

BUDGET AND FINANCE COMMITTEE

Council of the County of Maui

MINUTES

April 2, 2013

Council Chamber, 8th Floor

CONVENE: 10:06 a.m.

PRESENT: Councilmember Mike White, Chair
Councilmember G. Riki Hokama, Vice-Chair (In 10:27 a.m.)
Councilmember Gladys C. Baisa, Member
Councilmember Robert Carroll, Member
Councilmember Elle Cochran, Member
Councilmember Donald G. Couch, Jr., Member
Councilmember Stacy Crivello, Member
Councilmember Don S. Guzman, Member (In 10:08 a.m.)
Councilmember Michael P. Victorino, Member

STAFF: Michele Yoshimura, Legislative Analyst
Josiah Nishita, Legislative Analyst
Camille Sakamoto, Committee Secretary

Ella Alcon, Council Aide, Molokai Council Office (via telephone conference bridge)
Denise Fernandez, Council Aide, Lanai Council Office (via telephone conference bridge)
Dawn Lono, Council Aide, Hana Council Office (via telephone conference bridge)

ADMIN.: Sananda K. Baz, Budget Director, Office of the Mayor
Danilo F. Agsalog, Director, Department of Finance
David S. Taylor, Director, Department of Water Supply
Pamela M. Pogue, Planning Program Manager, Water Resources Planning Division, Department of Water Supply
Jeffrey T. Pearson, Civil Engineer, Department of Water Supply
Paul J. Meyer, Deputy Director, Department of Water Supply
Herbert W. I. Chang, Engineering Program Manager, Water Resources and Planning Division, Department of Water Supply
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

Seated in the gallery:

Mark Walker, Deputy Director, Department of Finance
Robin M. Arita-Chang, Account System Assistant Administrator, Department of Finance
Ortaeine Acidera, Accountant, Department of Finance
John Kulp, Accountant, Department of Finance
Mark J. Escudero, Administrative Officer, Department of Finance

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Scott K. Teruya, Administrator, Real Property Tax Division, Department of Finance

Gery Madriaga, Assistant Administrator, Real Property Tax Division, Department of Finance

Carmelito P. Vila, Manager, Motor Vehicle and Licensing Division, Department of Finance

John "Tony" A. Linder, Chief, Water Treatment Plant Operations Division, Department of Water Supply

Helene Kau, Assistant Waterworks Fiscal Officer, Department of Water Supply

Joseph Mendonca, Chief, Water Systems Division, Department of Water Supply

Holly Perdido, Waterworks Fiscal Officer, Department of Water Supply

Robert Vida, Chief, Field Operations Division, Department of Water Supply

OTHERS: Thomas Croly

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

CHAIR WHITE: *... (gavel) ...* Good morning, Members. Budget and Finance meeting of April 2nd will please come to order. Thank you all for being here. Before we begin, please turn off your cell phones and other noise-making devices. And this morning, I'd like to welcome Council Chair Gladys Baisa.

COUNCILMEMBER BAISA: Good morning, Chair.

CHAIR WHITE: And Council Vice-Chair Bob Carroll.

COUNCILMEMBER CARROLL: Good morning, Chair.

CHAIR WHITE: And Members Stacy Crivello, Elle Cochran.

COUNCILMEMBER COCHRAN: Aloha, Chair.

CHAIR WHITE: Don Couch.

COUNCILMEMBER COUCH: Good morning, Chair.

CHAIR WHITE: And Mike Victorino.

COUNCILMEMBER VICTORINO: Aloha, Chair.

CHAIR WHITE: And Mr. Hokama and Mr. Guzman will be joining us shortly. Again, today we have our Committee Secretary Camille Sakamoto and Legislative Analyst Michele Yoshimura and Josiah Nishita. Jeffrey Ueoka at Corp. Counsel, and Sandy Baz, our Budget Director.

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MR. BAZ: Aloha.

CHAIR WHITE: And Danny Agsalog, our Director of Finance.

MR. AGSALOG: Good morning, sir.

ITEM BF-1: PROPOSED FISCAL YEAR 2014 BUDGET FOR THE COUNTY OF MAUI (CC 13-100)

CHAIR WHITE: So let's just check in with the remote sites and if you could let us know whether you have testifiers or not. Dawn Lono in our Hana Office.

MS. LONO: Good morning, Chair, this is Dawn Lono in the Hana Office and I have no one waiting to testify.

CHAIR WHITE: Thank you very much, Dawn. And for Lanai District Office, Denise?

MS. FERNANDEZ: Good morning, Chair, this is Denise Fernandez at the Lanai Office and we have no one waiting to testify.

CHAIR WHITE: Thank you, Dawn. I mean, Denise. And from Molokai, Ella?

MS. ALCON: Good morning, Chair, this is Ella on Molokai and there's no one here waiting to testify.

CHAIR WHITE: All righty. Thank you, ladies. And, Members, we have one testifier in the Chambers so far. So without objection, we'll begin public testimony.

COUNCIL MEMBERS: No objections.

CHAIR WHITE: Okay, calling our first testifier in the Chamber, Mr. Thomas Croly. Good morning, Mr. Croly.

...BEGIN PUBLIC TESTIMONY...

MR. CROLY: Aloha, Chair. Aloha, Council. I'm glad to see everyone full of energy and enthusiasm, greeting the task ahead of you. I hope in six weeks you guys survive and that you're still full of this kind of energy. And I do wanna thank the Council for the task that's before them which is looking after the people's money. The people of Maui have entrusted you to make sure that the money is properly spent. And I know because I follow the Budget sessions with you guys before that you do that very thoroughly. And I trust that you'll do your best again this year to make sure that we're not wasting money and that the work of the County is done and that the people of Maui are best served. I'm here to talk to you today about what you're gonna do when it comes time to pay for the Budget, what we're talking about over the next several weeks. And as the

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Budget Director pointed out, real property tax is the main place, the biggest chunk where the Budget is paid for. And I have some concerns and I have shared with them with the Council before that our real property tax rates have gotten out of balance between the different categories. And we've really reached the point where the ship is listing. And it's an unsustainable model that we've put forward. And I'll be giving you testimony not just today but a few times during the course of this month bringing up different points that I'd like you to understand, because I see a train wreck ready to happen. And I don't think that we can continue down the path that we have. And specifically what I'm referring to is how we have shifted the tax burden to a large extent to the hotel and timeshare industry. The hotel tax rate is requested to rise by 12 percent this year and that on top of the approximately 12 percent increase that it experienced last year. Just those two increases alone are more taxation than the entire homeowner class pays. Just, let me say that again, just the increases levied over the past two years, or the proposed increase for this year and the increase that was levied last year on the Hotel and Timeshare classifications amounts to more tax than the entire Homeowner classification. I'll also point out that in 2003, the entire Homeowner classification paid \$17,800,000 in real property tax. Last year, they paid 19,119,000. So there was very little increase over a ten-year period. But I wanna point out in the Hotel classification in ten years ago, in 2003, they paid 40 million and that included timeshares at that time 'cause there wasn't a separate category for timeshares. And now last year it was 90 million that that classification paid for and we're asking for a 12 percent increase. I haven't seen the total numbers but I assume it'll be over 100 million that the Hotel and Timeshare classifications together will be assessed at the proposed rates. Now I wanna break it down to a little more micro level so that...sometimes when you talk about big numbers, they're not as clear as when you look at it on just a single basis. I own a condominium in a condo complex where there's short-term rental, there's long-term rental, and then there's owners who get homeowner who live there full time.

MR. NISHITA: Three minutes.

MR. CROLY: One of my neighbors right next door to me claims homeowner and her tax is, based on what's been proposed for next year, will be \$364. I pay the Hotel rate 'cause I use my condo in Hotel use. I pay, based on the proposed rate, I would pay \$3,408, roughly ten times what the homeowner next door is paying. I looked at it over the last six years and totaled it up. She paid \$2,368 over the last six years. I paid \$21,460 over the last ten years. But in addition to that, I paid GET and TAT amounting to over \$30,000 in that same period. So my unit over here generated \$51,000 in taxes and her unit, the same assessed value, generated \$2,300 in taxes. Now I'm not saying that I shouldn't pay more in taxes because I'm using it in a Hotel use. I'm just saying look at how huge that disparity is.

MR. NISHITA: Four minutes.

MR. CROLY: We have roughly the same amount of impact on the County. This full-time resident here, I might argue that my unit has less impact on the County because I'm only full about 60 percent of the time. So about 240 days a year there's someone in my unit and her unit there's someone 365 days a year. So you can see that we've really gotten it quite far out of balance and

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I want you to think about bringing that a little bit more back in balance. Thank you for your time.

CHAIR WHITE: Thank you. Any questions for Mr. Croly? Ms. Baisa.

COUNCILMEMBER BAISA: Yes, thank you very much, Chair. And thank you, Mr. Croly, for being here and thank you for your attention to the Budget process. We really appreciate citizens who take the time to, you know, do the kind of analysis that you do and come here to share facts and figures with us. It's very important that we have a little bit of details as we make these decisions. You point out this disparity and what is your suggestion as to how we deal with it?

MR. CROLY: Well, the obvious suggestion is we have to raise the Homeowner classification rates. We have to get more money from the Homeowner classification as a whole, okay? And what those rates should be, that's up to you guys. I could make my suggestions and I might get people all upset because they'll see what that might mean to them. But obviously we do need to change the rates that are paid by homeowners and bring them a little bit up because I'll point out that we have 26,000 Homeowner properties in the tax base. And it makes up more than half of the total amount of assessed value that we're working on. And if we leave that as low as we have, we're just shifting all the tax burden to the Residential class, to the Commercial class and to a great degree to the Hotel class. So I'm not saying that the Hotel class deserves specific protection from increases. I think that it would share, should share in the increases with everybody else. But I think that we really can't continue to protect the Homeowner class as much as we have. And I do have some ideas that I'll share with you in further testimonies as far as thinking about the Homeowner tax rate as a subsidy rather than a tax rate. We have to really think of what we're doing with respect with homeowners, how we're giving them a subsidy and who gets that subsidy. I think you'd be surprised when I share with you the numbers who it is exactly that we're subsidizing with the very low Homeowner tax rates.

COUNCILMEMBER BAISA: Thank you very much for your input. I appreciate it.

COUNCILMEMBER VICTORINO: Chair?

COUNCILMEMBER BAISA: Thank you, Mr. Chair.

CHAIR WHITE: Mr. Victorino.

COUNCILMEMBER VICTORINO: Thank you. And thank you, Mr. Croly. I mean we really appreciate this breakdown. I have couple quick questions. Let's use the example you just gave as far as your neighbor and you, right? Do you know what your neighbor does? I mean, occupation wise?

MR. CROLY: They're retired.

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COUNCILMEMBER VICTORINO: Retired, okay. So let's say they worked. Let's say they're working people. And let's say they're bringing in an income of \$75,000 a year, okay? You kinda agree that's not too high, too low, kinda...

MR. CROLY: More than me.

COUNCILMEMBER VICTORINO: Yeah, oh well, now, wait a minute, wait a minute. I'm gonna get there now. Don't be answering the question before I ask the question now. Okay, you mentioned that you rent your place out probably 60 percent of the year.

MR. CROLY: Right.

COUNCILMEMBER VICTORINO: I guess about 240 days, right? You rent out. And so when you rent it out, and I don't wanna get really specific, but what kind of gross income, round number?

MR. CROLY: I can get a little bit more specific because I just did my taxes yesterday. I'm still working on 'em right now, haven't completed the numbers. But that unit generated \$40,000 in gross income, okay, and that includes the TAT and GET that I paid on that unit.

COUNCILMEMBER VICTORINO: So you rent it out for 240 days a year and you gross out \$40,000.

MR. CROLY: Right.

COUNCILMEMBER VICTORINO: Oh, when I do my math, that's not too much.

MR. CROLY: No. That's what I get.

COUNCILMEMBER VICTORINO: Well, you know, again, you know, and no offense to you or somebody else. And I don't wanna be offensive either but maybe you ought to look for another job.

MR. CROLY: Maybe I should raise my rates. I don't know.

COUNCILMEMBER VICTORINO: No, again, Mr. Chair, I'm not sure but to me when somebody of that nature comes and they choose a certain occupation, I do insurance so I choose that. And I know what I net and what I gross and all that other stuff. But I choose. If you're not doing well enough to make it sensible, then why are you doing it? And that's a businessman's perspective, okay? No offense to you. But again, the inequities I have no challenge with. You know, I think we have to look at it more carefully. But I'm also seeing that if you're a hotel, you're getting Hotel rates or you're being rated at a Hotel use and you're only making 40,000 then I question why you wanna continue. Now if you're a farmer, I can see that. But why you continuing doing what you're doing? Maybe you ought to do something else. But that's my take on what you've just said and in comparison, so maybe we need to discuss more and get more details as we go along and some of your suggestions. Not knocking what you're suggestions are and I have to

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agree with them; however, I just think that if you're telling me what you just told me, then I don't know why...you know, I'd be, as a businessman, maybe I'd be looking for something else to do. But that's me, you know, not so much you.

MR. CROLY: Well, I welcome the opportunity to sit and talk with you about this outside of Council, please.

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

CHAIR WHITE: Any further questions? I have a question for you, Mr. Croly. I appreciate Mr. Victorino's comments. I would guess that when you bought the apartment and decided to put it into a rental that you probably thought you were going to make more money than you are.

MR. CROLY: No, I was pretty realistic about what I thought I'd be able to make out of it. The only thing that, I guess, has surprised me is the expenses. The expenses have been higher than I thought they would be.

CHAIR WHITE: Okay, well thank you for sharing your information this morning and I appreciate it. And we look forward to your next installment, I guess.

MR. CROLY: Thank you.

CHAIR WHITE: Any further testifiers? I saw some people at the sign up desk. They didn't...okay. We'll just check one last time with our district offices. Hana, do we have any testifiers?

MS. LONO: The Hana Office has no one waiting to testify, Chair.

CHAIR WHITE: Thank you, Dawn. Lanai, any testifiers?

MS. FERNANDEZ: The Lanai Office has no one waiting to testify.

CHAIR WHITE: Thank you, Denise. And Molokai?

MS. ALCON: The Molokai Office has no one waiting to testify.

CHAIR WHITE: Mahalo, Ella. You ladies can sign off for the day. Without objections, Members, I'd like to close public testimony.

COUNCIL MEMBERS: No objections.

CHAIR WHITE: Thank you.

...END OF PUBLIC TESTIMONY...

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COUNTYWIDE COSTS

CHAIR WHITE: And with that we will continue with our review of the Finance Department's presentation with the Countywide expenses.

MR. AGSALOG: Thank you, Mr. Chair.

CHAIR WHITE: Mr. Agsalog?

MR. AGSALOG: Thank you, Mr. Chair and members of the Committee. I know you told me to go through the book, Mr. Chair, the program book but may I direct you to the Budget Details if you have the Budget Details on Page 6-49. Or you can use the same slides presentation that we have given you yesterday, that's okay too. It's the same. Page 6-49, sir. 6-49 or the PowerPoint slides that it says Proposed Countywide Program. The reason I asked this, Mr. Chair, is the categories are there. It's easier to comparisons from year to year because of the changes that Budget Office is trying to put together so that we are a little bit more consistent as we go throughout the year and it's easier to read. And the Budget Details give you very good categories where you can compare from fiscal year past to what we're going now. And I've taken the liberty to use that, and I would hope that the Budget Director will forgive me in doing so. So 6-49, Mr. Chair, it relates to the total amount on the proposed Fiscal Year 2014 Budget in the amount. If I direct your attention to the fund total at the bottom is \$131,216,745. That's to operate our Countywide to pay a lot of Fringe Benefits, and the Fringe Benefits, Mr. Chair, is proposed to be \$69,444,332. Next line to that, Mr. Chair, is the Fringe Benefits Reimbursements which is paid by the Special Funds so we have to enter an entry so that they do not double count our expenditure, in the tune of 15,128,374. That, Mr. Chair, is a amount that's paid by Water Department, Golf Funds, those . . . *(inaudible)*. . . the General Fund.

CHAIR WHITE: Is that just those two funds?

MR. AGSALOG: No, also Sewer Funds, Solid Waste. All Special Funds, Mr. Chair, that have personnel that's employed by the County. Liquor Funds and all the General Funds will be included. If you minus the 15 million from the 69 million, Mr. Chair, that is paid in the General Fund, okay. So that to prevent double counting.

CHAIR WHITE: Right.

MR. AGSALOG: Because we account that in their Operation Expenditure, okay? But a total amount that we pay for all our Fringe Benefits for the County employees is 69,447,332, okay? That negative, Mr. Chair, is just an entry so that we will not double count our expenditure. And I'm sure that if need more explanation, the Budget Director can help me out.

CHAIR WHITE: Yeah, no, I just wanted them to be aware that it was more funds than just the Water and whichever other one that you mentioned.

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MR. AGSALOG: Thank you, Mr. Chair. The next line, Mr. Chair, is the Bond Issuance, Debt Service and we are proposing, and this is the total amount that we're going to pay, \$34,910,033. That's a savings of...

MR. BAZ: The total Debt Service shown is net the Water Debt Service payments. So the Water Debt Service payments are taken off of the total Debt Service. So what's budgeted there is the other funds except for Water.

CHAIR WHITE: Thank you.

MR. AGSALOG: I stand corrected, Mr. Chair. So for...

MR. BAZ: I'd love to see a \$3 million savings in Debt Services.

COUNCILMEMBER BAISA: We all would.

MR. AGSALOG: Okay, so that's the reduction. Supplemental Transfers, Mr. Chair, the next row, is \$5,552,940.

CHAIR WHITE: For the new Members, would you explain what Supplemental Transfers represent?

MR. AGSALOG: It's in your Details, Mr. Chair, which is Page 6-53 and the account for...the transfer to the Golf Funds of 1,126,650. That's one. And then to transfer to the Solid Waste Fund to a tune of 4,426,290, a total of \$5,552,940. So that's the Supplemental Transfer, Mr. Chair, from the General Fund. The next line, Mr. Chair, is the Open Space, Natural, Cultural Resources and Scenic Views Preservation Fund.

MR. BAZ: You missed the Insurance Programs.

MR. AGSALOG: Okay, let me...Insurance Programs, let me backtrack. The Insurance Program and Self Insurance Program is proposed to be \$8 million. Last year it was \$10,500,000. This particular proposal right now accounted for our success in settling quite a bit of our challenges, legal challenges, and kudos to the Corporation Counsel and, of course, the Mayor's Office in putting this together that we were able to settle quite a bit of the ongoing legal challenges that we have for the County of Maui. The next line, Mr. Chair, again, is the Open Space, Natural, Cultural Resources and Scenic Views Preservation Funds and that, Mr. Chair is a percentage of the projected real property tax income. It's now 2,390,290. Again, it's a percentage. It's 1 percent of the real property tax revenue, Mr. Chair. The next line, Mr. Chair, is the...for Member Hokama, we are on Page 6-49, sir.

VICE-CHAIR HOKAMA: Thank you.

MR. AGSALOG: The Affordable Housing Fund is proposed at 4,780,579. That's a little increase of little bit over half a million. The next one, Mr. Chair, is the General Cost. This is proposed to be

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\$1,055,000. Okay. The breakdown of that, and it starts with our communication system, the telephone system, the rental for the Service Center that we have that's put in the Countywide and centralized postage and some copy machines, Mr. Chair. The Overhead Reimbursements, Mr. Chair, is again, is another entry so that we do not double count the expenditures of the Special Funds. And this is the percentage that we charge them for overhead charges and it's about 7,283,857. So that's budgeted in the operation of the Special Funds but since it's coming out of the General Funds we have to put a balancing entry. For the Emergency Fund, Mr. Chair, and this is an increase, it's...we proposed at 5 million and I think this is a part of the effort of the Budget Director to put a good funds for the...in preparation if we ever have to go on floating bonds again that we have Emergency Funds to be used in case of emergency. And this is one of our high points and when we presented to the Bond Analyst that they really recognized our effort as a County to put aside some money to take care of any emergencies that arises. This one is the...the next one, Mr. Chair, is the Post-Employment Obligations Fund. It's a revolving fund that we have set since we have not sent the...our obligation to the State. We keep it in our own special funds, Revolving Funds, so it's the same amount as last year. It's 22,492,802. The last line, Mr. Chair, that's why I selected this page because it shows historical that the Economic Development Revolving Funds we put a million last year. This year we didn't put that amount. So if you have any questions, we will be able to answer them in details.

CHAIR WHITE: Okay.

MR. AGSALOG: For that, Mr. Chair, the Budget Director and I can field your questions.

CHAIR WHITE: Okay, thank you, Mr. Agsalog. Members, any questions? Mr. Couch.

COUNCILMEMBER COUCH: Thank you, Mr. Chair. Thank you, Mr. Agsalog, for that information. The question I have, quickly, just for our general knowledge, the Post-Employment Obligations Fund, what is that? You know it's our own bank account, what is our balance on that?

MR. AGSALOG: Should this proposal is approved, I think our total now is 101 million. If this 22 million is approved by the Council, it's in your Budget Ordinance. The total number on Page 38 in the ordinance, the small book, and it's 101,359,703. So it's in the section where it's the Revolving Funds, Page 38, on the Budget Ordinance, Mr. Chair.

COUNCILMEMBER COUCH: And I don't know if this is the right time to ask for that, but our current obligation is?

MR. BAZ: According to the latest report, actuarial study that was done showed us a net liability, unfunded liability, of \$344 million. So that does not include this \$101 million to set aside for that. So we're paying it down significantly.

COUNCILMEMBER COUCH: So we're about a third of the way down?

MR. BAZ: Correct. And it's supposed to be a 30-year payback and we've only --

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COUNCILMEMBER COUCH: Nice.

MR. BAZ: --been doing it for five years so...

COUNCILMEMBER COUCH: That's good. Thank you.

CHAIR WHITE: I have a quick question on that item. What was the Unfunded Liability balance as of this time last year?

MR. BAZ: I'd have to get back to you on that.

CHAIR WHITE: Okay. I would appreciate knowing whether it's growing or not --

MR. BAZ: I, I...

CHAIR WHITE: --because back in May we were told that the study was gonna be completed by the end of the month and I don't think any of us have heard what the results are.

MR. BAZ: Yeah, actually, Mr. Chair, the...I should correct myself that...the number I gave you, the \$344 million of net Unfunded Liability is as of June 30, 2012. So that was the report that the Budget Director of the State and your _____ Manager were talking about.

CHAIR WHITE: So is that the updated number? Is that the current number?

MR. BAZ: That is considered the current number. That was the last study that was done.

CHAIR WHITE: Okay, thank you.

MR. BAZ: Yeah, it was _____.

CHAIR WHITE: Mr. Hokama?

VICE-CHAIR HOKAMA: So this study that we're talking about, this is what the trustees are basing their assumptions on then, Mr. Baz?

MR. BAZ: Yes, this organization was contracted to do the actuarial, they were the same, I think it's _____. I'm not quite sure but they're continuously being contracted to do the study. This is the second one that they did and this is the assumptions that are based on what ERS and EUTF are going off of.

VICE-CHAIR HOKAMA: Can you tell the Committee this morning to the best of your understanding how they've calculated the comp. time in the reporting? Because if this is one actuaries number,

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I'd be interested to know how they did the calculation on this thing since we're having our own difficult time putting a accurate price to that.

MR. BAZ: I'd have to look that up. I'm...yeah, I'd have to look that up. I'm not sure. I would doubt that they've included that.

VICE-CHAIR HOKAMA: So how accurate is the actuaries number?

MR. BAZ: . . .*(Inaudible)*. . .

VICE-CHAIR HOKAMA: I'm not here to argue with you.

MR. BAZ: Yeah, yeah.

VICE-CHAIR HOKAMA: 'Cause I understand the situation you gentlemen in. My point is that, you know, we're going off a report that I'm not too sure is as accurate as it needs to be for us to do the appropriate funding.

