role in regards to our revenue string and, you know, for that matter, we need to keep the Real Property Tax Division, you know, provide them with the latest technology that we have so that as we move forward as a County that we give the support in regards to the people that take care our revenues. So at this time, the Chair would like to call on Mr. Agsalog.

MR. AGSALOG: Thank you, Mr. Chair, and members of the Committee. As you have mentioned, Mr. Chair, with regards to the 2013 appropriation, I'm happy to report to you that the Administration is providing a integrated approach in how we going to move forward in upgrading our computer system. I have discussed this issue with the Office of the Managing Director and they have engaged a company to do an IT assessment for our requirements. We are incorporating all inputs as we gather to do this. My understanding, Gardner has been engaged to provide this particular assessment and soon we will be able to move forward on the software equipment that we need. To elaborate, the effort that we have done, Mr. Chair, since the beginning of the fiscal year with regards to this appropriation for the equipment, I will be more than happy to call on our Director of the IT Technology Division to give us a little bit more detailed information for that should you need it later on. We, I can report to you though that we have, with the guidance of the Real Property Tax Division, we have purchased the pictometry licenses that's been distributed to our appraisers so that they can function more rapidly in assessing the parcels that we have. We purchased about 280 seats. Of that, 80 of them I have asked that it, it stays in the Department of Finance. About 40 of them would stay in RPT and the rest of them would be given to positions that needs this particular technology. Again, it's a wholesome solution for the IT requirement that we will need in the future. So that's just the first step that we have done, Mr. Chair. With

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regards to the personnel, I'm happy to report to you that beginning September this year, September 1 this year, the GIS Analyst has been transferred from the Planning Department to the Finance Department to the Real Property Tax Division, that's GIS Analyst II. The rest of the personnel, Mr. Chair, they are now under evaluation since one of them did not have any budgeted amount and the other one was given six months. So with that, Mr. Chair, I would answer any more questions that you will have with regards to the approach that we are taking to help the Real Property Tax Divisions in ensuring that our revenues are well collected. Thank you, Mr. Chair.

CHAIR PONTANILLA: Thank you, Mr. Agsalog. The last couple of weeks I've been with, you know, I've gone to a conference on, on the mainland in regards to real property tax and the latest technology that they have that has been offered to all counties and, you know, what I find is that, that we have a Real Property Tax Division that is, to me in my opinion, it's really doing well, doing the job well with the technology that they have. You know, it's a prerogative of the Administration to go hire a consultant to look at, you know, what is required for this County. One thing that I find is that there are some missing parts. When I say missing parts, it's, we have several system within the County that is being utilized but different departments. And what, what I find is that all of these departments like Public Works, Planning, you know, need to talk to Real Property Tax so that all of the information that they get in regards to building permits, subdivisions, GIS system, you know, they need to start, start talking as a team because Real Property Tax is, in my opinion, a driver in regards to keeping this County afloat. There are many technologies out there that can support our existing system here but again, you know, it's the Administration responsibility to go after that. So I need to, and Members, you know, I need to continue to have some discussion with Finance as well as Budget and of course the Managing Director in regards to the type of systems that we have and, and we gotta, we gotta have a cohesive team in regards to passing information and not work in a silo, okay. So I just gonna leave it at that. So, Mr. Carroll, do you have any questions in regards to this particular item?

COUNCILMEMBER CARROLL: No.

CHAIR PONTANILLA: Member Baisa?

COUNCILMEMBER BAISA: No.

CHAIR PONTANILLA: Member Cochran?

COUNCILMEMBER COCHRAN: Chair, thank you. What you just brought up triggers a thought I had too in regards to discussions because making sure that we're taxing properties that have gotten entitlements and what have you that went from say fallow ag into their best and highest use as a subdivision or resort or something, how does that work in relation to real property tax and when does that clock start that we start gathering that type of revenue versus just old ag land revenue? So I hearing what you're saying and I'm very excited to see this, more dialog on that and discussion. So thank you for stating that, Chair.

CHAIR PONTANILLA: Thank you. Mr. Couch?

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COUNCILMEMBER COUCH: Thank you. Thank you, Mr. Chair. And, Mr. Agsalog, just a question. You say that things started in September, they've got everything and things started picking up in September. Is that when you started --

MR. AGSALOG: Mr. Chair?

COUNCILMEMBER COUCH: --becoming operational?

MR. AGSALOG: Mr. Chair, I just --

CHAIR PONTANILLA: Director?

MR. AGSALOG: --what I mentioned about September 1st is that when we have transferred the GIS Analyst II from Planning Department to Department of Finance. That's one of the three E/P that was included in our budget from, for Fiscal Year 2013. That was an update as far as where, where we going with the personnel that was appropriated for the Budget Fiscal Year '13. So that September 1st related to the transfer of this GIS Analyst II. So, but, yes, they are helping us now working with our work at the Real Property Tax Division.

COUNCILMEMBER COUCH: Okay, so how long have they been working with pictometry?

MR. AGSALOG: Oh, the pictometry, they have been using it before we were given some seats from the Police Department that were really good at it, but when we, with the budget that we have, we were able to purchase 280 seats for our people for, since July, since July when we bought this and this is, the pictometry is, I think if I'm not mistaken, Mr. Bill Medeiros has given you some sort of presentation. I think you have, you have gotten a seat also because I asked him to provide one on each office to the Council members. I don't know who they assigned it to but this particular pictometry is very good because it allows the appraiser to even do measurement in their, in their desk, you know, they, if they can put the cursor from one end to the other, they can see how much square footage of that particular house or structure, they can see the height or elevation of that particular structure, they can know if it's two story or a single story, so it's very useful for them. The additional requirement for that though is the update of the imagery, which is the flyover for, that we would probably be requesting soon so that it will help us update the current image that we have, because the current image that we have, I think the contract is now ending for the one that's given by the Police. We using that, that pictometry. That's a State imagery. So soon, if we really want to have a most update, updated imagery, then we will have to do the flyover but that one we could do it by section as far as priority is concerned, where are the most active development is that we want to do a flyover so that we don't have to pay big amount of money at one time. So this approach that we looking at will help our assessor in, in evaluating all those new development, new parcels, new subdivisions that's coming up. As far as the beginning of assessment of a new parcel that coming in, I think it's our, our assessor, I know our assessors are on it. They, they input as soon as possible. Our current aging IS system, it's still capable but it's not as good as the IS world that's out there. But again it's the function that I'm asking Managing Director's office to work with us so that all this software that we will

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get will communicate with each other as the Chairman of this Committee is saying, they should be able to talk to one another from one department to the other so that if Planning, Permitting issue the permit, it should already show up to us. That would be really good instead of us collecting this data and inputting it again, making some mistake in between. If somebody inputting it one area, it should be just, more accurate if we can do it that way. That's why the wholesome approach that the Managing Director's office is now trying to make us work with, I think it's, will be the answer of this garbage in garbage out type of, of data. So if we can work at it that way, I think we will be a win-win for all the users of the software that we will buy in the future.

COUNCILMEMBER COUCH: Okay, and, and with all this pictometry and what not, have we been able to get any new increased revenues from comparing old and new?

MR. AGSALOG: Mr. Chair, the pictometry is just one, one part of the big scheme of our approach in getting a little bit more accurate in, in evaluating the, the assessment of a parcel. I cannot tell you right now because it's just in July if we have gone and say oh this one is a two-story building and a very low lying gulch or something. I cannot tell you that but I, if, when we come for the Budget I think I will have a better report in letting you know what's the effect of this particular effort that we have done with this pictometry. But I think what I've seen so far and the people that's using it, they say it's very, very useful.

CHAIR PONTANILLA: Thank you. Let me give you some information in regards to pictometry, okay. Right now the Police Department does a flyover and they don't update their records until two years later. So one of the plans, hopefully we do have a flyover once a year and through comparison, pictometry will come out with some detection. In other words, if there's mismatches on certain properties then, you know, Real Property Tax Division can go ahead and, and, you know, assess, assess the property owner the real value in regards to their property. So that's one thing, we utilize a system that is probably two years old. So you need that continuous update on a yearly basis. Mr. Hokama?

VICE-CHAIR HOKAMA: I recall the Budget deliberations slightly different, Chairman. I had, I believe that what, I was one of nine that supported this, was about the improvements for this fiscal year and that's why we made it a priority, that's why we gave it the amount of financial resources and personnel support so that we could make an impact for this coming Budget year --

CHAIR PONTANILLA: Uh-huh.

VICE-CHAIR HOKAMA: --of this current and the preparation for the following Budget year. Am I understanding correct this afternoon that, that is not where we at, that this is gonna be still yet another year or two away because, you know, I'm impatient? I expected better results and a better schedule of implementation and what we supposed to be achieving within this fiscal year and if it's not, then please tell us so that we can make appropriate adjustments either in the Budget document by putting in language that says this shall be expended prior to anything else or implemented before anything else. But I'm with you, Chair. This is where the money comes from and I would rather Real Property move forward and then we integrate with the other

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departments for them to catch up than to wait till we completely integrated and then implement Real Property improvements. I cannot wait that long.

CHAIR PONTANILLA: Thank you. It was my hope that it would have been done this fiscal year and there's a lot of pieces in regards to, you know, enhancing our existing system which is, you know, Tyler Technologies. So there are other systems out there or software that really can enhance our services at Real Property Tax Division. I came away from that particular conference, you know, just talking story with, rather than people that want to sell this piece of their equipment, talking with the users of the equipment was really, really, not only interesting but educational for me. And I agree with you, Mr. Hokama, you know, I, I was hoping that we would start moving forward in this fiscal year upgrading our present system. At one time I, you know, I look at this as brand new equipment but, you know, the feasibility of doing, you know, going in brand new would be a hardship for this County, so by enhancing whatever we have in regards to our current system and I'm sure there are softwares out there can enhance our system like, you know, Apex which is, you know, they do building sketches, and another one is Marshall and Swift which is a vendor of ours, they do the building cost. You know, all of this can be integrated so that it can help, you know, the Finance Department. Mr. Victorino?

