

# **BUDGET AND FINANCE COMMITTEE**

**Council of the County of Maui**

## **MINUTES**

**December 16, 2014**

**Council Chamber**

**CONVENE:** 9:02 a.m.

**PRESENT:** Councilmember Mike White, Chair  
Councilmember G. Riki Hokama, Vice-Chair  
Councilmember Robert Carroll, Member  
Councilmember Elle Cochran, Member  
Councilmember Donald G. Couch, Jr., Member  
Councilmember Stacy Crivello, Member  
Councilmember Don S. Guzman, Member  
Councilmember Michael P. Victorino, Member

**EXCUSED:** VOTING MEMBERS:  
Councilmember Gladys C. Baisa, Member

**STAFF:** Michele Yoshimura, Legislative Analyst  
Mark Pigao, Legislative Analyst  
Yvette Bouthillier, 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 Baz, Budget Director, Office of the Mayor  
David Ching, Deputy Managing Director, Department of Management  
Wendy Taomoto, Capital Improvement Program Coordinator, Department of Management  
Keith Regan, Managing Director, Department of Management  
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

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

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CHAIR WHITE: . . .*(gavel)* . . . This meeting of the Budget and Finance Committee will please come to order. Members, today we have just one item on the agenda. And if we, well, we will be deferring this item and the Chair's plan is to discharge it from this Committee so it can be voted on Friday at the Council meeting. So with that, I'd like to welcome Committee Vice-Chair Riki Hokama.

VICE-CHAIR HOKAMA: Good morning.

CHAIR WHITE: Good morning. And Council Vice-Chair Bob Carroll.

COUNCILMEMBER CARROLL: Good morning, Chair.

CHAIR WHITE: Good morning. And Members Stacy Crivello, --

COUNCILMEMBER CRIVELLO: Good morning.

CHAIR WHITE: --Elle Cochran, --

COUNCILMEMBER COCHRAN: Aloha, good morning.

CHAIR WHITE: --Don Couch, --

COUNCILMEMBER COUCH: Aloha and good morning, Chair.

CHAIR WHITE: --Don Guzman, --

COUNCILMEMBER GUZMAN: Good morning, Chair.

CHAIR WHITE: --and Mike Victorino.

COUNCILMEMBER VICTORINO: Aloha and good morning, Chair.

CHAIR WHITE: Aloha. And this morning Chair Gladys Baisa is excused. This morning, we have Committee Secretary Yvette Bouthillier and Legislative Analyst Michele Yoshimura and Mark Pigao. And joining us from Corp. Counsel is Jeffrey Ueoka.

MR. UEOKA: Good morning, Chair.

CHAIR WHITE: And Sandy Baz from the Budget Office, and David Ching from the Managing Director's Office.

MR. CHING: Good morning, Chair.

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CHAIR WHITE: And at the back seat batting catch up I guess is Wendy Taomoto. Good morning.

MS. TAOMOTO: Good morning.

CHAIR WHITE: And with that, we will open for public testimony. And there's no one in the Chambers so we will, and I mean no one at all, except us so we will go to our District Offices and we'll check in with Dawn in Hana first. Dawn, do you have anyone wishing to testify this morning.

MS. LONO: Good morning, Chair. This is Dawn Lono at the Hana Office and there is no one waiting to testify.

CHAIR WHITE: Thank you very much. And we'll go next to Lanai. Denise, do you have anyone wishing to testify?

MS. FERNANDEZ: Good morning, Chair. This is Denise Fernandez on Lanai and there is no one waiting to testify.

CHAIR WHITE: Thank you very much. And Ella on Molokai, do you have anyone wishing to testify this morning?

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

CHAIR WHITE: Okay, great. Thank you very much, ladies. And the fact that there is no one in our district offices wishing to testify and there is no one left in the Chambers but us, the Chair would, without objections, will close public testimony.

COUNCIL MEMBERS: No objections.

CHAIR WHITE: Thank you.

**ITEM NO. 126: AMENDING FISCAL YEAR 2015 BUDGET: COUNTY  
SERVICE CENTER PROJECT (MAUI BUSINESS PARK  
PHASE II) (CC 14-246)**

CHAIR WHITE: And this morning we have, as I mentioned, just one item two bills. First is a bill entitled "A BILL FOR AN ORDINANCE AMENDING THE FISCAL YEAR 2015 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO ESTIMATED REVENUES; WAILUKU-KAHULUI COMMUNITY PLAN AREA, GOVERNMENT

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FACILITIES, COUNTY SERVICE CENTER; TOTAL CAPITAL IMPROVEMENT PROJECT APPROPRIATIONS; AND TOTAL APPROPRIATIONS (OPERATING AND CAPITAL IMPROVEMENT PROJECTS)". And the purpose of this bill is to amend the Fiscal Year 2015 Budget by increasing Bond/Lapsed Bond Fund by \$1,632,976; and adding an appropriation in the same amount for Bond Funds under the Wailuku-Kahului Community Plan Area, for the County Service Center project design.

