

BUDGET AND FINANCE COMMITTEE

Council of the County of Maui

MINUTES

April 13, 2015

Council Chamber

CONVENE: 9:02 a.m.

PRESENT: Councilmember Riki Hokama, Chair
Councilmember Mike White, Vice-Chair (in 9:11 a.m.)
Councilmember Gladys C. Baisa, Member
Councilmember Robert Carroll, Member
Councilmember Elle Cochran, Member
Councilmember Don Couch, Member
Councilmember Stacy Crivello, Member
Councilmember Don S. Guzman, Member (out 11:43 a.m.)

ABSENT: VOTING MEMBERS:
Councilmember Michael P. Victorino, Member

STAFF: Michele Yoshimura, Legislative Analyst
Mark Pigao, Legislative Analyst
Jordan Molina, 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
Mark R. Walker, Deputy Director, Department of Finance
Jacob Verkerke, Chief Technology Officer, Management Information Systems Division, Department of Management
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

OTHERS: Madge Schaefer
Mark Wadlow

PRESS: Akaku: Maui Community Television, Inc.

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ITEM BF-1: PROPOSED FISCAL YEAR 2016 BUDGET FOR THE COUNTY OF MAUI (CC 15-41)

CHAIR HOKAMA: . . . (*gavel*). . . We shall bring the Budget and Finance Committee meeting to order. This is Monday, April 13. Before we start our review of the Fiscal Year 2016 Budget, we will take public testimony to hear comments regarding the Mayor's proposal. Those that wish to give testimony will have three minutes to share your thoughts with the Committee. I will assist you with your time with a lighting system. Green is to speak, yellow means you have 30 seconds to conclude, and red means you shall stop. We shall also ask comments from District Offices if they have anyone in those areas wishing to provide testimony. So at this time, oh and please turn off your phones, Members and audience. We'd like to ask Ms. Madge Schaefer if she would please come up and share her thoughts with us this morning.

. . .BEGIN PUBLIC TESTIMONY. . .

MS. SCHAEFER: Good morning.

CHAIR HOKAMA: Good morning.

MS. SCHAEFER: I'm here this morning to talk about something near and dear to your heart which is how to save a little money for the County and I think this is a painless way to save money. I have in the last year become very familiar with the grants process for line item grants, and what I have asked the clerk to pass out to you is the application for a line item grant, and I wanted to quickly go over what happens after this application is filled out which is about 24 pages. Once the application is accepted and if the Mayor's budget includes it, if you all change one penny of it, the application has to be done over again. It has to be done so that all the numbers and the narratives that refer to the numbers; if, then there are additional documentation which I gave you on the front, the supporting documents checklist, all of those things have to be submitted every year. You could see that there are quite a few things, then there are quarterly reports which are four pages and the documentation to back up those quarterly reports. I know Ms. Baisa is familiar with the grant process. Then during the year there is a site visit from the grants people to take a look at like the physical timesheets even though they've been provided in the quarterly reports. So my, and let me say this, first, it's very important that the taxpayer dollars be carefully protected and I don't have a problem with that, I just think this goes overboard for grants, small grants. And what it does is it's so burdensome to the small organization that they have to resort to hiring someone to doing this, taking dollars away from their project. So I have a couple of suggestions if you would indulge me.

CHAIR HOKAMA: Please.

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MS. SCHAEFER: I would suggest that there be a shorter procedure and forms for single-purpose use grants under \$100,000. So for instance, the Hana Dialysis grant is used strictly for salaries and yet they need to go through all of these hoops even though that use doesn't change. The second thing is a review is needed, there is a review and an audit that is required on these small grants every three years which costs \$500. You say well \$500 in the scheme of things especially looking at the dollar amounts that you're dealing with the Budget isn't anything. But when it's a \$30 or \$40 thousand grant, it's a lot of money and the problem is there's nobody now on the island who will do audits so it has to go to Honolulu and last year we waited four months--

MR. MOLINA: --Three minutes.

MS. SCHAEFER: --for the auditor to provide the audit, freezing our funds. So whether it could be a letter of certification from an accountant or some other way to ensure that there is protection there. The third thing would be there is the systems apparently don't talk to each other so the grants are when at the end of the year when the County does its audit, it has to be done by hand because the two financial systems don't talk to each other, and I think there would be a substantial savings if you weren't paying an auditor to hand-audit all of these grants. And last but certainly not least, it would be interesting for you all to find out how much is spent for grants administration, for writing these things--

MR. MOLINA: --Four minutes.

MS. SCHAEFER: --how much is spent and you can't break it out in the, if you look at just the general application because the accounting is in there. So in the case of the dialysis house, they have an accountant, the accountant does the payroll, the accountant does, pays all the bills, and so there is you would have to ask that there would be a breakout so you could get an idea of what the grants cost, what it costs organizations to do this instead of do the job that they want to do which is their in the case of dialysis is dialysis. They want to pay for the dialysis techs.

CHAIR HOKAMA: Could you wrap up please, Ms. Schaefer.

MS. SCHAEFER: Pardon?

CHAIR HOKAMA: Wrap up please.

MS. SCHAEFER: I'm done.

CHAIR HOKAMA: Great, why thank you so much. That was a, we appreciate your recommendations, your suggestions this morning. Any questions for the lady on her testimony? Mr. Couch.

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COUNCILMEMBER COUCH: Thank you, Mr. Chair. Thank you, Ms. Schaefer, for being there. You mentioned, you kind of listed a list of things that were difficult and time-consuming and expensive. In as short amount of time, a really short response, can you tell us what would be the, a way that a grantee might be able to do it without costing both the County and the...

MS. SCHAEFER: Well, I think the form just needs, if you look at the form it just needs to be shorter and it doesn't need to ask a million questions when the goal is the same year to year, there, it almost should be like a rubber stamp where you could say our goal is the same as it was last year. You obviously can't do that with a grant that covers a lot of different issues or changes yearly, they need to do the longer form to protect the taxpayer dollars. Shorter forms, less than \$100,000, it makes sense plus it puts I hate to say it but it puts some grants people, people who write these things out of business, and maybe that's a good thing because then it goes to the intent of the grant instead of to the mechanism of the grant. And let me say that for example last year it was a problem, there was a problem and Lehua Cosma who usually writes the grant was ill and I wrote the grant, I finished the grant. It was an exasperating process and in the end I was told well, if I had just justified the margins on left and right, when it got to that I said I'm done. So it's different now, there is a new grants manager and I have had nothing but help from her and I really appreciate that. But it's time for a change here. It's time for there to be a task force or someone to look at this so, because the intent you all are, that you do with these line item grants is to get source and solve the problem that money can solve. But it has to be spent on a lot of administration, it's not good.

CHAIR HOKAMA: Okay, thank you very much.

MS. SCHAEFER: Thank you for the question.

CHAIR HOKAMA: Thank you for your testimony this morning. Next is Mark Wadlow.

MR. WADLOW: Good morning. Good morning, Chair Hokama--

CHAIR HOKAMA: Good morning.

MR. WADLOW: --and the Budget and Finance Committee. Sorry, can you hear me now? And all the Councilmembers, my name is Mark Wadlow. I live in Kihei and I am testifying in support of the position of coastal processes extension agent who works through the Maui Planning Department with a UH Sea Grant. I volunteered weekly for the last number of years with South Maui Volunteers, we worked every week with the sixth through eighth graders at Kihei Charter School, and our work is always on or near the coastal dunes in Kihei. We work with the students to remove invasive plant species and general repair and maintain our dunes. The work is only possible if we have the UH Sea Grant agent approve both the site and scope of the work for the various areas we are working at. Our group works through the Parks supervisor in Kihei, but when the work is on the dunes, the supervisor always wants approval from

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the UH Sea Grant for any work on those protected areas. The Sea Grant agent periodically checks in at the worksites and since the position is through Maui County, we have a very good working relationship with the agent and an opportunity to meet at the site whenever it is necessary. Our students seem to really enjoy this work and their opportunity to give back to our community. We have a large graphic chart that has been developed by the UH Sea Grant that depicts a typical sand dune and teaches the students about what a dune should look like. We and our students have learned through the UH Sea Grant why dunes are important and how they work to protect our shoreline and storms, and we pass that information along to the residents of Maui, our youth, and our visitors. UH Sea Grant makes it possible for us to do this work on the dunes and on our local parks and it's been very fruitful for all. I thank you for your time and your consideration on this matter.

CHAIR HOKAMA: Thank you for your testimony. Any questions for the gentleman on testimony provided, Members? Having none, thank you very much for your testimony.

MR. WADLOW: Mahalo.

CHAIR HOKAMA: We'll go to the Hana Office and ask Ms. Lono if anyone wishes to provide testimony?

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

CHAIR HOKAMA: Thank you. Lanai, Ms. Fernandez, anyone wishing to provide testimony?

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

CHAIR HOKAMA: Thank you. Ms. Alcon, Molokai, anyone wishing to provide testimony?

MS. ALCON: Good morning, Chair.

CHAIR HOKAMA: Okay, we know it's a good morning on Molokai. Ms. Alcon, do we have communications? Okay, we have no communications with Molokai at this time. So we'll have the Staff check if there is someone wishing to provide testimony on Molokai. Ms. Alcon, are you on?

MS. ALCON: Yes, sorry I got disconnected.

CHAIR HOKAMA: Not a problem. Anyone would like to share testimony this morning?

MS. ALCON: There's no one here on Molokai waiting to testify.

CHAIR HOKAMA: Thank you very much. Members, with no objections, we shall close testimony for today's meeting.

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COUNCILMEMBERS: No objections.

CHAIR HOKAMA: Thank you very much, so ordered. Thank you ladies.

. . .END OF PUBLIC TESTIMONY. . .

CHAIR HOKAMA: Okay, thank you. This morning we will start, we welcome back Mr. Baz, our Budget Director in the proceedings so we welcome him and we hope he has a very successful recovery, sir.

BUDGET OVERVIEW, REVENUES

MR. BAZ: Thank you, sir.

CHAIR HOKAMA: And if you feel any need, you can ask for a recess and we'll try and accommodate whatever if you have some needs, Mr. Baz, we'll be happy to consider that. This morning, Mr. Baz will give a Budget overview since we weren't able to have him at the beginning of the deliberations. So this morning, Mr. Baz will give you his comments regarding the Fiscal Year 2016 Budget.

MR. BAZ: Thank you, Mr. Chair, Members. Good morning, everyone, and I do appreciate the rescheduling of this budget overview until I returned. It gives me an opportunity to present to you this 850-page book in front of you. It's an important factor, you know one of the things that while you may not agree with all the numbers in this book, the presentation of the information in here, my staff and I take a lot of pride in working on and presenting to you the information, hopefully better information to help you make better decisions and it's really the intent of this document. The cover page is interesting in itself if you guys haven't taken a look at that. The main picture on that is part of that 30-plus acres that was acquired along with the service center land with the A&B donations. So that's something you know, it's an important factor to highlight. The bottom pictures on there are something we don't like to do but we oftentimes have to do it, the first one on the left is and Member Baisa is very aware of these kinds of things, emergency water department repairs, and so we're trying to upgrade our system to prevent those kinds of things and find those leak detection items, and a second picture there is something we've been doing a lot more recently, replacing life guard towers and other park facilities and so you'll see that tower specifically is at the Hookipa Beach Park. The third picture is something new, I had to actually ask specifically what that was, I took a guess, but, and my guess was right but I wanted to be specific. This is the slurry seal that's applied by our own workers in the Public Works Highways Division. This is something that when they put this on the road, it may just look like they're spray painting the road but it extends the useful life of the road significantly and so I wanted to highlight that. And then that right picture, the fourth picture there on the bottom is the charging stations that are

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outside. We've done a lot of energy efficient things. We're trying to make Maui County more, you know less dependent on imported oils, different things, and this is one of the major factors that we've done in this and the partnership with Hitachi on not just this but also the smart grid and different things that is something that is very important to our community. So those are the things that we've highlighted in this budget document. Along with the main budget document was a synopsis that was presented for your and your constituents, our constituents' information, and we've provided a number of copies for the district meetings so that when people come to the district meetings they're able to get a brief you know, not the whole 850 pages but a brief synopsis of what our document is. We also provided you and anybody who asks, CDs of this budget document as well as the ordinances, and they're all available on our website as well, if you go to mauicounty.gov/budget you can get access to all of the documents that we're looking at on a regular basis so that you know the public is aware of those things too. In the electronic version of the document I did some enhancements. Our table of contents is the next thing in our book here, and online there are hyperlinks from each of the areas in the table of contents to the sections in the document, and then there's also a hyperlink back from each page to the table of contents so that you can be able to navigate that electronic document hopefully a little easier sometimes than even the printed version. And a lot of us are still used to paper and so we do provide that and a few Members have looked at the electronic version and appreciate that. In the table of contents, it's very detailed. It goes through every section of our document and then we also have a list of all of the figures that are in our document as well. Something to highlight on Page 8 is the Distinguished Budget Presentation Award. This is something that is presented by the Government Finance Officers Association of the United States and Canada. This association reviews budget documents and if we present to them, they have to meet certain criteria. I'm also a budget reviewer too so I reviewed other jurisdictions budget documents, and it's interesting to see different, the way that certain municipalities present their budget. But we have received this award. This is the 22nd year that we've received this award and we're very careful and proud of being able to receive this. It's something that, some of this document is put together based on their criteria, based on what the Government Finance Officers Association is saying is a good way to present a budget to not only for the legislators to make decisions on but also for the public as a document that shows what it is that we're doing, it tries to present that. Page 9 is, we started this a few years ago, a reader's guide to the budget and this provides some detailed information about how to read the budget. We have descriptions in there of different things, how we present continuation, budget changes, what each of those items mean. As we discussed a little bit last week, on Page 10 is the allowable inflationary increases and the inflationary schedules that we presented. And Mr. Chair you weren't here but we did discuss again that the inflationary rates are based on the Fiscal Year 2014 actuals, times the inflationary rate that we presented here on this page and that's with the information that was available to us in August when we presented the instructions for this document. So I did want to clarify one thing about the inflationary schedules. When we made these calculations in August on what was available to us, the actuals for 2014, some of them did get modified so you'll see where it may not be a strict, like a 10 percent increase because of some of the actual