VICE-CHAIR HOKAMA: Wait, Chairman, just one, one --

CHAIR PONTANILLA: Oh, Mr. Hokama?

VICE-CHAIR HOKAMA: --last one please and thank you and apologies to Mr....

COUNCILMEMBER VICTORINO: No, no, no.

VICE-CHAIR HOKAMA: For me, yeah, Chairman, you know, the brand new subdivisions, those, you know, we can work it through Public Works, Planning Department, DSA and Real Property Tax, you know. Even with an older flyover, the key for me is the guys that cheating now on existing and non-permitted renovations and improvements to the property --

CHAIR PONTANILLA: Uh-huh.

VICE-CHAIR HOKAMA: --that's the one I wanna catch right now 'cause they out there big time, okay. The new ones, we can handle through the processing process of the final subdivision approvals and, and everything else with the plot plans and the parcel numbers and whatnot. It's going to happen anyway 'cause we gonna have to input that as part of the new inventory, you know. But I think, even if this one year or two year or five, I think Real Property Tax can already make some benefit by either confirming or verifying the existence or seeing for themselves how the existing record on real property is one 1,000-square foot building, these guys get two extensions of 1,000 square foot too. We can get 'em right now. Those the kind of guys that, who cheating and not paying their fair share, Chairman, that I wanna go after.

VICE-CHAIR HOKAMA: No, I agree with you, Mr. Hokama. Mr. Victorino, you got any questions?

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COUNCILMEMBER VICTORINO: No, I think Mr. Hokama covered some of the questions I was about to ask you and you...so thank you very much.

CHAIR PONTANILLA: Mr. White?

COUNCILMEMBER WHITE: Thank you, Chair. What is the timing that you guys anticipate implementing the new system and what, what type of system are you looking at?

MR. AGSALOG: Mr. Chair, if you don't mind, I would like --

CHAIR PONTANILLA: Sure.

MR. AGSALOG: --to bring our IT Manager or Director to give us a more detailed, as far as the timing of our approach to incorporating all this system or technology that we trying to bring in since he is here, present, Mr. Chair.

CHAIR PONTANILLA: Thank you. And, again, you know, Members, I attended this particular conference and from Maui County we did have somebody from Mr. Verkerke's office at the conference. I think she's very familiar of what, you know, our, what, what we can do to our existing system. And of course we had Marcy from Real Property Tax Division as well as Scott.

MR. BAZ: And, Mr. Chair --

CHAIR PONTANILLA: Sure.

MR. BAZ: --as they get prepared, I just wanted to recollect the Budget deliberations. Mr. Teruya, the Real Property Tax Administrator, in his discussions had brought up the pictometry as a major item that, to address Member Hokama's concerns of, you know, the size, or the location and things like that and that's part of the reason why we purchased the pictometry licenses so quickly 'cause it was an additional item that we could that wouldn't affect our existing system. So we did do that right away.

CHAIR PONTANILLA: Okay, fine, thank you. Mr. Verkerke?

MR. VERKERKE: Good afternoon, Chair. Good afternoon, Members of the Committee. Before I answer any specific questions, if I may add on a little bit to the excellent explanation that you already provided about some of the issues that are involved in this process. You talked about the integration that needs to be accomplished between the Real Property Tax system and some of the other information systems we have dealing with land development and permitting and all that. The level at which that integration takes place or the layer, I should say, at which that integration takes place is to data itself. And if we don't have a very well designed way of passing data back and forth, the risk of replacing the Real Property Tax system ahead of having that taken care of, may be that you will be disappointed with the results of that replacement. Part of the IT assessment that Director Agsalog talked about is to take a very close look at the quality, the integration, the compatibility of all of that land related information that these information

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systems will depend on. We need to make sure that we have proper design for the maintenance and the compatibility of the data, to make sure that the correct information gets passed back and forth. Right now we, we all know that there are situations where you get different answers depending on who you ask the same question about your particular piece of property. And just replacing an information system for taxation or for assessment or for building permits is not necessarily going to solve that problem. So that leads me to answering the question of Councilmember White, what is the timing? The assessments that we are engaging Gardner for should provide the results in January. Depending on what we find out, we have our ideas, but we want to get this substantiated by an independent expert in this field. Depending on the results, we may be able to move fast if things are not as, as complicated as we think they may be of getting all the proper spatial and attribute data integrated. While that assessment is, is gearing up, we are working with the Real Property Tax system, we being the IT Services Division. Looking at what's out there in the market place, what are the various vendors and products and as the Chair mentioned some of our staff was part of the delegation that went to the conference. We looking at the existing vendor. They have a new line of their product that may actually meet our needs. So we're looking at all these opportunities in the marketplace of, of assessment software while we're making sure that we understand where the building blocks, what the quality and condition of those building blocks to date is. So I'm not inclined to say that we are not going to be able to achieve the results that, that you set out at the start of this year within the fiscal year, but if we are in the situation where we find that we, we need to spend a lot more time and work on cleaning up the data then at least you will know that it is from the perspective of making sure that the results that you have in mind, getting good information, getting good decision making about real property tax assessments and property management, that you will be able to achieve those expectations, because we may have to do some clean up before and I think that's the appropriate approach to take, so. I hope that answers your question.

COUNCILMEMBER WHITE: Yeah, let me, let me just follow up, Chair. As many of the Members have mentioned, like Ms. Cochran mentioned, when we have a new subdivision approved by Planning, are we gonna communicate that immediately to Real Property Tax when we have a flyover by the, a flyover with change detection that notes something has been added to a property, whether it's an addition to a house or a new house, is that, is there a pathway for that to go back to Building Department or Planning for them to verify because all of this, all this really generates our cash flow? It just makes everybody honest. I think we're, we're all heading in the right direction. Like Mr. Hokama, I think the, you know, the import was to start affecting things as quickly as we can, but I understand your, your caution in moving ahead. But as far as the change detection, are we moving ahead with that? Actually, you may not be involved in that, but is RPT moving ahead with the change detection software?

MR. BAZ: Mr. Chair.

CHAIR PONTANILLA: Go ahead.

MR. BAZ: From the presentation that Director of Finance and I attended by the vendor that provides the pictometry software, it's an additional product that is --

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COUNCILMEMBER WHITE: Right.

MR. BAZ: --a part of, uses the pictometry data basically and it's an additional product. He showed us in another municipality where that is in place and they can do that, but until we have sufficient flyovers, we're not going to be able, it wouldn't be valuable for us to purchase that. And so I believe they're working on a flyover right now, an update on the flyover from what the vendor mentioned and, so we're gonna have a new update and then we'll go back to compare it to the last item and then we'll be able to, if it's the choice of, of the Real Property Tax and recommendation to the Department of Finance and then, you know, our, our presentation to you as the financial decision makers should you support additional flyovers, then, you know, that's something that we can look at.

COUNCILMEMBER WHITE: Well, our understanding last year was that there was already a flyover planned --

MR. BAZ: Yes.

COUNCILMEMBER WHITE: --by the Police Department.

MR. BAZ: Yes.

COUNCILMEMBER WHITE: So the question I asked pictometry, can we, what can we apply that to? My recollection is that we can, we can compare that most recent flyover with any previous flyover. So are we going back to like two thousand...I don't know what the first one was, 2008 or 2009?

MR. BAZ: From my recollection, the, the most recent data was about 2008-2009. It depends on the different community --

COUNCILMEMBER WHITE: Right.

MR. BAZ: --there's been some newer ones since then, different purposes and things. But yes you're correct in that once we have that then we could compare. One of the considerations is that we wanna make sure that, you know, we're doing this in a, in a incremental process. The Real Property Tax Office, I was just notified here, has identified two parcels where they did, you know, through the pictometry, notice that there was a, an extra structure on the facility and/or a bigger structure and/or a different activity that would make it change, you know, so that could affect their classification or values for the next assessment year.

COUNCILMEMBER WHITE: Actually, Chair, we've got a lot of historical challenges because as I was going through some of the parcels, I've seen places where on the list, the RPT list of structures, there's two structures and yet the pictometry shows me there are five. So we, we, you know, it's not just the change detection, it's the individual review, so. Anyway, thank you.

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MR. BAZ: And that's, that's very true. And so that's what they're doing right now, is they're individually reviewing those kind of items and they can identify those.

COUNCILMEMBER WHITE: You know, but going forward, this, this system where everyone can talk to each other and a change in, by this hand affects a charge by this hand and its ...

MR. BAZ: Yeah, and part of the, the, the ability for us to do the change detection and then in combination with our land management software, you know, that, what Mr. Verkerke is, you know, talking about this integrated information, is that when there's a change detection, is that something that's already been identified, and so with, you know, is there a permit already in place for that and do we...you know, so we can flag that so we're not having the Real Property Tax Analysts spend a significant amount of time. If they went right now from the 2008 data to 2012 data, there's gonna be a lot of significant changes and many of them may be permitted and so --

COUNCILMEMBER WHITE: Well we hope that they're all permitted.

MR. BAZ: --so anyway, that, and we also want to prevent, you know, lawsuits. If we misclassify or we misvalue a property because of something we see on the pictometry without going out and verifying that in person, Mr. Ueoka's gonna have a lot more work to do.

COUNCILMEMBER WHITE: It's okay. Thank you, Chair.

CHAIR PONTANILLA: Thank you. And, and, and again, you know, you know, with, with the flyovers being more frequent, at least it provides a tool for this County. And of course, you know, we just not going say, eh, Mr. landowner you, you put up this building and here you are not paying your fair share. I'm sure gonna get some lawsuits but I'm sure the County and the assessors will do a field check just in case, not just in case, but as a means of verifying. Mr. Mateo?