And the second bill is a bill entitled "A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. 4130, BILL NO. 34 (2014), RELATING TO THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE COUNTY OF MAUI (COUNTY SERVICE CENTER)". And the purpose of this bill is to authorize the bonding of the same amount of the design fees for the government facilities at the County Service Center project.

So with that, the Chair would like to ask either Mr. Baz or Mr. Ching if they have any opening comments. And I believe all of you have been provided this sheet in your binders. If you haven't, please look for it. It outlines the amount of lease space by department that will be moving out of or into Kalana O Maui, which is this building and either into the office building next door on the Old Wailuku Post Office site or moving into the new service center. And it shows the location from which these departments will be moving and the destination. It adds up all the lease rent that is being saved by moving into County facilities and it reflects on the bottom right-hand corner the estimated debt service for design and construction, furniture, permits, etc. And then we add to that the debt service on the total project on the bottom which includes the debt service on the land as well. So, Mr. Baz or Mr. Ching, one of you would like to start off?

MR. BAZ: No.

MR. CHING: Chair and Committee, good morning. Thank you very much for taking this matter up. And we do support the Chair's position with respect to deferring, uh, moving this matter out to full Council, and we're open for any questions that you may have.

CHAIR WHITE: Okay, thank you for the brief explanation. Ms. Taomoto, do you have anything that you would like to go over on the spreadsheet you provided us?

MS. TAOMOTO (SPEAKING AWAY FROM MICROPHONE): . . .(inaudible). . .

CHAIR WHITE: Do you all need some time to take a look at where the various departments are coming from or moving to? Mr. Hokama?

VICE-CHAIR HOKAMA: Chairman, do we have any conceptals we can see what we're paying for?

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CHAIR WHITE: I don't believe so. I believe . . . Ms. Taomoto, do you have any conceptual? I believe they've just given us an estimated building size of about 45,000 to 50,000 square feet. Ms. Taomoto?

MS. TAOMOTO: You're correct, Chair. The request in front of you is to provide, initiate that process where we provide and look at conceptual drawings. It's usually an architect that does those renderings or concept designs. We did provide in one of our transmittals to Council, this Committee, a site layout . . . I recall but vertical conceptuels - that would be coming forward as soon as we have this design funding.

VICE-CHAIR HOKAMA: I thought we were farther along, Chairman. Thank you.

CHAIR WHITE: Go ahead, Ms. Taomoto.

MS. TAOMOTO: Perhaps maybe what Riki, oh, Councilmember Hokama is talking about is the Kalana O Maui. That one we have given notice to proceed for that contract. But this is for the Service Center where we just completed acquisition I believe on November 5<sup>th</sup> of the land. So we don't have any consultants on contract right now.

CHAIR WHITE: You all did provide us with a site plan as you've noted. Mr. Hokama?

VICE-CHAIR HOKAMA: No, I appreciate the current status and update also, Chair. That's good news for everybody.

CHAIR WHITE: Now, the other contract that you said that has been initiated is the one for the building of the Old Wailuku Post Office site correct?

MS. TAOMOTO: Correct.

CHAIR WHITE: So that is for the \$1.5 million amount that was authorized last year.

MS. TAOMOTO: Correct.

CHAIR WHITE: Okay. And that is also for the building at the full size of 61,000 and some square feet?

MS. TAOMOTO: In recent discussions with the architect and the I guess the confirmation of the boundaries of the property by the surveyor based on the setbacks and whatever knots that might have to be adjusted based on the confirmed boundary. But it will accomplish what you have in front of you in the relocation schedule that we transmitted yesterday.

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CHAIR WHITE: Okay. I note that the square footage of the building or the offices that are moving into that building is 44,000 square feet plus a little... Is that correct? It's a little over 44,000.

MS. TAOMOTO: Are you adding the leased and owned spaces on the relocation schedule? Is that the 44 you're talking about?