MR. BAZ: Yeah, Mr. Chair, I just...let me be very forward. I am not confident in that study at all. There are so many unknowns in the State ERS and EUTF system that we cannot have an accurate number of how much the County's liability is. They have never given us the information that we need to be able to analyze whether or not the charges that they're saying that we're supposed to be paying are the ones that we're, you know, liable for. Are the employees, the wages that we paid as an employer are the ones that they're charging back to us now, the retirement and post-employment benefits of. And that's just...I'll make that statement and...when...I think they're scheduled to come here towards the end of the month and you can provide...maybe they can provide you with some more detailed information. But I have never been able to get detailed information of how they come up with their actuarial. Also, you know, an actuarial study by definition is inaccurate, you know. It's something that they're guessing as far as what the future liabilities will be, what the age of death is gonna be, the retirement age of people, the average life span, the market, you know, returns. You know, all of that is all kind of guesses and so by definition it's an inaccurate study.

VICE-CHAIR HOKAMA: I know but it carries so much weight on the decisions we make.

MR. BAZ: Mr. Chair, I completely agree. You know, on our books it shows as a liability and that's something that we need to be aware of. And, you know, this Council, the Administration has been very diligent about making sure that we've paid our liabilities. And so if it is a true liability, we wanna make sure we pay for it and that's why we have been budgeting significantly for it and to make sure that, you know, we are paying our bills.

VICE-CHAIR HOKAMA: Since we're going on the path we've done over the last five years which I think is prudent on our part, and we're showing we're able to handle our obligations in a responsible manner, maybe we should split from the State. 'Cause as long as we're stuck to the

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State, we're gonna be underfunded, the whole...the program in general 'cause they cannot come up with their full payment within, well, they'll take 30 years if you give them 30 years to fund. So I don't have a problem with us looking at the feasibility of splitting or joining other entities that make better sense for us as a County whether we go with California, we go with Texas, New York. To me there's more opportunities for us if we wanna consider them and maybe we should. We're already going on our own path on deferred comp. I believe we have a proposal RFP right now that's being reviewed to offer our employees a opportunity to manage better and improve their deferred compensation, you know, programs.

MR. BAZ: Mr. Chair, the RFP that went out was for our Flexible Spending Plan. Those are the cafeteria type of additional items, not necessarily the retirement deferred comp.

VICE-CHAIR HOKAMA: Well, to me that's one step forward.

MR. BAZ: Yeah. From my understanding it would take some legislative action for that to happen at the State Legislature. And that might be a discussion to have with your peers over there.

VICE-CHAIR HOKAMA: Okay. Other than this amount that we're going on is an amount that you would say, what, in 13 years we should be in pretty good solvent, you know, liquidity shape overall with the obligation?

MR. BAZ: Well, at this point we are...we funded our annual required contribution, our ARC, significantly more than what it really is 'cause otherwise it's a 30-year payback. And if future councils and administrations follow the same path, then yes, we will be funded within 10 to 15 years.

VICE-CHAIR HOKAMA: Well, I think you guys are on the right track, Mr. Baz, so thank you very much. I'm done with this part of the obligation on the Countywide, Chair. Thank you.

CHAIR WHITE: Okay, thank you. Just to add context to the question you're asking, the State in order to put aside enough money to fund their unfunded liability over 30 years would have to put up \$400 million. That was what we were told last May. That's already changed to \$520 million so they're, you know, what Mr. Hokama says about us being tied to the State not being terribly healthy is absolutely correct. The other question that I have is related to this is, of the healthcare expense of \$26 million for this, which is projected for this 2014 year, what portion of that is being paid on behalf of retirees for their healthcare? Because this OPEB expense is eventually to take over the payment of the healthcare instead of it being an operating expense. Is that correct?

MR. BAZ: Yes, that...well, the OPEB amount is specifically to fund the unfunded liability portion. The annual pay-as-you-go portion is included in that number that you mentioned. I don't have a breakdown right now of that.

CHAIR WHITE: Okay. Would you please provide us with that?

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MR. BAZ: Okay. You mind sending a letter and we can get the Finance Department to get that to us, the breakdown?

CHAIR WHITE: Do we have to do all of this by letter? I mean...

MR. BAZ: I'm not...what exactly do you want to show?

CHAIR WHITE: I just want a breakdown between how much of the healthcare expense is being spent on current employees versus retirees. I know the last year it was somewhere in the neighborhood of \$12.5 million. So I'm just...

MR. BAZ: Our Assistant Account System Administrator is here so if she heard you then we can go ahead and try to produce that and get that to you.

CHAIR WHITE: Okay, thank you.

COUNCILMEMBER VICTORINO: Chair?

CHAIR WHITE: Mr. Victorino.

COUNCILMEMBER VICTORINO: You know, I have a question along these lines, Chair, and Mr. Baz and maybe Corp. Counsel can chime in on this 'cause I hear what Mr. Hokama is saying and I think many of us agree. But I also have this concern that this could be the beginning of what I call the City and County separating and maybe the day will come soon. And some counties can and some cannot. But if, Mr. Baz, this is important and I don't know if you or mister...and maybe nobody can answer this question but it is something that's laying...is in the back of my mind and the minds of many. If we were to say tomorrow, hey, State, we're opting out of the retirement system. Let's say we do the legislative stuff and all that. State, you know, you're on your own and we're going on our own which would give us more viability as far as our retirement system is concerned. Do you think that maybe then the State might say, fine, Maui County, you can go on your own? But you take the judicial, you take the schools and you take everything else and all of that's yours now. Important to remember, we can talk big, we can talk the way we wanna talk. But remember, there's an overlying consequence whenever you start deciding to be the big kid on the block, somebody out there wants to bring you down. I'm just putting it in perspective, Mr. Chair, and I don't think I'm saying anything that's not known out there by many of us who've been around a long time, okay. You know, I'm not disagreeing in the statements that have been said. And, yes, we'd be better off. But will other things and other consequences come with that proposal? And that's my concern, and what ramifications would that have to our taxpayers here, okay? So I put that on the table because when once something is said I like the other part of the equation, in other words, I like to flip that coin to make sure that both sides of the coin is shown. 'Cause I don't wanna only see heads 'cause if we've got heads on both sides, I don't know if that's fair. It's heads and tails and it's fair, then let's be careful what we wish for 'cause what we may get is what we don't want. That's all I have to say about that, Chair. But I would like Corp. Counsel, if they...I don't know if you can answer that

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question 'cause that's really hypothetical like everything else we talk about is hypothetical. But it's something that we must think about when we make those statements in regards to areas as we talk. And if the State wants to give everything and the money, then I'd be happy to go but I don't think that's gonna happen also. So maybe that's just more of a statement than a question. I don't know if there's anybody can answer a question like that. I apologize for that. Thank you, Chair.

CHAIR WHITE: It's a big question and you're right, the answers are not easy to come by. We will have Wes Machida and Kalbert Young here on April 22nd for us to ask questions regarding ERS and EUTF. One of the questions that I had was that, I recall that the first payment, or first and second payment, or first allocation was actually sent to EUTF but since then we've held off. Does the...or is the first payment or second payment included in the 101 million and how much is in our account versus the EUTF account?

MR. BAZ: So, Mr. Chair, those first initial payments were made and they're not included in the \$101,000 OPEB Fund balance, and that's our internal fund balance.

CHAIR WHITE: And are we...I know Mr. Hokama has asked for a statement as to what degree of surety do we have that that money is still on our account, so to speak.

MR. BAZ: In the actuarial report it does reference those prior payments that we made and it does come off of our...that's why I say our net unfunded liability because our gross unfunded liability was \$360-something million.

CHAIR WHITE: Okay, so how much does that...how much is on account at EUTF that would add to the 101?

MR. BAZ: The difference which is close to \$20 million I believe. I'm trying to have my staff find the report right now so that I can have that.

CHAIR WHITE: Okay, thank you. Did you have a question? Mr. Hokama.

VICE-CHAIR HOKAMA: Maybe a question and a comment for maybe Mr. Baz and Mr. Aagsalog. I think it's great that we are trying to put away as much cash as we can now. And I say that, Chairman, because if Congress keeps moving this negotiating center left or right, my dread is that two things that's gonna hurt us in this County and in the rest of our sister counties in Hawaii is one, if we ever have to pay taxes on the bonds, you know, some estimates, market estimates is up to one-fourth of your total borrowing is gonna be for additional taxes and Debt Service. And, two, since Congress is willing now to put back on the table to take away the Federal income tax exemption on property tax interest payments and all of these other things, how then does that impact Mr. Teruya's ability to forecast new value on property since you're not going have that cash to start reinvesting in your own economies? And I think this is something that, you know, we talk about in concept, but my point is at this point in time Congress is more desperate than anything else. And, you know, what we had thought was pretty sacred in the past regarding

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Federalism and the tax exempt bond, if you notice is still back on the table being discussed, including the elimination of those personal income tax deductions, itemized deductions. So, you know, I know Mr. Baz is kinda up on it and he has a good understanding, but, you know, my thing is it's real and it's out there and we need to make appropriate safeguard preemptive actions, Chair. Thank you.

CHAIR WHITE: Mr. Baz.

MR. BAZ: Thank you. And until we make the transfer of the \$101 million that money is still ours, just for information. Okay, so I do have the _____ report in front of me now and basically I could tell you that the current portion of that, so the \$25 million that you were talking about coming out of the EUTF monies, for Fiscal Year 2011 was \$10,868,000. So it raises a little bit each year but not significantly. For Fiscal Year 2010, it was \$9,682,000.

CHAIR WHITE: And that is the...

MR. BAZ: That's the portion of the, excuse me...

CHAIR WHITE: 25 or 26 million?

MR. BAZ: Correct.

CHAIR WHITE: But that's the earlier...

MR. BAZ: Fringe Benefits, yeah. Hold on.

CHAIR WHITE: So if it's 2011, the total is 22,670. Is that the year that you're referring to? Too many sheets to look at.

MR. BAZ: No, actually, you know what, I'm sorry, Mr. Chair. The money...it looks like the money that you're describing, the 907642 contribution to retirement system is ERS. There's...and the report that I have...excuse me, so are you referencing 907709 Employers' share EUTF?

CHAIR WHITE: Correct.

MR. BAZ: Okay, so for Fiscal Year 2011, the actuals was \$22,670,000 and their...the _____ report's showing that the current portion of that was \$10,868,000 to retirees. So that was about a quarter of it, I suppose. Or no...

CHAIR WHITE: No.

MR. BAZ: More than that. I'm sorry, a little more than one-third.

CHAIR WHITE: Almost half.

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MR. BAZ: Yeah.

CHAIR WHITE: Isn't it? Yeah, okay. Thank you very much.

MR. BAZ: And then to answer your question, your other question that we were gonna get back to you in writing about, the actuarial study shows the unfunded actuarial accrued liability at \$369,774,000. Our Planned Assets, the money that we've put into to pay the unfunded liabilities was \$25,138,000. So that leaves a net unfunded actuarial accrued liability of \$344,636,000.

CHAIR WHITE: Okay, but that's further offset by the 101.

MR. BAZ: Correct. So, yeah, they don't know about the 101 million that we have set aside in our books.

CHAIR WHITE: Well, good job.

COUNCILMEMBER BAISA: Good job, excellent.

CHAIR WHITE: All of our predecessors have done well. Okay, Members, any further questions on this section? Mr. Couch...I mean, Mr. Hokama.

VICE-CHAIR HOKAMA: This is on the cost component, Chairman. Director Agsalog, under Countywide you folks have 280,000 for rentals?

MR. AGSALOG: Service Center, sir.

VICE-CHAIR HOKAMA: I thought that was...oh, that was, I thought was part of your Finance Department's rent component?

MR. AGSALOG: No, it's the Service Center.

VICE-CHAIR HOKAMA: So that whole 280 is just the Service Center, Mr. Director?

MR. BAZ: Actually, Mr. Chair, Member Hokama, let's get back to you because the Countywide Service Center is actually included in the Financial Services program of \$506,800, so we'll do some research on what that rental item is and get back to you.

VICE-CHAIR HOKAMA: Okay, thank you, thank you. I would appreciate that, thank you.

CHAIR WHITE: Any further questions, Members? Okay, Mr. Agsalog, please proceed with the remainder of your...

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MR. AGSALOG: That is the overall financial request for the Countywide, Mr. Chair, and if you...when you have a chance, there are some analysis that I have done in the back of the PowerPoint that I have given you. And on Page 6 on the Countywide presentation it just gives you a historical analysis of Fiscal Year 2012 based on the population of 154,834, per capita cost on the Countywide program is \$890.20. So every single one of us pay that much for that cost. For Fiscal Year '13, the current one, it's a little bit lower, \$826.55 and the proposed, Mr. Chair, is a little up by about \$20-something, \$847.47. And Page 7, Mr. Chair, shows you the significant number in the Countywide that takes up a lot of our tax dollars, so Debt Service, Fringe Benefits and Post-Employment Obligations, and they are there. So thank you, Mr. Chair, for allowing us to present the Countywide Costs and hopefully that we'll be able to answer more, any of your questions if you have any more as you deliberate this proposed budget for the Department of Finance as well as the Countywide.

CHAIR WHITE: Okay, so no CIP for your Department?

MR. AGSALOG: Oh, yeah. I have a \$100,000 request, Mr. Chair, for CIP for the Kihei Service Center in the Program Budget. Yeah, I almost forgot because I don't have that much CIP.

CHAIR WHITE: See, you're lucky you have the Chair watching out for you.

MR. AGSALOG: The request, Mr. Chair, is that the community center where we're at now at the Kihei Community Center, we originally requested to extend in the back but Management asked us see if we can use the existing one. So to minimize the structural build out so we will just do the interior part, do more of a partitioning and layout so that we can accommodate the community so that they don't have to wait outside. We have asked the Management, the Mayor and the Budget Director to accommodate us in this request. And that particular one, Mr. Chair, is located in your Program Budget on Page 708. 708 on the Program Budget, the colored one. 708, please. It's almost...yes, Proposed Budget, 708, and again, it's just to provide a little bit more room for the community to wait while they are being called to be served at the community center, at the DMVL. This DMVL request that we have been trying to figure out how to serve the community better and since the original proposal of extending it to the back the existing structure, the permitting probably will take us longer than to serve the community so Management offered us the next door room which is not used every day but we will be able to use it at DMVL. And I think the extra space that will be given to us, if you have been to the Kihei Community Center in the back in the DMVL, as you're facing our office it's that room on your right side. So we're going to take that and connect it and then we'll be able to serve the community there. That is the busiest satellite office that we have, Mr. Chair. So that is the request, Mr. Chair, a small CIP. Thank you for reminding me. I almost forgot it. My Administrator was looking at me that oh, you didn't ask for it. But it's there, Mr. Chair, so we will answer any questions you might have with regards to the CIP.

CHAIR WHITE: Okay, Members, any questions? Mr. Hokama.

VICE-CHAIR HOKAMA: How big is your extension, Director, you wanna build?

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MR. AGSALOG: Can I have the question again, sir?

VICE-CHAIR HOKAMA: How big is your extension you wanna build?

MR. AGSALOG: It's not an extension. It's just...the room is already there. It's a open room. I think it's being used once in a while. It's about...I would say about 400 square feet, the additional right now. Four hundred square feet, it's the next door. It's already...if you're facing the DMVL office --

VICE-CHAIR HOKAMA: Right.

MR. AGSALOG: --towards the swimming pool, it's on your right side. The left side is already all taken by the DMVL.

VICE-CHAIR HOKAMA: Right.

MR. AGSALOG: And then there's a small room about 400 square feet. There's a storage room on the corner...I mean, a bathroom on the corner and then the 400 square feet that we're going to take, we're just going to connect the two together inside. So that's what the cost that we wanted is for furnitures as well as the connection on that wall, because there's a storage in between the two rooms right now. There's some storage cabinet there so we need open that up for our employees to be able to...

VICE-CHAIR HOKAMA: Okay. So is this really one CIP project?

MR. AGSALOG: I requested...

VICE-CHAIR HOKAMA: Which is a, you know, I mean, you know, we could give you, you know, from some renovation money. But, I mean, in general, we're not building something new, per se, so I don't know if this really qualifies as a CIP, Chair. I mean, I don't have a problem supporting the Department's request. I'm just wondering if this is the right way to approach the request.

MR. AGSALOG: In accounting, I think that the CIP I think would work a little bit better since we are putting some longer life furnitures there. We can depreciate those assets for the CIP part. But, again, for me, we just needed more room.

VICE-CHAIR HOKAMA: No, no, understood, Director, understood.

MR. BAZ: Mr. Chair, Member Hokama, our analysis of this was that it was a permanent renovation to this that would be knocking down walls and rebuilding some internal area. I mean, yeah, while the physical, you know, plant isn't getting larger, the interior space of it is being renovated permanently. So, yeah, whether it's called, you know, leasehold improvements, or whatever, it

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will be something that's capitalized no matter whether if it's in the Capital Program or if it's in the Operating Budget.

VICE-CHAIR HOKAMA: Okay, thank you. I'm done, Chair, thank you.

CHAIR WHITE: Okay. Members, any other questions? How many employees do you have in that office now?

MR. AGSALOG: Say that again, Chair?

CHAIR WHITE: How many employees do you have in that office now?

MR. AGSALOG: Six...five.

CHAIR WHITE: And is this expansion necessary even if we don't approve the additional six service representatives?

MR. AGSALOG: Yes, sir, because that is the...it's so tight at the moment and the waiting area, it's very, very tight for the people. Like I said, it's one of our busiest satellite offices. With or without the expansion positions we are asking, we would really like to serve the community. And I think that this is long term coming so we would really like to have that.

CHAIR WHITE: And is this space that we're already renting?

MR. AGSALOG: Oh no, it is part of our community center. That building is part of our community center.

CHAIR WHITE: Okay. Okay, I just have...

COUNCILMEMBER COUCH: Mr. Chair?

CHAIR WHITE: Well, we...

COUNCILMEMBER COUCH: Mr. Chair?

CHAIR WHITE: Yes, go ahead.

COUNCILMEMBER COUCH: I'd like to ask him a few questions about that as long as we're...

CHAIR WHITE: Sure.

COUNCILMEMBER COUCH: Yeah, Mr. Agsalog, while I appreciate the need for space there, my concern is, and I've heard this from the community as well, is taking up yet another meeting

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room that will no longer be available. Right now we have the big room, the big hall that we met in last night, and then that meeting room.

MR. BAZ: Mr. Chair? In our analysis of that cost analysis of whether or not we should be constructing a new facility and as well as the use of that room, the infrequency of the use of the room didn't really necessitate a separate room like that. In addition, we are hoping should the Kenolio construction be approved in this year's Budget, that that would provide another facility for small meeting spaces over towards the, you know, in the old Kihei School site.

COUNCILMEMBER COUCH: Right. So you're hoping to offset that with the Kenolio?

MR. BAZ: Correct. Yeah, so there wouldn't be a reduction in meeting space in Kihei.

COUNCILMEMBER COUCH: Okay, thank you.

CHAIR WHITE: Okay, and now I assume, Director, that we will be discussing the other item under the Capital Improvement Budget during the various departmental requests?

MR. BAZ: Yes, Mr. Chair, we can because they're related specifically to individual departments. They're not the Department of Finance. It would be a good idea to discuss it in that time. We housed it in the Department of Finance as a CIP project for just efficiency standards, I guess.

CHAIR WHITE: And this is again, if I understand correctly, this is another equipment bond proposal?

MR. BAZ: Yes, Mr. Chair. We're proposing on floating bonds to purchase these equipment. And, Mr. Chair, the Director has answers to the rental question that Member Hokama brought up earlier.

CHAIR WHITE: Okay.

MR. AGSALOG: Thank you, Mr. Chair. That one is...every year we have this question 'cause this is for the parking lots that we have rent...the Catholic church, we also pay some from that account now some of the obligations that we have when we acquired the Sandhills, the association dues and all that stuff. We are now paying since we have all those settlement property that we have at the moment. And we pay from this particular Countywide one, the rentals and...

VICE-CHAIR HOKAMA: Okay. We'll have that broken down, Chair.

MR. AGSALOG: I will be able to get you the account, every single item if that's requested.

VICE-CHAIR HOKAMA: Thank you, Director.

MR. AGSALOG: Yeah.

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VICE-CHAIR HOKAMA: Thank you very much.

CHAIR WHITE: Thank you. And I'm assuming that these items like the Hana Landfill dump truck and the ladder truck for Lahaina Fire Station will come up on the Equipment list in the Department or are they not?

MR. BAZ: No, they will not. I'll try to make a note, Mr. Chair, in the Department, to bring that up when we're going through the Department's discussion.

CHAIR WHITE: And, Staff, would you just make notes so we don't forget these items? And we'll have to come back to this because we'll have to approve the total, right?

MR. BAZ: Yes.

CHAIR WHITE: So with that, Mr. Agsalog, I have only one question left for you.

MR. AGSALOG: Thank you.

CHAIR WHITE: Does your Department have any take-home vehicles?

MR. AGSALOG: We do not, Mr. Chair. And all our staff that use vehicles they all do it just on a casual basis, and most of them is the DMVL and Real Property Tax. And we have one at the Administration, just for the messenger. And that's what we have. We do not take home vehicles, Mr. Chair.

CHAIR WHITE: Okay. I thought that was the answer but just wanted to verify. Okay, with that, Members, if you don't have any further questions for Mr. Agsalog, we'll move into our presentation on Water. Does anybody wanna take a break while we have one? Okay, we'll take a break 'til 10:20 [*sic*]. We're in recess. . . .(*gavel*). . .

RECESS: 11:10 p.m.

RECONVENE: 11:28 p.m.

CHAIR WHITE: . . .(*gavel*). . . The Budget and Finance Committee meeting will reconvene.

DEPARTMENT OF WATER SUPPLY

CHAIR WHITE: And we will proceed with the review of the Water Department budget and then go into the Water Department CIP. So, Mr. Taylor, would you like to make opening remarks?

MR. TAYLOR: Thank you, Mr. Chair. At the February 27, 2013 Water Resources Committee meeting we put on a presentation showing our financial projections for the future, how we were continuing our maintenance and replacement program, how we were ramping up reliable

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capacity for General Plan growth, how it would take a number of years to catch up, and how all of that would be wrapped into this year's budget. We talked about the rate and fee increases that would be in this budget. So with that there shouldn't be any surprises in this budget. I believe that we clearly, at the February 27th Water Resources Committee meeting gave a good indication of what was going to be in here. The two Members that weren't at that meeting, I met with individually and walked them through it. So our budget this year is about \$82 million, \$53 million in Operations, \$29 million in CIP, has about a 5 percent rate increase, and it makes a major doubling of meter fees. These were all things we've already talked about. I think we've gone into depth, and I wanna thank Member Victorino for giving us so much time in Water Resources Committee over the past year as we walked through all of these issues. So I don't have anything new to say. I don't think there should be any surprises in this budget. And I think everybody who has been following what we've done in Water Resources Committee should see that this budget is clearly just implementation of the programs we've been working on and it's the next slice. Thank you, Mr. Chair.

CHAIR WHITE: Okay, would you like to walk us through your budget, please?

MR. TAYLOR: I suppose if we start with the major changes, if we start with Page 653.

CHAIR WHITE: How about starting with 649?

MR. TAYLOR: 649?

CHAIR WHITE: Yeah.

MR. TAYLOR: Okay, as far as the overview of the Department, you can see in the chart in the upper left with the Operations Budget is the major increase. Most of that is for electricity, some other incidentals, Electricity and Debt Service. As we go through the change amounts, you can see that there are some small increases in Salaries and Wages which are basically a few salary commission wage increases plus some corrections, some reallocations. The big increase is in the Operations mainly due to increased electricity. Electricity is driven by two items. One, drought and the amount we pump Upcountry, and second, the price of electricity. So there are two factors, both of which are a little unknown to us. We don't know how much we'll have to pump based on rainfall and we don't know what the price of electricity is going to be. So based on past performance, past indicators plus the fact that we're adding more money in anticipation of granting more Upcountry water meters to support more pumping Upcountry, that has a major increase to it. The rest are basically small changes that are...I guess we can talk about as we get to the small changes later. And as you can see, we're not asking for any new positions this year. So next on Page 653 on the upper left bar graph, bar chart, you can see the largest increase is with Operations, which is, again, that electricity I talked about. The other operational increases on Page 655. Mr. Chair, would you like me to walk through all of these individually?