COUNCILMEMBER MATEO: Chairman, you know, I think we can, we can beat the dead horse only so much and I think we've beaten it quite a bit. But I think it's important for the Administration, you know, to, to once again hear from the body how important it is because if we're not able to generate the kind of monies from RPT then we all not doing ourselves a service because that is, you know, indicative of us being able to provide this service. And Mr. Verkerke with his, you know, knowledge of the, the changing technologies, you know, usually they say as we talk, technology changes. So, you know, hopefully we can keep quiet long enough so we can implement something. So we know what we can, you know, do so the challenge now becomes up to the people who know. So thank you for the opportunity, Chair.

CHAIR PONTANILLA: Thank you. You know, for the Chair, I, I drew one diagram, okay, real simple diagram to tell me who should, what departments are involved in, in this Real Property Tax issue, and there's three major departments and, and some of the things that, that, you know, I, I looked at, at the conference, was that for the building permits, subdivision area, if the AIA could provide us with a drawing files, you know, we don't have to do manually the drawings on a piece

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of paper. You can AutoCAD that thing and boom it's right there. So there's lot of efficiencies that we can build in but again, you know, hopefully we just study, that we can move forward as a County to be really, you know, on the forefront in regards to real property evaluation and assessing properties. But again, Mr. Verkerke, yeah, we do have a system that can be enhanced somehow, somehow and hopefully, you know, you can provide us with that information.

MR. VERKERKE: Mr. Chair, yeah, the conversation so far I think serves to underscore the point I was trying to make. That data, the change detection on the pictometry level, if we not very deliberate in how we structure this information system and the coordination between the two, it may end up in a lot of manual work if we can't port those results of the change detection into the Real Property Tax system, into the Development Management systems, because perhaps we have unpermitted development going on so it needs to go into that system so that can be dealt with as well as into the assessment system that properly tax. And, and we need to make sure that we don't deal with round data and square data on, in two different systems and we can't exchange it because it needs to keep going back and forth. We also need to look at the business processes because, for instance, the Real Property Tax identified a TMK was designed for taxing purposes and, and the TMK in a subdivision doesn't get assigned to a parcel till pretty much its development is complete, so it's ready to be taxed at the new rate. Well in the development management's side of the house, the TMK is the identifier for somebody that wants to build a house on, on a lot in a subdivision. So perhaps it needs to be assigned much earlier so that we have a common identifier for the parcel while it's being developed compared to when it's being taxed. And so business processes also need to be looked at to make sure that we do the right thing at that right time and have the right information to go back and forth, it's compatible. And that's unfortunately a time consuming and an involved process, but if we don't take the time to go through that, then we'll end up with, with disconnections down the road that will frustrate you as much as the situation does today. So we're trying to, to make sure that the end result is something that you're gonna be pleased with but it may not always happen quite as fast. We'll know more in the January timeframe and then we can --

CHAIR PONTANILLA: Okay.

MR. VERKERKE: --perhaps have this conversation again.

CHAIR PONTANILLA: Thank you. And it is my hope that you work with the experts down at Real Property Tax in regards to their needs and, and of course the different departments and their requirements to get that information or any information being, you know, shared by the three major departments of our County. Thank you. Members, Mr. Hokama --

VICE-CHAIR HOKAMA: So can you --

CHAIR PONTANILLA: --followed by Member Cochran.

VICE-CHAIR HOKAMA: --tell us, gentlemen, I understand Mr. Verkerke mentioned the targeted January date to get some consultant reports back for you, for you to peruse and make your analysis. So what happens to the two bodies we, we gave? You guys gonna wait till that report

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comes or you folks gonna go start processing the personnel procedures for hiring? Can you tell us what's the status of those other positions we've authorized?

MR. AGSALOG: Mr. Chair.

CHAIR PONTANILLA: Go ahead.

MR. AGSALOG: I think that's my area. Right now we are, like I reported earlier, the first one of the third is already have moved there, yes. We are also looking at getting this in our, in, in the solution that we are working with, if I have a vacancy anywhere in my Department right now, it has to go the Attrition Committee and for any new position that is created or being filled, it is also my belief that it will go through that, the Attrition Committee, I'm not a member of it, and they will work and evaluate all our justification as far as filling this position. Today, I cannot assure you as far as the timing where that would come, it's just because of the funding that was given also on one is six months and the other has zero funding in, in that way, and I need to kind of look at where are we in the big scope of our budget, what would be our Carryover/Savings to fund the zero budget time? So maybe towards the end of the fiscal year I will have more idea of how much that money Carryover I have to pay for someone that will come in on a new position. So, Mr. Chair, right now I cannot tell you. Two months from now, at the end of the fiscal year, I, I would have a better understanding as where our budget would be. Right now, you know, I, I also have some overtime that has to fill in, in other areas of the Division. So those are the things that I have to consider, Mr. Chair, in evaluating all this. But rest assured, Mr. Chair, whatever you have given our Department, I am very grateful of it and I will make use of it the best possible that we can apply it to.

CHAIR PONTANILLA: Thank you. You know, this Council had really supported your Department in regards to adding personnel and in the last several years, we've seen revenues grow. So, you know, as Council members we are very, I guess, aware of what's out there and what can be gotten, and by adding, you know, the monies that we receive, you know, pay, pay maybe a hundred folds on one particular new employee. So, again, thank you, Mr. Agsalog. You know, hopefully you can get those bodies in your Department. Members, any more questions for --

COUNCILMEMBER COCHRAN: Yeah.

CHAIR PONTANILLA: --okay, Member Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. So just want, I think this is for Mr. Verkerke, the pictometry and I'm hearing that there's a contract of the current imagery that will be ending and then we will have to fork out more money to do another flyover? I mean, I don't understand how this works, like there's every year or there's different flyovers and you just use it for a certain time period then it's gone and then you have to repurchase more imagery? Or I was trying to follow up Mr. Agsalog's explaining and then, you know, so I thought maybe you could clear it up on my mind anyways.

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MR. VERKERKE: I'm not sure that I can answer this question 'cause I haven't been involved in that. But, but the basic concept is we try to build up the historical record of a parcel and it may not be till a few years later in comparing to something that it shows any changes, so. The information will remain available but it needs to be refreshed annually I believe, but...

MR. BAZ: Mr. Chair, that's correct. The, the pictometry imagery will always be available to us and he, the vendor did show us some municipalities that had gone back a decade or so of, of pictometry data, that they could go then analyze and, you know, we, we look forward to that in the future, whatever data we have available, we have purchased the licenses for, with the, originally with the Department of Police and then now also the Finance Department has purchased that. So they basically make whatever pictometry is available that they have on their files available to us. So it's not like, it's, goes away, but that imagery becomes stale after a while because we're looking for changes. So if we're constantly looking at old data then that's all you're gonna see is the old data. So the idea of us getting --

CHAIR PONTANILLA: Updated.

MR. BAZ: --updates, you know, doing flyovers on a regular basis, then we're gonna be able to look at fresh data and be able to evaluate the changes on a more timely basis.

COUNCILMEMBER COCHRAN: Right.

MR. BAZ: That's the only difference.

COUNCILMEMBER COCHRAN: Thank you. I think we just had a very recent flyover. As far, I've been getting maps through GIS and I, there's some real updated stuff.

MR. BAZ: Yeah, Mr. Chair, as I mentioned, the Police Department had contracted the, originally for this current flyover and as of about three or four months ago, they were, they were in the air flying as we spoke. I'm not sure if they're completed with the flyover or not but the current contract, but it was being updated as, you know, a few months ago.

COUNCILMEMBER COCHRAN: And I have a follow-up, 'cause --

CHAIR PONTANILLA: Sure.

COUNCILMEMBER COCHRAN: --I think Mr. Teruya, when this was first presented, had been able to decipher between gentlemen estates and ag, true ag, after those letters had been sent out of their use of their lands, and I think this helped assist him in gathering definitive information and thereby, you know, taxation wise, he could narrow it down I think. Was that, didn't that happen already for us?

MR. BAZ: Mr. Chair, I was just e-mailed a report by Mr. Teruya on the pictometry and he did identify a parking structure at Kea Lani Hotel that added about \$28,000 in additional revenue and a warehouse at a wind farm with no building permit that added approximately \$2,000 in additional

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revenue. That had to go out and do a site visit, I guess, because there was, the imagery was outdated, but, yes, so they have, you know, done, manually gone and identified some certain things. So I don't know if they've taken the opportunity to go look at those other ag parcels that may be residential versus ag, real ag use, but they are working on it.

COUNCILMEMBER COCHRAN: Good, okay. Thank you. Thank you, Chair.

CHAIR PONTANILLA: Okay. Any more questions, Members? If not, if there's no objection, the Chair's gonna defer this item.

COUNCIL MEMBERS: No objections.

CHAIR PONTANILLA: Thank you. Thank you, Mr. Verkerke and Mr. Agsalog.

COUNCIL MEMBERS VOICED NO OBJECTIONS. (excused: MW)

ACTION: DEFER pending further discussion.

ITEM BF-113: AMENDING FY 2013 BUDGET: DEPARTMENT OF FINANCE (STATE IDENTIFICATION PROGRAM GRANT) (CC 12-209)

CHAIR PONTANILLA: Okay, the next item on our agenda is BF-113, Amending Fiscal Year 2013 Budget: Department of Finance (State Identification Program Grant). The purpose of the proposed bill is to amend the Fiscal Year 2013 Budget by adding a grant of \$120,368 from the State Department of Transportation to the County Department of Finance for the State Identification Program and that a proviso be added for the disbursements of salaries and premium pay shall be limited to 2.0 Equivalent Personnel for the Program. So, Mr. Agsalog?