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changes, and when we pulled the information from IFAS to when the CAFR was produced for the, and then also the budget details that are in front of you as well. So going on, we have a description of the different character types in here. You know we have salaries and wages of course; Countywide expenditures, operations, Debt Service, transfers out, transfers in, and each of these are described in the budget document as well. Going on is just some examples of the different tables that are in the document and how to read those tables. Page 14 has a guide to the capital project sheet and the description of each of the items on that capital project sheet so that you can understand when it says you know what the project description is, you know where it's at, the strategic plan alignment and what we're looking for in those areas. We also do, just to note, look at the Maui Island Plan as you have adopted and what you're reviewing and implementation plan so that we try, we do try to align our capital future, you know our capital projects for the future on what also the community is preparing for as well, our CIP. So Page 16 describes the different funding sources that are in there for the different capital projects. So that's a brief introduction, a very front matter. Mr. Chair, I'll just go right in to the introduction. There's a letter from the Mayor, I hope that you've all read through, I won't go through that again but just for your information here this is the Mayor's budget message generally describes the changes to what we're looking at in the document, some highlighted items in there. We have a directory of County officials, both the Administration and Council and the structure there. We also have on Page 28 a County organization chart. Sometimes the community wants to know better about how the County's organized. Sometimes they come from different communities where it's a board of supervisors that are managing the departments and sometimes different areas where you know they may have a city manager or different things like that. But this is the structure of our County and how that's laid out as well as the Boards and Commissions that are provided, advisory level or decision-making levels to assist the departments in getting their community, their job done. Next section is just the County profile demographic information that we've collected from the Data Book on the basic information about our County and the structure of it as well as the basic population information. Mr. Chair, the next section we'll get into starts on Page 35 which is budget overview, and this is the section probably more important to your decision making in your description of your, our budget. You know the County funds, you'll see as \$699.9 million, and you've heard you know \$700 million budget and I saw a presentation that that is basically the County funds budget, but as shown in Page 35 there, there are well, two other funds that are not included in those County funds. One is the Revolving Funds, those funds that are paid for as we've described from permit fees or different things like that, Affordable Housing Fund, they make up that Revolving Fund section. And then grant revenue is money that's coming from outside of the County that assists us in getting our job done through mostly Federal grants as well as some State grants. So the total budget that we're looking at for Fiscal Year 2016 including those two funds is \$790.5 million, a very significant chunk, something that is not to be taken likely, it's a lot of money, and a lot of resources that go into providing the services to the County that we need. So this organization, budget organizational chart, shows you by fund the different departments and how much they're getting, they're requesting in expenditures for those different areas. Charts on Page 36 and 37

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describe all of the sources of the funds by major fund type. You can see the resources and the expenditures, they line up, we have a balanced budget. It is a requirement by our State Constitution and our County Charter that we have revenues that meets our expenditures that we provide here. You can look in detail at the chart in Figure 9 that shows that our real property tax is the majority of revenue for our County sources at \$266.4 million is the proposed budget at 38.1 percent of our total County revenues is made up just by real property tax. Charges for current services is the, made up of the water, sewer, different things like that make up the charges for current services and that's 18.7 percent of our budget, it's the next largest section. And Mr. Chair, the Members can go through in detail as we go through those information later. And Page 37 is the expenditures by character type and we have a description of the character type at the end of this section, but salaries and wages, operations, Countywide expenditures, capital projects, you can see that information there. Just to note, salaries and wages and operations are fairly equal, about 24 percent of our budget for each of those. So almost half of the budget's just salaries, wages, and operations, the other items are related to either Debt Service, fringe benefits, capital projects, those kinds of items. On Page 38 there's a table, you can see the breakdown of that \$168.7 million of salaries and wages, the different departments that those are aligned to, operational expenditures as well, and you can just see the breakdowns in those areas all the way down to equipment, \$10.7 million requests in equipment this year. By department and by fund, we have on Page 39 different charts that describe the functional areas, and you can see here public safety is the largest when it comes to employee count and we're going to get in to the different employee section here shortly. Page 40 and Page 41 is explanation of organizational changes. We started doing this a couple of years ago to provide you with a kind of a quick glance at some of the significant organizational changes, I guess all of the organizational changes when it comes to the employees and if there's any expansion requests or movement of employees, and so that table is there to assist you in that basic information. Mr. Chair, I don't know if you want to, if the Members have any questions at this point or we want to just go right through the guidelines, financial policies so it will be fairly brief, and then we get into the financial summaries where we'll talk about the actual revenue in each of the categories.

CHAIR HOKAMA: I'll ask Members if they have any questions at this time. Mr. Carroll, any questions at this time?

COUNCILMEMBER CARROLL: No, Chair.

CHAIR HOKAMA: Ms. Baisa?

COUNCILMEMBER BAISA: Thank you, Chair. I'll wait.

CHAIR HOKAMA: Thank you. Ms. Cochran?

COUNCILMEMBER COCHRAN: Not at this time.

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CHAIR HOKAMA: Mr. Couch?

COUNCILMEMBER COUCH: No.

CHAIR HOKAMA: Ms. Crivello?

COUNCILMEMBER CRIVELLO: Not right now, Chair.

CHAIR HOKAMA: Mr. White?

VICE-CHAIR WHITE: Not at this time, thank you.

CHAIR HOKAMA: Mr. Guzman?

COUNCILMEMBER GUZMAN: Nothing right now, thank you.

CHAIR HOKAMA: Okay, Mr. Baz, if you would continue please.

MR. BAZ: Thank you. Alright, so on Page 45 describes our budget guidelines and financial policies. These are, start the section and it really drives how we make decisions in what we do. There is information about here about the budgetary process, the calendar on how we prepared and then presented, and then your deliberations on the Fiscal Year 2016 Budget all the way to implementation of the fiscal year starting on July 1st, that's on Page 47. Some budgetary planning descriptions, budgetary controls, things that we have set up in there. Again a balanced budget is required, we have to make sure that we don't spend more than we make, and that's, that is something that other municipalities and states and the Federal government don't have that restriction, but we're very blessed to be able to have that restriction in our State and in our County so that we don't get into significant deficits in our operational expenditures. We have the process here about amending the budget in different things should there be a need to do that, the audit of accounts, the budget implementation reports that you receive on a quarterly basis which describe the performance measures, provide you with, you know the report on how the departments are doing according to their goals that they've set for the year and a list of vacancies and how they're going on filling those. We do have a fund balance policy and we strive to maintain a fund balance at the end of the year between 5 and 15 percent so that we can have adequate reserves in there. We also, in 2005, established the Emergency Fund, something that I appreciate and requested an additional appropriation into this year. The auditors look at that as a significant source of just-in-case money and that's really what that Emergency Fund is for, to provide some stability. We don't otherwise have a savings account. So this Emergency Fund is truly that kind of area. Capital budget policy, budgetary basis, we do have a budgetary basis, it's of modified accrued, accruals. Basically we operate in a cash basis throughout the year, and at the end of the year, the Finance Department does the accruals and so we don't on a regular basis have a report of receivables and payables, and different things like that. It's more like you operate your checkbook at a

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cash basis, and then again at the end of the year we do reconcile those accruals so that we can have that. We have governmental funds and proprietary funds. Governmental funds are pretty much everything, General Fund, special funds other than the two enterprise funds that we have which are the Water Fund and the Golf Fund, those are our two enterprise funds. And so there's a description, Mr. Chair and Members, Page 52, 53, and 54, of the different funds that we have. We did get into a little bit of a brief discussion on the fiduciary funds or the trusted agency accounts last week, and this is a description of those funds and what they're generally for as well. So starting on Page 57, excuse me, we have the revenue and expenditure summary, and this is where you see we have a four-year comparison table in Figure 20 of the revenue expenditures of the County. This is a consolidated schedule of all of the amounts; it's where you see the \$699 million there for the Fiscal Year 2016 Proposed Budget, actual details of each of the classifications of the taxes, fees, and assessments as well as other sources of revenue. And then the operating expenditures are by the different category of expenditures, you see their functional areas is what they're called in the CAFR. So you'll see charts on the bottom of Page 57 which show our actual revenues for '13, '14, the adopted revenue for 2015, and then again the proposed revenue and expenditures for the 2016. In general, most of this document is those four years. You'll see the Fiscal Year '13 actuals, you'll see the Fiscal Year '14 actuals, Fiscal Year '15 is what Council adopted last year, not including any amendments. So if you guys made amendments, if amendments were proposed and adopted during the fiscal year, they're not included in the Fiscal Year 2015 Council adopted budget. So as we get in to some of the departments, you'll see that there's a difference there and then the Fiscal Year 2016 of course is proposed by the Mayor for your review and ultimate disposition as well. Page 58 is a more detailed chart that goes specifically of the General Fund, these are the General Fund areas and receipts is here, and then the 59 is the Special Funds. These are Special Revenue Funds that are assigned for specific purposes; bikeway, highway, liquor, solid waste, wastewater, and then golf and water supply are on Page 60 as the Enterprise Funds, and so you can see the revenues and expenditure charts for each one of those in those areas. Page 61 again is the operating expenditure schedule by major fund, so you can see in here by the, first at the top of the page is the General Fund departments and areas where you can see it has a breakdown of the functional area which we described before and then the actual department that implements that functional area. So per culture and recreation of course is just Parks and Recreation Department, but the general government section which is the largest in there includes a number of different departments; Corporation Counsel, Environmental Management, Finance Management, Office of the Mayor, Personnel Services, and Planning and Public Works all have general government functions within those departments, and Highways, Streets, and Transportation is our Transportation Department out of the General Fund area, and you'll see out of the Highway Fund, Public Works is in that functional area as well. Of course Legislative Branch is your offices and the County's Office of Council Services, County Auditor, and County Clerk's Office. Public Safety as we know is Civil Defense, Fire and Public Safety, Police, and Prosecuting Attorney's office, and then Social Welfare is our Housing and Human Concerns Department which provides that social net that we all look forward to, especially as we grow older. A detailed

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description of the functional areas is on Page 62 in those different areas in the departments that align to that. Fund balances are on Page 63. This information is provided to you so that you can get an idea of basically that it's a balanced budget. By fund we have in the beginning fund balance, the transfer to estimated revenues that we see. If we do have a fund balance at the end of the year, that is carried over to the next year and so you can see those different areas. Estimated revenues and estimated expenditures are equal, and therefore the ending fund balance that we're proposing is going to be a balanced budget of zero. And that goes on, Chair, to Page 66. Page 67 is the Carryover/Savings analysis. This is kind of a unique term that is used in the State of Hawaii and through the different counties. Not very well used in other jurisdictions in our community, Carryover/Savings is money that remained unspent or was over our estimated revenues from the previous year, and we are, we utilized that as revenues for the next year. So the less Carryover/Savings that we have from the year before, the less revenue we have for the next year, and you'll see the analysis in here by fund. And then the four-year analysis in that table before, '14 actual, we have the '15 adopted and then '15 estimated based on, most of that's based on additional revenue that we've received that was unexpected and then the Fiscal Year 2016 proposed Carryover/Savings there. The next section, a few pages is just a general economic overview starting on Page 68 going through Page 70. A couple of interesting things to note; in Figure 34 on Page 70, the unemployment rate is lower than the peak, still not quite down to our prerecession days, but the non-farm payrolls have now surpassed so that the number of jobs that are available have now surpassed our prerecession days. Anecdotally those jobs aren't necessarily high-paying jobs but there are more jobs in our community that we've seen throughout there. Then Figure 35 shows a modest growth in personal income. We are still seeing that a year-to-year change is positive but kind of slowing down, and the economists are basically saying that we're looking for slow growth which you know from a government perspective has its positives and negatives. Slow growth is something that's more sustainable. We don't necessarily like to see these huge increases in values or increases in the economy. I know the economists love big numbers and they love big jumps, but from your Budget Director's perspective I like a more consistent growth looking at that kind of thing. And Mr. Chair, so we'll get into revenue overview starting on Page 71.

CHAIR HOKAMA: Okay, ready for that.