CHAIR WHITE: Well, some of the new Members may be looking at some of your increases from 2012. This is on 653, 2012 to 2014, there's significant increases, but this is due to the consolidation

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of...I think you had somewhere in the neighborhood of six or seven programs and you consolidated them into two, I believe. I can't remember what...

MR. TAYLOR: That consolidation actually happened in the FY '12 Budget.

CHAIR WHITE: Right.

MR. TAYLOR: So by FY '13 we were completely consolidated into, from seven past programs down to the two current programs.

CHAIR WHITE: Right. But the 2012 number is significantly lower than the 2014. So for the new Members, that's the reason for it.

MR. TAYLOR: Yes, that's correct. And so the Council approved that back during the 2012 Budget to give more flexibility so that when they were shortages in one area and more money in another area, we didn't have to come back to Council basically for, you know, just to move money from overtime or something in one area for shortages in a different area. So the, that change of seven programs, each with its own budget, to just collapsing them to two programs has really allowed our flexibility and allowed us to not have to spend as much time with individual bookkeeping and focusing more on management priorities.

CHAIR WHITE: Okay, why don't you go through Pages 655 and 56 and then we'll open it up for questions from the Members.

MR. TAYLOR: Okay. Thank you, Mr. Chair. On 655, Wages and Salaries, you see the first row, \$29,000 increase. This is because the Salary Commission increased salaries of the Director and Deputy. Under regular wages the \$10,884, there's a number of people who were reallocated to higher positions plus some corrections so that's what that 10,000 is for. The next three items under Operational Services, a minus 100,000, a minus 100,000, a plus 200,000, those are in the Watershed Grants Program. The total dollar value isn't changing. We just took out \$100,000 from two specific items, added those to a Countywide Fund to give more flexibility. So the total value isn't changing. We have a updated Grants Program to evaluate the non-profits so that we can choose which one is meeting the needs most effectively, avoid overlap, those kinds of things. So moving some money into the Countywide allows us that flexibility to manage the Grant Program a little better. Electricity, my understanding is we pay...I think the Water Department has historically, back to the old board days, we owned...the Water Department owned the fifth floor of this building. And so we paid our share of the electric bill. So because that's been carried on the books from an accounting method, we still pay our electricity for the fifth floor. So this is our share, this is our electricity. This negative 15,000 was electricity for One Main Plaza but that's been included in the CAM. And then under Equipment, there are some...

UNIDENTIFIED SPEAKER: ...*(Inaudible)*...

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MR. TAYLOR: Right, right. Yeah, this was actually explained by Accounting staff yesterday. So these were specific items that were one-time purchases in last year's Budget so they were all removed. There are on the next page, there's similar additions to this year. So that's all the decreases, were for one-time things in last year's budget. The next item, \$150,000 for additional water meters. We buy all the water meters and then we, as people come in to get them, we collect fees for them. Five-eighths inch water meter plus its transponder is a little less than \$200. As meters get more expensive...as meters gets larger, they get more expensive. So this is to replenish our inventory of meters based on anticipated need of moving more meters. Office Supplies, Postage, Postage \$25,000, I think as everyone knows we've gone from bi-monthly billing to monthly billing so we have twice as much postage. On the next page, 656, you see \$61,000 for additional funding due to increases in office lease and CAM at One Main Plaza where our Planning Water Resources group is. \$2,000 for some miscellaneous computer software. Workers Compensation, based on the last three years, we had to budget \$200,000 more. This is just based on historically what we've had to pay. The Conservation Program, additional \$20,000. As we've been making these changes to rates and fees trying to encourage conservation, we need to ramp up our educational and support activities so as people are looking for ways to conserve we can help them, because that is part of the interrelationship between the rates and fees and this conservation push through incentive/disincentive in rates and fees with our stepping up and being there to help people and teach people how to do so. Under Equipment, we see mostly computer replacements, some software and a couple of vehicles. So I think those are pretty self-explanatory. Mr. Chair, you'd like me to continue with Goals and Objectives or --

CHAIR WHITE: No.

MR. TAYLOR: -- are we going to do...

CHAIR WHITE: No, you can stop there. Members, questions for the Director? Mr. Couch.

COUNCILMEMBER COUCH: Thank you, Mr. Chair. And I know, Mr. Taylor, it's just a small...I mean, a relatively small amount, but still 25,000 for postage because we went to a monthly billing cycle. That stuff adds up. Has...the City and County does our billing, right?

MR. TAYLOR: That's correct.

COUNCILMEMBER COUCH: Okay, have they looked into or have you asked them to look into electronic billing? And I know...I don't think I get one bill anymore at my house except for the water bill via mail.

MR. TAYLOR: Yes, as a matter of fact, the new billing system only went online recently. And as the bugs are coming out, some of the next rollout phases are electronic billing, credit card billing, and there's work being done to roll those out in the not too distant future.

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COUNCILMEMBER COUCH: Okay, so then we should see a decrease in a lot of those little charges having to deal with monthly billing?

MR. TAYLOR: I think everyone would like to go to full electronic billing. I think if you ever visit the fifth floor, you'll see that there are a lot of people --

COUNCILMEMBER COUCH: Yeah.

MR. TAYLOR: --who like to get their bill and come to the fifth floor and pay in cash.

COUNCILMEMBER COUCH: Yeah.

MR. TAYLOR: And that's seems to more be a historical choice than anything. I don't know whether or not the public of Maui County, a large enough number of them, really want to change that.

COUNCILMEMBER COUCH: And with the going to one month, what's that done to your staff loading? 'Cause obviously people are coming now once a month. I know it loads the elevators quite a bit but...

MR. TAYLOR: It's a struggle and our staff in Customer Service has been struggling. We over the last few years, there's almost never been a line there. And now more than a few times a day, there's five or six people lined up there. People are calling. We used to be able to answer the phone almost all of the time and now a lot of those are going to messages that we have to try to call back later. We're getting a lot more calls and a lot more people paying and it has been a challenge for staff.

COUNCILMEMBER COUCH: And this was no choice of our own, right?

MR. TAYLOR: Because...I think a number of years ago, the County Water...Wastewater looked at whether or not we should try to do our own billing system or whether or not it was best for us to continue to piggyback on what City and County of Honolulu was doing. And the decision was made that we were just too small to do it ourselves and we had to continue to piggyback. So even in hindsight when we ask the question to staff, did we make the right decision, we still made the right decision. Even if it turns out we have to add more staff and have more postage, et cetera, the difficulty that we would've had trying to build our own billing system and manage our own billing system would've been much, much more than continuing to utilize City and County to do this for us.

COUNCILMEMBER COUCH: Okay. Thank you, Chair.

COUNCILMEMBER VICTORINO: Chair?

CHAIR WHITE: Mr. Victorino.

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COUNCILMEMBER VICTORINO: Thank you. Mr. Taylor, I'm curious...a couple of areas that I was very curious about. Number one, on Page 656, yeah, additional funding based on three years average for your Workers Comp. Is this for the Self-Insurance Fund or that premiums for Workers Comp. insurance?

MR. TAYLOR: I think the Budget Director is going to answer that question.

COUNCILMEMBER VICTORINO: That's fine.

MR. BAZ: Thank you, Mr. Chair and Member Victorino. The Workers Compensation payments, those are payments for individuals on Workman's Compensation. It's not for premiums. And so we don't know necessarily an accurate amount every year what we're gonna be budgeting for. We look at historical averages just like an insurance company would and say, okay, well, this is what your rating's gonna be. So if in one year there may have been an accident that causes a significant amount of payout or a number of accidents then that would show up. For the other General Fund items, it's in Countywide Costs. You'll see there was a reduction in Workman's Comp. actually for the...based on that three-year average.

COUNCILMEMBER VICTORINO: So you're saying that that's like a deductible, if I may use that term? Because...

MR. BAZ: No, this is actual payments. It's not...there's no insurance, from my understanding, for Workman's Comp.

COUNCILMEMBER VICTORINO: Oh, okay. So you're saying Workers Comp. is self-insured?

MR. BAZ: Yes.

COUNCILMEMBER VICTORINO: Okay, 'cause, you know, there's a definite correlation because when you're saying you're paying...if it's self-insured, that's one thing. Most companies by law have to have Workers Comp. Government, again, is exempt. You know, just one of those quirky things. We create the laws and then we exempt ourselves. Hey, okay, but, you know, it makes it for a real challenge because each year you're guessing what's going to happen. When you have insurance you also have a much better control because you know what happens almost instantaneously because your insurance carrier is right there. So, okay, so, okay, I got that. So it's really what you're telling me we're self-insured and *not* based upon insurance premiums.

MR. BAZ: That's correct.

COUNCILMEMBER VICTORINO: Okay, 'cause I was gonna challenge that one real quick 'cause premiums have dropped drastically in the Workers Comp. area, you know, unless you've had a lot of claims and that's another story. I won't go there. The other part I wanted to ask, Mr. Taylor, on the Equipment I see that you're looking to purchase new vehicle for Engineering staff and a new vehicle, well, your...it says replacement of vehicle, approved. I understand

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approved but motor vehicle. One is new vehicle for Engineering staff, I got that. Replacement vehicle for above by County, what is this second one replacement for?

MR. TAYLOR: The replacement, I believe, this is one of the Inspector's vehicles.

COUNCILMEMBER VICTORINO: Inspector's vehicle, okay, 'cause it didn't say. It just says replace.

MR. TAYLOR: Yeah, I apologize for that.

COUNCILMEMBER VICTORINO: Yeah, okay, no, no. I mean clarification is very important. And I understand with the scrutiny...and by the way, Mr. Chair, by the way, I had the good fortune of seeing what a checklist is for the Department of Water Supply. I happen to ride in one of their vehicles and I was shown what that checklist is. So I got an understanding now on what each person has to do every day at the beginning, at the end of the shift with the rubber gloves and the aprons and the other things that they're provided to take out there. So got a picture of that one so now I got a more of a real challenge with that. But that's another story and I won't go there. Last question I have is on your replacement of safety program equipment, specifically what is that? You know, again, you just taking a generality...general, and that's small but in my mind, important.

MR. TAYLOR: It is important and it's small here. There's actually a lot more safety equipment that's bought that isn't shown here. In our organizational structure we have one Safety Officer who reports to me directly and works and is structured in the Admin. program. Most of the safety equipment is bought in the Operations programs by those divisions directly. The Safety Officer is sort of a train the trainer and also sets up programs for the other people. But as such, she buys some things herself that she needs. So this is a pretty small amount of things that she needs to support the whole Department whether in its training manuals or little pieces and parts, things like that. But most of the major safety equipment is actually part of the Operations budgets. But this is a small budget for things that as she's trying to develop programs she needs for safety programs that support the rest of the Department.

COUNCILMEMBER VICTORINO: Okay, thank you for that clarification. I appreciate it. Thank you, Mr. Chair.

CHAIR WHITE: Ms. Baisa.

COUNCILMEMBER BAISA: Yes, just following up on a couple of things that caught my attention. One was on continuing this discussion on the Work. Comp. You mentioned that we needed more money because we're spending more money. What is the trend here? Are we seeing more industrial accidents? Are they longer? More costly?

MR. TAYLOR: I do not know. And I don't know that we're ready with that information today. I can tell you that for every accident we get there's certain legal procedures. All that paperwork comes across my desk to sign. I have sort of anecdotal knowledge of it but I don't have any

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trend graphs and I don't have any data analysis to share with you about whether they're longer or there's more smaller things. I'm not really prepared to answer that.

COUNCILMEMBER BAISA: It's really interesting to me because, you know, Work. Comp. is a black hole as we know. And it can cost us a lot of money and it can probably be plugged if we work really hard at safety measures.

MR. BAZ: Mr. Chair?

COUNCILMEMBER BAISA: Yes?

MR. BAZ: I'm sorry, Madam Baisa. I just wanted to mention that the Department of Corporation Counsel houses the Risk Management Division. They keep comprehensive data on Workmen's Comp. Countywide. And when they come up for discussion that might be a good question to ask them if you can get a report analysis of those type of activities that determine, you know, what type of accidents there are and the payouts and different things like that.

COUNCILMEMBER BAISA: Thank you, Mr. Baz. Mr. Chair, I respectfully request that maybe we ask them to come prepared with that because I think it's really relevant. You know, having managed a very large staff I know what Work Comp. does. And I think that, you know, we can have all the safety equipment in the world but we need to have a safety program so that it's monitored and, you know, a culture of safety, and it will make a difference. I know 'cause I've experienced it.

MR. BAZ: Yeah, Mr. Chair, we are notifying them to be prepared to that. I know the Risk Manager has some detailed reports and information that she can provide so we'll make sure that they're prepared to discuss those items.

COUNCILMEMBER BAISA: Thank you. The other question, I had one more, was we're asking for more money for electricity. And I certainly understand that, you know, we have to pump and electrical rates obviously are not getting any less. But I'm wondering about measures that we're taking to reduce that. And I know that the County's been really proactive in trying to find alternative energy. Maybe the Director can share with us his long-term plans.

MR. TAYLOR: Thank you, Member Baisa. We have worked with the County Energy Commissioner to install alternative energy, mostly photovoltaic, at a number of our sites. So we worked under his proposal which looked at a lot of sites from a lot of different departments. We identified which of our sites had enough space and had enough need. And so we have photovoltaic panels at, I don't remember how many, but a bunch of our sites. We're also looking and probably going to put in two small wind turbines at another one of our sites. We're basically putting these in anywhere they can work. So any kind of vertical surfaces where there's enough room for photovoltaic panels that aren't in the way of maintenance, we're putting them in. The two wind turbines at one of our plants, wind turbines have a unique challenge because the blades...our sites are so small the blades hang over, for most of the part, they hang over the property lines

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which is the limiting factor. So we've got a couple of small ones that are still cost effective. These aren't going to be enormous changes in our bills but they're something. And by entering into a 20-year power purchase agreement costs they will help predict and should lower our electric bills a little bit. We are, however, the largest user of electricity on the island. And we use so much power and most people don't understand that a small pump that's the size of this table, you know, that can use as much power as a thousand homes. So we use a lot of...it takes a lot of energy to pump water uphill, and we're probably going to be the last ones off the Maui Electric grid because of that. There just isn't going to be enough alternative energy for us to get off of the Maui Electric grid for a long time to come. There just aren't enough opportunities and there isn't enough space or money or opportunity to generate that much alternative energy. So we're doing the best we can. We also have programs that we'll see later under CIP replacing motors and pumps with higher efficiency equipment every time they come up. We're always fighting this energy battle. We're doing it in multiple methods but we are probably always going to be the biggest user of electricity on the island and we'll probably be the biggest customer of Maui Electric for a long time to come.

COUNCILMEMBER BAISA: Thank you very much for the response. I think it's something that we need to highlight because, you know, as we discuss rates and the cost of water, I think people need to realize that this pumping is an issue that we're stuck with, it sounds like it. Thank you.

CHAIR WHITE: Members, questions? Mr. Hokama.

VICE-CHAIR HOKAMA: Your Safety Specialist in your Administrative program, Director, can you give us some comments since Risk Management is now with Corp. Counsel? Is this person still reporting to you or do they take some direction from Risk Management's...

MR. TAYLOR: This person is on our staff. This person still reports actually to me directly and directly supports our Operations people. The Safety Specialists have a loose working group with the Safety Specialist in Risk Management. So as far as when Risk Management develops Countywide safety programs, rather than coming through the directors, that will come through our Safety Specialist for direct implementation or I'll be informed. So there's a loose affiliation of the Safety Specialists in our Department, there's one in Environmental Management, there's one in Parks, Public Works. So there's a few of them scattered around. They all work together but ours is a specialist in our facilities so basically she bridges the gap between our special needs and knowing our systems and our people and our needs versus some of these Countywide policies. But our...I believe having worked both in Environmental Management and Water, I think it's best to keep those people in our Department where they have special knowledge of our operational systems so they can better coordinate with our people.

VICE-CHAIR HOKAMA: Okay. So your Department has its own standard operating procedures regarding Workmen's Comp. and safety compared to other Departments?

MR. TAYLOR: Some things like Worker's Comp. are governed by State law, other things by County policy. Our standard operating procedures are almost all Water specific. So anything that's sort

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of a County procedure, we use the County procedures. And so if Risk Management develops a County procedure, we follow that procedure. Our Safety Specialist brings those procedures to us, makes sure that we are doing those correctly but is really an expert in working with our operational people to develop specific safety programs that only apply to us. So it's sort of a bridge between the County safety program and our specific needs.

VICE-CHAIR HOKAMA: Okay. Well, I guess what we're finding out is true, Chair, every Department operates differently. And it's kind of interesting we don't have a master or general standard operating procedures that DPS has provided all departments and has the Department of Management insuring compliance on some Countywide, what do we call, smart policies. It's kind of interesting for me that every department kinda independent of standard operating practices. Well, anyway, we'll get to that during deliberating and decision-making, Chair. So, Director, since the State anteed up a whole bunch of money that the Governor was highlighting regarding watershed protection Statewide, could you tell us what Maui got out of that State appropriation and why wouldn't you adjust your request to us according?

MR. TAYLOR: I am aware that the State Department of Land and Natural Resources, Commission on Water Resource Management had come up with a couple of proposals to try to get more money for funding watershed protection Statewide. But I'm not aware that any of those have passed yet or there actually is any money. So...

VICE-CHAIR HOKAMA: Didn't the Governor make an announcement couple of months ago?

MR. TAYLOR: I believe that announcement was an intention but not anything that's passed the Leg. yet. Our Water Resources Division head is also shaking her head saying she's not aware of any either. So we're not aware that they, from a State level, are taking over or adding to funding of this at this point. So as far as we know...

VICE-CHAIR HOKAMA: The 46 million the Governor talked was just that, talk?

MR. TAYLOR: All I know is we haven't been informed that anything's passed yet and that there is money. I know there was a proposal last year to have sort of a tax on plastic bags to go into a fund that would fund watersheds and that didn't pass the Leg. I haven't...I don't recall hearing about anything that's passed. There's been a number of ideas floated by DLNR to try to generate funding at the State level but I'm not aware that any of it has passed yet.

VICE-CHAIR HOKAMA: Okay. Thank you for that, your comments, Director. The last one that I was kinda curious about is...so most of the things in your...what you just shared with us this morning, is mostly coming from Water Department monies, right?

MR. TAYLOR: Everything in our budget, Administration, Operations and CIP is 100 percent funded from water rates and fees.

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VICE-CHAIR HOKAMA: Yeah, and I think that's important because I think there's some people who think there's mixing of regular General Funds and Water Funds. And so thank you for that very concise reply, Director, because I think that's important, people understand how your program is funded is very different from others. So I appreciate that. I'm good for now, Chairman. Thank you very much for my chance. Thank you, Director.

CHAIR WHITE: Thank you. Along those lines, you all pay for your own Workers Comp. because you're an enterprise fund. Do you also pay the fringe benefits?

MR. TAYLOR: Mr. Chair, when we get to Page 660 under...in the next section under Water Department Wide Expenses, the expenses for those kind of things are in there and I can explain that when we get to that section.

CHAIR WHITE: Okay, that's great. Members, any other questions? Ms. Cochran.

COUNCILMEMBER COCHRAN: Thank you, Chair. And aloha, nice to see you, Director Taylor. In regards to the comments from Mr. Hokama about 46 mil that was tossed around or discussed on the State level, has your Department, and maybe it's Ms. Pogue, that's been sorta watch dogging anything of that sort on the level or going up to lobby and sort of putting in some good words that, hey, we could really use this kind of stuff? Or is your Department in that practice of doing that with the Leg.?

MR. TAYLOR: Yes, as a matter of fact, what's...there's a very strong relationship between the four county water departments, the State Department of Health Safe Drinking Water Branch and the State Water Commission. So whenever something happens everyone's informed. We coordinate our testimony and our lobbying efforts with the other water departments. And especially because City and County of Honolulu is there, they keep us informed. We've written testimony. So I think we're pretty plugged in to what's going on which is why I think if something happened we would know about it. We have regular discussions with the other departments and also with the Water Commission and the Department of Health. So it's a pretty small group of people and there's a lot of discussion between them all. So I think if that happened I think we would know.

COUNCILMEMBER COCHRAN: Okay, very good. That's comforting to know that you folks are in collaboration to assist one another 'cause the watersheds, as we all know, is extremely important. And I'm looking at the E/P in regards...I mean, you touched on conservation measures and when we conserve then it's less, you know, use and yet you still have overhead costs. I mean, it's all good, we wanna conserve, and you have two Conservation Specialists. I was just kind of cross referencing with the one Safety Inspector or safety person and it seems that safety is such a bigger ticket item to where, you know, avoid litigation matters or what have you or Workmen's Comp. situations whereas conservation measures, we're doing it but it doesn't seem that intense to where you need two bodies to address it.

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MR. TAYLOR: Let me address that through the safety positions and this is a practiced speech that I've given many, many times. Safety is everybody's responsibility. If somebody mows the lawn, then safety of working that machine is their responsibility. If there's a supervisor of two guys that mow the lawn, that supervisor has additional responsibilities for safety of his people and the public, and on and on up to the division heads and up to me. Safety is something that everybody has some responsibility for. It's primarily focused with working supervisors at the blue collar level who are actively managing their people in the field. The Safety Officer is not the only one who's responsible for safety. Safety is actually the direct responsibility of direct supervisors. So the Safety Officer's job is to coordinate the program, do training, see that things are being done. So safety is actually something that everybody is supposed to have a piece of. So you really have 200 people working on safety. So I think that's vital that everybody really remember, including everyone in this room whether it's lifting a box, et cetera, et cetera. You know, we're all responsible for safety of ourselves, our employees and the public. So I would say that safety is something that almost everybody has some role in. So there's not one person, there's 200 people working on safety. As far as water conservation, that's always something where you can have 2, you can have 200, you know. You can have none and try to do it all through rates and fees, and I think that's a discussion we've had in Water Resources Committee. We're trying to push conservation through rates and fees, fixed cost, variable cost, we've talked about all that before. Having enough people that can do sort of wholesale education on it rather than trying to get so many people in conservation that we're knocking on every door. So that's a balance where there are really just a couple of people working on it but they're trying to be force multipliers through education rather than doing it individually.

COUNCILMEMBER COCHRAN: Okay, thank you. And that's, a follow up on the conservation positions. And that's their primary job, is, I don't know, put up desks at different events or do educational or get on the radio and...

MR. TAYLOR: They do those things. They also do direct audits of various places. They talk to people on the phone, et cetera, et cetera. But yes, there are...they even they do leak detection. They try to find our leaks, try to conserve water that way. So there's a wide range, really anything that can help save water or improve efficiency falls under their general job description.

COUNCILMEMBER COCHRAN: Okay, thank you, Director. Thank you, Chair.

CHAIR WHITE: You're welcome. We're gonna take our lunch break. But one point on the expenditure for the watersheds. Director, my recollection is that Maui County spends more currently than the State of Hawaii spends on watersheds. Is that correct?

MR. TAYLOR: Our understanding is that is correct and our understanding is that this County spends more than any of the other counties or probably all the counties combined. That may change because Director Craddick who started this program when he was in my position now has this position on Kauai, and he's ramping that up there for exactly the same reasons. One thing, especially when you have engineers running these departments, we tend to look at the machines and preventative maintenance of the machines but the watersheds themselves are the machine

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that grabs the water out of the atmosphere and gets it into our aquifer. We have to do preventative maintenance of those to make sure they continue to grab that water. So in the same way that, you know, we take care of the machines we have to take care of the aquifers. So it's not...although, you know, some people look at it as sort of a touchy-feely way, if it's so pretty and all this. That's not why we're funding it. That may all be true. We're funding it because it's a machine that we need to grab the water out of the atmosphere and get it into our facilities. So that's why we fund it, and I think you're going to see more of the Water Department's funding because we all are recognizing that that first stage of the process, you know, can't be left aside.

MR. BAZ: Mr. Chair? As far as the update on the State legislation, Senate Bill No. 1166 is...was scheduled for Finance Committee yesterday but it got deferred, but Senate Bill passed Senate and it's in the House side. They're looking at approximately \$11 million for watershed protection, and this would be made from increasing the Conveyance Tax on property that's worth \$2 million or more and then putting more aside to the Natural Resources Preservation Fund and the Rental Housing Trust Fund. So just to give you an update on the legislation.