MR. AGSALOG: Thank you, Mr. Chair. And after I introduce the request, we have, to answer detailed question that you might have, I have asked our Administrator of the Driver's License and Motor Vehicle and Driver's License section, Division of the Department of Finance to come and answer in how we going to implement this and how to administer. As you have known, as of the coming January 1, 2013, the office of the, Governor's Office or Attorney General's Office will no longer be issuing State ID. It's now going to the Department of Transportation, State Department of Transportation. There are some benefits for our people in this. The benefit for Molokai and Lanai, in fact when I, when we were there for the Mayor's Budget community hearing and I have mentioned that as of January our satellite, satellite office will be issuing State ID in Lanai, and applause that we have gotten to the members of the community there that attended that meeting was really encouraging. We have, I have discussed this with our Administrator that all of our satellite offices also would issue, including Lahaina, Pukalani and Kihei, the remote area, Hana and Molokai as well as Lanai, will be issuing these IDs, State IDs. Although there's only two position that, it's given to us to administer this, we are going to make it and provide it to the whole community. These are our people that will be requesting a State ID. Right now, they all go to the Wailuku office here. I think they will be issuing State ID until

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the middle of December and after that they will not be issuing anymore. They will wait till January when we take over. The budget amendment, Mr. Chair, will be a, a grant to the, to the County and we will facilitate the issuance of it. I will answer any more questions, Mr. Chair, and I can, I would like to bring my Administrator here --

CHAIR PONTANILLA: Sure.

MR. AGSALOG: --if you have any questions. So since he will be the one that implementing this in our Service Center, satellite offices, all his staff will be the one that's really providing this for our citizen here on Maui, Mr. Chair.

CHAIR PONTANILLA: Mr. Vila

MR. AGSALOG: Mr. Vila, can you please come?

CHAIR PONTANILLA: Mr. Agsalog, just a fast question while Mr. Vila walks down.

MR. AGSALOG: Yes.

CHAIR PONTANILLA: Because this is a grant, this is gonna be a Limited Term Appointment?

MR. AGSALOG: Right now, Mr. Chair, the one we are requesting, it seems to me that this State ID unless it is, it's going to be changed again, it's, it's not going to be a Limited Term. It's going to be an additional grant-funded, State-funded position and a permanent position.

CHAIR PONTANILLA: Okay. You know this Council has a problem with grant money coming from the State, right? That all of a sudden it disappear and guess who's holding the bag?

MR. AGSALOG: Mr. Chair --

CHAIR PONTANILLA: I talking about.

MR. AGSALOG: --it will be probably similar to the CDL as a grants that we have but I can have Mr. Vila explain this. He has been meeting with the Department of Transportation as far as this effort to administer this services for our people.

CHAIR PONTANILLA: Okay, Mr. Vila, if you can make a few comments because I think our Members have lot of questions.

MR. VILA: Good afternoon, Mr. Chair, Lito Vila, the DMV Administrator. Good afternoon, Council members. Yes, as of January 2nd we are going to be issuing State IDs on behalf of the State and in essence we're treating this program similar to the safety check grant program that we have, the CDL, and the collection of State motor vehicle fees. And it's based upon the total number of State IDs that are out there Statewide. They did do the proration, calculation and Maui came out to about a little over one full-time position but in communicating with the State they did consider

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that we have a multi-island locations so they did rounded it up to two positions. So I'll answer any questions.

CHAIR PONTANILLA: Thank you. Who get questions? Mr. Hokama?

VICE-CHAIR HOKAMA: You made me a very unhappy Member this afternoon. So, one, that's the State's position, that it has to be a permanent position through the County? 'Cause if not, I going tell you, you better go renegotiate 'cause a Member like me ain't gonna support that.

MR. VILA: It's a position, I mean, it's funded by the State and the position is paid through the State grant; however, if that, as with any other grant programs, like the safety check program, should the State --

VICE-CHAIR HOKAMA: Terminate.

MR. VILA: --terminate it, then we probably would have to make that decision to whether or not we're gonna keep that position because those positions are designed or designated to perform those State functions --

VICE-CHAIR HOKAMA: Uh-huh.

MR. VILA: --and, while they continue to fund it. So if, if that position is no longer funded, then we'll probably have to say, then we cannot issue on, State IDs on behalf of the State. However the Act also mandates that the Director of Transportation fund the program, so if that Act is changed at the Legislature then this would probably change the whole, the whole matter. So in essence, it is tied into that section of the law. So if it's, if it's the funding ceases then we'll have to make the decision whether or not that, those positions will be funded by the County and if it's not then unfortunately we'll have to, you know, reduce the force.

VICE-CHAIR HOKAMA: Then that's limited term, Chairman.

CHAIR PONTANILLA: Yeah, it is limited term.

VICE-CHAIR HOKAMA: That is not permanent E/P.

MR. BAZ: Mr. Chair?

VICE-CHAIR HOKAMA: You know, so, so, you know, you know, Members like myself, others have, you know, taken their own position, Chair, but you know when comes to the State, you know, they keep dumping to the County their responsibility. So if they want us to do their ID, fine. I don't have a problem as long as they pay us, but don't expect us to absorb employees that is not required by a program that gets terminated, okay. 'Cause does that mean then we gotta go find work to make work for two more employees that now have no job to do because the State terminated a program? That's a hell of a way for make the County pay taxation for positions that, it's not our program and it's not our positions. You know, so I know how to vote if this is

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going to go a certain way, Chairman, 'cause I not going to support the State in this kind of matter.

CHAIR PONTANILLA: Okay, thank you.

VICE-CHAIR HOKAMA: Oh, and one, one quick one. These positions, can they ask for comp time? Because then I expect the State to make up the difference and if there's a readjustment in benefits, especially retirement, it ain't the County General Fund that's supposed to be paying for this.

MR. VILA: As part of the pro-rata that I had submitted, it does include the payroll Fringes at the current rate in addition to the salaries of the positions.

VICE-CHAIR HOKAMA: So the answer is yes, they can have comp time?

MR. VILA: Yes.

VICE-CHAIR HOKAMA: Thank you. You made my decision easier.

CHAIR PONTANILLA: Okay, thank you. Mr. Baz?

MR. BAZ: Thank you, Mr. Chair. The, the term, LTA or Limited Term Appointment is one that if the Committee has further, needs further clarification, I'd like to get the Department of Personnel Services to discuss that, because in the General Budget provisions a Limited Term Appointment is an appointment that's made from an eligible list through a non-competitive promotion, transfer or demotion for a specified temporary period. And this would not meet that definition but as the Administrator mentioned, if these positions are no longer required, then it would, then we would implement a reduction in force and then that reduction in force would be, you know, even if they are Civil Service employees, they would be subject to whatever, if, if a --

CHAIR PONTANILLA: The bumping rights.

MR. BAZ: --bumping rights or whatever issues that be from those positions. So it's not saying that we would, we would just absorb the people and find other work for them to do and us absorb the cost. It is something that we would want to implement a reduction in force should we not get the funding for. And this goes across all of the grant-funded Civil Service positions that are existing as well. And then just to add on, not only is the State Department of Transportation funding paying the two driver license clerks, the wages and benefits, but they are also paying a 10 percent administrative fee to us as a County as well.

CHAIR PONTANILLA: Let me ask you this question, Director. In regards to the lifeguards in Makena, we do have one MOU in regards to the service that they provide for the State and it is, you know, if there's no funding then we remove the lifeguards.

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MR. BAZ: Yeah, correct, that would be the same, the same choice that we would need to make as a County then, is it something that we would like to provide that service to our community, or would we not want to provide the service and therefore those positions would become unneeded and therefore a RIF would take place.

CHAIR PONTANILLA: Okay. Member Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair. Just so I understand correctly. You're saying that we actually need the bodies because they're already gonna, I mean, the people are gonna come in and it's gonna be the same function that your, your current clerks are doing except for it's, they're not gonna administer an eye test or anything, but they're gonna print the same kind of IDs, is that correct? 'Cause it's all on the REAL ID system, right?

MR. VILA: Well, this, this is not a driver license, it's a State ID. The requirements are a little bit less stringent --

COUNCILMEMBER COUCH: Right.

MR. VILA: --than the driver license. We are gonna be using the same equipments --

COUNCILMEMBER COUCH: Right.

MR. VILA: --as we do for the driver licensing, same production system, same processing. So what they're providing for is some additional, because we're having more people, more customers coming in, they're providing an equivalent of two full-time positions.

COUNCILMEMBER COUCH: And, and you think that, that, there's gonna be that many more customers that you would need that?

MR. VILA: Well, let me put it this way, at this point the, the feedbacks I'm getting is, and I think our services have greatly improved, wait times, lot of customer feedback is I'm waiting too long, we're constantly trying to improve that and getting two more positions for this I would be amiss to say no to it 'cause I do need the positions. There are, as far as statistics, there are currently, based upon the stats that was provided to me by the State, there are currently 33,742 State ID card holders in the State. Forty-nine on Molokai and 100 on Lanai. I think Molokai, because of the availability of the services is quite low. However, those will be, customers will be coming into our facility in addition to the current customer volumes that we have. So it is going to increase.

COUNCILMEMBER COUCH: Are those annual, is it an annual renewal or is it a four, three...

MR. VILA: The renewal period is eight years. Again it's tied into legal presence. So those that are, qualify for a civil ID, it's tied into their lawful status. If, so if they're here legally for one, one year, then they'll get a --

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COUNCILMEMBER COUCH: One year.

MR. VILA: --a one year, similar to the driver license.

COUNCILMEMBER COUCH: And lastly, if you really only need one person, will they still pay you for two plus administrative costs?

MR. VILA: If I have people in those positions, we will deduct. The way it's gonna, it's not paying us, what, the way we're setting it up, it's exactly identical to our CDL and PMVI and State grant programs. I consider those to be long-term grant programs in that every month the expenses that we incur, we do not bill the State, we withhold the expenses that we have incurred from the remittance from the State weight tax, for the vehicle weight tax.

COUNCILMEMBER COUCH: So you kinda do the same thing here?

MR. VILA: Exactly the same --

COUNCILMEMBER COUCH: The weight tax.

MR. VILA: --same like _____ We have the economies here.

COUNCILMEMBER COUCH: So it's more, more or less reimbursable then if you only have one person, you're only gonna withhold for ...

MR. VILA: If it's, yeah, if, of those two positions, if only one is filled, then I can only bill for the one person.