MR. BAZ: So Real Property Tax again is our most significant source of revenue. Unlike many other states, our County is allowed to keep 100 percent of the Real Property Tax revenue that's generated, and I know Mr. Chair knows a lot more about the history of that but this is something that again is fairly unique to our jurisdiction. I know the cities and counties in California only get to keep a small percentage of their Real Property Tax revenue so it's a different factor, and so when we talk about different financing and funding sources, it's always something to remember that you as the County Council have 100 percent control over where that Real Property Tax revenue, the level of the charge and then where it's spent and that's something to, that it's important. We expect the values this year to go up around 13.4 percent, and they will be certified, Mr. Chair, on or before April 19 as you're aware, and so I think on April

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20 is when next week Monday is when you have scheduled the discussion in detail of the Real Property Tax. For this year because the valuations increased, the Mayor has proposed no increases to the rates. So you'd think that because the values increased 13.4 percent, the revenue would increase 13.4 percent but that's not the case. Different values increased in the different classifications at different levels. So the actual revenue increase for this year is about 12.1 percent increase, around \$28.7 million of extra Real Property Tax revenue that we're expecting just based on the value increases. So this Council will of course set those rates, whether they choose to decrease them, increase them is under the purview of the Council for sure. Estimated revenue Fiscal Year 2016 again for Real Property Tax is \$266.4 million, table on Page 72 just shows that the rates are flat from the Fiscal 2014, excuse me 2015 adopted Budget. We also provide historical Real Property Tax revenue. You'll see the year of your percentage change in that table on, in Figure 39 shows that, you know there was some decreases, slight in 2011-2012 when the recession hits us. One thing to note in Real Property is that we're always about 18 months behind the market, and that's because you know that when it goes up, we're doing, you know we're doing values that Real Property Tax Assessment Division does their evaluations, they usually finish by June 30 of the year before. So what you're looking at for values now is basically what was done by the staff prior to June 30 of 2014, in preparation of the Fiscal Year 2016 budget. So if when there's a major recession, you know you can see that it didn't quite hit us until the latter couple of years and now we're out of that. We're starting to see those values increase in that information there. TAT is another large funding source of our General Fund. Transient Accommodation Tax otherwise known as the Hotel Tax or you know transient rentals. This one is enforced and taxed and enforced by the State collected and then they provide us with an amount. It used to be 22.8 percent of 44.8 percent of the total revenue received. You are very well aware that the State Legislature has capped that amount. For 2015 and 2016 Fiscal Years the cap was raised from \$93 million to \$103 million, but the current law is that it will go back to \$93 million cap in 2017 and beyond. There are certain bills at the State Legislature right now but the tendency at the Legislature and the testimony from I know the Hawaii Council of Mayors has been to leave it alone for this year, not, they were going to take some more different, they wanted to, there's bills in there, the current bills in there to take some of that TAT and fund different State functions with that, and they're afraid that it might lend a tendency to decrease our amount that we receive from the State for this. There is currently a County-State Functions working group that was created by the State Legislature in 2014 and the Mayor has appointed me to that working group. I do go to Honolulu once a month, meet with, we have the other four counties represented, mostly by their Finance Directors and, or Chief of Staff in the City and County of Honolulu's case, as well as some State Budget and Finance people, and the visitor industry is well represented on there as well. That group has started; we created TIGs and are working in individual groups right now on it was tasked with two basic functions. One is to determine what public services are provided by the County and what public services are provided by the State and then at the end to provide an allocation of the TAT that seems to be a fair allocation. So we'll work on that and the final report will go to the State Legislature at the end of this calendar year for the next session. So everybody's kind of waiting for that report to

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come out before we see if there's going to be any changes. So those revenue for this year, Fiscal Year 2016 which will be the actual revenue based on the current law which is \$23.3 million, it's about 6.5 percent of our total General Fund revenue. The Public Service Company Tax is a tax on the Public Service Company which is the utility company. It's in lieu of Real Property Tax and it's 1.885 percent of the gross income, and we're expecting to receive about \$9.1 million for Fiscal Year 2016, a slight increase, a 0.7 percent increase from 2015. Highway Fund is made up of the Fuel Taxes, one of our main collection points. Fuel Tax is estimated to contribute about 11.8 percent, excuse me about \$11.8 million, we are proposing a \$0.02 per gallon increase to gasoline and diesel as well as implementing tax on biodiesel for the first time in our community, and I'm sure we're going to get into major discussions about these. We did have a discussion of rates and fees on Wednesday and we can provide more details of that. Public transit fare revenue is estimated to contribute about \$2.5 million. That's made from just the fares that received by our bus system for the ridership that they have. Franchise Tax is the public service company, similar to the public service company tax. It's a charge on our organization utilities that have a, to be able to provide those services to our community they are taxed at 2.5 percent of their annual gross receipts, and so the fluctuations are based on its very similar to the Public Service Company Tax. We're estimated to receive about \$10.6 million in that. Weight Tax is a large fund for our Highway Fund. This is paid for when you pay your registration fees, and again we're requesting an increase from 2³/₄ cents per pound to 3 cents per pound for passenger vehicles, trucks, non-commercial vehicles, and then 4 cents to 4 and 36/100 cents per pound for the all other motor vehicles. It equates to about an 8.3 percent rate increase in that area and an increase in projected revenue of about \$2 million based on that. Okay, Wastewater Fund funds our sewer system and you'll see that we've requested a 5 percent increase in our sewer fees. I'm sure we're going to have some other discussions about that as well but that is increased. We have not had an increase in our sewer system fees for quite a while and we do have increased cost of course, majority of which are made up in our salaries and wages, fringe benefits, and other costs, and then electricity, and some of those items. Solid Waste Fund, you'll see the largest increases we're requesting in here, in the landfill tipping fee we're proposing \$80 per ton for our landfill tipping fees, and this as you're all aware we have to supplement, transfer supplemental General Fund revenues to the Solid Waste Fund to continue operations, and we're trying to prudently make it a little more self-sufficient in covering those costs so that's what we're proposed for the landfill tipping fee. And then refuse collection we're proposing from \$18 to \$22 again for our refuse collection. This is the residential refuse collection that you have those bins where the mechanical or manual for those who still have those old six trash cans around. Water Supply Fund is funds that the Department of Water Supply, again self-sufficiency is important and required by the Charter. Its water service fees for this year are proposed at 2.5 percent rate increase. So, Mr. Chair, that's the general overview of the revenue and then maybe we'll ask questions and then get in to the Equivalent Personnel summary.

CHAIR HOKAMA: Why don't we do some questions in this revenue section before we hit the personnel, Mr. Baz?

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MR. BAZ: Yeah, thank you.

CHAIR HOKAMA: I'll ask Ms. Baisa if she has questions for Mr. Baz at this time?

COUNCILMEMBER BAISA: Thank you very much, Chair, and thank you, Mr. Baz, for the overview. Of course none of the information I think we're hearing today is something we haven't heard before. Thank you. You know we've read the overview and we've had the opportunity to talk about much of the proposed things that you mentioned today. I think that the thing that I'd like to hear a little bit more from you is you know there seems to be a concern about the validity of the figures and you know is it truly balanced, are we okay in what we're saying we have, and more so I think from a standpoint of are we spending too much and maybe being overly optimistic in terms of being able to pay for these debts? I'd like to hear you talk a little bit more about that. I know you must have met with bond raters or people who take a big overview of the County finances and can you comment?

CHAIR HOKAMA: Mr. Baz.

MR. BAZ: Thank you, Mr. Chair, and Member Baisa and Members. The budget is balanced. It is something that you know the estimated revenues do meet the estimated expenditures. The idea of if we're spending too much or too little for that matter is something that I guess well, from a bond raters' perspective is it necessarily that much of a concern as long as we're not spending more than what we're making. From a philosophical concern you know and a political concern is something that the Mayor and these nine Members have is something that's very critical and something that is, it has to be a decision that's made from the experiences, the knowledge that you have. You know the Mayor has certain knowledge of being you know in elected office for over 20 years and the different things that he meets with the departments and the community and he hears their concerns and their needs and he has to present to you a balanced budget. And so he has to make the choices of whether or not to increase or decrease revenues to meet those needs. You know we have a lot of requirements, things that are mandatory that we have to pay, things like collective bargaining, increases and fringe benefit costs and different things like that. Debt Service is something that we're required to pay, but it's a little bit more variable and manageable because it's something that we decide. You know or you as a Council decide on how much debt to incur, and when we get into the capital and budget at that overview, I'm going to describe to you the impact of the proposed debt, and it's something that definitely to take consideration of. That section does provide to you the proposed bond issuance for this year. I believe it's about \$80 million and that's very, very significant and that impact will impact us for the next 20 years as we do those.

COUNCILMEMBER BAISA: I have one very specific question.

MR. BAZ: Sure.

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COUNCILMEMBER BAISA: And that is the proposal to tax biodiesel which we have never done. Can you tell me why you want to do that?

MR. BAZ: Sure. We're the, I believe we're the only County that doesn't tax biodiesel at this point, all the rest of the counties do. There's State law that restricts the amount of tax that we can do onto biodiesel to half of what we're taxing the other regular gasoline and diesel oils. That is by State law a requirement. I believe when biodiesel was first created, there was a need to provide some subsidy for that industry so that we could get going and get people used to using biodiesel. But biodiesel is well used now. The capacity that they have to actually create that fuel is lower than what I believe is lower than the actual desire to use it because it is a little bit lower cost. And so that tax we're proposing of \$0.09 is based on half of \$0.18 of gasoline and diesel. But you know the Mayor felt it was about time to start doing that. Something that it is not going to be a significant amount of revenue to us but something where you know they are utilizing that fuel to drive on our roads, and this is something we need to make sure we keep managing our roads and managing being able to repair them on a regular basis. We need that revenue, so that's why that proposal's there.

COUNCILMEMBER BAISA: Thank you very much. I was interested in that particularly because of you know the desire to support renewable energy, but also about we were hearing that our fleet is not totally biodiesel and others have used it a lot more and if we're going to then of course it's going to cost us money so in one pocket and out the other. So I just wanted a little bit more clarification. But thank you very much and I'm sure there will be more but enough from me for now. Thank you. Thank you, Chair.

CHAIR HOKAMA: Thank you. Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair, and thank you, Mr. Baz, for your overview. And you did, I guess you answered the one question I did have in reading about the CAFR report, it's on Page 67. It's just in the opening narrative there, saying that Unassigned Fund Balances and Emergency Fund are part of good, sound financial positioning with the budget overview people, I forget what they're called. But you know and I guess that's, but you said "too much" and does that mean unassigned means the carryover? Is that what unassigned balances are?

MR. BAZ: Mr. Chair.

CHAIR HOKAMA: Yes.

MR. BAZ: The unassigned fund balances are what's utilized in our budget for the next year's Carryover/Savings.

COUNCILMEMBER COCHRAN: Okay and primarily...

MR. BAZ: Yeah, the Carryover/Savings is derived from the unreserved fund balances.

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COUNCILMEMBER COCHRAN: Okay and these were technically funds in the prior fiscal that were assigned or given to certain programs or what have you but never used, thereby now it's being carried over into the next fiscal.

MR. BAZ: Yes, it's made up of two different sources. One is unspent appropriations, money that's lapsed, mostly from capital projects that didn't get spent. Some contracts that, like there was a \$300,000 contract for Solid Waste that got disencumbered at the end of the Fiscal Year in 2014. So it created some extra revenue there, or unspent appropriations there. And then the second part of the unreserved fund balance or the unassigned fund balance comes from revenue that we've received over what we budgeted. So if we had budgeted you know \$200 million for Real Property Tax and we received \$209 million for some reason then that money would be extra monies that received, not budgeted for. Sometimes you know the fuel tax is very variable and so we try to be conservative in our fuel tax revenue so that you know depending on the usage, it's something that could be lower than. We definitely don't want to ever be, have revenues lower than what we projected. So sometimes we'll have revenue that's a little bit higher than what we've projected and so those will be part of that unassigned fund balance which then is used for Carryover/Savings as well.

COUNCILMEMBER COCHRAN: Okay, thank you. Yeah, I just thought it's nice, I mean in a perfect world we'd be down to the last penny and everything would be spent the way we planned it and everything rolls smoothly, right? But obviously that's not quite how it comes about. And generally the narrative is it yourself or is it a collective group of people within the Administration that wrote you know the narrative inserts here?

MR. BAZ: The front section--

COUNCILMEMBER COCHRAN: Like in your economic general overview.

MR. BAZ: Some of that came from actually the gentleman sitting next to me in preparation of the CAFR. That information came directly out of the CAFR and so he wrote that as part of that and I added a couple of the tables there as well.

COUNCILMEMBER COCHRAN: Okay, thank you, and lastly, Chair, if you don't mind. For franchise taxes, would that be something that the company Anaergia would be being taxed?

MR. BAZ: You know I have double check on that, but my understanding would be no, because they're not providing a utility service directly to the public. They would from what I understand they would be selling, they would be selling electricity or fuel or whatever to the electric company, then they would, the electric company, Maui Electric would then be that public utility paying that franchise tax.

COUNCILMEMBER COCHRAN: Okay, thank you. Chair, that's all, thank you.

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CHAIR HOKAMA: Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair. Thank you, Mr. Baz, for your comments. Just out of curiosity, you mentioned that biodiesel we won't, you don't anticipate getting a lot of revenue from them. How much revenue did you guys anticipate from them?

MR. BAZ: You mind if I get back to you on that?

COUNCILMEMBER COUCH: Yeah.

MR. BAZ: I have to look up some numbers. It was very low. You remember when Mr. Goode was here the other day, he did a very detailed analysis of that. I have that analysis; I just have to look it up.

COUNCILMEMBER COUCH: Okay, and you know you were mentioning, or we were mentioning Carryover/Savings, it's my understanding having listened to the bond raters that an amount of Carryover/Savings is good, not too much but not too small too. Is that your understanding and do you happen to know what the range might be?

MR. BAZ: Yeah, Mr. Chair, Member Couch, Members, actually they've never said that too much, there's ever too much. In fact some of the municipalities in California that have AAA ratings are because they have an unreserved fund balance of over 100 percent of their budget and that's why they have such a high rating. To overcome our deficits which are generally the lack of diversity in our economic revenue which tourism we're basically focused mostly on tourism, and the other deficit that we have in our bond rating is the State and unfunded liabilities which you know we're working on very hard would, could be overcome by more Carryover/Savings, more reserves. And so if we had that then we could possibly be a AAA rated organization.

COUNCILMEMBER COUCH: But if we had no Carryover/Savings that affects our bond rate?

MR. BAZ: Yeah definitely, we'd go to a junk bond rating probably. They want to make sure that you have savings to pay for their debt. You know they're issuing debt; they're giving us a loan, right? And you know as a normal bank, they're not going to give loans to people who unfortunately most of the time they give loans to only people who don't really need them.

COUNCILMEMBER COUCH: Right.

MR. BAZ: Because they have savings in the bank, because they have assets and equity, and that is something that is evaluated just like a normal lender but on a very detailed and different level. But yeah, so because we have savings, because we have the Emergency Fund is something that they really, really look at and support, and that was part of the rating presentation to or their evaluation of our rating was that how important that is.