CHAIR WHITE: What I'm adding up is the . . . in the "Leased square footage" column going into the reloca..., into Office Bldg. 1, I have 13,377 square feet plus from Environmental Management; 9,000 from Finance; then 1,109 from Finance-Purchasing; and then 5,729 from Management; 553 from MIS training; 13,404 from Planning; and 1,564 from Transportation. So that adds up to 44,700. And I know there's certain amount of square footage that gets used up in hallways and bathrooms and elevators and so forth.

MS. TAOMOTO: Correct. You have to add the circulation space.

CHAIR WHITE: What is the ratio of common area to leased space?

MS. TAOMOTO: About 25 per cent.

CHAIR WHITE: Okay, so that shows that 44.7 or 44,700 is about 73 per cent of this 61,000 something so that is about right. And then in your calculation for the service center it shows that we're moving about 45,600 into that area or into that building. But my recollection was that the total building size was in the neighborhood of 45 - 50,000 square feet. Is that right?

MS. TAOMOTO: Yeah, we initially left off at a 50,000 square foot building.

CHAIR WHITE: But you've got 45,000 if you're applying the same percentage of common area then that would require a building of about 60,000 square feet not 50.

MS. TAOMOTO: But the, certain. . . like on the DMV and inspectors has the common area inside of it.

CHAIR WHITE: Okay.

MS. TAOMOTO: Yeah. 'Cause that's the total leased space, yeah.

CHAIR WHITE: Okay. And then the other thing I noticed is that we've moving out of Kalana O Maui 1,800 square feet of Public Works, 9,000 from Finance and 5,000 from Management. So we're moving 15,800 square feet out and then we're moving roughly

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4,700 square feet back in. So that leaves about 11,000 square feet unassigned. What are your plans for the 11,000 square feet?

MS. TAOMOTO: Well, Public Works . . . well if you start with . . . I'm assuming you're on the Kalana O Maui upper half of the chart, when you say we're moving out I'm going down to the Department of Finance, Kalana O Maui.

CHAIR WHITE: Right.

MS. TAOMOTO: As the first one to move out. Oh, I'm sorry, let's go up to Public Works – Kalana O Maui expanding in Kalana Pakui. The Public Works, you guys budgeted, your budget approves expansion and renovation, I mean, renovation to provide for expansion in office spaces on the fourth floor but when I'm speaking with the Director of Public Works and the Engineering Division Chief, it doesn't, it would be, if we can realize some space for them to expand to outside of the 4<sup>th</sup> floor they can have a more efficient work space in their expansion plan. So we're providing . . . when Management, when Finance moves out of Kalana Pakui we're proposing that Public Works take in that expansion space and be able to use that as well as some management staff that's in there in Kalana Pakui.

CHAIR WHITE: Okay so other Public Works is going to move into the 1,800 square feet?

MS. TAOMOTO: Yes.

CHAIR WHITE: Okay. And Finance?

MS. TAOMOTO: And then Finance is on the 2<sup>nd</sup> floor and on the 6<sup>th</sup> floor. Purchasing is on the 6<sup>th</sup> floor, and when we were looking at your Kalana O Maui design that affects the both the new building and this building we're looking at perhaps the County Clerk is interested in the second floor. So we're exploring that option. We just had a conversation with your staff and with the County Clerk that in order to provide for getting out of their lease and putting them in a floor that makes sense they want us to consider the 2<sup>nd</sup> floor.

CHAIR WHITE: That would be the Elections?

MS. TAOMOTO: Sorry, that will be limited to Elections.

CHAIR WHITE: Okay, not both.

MS. TAOMOTO: No, not both. And then where the Elections is currently would be used to expand the Council Services, Council Legislative.

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CHAIR WHITE: Okay.

MS. TAOMOTO: I mean Clerk Legislative Council Services. And then the second floor of Kalana O Maui will have conference rooms to facilitate that election process and also we're proposing at this time considering Department of Transportation to get them out of their leased space.

CHAIR WHITE: Okay. The Chair would appreciate if you would provide us with the allocation of that 15,800 square feet of space that's being freed up within Kalana O Maui.

MS. TAOMOTO: Okay, going down – Management. We're spread out. There's about five of us in the Mayor's floor on the 9<sup>th</sup> floor. When we move out we're going to be, when I say we, I mean me. So when I move out we have five of us that's going to be absorbed by CDBG, who is currently in that yellow building at the bottom, in the gravel lot and so we're going to be moving them into our space. There's also management on the sixth floor with Finance and that's ITSD. So they're gonna be moving out to make room for expansion of Council Services. I just wanna say Council and I'm gonna have a discussion with Council Chair White next year about who is gonna take, how we are gonna expand your branch of government into the sixth floor. And then that, that's it for Kalana O Maui moving out.