CHAIR WHITE: Thank you for that update. And with that we will recess for lunch. . . .(*gavel*) . . .

RECESS: 12:07 p.m.

RECONVENE: 1:37 p.m.

CHAIR WHITE: . . .(*gavel*) . . . Actually I guess that was too many whacks. But anyway, will this Budget and Finance Committee meeting come to order? We're continuing with the discussion about the Water Department's budget for Fiscal Year 2014. And during the break I pulled a report from the Finance Department that shows that for Fiscal Year 2012 the Water Department's Worker's Comp. cost was \$434,000 and year to date for 2013 as of December 31st, the amount is 112,000. So my guess is that the amount will exceed the \$200,000 number this year. But we'll hold off, unless anyone has any questions for Mr. Taylor, we'll hold off on that discussion until we have Risk Management come up here and can give us a little more of an idea of what might be the appropriate amount. My understanding from Mr. Taylor is that the Department has had discussion with Risk Management and they helped arrive at the \$200,000 amount. So with that, we back to questions. Are you moving your microphone to ask a question, Mr. Couch?

COUNCILMEMBER COUCH: Are we working on the Goals and Objectives at this point or are we down to the...

CHAIR WHITE: No, if there are any...I was wondering if there are any further questions on the first part of the Budget before we go into Goals and Objectives.

COUNCILMEMBER COUCH: Other than I'm assuming you're gonna get into vehicles at the end of this whole thing? Or you wanna do it right now?

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CHAIR WHITE: You can do it now, you can do it later. I don't know how many more vehicles are you requesting later in the Budget?

MR. TAYLOR: Mr. Chair, there are...we have 11 replacement vehicles total being requested for replacement or new in this Budget application.

CHAIR WHITE: Okay, so we can take it up later.

COUNCILMEMBER COUCH: Okay, thanks.

CHAIR WHITE: Any other questions before we...Mr. Victorino.

COUNCILMEMBER VICTORINO: I don't know if this is the appropriate place or you wanna do it somewhere else for the Department but the question about vehicles and I guess begs to be asked, the take-home vehicles and how far along they are with this policy. I know they're one of the departments that hasn't completed. So I think since I know they do checks on their vehicles, I saw the work list, I mean the checklist, I'd like to ask that question of the Department and Mr. Taylor.

CHAIR WHITE: About how far along they are on implementation?

COUNCILMEMBER VICTORINO: And not only how far or how many vehicles they take home? Does the Director have a vehicle to take home? I guess these are all the questions that I'd like to ask since they're the first Department we can ask that question to.

CHAIR WHITE: Okay, Mr. Taylor?

MR. TAYLOR: I think in general you're asking about the Department's compliance with the County vehicle policy. I mean, is that, in the general, is that what...you're asking for a particular part of it?

COUNCILMEMBER VICTORINO: Yeah, in general that's what I'm asking you, Mr. Taylor. But also, you know, at this point in time, how many vehicles do go home with different people and the rationale for that? I mean, I know, again, you have to comply and again, that's between you and the Managing Director and Mayor's Office getting that completed. But just asking, you know, at this point.

MR. TAYLOR: So as far as those specific parts go, we have a total of 147 vehicles, not counting special things like dump trucks and water-hauling vehicles, 147 cars and trucks. We have 60 of those vehicles are taken home and...six, zero, 60.

COUNCILMEMBER VICTORINO: Six, zero, okay.

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MR. TAYLOR: And 22 of those are for people on standby. So there's always, every end of shift, there are 22 people on standby before the start of the next shift. So 22 of those 60 are people on standby and the others are not people on standby but who do take vehicles home.

COUNCILMEMBER VICTORINO: And, of course, you have rationale why they taking the vehicles home?

MR. TAYLOR: Yes.

COUNCILMEMBER VICTORINO: Okay, and I won't get into that, Mr. Chair. I think that'll be something that I guess when the policy's completed then, you know, maybe compliance will change this number. These 22 standby, these are what, mechanics, operators, engineers? What are they and what are the purposes? Just so that the public understands there's a reason why these vehicles are needed by these people, by these personnel.

MR. TAYLOR: So standby is a category specifically in the union contract. And standby means that you are available. You're paid some amount as per union contract to be available. You have to answer the phone, you can't be drinking alcohol or being on, you know, night time cough medicine. You have to answer the phone and be ready to come in and you're paid for that, and if you do come in, you start getting paid overtime. So of these 22, 9 are in our Field Operations group so those 9 in Field Operations are pipefitters or pipefitter supervisor or equipment operators. These are the people that basically fix pipe. Three are in our Plant Operations Division which are...that's a group of basically mechanics, electricians, electronic technicians. That's that group. And then ten in our Water Treatment Plant group. Those are the people that run the treatment plants. So the Water Treatment Plant group is primarily there's so many because of chlorine response. There's certain OSHA requirements about how to respond to chlorine leaks where you need a minimum number of people all who have self-contained breathing apparatus, et cetera, et cetera. So the standby folks are defined as the people we need to deal with the normal afterhours events. So let me stress that there are 168 hours in a week. We're only staffed about a quarter of that time. So three quarters of the time, and we operate 24/7, three quarters of the time no one's at work. So the standby and these people who are available for afterhours response are a critical part of our ability to operate. And, you know, further on if you wanna ask more about the other take-home vehicles, you know, I can expand on why they are taking vehicles home and where they fit into that same...basically that same explanation.

COUNCILMEMBER VICTORINO: Well if the Chair would allow, I mean, to me I think the public's been asking the question and it begs to have some answers. So if you allow it, Mr. Chair, I'd like that question answered.

CHAIR WHITE: No, it's certainly a budgetary question so I have no problem . . .(inaudible) . . .

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

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MR. TAYLOR: Okay, so as I noted earlier there's about 60 vehicles that are taken home, 22 on standby. For most things that happen, a pipeline breaks, an alarm goes off, the people on standby can handle that. There are a number of rare but major events that happen where those people on standby can't handle it. There are major line breaks where those few people cannot handle it. Maybe the biggest thing is tsunami warnings, and I'm gonna focus on the tsunami warning. When we have tsunami warnings we need a lot of people, a lot more than those 22 people. Our tsunami emergency response is people go right from their homes because they have their trucks, they have their tools, they go to the various field sites and start shutting down the low lying areas in case that tsunami erodes the ground, breaks the pipes, that would allow all the tanks to drain. You can imagine if we have a major tsunami, there may not be power for days. We need to save the water in the tanks so we isolate the lower systems. So people respond right from their homes to those sites and start doing their job. Other people go to the baseyard. The main baseyard where all the heavy equipment is stored, where all the backup equipment is stored, where all the lab equipment is, is down by the airport next to the DAGS baseyard near the, right next to the new hotel in the tsunami flood zone. We evacuate all the equipment and all the vehicles from that and take it to high ground. You can imagine we don't have a whole lot of time to do this. The last time this happened it was right before our Water Resources Committee meeting, a couple of days before, and I remember that Committee congratulated us on the great response we had. The reason we had a great response is we were able to respond from home. So just imagine if people didn't have vehicles at home, they'd have to take their personal vehicles down to the baseyard into the tsunami zone if they're going to at all. At that point, then they'd have to dispatch to the sites. So you're going to lose half a cycle to a cycle upfront and then at the tail end, you're gonna have to take all these people back in one last time to get their personal vehicles out. So you've got one extra trip upfront, one extra trip on the tail end. In a short duration time period, we're barely making it already. So if all of a sudden we lose that ability to respond, our response is gonna be cut down by, you know, these two cycles, one at the beginning, one at the end. It seems that this discussion, and I've watched some of last week's discussion when the Deputy Managing Director and the Environmental Management Director were here, there seemed to be this discussion thinking that this is just perks or wasted money or something, people taking cars home. I think there's a piece of this that we're missing and that we're getting something out of this. We're getting...we're paying wear and tear on vehicles plus gas and what we're getting is a small army of people who can respond to these infrequent but high intensity events in a very short time period. So that's what we're getting for that expenditure. And the question is, is it worth it? Of course, we'd save money if we didn't do it. The question is, is that where we wanna save money? So what we've done as far as the vehicle usage policy, we've submitted all our paperwork to allow these people to keep taking vehicles home. Because this is so complex, we are still in discussion with the Department of Management about, you know, should we be allowed, should we not. It's not that we've blown this off and not followed it. It's that this is so complex and so difficult that no decision's been made. So I think the public needs to hear that this is not a perk. If we're going to have emergency response for these low frequency but high intensity events, sometimes you have to pay for that. And like any insurance you have, your home insurance, your car insurance, medical insurance, for very infrequent things that can be very critical, making a decision about how much it's worth having insurance against that is a hard decision. So this isn't easy and it's not simple

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but there is real value for this. And my feeling is I think it's worth it. I think the amount we're spending on wear and tear on vehicles plus gas is worth it. I've seen it more times than I can count in my career when we've needed this large response much more than our standby group and we've needed these people to respond right from their homes, you know, to handle that very short duration response. And, frankly, I would be worried if we lost that opportunity by trying to save a little bit of money. So whatever is decided, I think we all have to keep in mind that we're getting value out of it. The real question is, is it worth it? And I will leave that up, you know, to discussion, but I think it is worth it.

COUNCILMEMBER VICTORINO: Mr. Taylor, thank you. And I think, Mr. Chair, it is good that, you know, these directors come prepared to answer the question, you know. Now again, I guess the decision will be made between you and the Office of Management and all that, and we'll, we await that. But you're saying that these 38 vehicles additional that you're talking, right, 'cause 60 taken home, 22 standby so I count 38 more. So all of that 38, basically in your mind, are essential to protect the welfare of our system should, not only tsunamis, but any other major event occur, a landslide, a major water break, a tank...whatever it might be, collapse of one of the shafts, whatever it might be. This is very important for them to get out there to preserve and protect the system at large.

MR. TAYLOR: Most of them fit into that category. There's a few that fit into the category of things like the inspectors, so rather than coming to work and then being dispatched to go to a field site, they go right from home to the field site. So you got a full day out of them. So there are some that are efficiency but most fit into the category you just talked about, about the reason we support it is we want these people to be able to be dispatched from home with their tools, with their County vehicles directly to sites in short response time, critical needs.

COUNCILMEMBER VICTORINO: Okay, thank you, Mr. Chair. I'll let other Members ask questions, but I think...I thank Mr. Taylor for at least that comprehensive understanding of what this all means to the public itself, yeah. Thank you.

CHAIR WHITE: Members, other questions on the vehicle policy? I've got a couple. Mr. Taylor, how many...do you have information on how many callouts there are?

MR. TAYLOR: I don't have that with me. But I can tell you that there's...there are a lot of callouts. I mean, there's callouts, I don't know if there's one every day, but there is...I'm sure there's callouts every week.

CHAIR WHITE: But out of the 60 vehicles, how many callouts would each vehicle be responsible for?

MR. TAYLOR: Okay, so...

CHAIR WHITE: Obviously your standby people would have more callouts than the others.

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MR. TAYLOR: The standby people are most of the callouts. That's why they're on standby. The rest of them, this other 38, those are people that are...the 22 people on standby are supposed to be able to handle all the callouts. I know from my Division heads that sometimes, for examples, if there's a callout in Hana for an electronic technician and that electronic technician lives in Lahaina, they'll call the guy who lives in Haiku who's a lot closer. So technically the 22 people on standby are supposed to be able to respond to actual callouts unless there's this large critical emergency. The rest of the people are really available for these things that aren't really callouts, they're these special events.

CHAIR WHITE: My understanding is that the vehicle policy has a threshold of one callout per two week period on average for it to qualify for being a take-home vehicle. How many of the 60 vehicles do you feel would qualify under that criteria?

MR. TAYLOR: I believe that the policy uses that as a guideline and that the ultimate decision about whether or not there's special circumstances rests with the Managing Director. But under the criteria you named, probably none of them would qualify. And that's really the whole point for my explanation is, you know, it's kind of like I've been driving a car for 29 years and I've never been in an accident but I'm not cancelling my insurance tomorrow. So far I've never needed car insurance but I may need it tomorrow. So just because I've never needed it doesn't mean I don't need it tomorrow. I think that criteria when you're looking at these infrequent but sort of catastrophic events is not necessarily enough to justify sort of this backup insurance of how to deal with those events. And ultimately like I said I think if you look at the policy, it's up to the Managing Director to look at the special circumstances and make those judgment calls in cooperation with the departments.

CHAIR WHITE: How would you identify a difference in operations between yourselves and Wastewater?

MR. TAYLOR: The operations are similar but they're not exactly the same. For example, our baseyard, the Water Department baseyard is, the main baseyard is in the tsunami zone. The main baseyard in Wastewater is mauka of Piilani Highway in Kihei at elevation, I don't know, 300 or 400 feet, something like that. So all of Wastewater's backup equipment, all their rolling stock of backup pumps and their mechanic shops, all that stuff, is all at the Kihei plant. That's where they keep it all so it's out of the tsunami zone. They certainly have responses that are within the tsunami zone, pump stations and treatment plants and things but they don't have a whole baseyard of equipment they have to evacuate. So there are similar issues and the Director of Environmental Management and I have discussed these at length. We realize they're different and we realize that although we're making judgments differently, we both recognize that essentially it's a 50-50 call, you know, he's calling heads and I'm call tails, and we both recognize that the other one might be right. So I'm not saying he's wrong with what's he's doing and he's not saying I'm wrong. We recognize that we have very similar operations and we're making some different judgment calls in very similar situations that are not exactly the same. But ultimately, you know, management isn't always able to be calculated, you know, down to a number. So, but we've discussed it at length between our staff and theirs. We realize

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we're making some different judgment calls, and ultimately only in hindsight will we know who was right and who was wrong.

CHAIR WHITE: Yeah, I understand your comments about tsunamis but, you know, tsunamis we have a fair amount of forewarning for the most part. So it seems to me that we would be able to get down to the base yards and evacuate both Department vehicles and keep from leaving personal vehicles there. I guess I'm one that's not convinced just yet that the take-home vehicles are critical for those other than the folks that are on standby to fix pipes. But I'll leave that if others have questions. Ms. Crivello.

MR. TAYLOR: And let me just say the Managing Director isn't quite convinced either which is why we're still debating it. And I wanna emphasize, I mean I don't mean that to be a joke. It's that we submitted all of our forms. We submitted our justifications. It's not that we're ignoring this policy. It's not that the Managing Director just denied it outright. It's that we all realize this is a difficult situation and it's not easy to make a determination, and a determination hasn't been made. And I think that's my biggest point I wanna make, is that we've really finished the work in the justifications, there's a hard decision that hasn't yet been made. And that's really the reason why we're not finished with compliance is because there's still some decision making to be made and some more discussion. But it's not because we've ignored the direction.

CHAIR WHITE: Ms. Crivello.

COUNCILMEMBER CRIVELLO: Thank you, Chair. Director Taylor, the Environmental people came up with their costs savings when they put themselves in compliance with vehicles. Are you able to tell us how much it costs for these 60 vehicles to take home?

MR. TAYLOR: I don't have an exact number but assuming that there's 38 vehicles that are _____ on standby so call that 40, figure something like 1,500 bucks a year for gas, you know, depending on how far people are living. That's a rough estimate. So you're probably talking about 50 or \$60,000.

COUNCILMEMBER CRIVELLO: For all 38?

MR. TAYLOR: That's a rough guess without going into the details of where everyone lives and what their mileage is. But I think that's probably in the ballpark.

CHAIR WHITE: What was the number?

MR. TAYLOR: I'm just guessing, about 40 vehicles at \$1,500 in gas a year each would come out to \$60,000. So I'm assuming it's in that range.

COUNCILMEMBER VICTORINO: 600, not 60.

MR. TAYLOR: 40 times 1,500.

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COUNCILMEMBER COUCH:: Yeah, that would be 600.

COUNCILMEMBER VICTORINO: 600, not 60, 600.

COUNCILMEMBER COUCH:: 4 times 15 would be 60.

COUNCILMEMBER VICTORINO: 60. Okay, I apologize.

MR. TAYLOR: Yeah, so I think that's probably about right.

COUNCILMEMBER CRIVELLO: So have you set a timeframe for you to come into compliance?

MR. TAYLOR: No, it's \$60,000. I mean I was correct in my numbers.

COUNCILMEMBER CRIVELLO: Yeah, you are.

COUNCILMEMBER VICTORINO: Yeah, I apologize.

MR. TAYLOR: We are working with the Managing Director's Office and I don't have a timeframe. I think it's...to date, I haven't ordered any changes and we have to discuss it more when we have the time to prioritize that.

COUNCILMEMBER CRIVELLO: Thank you.

CHAIR WHITE: Mr. Hokama, followed by Mr. Couch.

VICE-CHAIR HOKAMA: Director, the tools that your journey people are usually your plumbers and what not, is it their own personal tools?

CHAIR WHITE: No, those are not. Those are County tools.

VICE-CHAIR HOKAMA: So those tools are also taken home?

CHAIR WHITE: That's correct.

VICE-CHAIR HOKAMA: Well, I still think like you, Chairman, you know, I can support departments with compliance and give them their vehicles, and those that don't comply, well, take a chance on the roll of the dice. I'm done, thanks.

CHAIR WHITE: Mr. Couch.

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COUNCILMEMBER COUCH: Thank you, Mr. Chair. Mr. Taylor, you mentioned that the difference between you and the Wastewater Division was, or Environmental Management I guess, was that their baseyard is out of the tsunami zone. Is that one of the differences?

MR. TAYLOR: That's certainly a difference.

COUNCILMEMBER COUCH: So the question is if, hypothetically, if you had your baseyard out of the tsunami zone, would that make a difference in your policy?

MR. TAYLOR: That would certainly take evacuating the baseyard out of the mix. There's still the issue of isolating the low-lying areas and how long that would take. So this is, again, tsunami isn't the only issue.

COUNCILMEMBER COUCH: Right.

MR. TAYLOR: But if we're just talking about tsunami response, you know, obviously if the baseyard was not in the inundation area evacuating the baseyard wouldn't be an issue.

COUNCILMEMBER COUCH: Thank you, Mr. Chair.

COUNCILMEMBER CRIVELLO: Mr. Chair?

CHAIR WHITE: Ms. Crivello.

COUNCILMEMBER CRIVELLO: Thank you. First of all, I can appreciate, you know, your precautions and, you know, water is the most valuable resource we have so your preparation for having our employees ready to respond is great. I just wanted to add, if I recall with the Environmental I think they had about 36 take-home vehicles and that was about \$3,700 a year and about 133,000 savings that we've got, so I just wanted to compare that with your 38 vehicles.

CHAIR WHITE: Other questions? Ms. Baisa.

COUNCILMEMBER BAISA: You know, I think that of course we're at this point where this is still up for discussion but I'm just interested in the numbers. You know, the cost that I'm hearing about a take-home vehicle, it's really interesting to me 'cause I know what my gas bill is and I spend a lot more than what I'm hearing a cost of a take-home vehicle is. So I kinda think maybe we need to look at that number a little better.

MR. BAZ: Mr. Chair?

CHAIR WHITE: Mr. Baz.

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MR. BAZ: Thank you. From the discussion with the Managing Director's staff, I think the estimate was \$3,700 per take-home vehicle.

COUNCILMEMBER BAISA: That sounds more realistic to me.

CHAIR WHITE: Yeah, that's about 222,000 for the 60 if I remember my calculation correctly.

MR. TAYLOR: And, Mr. Chair, that comes out to 140,600 for the 38 that aren't on standby. So if we're going to use that number, that's to put it apples and apples.

CHAIR WHITE: Well, what my next question was, you mentioned that three plant operating and three treatment, I don't know what those are, operators or not, but it seems to me that those individuals go to a place and they don't necessarily have to have their tools with them 'cause their work is at a site that's already outfitted with the various tools. So, again, the question is do we include those in the required standby or not? Or is this when you're on standby you get paid a certain rate, a higher rate, does that need to come with a vehicle if your callout is to a place of work? It's your normal place of work rather than going out and fixing a pipe out in the field. So, these are, you know, these are as you mentioned earlier, they're value judgments, and I guess when, you know, when push comes to shove we need to make a value judgment on how we deal with it. So, okay, Members, any other questions on the take-home vehicles? Okay, if not, we'll proceed with the Goals and Objectives. Mr. Taylor.

MR. TAYLOR: Mr. Chair, the Goals and Objectives on...I think we're on 656, is that correct?

CHAIR WHITE: Correct.

MR. TAYLOR: Are the same as last year's. _____ a few new Members. Number one, implement the Capital Improvement Program where we're shooting for the 100 percent of our projects on schedule. Under our Objective to minimize loss of treated water, shooting for 100 miles of pipe surveyed under the leak detection program. Under our third Goal, support watersheds, the number of agencies that we contract with grants for is eight. Again, ensuring facilities meet future needs which is another CIP construction project, it's on schedule, percentage at 100 percent. The third overall Goal, improve employee training and evaluation programs, we're shooting this year for 90 percent of getting our evaluations done in a timely manner. There's a new evaluation program which takes a little longer so as we transfer to that we're getting people up to speed. And identifying critical training needs and completion of department training programs by a certain date, you know, we're trying to meet that compliance.

CHAIR WHITE: Members, questions? Mr. Couch followed by Mr. Hokama.

COUNCILMEMBER COUCH: Thank you, Mr. Chair. Mr. Taylor, about your percent of CIP construction projects on schedule, the FY 2013 estimate is 100 percent which...and we're still not done with FY 2013 yet but we're done with the third quarter now, right? How are you doing on your FY 2013 estimates?

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MR. TAYLOR: So because the CIP fiscal year is actually 18 months, we're halfway through. And as of now, we seem to be on track for 100 percent. There are some things beyond our control, bid protests, lawsuits, these kinds of things. This Goal matches with our revised program to take these larger projects, split them up in pieces and ask for money for the pieces we're ready for. So rather than asking for money in one big sum, planning, design, permitting, land acquisition, construction, we're trying to look a little further ahead, break it up into pieces so that we know we can get the piece done that we're budgeting for. So this is a transition, it's gonna take a couple of more years to get the old projects out of the...finished that were not started under that program, and as we transition over the next few years, we think it's very achievable that close to 100 percent of our projects meet our project schedules. That's going to mean that we're gonna have to be realistic on project schedules. And if we say a project is gonna take eight years from inception to completion, that will be the project schedule, eight years. You know, in, you know, four different parts over four different Budget years, for example. So what we're trying to do is share clear expectations by breaking pieces up that we can handle in the timeframes and meet those rather than perhaps what's been done in the past is over commit and lapse money. So this is a shift in our CIP implementation program that I feel is well underway and I think we're making tracks to do it. And I think this 100 percent goal, even if we don't make it this year, I think over the next couple of years I think we're gonna be really close to it.

COUNCILMEMBER COUCH: Okay, thank you, Chair.

CHAIR WHITE: Mr. Hokama.

VICE-CHAIR HOKAMA: Thank you. Director, I was looking at your Goal No. 3, under 1, Goal 1, No. 3. Is there something you can share with us about...is the property owner that owns or has critical watershed acreage under their ownership responsible for any type of protection or enhancement by just being a property owner?

MR. TAYLOR: We're not aware that they are. So we have these large tracts of land that I think we all know when people are hurt on large tracts of land, there's a whole issue of safety that, you know, that's certainly not my expertise. But as far as keeping out Miconia, keeping the watershed functioning, we're not aware of any overlying law, rule or regulation that commits a landowner who happens to own the land in a watershed to keep it healthy from a water production standpoint.

VICE-CHAIR HOKAMA: Okay, okay. And I appreciate your comment 'cause there's a lot of discussion especially now, you know, the Chair has worked hard because of her district impact, but the County's facing this critical habitat impact from the Federal government. I'm sure some of it is watershed acreages. So is there any advantage or disadvantage to your Department regarding this designation on public lands that has this component as it relates to the watershed?

MR. TAYLOR: One of our staff members looked into that and recently at the last Water Board meeting, the Board of Water Supply asked for a discussion of that. And I'm not an expert but I

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witnessed Ms. Pogue who did the research and gave a presentation who just for my summary of it, it seemed that that program you're talking about really affects the Federal agencies with how they take action in their actions and not necessarily affecting how we act. So my impression is it's not gonna change our operation though it may change things if a Federal agency needs to give us a permit for something we're doing there, it may change their permit review requirements and how they process that or how they look at that. But it doesn't affect our operations...