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COUNCILMEMBER COUCH: Okay. I guess this is more of a philosophy question for you and potentially the Chair. Although Carryover/Savings are good, certainly not 100 percent of our budget, that's ridiculous, they are still in essence surplus taxes, is that right?

MR. BAZ: You know yeah, that's a very difficult discussion. When I first came into the Budget Office, there was over \$100 million Carryover/Savings, \$124 I think was the figure, and my personal feeling was that yes, the public was being overtaxed. There is some balance that needs to be made and that is definitely a decision, a policy decision that you guys make that there's a balance for sure between how much we're taxing our people based on the needs of our community and how much we need to be prudent financially, and each one of those decisions that is made takes into account that type of balance, and it's a very difficult challenge that the Chair of this Committee, as Mr. White found out the last couple of years, and Mr. Hokama knows very well, to make that balance and I try to provide the best information I have to you, the best resources to make those decision; and that's something, a factor that is really out of my hands but it's something that's important to our community to understand, you know that the resources they're providing to this government are coming back to them in the services, in the roads, you know in the police, in all the different factors you know. And to, my job and our job as the Administration is to work with the financial resources that are provided to us in the best way possible so that we can provide those services most efficiently to the community, and you know the, I skipped over the vision you know the Mayor presented a number of years ago, but efficient, effective, and responsive government is really what drives, especially my office, but what drives our government to provide those resources. So it's a balance of you know as you go out to the community and you hear from the residents that say I want this service, please fund this organization, I want my roads fixed, and the available resources that are prudent to charge our community. There is definitely a lot of studies that have been done on what the right price of government is. But when it comes down to it, it's really each community's decision to make in how they decide what the right size of government, the right cost of government.

COUNCILMEMBER COUCH: Okay. Thank you, Chair. That just brings you know a point up is that if you tax too much and have too much of a Carryover/Savings, yeah, you might get a better bond rating but that's still too much of the citizens' money. But if you tax too little, the cost of borrowing money costs more so ultimately it's going to cost more. So it's one of those balances that we have to really maintain. And I think with the chart, once that came down from the 100 million, I think the Council's been pretty good at keeping the Carryover/Savings at a reasonable amount. So--

CHAIR HOKAMA: You need to look at Carryover/Savings and the year that you look at those certain numbers to also remember now what the County was like at that point in time. Past Councils created Carryover/Savings because there was no Emergency Funds to place money in. We didn't create funds the Charter allows to place cash. So Council did it through various means to maintain in cash, an appropriate cash balance, and

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all I can say is it proved this County right during 9/11. Okay, this Council, well, that Council took a lot of hits for being tight with the money, not spending too much cash, not borrowing too much, but what County responded when it had to? This County. So I will say our fiscal philosophy has worked. It has proven to serve this County well. But times are changing and for your Chair, I don't expect the Council to be dealing with, and taking responsibility of individuals. You know there's a lot of individual choices that we make as a body, who do give dollars to nonprofits, to me that should be one individual decision, not a Council decision. You give to who you want, to what charities you want; it shouldn't be one collective thing every time. This is not the answer all for every issue in this community. So I can tell you I'm looking at that very different. I'm going to ask Mr. Baz when it's my time how is he going to approach interfund, interagency funding? The General Fund is not to subsidize every single thing the County does. I expect our people to pay for certain fees and services that they choose that they want to utilize, it's not the burden of everyone. So, with that I think it's a good time for a short recess and then we'll continue these questions.

MR. BAZ: Mr. Chair, right before we recess if you don't mind, Mr. Couch, approximate revenue would be \$30,000 for biodiesel.

COUNCILMEMBER COUCH: Okay. Thank you, Chair.

CHAIR HOKAMA: Okay. Short recess, we'll take a recess until 10:25 a.m. . . .(gavel). . .

RECESS: 10:14 a.m.
RECONVENE: 10:29 a.m.

CHAIR HOKAMA: . . .(gavel). . . Okay, let's come to order and we have our task to try and complete today before we go off to East Maui and allow, take comments from the Hana and East Maui community this evening. Ms. Crivello, questions for Mr. Baz and what he has presented so far?

COUNCILMEMBER CRIVELLO: Yeah, thank you, Chair. Mr. Baz, Page 67 if you can explain for me on the carryover summary, and there's a minus, can you explain that Solid Waste Fund--

MR. BAZ: Sure.

COUNCILMEMBER CRIVELLO: --and I think it's golf course also.

MR. BAZ: Yes so, Mr. Chair, the Solid Waste Fund negative Carryover/Savings, these are again you know the Carryover/Savings is a reflection of the fund balance, right, the unreserved fund balance at the end of the year and also in relationship with any revenue that we had projected in the current fiscal year, Fiscal Year '15 and any amendments to that on recognition of additional Carryover/Savings. So my staff is continuing to analyze this with the Department of Finance for the Solid Waste Fund. But the negative Carryover/Savings is a reflection of the fund balance that was

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available of about \$2.2 million in the CAFR with the reduction of the encumbrances that were encumbered as of the end of the fiscal year and also the reduction of the Carryover/Savings that was recognized for Fiscal Year 2015 and the any additional revenues over or any Carryover/Savings proposed for or projected, estimated for 2015 and then the amendments that were proposed during the fiscal year. So I would like to work further with the Committee and the Committee Staff, because from my understanding the proposed amendment for that had been Solid Waste Division for Fiscal Year 2015 will not go forward. That money can then offset some of this negative in the Carryover/Savings for 2016 proposed in there. So we'll work with the Committee staff on getting that number to be--

COUNCILMEMBER CRIVELLO: Oh, okay.

MR. BAZ: --less negative. But that's really what the negative's for. The Golf Fund, it's an enterprise fund so the Carryover/Savings, the fund balance can be negative because of, this one is specifically because of depreciation. Since it is its own enterprise, the depreciation is charged to that fund specifically and therefore reduces the, even though they may have had a cash fund balance at the end of the year, once you decrease the depreciation, then ending fund balance is negative. We maintain that enterprise fund as its own fund, but we need to make sure you know because it does get, it doesn't have enough revenue to meet the needs of the operations of that department with depreciation, that's part of the supplemental transfers that the Chair was discussing that we will have some major discussions on in the future.

COUNCILMEMBER CRIVELLO: And further, when you say reduction of encumbrances, they've encumbered and they've de-encumbered?

MR. BAZ: So just the basic gist of the initial analysis of the Carryover/Savings for the Solid Waste Division, they had about \$2.2 million in rough numbers in fund balance according to the CAFR. They had \$2.1 million in encumbrances. So in our analysis that we've provided to the Committee, I'm not sure if, Mr. Chair, if you've received our response yet but there should be a detailed response in that. You'll see that the beginning number that we're working on, that fund balance is about \$94,000 in positive numbers. So that's where we're looking at, and it seems that in prior years those encumbrances were not included in that initial beginning fund balance. That's why my staff is working with the Department of Finance to confirm--

COUNCILMEMBER CRIVELLO: I see.

MR. BAZ: --how that's actually analyzed.

COUNCILMEMBER CRIVELLO: Thank you. Thank you, Chair.

CHAIR HOKAMA: Okay, thank you very much. Mr. White?

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VICE-CHAIR WHITE: Thank you, Chair. I share Mr. Couch's concerns about the Carryover/Savings, because I think one of the challenges that the Budget Director and this Committee face is that, and we've heard from others and I won't name who, that our budgeting practices has reduced the Carryover/Savings. Well, Carryover/Savings should be from savings, not from over-budgeting. So I'm a little concerned that we feel that we need to over-budget in order to end up with a Carryover/Savings. I do feel that the appropriate place to put it is in the Emergency Fund and we may, I don't recall whether the Emergency Fund is available for payment of Debt Service. Do you recall, Mr. Baz?

MR. BAZ: Yeah, Mr. Chair.

CHAIR HOKAMA: Mr. Baz.

MR. BAZ: The Corporation Counsel has, and the bond raters have agreed that it could be a financial emergency as well. So should a financial emergency be declared by the Mayor and confirmed by this Council, and with this, supermajority of this Council's action could provide that funding for that Debt Service. I would if that's going to be a future practice, I'd like probably, my recommendation to the Council would be to have a Charter Amendment proposed so that we do just clearly expand that scope. That would probably be better.

VICE-CHAIR WHITE: Thank you. Because I think if we have a go-to fund like the Emergency Fund, I'm much more comfortable with that than having the Administration and each department feel as though they've got to present us with an unrealistically high budget in order to have the, you know the buffer with which to face emergency situations or unforeseen circumstances. So I appreciate Mr. Couch bringing it up and it is a challenge as we go through this budget, because you know our job is to provide a balanced budget, not to budget for Carryover/Savings. Those Carryover/Savings should be from either cost reduction or revenue increases during the time, not simply us providing more resources to each department than they actually need. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Guzman, questions for Mr. Baz?

COUNCILMEMBER GUZMAN: Thank you, Chair. Mine is fairly simple. Just on the same lines as Mr. Couch and Mr. White, if there is I guess the proposal of creating an Emergency Fund and the language of I guess the purpose of that fund, would the language incorporated for the purposes require that fund to be used for that specific purpose? And I'm saying that because when I'm look at the bicycle fund, this is kind of something that I've been working on for a while, the bicycle fund specifically says that the revenues generated for that fund is from the bicycle licenses, and then it goes on to say that the revenues or the fund will be used for the bicycle way construction and maintenance. And so when I look at what's in there, it's like \$653 or \$300 and so I then look at the Highway Fund and it specifically says the revenue from there is generated from the fuel tax, the franchise tax, the public transit ferries, vehicle weight

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taxes, and those funds are used for County roadways, street lights, public transit, storm drain, and bridges. So is it possible that the bike fund can take from the Highway Fund or transfer funding from one fund to the other to basically build bikeways and maintain bikeways? Because I don't think \$600 is really adequate. I'm not quite understanding the process or the structure of inter-transfers.

MR. BAZ: Mr. Chair. Yeah, Member Guzman, you're correct. The bikeway, the revenue that's generated from bike permits basically is very insufficient to fund the needs of the Bikeway Fund in providing adequate bikeways--

COUNCILMEMBER GUZMAN: Right, construction or maintenance.

MR. BAZ: --bike paths and maintenance so on a regular basis whenever there is a large project proposed in the Bikeway Fund, there is a transfer from the Highway Fund to cover that. On occasion there may be a balance left over in the Bikeway Fund because a proposed project had not gone through so there's some savings in that. But in general yes, we do provide supplemental transfer from the Highway Fund to the Bikeway Fund. Just for everybody's understanding, the Highway Fund's dwindling down as well and that's why we're proposing the fuel tax and weight tax. So it's not an unlimited resource but it's something that it does, the Highway Fund uses does encompass bikeways as well.

COUNCILMEMBER GUZMAN: It does encompass bikeways?

MR. BAZ: It has an allowable use for the State, yes.

COUNCILMEMBER GUZMAN: Allowable use from, so how does that, do you just procedurally wise, how do you transfer or is that through departmental approval and then your approval?

MR. BAZ: No, it's...

COUNCILMEMBER GUZMAN: It doesn't have anything to do with the Council?

MR. BAZ: Mr. Chair, and Member Guzman, it is something that you guys do, the supplemental transfers.

COUNCILMEMBER GUZMAN: Supplemental, oh yeah, right right.

MR. BAZ: So it's one of those supplemental transfers like from the General Fund to Solid Waste or General Fund to Golf, we do transfers, interfund transfers as well. And that's a part of the revenues that are in the appendix, excuse me, in the ordinance as well.

COUNCILMEMBER GUZMAN: Okay. Thank you, Chair.

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CHAIR HOKAMA: Okay, thank you. Mr. Carroll, any questions for Mr. Baz? So Mr. Baz, tell us the approach you guys want to do with interfund transfers. We're going to do status quo, you folks plan on maintaining a status quo program or you folks, I know you folks have a, well I think there's movement so obviously there's a plan I believe. You folks have a plan; can you share with us your approach?

MR. BAZ: So Mr. Chair, there's always going to be some kind of interfund revenue transfers, stuff that wastewater has to dump their sludge at the landfill so there's some revenue generated there, those kinds of things. But significantly and I believe what your question is related to is the two major transfers that we have that are supplemental to the funds from the General Fund to Solid Waste and from the General Fund to the Golf Fund. This year the Mayor has proposed increasing the landfill tipping fees and residential trash collection fees similar to last year to reduce that supplemental transfer. Philosophically there, especially for Solid Waste Fund there may be a certain amount of general public benefit from the solid waste operations; things that they do to keep us clean, keep the roads clean, keep the you know if the landfill is free to residents then there's a perception that then residents will make that effort to actually go to the landfill and dump versus dumping in the gulches and the side of the roads and in cane fields and in different things like that. So you know whether or not there'll be no supplemental transfer ever I think is something that's going to be discussion. But we are as you intimated with our proposal we would like to see that supplemental transfer reduced. It's something again we proposed last year, Council didn't see it appropriate, but we are proposing it again this year because that is the general philosophy. You know special funds are created and utilized for those special purposes in general, because we haven't really had a final discussion on it and a policy statement by Council, we are operating under the intent that those special funds should be self-sufficient or as much self-sufficient as they can be. Again that's why we're proposing an increase to the Highway Fund because we want to make sure that the Highway Fund doesn't run at a deficit and need that supplemental transfer from Real Property Taxes as well. It's similar to some of the discussions that have been had in Water Resources Committee and that there may be some philosophical differences in there as well about keeping the water supply fund self-sufficient. There can always be seen some areas or there can be seen, not always, but there can be seen some areas of general benefit to the community and that's what the General Fund is for. Those taxes which we charge are not necessarily related to any fees for services, charges or anything. And those taxes pay for that general benefit. And so it becomes then a proposal by the Mayor and a disposition by this Council on at what level that public benefit is derived to be appropriate. From as far as the Administration standpoint, we would like to see the Solid Waste Fund more self-sufficient, that's why we're proposing the rate increases. We want to continue to see the Highway Fund to be self-sufficient as well as the Wastewater and Water Funds as well. I hope I answered that question, Mr. Chair, appropriately.