COUNCILMEMBER COUCH: Okay.

MR. VILA: Right. That's how it normally works. So therefore, I would probably, since we are gonna be issuing State IDs from the very get-go, I'll probably transfer two of our County positions into this 'cause training is an issue for me. So we'll need to train in advance but come January this two positions are gonna be filled very quickly.

COUNCILMEMBER COUCH: Okay, thank you, Mr. Chair.

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

COUNCILMEMBER COCHRAN: Thank you, Chair. And I'm just looking, so, sorry if I missed this but all islands will have, you'll be producing State IDs on all islands in the County?

MR. VILA: Yes, well, the three populated islands, yes.

COUNCILMEMBER COCHRAN: Right. So you're looking for two positions and that would be primarily for Lanai and Molokai, 'cause we already have the huge DMV...

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MR. VILA: No, I will probably deploy the two positions at the Service Center. That's where majority of the processing is gonna be. The existing staff at Molokai and Lanai will take on those additional duties, and the decision has been made to issue, also issue State IDs out of our three major satellite offices as well as Hana. So the existing staff will be taking on those additional responsibilities of those customers walking in for State IDs.

COUNCILMEMBER COCHRAN: And that's the, I guess the determination was for one position, then they upped it to two because of the three island-wide County but also because the cards per position per year is a little higher for Maui County versus the nine areas in, on Oahu?

MR. VILA: They, Oahu, the total number of ID cards on Oahu was, which was 62,000 and they were given nine full-time positions, so therefore they extrapolated based upon that, that ratio. So Maui at 6,970 which came down to, you know, same, using the ratio analysis, come down to little over one. So they said, well you have three islands, so we'll give you, we'll round it up to two.

COUNCILMEMBER COCHRAN: 'Cause I'm looking at a difference of 78 cards between the 6,892 versus our 6,970. So anyways, I was just trying to factor in the need and how that extra body was given to Maui County.

CHAIR PONTANILLA: Okay.

COUNCILMEMBER COCHRAN: Thank you.

CHAIR PONTANILLA: Any more questions? Mr. Mateo?

COUNCILMEMBER MATEO: Chairman, thank you very much. And, gentlemen, thank you for, for sharing the information. However, I, I feel the same way like Mr. Pontanilla. The discussion we had during the last budget round in terms of looking at personnel numbers and then when we look at the big picture of total number of employees, and we actually equate those that are really County generated versus State generated, it was harder for us to, you know, like, I guess actually account for the State-generated bodies. And, and so I will continue to have issues with State mandates to us because this is what it comes down to, a State mandated requirement. Of course, I like, I like the idea that Ms. Cochran said, you know, that, you know, the positions, one should be on Lanai and the other for Molokai because anything that helps our communities is a benefit. But, you know, bottom line, bottom line is it's hard for me to support something like this when, you know, if the program goes away and if the State continues to run into the economic problems, there, there is always that potential that this funding could go away, that we become stuck with it and, and that's, that for me is hard to swallow, because the number of State-related employees are not that few because we've now enrolled them into our full programs. So I will have, you know, issues in supporting this kind of program even though the 120,000 grant seems like or sounds like a good idea for us but the difficulty is longevity. Thank you.

CHAIR PONTANILLA: Thank you. You know, Mr. Mateo, you right. I made a investigation in regards to all of the Federal as well as State grants from previous years, many years ago, and,

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you know, we, we didn't, when I say we, the County, we didn't put those grant employees that was Federally and State granted as LTAs so they all became civil servant. Last year, Fiscal Year '12 Budget, because we had this issue regarding receiving grants and all of a sudden the grants don't come, we've included in the Budget for Fiscal '12 those employees as LTA. We do have several in several departments. So in this case here, we can, well, you know, do the same thing and on a yearly basis as we receive the money through the budget process continue to show them as LTA. One of the things that I don't want to see is that, you know, I come from a business where we had reduction in force and it's not funny, it's not funny, but if upfront they know it's a LTA position then they gotta realize that one day the money's gonna dry up and, and, you know, don't, they will not have a position for themselves, so. Member Baisa, followed by Member Couch.

COUNCILMEMBER BAISA: Thank you very much, Chair. You know I've been in that grant business for many, many years and I'm certainly very familiar with what you're saying and that is when people are hired they are told, I'm sorry but we have this grant for one year, two years, three years, and at the end of it, I'm sorry if you, you know, if it end, you go. And it bothers me that we get dragged into hiring people and then having to keep them while we are hiring other County employees and saying you're only going to be an LTA. It doesn't seem fair. But my question to anybody is, do we have a choice? What is our choice? Can we say no, we don't want to do this because we don't like this deal? Are we stuck having to do it?

CHAIR PONTANILLA: Mr. Agsalog or Mr. Vila?

MR. VILA: Mr. Chair?

COUNCILMEMBER BAISA: Otherwise, you know, we just flapping our jaws 'cause they going make us do it. So my point is, do we have a choice?

MR. AGSALOG: Mr. Chair? This is, before the legal counsel will say but this is a, a law that was created and I know we say it's a grant and, but I think this is a different, treated different way. It's just because it is a State function and it's in a reimbursement basis in a way that whatever we spend to produce this services to our people within the amount that they have given us, 120,000, we can be reimbursed. And the way it is at the moment, those services that, very similar to what we doing, is before we remit the money that we collected to the State, we pay our self, we take the money before we give them. So in a way, we get that money that, that is due to us. If we spent more to our people versus what we collect then they have to give us that difference in, in that way. That's why we have to ask for them that we paid this much and we only collected this much for this particular services, and the Administrator assured me today that he will include that in all the State collection that we will make, to pay our self first. So he kinda, it reiterated that to me this morning. So I feel good that we will be able to get this since this was Monday that through an HRS, an Act 310, it seems like it's a State function that will be supported for long time.

COUNCILMEMBER BAISA: Mr. Chair?

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CHAIR PONTANILLA: Yes.

COUNCILMEMBER BAISA: Thank you very much, Mr. Aagsalog, and I like hearing that, you know, we can pay ourselves first but I am concerned that this is a verbal agreement. This has to come in writing because when these, you and that person are gone, what do we have? And, you know, we continuously, unfortunately, you know, work with the State and make verbal agreements or gentlemen's agreements or whatever and then we all know the result of that. So I would say, let's get it in writing but then I like the idea that we deduct our money. That way at least we can do that but going forward if they say well we not giving you anything anymore, we'll be, will we be allowed to do that?

CHAIR PONTANILLA: Uh-huh.

COUNCILMEMBER BAISA: So, you know, it's a, it's a tough spot to be in. And, of course, we do want to provide services to our people, that's important. But I don't know. We have a trust issue that we've have in many ways.

CHAIR PONTANILLA: Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair. Yes, we, we take it out of the vehicle weight tax and, and get our payment upfront and if it's too much then they just raise the vehicle weight tax and then we get blamed.

COUNCILMEMBER BAISA: Yes.

COUNCILMEMBER COUCH: I've got, I don't know how many calls I've gotten saying how come we raised the taxes when it's the State that's doing that. Regardless, I don't see anything in here where it says wages and benefits. Does that benefits include their portion of OPEB that we're gonna have to pay for the next 30 years if we hire them full-time? For the next, however long they live?

MR. VILA: The Fringe Benefits are included in my pro forma as part of the 120. It's currently, I assessed it at 85 percent, I believe, our current Fringe Benefit rates.

COUNCILMEMBER COUCH: I guess, Mr. Baz, does that include OPEB?

MR. BAZ: Mr. Chair, the, the letter from the Director of Transportation, Mr. Okimoto, on Page 2 does specify in writing wages and benefits. The current calculations that we're doing are to pay for the, 'cause right now the OPEB is partially funded, partially unfunded and at, at some point it will be fully funded. And so the Fringe Benefit rates that we're charging are supposed to be covering those OPEB costs for retirement. So we're supposed to be putting the money in ahead of time and not something that we continually have to pay, catch up on.

COUNCILMEMBER COUCH: So that's included in what you're gonna charge them?

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MR. BAZ: Yes.

COUNCILMEMBER COUCH: For those two people? I just wanna make sure --

MR. BAZ: That's the theory.

COUNCILMEMBER COUCH: --that, that, I still like the limited term --

CHAIR PONTANILLA: Yeah.

COUNCILMEMBER COUCH: --myself. Thank you.

CHAIR PONTANILLA: Thank you. Corporation Counsel, opinion on this in, in regards to Act 310, required to do this work?

MR. UEOKA: Thank you, Chair. It does seem from looking through the Act that it will be the County's responsibility. There is a section in the Act, §286-M. I guess it would become HRS §286-M, Reimbursement to counties. The County shall be reimbursed incremental costs incurred in the administration of this subpart. The amount of reimbursement shall be determined by the Director of Transportation. So, I guess, that would serve to help the idea that we should get reimbursed.

CHAIR PONTANILLA: Guaranteed?

MR. UEOKA: Well, I don't know if I'm gonna say "guaranteed" but it's in the law.

VICE-CHAIR HOKAMA: As far as I can throw it.

CHAIR PONTANILLA: Mr. Victorino?

COUNCILMEMBER VICTORINO: Yeah, I've, I've, I've sat here very quietly for the last half an hour trying to figure out what you guys are trying to do. My only question to you, Mr. Ueoka, do we have to make this full-time or can we make it LTA? Do we have the choice? I just heard you say "reimburse" so I, I, I heard that. But if we said LTA and that's it, can we do that?

CHAIR PONTANILLA: Go ahead.

MR. UEOKA: I think the term LTA is a term of art and it may not refer to exactly what it sounds like, Limited Term Appointment. I think, according to what Mr. Baz read from the General Budget Provisions, it has a different meaning than just your appointment is limited to the time that we have the grant amount. We probably should look into it further with the Department of Personnel Services.