CHAIR WHITE: Okay, Members, questions for the Department? You guys are unusually quiet this morning.

COUNCILMEMBER VICTORINO: Well, I think Mr. Chair, I mean everything is still conceptual with this is, it's uh. . .

CHAIR WHITE: Right.

COUNCILMEMBER VICTORINO: . . .it's a move that's fluent and making all kinds of changes as you move along, I know what the intent is, expansion development, more space for us and for Council Services, more space for your department, I think we got the picture. I guess what we gotta do is really see the picture you know. . .(chuckled). . .and I think that's what we're looking forward to. I mean I got no problem with approving this and moving it on, but I think when you get those conceptual drawings done we can all really start to see what should be happening. Some of us won't be here by that time but that's okay but I'd like to see it as soon as possible and I think that's what I think the Chair would like to see too. So that's all I got to say Mr. Chair.

CHAIR WHITE: Okay. Any other questions? Mr. Couch.

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COUNCILMEMBER COUCH: Thank you, Mr. Chair. I guess the question is when we talk about estimated debt service for everything it says that we're saving two million dollars a year apparently. Let's just say for the service center we're saving two million dollars a year and the total cost is 30 million dollars. So is that saying that 15, in about 15 years we pay everything off?

CHAIR WHITE: Um, let me see if I can. . .if you go to the line that says--

COUNCILMEMBER COUCH: Yeah, it's kind of hard to read this.

CHAIR WHITE: Yeah. Total lease savings,--

COUNCILMEMBER COUCH: Right.

CHAIR WHITE: --by moving those five departments into the Service Center we'll be saving \$1,541,000 per year. The estimated debt service if you're just considering the building and building design and furniture, permit, etcetera, then we cover that estimated debt service is \$1.5 million. So if you're--

COUNCILMEMBER COUCH: Oh, okay.

CHAIR WHITE: --just considering building alone, building and getting it done alone then we fully cover the debt service with lease savings.

COUNCILMEMBER COUCH: Gotcha.

CHAIR WHITE: If you add the land it adds another half a million dollar debt service per year. So then we're about \$500,000 short of the debt service with the lease savings and similarly on the building on the Old Wailuku Post Office site there's \$1.4..., \$1,490,000 in lease savings by moving the various departments out of places like The One Main Plaza, Wells Professional and so forth, and the debt service on just the building alone is 1.9 million and the debt service on the land is 1 million. And actually I think this land price is maybe overstated. I believe we purchased that for 870,000. Anyway--

COUNCILMEMBER COUCH: Okay, so--

CHAIR WHITE: --so once again with the land included then the debt service on that building is going to be \$2 million as well which means that we're again about \$500,000 short, but I think the way we need to look at this is if this were going to be dollar for dollar right now then we're in really great shape. But by building the building with the assumption of we're moving people out now but over time our lease rents are gonna catch up. So at some point they'll cross and I'm not exactly sure when that is. Maybe Mr. Baz could

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give us a calculation, but it's not as positive as it was when it was first projected because. . . but I think that's because we're not, we're moving some of the lease space back into this building so there's no lease savings. And so one of the reasons we didn't bring this up earlier is that when we were first presented with the building on the Old Wailuku Post Office site and another one right next door on Kaohu the presentation was that the lease rent savings will zero out the debt service.

COUNCILMEMBER COUCH: Right would cover.

CHAIR WHITE: When we asked for those two items to be narrowed down and split 'em, you know split out and more closely identified we were \$100,000 short of meeting debt service on the Old Wailuku Post Office building and we were I believe \$650,000 short of covering debt service on the one on Kaohu Street. When we received this initially that differential had grown to I believe \$1.3 million. So we asked the department to go back and recalculate and do this spreadsheet in a way that we could see the numbers and understand where all the moves were gonna be taking place. So that \$1.3 million is now shrunk back to about a million. So again it's a decision for this body whether we wanna move ahead with, with, with this and at this time or hold off.

COUNCILMEMBER COUCH: Right. Well, I guess my ultimate question is that we, given the debt service and the amount we'll pay these off in about 15, no more than 20 years.

MR. BAZ: It'll be a 20-year bond.

COUNCILMEMBER COUCH: Twenty-year bond. So after 20 years we'll have both of these spaces free and clear. It might be worth the \$500,000 a year mortgage payment essentially and then we're done.

CHAIR WHITE: Well, maybe Mr. Baz can provide us with an analysis of projecting lease rent increases--

VICE-CHAIR HOKAMA: If you can do that by Friday that would be good.

