

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

MINUTES

April 20, 2015

Council Chamber

CONVENE: 9:02 a.m.

PRESENT: Councilmember Riki Hokama, Chair
Councilmember Mike White, Vice-Chair (in 9:10 a.m.)
Councilmember Gladys C. Baisa, Member (out 11:53 a.m.)
Councilmember Robert Carroll, Member
Councilmember Elle Cochran, Member
Councilmember Stacy Crivello, Member
Councilmember Don S. Guzman, Member (in 10:10 a.m.)
Councilmember Michael P. Victorino, Member

EXCUSED: VOTING MEMBERS:
Councilmember Don Couch, 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
Danilo F. Agsalog, Director, Department of Finance
Scott Teruya, Administrator, Real Property Tax Division, Department of Finance
Marcy Martin, Technical Officer, Real Property Tax Division, Department of Finance
David Raatz, Director, Office of Council Services
Ross Izumigawa, Council Services Supervisor, Office of Council Services
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

Seated in the audience:

Chancy Hopper, Supervising Legislative Analyst, Office of Council Services
Jo-Ann Sato, Supervising Committee Secretary
Nicole Kahinu, Council Services Clerk, Office of Council Services

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OTHERS: Stuart Hirotsu
Lisa Paulson, Executive Director, Maui Hotel and Lodging Association
Others (5)

PRESS: Akaku: Maui Community Television, Inc.

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

CHAIR HOKAMA: . . .*(gavel)*. . . This Committee on Council's Budget and Finance Committee shall come to order. This is the 20th of the month, 2015. We are in the review of the Fiscal Year 2016 proposal by the Mayor. Before we take the Department of Finance and the Real Property Certification numbers, we'll take public testimony. We have requests. We shall allow each testifier three minutes to share your testimony with the Committee. We shall assist you with a lighting system. For those in the Chamber, green means to speak, yellow means 30 seconds remain, red means to stop. Everyone, turn off your noise-making devices, please, phones, iPads, mini-Pads. And with that we'll start with public testimony for today's meeting. We'll ask Stuart Hirotsu to come up and share his thoughts with the Committee.

. . .BEGIN PUBLIC TESTIMONY. . .

MR. HIROTSU: Good morning.

CHAIR HOKAMA: Good morning.

COUNCILMEMBER BAISA: Good morning.

MR. HIROTSU: Mr. Hokama, members of the Staff, members of the Council. Thank you for this opportunity to testify. My name is Stuart Hirotsu, and I'm a full-time accounting student at the University of Hawaii-Maui College. And I'd like to thank the County for their continued support of the Cooperative Education Partnership Grant. And I'd like to ask that you please continue that support, and ask and beg if necessary that you please reinstate the previous level of support of \$50,000 to the Budget. Last semester I had the very good of fortune of serving an internship at the Maui County Department of Finance, and I can say without exaggeration it changed the course of my academic journey. Thanks to the very astute insights of Ms. Anne Jenny, and the very nurturing, patient guidance of Mr. Jack Kulp, I was given a view into a world much larger than anything ever revealed in the classroom. Now I place great value on classroom learning, but I think we all understand that the real world experience offers elements of the learning process that one can never acquire in a classroom. And thanks to this internship provided by the Cooperative Education Program, I have a much better idea of what awaits me when I reenter the workforce, and more important

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than that I've been inspired to pursue classes after the degree program. I'd really love for my friends and classmates to be able to enjoy similar experience, and I ask that you please reinstate that level of support for the future of Maui County's workforce. Thank you.

CHAIR HOKAMA: Thank you. Any questions for Mr. Hirotsu, Members? Having none, thank you very much for your thoughts. Lisa Paulson, please?

MS. PAULSON: Good morning.

CHAIR HOKAMA: Good morning.

MS. PAULSON: Dear Chair Hokama and members of the Committee, my name is Lisa Paulson, Executive Director of the Maui Hotel and Lodging Association, the legislative arm of Maui County's visitor industry. Our membership includes over 150 property and allied businesses that are members of...excuse me, all of whom have an interest in the visitor industry. Collectively, our membership employs over 20,000 local residents and represents over 19,500 rooms. On behalf of Maui Hotel and Lodging Association, I'm here today to thank you for your diligence in reviewing the County Budget and all of your efforts for a balanced budget. I would also like to request that you keep the Budget proposal as currently stated with no increase to real property tax rate for the Hotel/Resort and Time Share classifications. This year forecasted property valuations alone are up 13.4 percent generating 266.4 million, an increase of 28.7 million for Fiscal Year 2016. Of that amount, 112.3 million will be generated from Hotel/Resort and Time Share properties, 42.1 percent of the overall real property tax income. Keeping our cost level is critical to our ability to compete against other sun destinations, especially now when we are seeing an increased amount of competition with new resort locations and other destinations' deeply discounted air/hotel packages. Thank you for the opportunity to testify.