COUNCILMEMBER VICTORINO: Mr. Chair, I'd like to request that. I think that's something very important, that we come down to this point now and I've heard everything and, and it doesn't

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change my mind, you know. First of all, we gotta provide services to our people of Maui County and, and that's my, my first concern. The second is, if we can get it in writing, Mr. Baz, you know, and from whomever, that we can hire these people as LTAs, you know, pay 'em the, you know, you're still paying 'em but with the idea that if this was to go away somewhere along the line, that we're not stuck like we have in the past being, paying for this position or positions, okay. I, I think this is something, unless the Act says they will do this for, until, and never end, you know, and I, I don't hear that, I'm afraid that I do not wanna stick out necks out again like we have had these many unfunded mandates, and Mr. Hokama is an expert of all the unfunded mandates, I've heard it many times. So can we do that, can we get that in writing, can we get a legal opinion on that?

MR. BAZ: Mr. Chair, I'd like to --

CHAIR PONTANILLA: Go ahead.

MR. BAZ: --probably request, you know, that we have, we'd have to meet Corporation Counsel and, and Department of Personnel Services administration as well as maybe even State issues that collective bargaining unions. Even LTAs do qualify for Fringe Benefits, all, all Fringe Benefits. So even if they're appointed versus, you know, for a limited term like those that are exempt from Civil Service in either the Legislative Branch or in the Mayor's Office, we're still eligible for the same benefits.

COUNCILMEMBER VICTORINO: That wasn't my question, Mr. Baz. Again, we come to a point where we don't get this money anymore, do we have to keep them? That's what --

MR. BAZ: Yeah --

COUNCILMEMBER VICTORINO: --I'm asking.

MR. BAZ: --Mr. Chair, at any point if the Council decides to not fund a County program, we as the Administration have to figure out what to do with those personnels. If you decide to take away the E/P count, we cannot continue to have those positions be filled and that would require a RIF but I think Corporation Counsel has something to add.

CHAIR PONTANILLA: I think Corporation Counsel.

MR. UEOKA: Sorry, Chair, I'd also like to state that my understanding of reading the Act would be, even if we stopped getting reimbursed, it may not remove the responsibility to do the State identification parts.

COUNCILMEMBER VICTORINO: You know, so, there we go. And I think ...*(inaudible)*...

UNIDENTIFIED SPEAKER: It's not our responsibility.

UNIDENTIFIED SPEAKER: We need, we need...

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CHAIR PONTANILLA: Okay.

COUNCILMEMBER VICTORINO: Mr. Chair, I, I think we going stay here all night trying to figure this one out. I think it should be this --

CHAIR PONTANILLA: I agree.

COUNCILMEMBER VICTORINO: --in writing.

CHAIR PONTANILLA: Okay. I just gonna stop it right here.

COUNCILMEMBER VICTORINO: Yeah.

CHAIR PONTANILLA: Okay.

COUNCILMEMBER COCHRAN: Chair? Just real quick.

CHAIR PONTANILLA: If there's no objection, the Chair is gonna defer this item.

COUNCIL MEMBERS: No objections.

CHAIR PONTANILLA: Okay, I'd like to have Administration work with myself and my staff in regards to this particular program, because, Members, if you look into your Fiscal Year 2012 Budget, we do have several departments with limited terms, you know, receiving grants from the State of Hawaii and Federal Government, so. If we can, you know, provide that kind proviso to this particular program, then I can live with it. But in the meantime, if Administration along with my staff can take a look at this and then come out with some kind determination.

MR. BAZ: Thank you, Mr. Chair. I would encourage and we will work with you very expeditiously with this. Come January 1st, we're required by, to the State to do this as far as State law goes unless we're gonna be in violation of the State law and then --

COUNCILMEMBER COUCH: What's the fine?

MR. BAZ: --we don't know what the implications of that would be but --

VICE-CHAIR HOKAMA: Probably take us to Court.

MR. BAZ: --and, you know, if we're gonna sue the State on this behalf, that's, you know, something we would want to look at. But as the State law reads right now, we're required as of January 2nd to, to start issuing these. This discussion that we're having now is just the financial process of, of accepting the monies so that we can get reimbursed for it.

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CHAIR PONTANILLA: Okay. Thank you. Corporation Counsel, just a fast one. If we were to move forward on this one here with a proviso Limited Term Appointment to that Equivalent Personnel, would that be okay with the law?

MR. UEOKA: I'm not 100 percent sure. Act 310's a long bill but if we were to do our research and find out that a Limited Term is not feasible according, not even to the Act 310, but our County or Civil Service laws, it, we'd have to come back again to get the proviso amended.

CHAIR PONTANILLA: Okay, you know, we talking about two people's lives, you know, in the end, yeah. And, and, and for, and the way I hear it from the Department is that two existing employees will be moving into this particular positions and, and we gonna hire two new people. So if we don't get the money, how do we tell these people, okay, you're out of one job. Man, it's not funny. So with that, the Chair, without any objections, the Chair is gonna defer this item and work with Administration.

COUNCIL MEMBERS: No objections.

VICE-CHAIR HOKAMA: Chairman, Chairman?

CHAIR PONTANILLA: Okay, Mr. Hokama?

VICE-CHAIR HOKAMA: Yeah, I support your position but I would really look at the Constitution. We worked hard in '78. The State cannot mandate anything to the County unless they provide the full funding of that mandated request. So if they don't pay us 100 percent of what they owe us, the County is not obligated, by Constitution, not State law. We have higher authority, State Constitution, Chairman.

CHAIR PONTANILLA: Okay. Thank you. So --

COUNCILMEMBER COCHRAN: Chair?

CHAIR PONTANILLA: --Members.

COUNCILMEMBER COCHRAN: Chair?

CHAIR PONTANILLA: Member Cochran?

COUNCILMEMBER COCHRAN: Thank you. So I heard Mr. Baz say this is something to push forward, a reimbursement. So we've already paid this out to some people and you're looking, no, okay.

CHAIR PONTANILLA: Departments?

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MR. AGSALOG: Mr. Chair, right now as I have mentioned earlier, beginning of, January 2nd, by law, through Act 310, we are mandated to serve the public in issuing the driver's license, I mean the State ID --

CHAIR PONTANILLA: Identification.

MR. AGSALOG: --sorry. My question is that, would we have time to do so? If we do not accept the, the grant agreement today, we won't be able, we won't have any vehicle to whatever we serve as clients in January 2nd, I don't think we will be able to charge the State because we never accepted the, the grant that they giving us. The reason that my, our Administrator at DMV mentioned that, so that we will get reimbursed right away, we are thinking of moving the current staff --

CHAIR PONTANILLA: Mr. Agsalog?

MR. AGSALOG: --to be there.

CHAIR PONTANILLA: Can, can I interrupt you?

MR. AGSALOG: Sure.

CHAIR PONTANILLA: Okay. We still get time till the end of the year. At the end of the year, if we do accept it, then can receive grants.

MR. AGSALOG: Okay.

CHAIR PONTANILLA: But in the meantime, I'll be working with Administration, with my staff, to, to look at the law and ensure that either way that we go, that, you know, we not going jeopardize this County. Okay? So with that, Members, Chair is gonna defer that item.

COUNCIL MEMBERS VOICED NO OBJECTIONS. (excused: MW)

ACTION: DEFER pending further discussion.

CHAIR PONTANILLA: We do have two items on, on the agenda, very important items. If Members can stay up to 4:45 p.m.?

COUNCILMEMBER COCHRAN: Sure.

COUNCILMEMBER VICTORINO: Yes...Chair.

CHAIR PONTANILLA: Okay. We'll take this really quick. Okay, thank you. Thank you, Mr. Agsalog. Thank you, Mr. Vila.

ITEM BF-109: AMENDING FY 2013 BUDGET: WEST MAUI RECYCLED WATER SYSTEM EXPANSION (CC 12-195)

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CHAIR PONTANILLA: Okay, the next item is Item BF-109, Amending Fiscal Year 2013 Budget: West Maui Recycled Water System Expansion. The purpose of the proposed bills is to amend the Fiscal Year 2013 Budget by changing the \$3.5 million for the West Maui Recycled Water System Expansion project from Bond Fund to State Revolving Loan Fund, and delete the West Maui Recycled Water System Expansion project and funding from the Bond authorization, and number three, authorizing, authorization for the Mayor to enter into an intergovernmental agreement for this particular project. Members, for your information, bid opening for this project took place on October 18th. I will ask the Administration provide us with the details, and there is an appropriation in Appendix A of the current Fiscal Year Budget of \$5 million for this particular project. So at this time, Mr. Baz, followed by Mr. Ginoza.

MR. BAZ: Thank you, Chair. Mr., but very quickly, Members, this is a change in funding source. This is a project that you approved in the Fiscal Year '13 Budget, excuse me Fiscal Year, yeah, '13 Budget, so that we could expand the West Maui Recycled Water System. And we were notified by the State that they will fund this through SRF loans and so we're switching it from a bond source of funding to an SRF source of funding. And I'll let the Director discuss the details of the project and the bid.

CHAIR PONTANILLA: Thank you. Mr. Ginoza?

MR. GINOZA: This project is, was, had the bid opening on October 18th and the bids came out at 5.9, 6 million, two bids came out 5.9 and 6 million, roughly. And, but that bid is currently under protest. The funding for this project, for the \$6 million is the, this \$3.5 million of SRF that we're looking for which is at a .625 percent interest rate, .5 percent interest plus .125 percent administrative fee. So it's in effect a .625 percent interest. We also were able to secure \$2.5 million from Intrawest as part of the Reclaimed Water Agreement as well. So that's what would make up the \$6 million. Thank you.

CHAIR PONTANILLA: Thank you. Members, questions? Mr. Hokama?

VICE-CHAIR HOKAMA: I, I think you got a good rate, .6, amazing. But with our current and latest new bond assessments, we, we were, you know, the County was able to maintain a very good rating from the agencies. So what would have been the GO interest versus the .6, Mr. Baz or Mr. Ginoza?