CHAIR WHITE: Yeah.

COUNCILMEMBER VICTORINO: Yeah, I just was gonna ask that.

VICE-CHAIR HOKAMA: We going through that--(clearing throat) excuse me--at National where National was willing to purchase a new building and get the equity from the land. Well now we're leaning to go back to lease because real estate in that part of the country has changed so much that if we go with the new lease proposal we're considering it'll take us seven years to catch up to what we currently paying today.

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CHAIR WHITE: Yeah.

VICE-CHAIR HOKAMA: So for us the decision now is much more complex 'cause there's a lot of people leaning to go back to leasing--

CHAIR WHITE: Right.

VICE-CHAIR HOKAMA --since the market is currently favorable to that component of land utilization. So I wish the numbers were better on the debt service but then I think I wouldn't mind going forward, Chair, and invest in this initial request for this developmental money because I think Ms. Taomoto can tell them for those that are going to apply to get the contract that they need to be very innovative because I've seen a lot of good work done with innovative out-of-the-box thinking that for what we're paying for we can still accomplish the same goal. So I don't have a problem supporting this phase to see if we can get the results we hope for.

CHAIR WHITE: Yeah. I hope they're taking that into consideration on both this design and the design for the Old Wailuku Post Office site, and I think I speak for the others. One of the reasons that we felt that this was the better parcel was that it has a significantly higher density, allowable density. So I think one of the things that we should also take a look at and this doesn't need to be done by Friday, but part of the design analysis is what is the best footprint to provide us the highest amount of utilization with the available parking area. Because I don't wanna build out a big one story or a little bit smaller two-story building if we can create a lot more density or future expansion by keeping the footprint narrow so but that's something for another day. Okay, Mr. Baz, any questions on what you're being asked to calculate?

MR. BAZ: We don't have the calculations in front of us, but staff has worked on that and we can provide that to you. I forget. I saw it but I forget the exact numbers, but one of the factors that you gotta understand is the, and Mr. Chair you mentioned this, the escalation of lease rents is something that we can guess at you know but that can be significantly higher. Look at you know some of the other examples we have of lease rents we were paying ten years ago what we're paying now is really what brought us to this point. Member Hokama's comments are very well taken and we wanna make sure that we are doing the best decision we can at this point so.

CHAIR WHITE: It could happen as we move out of these spaces the lease rents drop.

COUNCILMEMBER COUCH: Oh, yeah, of course.

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CHAIR WHITE: Anyway if you can provide that to the Committee we'll distribute it to the Members before Friday.

MR. BAZ: Sure.

CHAIR WHITE: Okay, Members, any further questions? Staff are we. . .you look like you're. . .

MS. YOSHIMURA (SPOKE AWAY FROM THE MICROPHONE): About to give you something?

CHAIR WHITE: Yeah.

. . .(silence). . .

CHAIR WHITE: You have this? . . .(passing a document to Mr. Baz). . . I don't believe those debt service numbers are the same.

MR. BAZ: No, they're little bit different. Mr. Chair--

CHAIR WHITE: I'd prefer that you come back to us with a, the full analysis based on the number you've given us today.

MR. BAZ: Okay.

CHAIR WHITE: Okay. Members, any other questions? Seeing none. Without objections we'll defer this matter for, set it up for discharge on Friday.

COUNCIL MEMBERS: No objections.

CHAIR WHITE: Okay. Thank you all. And I wanna thank you all for a very, very fun year, very fun term. And Mr. Couch is making a face like he's had a lot of fun in this committee.

COUNCIL MEMBERS: . . .(laughter). . .

CHAIR WHITE: Anyway I wanna wish everyone a very Merry Christmas and thank you all for being here today. And I'm sure Ms. Baisa is probably on the beach in New Mexico somewhere enjoying her first margarita of the day since they're a little ahead of us in time. So to all of you and to all of our staff--

COUNCILMEMBER VICTORINO: She's probably watching.

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CHAIR WHITE: Oh, my gosh. That's right. She does watch.

COUNCIL MEMBERS: . . .(laughter). . .

CHAIR WHITE: Oh, maybe I'm in trouble. All right, well with that I'll adjourn before I get myself into any more trouble. We're adjourned. . .(gavel). . .

**ACTION: DEFER pending further discussion.**

ADJOURN: 9:33 a.m.

APPROVED:



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MIKE WHITE, Chair  
Budget and Finance Committee

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Transcribed by: Jo-Ann Sato