VICE-CHAIR HOKAMA: So access, right-of-ways, easements, not an issue, right, Director?

MR. TAYLOR: My understanding is it's about how the Federal agencies review and approve for their permitting in those areas.

VICE-CHAIR HOKAMA: Okay. You feel it will impact you, though, in case some of those areas was being cited for potential water exploration?

MR. TAYLOR: It could if we need a Federal agency approval. If we need, for example, if Army Corps of Engineers, a Federal agency, if we need a special permit from them because a stream is considered, or wetland is considered under their authority and something about that changes how they review it, I suppose it could.

VICE-CHAIR HOKAMA: EPA would be part of that governmental grouping?

MR. TAYLOR: They would be. I don't know that it would really affect how EPA...as far as their involvement with us EPA sets the safe drinking water standards. Most of the permitting we're trying to get in these kinds of areas, probably under Division of Forestry and Wildlife or the Army Corps of Engineers. The groups that are really looking at how you're influencing the land, not as much what the water quality is, but --

VICE-CHAIR HOKAMA: No, I was just thinking . . . *(inaudible)* . . .

MR. TAYLOR: -- I suppose it could . . . *(inaudible)* . . .

VICE-CHAIR HOKAMA: I was just thinking about potential residual herbicides, pesticides kind of thing.

MR. TAYLOR: I suppose it could if we were asking for subject approval from any Federal agency and this might affect their approval process.

VICE-CHAIR HOKAMA: Okay, okay. I'm done on this part. Thank you, Chair. Thank you, Mr. Director.

CHAIR WHITE: Okay, any further questions?

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COUNCILMEMBER COCHRAN: Chair?

CHAIR WHITE: Ms. Cochran.

COUNCILMEMBER COCHRAN: Thank you. And to follow up on that same exact Goal and Item Number in regards to the watershed. You have eight agencies. I'm counting six agencies below. So I'm just curious, what are the eight? Are they the amongst the six that are listed below in regards to the Grants Program and then...I'm only counting...I'm lacking two so wondering where the other two agencies are. Who are they?

MR. TAYLOR: If you keep asking your question, I'm sure by the time you're finished I'll receive the text from staff which answers that, so if you...

COUNCILMEMBER COCHRAN: So I see six and there was eight.

MR. TAYLOR: I see her texting me frantically to give me the answer.

COUNCILMEMBER COCHRAN: And, okay then I'll just follow up while that's being researched.

CHAIR WHITE: Would you like Ms. Pogue to come up?

COUNCILMEMBER COCHRAN: Oh, sure, yeah, if that's who has the answer.

MR. TAYLOR: Oh, why don't Ms. Pogue come down and answer.

COUNCILMEMBER COCHRAN: Oh, wonderful, yes, please. Thank you.

CHAIR WHITE: Give Mr. Taylor a break.

COUNCILMEMBER COCHRAN: Thank you, Ms. Pogue, for coming down.

MS. POGUE: Absolutely.

COUNCILMEMBER COCHRAN: Yes, so I've seen eight, I guess that we support. Eight agencies that we support and just curious if the six listed below are part of that eight and where are the other two?

MS. POGUE: Let me run through. My understanding is that actual discussion of grants will be April 23rd and 24th? Okay, good. We are preparing just so you know. Remember the report we gave you last year? I call it affectionately the bean counting report. We're doing that again this year so it'll be an update.

COUNCILMEMBER COCHRAN: Okay.

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MS. POGUE: So I'm using a draft draft to run through. And so what we have is East Molokai Watershed Partnership, the MISC, which is the Maui Invasive Species, the work they do. Leeward Haleakala, is that three? West Maui Mountains Watershed Partnership. We have the Nature Conservancy which is doing the work up in East Maui and Waikamoi Preserve. We have Maui Nui Botanical Gardens. We also have the East Maui Watershed Partnership, and we have, it's called HARK and it's essentially the work that we spoke to you guys about last year with koa, the koa work that Nick Dudley's doing. And, how many is that? What has that got me up to?

COUNCILMEMBER COCHRAN: That was eight.

MS. POGUE: That was eight.

COUNCILMEMBER COCHRAN: I believe that's eight. But there's...so Miconia Containment and Removal, is that part of MISC?

CHAIR WHITE: That's MISC, right.

COUNCILMEMBER COCHRAN: Sorry?

MS. POGUE: Okay, that's confusing. There's two.

COUNCILMEMBER COCHRAN: Right.

MS. POGUE: There's Miconia Containment and Removal and then there's a Molokai, Maui...so essential two MISC initiatives going on in Maui. Ones on Molokai and one's here.

COUNCILMEMBER COCHRAN: So I think just in a general, because I don't wanna go into too much detail, Chair, right now, but just since I have Ms. Pogue, I finding there's a lot of monies being funneled into East Maui. And I understand how important East Maui is but as a West Maui representative I also know --

MS. POGUE: Sure.

COUNCILMEMBER COCHRAN: --the pristine-ness and why something that is at high level of pristine-ness really needs to be focused and highlighted and protected that much more. I mean we all, all of it, yes. But I'm seeing so many things here that are really guided toward East, East, East and as I'm discussing and delving more into the valleys and our watersheds on a personal level, I'm finding that there's some funding that needs to be tossed this way in West Maui right now.

MS. POGUE: Just as a...

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COUNCILMEMBER COCHRAN: So we're gonna work through this, Chair, when we get there but I just wanna lay sort of the groundwork --

MS. POGUE: Sure.

COUNCILMEMBER COCHRAN: --of where my mindset is at right now.

MS. POGUE: Okay.

COUNCILMEMBER COCHRAN: And that's the reason for my questioning, to figure out, you know, those other two unlisted agencies. Who are they, where are they, and what are they doing?

MS. POGUE: Two things I hope will help. And that is we will have two, the updated report which, again, is like last year's format which literally goes through blow by blow in terms of how much money everybody got, what they achieved, what they accomplished. The second thing is, as a reminder when we got the \$750,000 from EPA, a big chunk of that went to West Maui, just as a reminder. And granted that was a one-shot deal, but I hope this report, the update from last year, will help show what is going on in West Maui and what they've been getting.

COUNCILMEMBER COCHRAN: Right. And there's one entity in West Maui that got zero County.

MS. POGUE: And also as a reminder, because these are Water revenue funds and Water revenue sources, not General Funds, our line of sight is really directed to where we have because ultimately it is Department of Water Supply, we are trying to protect water source that we provide our customers. So just...and there's a lot more in East Maui. I mean, again, we're not saying no but, you know, when you look at it, that's one of the things to look at. And the other thing, too, is that West Maui, TNC and MISC, a lot of the MISC work happens in West Maui so these guys work really, really well together. It's a phenomenal partnership. All eight of them work extremely well with one another.

MR. BAZ: So, Mr. Chair?

CHAIR WHITE: I think in preparation for our later discussions, I think it would be helpful if you would further outline where the State money was spent, the money that we got through EPA, the 750,000. And also if you could give us a sense of the size of the watershed in East Maui versus West Maui, because it does look like taking the same \$100,000 out of West Maui put the, a greater burden or greater deduction on a much smaller amount. So if you could provide Ms. Cochran and the Committee that type of a breakdown that does show that the deduction of 100,000 from West Maui is appropriate.

MR. BAZ: So, Mr. Chair, if I might answer Member Cochran's question, these are...other than the Maui Nui Botanical Gardens, Incorporated, the rest of them are pots of money, so there may be multiple agencies receiving each one of those pots. So that's where the number of grants doesn't necessarily match the program that you see down here because they're pots of money set aside

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for different areas. So that's why she says, like MISC might do West Maui and East Maui or something like that. Or there may be in East Maui three different agencies doing that work, and so as, you know, we get into the grant discussion later on in this deliberation process, consider it as one of the, as the pots of money, not necessarily a direct line item grant.

COUNCILMEMBER COCHRAN: Right, yeah. Thank you.

MR. BAZ: I also just wanted to note that I want to thank Member Guzman for pointing out that the FY '12 Actuals on page are incorrect. If you look in your Details on 19-17, those are the correct numbers. But we'll get into that discussion later. Thank you, Mr. Chair.

CHAIR WHITE: Okay. Any further...

COUNCILMEMBER COCHRAN: And just one real quick follow-up, Chair?

CHAIR WHITE: Yes, please go ahead.

COUNCILMEMBER COCHRAN: So when Ms. Pogue does come back in regards to the 200,000 that's kind of on a Countywide...there's no like...there's a section here 200 grand, Countywide Watershed Protection. Sorry, Mr. Couch. Just to lay out I guess in detail how that's gonna divvy up and the justification with who gets what, you know.

MS. POGUE: That'll be in the report.

COUNCILMEMBER COCHRAN: At the time that we discuss this.

MS. POGUE: In that annual report.

COUNCILMEMBER COCHRAN: Thank you. Okay, great. Thank you. Thank you, Chair.

COUNCILMEMBER COUCH: Don't go yet. Don't go yet.

CHAIR WHITE: Mr. Couch?

COUNCILMEMBER COUCH: Thank you. The question I had was...I mean, all very supportive, especially of what Ms. Cochran's saying about the West Maui Watershed protection, and all the watershed protections, but the question I have is Maui Nui Botanical Gardens. What's that got to do with watershed?

MS. POGUE: Great question.

MR. BAZ: Excuse me, I'm sorry, Mr. Chair. I wanna...and I don't mean no disrespect to Member Couch but if it's related to the grant, we might wanna just wait that and discuss that when we discuss all of the grants.

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CHAIR WHITE: No, I think it's a pertinent question.

MR. BAZ: Okay. 'Cause...

CHAIR WHITE: If Ms. Pogue has...seems...sounds like she's got an answer so...

MR. BAZ: So I understand that. I'm just...since you have a specific day set aside for grant discussion that we might wanna keep the grant discussion to those days. That way she can prepare her report and then you'll all be discussing the same things on the same day, but . . .*(inaudible)*. . .

CHAIR WHITE: We'll just...

MR. BAZ: We'll leave it up to the Committee.

CHAIR WHITE: I'm sure she has a relatively brief answer.

MS. POGUE: Maui Nui Botanical Gardens provides us with native Hawaiian vegetation plants, seeds and so forth. And then and a lot of variance issues we do it. As a matter of fact, we just were part of...supported the Ridge to Reef program last week and it provided all the plants, just so you know, on the West Side in a rain garden. So they provide us with all the plants that we have...that we give away at the Maui County Fair and on Arbor Day and so forth.

COUNCILMEMBER COUCH: Okay, thank you.

CHAIR WHITE: Any further questions?

VICE-CHAIR HOKAMA: Chairman?

CHAIR WHITE: Yes.

VICE-CHAIR HOKAMA: So, you know, Mr. Baz or Ms. Pogue can come back later with response but then instead of a grant why don't we just do one purchase agreement of materials, because I think then that way it also serves that organization's goal to be little bit more self-reliant. It's not a general grant from the County because we're purchasing material with value for the watershed program. So, you know, I would prefer it maybe if you folks would consider it, that as another way of supporting the entity 'cause I really wanna cut this line of granting to them. It's been too long. Thank you, Chair.

CHAIR WHITE: Maybe you can add that to your prospective with the report that's provided later.

MS. POGUE: Okay.

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CHAIR WHITE: Okay, any further questions for Ms. Pogue? Okay, seeing none, you're off the hook and Mr. Taylor is. Okay, any further questions on the Administration Program? Ms. Baisa.

COUNCILMEMBER BAISA: On the Goals and Objectives, I'm very interested in Goal No. 3 which is to improve employee training and evaluation. And I'd like to hear a little bit more about what's going on with those evaluations. I notice we're shooting for 80 percent this year and 90 percent next year. Just wondering how that's going.

MR. TAYLOR: I was really late in all of mine but I got them all done last week.

COUNCILMEMBER BAISA: In one week.

MR. TAYLOR: So I was very late and so I can't, and in part of evaluating all of my direct reports, I emphasize that do as I say, not as I do, that they need to not be as late as I was. So let me just say that there's a new procedure. And I'm sure when Department of Personnel Service is here they can explain to you why they shifted, it's lengthier in time but it's better feedback. So it takes a little more time. It's a little more detailed and I think as we all learn how to do it correctly, we'll catch up with this. But as somebody who's done evaluations for a very long time, it even took me a while to catch up with the new forms and get my direct reports on track. Some of our divisions are doing really well, others are a little further behind. But everyone's learning how to do it and I don't really see any problems with getting these on time over the next couple of years.

COUNCILMEMBER BAISA: My interest in the evaluation is not so much in getting the form done but in what is it used for?

MR. TAYLOR: As far as getting it done, it takes longer to get it done because it's important. And we're not just checking boxes. There's a number of categories where you have to write things down, discuss it with people, give people very detailed feedback on what they're supposed to be doing versus what they are doing, specifically how they're expected to improve and how to do that in a number of very specific areas. So it takes more thought from the supervisors to define what exactly am I expecting of my subordinates, how do I communicate with them, how do I make sure they understand that, how do I monitor that, et cetera, et cetera. So it's not just a matter of taking some forms and checking boxes. It's a more intellectual exercise of really evaluating your staff better all the way from top to bottom, all the way through the chain, to make sure that from a management/supervisory standpoint, we're clear with our staff of what's expected of them and how to reach those goals. So it's a training, evaluation, mentoring...it's all of those things wrapped into one. So it's not just the form, it's everything that goes behind the form.

COUNCILMEMBER BAISA: I understand and that's important to me is, you know, once you identify the areas for improvement, then what follow up is there? Is there training that's scheduled? Does somebody follow up to see that that's done or how does this work?

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MR. TAYLOR: So it really depends on the case. So each supervisor is responsible for their people to say here's what you need. So maybe somebody who works for me, I need them to write a one-year plan of what they're gonna get done, so that's an assignment that I'm responsible for tracking. Maybe someone needs to take a writing class. So the County has all these classes that come about from time to time so that's something we'll follow up on saying, you know, next time you need to take this class in Excel or Word or, you know, whatever, safety training, et cetera, et cetera. So there's an effort to try to link the evaluations with the County training opportunities to make sure that people are being evaluated for what they know, what they need to know and how to fill those gaps.

COUNCILMEMBER BAISA: That's good because otherwise it's only an exercise. You know, the idea is to identify strengths, look for areas of improvement, and then help the employee improve if they can. And I think that's where we need to improve our performance. I don't know that we've done such a great job. Thank you.

CHAIR WHITE: Okay, any further questions, Members? If not, we'll proceed to Department Wide Expenses for a brief review, Mr. Taylor.

MR. TAYLOR: Thank you, Mr. Chair. Department Wide Expenses on Page 660. You look at the FY '14 under Operations, there's really only three items that have dollar values. Interfund Cost Reclassification at 4.9 million, Materials and Supplies at 1.2 million, and...or I'm sorry. Operating Expense at 1.265 million, and Other Costs at 975,000, totaling 7.156 million. These three categories, I'll just talk about what they are, Interfund Cost Reclassification, Operating Expense and Other Costs. Interfund Cost Reclassification and Operating Expense, those three are a mixture of employee benefits, retirement benefits, County overhead, ERS contributions, Social Security contributions, all this kind of stuff, that as a self-funded Department we have to pay our share but we find out what our share is from the Finance Department. So we have no control over these numbers, we're told what our share is and we put it in our budget. So I don't know exactly which of those things are in Interfund Cost Reclassification and which are in Operating Expense but it's a mixture of those things. Other Costs are two items, insurance which is we pay into the County for the Self-insurance Fund. That's 475,000 of that 975. And the other is refund for mainline extensions which is 500,000. Refund for mainline extensions is something we've talked about in Water Resources Committee. County Ordinance 14.05.050 titled Reimbursements for Water Main Extensions, says that if you as a developer or builder you put in waterline for your subdivision that you dedicated that for to the County, you get paid back 50 percent of that cost over five years or if it's a family subdivision, 75 percent over two years. We've estimated \$500,000. I brought this up a number of times in Water Resources Committee because when we talk about rates and fees, this item scares me a little because it's in an ordinance, it makes a promise but there is no revenue source associated with it. If all of a sudden everybody comes in and does this, this could jump up to millions of dollars. We have no way to estimate it. There is no revenue for it other than raising rates. So it is something right now that I think we should all sort of keep in the back of our minds that it's a promise made by ordinance that there is no revenue source for. So we budget for it, what it might be in the future. Especially if there's going to be a lot of meters very quickly, it could be very, very large. And it

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comes up very fast and we have no control once people do it. So I just wanna mention that, it is something I know I've mentioned a number of times. There's a lot of uncertainties in our budget, things like electrical usage for pumping, electrical costs. This is another one that is beyond our ability to plan for. It is completely unknown and when it happens we have no choice but to raise rates to pay for it. So it is one of these things that may be under our control as a County if we wanna change the ordinance but if we leave it, we're building in this uncertainty and we should just be aware of that. As far as the other items, Debt Service and Interest Expense, I think those are self-explanatory. Those have to do with our share of debt service for previous CIP projects that we have to pay debt service and interest on.

CHAIR WHITE: Members, any questions? Mr. Hokama.

VICE-CHAIR HOKAMA: Director, can you tell us, and one thing that I did notice and I appreciate is your numbers for Premium Pay. But let me ask you how you are approaching it since I find it interesting pretty much every department has a different take on the management and employees' decisions of overtime versus comp. time. So can you tell the Committee how you've decided to approach it from your Department's perspective and what works for your employees?

MR. TAYLOR: My understanding having worked at the County for more than 20 years, most of the time as staff, is that it's the employee's choice as long as the...it's the employee's choice and that management has to approve when they're taking the comp. time. But my understanding has always been when I was a staff member is that it was the staff member's choice of requesting one way or the other. I'm unaware that we have authority, and maybe we do and I'm unaware of it, to say when somebody asks for money and say, no, no, I'm giving you comp. time. Or somebody asks for comp. time and I'll say, no, no, I'm giving you money. My understanding has always been that has been the employee's choice and that we're not allowed to override that. But I...so I have issued in my two years in this Department, I have issued no directives to anyone about doing anything different than they've done, and exactly what's done in each of the divisions, frankly, I don't know. Like I said, when I was staff I had always just made those decisions by myself and I don't recall anyone ever telling me otherwise.

VICE-CHAIR HOKAMA: So this afternoon you couldn't tell the Committee what is your estimated cost for your comp. time requirements if we had to pay it off?

MR. TAYLOR: I don't know the answer to that. I'm not sure if Payroll staff keeps that on record and could put that together. I certainly am not prepared with that now and I don't know whether or not our staff has the data to put that together on short notice. And no one's shaking their head either way.

CHAIR WHITE: Do you have anyone here that might have that information?

VICE-CHAIR HOKAMA: I understand your response, Director. And, you know, I would agree. I think we give the employees an opportunity to decide on the type of compensation that's provided by contract. But as funders, the nine of us, how much do we tax the taxpayer? How

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much do we put aside for things that we cannot even calculate? You know, that's my problem. You know, and I hope the unions understand that if they want us to fulfill our requirements to the employees and the retirees, then you have to help us understand what it's gonna take to pay for it. And until we can get some kind of cost so that we can budget accordingly, we can tax accordingly, I would hate to see an employee when they retire, say we no more enough money to pay out your comp. time because we never were able to budget and calculate what it was actually gonna cost the County.

MR. TAYLOR: I'm sure that...just thinking about how the system works, we could certainly...there's certainly numbers about how much comp. time each employee has. We certainly know that and we know their current salaries so we could calculate that number. I mean it's not unknowable. But your concern is, and I heard the Finance Director talking about it yesterday I think, it's a real concern. There's this sort of unfunded liability sitting out there. And I can tell you, I think I have 40 comp. time hours back when I was an Engineer II that I've...is gonna be paid out _____ my current salary sometime. So actually that way out performed the stock market over that time. But, so there's a lot of people who are in that same situation. And how much that's worth, I don't know but certainly it's calculatable.

MR. BAZ: Mr. Chair, might I add a little bit to that? The other thing is that it's that it may be calculatable to a liability that we could incur should an employee leave employment at that moment. The other consideration factor that I think some of the managers are dealing with is that from a budgeting perspective, comp. time is not something that's budgeted for. It's similar to vacation time, right. It's similar to...really, the only thing that a manager has to deal with is that comp. time becomes a loss of productivity. And that's something that I think as...from a management perspective, we should be more concerned about that loss of productivity. If it's a choice between overtime and comp. time, from the budgetary perspective overtime is immediate cost item, you know, and that's something that comes out of their budget right then. From...and then comp. time, like I mentioned, is this future, either loss of productivity because the person's taking time off now or at termination there's, you know, the terminal pay. And, yeah, I guess we could give you a bunch of information about numbers but how that's evaluated and what's budgeted for, that is something that I think needs a little bit larger discussion _____.

VICE-CHAIR HOKAMA: I would agree with you, Director Baz. I'm just afraid this is more like one runaway train because to me it keeps growing and to me there's no end in sight as long as we keep allowing the same policy of you can take it whenever. My thing is, you know, as an employer rep I would say oh, I think we should give 'em a fair amount of time to use it and if you don't, well, you're gonna lose it. I think that's fair from the employer's standpoint. I cannot wait 20, 30, 40 years before you gonna take that time. Anyway, thank you, Chair.

CHAIR WHITE: Any response? You just received some mail, Mr. Taylor?

MR. TAYLOR: Oh, I don't think it was exactly applicable for this discussion. I would just say my knowledge of the collective bargaining agreement is that I think that would have to be taken up

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in collective bargaining and changed in the collective bargaining agreements. So I don't think we're disagreeing with you but our hands are tied on that as managers at this point.

VICE-CHAIR HOKAMA: Thank you, Director.

CHAIR WHITE: Any further questions on Department Wide Expenses? Seeing none, let's move on to the Water Operations Program. Mr. Taylor.

MR. TAYLOR: So the Water Operations Program, Mr. Chair?

CHAIR WHITE: Yes.

MR. TAYLOR: Okay, 661. Water Operations is our three operational division, Field Operations, Treatment Plants and Plant Operations. These are all the blue collar folks who run the treatment plants, run the pump systems, electricians, laboratory, people who fix pipes, paint tanks, et cetera, et cetera. So all of the blue collar people are in this program. The major increase as I noted earlier is electricity. As we go to 662, Page 662, you'll see that under the major changes in the top table, \$2.5 million for Utilities which is basically electricity. Also you see a big increase in Materials and Supplies which we go into detail later in further sections. Going back again to Water Resources Committee, we've talked about this a lot in that the government utilities tend to be really bad at deferred maintenance, tend to wait until things break and then rush to fix them. One thing we're doing with our 20-year plans is laying out when things have to be replaced and getting them scheduled so we don't end up with a time where everything has to be replaced at once. So because of that, trying to catch up with the deferred maintenance and get to an even point where our maintenance and replacement is going to be consistent year after year after year means we need to start ramping it up a little bit. And I think that's really the reason for this is I've pushed staff to be a little more, have a little more foresight in to what's going to be needed, look a little more ahead and then start balancing it out. Rather than...I think it's been the culture in the County for as long as I've been here, every Budget year everyone's trying to see what can I cut, what can I cut, what can I cut. And we keep bumping things to future years sort of knowing in the back of our minds that, hey, three years from now we're gonna have to do all of this stuff. I think everybody's tired of that. I think the Council's tired of that. I think the public's tired of that. I know staff is tired of that. What we're trying to do is take this more leadership role in saying, enough of that. We need to do longer-term outlooks and just start budgeting realistically rather than waiting for crisis and then asking for a lot of money. So that's this ramping up that we've talked about in Water Resources Committee which is necessary as part of either reliability, reliable capacity, and all these things we've talked about. If we're going to support more water, we need things not breaking as often, meaning we have to be ahead of those things. We can't wait 'til the last minute and have them down for months and months. So that's been my push to staff and I think that's why you see overall the Operations Budget's inching up as the staff is saying, look, this is what we need to do if we're going to keep everything operating at a higher level of reliability to give higher reliable capacity. So I think that's, between that and the electricity I think that's really what you're seeing here.