CHAIR HOKAMA: Thank you. Any questions for the gentlelady on her testimony, Members? Okay, having none, thank you very much for your comments.

MS. PAULSON: Thank you very much.

CHAIR HOKAMA: We shall ask our Hana Office, Ms. Lono, if anyone wishes to give testimony today?

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.

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

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

CHAIR HOKAMA: Okay, thank you, ladies. Anyone else in the Chambers? Seeing none coming forward, Members, with no objections, we shall close public testimony for today's meeting.

COUNCILMEMBERS: No objections.

CHAIR HOKAMA: Thank you, Members, so ordered.

. . .END OF PUBLIC TESTIMONY. . .

REAL PROPERTY TAX CERTIFICATION

CHAIR HOKAMA: This morning we have with us the Department of Finance. We have our Director, Mr. Agsalog, and our RPT Administrator, Mr. Teruya, and our Assistant Administrator, Ms. Martin, with Budget Director Baz. They are going to present their presentation on the Real Property Tax and their certification numbers that we'll use as the basis of our certified number for revenue as it regards to real property tax. So we shall take a recess, prepare the Chambers for the presentation. Anything at this time, Mr. Agsalog, you wanna say before we take the recess?

MR. AGSALOG: If I would...if I can, mister...

CHAIR HOKAMA: Sure, Mr. Director.

MR. AGSALOG: Okay, Mr. Chair, thank you very much for allowing this presentation this morning, and as the Maui County Code requires us in the Department of Finance to certify the rolls of assessment every year on April 19. As such, we have delivered to the County Clerk last Friday, and I wanna thank the staff at the Real Property Assessment and Treasury in coordination in coming up with this certification today. I just...I was just amazed, Mr. Chair, that the short period of window that we have because 19 falls on a Sunday and this cuts our window to put this thing together, and I really appreciate those appraisers worked long hours to put this thing together, Mr. Chair. And let me just present the big amount and then we'll have the details --

CHAIR HOKAMA: Okay.

MR. AGSALOG: --with our Administrator, Mr. Chair. Again, the Fiscal Year 2015-2016 net taxable real property for revenue projection is 40,711,720,270. That's the certified rolls, Mr. Chair, for the rates purposes. And this weekend, Mr. Chair, our Administrator, Mr. Scott Teruya and his staff, the PTO, Ms. Marcy Martin worked long

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hours this weekend to come up with this presentation today, and I really appreciate it. They're going to give you detailed presentation as far as the difference between what the Mayor's proposed and what we have today. So if there's any question a little bit later on, Mr. Chair, we would really appreciate it if you give us the opportunity to respond.

CHAIR HOKAMA: Okay.

MR. AGSALOG: With that, Mr. Chair, I will be giving it, the floor, to our Administrator, Mr. Scott Teruya, for the detailed presentation of this assessment. Thank you, Mr. Chair.

CHAIR HOKAMA: Thank you, Mr. Director. Okay, we shall take a short recess, prepare the Chambers, and then when we get back to order, Mr. Teruya shall give us our presentation. We are in recess. . . .(gavel). . .

RECESS: 9:12 a.m.
RECONVENE: 9:13 a.m.

CHAIR HOKAMA: . . .(gavel). . . Okay, we shall bring this meeting back to order. At this time I would like to have Mr. Lance...Scott Teruya, our Real Property Tax Administrator, to give us the presentation regarding the certification, please.