MR. BAZ: Sure. Mr. Chair, we're looking at approximately 2.5 percent or under 2.5 percent bond rate when we issue the bonds coming up here very shortly.

VICE-CHAIR HOKAMA: Okay, okay. And then this is available upon us doing the necessary procedures, the SRF funds?

MR. BAZ: That's correct, yeah, as soon as the Council authorizes the intergovernmental agreement, something that the Corporation Counsel and, and Department can work on getting that executed right away.

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VICE-CHAIR HOKAMA: Then the project is, can proceed within 30 days of that notification, Mr. Ginoza?

MR. GINOZA: Yes. I mean, basically we, we need the funds to be approved here and then we can get an index code and then execute the contract.

VICE-CHAIR HOKAMA: Uh-huh. So notice to proceed is real soon then if we take care all of the --

MR. GINOZA: Yes.

VICE-CHAIR HOKAMA: --financial documents for your Department.

MR. GINOZA: Yeah, we actually just waiting for this and then we can do the, the contract and start the project.

VICE-CHAIR HOKAMA: Yeah, well thank you very much.

MR. GINOZA: Thank you.

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

COUNCILMEMBER COCHRAN: Thank you, Chair. And I'm very, very excited and tickled about this whole thing. It's, it's very exciting for West Maui and I'm looking forward and I wanna compliment the Department in that --

MR. GINOZA: Thank you.

COUNCILMEMBER COCHRAN: --\$2.5 million from IntraWest. I'm very surprised with the figure but very happy. The thing is if, Mr. Ginoza, if you can explain to me, you mentioned that the bid is in protest. So what does that mean exactly right now?

MR. GINOZA: Basically it's between these, the two bidders, and we're gonna render, or our Purchasing Division and the Department of Finance will render the decision within the next, probably couple days. But, yeah, I mean basically, that's when we'll get the, the final result of the that.

COUNCILMEMBER COCHRAN: And the Department makes the final decision? And it's usually the lowest bid, right?

MR. GINOZA: Yes, well, what it came down to was there was a calculation error in the second highest bidder. And so the Department of Finance as the chief procurement, Director of Finance, as the chief procurement officer decides how that's kind of analyzed. I mean, the numbers won't change but just how they kind of added up the numbers is what is in question.

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COUNCILMEMBER COCHRAN: Okay, thank you. Again, thank you very much. Thanks, Chair.

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

COUNCILMEMBER VICTORINO: Recommendation?

CHAIR PONTANILLA: Seeing none. Just couple questions from the Chair. In regards to why is there an increase in the estimated revenues for special assessments and not on a intergovernmental? Mr. Baz or Mr. Ginoza?

MR. BAZ: Thank you for pointing that out, Mr. Chair. I believe that is in, erroneous.

CHAIR PONTANILLA: Okay, so we just --

MR. BAZ: Yeah.

CHAIR PONTANILLA: --going to change it?

MR. BAZ: Yeah, so when we do the final bill markup, the other intergovernmental will, shouldn't be increasing by \$3.5 million, instead of the special assessments.

CHAIR PONTANILLA: Okay. And then the other question is, why are the project titles different in all three bills, and is the correct title of the project "West Maui Recycled Water Project, Phase I - UV Expansion?" And if it is then, you know, we'll have Staff do the correction on that too.

MR. BAZ: Yeah, Mr. Chair, the SRF loans come from the Department themselves and generally have a, a more defined project name to them, because that's what the State and the Department have worked on. Our CIP project is actually a different name. It can, it can be a different name. It could be various different names because it is our own defined name. So if, if you so choose to revise the budget ordinance to match the SRF loan, we'd be okay with that.

CHAIR PONTANILLA: Okay, good. Okay, Chair's recommendation at this time is to pass on first reading the proposed bills: one, a Bill for an Ordinance Amending the Fiscal Year 2013 Budget for the County of Maui as it Pertains to SMA Revenues and Capital Improvement Project, West Maui Community Plan Area, Sewer, West Maui Recycled Water System Expansion, as revised; two, a Bill for an Ordinance Amending Ordinance No. 3954, Bill No. 46 (2012), Relating to the Issuance of General Obligation Bonds of the County of Maui (West Maui Recycled Water System Expansion), as revised; three, a Bill for an Ordinance Authorizing the Mayor of the County of Maui to Enter into an Intergovernmental Agreement for a Water, State Water Pollution Control Revolving Fund Loan for the West Maui Recycled Water Project - Phase I - UV Expansion, Fiscal Year 2013 Budget Ordinance; four, filing of County Communication Nos. 12-195 and 12-207, and, Members, if you would allow Staff to make nonsubstantive changes.

VICE-CHAIR HOKAMA: So moved.

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COUNCILMEMBER VICTORINO: Second, Mr. Chair.

CHAIR PONTANILLA: Okay, moved by Member Hokama, seconded by Mr. Victorino. Any more discussion? Member Hokama?

VICE-CHAIR HOKAMA: Chairman, I support your intent to re-title so we have some consistency and conformity in, in the titles of the legislation. As our Policy Chair, Committee Chair, I can tell you, those are some of the small little things that opposing attorneys tend to nitpick us when we go into litigation situations. So I can highly support us making sure that the legislation passed is uniform in its title and application. Thank you.

CHAIR PONTANILLA: Thank you, Mr. Hokama. Any more discussion? Members, all in favor of the motion, please say "aye."

COUNCIL MEMBERS: Aye.

CHAIR PONTANILLA: Any opposed? Seeing none, motion is carried, eight ayes, one excused, Member White.

VOTE: AYES: Chair Pontanilla, Vice-Chair Hokama, and Councilmembers Baisa, Carroll, Cochran, Couch, Mateo, and Victorino.

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmember White.

MOTION CARRIED.

ACTION: Recommending FIRST READING of bill entitled "A BILL FOR AN ORDINANCE AMENDING THE FISCAL YEAR 2013 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO ESTIMATED REVENUES; AND CAPITAL IMPROVEMENT PROJECT, WEST MAUI COMMUNITY PLAN AREA, SEWER, WEST MAUI RECYCLED WATER SYSTEM EXPANSION", as revised; FIRST READING of bill entitled "A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. 3954, BILL NO. 46 (2012), RELATING TO THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE COUNTY OF MAUI (WEST MAUI RECYCLED WATER SYSTEM EXPANSION)"; FIRST READING of bill entitled "A BILL FOR AN ORDINANCE AUTHORIZING THE MAYOR OF THE COUNTY OF MAUI TO ENTER INTO AN INTERGOVERNMENTAL

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AGREEMENT FOR A STATE WATER POLLUTION CONTROL REVOLVING FUND LOAN FOR THE WEST MAUI RECYCLED WATER PROJECT, PHASE I - UV EXPANSION, FISCAL YEAR 2013 BUDGET ORDINANCE”; and FILING of communications by C.R.

CHAIR PONTANILLA: Thank you, Mr. Ginoza.

MR. GINOZA: Thank you for your time.

ITEM BF-52: AMENDING FY 2013 BUDGET: WAIKAMOI FLUME REPLACEMENT PROJECT (CC 12-194)

CHAIR PONTANILLA: Members, the last item on the agenda this afternoon is BF-52, Amending Fiscal Year 2013 Budget: Waikamoi Flume Replacement Project. The purpose of the proposed bills is to 1) amend the Fiscal Year 2013 by adding \$5.2 million appropriation for the Waikamoi Flume Replacement project in Makawao-Pukalani-Kula Community Plan Area; and 2) amend the Fiscal Year 2013 General Obligation Bond authorization ordinance by including the project. Members, for your information, in Fiscal Year 2012 Budget, there is an appropriation of \$13 million from the State Revolving Loan Fund for this project. This project has gone out to bid. Bid opening occurred on October 18. I will allow now the Administration to provide our Committee with the details and the need for the request here before us today. Mr. Baz, and followed by Mr. Taylor.

MR. BAZ: Thank you, Mr. Chair. During Budget deliberations we had been told verbally that the Department of Health would only fund about 60 percent of this Waikamoi Flume project, and we discussed, put in a budget amendment prior, this fiscal year, to amend that, but the Council Chair, or excuse me, Mr., Budget Finance Committee Chair requested that we wait till after bid opening. So this is a clearer picture of how much we actually need and the information from the State is, is correct that they'll only fund 60 percent of the project. So I'll let the Department Director explain more in detail should you need and also provide you with the bid opening numbers.

CHAIR PONTANILLA: Mr. Taylor?

MR. TAYLOR: Thank you, Mr. Chair. The bid, the lowest responsible bid was \$11,178,355. So it fits very closely to our original estimate. As the Budget Director stated, we're gonna use as much SRF loan money as we can and this GO Bond appropriation will allow us to encumber the rest and move forward with the project. I think as far as the details of the project, it's probably the most discussed project in this Committee over the past couple of years, and I don't think I need to go back into the details of what the project is but I can certainly answer any questions you have.

CHAIR PONTANILLA: Thank you. Members, questions? Member Baisa?

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COUNCILMEMBER BAISA: Thank you very much. As the district person who has listened to this for a very long time for Pukalani and Kula, I'm very excited that this is going to happen and I certainly want to support giving Mr. Taylor the money so we can get it done. I heard him talk about it this morning when we were talking about the possibility of solving the Upcountry Meter List situation, and so let's get on with it because the longer we dilly dally over the money, the longer it's gonna take to get anything done. Thank you.

CHAIR PONTANILLA: Thank you. Member Hokama, followed by Member Victorino.

VICE-CHAIR HOKAMA: Chairman, if you don't mind, I'll be happy to allow Mr. Victorino as our Water Chairman to go before me. Thank you.

CHAIR PONTANILLA: Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you. Couple of quick questions, Mr. Taylor. The original monies you guys were looking for was thirteen, right?

MR. TAYLOR: That's correct.

COUNCILMEMBER VICTORINO: Originally, that's what we looked at when we first started this whole process?

MR. TAYLOR: That was a engineering estimate --

COUNCILMEMBER VICTORINO: Yeah.