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CHAIR WHITE: Okay.

MR. TAYLOR: You want me to continue with Equivalent Positions, Chair?

VICE-CHAIR HOKAMA: Chair? Can I ask...

COUNCILMEMBER COCHRAN: Chair?

CHAIR WHITE: Any questions on the...

VICE-CHAIR HOKAMA: Would you allow a question on just what the Director has spoke about regarding the Utility or electrical component?

CHAIR WHITE: Yeah, any questions you have on the financial before we move on to Personnel.

VICE-CHAIR HOKAMA: So, Director, just hearing what you shared and I don't know if it's your Department but I know we're having requests for additional generation equipment for backup electrical requirements. You've thought about maybe having water and a component of electrical generation as part of your Department as a County utility?

MR. TAYLOR: Are you talking about hydroelectric power generation? Is that...I'm not exactly sure what the question is.

VICE-CHAIR HOKAMA: Not necessarily, could be, you know, solar. You know, a solar component. I'm just curious because, you know, some of our...Kauai County decided to go on their own so they're, you know, their own cooperative utility now.

MR. TAYLOR: I see.

VICE-CHAIR HOKAMA: Other departments, you know, your peers around the country, some have chosen, you know, different ways of approaching the...like electrical requirement for their water programs. So I was just curious if your Department considered those things?

MR. TAYLOR: We have certainly discussed it. I think the photovoltaic and wind I talked about earlier today is a piece of that. We have a conceptual plan that is sort of on the backburner of the Mahinahina Treatment Plant which is high enough that we could generate hydroelectric power possibly to power it. At that point, there's probably not...let me say this, I believe that our focus should be to catch up on deferred maintenance, put our focus into source and reliable capacity development, to take care of our primary mission which is to provide water to support General Plan requirements. And until the Council and the public feels that we are doing that adequately, I would not be in favor of trying to do other things that we don't yet know how to do. So I think we're a few years away from really looking at other pies to start putting our fingers in.

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VICE-CHAIR HOKAMA: Okay, okay. 'Cause I was thinking maybe we could...you know, the USDA gives grants to rural utilities. Not loans, grants. And I was thinking maybe that's something you guys might want to look at and grab those utility grants since you, you know, we know that the electricity is one of the biggest, well, it is the boogie man for the County on expenses.

MR. TAYLOR: If I could give further clarification, one of the reasons I have been so adamant about trying to look at long-term rates and fees and having those discussions with Council, long-term rates and fees will establish sort of an upper ceiling of how much we can do. If it turns out that once we nail that down so we have a clear idea of here's the target that everyone expects it . . . *(inaudible)* . . . and here's our plan. Then we work backwards, staffing, equipment, et cetera, et cetera, and at that point we can identify these additional types of projects and say we wanna go after these, you know, we need one more person to do that or something. But right now when we're still a little unclear about what our future is, are we really going to, you know, have high rates and fees and are we gonna do all this infrastructure? We're not even staffed for that at this point. But if we're going to back that off and in the last Water Resources Committee meeting we talked about some other options where we wouldn't have to take the lead, well, maybe we already have the staff to do that. Until we've decided what our role is, it's really difficult to back calculate how much extra stuff we can take on. My goal would be in the next couple of years to figure out exactly what's expected of us, what the resources we need, match those, then look at the sort of icing on the cake kind of things and make sure we're resourced for them. But right now, frankly, I'm not even clear about what our overall goal is. Is it gonna be build everything for everyone? Or is it gonna be let the private sector do it? You know, I think those are some of the questions we talked about in the last WRC meeting. And until we get past that, it would be my recommendation to put discussions of getting into other disciplines sort of aside for the moment while we figure that out.

VICE-CHAIR HOKAMA: No, you brought up good comments, and I think the key question for Council is how much do we really wanna grow? You know, you guy's mentioned....you know, well, I mean I'm not sold on State Department of Planning's numbers for our population. I'm not too keen with our Planning Department's projections for our population, so I think once Council comes to a determination of how we want this County to grow, then you'll see the appropriations fall in line and the policies will fall in line. 'Cause I don't feel to just build out to build out at all. But that's just me, Director. Thank you, Chairman.

COUNCILMEMBER COCHRAN: Chair?

CHAIR WHITE: Ms. Cochran.

COUNCILMEMBER COCHRAN: Thank you. And just to follow up on Utilities also 'cause that's such a staggering number and I've seen the new power lines and things that are hooking up to the wells in West Maui. And that's some major electric running through those pumps. So I see why the cost is so high. But, you know, Honokahua had a hydro. Honokohau, Makila, these old, you know, 130 year old companies were running this type of source creating electricity back in the day. So for me, this day and age to say, like well, this isn't something we don't know much

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about. I mean maybe as, personally as a County. But it's a try, it's a proven, you know, thing that's been created before. You know, I'm looking at Wastewater and they got solar panels going up everywhere and I'm sure that's gonna, I haven't looked at their numbers in detail, but I'm sure that's offsetting their costs on utilities. As you come from Wastewater you know. So, you know, it's just a real astronomical number for me, and I guess also coming from a person who lives off the grid where I completely harness our natural resources for electric, I just would like to see some type of discussion and movement towards addressing these astronomical numbers in our utility usage. So, I meant, you get the gist and, you know, Mr. Hokama, you folks have already touched on it. And I heard your comments so I get your focus at this point. But I just wanted to share my focus and where I'd like to see this Department going.

MR. TAYLOR: And if I could, Member Cochran, in addition, we need to separate, when you talked about some of the hydroelectric that's existed before. That's century-old technology. We could certainly implement it except that we don't have the system to implement that. What you're talking about is surface water systems that had water at high level that we're using it at low level, that as they drop that surface water down generated power. When you're talking about wells, wells bring water from low level to high level, there is no power generation. We don't control the ditches, they're not ours. Mahinahina Plant is the only place where we have high level water where we drop it down to low level where something like that would work, and that is the one place that we are absolutely looking at that. Most of the places you're talking about are the groups that ran the ditches which had that resource, high level water they were taking to low level and grab the power. We don't control those. What we're looking at in our future water source, most of the surface water's taken or it's under these various, you know, court actions and Water Commission actions. We're looking at our future water having to come from wells where we have to put energy *in* to pump it up, not water that's at high level that we're bringing down. So I think that's something the public needs to understand, is that it's only when *you* have access to the high level water that you can drain off that pressure and make energy. And that's not going to be something that's available to us. We're also, like Wastewater, putting in photovoltaic panels, putting in windmills, we're doing the same thing. But the ability for us to, we don't have much high level water to generate electricity from.

COUNCILMEMBER COCHRAN: Okay, thank you for the comment, and I'm glad that you mentioned you're looking into Mahinahina and perhaps there's a possibility there. Mr. Baz.

MR. BAZ: Yeah, Mr. Chair, I just wanted to add, the Administration is looking or I shouldn't say is looking, the Mayor and the Energy Commissioner, you know, have been approached and have had discussions about, you know, Maui becoming or creating a utility. In fact, *Pacific Business News* just wrote an article about it last week. The title of the article was, Could Maui Form a Municipal Utility. So whether the Water Department itself is, you know, yes, they're the biggest user, the County is, you know, in, you know, looking at what are the possibilities and different things like that. Understanding, you know, the current structure and the current utility company and all of those components and, to that, but maybe when the Office of the Mayor comes up and our Energy Commissioner is here, you might be able to ask him those types of questions.

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COUNCILMEMBER COCHRAN: Very good, excellent. I learned a little bit of that on our NACo trip through Marin County. And they became self-sufficient away from PG&E, yeah. So anyways, I mean, possibility and great that we're thinking about it and looking into it.

CHAIR WHITE: Members, other questions? Okay, let's move on to...I can't imagine there are too many questions on the E/P counts.

MR. TAYLOR: No change in positions so I can't imagine there's any questions.

CHAIR WHITE: So maybe you can go on to Continuation Budget Changes.

MR. TAYLOR: Okay, Wages and Salaries, I see there's a subtraction there of \$13,000 due to a reorganization. Our laboratory, we've taken a higher level position and turned it into a lower level position to match the workload a little more closely. The next item's Gasoline, Diesel, Oil are just inflationary adjustments. Then we see Electricity, inflationary adjustments. Water Delivery Charges, these are monies that we pay our raw water providers for the transmission of water from the source to us, East Maui Irrigation, Wailuku Water Company and Kapalua Water Company, to give us raw...to transport raw water for us. Under Machinery and Equipment, all the negatives, those were items that were specifically in last year's budget that aren't in this year's budget. Premium Pay, this was a correction because we've noticed that the Premium Pay is more than was previously budgeted so it's really a mathematical correction to match actuals. Chemicals and Other Filter Supplies, this \$250,000 on Page 665, I think the single, one of the big items. This fits into what I talked about earlier about us having to get ahead on preventative maintenance. We can't wait 'til everything fails. So our new Division Chief's been doing a good job of trying to forecast replacements so it doesn't all hit it at once. Things that nobody wants to spend but they're gonna have to be spent some time so rather them do a little preventative than waiting until it's a crisis. Construction Materials, we're trying to do more in-house projects rather than putting everything in CIP. Machinery Replacement, a lot of this is pretty self-explanatory. They're increased cost of maintenance and things like that that fit into that general category. Road Patching, as we're doing more repairs, think about it, as the system gets older we have more repairs, there's more patching. That's just a natural aging of a water utility. Under Services I see \$50,000 additional funding for Mahinahina repair fiberglass backwash tanks, repainting clear wells. Again, this fits into what we're trying to do is identify things that are a little larger than normal to get them in as line items in the B Account so that we are taking care of them and not waiting 'til failure. Electricity, \$924,000, we've talked about electricity a lot. Machinery and Equipment is computers and vehicles. The next page, there's other miscellaneous, target saws, and \$230,000 the final item, replacement of 10 SCADA remote terminal units, 15 chlorine analyzers, and some other laboratory equipment which I can explain more about what that is. But it's replacement of existing equipment that has to be replaced. Again, fits into that same category of trying to do it as we go rather than waiting 'til it all fails and replacing it under emergency and all at once.

CHAIR WHITE: Okay, Members, questions for the Director? You guys are starting to fall asleep.

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COUNCILMEMBER COCHRAN: Chair?

CHAIR WHITE: Yes, Ms. Cochran.

COUNCILMEMBER COCHRAN: The Chemical Oil Filter Supplies, 250, are those GACs? Is that anything to do with GAC filters or no?

MR. TAYLOR: No, these are at the _____ filtration plants and those have a lot of replacement parts.

COUNCILMEMBER COCHRAN: Okay, thank you.

CHAIR WHITE: Other questions? Mr. Taylor, on the electricity charge on the expansion budget line which is 924,000, you're suggesting that the majority of this is due to increased demand as opposed to the previous page with inflationary increases. Where is the demand increasing and by what percentage?

MR. TAYLOR: This is based on H'Poko Wells coming on line and issuing many meters Upcountry based on what you've previously heard as our overall concept to issue meters Upcountry. Again, back to Water Resources Committee, if you think back to the plan, the plan is to provide more water for meters through various means of pumping. It's lower elevation water, it's gonna have to be pumped up. So it's not just about electrical...the cost for electricity, we will be pumping more and we will use more kilowatt hours per year. So there's two components. There's more electricity and it could be higher cost. So you've got both components. And this is, you know, one of our favorite subjects, you know, the Upcountry meter list. As I think I've said from the beginning, if we are going to solve that problem, that is going to be solved by pumping water. There is no other solution. I mean it's going to cost more electricity to solve that problem and so there is no other solution to that. So it's a question of is it worth it and are we really willing to pay it? And if not, then there will be no solution.

CHAIR WHITE: What does that reflect as a percentage of the increased demand?

MR. TAYLOR: I think we looked at...let me put this number together. We looked at...there's currently 10,000 meters in the entire Upcountry region and I don't remember the numbers. We made an estimate of how many meters we might give in a year, you know, in the first year and how much more we'd have to pump depending on drought and this and that, and it might have been based on 500 meters or something like that. I don't remember the exact numbers. It was basically a ballpark guesstimate.

CHAIR WHITE: Okay. And how does your Premium Pay year to date compare to last year at this time? It's not addressed in either the Expansion Budget or the Continuation. You have an increase of about \$69,000 requested for next year.

MR. TAYLOR: Yeah. Are you asking, I mean we asked for an extra \$69,000.

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CHAIR WHITE: Correct. I'm just wondering how your expense this year compares to last year at the same time.

MR. TAYLOR: Oh. I do not have that in front of me. I'm not prepared with that information.

CHAIR WHITE: Okay, can you...

MR. TAYLOR: I think the Budget Director is looking it up as we speak.

CHAIR WHITE: He's usually quicker than that but...

MR. BAZ: Your question's gotta be a little longer and then I can...

CHAIR WHITE: I'll try and drag it out a little more.

MR. BAZ: No, Mr. Chair, give me a couple of minutes. I can look that up while you're going on to a different topic.

CHAIR WHITE: Okay, that's fine. I think that's all I have for now. Oh, I did wanna...I did notice one item, the Self-Contained Breathing Apparatus. I'm assuming that's for going into underground? Twenty five new Scott Self-Contained Breathing Apparatus.

MR. TAYLOR: Those are primarily for chlorine response. We use chlorine gas at a number of sites, and in fact it feathers into what we were talking about earlier with the vehicles. Why are people on standby having vehicles with the treatment plants? Well, they've got Self-Contained Breathing Apparatus that they're taking with them because when they respond to a chlorine response, they can't have their equipment where the chlorine's leaking. They've got to put that on at a safe distance and then get in there. So the people who respond to chlorine leaks have to have this with them somewhere so that when they respond they can park at a safe distance and then put the gear on and then walk in.

CHAIR WHITE: And then if you could give us an explanation of the three items at the end of the Machinery and Equipment list? The 4x4 loader back hoe, the utility trucks with lift gates and replacement of service body truck and three multi-purpose vehicles.

MR. TAYLOR: I think you just gave a description of them. I'm not sure what information you want.

CHAIR WHITE: Last year we were provided with the age of the trucks and mileage and so on. I don't see that level of detail anywhere explained, so...

MR. TAYLOR: Oh, I know I have it with me.

CHAIR WHITE: If you don't...oh, okay.

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MR. TAYLOR: Let me see if it's on here. My Division Chief's notes which I can barely read, but I have all the vehicles on a separate sheet if you . . .(inaudible) . . .

CHAIR WHITE: I should point out that my litmus test is my wife's car which is 12 years old and has about 140,000 miles on it, so if these vehicles don't hit that mark, we may have a problem.

MR. BAZ: Mr. Chair, while he's looking that up, would you like me to provide you with the year to date Premium Pay for this program?

CHAIR WHITE: Yes, thank you.

MR. BAZ: For the Water Operations Program, their year to date as of today is \$586,851. That should include the March 31st pay, it should be booked already I'm assuming, and...no, maybe not...maybe not, okay. And then so that theoretically would be about 75 percent or so of the Premium Pay for the year. We have 25 percent of the year left.

CHAIR WHITE: And what was it this time last year?

MR. BAZ: I could look that up. The total last year was \$802,347 for the total for Fiscal Year '12.

CHAIR WHITE: Yeah, we have that but I'm wondering how this compares with the previous year.

MR. BAZ: Okay, give me a minute.

MR. TAYLOR: And while he's looking for that, I can answer your question on mileage.

CHAIR WHITE: You guys do a great tag team.

MR. TAYLOR: We try to keep it efficient. So there are in total in our budget, 11 replacement vehicles. And without separating which ones, I'll just go through and read the mileage on these vehicles just _____.

CHAIR WHITE: Actually if you wanna just provide the list to us, we can just distribute it to the Members so we have it during deliberations.

MR. TAYLOR: All right, I can do that. So you just want a...do you want me to read it and provide a list or...

CHAIR WHITE: Do Members want to hear it or...

MR. TAYLOR: I mean I have a big spreadsheet with these identified so I'm not sure if you want all of this information. I think it's easier just to read 'cause I think your question is, are they high-mileage vehicles and I think if I just read the numbers I think you'll see that they are.

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CHAIR WHITE: Well...

MR. TAYLOR: Okay, so...

CHAIR WHITE: But provide it as well.

MR. TAYLOR: Okay. So 159,000 miles, 166,000 miles, 124,000 miles, 207,000 miles, 164,000 miles, 107,000 miles, 142,000 miles, 121,000 miles, 100,000 miles, 179,000 miles, 163,000 miles, and 78,000 miles. Those are the vehicles...those are the mileage of all the vehicles being replaced. So you can see they're all high-mileage vehicles. The low one at 77,000 is a 1994 Ford Bronco which is assigned to our Planning group which we can never seem to keep running. So I think it's more the types of miles it's gotten than the actual age. It's...

CHAIR WHITE: Obviously off-road vehicles --

MR. TAYLOR: That's correct.

CHAIR WHITE: --don't make it as far.

MR. TAYLOR: So they are all high-mileage replacements.

MR. BAZ: Okay, Mr. Chair, the year to date Fiscal Year 2012 as of March 31, 2012, Premium Pay for the Water Operations Program was \$600,794. So they're a little bit under what they were last year.

CHAIR WHITE: Okay. That said, do you need the increase?

MR. TAYLOR: I think that Premium Pay came from a particular division that was low.

CHAIR WHITE: Low based on what?

MR. TAYLOR: Basically I think their piece of it was low, that they didn't have enough in their particular budget. Premium Pay is...how do I say this? It's the division heads that direct people that they have to do the work, so whether there's a little Premium Pay in the budget or a lot, the people getting the money aren't deciding to work. It's still the supervisor's calling them out or the SCADA system calling them out. So it's an estimate. For whatever reason the division to, looked at that number, felt that it was...I think it was a correction based on last year's...based on their actual last year versus this. And it's the kind of thing that just because we have it we don't spend it. The overtime and Premium Pay is only worked if it's deemed necessary regardless if it's budgeted or not. So it isn't something that we just spend if we have it anyway.

COUNCILMEMBER BAISA: Chair?

CHAIR WHITE: Yes, Ms. Baisa.

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COUNCILMEMBER BAISA: Along the lines of this Premium Pay and not having enough or having enough, you know, we've been discussing now for the past two days the subject has come up about CTO. And I'm wondering is it a factor that we may not have enough premium pay set aside that people do . . . *(inaudible)* . . . or elect to take comp. time?

MR. TAYLOR: I can tell you I don't think it is in our Department. I think it is in other departments. Because of the Program Budget, especially in our Operations group where most of the overtime is and that's in the same program as the Electricity money which is tens of millions of dollars. A little bit of Premium Pay plus or minus isn't going to make or break the budget. So for us, we're not going to go over budget because there's a little more Premium Pay. We're gonna go over budget if either we have to pump more or electricity goes through the roof. I mean that's really what drives the Operations Budget. I think if you look at some of the other departments where they don't have a big B Account, right, they've got salaries and, you know, maybe some office supplies or something, that's a place where if they need Premium Pay they may not have the money. So I think you may see that in some of these departments that don't have large operational budgets. And just from being around, I think that happens often in those departments that there isn't money, but I don't think that's an issue in the large B Account departments like ours that have a large Operational Budget.

COUNCILMEMBER BAISA: Most people would elect to take the OT?

MR. TAYLOR: I don't have statistics on that but I think that's true.

COUNCILMEMBER BAISA: Okay, thank you.

CHAIR WHITE: Members, any further questions? Ms. Cochran.

COUNCILMEMBER COCHRAN: Thank you, Chair. More of a comment, I think, in regards to vehicles. Be interesting to see these replacements if they were take-homes, and also I understand your mileage number in justifying whether it's, you know, deemed replacement or not but as in Fire, a lot of vehicles are used for work, you know, they're like workhorses. They won't get, per se, mileage because they park and just get worked, maybe a backhoe might...they're not gonna drive up and down the highway all day long but they're gonna work really hard on the site and thereby wear and tear, now you need a replacement. So that's how I kinda...I mean we can look at just to keep in mind that when we're looking at replacements, certain things are highway miles, other things are just wear and tear but they're parked. They're not running up a mileage number but they're being used and thereby need replacement, too, just due to the nature of its work.

MR. TAYLOR: And that's an excellent point, and let me say long before I got here, the Department of Water Supply I think has always had a fleet and always had a Fleet Manager. The Department of Water Supply, I think back to the old board days, has its own repair garage, its own mechanics, et cetera. And there's always been someone who manages the fleet, so this person makes

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decisions about which types of cars are necessary for which jobs. I mean I didn't really know there was even this much to cars as he explained to me that certain kind of cars where the Inspectors get in and out of their car all the time, he buys these certain kind of cars that their hinges don't wear out. Where other kinds of cars the hinges on the door aren't built to take that many openings and closings. I'd never even heard that before. But he really knows the vehicles, he knows the needs for the vehicles, and he's juggling vehicles saying, you know, you need this car or we have this spare while yours in the shop. So the Department of Water Supply I think has always had somebody managing the fleet. So the issues you're talking about I think have been well-managed in the Department, again, long before I got here because there has been someone who's taking ownership of that. And he was actually our Department employee of the year last year which is one of the reasons why. So I know there's been a lot of concern about vehicles and vehicle use and vehicle replacements and let me just say that if anyone knew this man and looked at how he personally has been taking care of the Department of Water Supply fleet, no one would have those concerns. He treats it like it's his money and it's his vehicles, and it's his employees, and he manages it really well. And, frankly, his judgment is probably better than any formal program that anyone else is going to put together. So I have really good faith that with him managing this that the Department of Water Supply fleet has been well-managed, again, long before I got here. So I think that what we're asking for wouldn't be asked for unless it was really necessary because he's managing it I think really well.

COUNCILMEMBER COCHRAN: Thank you, Director. Thank you, Chair.

CHAIR WHITE: Mr. Taylor, have you...what is the status of your GPS unit installations in your vehicles?

MR. TAYLOR: We are...what's interesting is we put money in last year because we were going to do a pilot project ourselves to put GPS on our larger vehicles. So when the Department of Management announced that they were doing a Countywide program, we actually had to decelerate our program to merge with theirs. And we are going to contribute to that. They are going to be managing it for us and we are going to be getting I think 60 in the first build out of that or first rollout of that GPS program. But it's being run through the Managing Director's Office, we're not controlling it. We're paying for our share, and exactly what the status is of that request for proposal, I think when Department of Management is here you'll have to ask them. But we are looking forward to that, and, again, we were going to try our own and we slowed it down a little to merge with theirs.

CHAIR WHITE: So do you have any installed at this point?

MR. TAYLOR: We do not. I believe that the Department of Environmental Management was the test case so theirs were put in first to see how it was working with one particular vendor, I believe. And now the request for proposal for everyone else's is happening. I'm not sure if those proposals are in. I'm not exactly sure what's happening with that. But we are part of that rollout.

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CHAIR WHITE: Okay, thank you. Members, other questions? Okay, you guys must be ready to go to CIP. Okay, one item before we go to CIP. On your One Main Plaza, you have an increase I believe of \$61,000 in lease rent. It seems like a significant increase for one year. Am I reading that correctly?

MR. TAYLOR: I think you're reading that correctly, and we're under contract with...between the rent by contract and the CAM so I think that's just the adjustment of what it is. And I'm not familiar with the details of that contract. But I see the Deputy Director coming down who is familiar with that contract and he will explain it.

MR. MEYER: Good afternoon. The One Main Plaza office, it's occupied by...

CHAIR WHITE: Please identify yourself for the record.

MR. MEYER: I'm Paul Meyer, Deputy Director.

CHAIR WHITE: Thank you.

MR. MEYER: Thank you. The Resource and Planning group had just moved into that office last December, and in connection with that lease, the lease started in December. We negotiated six months free rent in the first calendar year and that doesn't exactly conform to the fiscal year. So this six months free rent plus a normal rent step up is, generates this substantial-looking \$61,000 increase.

CHAIR WHITE: Okay, that makes sense. Okay, with that we'll move into CIP.

MR. BAZ: Mr. Chair, if I could just direct everybody to starting on Page 817 in your Program Budget.