CHAIR HOKAMA: No, I mean it's good to understand how the Administration is looking at money and what kind of fiscal discipline we can look forward to, and that's why, Members, maybe the time has come to review all revolving funds. 'Cause one of the

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things Council gave is a term called “appropriate upon receiving the money” so it doesn’t really come back here to be appropriated since we already appropriated before we got the cash for a specific purpose. But I think it’s about time we review it. I may recommend that we sunset and have the departments come in and re-justify the need of a specific revolving fund whether it’s serving its purpose or not, or whether we should amend it or revise it so that it can take care of the current needs from what it was originally intended many years ago. I’m referring to a letter from you, Mr. Baz, dated April 7, you sent this as your response to my request regarding the Carryover/Savings estimate, and on the back page, you have a chart for us called Estimated Carryovers/Savings Fiscal Year 2016. In the middle of the chart, we have a line that you have provided called Added Estimate Surplus Deficit Fiscal Year 2015 Revenue. When you add up the funds, the total is close to \$50 million. Should this Committee view that as you received \$50 million additional rev and the Administration spends it without Council appropriating it?

MR. BAZ: Mr. Chair, I apologize, you’re looking at the row added, Add Estimated Surplus--

CHAIR HOKAMA: That’s what I’m trying to figure out which of these...

MR. BAZ: So the total at the end of that row is \$9,142,000.

CHAIR HOKAMA: Okay, so the number I was looking at, that, a negative \$50 million, that is for last Carryover/Savings then from the Fiscal Year 2015 Budget?

MR. BAZ: Correct yeah, the negative \$50 million is what we recognized in the Fiscal Year 2015 Budget--

CHAIR HOKAMA: Okay.

MR. BAZ: --so that’ll align to the ordinance, Council-adopted ordinance.

CHAIR HOKAMA: Okay, thank you for that clarification.

MR. BAZ: Mr. Chair.

CHAIR HOKAMA: Yes, Mr. Baz.

MR. BAZ: While we’re still on kind of the discussion of self, the special funds and interfund transfers and supplemental transfers, the, you were gone last week when we discussed rates and fees, and I made the Committee aware of a large issue with the Solid Waste Fund. When in preparation of Fiscal Year 2016 budget, the solid waste operations had started collecting the construction and demolition materials waste from the landfill that had closed down, and so we proposed rates in here and estimated revenues based on that operation increase. So during the deliberations last week Monday when I was watching from home, the Director mentioned that they’re no longer taking the C&D waste and that was the first time that I’d heard of that and

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that's a significant amount of revenue. I've got to look it up again, it was about \$2 million in revenue that we were expecting from that, the C&D waste into the landfill that's no longer going to come in. So I believe that when the Solid Waste Division comes back on tomorrow, I believe for operations --

CHAIR HOKAMA: Tomorrow.

MR. BAZ: --they'll want to discuss that further as far as any reductions in revenue, and there will also be corresponding reductions in operational costs because of that operation being terminated.

CHAIR HOKAMA: Okay, thank you for that, Mr. Baz. Yeah I've been keeping up on the Committee's efforts last week Wednesday, Thursday, Friday, so I will tell you up front, Mr. Baz, Federal funds, employees being paid by Federal grants, I'm not looking at putting any County General Funds to take care of benefits. If they're over their allocation, they better find a way to make it work with their Federal funds, whether it be Section 8 or any other component. Mr. Baz, why don't you move on to the next portion?

MR. BAZ: Mr. Chair, so after we discussed the revenues there, the next item is the Equivalent Personnel summary. You'll see the proposed budget includes a total of 50 additional E/Ps from all funding sources or about 1.9 percent increase. This is proposed, there are a significant amount of transfers, mostly necessitated by the Ocean Safety Officer movement to Fire, but the overall increase that the Mayor has proposed is 1.9 percent or 50 E/Ps. Equivalent personnel again is the equivalent of a full-time employee working 2,080 hours a year. These might be made up of by portions of positions and then there are also nine of these increases are not necessarily increases, they are movements from either the Legislative Branch or the Mayor's Office to departments where because they're in, if they're in the Legislative Branch or in the Mayor's Office, E/Ps are not counted. Yeah they're not subject to section five of the general budget provisions or HRS 76-777. So by proposing the move of the Budget Office to the Department of Finance and also the Legislative Attorneys from the Office of Council Services to Corporation Counsel, that is nine of those E/Ps so the others, the net really is about 41 increases to actual bodies in our County. The charts and tables going on Page 80 are basically just showing you the different funding sources percentage-wise of you know by fund time, the positions; you can see of course General Fund is the most significant. It's proposed to be 74.9 percent of the personnel for Fiscal Year 2016, and then you can see the annual increases or decreases in the tables on the bottom of Page 80. Detailed by department in changes on Page 81, shows you all of the proposed changes in there.

CHAIR HOKAMA: Okay.

MR. BAZ: And I guess you're gonna to stop at E/P?

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CHAIR HOKAMA: Yeah, why don't we stop right here. Did the departments show you they went through a at least review of their vacancies whether or not they can create efficiencies, they can ask you for re-description of jobs that are vacant and whatnot before coming to you and adding for new positions, Mr. Baz?

MR. BAZ: Mr. Chair, yes, the departments over the last couple of years, have been given the directive to review their current operations and review the current staffing levels in different areas, and a number of reorganizations have happened or have been proposed and are currently happening in the different departments to move staff around to do reclassifications, re-descriptions based on the managers within the departments really reviewing what their current operations are as compared to what their staffing levels or job classifications are. And yes, Mr. Chair, I don't know off the top of my head but there's been quite a number of reorganizations and reclassifications over the last couple of years, to help better align the differing needs of our community with the existing structure of our personnel. Those were reviewed again prior to Mayor proposing these positions and so and the departments honestly requested more. The Mayor did reduce the amount of personnel that had been requested by the departments before presenting to you, because he felt that some of these, some of the requested positions were not appropriate for management to support. So you know what you're seeing here is ones that the Mayor has reviewed and determined that these are a need in our community and a need in our department to be able to fulfill the desires of our community on to best support them, whether it could be either public safety issue or an efficiency, sometimes there's efficiencies that are created by more staffing; hard to imagine but that does happen occasionally as well that an additional staff person in the right area can help create significant efficiencies. One of them proposed in the Department of Management is an additional civil engineer for the CIP section, and that will help assist our departments in hopefully saving significant amount of money in future projects, because they have a better overview of the capital projects and needs and can assist in efficiency measures in that area. So while it may be an extra body, an extra staffing salaries, fringe benefit costs, sometimes the benefit greatly outweighs the cost so those kinds of things that we're looking at in here. Mr. Chair, and as the Council has gone through a lot of departments so far and the rest of the departments I'm sure those questions are being asked and hopefully appropriately answered by the departments to show where you know their justification is for requesting additional personnel.

CHAIR HOKAMA: So this is based off the Fiscal Year 2015 numbers, Mr. Baz, you would say?

MR. BAZ: Yes, as everything in this document, the '15 adopted is the Council adopted as of June of last year. And so any amendments to that are not included in here. They're included if a personnel was added throughout the year by Council budget amendment approved then they would be actually still shown as an expansion for Fiscal Year '16. The departments don't like that but that's the way it is.

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CHAIR HOKAMA: Okay, 'cause I am using, I will be using the 2014 actuals as the basis of my zero baseline. So that's the starting point for me. I'll ask Mr. Guzman if he has questions regarding positions at this time?

COUNCILMEMBER GUZMAN: Not at this time. Thank you, Chair.

CHAIR HOKAMA: Okay, Mr. White?

VICE-CHAIR WHITE: No, it's just my usual concern that this Administration came in with the focus on reducing the number of employees by some recall 5 percent, some recall 7 percent. That would be somewhere between 90 and 110 positions. But each year we see not a decrease in personnel but an increase. So it's concerning because we all know that the employment costs are significant, and those of us who have had to make due with less have figured out how to do it, and I just wish there was a little more of a commitment to holding people's feet to the fire and getting the kinds of efficiencies that that kind of a focus can generate. Thank you.

CHAIR HOKAMA: Yeah, just for the Committee's understanding, while we'll await the County auditor's proposal for his new fiscal year, upon hearing that, I will be making recommendations of operational audits that may assist us better as in upcoming budget reviews. Ms. Crivello?

COUNCILMEMBER CRIVELLO: Nothing at this time, Chair.

CHAIR HOKAMA: Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair. And I guess this is a question to you. There are a couple of suggested movements that added to the count. One of them is the Budget Office moving down and the other is the Corp. Counsel moves. Is this the time to discuss those or are we going to do that at the part, well we've already got Corp. Counsel and we discussed that a little bit. But we haven't discussed the budget, the Budget Office moving over to Department of Finance.

CHAIR HOKAMA: I prefer not to do it now.

COUNCILMEMBER COUCH: Okay. That was my big...

CHAIR HOKAMA: I'll give you my recommendations too --

COUNCILMEMBER COUCH: Okay.

CHAIR HOKAMA: --when I would like to approach that.

COUNCILMEMBER COUCH: Okay. Thank you, Chair.

CHAIR HOKAMA: Ms. Cochran?

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COUNCILMEMBER COCHRAN: Thank you, Chair. And I guess the question is for you also. You mentioned you want to start, you specifically want to start from 2014 actual E/P numbers?

CHAIR HOKAMA: Everything.

COUNCILMEMBER COCHRAN: Oh, okay.

CHAIR HOKAMA: Numbers and everything.

COUNCILMEMBER COCHRAN: Well, for this section that we're on though that would be in reference to...

CHAIR HOKAMA: I'm going to approach all the departments, everybody from the actual 2014 as the baseline, because that's the last actuals that I've got to work with.

COUNCILMEMBER COCHRAN: Okay, okay, just wanted to--

CHAIR HOKAMA: It's served our sister county, City and County of Honolulu well in their approach on how to do reductions.

COUNCILMEMBER COCHRAN: Okay, very good. Thank you, that was just clarification, thank you.

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

COUNCILMEMBER BAISA: Thank you, Chair. I will await your recommendations. Thank you.

CHAIR HOKAMA: Thank you. Mr. Carroll, sir, any questions? I don't have recommend, I will give you my recommendations just so you know that according to the timetable April 24th is the day I will be asking for you to submit your recommendations to the Chair for what you would like to have in the Chair's proposal regarding funding, positions, projects, and whatnot. But before then I will give you some parameters that I will be looking in the crafting of the draft. But I'll do it later this week. So, Mr. Baz, if you would kindly continue please, sir. Let's go to your financial plan as well as your eventual Debt Service approach.

MR. BAZ: Sure, Mr. Chair. So Page 83 starts the discussion of the long-range financial plan. This is kind of the overview of our philosophy on long-term financial planning, sets the priorities that we have in our management of the finances that we do have. New to this budget this year I have provided a limited revenue forecasts, something that Council has shown a desire for, and we looked at in Real Property Tax of course you are very well aware that the Real Property Tax is made up of the assessed value times the rate, so we thought that that was important to show the assessed value so the top

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chart in Figure 58 is the gross assessed value and you'll see two different, the top line or the blue line, if you have a colored version, is the parcel count so you can see that the parcel count has increased on an average of 1.35 percent per year, very slow growth as far as the number of parcels that we capture in to our Real Property Tax assessment. The orange line is the grossed assessed value. You'll see that we have the values are increasing average, this chart because Real Property Tax, real property is such a long-term view. I discussed this with our Real Property Assessment Division and they created this all the way back from the first information they had back in 1986 to current and then projected out to 2030. So the gross assessed value you'll see the major fluctuations of course during the increase prior to the recession and then the effect of the recession. But you can see that our values have kind of steadied and increased pretty much to what we project 3.35 percent per year, of course you know this year they increased 13.5 or 13.4 percent. So there's variables to that year by year but this is the historical data that's provided. And then for Figure 59 because the tax revenue is a calculation based on the value and the rate, we provide this to you as well. You can see that the Council in its deliberations over the years has kind of evened out that huge increase especially in the recent recessionary areas, and we did have an actual decrease in real property tax revenues during the down part of our recession but those are going up as well, that's Figure 59. The revenue that we've received over these past almost 30 years and what we project into the future is actually less than the value increase. So we are being prudent in the big picture of things and not just keeping our rates high but reducing them when appropriate and when possible, and you'll see that our revenue is projected to annually increase around 2.3 percent, that's real property tax. TAT, is Figure 60 you'll see we've had some fluctuations in the past but because of the State Legislature we have that capped out this year and 'cause the current law is that we will have it capped for the future. That's what we project in there back down to the \$21.3 million for future years. Public service company tax you'll see in Figure 61, again because of the recession some drastic changes in there, but on average you'll see an increase of revenue of approximately 0.1 percent, we're projecting a 0.7 percent for this upcoming fiscal year but this is what's forecast. So for these other than the Real Property Tax, the rest of these we did a six-year forecast similar to what we're projecting our capital projects out there for. In fuel tax revenue as we discussed in rates and fees and the analysis that Director Goode made, a very detailed analysis on café standards and number of vehicles and all of that as well as the actual revenues and analysis that I did, we actually came out to the exact same amount for fuel tax of a negative 0.3 percent revenue projection forecasted for the next six years. Franchise tax is projecting fairly flat at this point even though we've had some fluctuations based on the huge shifts in the economy the revenue has been fairly flat there as you can see. Sewer, cesspool you know that one is a combination of usage times the rates that set so this is a combination chart where you'll see you know that the revenues, actual revenues and the budgetary amounts, we had a little bit higher for a few years but we've kind of aligned them to make sure that you know we're not overcharging our customers but that we are meeting the needs of the operations of the Department. You'll see where those are aligning again for Fiscal Year '14 and '15 so we're proposing the rate increase for Fiscal Year 2016. Solid waste you'll see refuse collection and

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landfill tipping fees in Figure 65. You'll see that the actual revenues have pretty much aligned with the budgeted factor. Once in a while you'll see a little bit of an actual revenue where the, you know the residential trash collection is pretty spot on, because we don't have a huge increase in the number of customers every year, but the landfill tipping fees are variable based on economic activity and number of, you know amount of commercial trash out there so you'll see some there. The increase in those two fees are what bring the 2016 projected budgeted amount there, and then we go back to an annual increase of about 3 percent that we've seen forecasted for the past. If of course you know that's, this is where it comes to the full decision of you know what we do supplemental transfers for or not. And then the last one I did was Figure 66 the water service fees and you'll see there we actually had some areas, some times where the actual revenues were less than what was budgeted. It was still enough sufficient to meet the needs of the Department, but those were shifted back and then you can see the projected forecast revenues about 5 percent a year increase and that's an increase based on the rates as well as any increase in the base customer that we have this year. Again we're proposing a 2.5 percent rate increase, pretty much for the water supply. So those are again new to this budget document. I took some time, if I had more time this year I probably would've been able to do more of them, but I did what I could with the time available, and I hope that the Council can appreciate a little bit of an understanding of the future. I mean this is again, you know, past performance doesn't guarantee future performance, but we try to look at that. Definitely lots of disclaimers on this as this is really just my analysis of things, and I'm not a PhD in, economist or anything like that, but I try my best to provide the best information I can to this Council.