MR. TAYLOR: --from a couple of years ago that we'd been basing our decision making.

COUNCILMEMBER VICTORINO: Okay, so, nice thing is came out under that, that estimate, so that's, that's important. And the, the SRF funds, okay, you saying they will allow us only 60 percent of the actual bid, is that what they're coming back to us with?

MR. TAYLOR: It's looking like it's gonna be between 60 and 65 percent.

COUNCILMEMBER VICTORINO: So all the money that we worked recently to return hopefully to get more, not, not, doesn't seem to be working out too much.

MR. TAYLOR: Well the nice thing about SRF loan money is it stays in their pot and we can ask for it for other projects.

COUNCILMEMBER VICTORINO: Okay.

MR. TAYLOR: Or in this case, we'll even be able to ask for an appropriation in the FY '14 Budget for change orders for this project. So that's probably something you'll see in the FY '14 Budget is to use the remainder of this money for change orders for this project. But because the SRF

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money will lapse at the end of this calendar year, I'm guessing that you'll probably see that in our, in our budget request in FY '14.

COUNCILMEMBER VICTORINO: Well I support this and it's something that's very necessary and we'll find a major results at the end of this. What's, what's the estimated time frame now? Once we get this, we say yes, here's the money, what's your best estimate?

MR. TAYLOR: Probably close to two years.

COUNCILMEMBER VICTORINO: Two years like you originally had put forth?

MR. TAYLOR: It's really gonna depend on the weather. It's going to be very hard for them to build if it's raining hard. So it's very weather dependent.

COUNCILMEMBER VICTORINO: Okay, thank you. Thank you, Mr. Chair.

CHAIR PONTANILLA: Thank you. Mr. Hokama?

VICE-CHAIR HOKAMA: Chairman, I understand what the Director Taylor has requested from us. So there's gonna be contingency in the SRF, we're already authorized contingency in the bond, Bond Fund, right, Chairman, \$2 million or whatever --

CHAIR PONTANILLA: Uh-huh.

VICE-CHAIR HOKAMA: --extra we give, so? Do you need all this money?

MR. TAYLOR: First, let me be clear that the SRF contingency, we can only use that money until December 31st.

VICE-CHAIR HOKAMA: Of this year, Mr. Taylor?

MR. TAYLOR: Of this year.

VICE-CHAIR HOKAMA: Okay, okay.

MR. TAYLOR: Because the Council appropriation lapses. The DOH appropriation doesn't but we're not allowed to, there's no way to encumber that money because there will be no change orders this calendar year. So because that money is going to have a total interest rate of only 1 percent, it's in our best interest to come in, in FY '14, get whatever money there is, encumber that as change order money rather than using that as, rather than using the bond money for change orders. So that would be a much better direction for us if that money is available. So I'm, as long as nothing changes between now and, and Budget, that's probably what we're going to do if Department of Health will, will allow us to, to use that money for that.

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VICE-CHAIR HOKAMA: You know, Director, I, I appreciate, you know, your comments, especially your response to Mr. Victorino, but you know when we talk about change orders, I'm, I'm looking normally, we in construction stage and we're doing change orders, yeah. So I would agree, I don't foresee change orders this year because we're not in construction yet, but yet there's still what, six hundred, eight hundred thousand of contingency in the SRF loan, in the requested loan? Six, seven hundred thousand?

MR. TAYLOR: The, we've been through this before with SRF loans and all of the money tied with the SRF loan, although DOH makes it available --

VICE-CHAIR HOKAMA: Uh-huh.

MR. TAYLOR: --the limiting factor is the fact that it lapses the Council appropriation, the two thousand, the FY '12 Council appropriation lapses at the end of this calendar year, and there is no such appropriation in the FY '13 Budget, so we'd have to come back in the FY '14 Budget, so as of July 1, 2013 we can then spend that money again.

VICE-CHAIR HOKAMA: Uh-huh.

MR. TAYLOR: So it basically turns into a pumpkin on, on December 31st, well as a Halloween joke for tomorrow.

VICE-CHAIR HOKAMA: And you know what, I'm sure most of us caught it --

COUNCILMEMBER VICTORINO: Yeah, yeah, yeah.

VICE-CHAIR HOKAMA: --Mr. Taylor.

MR. TAYLOR: I didn't actually catch it until Member Victorino laughed, but.

COUNCILMEMBER VICTORINO: Terrific, good, good going.

VICE-CHAIR HOKAMA: So when we start doing this, why wouldn't you have just asked for one reauthorization of the current funds, so that we can extend it instead of letting it lapse? I mean, isn't it another option for the Department?

MR. BAZ: The, yes, we could send down amendment to Fiscal Year '13, but since this is a two-year project and they're not going to need contingency until after July 1st of 2013, it's more prudent for us to wait and so the money that we appropriate in, for Fiscal Year '14 would be available from July 1st of 2013 until December 31st of 2014 which should be the completion of the project. Otherwise we would have to come again in Fiscal Year '14 and ask, or, yeah, or Fiscal Year '15...

VICE-CHAIR HOKAMA: Well I was just trying to find a way to help my, my colleague, Ms. Baisa, to make it sooner than later, so, you know, the money's gonna be extended through an

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reauthorization and we hope Mr. Taylor can do it year and a half instead of two years. But let's say...

MR. BAZ: If the Director comes to me and, and needs the use of SRF monies between January and June, I'd be happy to transmit a budget amendment for the Fiscal Year '13 Budget, but as it is, it's probably not going to be very likely that we do that. But, yeah, anything we can do to expedite this, the Administration will support.

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

CHAIR PONTANILLA: Okay, thank you. Just a fast question from me. In your Fiscal '13 Budget, under Countywide, Water Supply, Countywide Facility Improvements, you have \$2.5 million in there. I understand that part of that money is for contingencies such as this, unforeseen. So you still have that money for Fiscal Year '13? Can that be utilized for your change orders?

MR. TAYLOR: That's correct and, and I think you know we try not to spend that money, especially 'cause that money's going to be more expensive than this money. But again the SRF money at 1 percent for this project --

CHAIR PONTANILLA: Uh-huh.

MR. TAYLOR: --will probably be the best deal we ever get. So to use, if we can get that, that would obviously be more advantageous to the County than using the money that the Council Chair referred to.

CHAIR PONTANILLA: Okay. Until we come to that point.

MR. TAYLOR: I'm sorry, the Committee Chair.

CHAIR PONTANILLA: Okay, just trying to point out what you got in there. Okay, Members, any more discussion?

COUNCIL MEMBERS: Recommendation?

CHAIR PONTANILLA: If not, the Chair's recommendation is pass on first reading 1) the proposed bill entitled A Bill for an Ordinance Amending the Fiscal Year 2013 Budget for the County of Maui as it Pertains to Estimated Revenues; Makawao-Pukalani-Kula Community Plan Area, Water Supply, Waikamoi Flume Replacement; Total Capital Improvement Project Appropriations; and Total Appropriations (Operating and Capital Improvement Projects); 2) a proposed bill entitled A Bill for an Ordinance Amending Ordinance No. 3954, Bill No. 46 (2012), Relating to the Issuance of General Obligation Bonds of the County of Maui (Waikamoi Flume Replacement); and 3) filing of County Community 12-194; and if there's no objection to allow Staff to make nonsubstantive changes.

VICE-CHAIR HOKAMA: So moved.

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COUNCILMEMBER VICTORINO: Second, Mr. Chair.

CHAIR PONTANILLA: Moved by Mr. Hokama, seconded by Mr. Victorino. Any more discussion?

VICE-CHAIR HOKAMA: Chairman?

CHAIR PONTANILLA: Mr. Hokama?

VICE-CHAIR HOKAMA: You know, the only thing I would ask you to consider on all future requests similar to this is that, you know, if we gonna ask to make changes in our, in our borrowing, would be helpful if Budget office can help us, if they can, I would love to see the adjustments in the, in the bond schedule, the debt schedule, just so I can keep up with how much we owe and how much we gotta pay.

CHAIR PONTANILLA: I think you asked that previously.

VICE-CHAIR HOKAMA: Yes, I did. And, because I think that's critical to the Committee to have that information of how, whatever, you know, we, we adding a lot of millions to borrowing. And so I think it's only proper that we also know how it impacts the debt schedule and for us to make the better upcoming decisions in the next Budget Session, Chair. Thank you.

CHAIR PONTANILLA: Sure. We'll send something out. Any more discussion? Seeing none, all in favor of the motion, please say "aye."

COUNCIL MEMBERS: Aye.

CHAIR PONTANILLA: Any opposed? Seeing none, motion is carried, eight ayes, one excused, Member White. Motion is carried.

VOTE: AYES: Chair Pontanilla, Vice-Chair Hokama, and Councilmembers Baisa, Carroll, Cochran, Couch, Mateo, and Victorino.

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmember White.

MOTION CARRIED.

ACTION: Recommending FIRST READING of bills and FILING of communication.

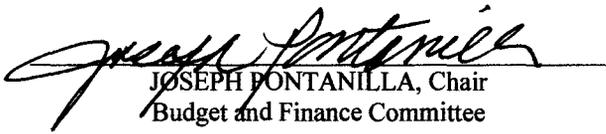
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CHAIR PONTANILLA: Thank you, Members. Thank you, Administration. Thank you, Staff, for a long, long Budget and Finance Committee Meeting this afternoon. So with that, the Budget and Finance Committee meeting for October the 30th is now adjourned. . . .*(gavel)*. . .

ADJOURN: 4:54 p.m.

APPROVED:


JOSEPH PONTANILLA, Chair
Budget and Finance Committee

bf:min:121030:alh

Transcribed by: Annette L. Hoopii

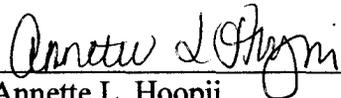
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CERTIFICATE

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

DATED the 26th day of November, 2012, in Haiku, Hawaii.



Annette L. Hoopii