MR. TAYLOR: Thank you, Mr. Chair. So joining me is Jeff Pearson who's our Engineer in charge of our Capital Improvement Program. I think I'll give the intro and general description of the project and if it gets too detailed I'll probably have to turn any questions over to Jeff. So, Mr. Chair, is it my understanding that you want us to go in order with the individual projects as per the order on Page 817?

CHAIR WHITE: Yes.

MR. TAYLOR: And just the projects that have funding in the FY '14 Budget, is that correct?

CHAIR WHITE: Correct.

MR. TAYLOR: Okay.

CHAIR WHITE: If somebody has a question about the years after 2014, they can bring them up at the appropriate time.

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MR. TAYLOR: Okay, thank you, Mr. Chair. Okay, so the first project is 1073. I'm sorry...

CHAIR WHITE: Could you give the page number? I think it might be easier.

MR. TAYLOR: On Page 819, Project 1075. Countywide Facility Improvements, is that...

CHAIR WHITE: Yes.

MR. TAYLOR: Okay, so it's on Page 819. Okay, start with the first one which is the hardest to explain. What we started doing a number of years ago, I think when I was in Wastewater, is we recognized that it was difficult to...we were lapsing money, it was difficult to keep projects going because bids and cost estimating had become so uncertain. Some projects were coming in high, some projects were coming in low. When we wanted to juggle money, we would have to come back to the Council to do Budget amendments. So we started something in Wastewater where a usual project, let's say you had eight projects that were \$1 million. We used to put \$1 million for those eight projects. Some would be low, some would be high and we'd have to continually come back to Council to do Budget amendments to juggle money. So instead what we said, we said look, instead of...we'll budget that same number, \$9 million for nine \$1 million projects but we'll budget all the projects at \$900,000. And we'll take the 100,000 from each of those projects and make a Countywide contingency fund with the rest so that we could use it to subsidize whichever one of those projects needed it without coming back to the Council. That money is not used to do other things. It's not used to do other things that aren't in the budget. It's just used as a contingency for these. And where that money came from is by subtracting it from the other projects. So that's what this is. So one thing when we came into the Department of Water Supply a couple of years ago, one of the big criticisms of the Department is so much of the CIP was lapsing, CIP was having trouble getting moving. And we looked at why is this. How can we...what systemic changes can we make to help it. And we looked back at what we did in Wastewater and said we need to do the same thing. So rather than line iteming every single project individually, we said we need to start grouping them a little more so we have some flexibility to keep them moving. That's what this is. So this money is for, you see the uses, possible uses are archaeological monitoring/investigations...mitigation, land appraisals, contingency, these kind of things. That's a big portion of it and the rest is we use this money for large improvements of pumps and motors which cost hundreds of thousands of dollars. So although there isn't a lot of specific projects associated with this money, like I said, most of this money...if this project disappeared, this money would have to be scattered to the other projects further on because that's where the money came from. In addition, it's another...in addition, a million of that is for our large pump and motor replacements because those are too big to be in the B Account. So that money always gets spent historically, and again, the rest of it is these items that may or may not be spent on different projects depending on the needs. So I hope that's a good enough explanation of what this is. And it's something I think we've done in Water for the last couple of years. I know we did it in Wastewater for a lot of years before that, and it's been very successful in my opinion and it's allowed us to keep projects moving. And, again, I think the key is we don't use it for new things. We don't use it for other things. We use

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it to support things that are in the budget specifically approved by Council because they're all under budgeted a little bit to make sure that we don't have to keep coming back for Budget amendments to juggle money between CIP projects.

CHAIR WHITE: Members, questions for the Director? Question for Mr. Baz. In the...at the top of the page where it says, prior years expended/encumbered. And this is something that applies to each of the pages. We show an amount of 11,461,000, and the question is, does that include the Fiscal Year 2013 appropriation or is that separate?

MR. BAZ: Mr. Chair, the prior year's is separate. The Fiscal Year 2013 is what was appropriated. That's what that "Appr" stands for, and in each of the projects you'll see that because we're currently in Fiscal Year '13 we don't know what the actual expenditures are going to be for that project. So the prior year expenditures are what was Fiscal Year 2012 and prior to that.

CHAIR WHITE: Okay, so those are either encumbered or expended but they don't include the 2013 number?

MR. BAZ: That is correct.

CHAIR WHITE: Okay, thank you.

COUNCILMEMBER CRIVELLO: Chair?

CHAIR WHITE: Yes.

COUNCILMEMBER CRIVELLO: How much is expended _____. Is that...

CHAIR WHITE: Of the 2013 number?

COUNCILMEMBER CRIVELLO: Prior years. The 11 mil?

CHAIR WHITE: Uh-huh.

COUNCILMEMBER CRIVELLO: Okay..

CHAIR WHITE: Director?

MR. TAYLOR: Mr. Pearson can answer that question.

MR. PEARSON: Good afternoon, Council members and Council Chair. We tried to...we track...the expended numbers actually are...

CHAIR WHITE: Excuse me, since this is first time, if you could just identify yourself again for the record.

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MR. PEARSON: Oh, excuse me. My name is Jeff Pearson. I'm with the CIP, Head Engineer for Department of Water Supply working in the Engineering Division. We track the expenditures for this, we call it, you know, the Countywide Facility Improvements, and to date the expenditures are actually a smaller amount. It's about \$30,000 to date. Expenditures, 300,000, excuse me, to date.

CHAIR WHITE: Out of the 11?

COUNCILMEMBER COUCH: Out of the 11 million?

MR. PEARSON: No, out of the Fiscal '13 appropriation of 2.5 million.

CHAIR WHITE: Okay. The question was how much of the prior year's amount of 11,461,000 has been expended?

MR. PEARSON: Oh, that answer I do not have.

CHAIR WHITE: Okay.

MR. BAZ: Yeah, Mr. Chair, because of the Capital Improvement Program and how it's listed in our financial system, it would take a significant amount of time and we can do it. But to know how much of that prior year amount is actually expended and how much is left to encumber, but it's somehow either already expended or will be expended and that's what that amount is. As you go through the CIP project report, they get submitted to the Council, you can go through and see each individual project and if there's an encumbrance on that and what that encumbrance is.

CHAIR WHITE: Yeah, I understand that. But I think the question is a good one because in these accounts where we're approving Countywide projects, they're very difficult for us to track. And I think it would be very helpful if we could have an accounting of how those funds have been expended. And whether you can go back and identify the entire 11.4 million or not, you know, I don't think that's necessarily critical but I think it would be helpful for us to know at least two or three years back what these, you know, what the monies have been expended for. Because what you're asking us for is the ability to expend the money without coming back here for authorization. I think it's appropriate for us to get a list of how those monies have been expended. And I'm sure that's where Ms. Crivello was going with that question.

MR. TAYLOR: Mr. Chair, what I know we can do in the Department, how about the last two years where we take the total amount that we encumbered and we give a breakdown of how much was encumbered to support which project? I think we can come up with that.

CHAIR WHITE: I think that's a good start.

MR. TAYLOR: For two years. I think we should be able to do that.

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CHAIR WHITE: Okay. Yeah, I think that would be very helpful and if you could not just give us the encumbered but also the expended amount. Would that satisfy your question, Ms. Crivello?

COUNCILMEMBER CRIVELLO: Thank you.

CHAIR WHITE: Okay. Any further questions on this item, Members? Okay, seeing none, let's move to the next.

MR. TAYLOR: Thank you, Mr. Chair. I think the next project is on Page 820, Makawao-Pukalani-Kula Distribution System Improvements. I think even this title leads to what the difficulty is with the last project in the question. In order to keep Capital Improvement Program simplified we use these wide-ranging titles, improvements for whole areas as opposed to Kula No. 1 Tank improvement. I think the Department used to do it that way and there used to be, you know, hundreds of CIP projects. And it was just impossible to manage. The difficulty is as we start grouping them into area improvements, even a project title like this has many, many, many individual construction projects and bid sets associated with it. So as you go year after year after year with the same title, there are dozens and dozens of different bid sets, of different sites, so it's...I think it's difficult for everyone to track. Because I don't think we've ever developed a really good methodology to balance the accounting of the CIP budgets with the actual project development. And I think that's the root cause of why some of these questions come up. And we understand them. It's difficult to have both a simple system and have a clear accounting standard. But in any case, this year's projects in FY '14, \$11.4 million, \$10 million for pump system improvements Upcountry, 4 million for one set of projects, 6 million for another. Both of these have an estimated design completion in mid-2013. They're already in design, we'll be ready for construction of the, what's called in here the Phase 6 and Phase 10 pumping. \$1.2 million for a Kula tank and \$200,000 for a Omaopio tank totaling 11.4 million. The Phase 6, Phase 10 pumping is a little difficult even for me because there is no Phase 1 through 5 or Phase 7 through 9. All there is Phase 6 and Phase 10. What these are are these two sets of pump systems that allow us to get water from the Kamole Treatment Plant up to the Upper Kula system, so they're a series of booster pumping stations. These are necessary for two reasons. If there were no meters being given out Upcountry it would be necessary to replace them for reliability for existing customers. If we are going to issue many new meters, they have that same need plus greater capacity is needed to juggle water at a greater volume. So these emphasize the difficulty in separating projects that are for reliability or projects that are for capacity. In this case, it's a little bit of both. And it also shows that when you provide reliable capacity meaning more meters to an area, it's not just source. You also have to get the water between where the source is and where the people need it. So this is a necessary project either from a reliability standpoint or from an additional volume standpoint to juggle the water. So either way it's still necessary. This is also an example of how even though we're not exactly sure what the future of growth is in different areas, there are certain projects that have dual uses, reliability and growth, that no matter what scenario we move towards they have to happen. So we're emphasizing those because under any scenario we have to do them. So that way we can move forward with a aggressive CIP program knowing that we won't make decisions later and

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say, hey, that was a waste. So these have dual purpose and they fit into I think what everyone's goals are is to definitely have greater reliability Upcountry and be, have the ability to juggle a greater volume of water for more customers Upcountry.

CHAIR WHITE: Okay, questions, Members? Chair would like to request the same detail on the prior years' encumbrances and expenditures for the \$6.1 million as well as the status of the 2 million provided last year. Members, the Chair was wondering whether we should ask for copies of the detail that Mr. Taylor was reading from with respect to the pieces of the project, the tanks, the pumps and so on.

MR. TAYLOR: Mr. Chair, I think under Project Description it explains under FY '14 what those are and I was --

CHAIR WHITE: Yeah, it does . . . *(inaudible)* . . .

MR. TAYLOR: --I wasn't really reading from anything else. I was just...

CHAIR WHITE: Well, you were reading off the prices for each of the items. We don't have that in detail.

MR. TAYLOR: Oh, I see.

CHAIR WHITE: And I don't know whether that's something we need to have. But, you know, as we've discussed in the past, one of the concerns the Committee has expressed in prior years is that the degree to which we telegraph what we're willing to spend seems to be the degree to which we get bids in response to the projects. And so the Chair and I know a couple of others are concerned with telegraphing big numbers. So, anyway, I think I'll just leave it at that.

MR. TAYLOR: I would ask, Mr. Chair, for the rest of projects would you rather have me not break them down during this meeting? I don't need to do that. I can just read the projects and not break them down if you'd rather.

COUNCILMEMBER VICTORINO: No. Mr. Chair? I think for myself and I think the public should know what the heck we're spending and what are we spending 'em on. And I agree with you, maybe a better breakdown . . . *(inaudible)* . . . specifics. You know, general numbers sometimes are very deceiving. And I like your idea a little bit better.

CHAIR WHITE: I think I would like to have a list of...with...but at the same time, we have most of the list. It's just a matter of whether we want to identify the cost for each of the items. Anybody have thoughts on that? We run a risk of telegraphing our willingness to spend, and we have less willingness to spend than I think you guys might have.

MR. BAZ: Mr. Chair?

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CHAIR WHITE: Mr. Baz?

MR. BAZ: If I could provide a little comment on that.

CHAIR WHITE: Sure.

MR. BAZ: 'Cause I do get called on a regular basis, oh, how much was budgeted for this project or that project. The way that the Department of Water Supply is doing this actually creates an advantage of being able to encompass a number of projects, a number of individual bids into a total, you know, Makawao-Pukalani-Kula distribution system improvements. It's easier for me to say, well, we have, you know, so much money, we have 11 million set aside for that project and that's what they're looking at in our public documents versus if it's, you know, one project in our Capital Improvement Program for a Phase 6 Booster Pump Upgrade for a certain station at a certain amount. Or like a Waikamoi Flume replacement is an individual project. So the way that they're doing it if you want to provide a little bit less direct information about how much a specific bid might be budgeted for is, the way the Water Department's doing is actually a better way to do it.

CHAIR WHITE: I would agree with that because then you're asking for, in this particular project, what 9, 10 bids?

MR. TAYLOR: There would be four individual projects going out to bid.

CHAIR WHITE: Okay. Members, any other questions on this item? Yeah, I would still like to request the details on the with FY 2013 allocation or appropriation of \$2 million and the details on the last two years' expenditures and encumbrances. Okay, moving on to the next item.

MR. TAYLOR: And the next item is Makawao-Pukalani-Kula Treatment Plant Improvements on Page 822. \$1.8 million being requested in FY '14 for two projects, the Piiholo SCADA System construction and the Olinda Total Organic Carbon Design. The Piiholo Treatment Plant SCADA project is the internal control system for the treatment plant, was built with the original treatment plant in the early to mid-90s and needs, realized computer systems, electronics, that's kinda past its life. This is the system that controls the plant, allows people to communicate with it remotely, alarms and things like that. It's currently in design, we'll be ready for construction. The other project, the Olinda Organic Carbon design. This is a project that we've talked about a lot in Water Resources Committee. The Olinda Treatment Plant comes off the Kahakapao Reservoirs. Because of the organic carbon in the water at that elevation it has to be treated with chloramines, not chlorine, meaning we can't mix it with the rest of the Upcountry system. What this means is that we can't use the Kahakapao Reservoir really as a reservoir. It's really just used as a raw water storage for that plant. We have testing going on right now to try to figure out which technology will take out the organic carbon and allow us to use chlorine. This next phase would design that system. The phase probably next year or the year after would build it. Once we build that system to remove the organic carbon, we can then move that plant to chlorine, then we can mix that water any time we want with the rest of the Upcountry water. And we can use the

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Kahakapao Reservoirs, we can store the water 'til we need it, run the other wells when we want and we can juggle that water much more efficiently so that we can match supply and demand. This is one of the biggest things that will help alleviate Upcountry issues whether it be drought, drought tolerance or meters. Because it will allow us to use the system much, much, much more efficiently. This is a middle stage design which will lead to construction. So that's what the two projects are. They're both treatment plants for the Upcountry system.

CHAIR WHITE: Okay. Members, any questions? Yeah, the Chair would request the same information on the prior years and this past year's appropriation. And also do you know whether there are...what level of funds that may be...may have been appropriated prior to that two-year range that we're asking for that might remain unexpended?

MR. TAYLOR: I think the County...the Council gets the CIP reports quarterly. I would think the information you're asking for is on those. Or is there other information you're asking for?

CHAIR WHITE: Well, because we're going back two years I'd just like to know if there's something that's not included in those that has been unexpended prior to the last two years, if that can be identified. There may, it may have all been expended, but if it isn't, I think it would be appropriate to identify it if it's over two years old.

MR. TAYLOR: Understood.

CHAIR WHITE: Okay, moving on. Next item.

MR. TAYLOR: Okay, the next project is the Waikamoi Flume Repair/Replacement project on Page 824. \$726,593, it's listed specifically. I know you guys thought you've heard the end of this project. When we get SRF loans and the construction...a large portion of the construction that was approved in the FY '13 and '12 Budget is SRF loan, the...part SRF loan, part bond. The SRF loan portion comes with contingency fund that we're allowed to use but it needs to be incorporated into our budget. So what this item is is this will allow us to use the SRF money as contingency funds as we move forward with the construction of the project. It's not a new project. It's something we always knew would happen and it sort of more of a housekeeping item because of the timing of the SRF loans versus the County Budget cycle.

CHAIR WHITE: Members, questions? Ms. Crivello.

COUNCILMEMBER CRIVELLO: Thank you, Chair. Just for my understanding, when you say this is not a new project, how old is this project?

MR. TAYLOR: It is only, we only went out to bid late last year, and the contractor is mobilizing at the site as we speak, starting preliminary sort of assembly of materials. And it's...I don't even...have we even made a single payout on the project? We're reviewing our very first progress payment. I mean it's just in the very, very beginning stages of construction.

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COUNCILMEMBER CRIVELLO: So how far back do you...is this project? How far back does this project go?

MR. TAYLOR: The design goes back years. I mean long before I started in this job. Design and permitting started years ago. Construction was funded by the Council in FY '12, FY '13. And again, we just awarded the contract late last year and a notice to proceed in December of 2012.

COUNCILMEMBER CRIVELLO: Okay, thank you.

CHAIR WHITE: Mr. Hokama.

VICE-CHAIR HOKAMA: So who's the contractor and what was their price?

MR. PEARSON: The contractor is Global Specialties, Incorporated, and the bid came in at \$11,568,340. And the budget amount at the time was 13 million when we first came to Council with the Budget request.

CHAIR WHITE: What was the total again? Eleven...

MR. PEARSON: 11,568,340.

CHAIR WHITE: Thank you.

VICE-CHAIR HOKAMA: So with this, you need that much, \$2 million worth of cushion?

MR. PEARSON: I sure hope not. But...

VICE-CHAIR HOKAMA: So you better believe I don't want it either.

MR. PEARSON: Well, again, or maybe Dave's probably better at explaining but this is contingency, so if there's...the thing with Waikamoi is it's a very remote area where we can have high unexpected circumstances that come up. And the ability that SRF allows us this amount of money for contingency we thought it best to request and get it in the budget with the Council. And, you know, of course it's gotta go through ordinance and get that in there. Hopefully, you know, we could use little or none of it but it's always better to have it and not need it than to need it and not have it.

VICE-CHAIR HOKAMA: If we don't use it, do we pay interest on it?

MR. TAYLOR: No, we do not. We only pay interest on what we actually borrow. And this dollar value, this very specific dollar value, SRF has an equation that based on...is it the bid price or how their original appropriation? Based on the contract price, they have an equation that says this is how much contingency out of the SRF Fund we'll give you. So this is the exact amount. So we didn't, you know, we didn't choose this. This is the full amount that's available to us.

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VICE-CHAIR HOKAMA: Okay. And so this is for the...that Global has the whole project, right?

MR. TAYLOR: The whole project is under contract, and so hopefully, as Mr. Pearson said, hopefully we have no change orders. I think we know that for unique projects those tend to run in the 5 or 10 percent range. This is a very unique project of which there is no real history with a project like this, so what may or may not happen is also a little uncertain.

VICE-CHAIR HOKAMA: Okay and well, thank you for those comments, Director. So, Mr. Baz, from an interest standpoint, bond versus SRF, I know you guys did a good job on the last bond so how are we with SRF interest compared to the bond interest?

MR. BAZ: The latest information from the Department of Health on the Water loans is that their loan's interest rate would range between 1 and 2 percent depending on the size of the project. So it would be less than the cost of the bond issuance.

VICE-CHAIR HOKAMA: And when you say it depends on the size so like for us, I consider it a very sizable project so do we get the 1 percent?

MR. BAZ: I know verbally they talked about 1 percent, the, you know, Waikamoi Flume project being 1 percent. But I don't know if we've got anything in writing from them yet. No, yeah, we do not have anything in writing.

VICE-CHAIR HOKAMA: Well, Mr. Pearson, go ahead and lock it up for us. Okay, well, if you guys can get the 1 percent I think that's a great venue for us to use that money. So I would strongly suggest you lock it up in writing for us. Thank you, gentlemen. Thank you, Chair.

CHAIR WHITE: Further questions, Members?

COUNCILMEMBER COCHRAN: Chair?

CHAIR WHITE: Ms. Cochran.

COUNCILMEMBER COCHRAN: Just clarification. The Countywide Facility Improvements that fund, the 4.5, that money is not something that would be used for this type of project?

MS. TAYLOR: Well, that money if you look is cash and there could be determinations especially if it's later in the fiscal year where we haven't spent a lot of that money and this interest rate is high, we might decide to use that. You know, we would consult with the Budget Director and we might decide that that's a better plan is to use that cash money rather than use this money. That is a possibility depending on...because obviously this money can *only* be used for this. That other money could be used for anything, so based on how things go I wouldn't rule out the possibility that that cash money be used rather than borrowed money.

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COUNCILMEMBER COCHRAN: Right. Okay, 'cause as you know Mr. Hokama's concern is we're already almost 2 million over budget, but looking at this sorta, you know, fallback monies, I guess, on the side and is you're saying is a possibility. So anyways, we'll see how this works out. I'm just glad that it is moving forward and contract's good to go and stuff, so good luck with all that. Thank you, Chair. Thank you, Directors.

CHAIR WHITE: Other questions, Members? Mr. Baz, the question I have is that in the prior years we show the \$13 million that we authorized. And then we were...you came back for the 5.2 million authorization because of the limitation on access to, I believe, the SRF loan. So in a case like that, why wouldn't the 13 million be reduced to 7.8?

MR. BAZ: Yeah, Mr. Chair, theoretically it should be. I'll have to take a look and see where that number came from and why it's still showing \$13 million. It should show at this point the total encumbered SRF loan amount that was part of that contract. So whatever was allowed under the SRF loan, then that should be there. Jeff, do you have more information about that? No. Yeah, we can do some research and get back to you on why that number...

CHAIR WHITE: Okay, 'cause it makes it look like this is an \$18.2 million project, asking for 726,000 more.

MR. BAZ: Yeah, no, we'll take a look and see why that says that.

CHAIR WHITE: Okay and I'd also like you to take a...not you, the Department take a very serious look at whether this \$726,000 additional contingency is necessary on top of what looks to me...well, with the 726 you're at an 18.6 percent contingency. And I realize that this is an odd project but there are those of us who wish we might have approached this a little different way than to expose ourselves to this level of cost. But we've got a \$1.4 million contingency that we've already given approval for, so prior to getting this approved I think we're gonna need a fairly good explanation of why the increase might be necessary when they've provided us a bid to fix the flume. And, anyway, I don't need an answer on that at this point.

MR. BAZ: I can provide you with a very brief answer. Actually at this point, Mr. Chair, they do have authorization for \$5.2 million worth of bond issuance funds which would expire on December 31, 2013. If there is a need for use of contingency, because of the rates that we're paying on the SRF loans and the authorization from Department of Health to use up to the \$726,000, I would be recommending to them that they use the SRF monies first before using the bond money.

CHAIR WHITE: Yeah, but you currently have authorization to go up to the 13 million total.

MR. BAZ: Yeah, I'd have to get some calculations about how much was actually encumbered on the SRF and how much was encumbered on the bond, and what the available bond balance is to get you that exact number.

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CHAIR WHITE: Okay.

MR. BAZ: It should be around \$3.5 million left in the Bond Fund appropriated amount. But as I mentioned, yes, so that'll expire December 31st of 2013. I know this project is gonna go beyond December 31st of 2013 so this contingency fund could go, you know, for activity either beyond that date or as I mentioned, used prior to the bond issuance...bond monies because it is a cheaper cost for us. But yeah, no, I understand your concern about the total authorized amount for this project.

CHAIR WHITE: Any further questions, Members? Ms. Cochran.

COUNCILMEMBER COCHRAN: Thank you, Chair. And this is in a sense a CWRM mandate to be doing this project?

MR. TAYLOR: That...

COUNCILMEMBER COCHRAN: It's part of the . . . *(inaudible)* . . .

MR. TAYLOR: That is a mandate that we were informed by the Commission on Water Resource Management that if we didn't control our water leakage from this that our authorization to divert water in this area could be hindered.

COUNCILMEMBER COCHRAN: And at this point are we on schedule? Was there a timeline as to when we need to start, complete, and all that?

MR. TAYLOR: The CWRM mandate basically asked us to keep them informed and we have. We met their first deadline and just recently within the last month or so we sent a letter saying, here's our current status. So we're keeping them informed as was directed to us.

COUNCILMEMBER COCHRAN: Okay, very good. So we're not at any type of risk at this point? You know, at non-compliance or something of that nature?

MR. TAYLOR: We're certainly not aware of any and we don't foresee any.