MR. TERUYA: *(PowerPoint presentation)* Okay, thank you, Council Chair...sorry, Council Chair White, Committee Chair Hokama, and Members of the Budget and Finance Committee, good morning. On behalf of Director Agsalog, it's a honor to present to this Council, the County of Maui's 2015 Real Property Tax Certification. According to Chapter 3.48.135 of the County Code, it states that on or before April 19th preceding the tax year, the Director of Finance shall file with the County Clerk a list of all property assessments made within the County of Maui. This list known as the Certification Roll shall identify the properties assessed by tax map key number. Real property shall be assessed and taxes shall be levied thereon as of January 1 preceding the tax year. For the current fiscal year, assessments are based as of January 1, 2015, and sets the basis for this Council's deliberation of tax rates for the upcoming Fiscal Year '16 Budget. At the time the Mayor submitted the proposed '15...Fiscal Year '16 Budget to the Council, the Certification of Real Property Assessments has not been completed and the Mayor's Proposed Budget included projections of the amount of value that may be under appeal. With the assistance of the entire staff of Real Property, we certified the Council's assessment roll on April 17, 2015. The '15 Certification Roll is a snapshot of the County as of January 1, 2015, and identifies the actual net valuation after all exemptions, along with the actual assessments under dispute. The certified value for revenue projection is used for Council's deliberation of the Budget and establishment of real property tax rates per classification. The primary difference between the projection and certification is the amount of value under dispute from tax appeals. In estimating this amount historically, we evaluate the appeals from previous year along with the...our

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estimate based on market conditions. We have prepared a handbook by our technical staff put together for you and one we believe will provide the Council with figures and statistics to aid this body for tax rate deliberations as well as provide you information for future Budget and Finance hearings. Real property assessment certification, the open page...I'm sorry, I'm not sure if you have your binders or booklets or not. If not, it would probably be passed out right after this. But I'll just go over this. This is basically what you guys will be given. The open page is the table of contents for your guide for future reference. This chart is a detailed summary of all ten classifications identifying the certified value for tax rate purposes broken down by land and building classification. The certified values are applied to the Mayor's proposed tax rates per classification to arrive at the projected revenue. The sum of all ten classifications arrive at a subtotal of...where is it...right around here...is that blurry? Or is that the back? Okay, \$261,399,515. After subtracting \$360,846 in Circuit Breaker Tax Credits and adding \$1,834,268 in revenue from parcels paying the minimum tax, the net total for real property taxes at the Mayor's proposed rates total \$262,872,937. From the Mayor's proposal there is a shortfall of approximately 4,236,696. The shortfall is due to the actual number of appeals under appeal and was not available to the Mayor at the time he had set his proposal. Pages 2 through 11 provide summary details for each of the ten classifications. Details include the gross valuation per class, exemptions, valuations on appeal, 50 percent of the value appealed that must be deducted for tax rate purposes, and the net valuation for tax rate purposes. Page 2 is a summary for the Time Share classification as you can see right up here. These are the...when you guys have your handouts, this will be the area you look at. Residential, Commercialized Residential, Apartment, Commercial, Industrial, Agricultural, Conservation, Hotel/Resort, Homeowner, and this page is the aggregate total of all ten classifications. The next page, when you do have your book, it'd probably be good to put a sticky note or a tab over here. It's a summary page showing the number of parcels per classification, right here. Values and exemptions, the number of appeals filed per class are over here in appeals, and the total per class in the summary, and the valuation in dispute. So this is a good one that you might wanna...wanna tab on. Next page is a pie chart to show you the percentage breakdown of the number of appeals per classification. This page, number 15, this illustrates 100 percent of the taxes that are under dispute. When a parcel under appeal pays their taxes, Treasury is required to place the funds under dispute into a litigated account. These funds, although 50 percent is budgeted for expenditure, is held in that account until the appeal is adjudicated, or settled before the Board of Review or Tax Appeal Court. This page shows you the net taxable values for the upcoming and past nine fiscal years. As you can see, the market began to rise significantly in the 2007 Fiscal Year. It reached its peak in 2010, and started to decline in the Fiscal '13, and a third year in a row the next taxable values have increased. On the bottom of the section of the handout, you'll see the percentage change from year to year which is not on this PowerPoint but it'll probably be detailed in numbers on your actual handout. This page shows the certified values for tax rate purposes for the upcoming and past nine years. Unlike the previous page, this illustration takes into account real property appeals and are used for budget

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purposes. Chair, this concludes the opening section of the Certification, and I'm assuming that you would want me to just proceed with section 2?

CHAIR HOKAMA: Yeah, please.