CHAIR HOKAMA: Thank you, Mr. Baz. Well, one thing that you did show us is that everything under County control we definitely are looking at some potential reasonable increases on an annual basis, and everything under State is going to stay flat which is not surprising, disappointing, but not surprising. So things like, you know I mean I guess we're all, we're informed of the Mayor's interest in becoming an electrical utility. So that means in the future, the public service tax wouldn't be a revenue source, is that a good understanding if it does move forward to an actual operation of the County?

MR. BAZ: Mr. Chair, I'd definitely have to do some research on that. But even if it was a revenue source, it would be a revenue source generated by our own customers I suppose. It's still in one pocket, out the other kind of situation. The public, the franchise tax and the public service company tax we all pay in our bills now. It's something that is in our utility bills currently. So we as customers are paying in to that as it is. So if the County did take over the utility, I would assume that the customers would still be paying that in to us and hopefully receiving it as either General Fund or Highway Fund on the other side. But definitely would need a lot more analysis of that.

CHAIR HOKAMA: Well, you definitely got to sell me 'cause I look at water and sewer as two utilities that we definitely could do a better job, and I'll leave it at that without getting

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in to too much detail at this time. Members, any further questions for Mr. Baz? Mr. Carroll, questions for Mr. Baz? Ms. Baisa?

COUNCILMEMBER BAISA: No thank you, Chair. I liked the information that we got. Thank you very much and if something comes up I'll make a request. Thank you, Chair.

CHAIR HOKAMA: Thank you. Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. And your question in regards, Chair, to all, thinking about becoming our own utility, I did go to Marin County for that specific reason to look into their community choice aggregate, you know, program that they have, and it works for them and it works for the community because there's options for communities to choose. Do you want to go with P&G [sic], do you want to go with your local utility, and of course the funds that get garnered through it go back into its own municipality-run utility company. So it feeds itself, it pays itself, it improves its own self and what have you. So it seems to be working there. So we do have examples to look towards. But interesting to see how that turns out. But overall I thank Mr. Baz for these details here which are different from last and it does, you know, give a lot more clarity to the system and where our money's going and how we get them and how they're being used. So no in detail, no particular question at this time. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Couch?

COUNCILMEMBER COUCH: No.

CHAIR HOKAMA: Thank you. Ms. Crivello?

COUNCILMEMBER CRIVELLO: I'm good, thank you.

CHAIR HOKAMA: Mr. White?

VICE-CHAIR WHITE: No. Thank you, Chair. It's nice to have Mr. Baz back because he can recall things that those of us with a little more grey hair have a little harder time pulling up. So it's...

CHAIR HOKAMA: At least you have gray hair to pull out.

VICE-CHAIR WHITE: It's always nice to have his presence here. I appreciate his presentations.

CHAIR HOKAMA: Thank you. Mr. Guzman?

COUNCILMEMBER GUZMAN: I have no questions. Thank you, Chair. I just wanted to also ditto that for Mr. Baz, and I appreciate all the hard work that you put into the budget

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and your staff and your team, and you coming back and being with us throughout this process. Thank you.

CHAIR HOKAMA: One area and you can choose how you want to respond, Mr. Baz, I had hoped and again I understand this is a new component you've added, but I would have appreciated and have you consider maybe for future the role of the investment returns we get on our cash. What is the projections? You know we're going to delve in it tomorrow when we take up the audit. But I can tell you this Committee Chair is totally unhappy with the results we're getting, one, the inability for this Committee to be explained on what is the current investment policy, who is making those decisions. And I have no problem making it very clear through an ordinance or other means of how this is going to be done in the future. I would love to have more, \$21 million more in cash to deal with this current year's requests, and this \$21 million I'm not going to get, I'm not going to see it, and not necessarily spend it but I'd love to have a bill reduced by \$21 million. So any thoughts about why we don't have comments about our investment component? And you choose how you want to respond, Mr. Baz. I leave it to you.

MR. BAZ: Thank you, Mr. Chair. The revenue overview and the forecasts that I've prepared for this document are from major funding sources. There are a significant amount of minor funding sources that make up the proposed budget's revenue, and unfortunately the investment returns are minor revenue. It would be nice to be able to make some of the revenue that the State or the ERS and EUTF generate, looking at their numbers and their returns and I kind of get a little jealous of what they're able to do versus what we're restricted to. But for future budgets, yeah, we can take a look at the investment expected rate of return, different things like that. We have...

CHAIR HOKAMA: And I agree with you. I know we have restrictions on what we can invest in. But getting one update then as a Legislative body, we can find maybe Legislative remedies whether they be at the County or State level on what type of instruments, commercial paper, whatever it may be. You know we already went through that fiasco with student loans.

MR. BAZ: Right.

CHAIR HOKAMA: Because of misunderstanding of what is a short-term investment or not. But for me everything's perspective but \$300 million cash portfolio is big enough for this Chair to pay attention to and I'm not talking about points, I'm talking about percents. I don't care about 0.65 points; I'm looking at 7.0 percent returns. So again we need better successes and it's not acceptable is what I'll just say at this time.

MR. BAZ: Yeah, and thank you, Mr. Chair. And we understand, you know the investment policy I believe was transmitted to Council as a further request, and it is based on you know safety, liquidity, and performance is kind of the third factor there. You know understanding that it is very-hard-earned revenue that the tax payers want us to make sure that we invest in properly, but I believe especially with the direction of

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Council that you know should an ordinance be placed you know to set policy I think that, you know, that could assist our operations, and any help we can get at the Legislature to adjust those restrictions, I think would help our returns as well. So you know I look forward to working with you in the future on this for sure.

CHAIR HOKAMA: Okay, thank you. Why don't we take, enter in to our capital and debt preview, Mr. Baz.

MR. BAZ: Thank you, Mr. Chair. So starting on Page 93 is the capital budget and debt overview. It's pretty significant this year, we're proposing a total capital program of \$197.3 million. This includes money that is from special funds, grant revenue as well as the General Fund and then price funds to cover the different costs of those projects that we're proposing. The County sources of funds is \$166.7 million, a pretty significant increase from the prior year, about \$56.1 million from the Fiscal Year 2015 adopted Budget, so that doesn't include any amendments to this current fiscal year but again from the previous adopted budget. Broken down by departments on Figure 70, on Page 94, you'll see Environmental Management has \$38.8 million in proposed projects, Finance Department is \$8.5 million which majority of it is the equipment that we do a 10-year bond issuance on, Fire and Public Safety is a small but still significant amount of \$550,000; the Department of Management is a very large amount of \$42.9 million and as we get in to the CIP functions you'll see \$30 million of that is the proposed Kalama O Maui Phase 1 expansion, building next door, so that's a very significant portion to our increase in the capital project for this year. Parks and Recreation is \$11.5 million, Police \$700,000, Public Works \$63.8 million and again some pretty significant projects in there as well. A big part of that we're projecting coming from the State Legislature for the Lahaina Flood Control Project. Representative McKelvey is spearheading an appropriation, well, we'll get in to more details on that for that project; Transportation for bus stops and shelters and a million dollars which they've consistently requested. Water supply at about \$29.4 million is what we're projecting for the Fiscal Year 2016 proposed Budget. So, Mr. Chair, on Page 95 you can see the table as it's broken down by community districts and Wailuku-Kahului the largest individual district, the \$52.6 million and again \$30 million of that is the new facility next door. Countywide you'll see is a \$59 million and that's for a lot of the improvements that go beyond a certain district for some other repairs and maintenance kind of capital stuff. So for and on Page 96 shows you broken down by fund. You'll see the Bikeway Fund at \$653,000. Federal funds we're projecting on receiving \$18.8 million. General Fund cash, \$6.7 million, General Obligation Bonds which I'm sure will bring a lot of discussion, Mr. Chair, \$80.8 million in GO Bond issuance proposed. Highway fund \$11.3 million, Lapsed Bond Funds is \$1 million, and other grants we're projecting about \$2 million and I think that's private monies that we're going to be receiving. Park assessments for the West Side which pretty much has the only park assessment money left over at \$480,000, Sewer Fund cash is \$9.5 million, Solid Waste Fund is using cash is \$1.5 million, State Funds which again a majority of that is for the Lahaina Flood Control Project is \$9.7 million, State Revolving Loan Funds are funds from the Clean Drinking Water Act and Safe Drinking Water Act are Revolving Funds that are set up at the State level, we're

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projecting \$42.8 million, and the biggest one of that is the Iao Treatment Plant \$15 million for the Central Maui system. Water Supply Restricted Funds \$800,000 is proposed to be used this year in unrestricted funds is \$11.1 million in cash for those different fund types. And then project type breakdown is on Page 97 and Figure 75 you can see drainage, government, I won't read through all those but you can get the idea. Six-year capital budget summaries, we're looking at you know these are the kind of what the departments proposed over the next six years. A detailed analysis is done on the proposed Fiscal Year '16 with a more brief analysis done on the six-year projects, but you can see over the years we are expecting some increases in the amount of capital projects that we need to do to maintain and keep up with growth in this County and these are the six-year projections that we're looking at. You can see pretty significant \$1.1 billion over the next six years. So it's a hard number to grasp in your head, but it's something that when you look at the individual projects and the merits of those can be reviewed and determined if that's appropriate or not, but this is what's being projected by the departments. Capital improvement impact on the operating budget, you'll see a table in Figure 81 that was presented by the departments to my office to say, you know, what impact theoretically would be on the operating budgets of the departments based on these capital project improvements. Okay, Page 100 starts the capital budget policy and capital budget process, and you can go through and see here how we get to this proposed capital budget. The financing and funding sources start on Page 102, there's a description of each one of the funding sources of our capital program as well as the long-term financial plan starts on Page 103. Something that I started to add I think was last year or the year before on Page 104 is a figure that shows our current Debt Service each year and for the next 20 years and then what the impact of the proposed debt, both the SRF loans and the bond issuance would have on that Debt Service, and you can see that that proposed debt is significant, it's \$5.4 million of new issuance from this year for that \$80 million worth of bond issuance and then \$2.3 million in Debt Service annually for the SRF debt. So the current fiscal year's debt is about \$36 million which you know is our proposed for this year, and then you can see it increase for a couple of years to \$42 million and then back down to \$37-\$36 based on us paying off the debt that we have based on our payment schedules, the bond issuances we have, and then below that is the actual graphical representation of those numbers. You can see the blue chart is our current debt and then the orange is the proposed debt and its impact on our Debt Service which we pay annually for the next 20 years. Later, so I'm sure that'll come back for discussion questions but on Page 105 just briefly is our debt limits. We have statutory debt limits and financial limits that we've set either set by the State according to State law or internally we've set a ratio of annual Debt Service to operating expenditures for our fiscal year we're, operating we're of County funds, we're desired not to exceed 10 percent of County fund operating expenditures, and for Fiscal Year 2016 the proposed rate is actually only at 7.5 percent Debt Service to operating expenditures. We definitely want to, that's one of the major factors that from a budget office we look at making sure that we're not spending a significant amount of money on Debt Service. We don't want to be like some counties and companies that I've reviewed that you know they can spend up to 30 percent of their annual budget just on Debt Service, and that's something, Mr. Chair, we keep a close

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track at. The State law requires that no more than 15 percent of our Real Property Tax value is issued in debt, and it's kind of ridiculous for our assessed value of our County. That would be equivalent to \$6.17 billion of debt that we could theoretically not violate the State law, but the County's current debt is \$293.2 million which is 0.71 percent of that ratio. So we're way under. It is kind of something we don't track too much again, because it's; we're never going to get to \$6 billion in debt. And the net bonded debt per capita, this has been \$2,500 per capita for quite a while. You want to make sure that we're not putting our citizens in too much debt individually as well since the majority of the taxes are paid by our citizens, so it's currently at \$1,831 for the Fiscal Year '16. We do restructure our debt should we need to or should we see a desire in restructuring just like you refinance your home mortgages to take better interest rates and we've done that over the last couple of issuances. We've done competitive issuances with bonds over the last two issuances as well, found that that has most likely saved us a significant amount of money in making the bond buyers compete for our highly sought after debt. And debt management practices again are on these pages here by obligation in here also Pages 108, 109, and 110, we show our current debt as of June 30, 2014, and this is directly from the CAFR as well as the Debt Service of our current debt as of June 30 to annually the Debt Service for until maturity of those bonds. So Mr. Chair, that's the end of the capital budget and debt overview.