COUNCILMEMBER COCHRAN: Okay, very good. Thank you, Department. Thank you, Chair.

CHAIR WHITE: Okay, moving on to the next project.

MR. TAYLOR: Mr. Chair, the next project is Molokai Source Improvements on Page 826. In FY '14 we are requesting \$300,000 which will be used for site selection, land acquisition, and possibly design of a backup well to our current Kaunakakai Well. We don't have a large system on Molokai but we do have a reasonable number of users and we need some level of reliability. Oh, I said Kaunakakai. I'm sorry, the Kualapuu Well. So this is a reliability upgrade to make sure we have enough backup to serve the area when the primary well goes down.

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CHAIR WHITE: But the Kualapuu Well does serve the Kaunakakai area, doesn't it?

MR. TAYLOR: Yes, that area is interconnected.

CHAIR WHITE: Yeah, thank you. Questions, Members?

VICE-CHAIR HOKAMA: Chair?

CHAIR WHITE: Mr. Hokama.

VICE-CHAIR HOKAMA: Director, can you tell us if this project is successful, what kind of GPMs you're looking at? What kind of backup resources do you have for the Molokai system? Mr. Pearson?

MR. PEARSON: There's no Department of Water Supply backup for this, our well right now. If we do need backup we work with the Department of Hawaiian Home Lands and with their existing well, and vice versa if they have issues then they can work with Department of Water Supply. The well capacity, the pump capacity is, I looked at it and looked it up in the data and it says 930 GPM, so a little over a million gallons a day.

VICE-CHAIR HOKAMA: A day.

MR. PEARSON: And that's a 350 horsepower motor that's driving that. And later on the Director will discuss some maintenance of this existing system that we also have in this year's budget.

VICE-CHAIR HOKAMA: Well, I guess you guys did some preliminary exploratory site selection, more or less? So you folks have a sense of where you want to do this project?

MR. PEARSON: I myself don't have a sense. I'm hoping that our Division Head, Joe Mendonca, has a sense because he came to me with this project and is concerned about backup, so I can't answer that specifically right now.

VICE-CHAIR HOKAMA: What is the likelihood that it's a very good artesian component where we don't need to pump it if there's enough pressure to come out of the puka itself? Not too good? Very good?

MR. PEARSON: Well, I don't have a great amount of experience but I would say not too good. I don't know of many, if any, artesian components where there's, the wells at that depth are not pumped. But I'm definitely not an expert.

VICE-CHAIR HOKAMA: Okay, okay. So this, you know, six-year projection, this 3.8, that is just to actually construct the well only? Your numbers, the way I'm looking at it.

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MR. TAYLOR: That is correct.

VICE-CHAIR HOKAMA: This is not even for production. This is just to get a well drilled and tested. Is that a good understanding?

MR. TAYLOR: Actually that's...each well project in any area follows these same explanations. So in FY '14 you'll see land acquisition/design. Okay, so that's preliminary hydrogeology, looking at where it might be, et cetera. And then design, possibly design of the actual hole. FY '15 you'll see exploratory construction. That means drilling the hole, construction or drilling the actual hole and the testing of that hole. If that hole turns out that there's a lot of water in FY '16, you see Kualapuu Well Development design. That means an engineer designing the pump, the motor system, any connecting pipeline, chlorination system, so design of what has to be built. And then in FY '17...

VICE-CHAIR HOKAMA: Then, Director, if the well doesn't pan out, then that's where we stop the project?

MR. TAYLOR: That is correct.

VICE-CHAIR HOKAMA: Okay.

MR. TAYLOR: We stop it at the '15 expenditure and then basically go back to the drawing board in '16 with a starting over.

VICE-CHAIR HOKAMA: Okay, okay.

COUNCILMEMBER CRIVELLO: Chair?

CHAIR WHITE: Yes? Are you done, Mr. Hokama?

VICE-CHAIR HOKAMA: Yeah, I'm happy to have Ms. Crivello have her opportunity.

COUNCILMEMBER CRIVELLO: Question, is this backup to meet the salinity level that the Commission on Water Resource Management have addressed a couple of years ago?

MR. TAYLOR: It's backup solely as a mechanical, well, maybe not say solely. It's backup for if any reason the primary well fails. So if the primary fails right now we have no way to serve those customers. So whether it fails because of a mechanical malfunction, whether it fails because salinity of that water becomes unusable, whether it starts putting out some contaminants that can't be used anymore, any reason that the primary well can no longer be used to service, it's the backup for that. It could be short term, could be long term.

COUNCILMEMBER CRIVELLO: So with the primary well, do you have any records or anything on the CWRM's request from the Department...to the Department?

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MR. TAYLOR: CWRM's request as far as what? I'm not sure.

COUNCILMEMBER CRIVELLO: As looking for a new well, not a backup well because of the salinity level.

MR. TAYLOR: I'm unaware of any direction from either the State Water Commission or the Department of Health that has told us to look for an option to take that well out of service. Our Division Head of our Engineering Division is also unaware of any direction like that from any regulatory entity.

COUNCILMEMBER CRIVELLO: Okay, I'll get the information for you.

CHAIR WHITE: Members, any other questions?

COUNCILMEMBER COCHRAN: Chair?

CHAIR WHITE: Ms. Cochran.

COUNCILMEMBER COCHRAN: I'm just kind of curious and then I guess Mr. Pearson and Mr. Taylor can just go back as far as they can recall, how often does that occur where exploratory wells don't pan out? We put this kind of money into 'em. I mean you're not going to know unless you try, obviously, and so how...do you folks have a number or a number of wells and dollar amount that could explain? No? Mr. Chang doesn't either?

MR. TAYLOR: Actually, no, Mr. Chang, our Engineering Division Head, who's been with the Department by far the longest probably has the best historical perspective to answer your question.

COUNCILMEMBER COCHRAN: Thank you.

CHAIR WHITE: Please identify yourself for the record.

MR. CHANG: Good afternoon. Herb Chang with the Engineering Division, Engineering Program Manager.

COUNCILMEMBER COCHRAN: Aloha, Mr. Chang.

MR. CHANG: To answer your question, the probability is always there that if we drill a well it may be what we call a dud.

COUNCILMEMBER COCHRAN: Right.

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MR. CHANG: But in...to make it...to explain it a little bit better. If we have a situation where you have a, you know, aquifers that's not used the chances are you'll be able to drill a well...the geologists we have are pretty well educated, experienced and they know, pretty much know the aquifer. It's always a crap shot but if you're drilling in an area that's not drilled, generally there's a good chance you get a good well, but once you start drilling in areas that's already populated with wells you're pretty much going to the area where you kinda like all the good areas are chosen so in that kind of situation it's a little bit more risky. In the Kaunakakai area, you got a whole bunch of wells already over there and so it's a little bit more risky. But it depends. We haven't really decided where the well's gonna be drilled yet. But Molokai is generally a tough spot to drill.

COUNCILMEMBER COCHRAN: So, Mr. Chang, thus far as you can recall, I mean I guess it'll just be the amount, the capacity, I guess, varies from well to well obviously. And like you're saying if you're going into an area that's already overused and tapped out, you'll probably gonna draw less. But you go into an area with high probability then there's a better, you know, chance of success for higher pumpage yields, I guess. So are you saying at this point we haven't hit, per se, duds or just dirt or air, or I don't know what, no water.

MR. CHANG: Pretty much we're getting to that situation where, except for East Maui, it is where like this side of West Maui, it's pretty much...it's gonna be where, for example, like Shaft 33, it's in such a high capacity well. We're replacing that with four wells, so we know the general area is good. But in other areas, there's also so many wells already and just it's hard to guess really.

COUNCILMEMBER COCHRAN: Okay, thank you, Mr. Chang. Chair, just a follow up since we have Mr. Chang. He seems pretty water wise. I'm just curious if you've looked into, because as you're saying we're getting...we're probably...we're tapping out aquifer at this point with a lot of wells and congregation. Looking at more storage, rain catch per se, and then gravity fed down which will help assist in our utility bills. I do know, Mr. Pearson knows of this too, in Maui Land and Pine lands, I mean there's some great springs up mauka, you know, that can gravity feed down to fill the reservoirs thereby feed, you know, towards makai. So I'm just curious if the Department has looked into such options versus just continuing to put straws into the same glass.

MR. CHANG: Well, we haven't looked into the springs. The type of wells we've been drilling which is the basal well, it's more guaranteed because you've got the whole lens that you're working with. It's a big, huge volume of water. Springs are mostly confined and you don't really know 'cause even the hydrogeologist who works with us, when he comes across springs, it's even more of a, what you call, crap shot, 'cause you're not working with that big, huge reservoir that's floating on the salt water. You're just working with a small, little pocket of water. We don't even know how much there is and in a good year it may be plentiful but when it dries up it may, you know, go bad, and maybe if we're relying it 24/7, that may not be very a good source to go for.

COUNCILMEMBER COCHRAN: Okay, thank you, Mr. Chang. Thank you, Chair.

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CHAIR WHITE: Thank you. Members, I apologize for not giving you a break this afternoon. We are gonna finish this Department.

COUNCILMEMBER VICTORINO: Wanna just finish?

CHAIR WHITE: No, we're not finished.

COUNCILMEMBER VICTORINO: No I said, why don't we finish.

CHAIR WHITE: Oh, okay. If you guys are comfortable, I know the ladies have taken their breaks on their own without my assistance. I apologize for that. If you'd like to just keep motoring through, that's fine with me. Okay, we have to take a Staff break. Five minutes. Recess. . . .(gavel). . .

RECESS: 4:05 p.m.

RECONVENE: 4:15 p.m.

CHAIR WHITE: . . .(gavel). . . Okay, Members, let's get going. The Budget and Finance Committee meeting will come back to order. We've got about six or seven items left to go on the CIP project list. And Chair would like to move through it by 5:00 if we can but we will stay until we're done.

COUNCILMEMBER VICTORINO: No. Oh boy, everybody heard noes on this side.

CHAIR WHITE: So I guess we're not gonna get any questions from this side? Is that a promise?

COUNCILMEMBER VICTORINO: This has been a very quiet side, Mr. Chair.

CHAIR WHITE: Unusually quiet, the Chair would like to point out. Okay, Members, moving on. Mr. Taylor.

MR. TAYLOR: Thank you, Mr. Chair. Next project is Molokai Distribution System Improvements, Page 827. \$100,000 in FY '14. This is for motor control upgrades at the Kualapuu Well we were just talking about. So the motor control center is the main electrical distribution system at the site. It's old and needs replacement. So this is design which will lead towards a replacement of that project. Construction will probably happen in FY '15.

CHAIR WHITE: Okay, Members, questions? It looks like it's waterline design as well as pump replacements. Is that correct?

MR. TAYLOR: Yeah, we inadvertently left out waterline design and the construction of the Kualapuu motor control upgrades.

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CHAIR WHITE: Okay, so is the 200...I guess the question is if we have problems with motor control that need upgrading, is that design work necessary or does that just get replaced?

MR. TAYLOR: That's design work because it has to be engineered with the needs...it's not something...this is a pretty large...high voltage motor control centers are not something you buy off the shelf. They have to be custom designed so there is a design consultant. An electrical engineer is gonna have to do work, work with Maui Electric to design and spec out the system, any interconnection with Maui Electric and then draw up plans and technical specifications for bid.

CHAIR WHITE: Okay, thank you. Members, questions? Seeing none, move on to the next item.

MR. TAYLOR: Next project, Wailuku-Kahului Distribution System Improvements on Page 828. So we're requesting \$100,000 for design of a booster pumping station replacement. This is I think the last of the booster pumping stations in the Wailuku Heights area. We've done a number of the other ones in previous years. So this is the last one that needs a design and then a construction of its replacement for reliability.

CHAIR WHITE: Members, questions?

COUNCILMEMBER VICTORINO: Real quick, Chair?

CHAIR WHITE: Mr. Victorino.

COUNCILMEMBER VICTORINO: This is...is this the one below Kehalani or is this the...which one is this? Or you don't know? Jeff?

MR. PEARSON: Councilman Victorino, it's the second from the top tank, the 300,000 gallon tank that allows pumping to the upper tank. I don't even know the street name on that but it's not the top tank in Wailuku Heights, it's the next one down.

COUNCILMEMBER VICTORINO: It's the next one down below, right?

MR. PEARSON: Correct.

COUNCILMEMBER VICTORINO: Off of Alu, if I'm not mistaken. Okay, okay. I think I know where it is.

MR. PEARSON: I think it serves your home.

COUNCILMEMBER VICTORINO: Yeah, oh. That's important. I don't know. I'm sorry. I didn't...I wasn't getting there. That was more information, TMI, TMI.

CHAIR WHITE: Is this gonna be the Mike Victorino Memorial Water Tank?

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COUNCILMEMBER VICTORINO: Oh, stop it, Mr. Chair, come on. Oh my God, here we go. Okay, come on, moving right along.

MR. TAYLOR: We hope to complete it before it becomes memorial.

CHAIR WHITE: Wrong choice of words. Sorry about that, Mr. Victorino. Mr. Hokama.

VICE-CHAIR HOKAMA: I just was wanting to ask the Director or Mr. Pearson, so what happened to our 2.5 million we gave last year?

MR. PEARSON: Councilman Victorino...oh, Councilman Hokama, excuse me.

VICE-CHAIR HOKAMA: Thank you for making me as handsome as him.

MR. PEARSON: Yeah, the money in last year's budget is for the construction of the lower lift stations, the Waiale Lift Station that feeds the, we call it the DYK tank, and the second one up which is the DYK tank lift station. There's two lift stations that are in design right now and the 2.5 will be for the construction of those two lift stations.

VICE-CHAIR HOKAMA: So you've encumbered those funds already by contract, Mr. Pearson?

MR. PEARSON: No, sir. We're real close to finalizing the design criteria and giving the final direction to the consultant to finalize the design.

VICE-CHAIR HOKAMA: When do you expect moving toward a bid and construction?

MR. PEARSON: I expect us to be out to bid somewhere around July, so then we would encumbered the money, you know, soon after that when the bidding process is complete.

VICE-CHAIR HOKAMA: Right. Okay, do you think you can start end of calendar year?

MR. PEARSON: My boss is giving me the shake so possibly the end of calendar year but we definitely have to encumber the funds, of course, by the end of the calendar year. So the contract would be in place by the end of the calendar year. The construction may not begin by the end of the calendar year.

VICE-CHAIR HOKAMA: Okay. I just asked that because, you know, we've heard, of course, a variation but, you know, for some of us we believe that the contractors are hungry and they want the work. So my thing is give us a good price and if this project is ready, you guys can start working this calendar year.

MR. PEARSON: Agreed. We've had kind of both situations. We've had projects that have come in under budget that, of course, you know, in a way it almost looks bad because there shows lapsing

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funds and the Council will say, why are you guys lapsing funds. Well, we come in with a lower bid price. But in other cases this year we had at least three projects that we ended up using that Countywide Funds to alleviate the over bidding of what we had in our budget. So it's kinda gone both ways from my short experience here with the County.

VICE-CHAIR HOKAMA: Thank you for that comment. Thank you, Chair.

CHAIR WHITE: Members, other questions on this project? Okay, the Chair would request the same information on the prior years' amounts for this item. Moving along, next item, Wailuku-Kahului Source Improvements.

MR. TAYLOR: On Page 829, here you see \$500,000 for...this would be for the construction for the fourth well of the four wells necessary to replace Shaft 33. So three of them have been fully funded. FY '13 had money for site and design including the exploratory well drilling. For design for the...for design. So this would be for construction of the fourth well. And this is a project that we've struggled a little bit with because the Kehalani Subdivision which still...the owner of that which still holds I think roughly half a million gallons of the designation of the available capacity of the Iao Aquifer, they still may be interested in doing a well-development deal with us where they would build a well, dedicate it to us in exchange for source credits plus this, you know, extra CWRM capacity, et cetera, et cetera. Our hope is to work with them on that and not do it ourselves, but as that's still in flux, they've changed owners recently, et cetera, this money may not be used but if we have to go it alone, it may be used. So we're not exactly sure whether or not this will end up being a well-development deal or a CIP project.

VICE-CHAIR HOKAMA: Chairman?

CHAIR WHITE: Mr. Hokama.

VICE-CHAIR HOKAMA: Just so the Committee can understand, what is the biggest advantage if we went that route with the private entity?

MR. TAYLOR: We don't have to front money. We don't take the risk. If it turns out it's a dud, as Mr. Chang said, that's their problem, not ours.

VICE-CHAIR HOKAMA: Okay, and it also cuts down on the review time and actual construction time also?

MR. TAYLOR: They don't need to follow --

VICE-CHAIR HOKAMA: Procurement.

MR. TAYLOR: --our procurement, EA. But at the same time, we don't, you know, we don't get full use of all the capacity, et cetera.

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VICE-CHAIR HOKAMA: Right, right, right.

MR. TAYLOR: So there's give and take.

VICE-CHAIR HOKAMA: Yeah, got it. When would you have a definite answer so we know whether to commit the money or not?

MR. TAYLOR: The Deputy Director and the Division Head who are dealing with it are both shrugging their shoulders. They've been trying for a long time. Again, there was a recent change in ownership. We don't have a good feel for how close or far we are. This is dragged longer than we'd like. But we're...it's in flux right now.

VICE-CHAIR HOKAMA: Well, we need to do the project no matter what, right, Director?

MR. TAYLOR: The project needs to be done.

VICE-CHAIR HOKAMA: Right.

MR. TAYLOR: So at some point, we're hoping, let me just say this. The reason it's in this year's budget is we're hoping to reach resolution one way or another this year. Putting it in so that we're ready that if they back out, we can just do it. But ideally we would like to tell you, come back and tell you, that we're lapsing this money because we're doing a well-development deal. That would be our hope.

VICE-CHAIR HOKAMA: Okay, thank you very much.

CHAIR WHITE: Any further questions, Members? Okay, let's move on to the next item, West Maui Source Improvements.

MR. TAYLOR: This is construction of a well in West Maui which will provide source and reliable capacity. The status now is that, yeah, the hole's been drilled and we're undergoing testing, I believe, right, actually, right this minute. So the hydrogeologist was here yesterday. So we're testing that well and so we'll be ready for the design and then the construction of the site improvements. So again, this will provide more meters plus backup. The design is complete and we'll be ready for construction as soon as we know the test is good. And Budget Director wants to talk a little about the funding for this project.

MR. BAZ: Mr. Chair? Thank you, the Department had initially requested 100 percent of this \$9 million to be Bond Fund issued. And I moved some stuff around and we reprioritized some projects to make the current split of \$5 million in cash and \$4 million in bond. I was just informed by the Department during the break here that they requested and have been authorized to use the \$9 million in SRF loan. So I would like, Mr. Chair, if it would be okay, for us to present to you a recommendation for changes in the funding source for this project and then reduce our bond

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request, bond authorization by...that would reduce it by \$4 million. I'd be very happy about that.

CHAIR WHITE: Okay, I think...

VICE-CHAIR HOKAMA: Do you have a letter from the State saying they can commit that kind of money to the Maui County?

MR. PEARSON: No, Council member. There's no letter. There's personal communication between me and the head of...not the head, but the person managing the SRF funds for Department of Health. And then what he asked me to do is to put it on their priority list which it is now on their priority list. So it's in the system but, you know, nothing is guaranteed, but it's in the system for the normal process that the SRF loans go through.

VICE-CHAIR HOKAMA: Okay, 'cause if you guys are ready and we do the switch and then you don't get the SRF then you're gonna get the delay because Mr. Baz is gonna have to come back to refinance the whole project.

MR. BAZ: From my understanding, once it's on the priority list, it's basically...that's as good as an approval we're gonna get until we actually get the loan itself, yeah. They don't provide like pre-authorization.

VICE-CHAIR HOKAMA: This wouldn't be dependent on Congress giving the State more SRF funds, right, for the water program?

MR. TAYLOR: I don't believe that's an issue. This is...the whole point of the Revolving Fund is that as Congress through EPA gave the States SRF money, it gets loaned out and put back and that pot keeps growing and growing that they make loans and pay it back.

VICE-CHAIR HOKAMA: Right.

MR. TAYLOR: So what you're talking about could affect how big the pot gets but the size of the pot now is known by Department of Health.

VICE-CHAIR HOKAMA: Okay, so we're in pretty good shape then, more or less?

MR. TAYLOR: And one thing I should've mentioned, this project already went out to bid so we know the price. So we already opened bids and we basically have the contractor on hold with the price, who's agreed to hold their price until we can get it funded. So this isn't something that maybe we'll go out to bid. I mean we're ready as soon as we get financial authorization.

VICE-CHAIR HOKAMA: Thank you for good news. Thank you, Chairman.

CHAIR WHITE: That's for Well No. 1, right?

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UNIDENTIFIED SPEAKER: Correct.

CHAIR WHITE: Of two.

UNIDENTIFIED SPEAKER: One.

CHAIR WHITE: The second one will be in 2017.

MR. BAZ: The money we're talking about right now is specifically for Mahinahina Well No. 1 construction.

CHAIR WHITE: Right. Okay, Members, any further questions? Seeing none, let's move on to the next project.

MR. TAYLOR: And the next project, I believe, the last project, West Maui Distribution System Improvements, \$200,000 for a design of a booster pump station which would back up the...which will allow us to use the existing system to back up the service from the Lahaina Treatment Plant. The Lahaina Treatment Plant is located just behind Lahainaluna High School so it serves that area. If that plant is down, it's...there's really no way to serve the area below there. So a booster pump station at a lower level would allow us to use existing systems to pump water to be a backup for the treatment plant.

CHAIR WHITE: Members, questions?

COUNCILMEMBER COCHRAN: Chair?

CHAIR WHITE: Ms. Cochran.

COUNCILMEMBER COCHRAN: In regards to this section, was there not something in discussion about the intake area, Hans Michel and all that jazz back in there? In regards to this section and this water source?

MR. TAYLOR: I recall that being in discussion as long as I can remember living here so I think it's always been in discussion and will always be discussion.

COUNCILMEMBER COCHRAN: Where are we at with that, I guess?

MR. TAYLOR: But we have an agreement with Mr. Michel at the easement through his property. You have to access our raw water source from his property. There's a pipeline from there to our treatment plant, and he does some maintenance of intake structures for us and we contract with him for that, et cetera. It's long before I worked here, I remember this issue with him was going on and we continue to work with him. So I don't know that the issue will ever go away with

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whoever owns that property because our source is landlocked behind that piece of property. And I don't foresee that geography changing.

COUNCILMEMBER COCHRAN: Okay, thank you.

CHAIR WHITE: Mr. Hokama.

VICE-CHAIR HOKAMA: I'm glad he's gonna be smiling when we go out to Lahaina. So, Mr. Baz, since you made your recommendation just on the previous project, since you are needing 200,000 for this project for this year's request?

MR. BAZ: Yeah. So, mister...

VICE-CHAIR HOKAMA: Are you gonna consider unrestricted cash for this instead of the bond?

MR. BAZ: Yes, what we'll do is I just looked very briefly at the Water Department's projects. There's about 2 million, little less than \$2 million in bond requests for the various projects other than that West Maui one. We will be recommending that we use cash for those, yeah.

VICE-CHAIR HOKAMA: Okay, thank you very much. Thank you, Chair.

CHAIR WHITE: Yeah, that makes sense. Any further questions, Members? Seeing none, that brings us the end of our review of the Water Department. And I would like to thank everybody for their attention today. Tomorrow we'll begin with the Wastewater and Solid Waste presentation from the Department of Environmental Management. And we will be meeting at six o'clock tomorrow night at Hannibal Tavares Community Center. So we'll be hopefully wrapping up Environmental Management by 4 o'clock tomorrow afternoon. So unless there are questions for the Chair, we will adjourn this meeting.

COUNCIL MEMBERS VOICED NO OBJECTIONS.

ACTION: DEFER pending further discussion.

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CHAIR WHITE: Seeing none, we are adjourned. . . .(*gavel*). . .

ADJOURN: 4:34 p.m.

APPROVED:



MIKE WHITE, Chair
Budget and Finance Committee

bf.min:130402

Transcribed by: Reinette Kutz

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CERTIFICATE

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

DATED this 24th day of April 2013, in Wailuku, Hawaii.


Reinette L. Kutz