CHAIR HOKAMA: Thank you for that, Mr. Baz. It's much appreciated. Mr. White, any questions on this portion of Director Baz's comments?

VICE-CHAIR WHITE: Well, what would interest me is on Page 104 where we show the amount of, the debt overview, it shows declining balances, looks really good, but we know that every year we do additional projects. Have you or could you put together the same spreadsheet with the, you know take it in to consideration the last 20 years of bonding issues and incorporating that into the next 20 years, saying we're going to use at least the same amount of bonding that we have over the last 20 years, probably more? But I'd be interested in seeing what happens with this chart if we add the upcoming anticipated bond issuance and see what that does to our payment schedule.

MR. BAZ: Mr. Chair.

CHAIR HOKAMA: Mr. Baz.

MR. BAZ: You know, Member White, that's a very good question and one that if I had time or more staff to do, I actually wanted, what I would like to do is really do a detailed analysis of the six-year capital plan, right, you know what it is that our departments are proposing and what we most likely will have to issue bonds for and analyze that because yeah, you're correct. It most likely will, if you look back 20 years, I'm sure we didn't issue this much debt back then, and you know most likely we'll be issuing more debt in the future. It's just the projected trend as our County grows, you know we're a larger County now, we have a larger population, we have larger needs, and being able to analyze that impact of those bond issuances and yes, we're going to issue bonds

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every year, every two years probably at the least and so we're going to be having debt increases. Yeah, it is wonderful if we never issued any more debt, we'd be paid off completely in 2034 right now, but that's very unlikely as you know. In any business, you know you do use debt to leverage your operational and your needs. So yeah, I appreciate the comments and I'll try to do that in the future. It is something important to analyze.

VICE-CHAIR WHITE: I would caution you to use the six-year projected capital projects because that list has a significant amount of flux. Projects that are there this year aren't going to be there next year, and some that aren't there are going to be inserted. So maybe just as a total it makes some sense.

MR. BAZ: Okay, thank you.

VICE-CHAIR WHITE: Thank you, Chair.

CHAIR HOKAMA: Thank you for that good question and thank you, Mr. Baz for being willing to work on it. Mr. Guzman? Mr. Carroll? Ms. Baisa?

COUNCILMEMBER BAISA: No, thank you.

CHAIR HOKAMA: Ms. Cochran?

COUNCILMEMBER COCHRAN: Not at this time.

CHAIR HOKAMA: Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Chair. Yeah, Mr. White brought up something about the six-year budget because things go back and forth. I noticed we had in the Haiku budget hearing we had somebody say hey look, this was on the six-year plan, this road repair and then it disappeared without any explanation. So I'm just curious how that happens and how you track something that was on there for the next six years and if you even decide not to do anything, it still should be at least noted so that people don't say hey, where'd it go? A possibility, I don't know, you might have a lot of stuff to go on there.

CHAIR HOKAMA: Mr. Baz.

MR. BAZ: Mr. Chair, Member Couch, actually we have that tracking ability in our CIP system. Each of the projects even though they may not be on the Mayor's proposed or Council adopted plan, we still have those projects in our system, and so we should be able to check, that's if the department has updated the status.

COUNCILMEMBER COUCH: Right.

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MR. BAZ: And you know we're transitioning from a system that was built in-house into a new system, and there'll be some significant advances once we fully implement that, it'll be much more detailed track as well where we can be able to look at a single, you know item like the road improvements and say okay well, this is what we're projecting to do with it this year and maybe there's some shifting around.

COUNCILMEMBER COUCH: Okay.

MR. BAZ: But it, I am aware of those situations where a department proposes something in the future year, and then it just disappears off of the radar screen, and so when I do notice those things, I usually try to ask the departments, you know what happened to that, what was the delay, and sometimes there was some physical restrictions where, you know that no longer goes or this is something the department desired but then when they went out the community, the community said no, we don't want to have.

COUNCILMEMBER COUCH: Right.

MR. BAZ: And that's happened on occasion too.

COUNCILMEMBER COUCH: Sure, and the other thing you mentioned you're getting a new system. It would be nice to see since you talk about it on I think Page 103 about the Maui Island Plan and the General Plan, how the consideration is put in there. It might be nice to show each CIP project, what part, you know what policy and action or whatever, and it's only it's numbers, it's you know action 6.3 or 14.2 or whatever that you're addressing so that we can see that yes, you're looking at the General Plan and yes, this takes off one of the actions.

MR. BAZ: Yeah and it's not on the project sheets but we do ask that of the departments when they're proposing a project to us, what their alignment is in with the Maui Plan, and there's supposed to be responding using that...

COUNCILMEMBER COUCH: Sure, but I mean if you have room to throw it, you know on the side saying yeah we're--

MR. BAZ: Okay.

COUNCILMEMBER COUCH: --affecting or we're acting on that action.

MR. BAZ: We'll take note of that for next year.

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

CHAIR HOKAMA: Thank you. Ms. Crivello?

COUNCILMEMBER CRIVELLO: Nothing at this time, Chair.

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CHAIR HOKAMA: Okay, one thing I did want to mention that could help Mr. Baz that I'm looking at, and this is when we're going through our revenue areas is the, I am considering a proposal to push up the deadline on appeals, and that is my main reason to push up the deadline on tax appeals is that it doesn't serve this Committee or the Council well by not having it part of the numbers being accurately reflecting certification. So I think if we move up the deadline prior to certification, once the Director gives us that certified number, we can take better confidence in the integrity of that number. Right now we're going to get the certification and they're still doing appeals. So that's something I am thinking of potentially proposing in the near future. Mr. Baz?

MR. BAZ: Yeah, Mr. Chair, actually I would very much support that. In presenting the proposed budget to you, it is for Real Property Tax still a guess because the certification has not happened. There are other counties, I believe Kauai for sure but has, they do the certification ahead of the Mayor's proposed budget so the numbers that you're looking at are actual numbers.

CHAIR HOKAMA: Right.

MR. BAZ: It would help both bodies in making sure that they have that. So if you can work on that I would very much like...

CHAIR HOKAMA: We'll work with you and the Finance Department to see how we can get it in place sooner than later. But I think it helps everyone involved in the process.

MR. BAZ: Yeah.

CHAIR HOKAMA: Okay, thank you for that. If there's no further questions, you know I would like to use the remaining of our requirements for Mr. Baz and Mr. Walker to start the Countywide review please.

COUNTYWIDE COSTS

MR. BAZ: Sure, Mr. Chair, Members, on Page 259 of the Budget in the Department of Finance is the Countywide cost program. The Countywide cost program is a number of expenditures that are related to as it implies, Countywide expenditures. These include fringe benefit costs, Debt Service, all the supplemental transfers, our self-insurance and insurance program, Open Space Fund, Affordable Housing Fund expenditures, some general costs the Department of Finance oversees, and then as well as the Emergency Fund transfers and OPEB and Economic Revolving Fund if we so choose to put appropriations in there. But these aren't the balances of those funds; these are the appropriations for this fiscal year that are proposed in to this special fund. But as far as fringe benefit costs, you can see here now, Mr. Chair, fringe benefit costs at the top of the table on Page 259 show a significant increase, \$19.9 million. But about \$15 million of that is the other post-employment benefits that

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we've been paying for out of a transfer to the special fund and then paying out of the special fund to the State. And so what I've proposed in the Fiscal Year 2016 Budget is that we appropriate that as an index code separate from the fringe benefits but in the fringe benefits program that we pay directly to the State, and it's really the purview of this Committee if you so choose to continue to use it to transfer to the special fund and then pay it out of the special fund. I proposed this budget of course before the deliberations on the OPEB that the Committee had the other day. So I'm open to any changes that the Committee would like to see in that area. Fringe benefit reimbursements are reimbursements that we receive from the other special funds back into the General Fund for those fringe benefit costs of their employees. Of course bond issuance and Debt Service is the Debt Service that we project that we have to pay for the Fiscal Year 2016 proposed debt. Supplemental transfers will change based on the transfers to the General Fund, excuse me, from the General Fund to the Golf and Solid Waste Fund as we so choose at the end. Insurance program, self-insurance, the Corporation Counsel and I worked together on this with the Risk Management support, and he has proposed an increase of \$4 million to the Self-Insurance Fund to bring it up to \$10 million, anticipating some possible items and as he reviews those with your Council, appropriate Committee for action. The Open Space and Affordable Housing Funds are set by Charter, 2 percent for the Affordable Housing Fund and 1 percent of Real Property Tax revenues get transferred into these funds by Charter. So if the Council deems it appropriate to change the Real Property Tax revenue then those numbers will change as well. The general cost items, you'll see a slight increase in there and this is based on the Finance Department's request including the amendment that the transfer resolution that they requested recently to support some of the additional costs in rentals and phone and postage, thank you. Emergency Fund, we've had some discussion on the floor this morning already, I'm proposing about a \$1.6 million increase to a \$5 million transfer to the Emergency Fund so that we can continue to get our Emergency Fund up to, the Mayor has proposed a directive he wants to see it at 20 percent of our General Fund expenditures, and we're at about 10 percent or so now. So we'd like to see that increased still significantly. That will again be for our, whether they be natural or financial disasters, the ability for us to cover costs while we recover from those disasters. You'll see the transfer to...

CHAIR HOKAMA: Excuse me, Mr. Baz.

MR. BAZ: Yes, sir.

CHAIR HOKAMA: The 20 percent you mentioned regarding the Mayor's projected goal, that's for the Emergency Fund or Carryover/Savings?

MR. BAZ: That is...

CHAIR HOKAMA: And are you looking at it as two separate things or the same thing?

MR. BAZ: Mr. Chair, that's for the Emergency Fund specifically, and we do look at it as two separate things. If Council would like to, we did this back in 2012, on Page 83 it

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describes that. We have, he'd set that policy in 2012, to increase the Emergency Fund to 20 percent of General Fund operating expenditures. So for Fiscal Year 2016, the proposed balance would be \$32.2 million based on the 5 percent, the \$5 million appropriation that we proposed this year.

CHAIR HOKAMA: Okay, we'll decide on that.

MR. BAZ: Yeah. So the transfer to the Post-Employment Obligations Fund you'll see we had it separately going to that special fund prior, but we had proposed it moving just as a fringe benefit cost up at the top there, and the Economic Development Revolving Fund we have not proposed any additional transfers into that fund at this point. Mr. Chair. The budget details have a little bit more detailed analysis of this if you wanted to ask questions based on this page or on the budget details, we'd be ready to answer any questions.

CHAIR HOKAMA: Okay. Budget details are on 6-61. Members, if you care to look at the details side. Mr. Carroll, any questions for Mr. Baz or Mr. Walker regarding Countywide?

COUNCILMEMBER CARROLL: Not at this time.

CHAIR HOKAMA: Thank you, sir. Ms. Baisa?

COUNCILMEMBER BAISA: No. Thanks.

CHAIR HOKAMA: Ms. Cochran?

COUNCILMEMBER COCHRAN: None. Oh, I said no.

CHAIR HOKAMA: Oh, okay, thank you, I'm sorry. Mr. Couch? Ms. Crivello?

COUNCILMEMBER CRIVELLO: Nothing, thank you.

CHAIR HOKAMA: Mr. White?

VICE-CHAIR WHITE: Thank you, Chair. What is the actual cost of our EUTF contribution? In the IFAS report, it shows a budgeted amount of \$27.2 million, and we've so far paid \$15.8 million. Is that just the employer's share or is that the total that's actually getting paid out of that account?

CHAIR HOKAMA: Mr. Baz.

MR. BAZ: Mr. Chair and Mr. White, yes that is the employer's share of the EUTF.

VICE-CHAIR WHITE: Okay, and the is it 60/40?

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MR. BAZ: I believe so, I'm not positive, I don't...

VICE-CHAIR WHITE: So the employer's paying 60 percent.

MR. BAZ: Yeah, the Finance Department presents us a rate that we apply.

VICE-CHAIR WHITE: Okay, and then the amount that we're showing here, if that's 60 percent, does that represent the transfer to EUTF on behalf of all employees whether they're General Funded or Federally funded? Do you have a recollection of that?

MR. BAZ: Yes, we do believe that that is all of the employees and that's the transfer that's made to the EUTF. The fringe benefit reimbursement section, the negative amount is the money that's coming in from the special funds to the General Fund to offset those costs from the special funds.

VICE-CHAIR WHITE: Right, so the offset is the County employees' share, isn't it?

MR. BAZ: No, the fringe benefit reimbursements that you see, the negative proposed \$18.8 million is what's coming in from the --

VICE-CHAIR WHITE: From the other funded.

MR. BAZ: --water, sewer--

VICE-CHAIR WHITE: Right.

MR. BAZ: --yeah, those funds into the General Fund and then it's getting paid out at one time.

VICE-CHAIR WHITE: Okay. Thank you, Chair.

CHAIR HOKAMA: Okay, thank you very much.

MR. BAZ: My staff just e-mailed it's 59.29 percent employer cost so yes 60/40.

CHAIR HOKAMA: Mr. Baz, if you can take a look at the details please.

MR. BAZ: Sure.

CHAIR HOKAMA: I want to try and go through a few of your, the requests while we have you and we still have time for today. On Page 6-63, Mr. Baz, looking at the workman's comp program, can you give us some comment please about the increase you want for this component to \$1.5 million please.

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MR. BAZ: Thank you, Mr. Chair. Actually the proposed \$1.5 million is flat from Fiscal Year 2015.

CHAIR HOKAMA: Okay, but when you look at the actuals of '13, and '14, is this still a good number, Mr. Baz?

MR. BAZ: You know I analyzed this late in the process prior to, if you look at the total down at the bottom of Page 6-63, you'll see that the actual workers compensation costs for '13 and '14 were significantly higher than what was budgeted.

CHAIR HOKAMA: That's correct.

MR. BAZ: So those and I believe that there was an analysis provided by the risk manager to the Committee as well, I kind of glanced at. But there were some of course significant costs in 2014, particularly in workers compensation due to the major incident that we had that, you know, don't foresee in the future. But you know this is what's proposed at this point for Fiscal Year 2016.

CHAIR HOKAMA: And then this lower line 6558 on settlements and judgments, you've got a, I like that kind negative numbers.

MR. BAZ: Yeah, I'd have to probably discuss this with the risk manager, but I believe those are reimbursements from, reimbursements to, you know, from workers comp maybe from the --

CHAIR HOKAMA: Oh, okay.

MR. BAZ: --additional insured or.

CHAIR HOKAMA: Yeah, if you can get some comment if you could provide us please. On 6-64, Director, you're asking us for \$4.4 million increase in the ERS? Can you give us comment on their assessment and explain this to us?

MR. BAZ: So Mr. Chair, the ERS contributions are based on the salaries and wages that are paid to our employees times a rate that is assessed to us by ERS. When Mr. Machida was here on behalf of the State the other day, he mentioned that the rate has increased for general employees as well as for Police and Fire. So this increase of \$4.4 million is based on two factors; one, is the increased salaries and wages from collective bargaining as well as the increased rate that is charged to us from ERS.

CHAIR HOKAMA: Okay. I would like to request a copy of that ERS assessment please, Mr. Baz. So we can understand the increase of the percentage used to calculate the upcoming year's contributions.

MR. BAZ: Sure. It's in the, the rate that my office uses is in that fringe benefit calculation which we provided to your Committee.

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CHAIR HOKAMA: Okay.

MR. BAZ: But how the Finance Department presents that in that report is something that we could request from the Finance Department, backup documentation from ERS.

CHAIR HOKAMA: Good. Thank you. That would be appreciated. Same page, Mr. Baz, 7774 at the bottom under terminal pay salary adjustments, in the previous we've adjust, at salary adjustments were budgeted in this index, so is there no adjustments for UPW and HGEA since their contracts end June 30 this year?

MR. BAZ: Mr. Chair, you're correct. If you look at the Fiscal Year 2014 actuals, they were significantly higher than the current budget or previous expenditures, and that was because of the fact that all of our collective bargaining agreements were up in that period, and so we had adjusted that budget accordingly. For Fiscal Year 2016, we have not proposed any increases. I think Bargaining Units 2, 3, and 4 are up for contract and Bargaining Unit 14 is a new unit. So we're not aware of what those salary increases will be, so I was not given a direction to provide any additional salary adjustments in here just in case. Mr. Chair, we want to make sure that the Council has every purview they need to provide discussion and input and direction in costs of the collecting bargaining decision making at your level.

CHAIR HOKAMA: Okay, okay. Thank you for that. Let's see, my other line is 6-67, Mr. Baz, under self-insurance, you're asking us for \$4 million more?

MR. BAZ: Yes, Mr. Chair. So the, this is a recommendation from our Corporation Counsel and risk manager. They have presented to me a need for possibly additional appropriations so I forwarded that request to you.

CHAIR HOKAMA: Okay, is this something that the Committee has to review in executive session?

MR. BAZ: If you would like further detail, I would suppose to bring the Corporation Counsel up here and have him present to you. Most likely that be, require an executive session to discuss.

CHAIR HOKAMA: Okay. So well, we have Mr. Ueoka, so is this something that the Council is not aware of currently that is before the Administration or this something already before this body? Mr. Ueoka?

MR. UEOKA: Thank you, Chair. These budgetary things are typically above my pay grade so I'm not aware of what this request is for. Thank you.

CHAIR HOKAMA: Okay.

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MR. BAZ: So, Mr. Chair. Very little understanding I do have of this, it may be related to something that is in discussion in Committee, it may not be. But Corporation Counsel can...

CHAIR HOKAMA: Okay. That's fair, Mr. Baz. We don't want to put you in a difficult situation. But we will ask about this \$4 million though under self-insurance. On Page 68, Mr. Baz, 6-68 give us some comment about additional support for legacy system please?

MR. BAZ: I'd be very happy to hand the microphone over to our Deputy Director of Finance, Mr. Walker who is here and he can describe these general cost items.

CHAIR HOKAMA: Thank you. Mr. Walker, please?

MR. WALKER: Yes, thank you, Mr. Chair, Committee Members. As the Budget Director mentioned earlier a few minutes ago, we did come before this body I believe in February, asking for budget amendment increases to our '15 budget to more accurately reflect the costs, increased costs in both rentals, telephone, and postage, and basically what you see before you is the same amounts that we requested to supplement our '15 budget so it's just continuing on under the assumption that those are going to get formally approved. It's just a continuation of those amounts for next year.

CHAIR HOKAMA: So Director, what is the current status of this project, this phone system project?

MR. WALKER: I mean I believe as I think Jacob Verkerke was here, our head of IT was here, I think they're, I think his testimony that day was that yes, the project has taken longer than they expected. They had hoped it would be done in November and that they were hoping that it could be done maybe by July of this year was the latest information that I have.

CHAIR HOKAMA: So would you know if we are still on multiple systems or on just one system?

MR. WALKER: I believe we're on multiple.

CHAIR HOKAMA: Well, I hope you're hard on the contractors if they're not performing. Okay, 6-68, gentlemen also, can you give us some comment on Sub-object Code 6559 please on the rentals and facilities?

MR. WALKER: Yes, I mean this is as we testified in budget amendment, a lot of this has to do with increased AOA dues as well as maintenance to those various Sandhill lots, et cetera that we now own, and this is reflective of those increased costs that were not taken in to consideration in the '15 Budget.

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CHAIR HOKAMA: Is this the account also that you and Mr. Baz would utilize, use for maintenance of County-owned property whether it be Maui Lani, Sandhill Estates, or others?

MR. WALKER: Yes, that's correct, Chair.

CHAIR HOKAMA: Okay. Are you using these funds to pay lease or rents out of this component?

MR. WALKER: Yes.

CHAIR HOKAMA: Okay. Can we get a list of the facilities that you folks are paying out of this account please?

MR. WALKER: Excuse me, Chair, I'm sorry.

CHAIR HOKAMA: Yes?

MR. WALKER: I didn't get the question, I apologize.

CHAIR HOKAMA: I asked if funds were being used from this account to pay for rental facilities.

MR. WALKER: Yes.

CHAIR HOKAMA: So can we get a list of all those facilities --

MR. WALKER: Yes.

CHAIR HOKAMA: --that's being paid out of this account? Thank you very much. And then on 6-69, how many copiers are you guys doing under this expense, Countywide expense component? Is it one super big one, five pretty-good-sized ones?

MR. WALKER: Yeah, I think it's two or three but let me get a specific number for you.

CHAIR HOKAMA: Okay thank you and give us the location too --

MR. WALKER: Sure.

CHAIR HOKAMA: --of those machines. Okay, other questions by the Committee? Eh, Mr. Verkerke, since you're here, come on down, come on down. I think he might be able to help us so please join us. Thank you. We appreciate you making the time. So, Mr. Verkerke, we were having a short discussion on the legacy project, and so we asked him about the 50,000 increase which he told me was part of the request you had for this budget year, and you continue that, and then we asked him about the

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status and if we're on just already on one system or are we still on multiple systems? Any updates you could give us, Mr. Verkerke?

MR. VERKERKE: Yes, Mr. Chair. Thank you for the opportunity to provide some explanation. As I mentioned to you in an earlier appearance and I forget which Committee it was, we hope to complete the migration of the legacy phone system to the new system by July perhaps August of this year. The study we had done by the consultant that helped us with the selection of the system showed that the savings projected from this conversion would really start showing up after the completion of the project. So right now we're still partly on the old legacy NEC system and part on the new system. The legacy system in the building here also serves some connecting lines to facilities in South Maui and West Maui and what have you. So we can't shut it down here without cutting off those offices until we have complete the installation of the new system. So this summer we should be finished with that and we should be able to demonstrate that the savings are going to be showing up in the next fiscal year.

CHAIR HOKAMA: So Police would be, is already on a separate system, or are they going to, everybody's going to be on one system there, Mr. Verkerke?

MR. VERKERKE: For the regular phone system, the Police is already on the new system.

CHAIR HOKAMA: Okay.

MR. VERKERKE: But they still of course have the Statewide 911 system that's completely separate from this system.

CHAIR HOKAMA: Okay, thank you for that responses. We appreciate it. Any other questions for Mr. Verkerke since he made the effort to join us? Mr. White?

VICE-CHAIR WHITE: Thank you, Chair. I don't recall what the savings were going to be. Do you remember what the estimated savings would be when we switch over?

MR. VERKERKE: No, I would have to get back to you on that. I didn't bring any of the documentation with me just now.

VICE-CHAIR WHITE: Okay.

MR. VERKERKE: But we have that and I can, I'd be happy to share that.

VICE-CHAIR WHITE: 'Cause my, the question that pops into my head is that if we're going to complete the work, the migration by July, this budget starts in July, so it's, if we're going from a \$386,000 expense annually to \$436,000, I recall that there was going to be significant savings by switching to the VOIP service. So it would be great if you could get us those cost savings projections that were used to make the decision to move across to this new system and then also what savings does the consultant now forecast if there's a significant difference between the two?

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MR. VERKERKE: I will get that information to you. And I believe this item is not just the phone system, there are other costs in there. So it won't be directly...

VICE-CHAIR WHITE: Okay, then maybe we can ask the Finance Department to provide that information as well to break out the...

CHAIR HOKAMA: Yeah, their subaccount is titled currently Centrex Telephone System although the --

VICE-CHAIR WHITE: It seems pretty specific.

CHAIR HOKAMA: --additional funding is for the legacy project. So yeah we can ask Mr. Baz and Finance to kind of help us work through this.

VICE-CHAIR WHITE: And if we could also get some sort of indication, the Police Department has switched over completely.

CHAIR HOKAMA: Yeah.

VICE-CHAIR WHITE: So we, are there savings that are generated by the police being on a separate system or is this all based on the support and maintenance of the central computer system?

MR. VERKERKE: Mr. Chair, it's a little bit more complicated than that, because at the same time that we switched the Wailuku Police Station off the old system to the new system, we also brought the Kihei Police system online which required a number of lines that had never been necessary to provide --

VICE-CHAIR WHITE: That's right.

MR. VERKERKE: --additional capacity and what have you. So expansion, you know kind of muddles the picture a little bit.

VICE-CHAIR WHITE: Yeah, good point. Thank you, Chair.

CHAIR HOKAMA: Okay, thank you. Any further questions for Mr. Verkerke, Members? If not, I'd like to excuse him for his requirements. Thank you very much for being present.

MR. VERKERKE: Thank you, Chair.

CHAIR HOKAMA: Any other questions for Mr. Baz or Director Walker regarding Countywide at this time, Members? Mr. Baz, anything you wish to add? I think this is what we had planned for today.

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COUNCILMEMBER COUCH: Actually, Mr. Chair.

CHAIR HOKAMA: Excuse me, yes, Mr. Couch?

COUNCILMEMBER COUCH: I did want to come up with one. I forgot I was going to ask that.

CHAIR HOKAMA: Okay, please.

COUNCILMEMBER COUCH: What is the ARC for the OPEB? What is our Annual Required Contribution?

CHAIR HOKAMA: Mr. Baz.

MR. BAZ: Thank you, Mr. Chair. I believe that information was provided to the Committee but for Fiscal Year 2016 the ARC is fourteen million, nine hundred ...*(inaudible)*...

COUNCILMEMBER COUCH: So it is exactly what we're...

MR. BAZ: Yeah.

COUNCILMEMBER COUCH: Okay.

MR. BAZ: Yeah, we're proposing exactly what it is.

COUNCILMEMBER COUCH: As opposed to the minimum payment that they said we could do for \$3 million.

MR. BAZ: The 40 percent correct, yeah.

COUNCILMEMBER COUCH: Okay. Thank you.

CHAIR HOKAMA: I am going to be recommending in the legislation that the payment must be done, must be done in the first quarter of the new fiscal year, and that will be in the ordinance itself. It's not a, it's going to be a directive, Legislative directive that I'm going to present to the Committee. Okay, any further questions, Members, for either Mr. Baz or Mr. Walker? Having none, we thank you gentlemen --

MR. BAZ: Thank you, Mr. Chair.

CHAIR HOKAMA: --for your presence here. Welcome back, Mr. Baz.

MR. BAZ: Thank you. I really appreciate the opportunity to provide this overview to you, and thank you for rescheduling your Committee's work to allow that to happen, and I look forward to continuing deliberations. I only missed four actual days of deliberations but it seemed like I missed the world.

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CHAIR HOKAMA: Well, you were lucky you had drugs to deal with that.

MR. BAZ: I was told the appropriate term is meds, medications.

CHAIR HOKAMA: Meds. Thank you for the correction, you're right, you're right. Okay well, no further business. We will just ask to our East Maui residents that we do have a public hearing this evening in Hana for to take your comments. Tomorrow, there is two meetings, Members. We have a special meeting at 9:00...10:00, thank you very much, and then we will continue the budget deliberations later on tomorrow afternoon. So if there's no questions for your Chair, this meeting is adjourned. . . . *(gavel)* . . .

ACTION: DEFER pending further discussion.

ADJOURN: 12:14 p.m.

APPROVED:



RIKI HOKAMA, Chair
Budget and Finance Committee

bf:min:150413:mt

Transcribed by: Marie Tesoro

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CERTIFICATE

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

DATED the 4th of May 2015, in Wailuku, Hawaii

A handwritten signature in cursive script, appearing to read "Marie Tesoro", is written over a horizontal line.

Marie Tesoro