MR. TERUYA: Okay, again, we have a summary as a opening page. It's for your quick reference. Page No. 1, this shows a five-year history of tax rate history by classification along with the proposed tax rates for Fiscal '16. On the handout in the lower section, you actually have the numbers but due to reason, we don't have it on here, but on your handouts you'll have the actual numbers. On Page No. 2, this just shows the other four...all the counties in Hawaii as proposed for the Fiscal Year '16 tax rates. On Page 3, due to the contents of the actual handout we had to break it down to the next two slides. This is a detailed spreadsheet comparing certified values for Fiscal Year '15 versus '16. I know it's very hard to read right now. On the lower half on this page, you're gonna have a pie chart which actually shows the 2016 certified values by classification, and on the bottom right of that slide, you'll have the certified revenue as proposed by the Mayor's rates. On Page No. 4 is a pie chart indicating the revenue sources proposed for the Fiscal Year '16 Budget forecasting that real property takes up generally the lion's share, or about 38.1 percent of the total revenues. Page No. 5 illustrates the certified revenue for the upcoming and past nine fiscal years. Page 6 is a breakdown of the previous page whereby indicating an eight-year comparison of revenue by classification. The graph is slightly different from the values chart because it incorporates tax rates. We must be aware that although values move in either direction, that taxes cannot be determined until the tax rates are established. Therefore, for the upcoming Fiscal Year, the graph includes the Mayor's proposed rates as provided to the Council back in March '15. Unlike the previous page where this chart was based on projected revenue, this is a breakdown by certified value. I believe after last year's presentation, we're asked to provide information or more about the taxes or revenue per district. So here's a summary breakdown by district. The top pie chart is a breakdown by valuation, and the bottom pie chart indicates related breakdown by proposed revenues. This page shows that although South Maui has the highest total valuation at 13.4 billion, or 33 percent, West Maui generates the most revenue at 103 million or 39.5 percent of the total revenues. Both districts have the largest allocation of revenue and value. So this is the values and this is the revenues. So you...when you guys have it, you'll have it before you on one slide. Page number 18, we tried to provide you with some data that may explain some of the economic trends and indicators. Over the past three years, these charts show that construction permits and new inventory have all increased over the past four years. This is also the sales...sales chart of what's been happening. On Page 19, it's a very busy page. It's a huge page. This is just the top portion. All the numbers are in the handout, but we don't have it available for the slides. This shows all the parcels paying minimum tax by classification. One point that we have had with some of the Councilmembers in the past is why we have so much parcels in Agriculture receiving minimum tax. This graph shows that there are about 3,440 parcels in Agricultural class, 32.4 percent paying the minimum tax, primarily because of the reason of receiving agricultural assessments for either ranching or diversified agriculture. This

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graph also shows that 4,647 Homeowners, or approximately 18 percent of the Homeowners pay minimum tax. And about 44 percent of the tax payers paying minimum tax are in the Homeowner category. Page 20 is a breakdown of the 10,620 parcels that paid the minimum tax. This is quite alarming to know that about 15 percent of our total parcels actually pay minimum tax. Page 21 is a slide, identifies the distribution of appeals filed by classification for the current and past three years. You can see there's quite a significant spike this year in appeals in the Time Share category. Here we show the upcoming and past nine year history on appeals. This page indicates the number of appeals filed per year, and 50 percent of the value in dispute that we're required by Maui County Code to set aside litigated account until the cases are adjudicated. The County Code requires that 50 percent of the value under dispute or under appeal is available for the Council to appropriate in the annual Budget. There were 1,254 appeals this year which resulted in a certified value adjustment of \$563 million. On Page 23, this is a litigated claims summary as of April 6, 2015. On the top you'll see that we have 23 cases at the State Tax Appeal Court level dating back to Fiscal '08, with the litigated amount of approximately 5.7, it's right in here. Twelve out of 23 cases that are in Tax Appeal Court amount to 5.5 million of those funds. Page 24, this slide shows a ten-year history of number of qualified applicants and the subsidy from the Circuit Breaker Program. The Circuit Breaker Program has gone through recent amendments and has been a relatively stable program as far as the number of qualified applicants and has been in place as a safety net for homeowners. Page 25 shows statistics in the Circuit Breaker Program. The next four slides are all on one page on your handout. On the top of the handout...oh, I'm sorry...was the credit amounts. Then you can see the large range of credits. The bulk of the residents received a credit in the 500 to \$1,000 range and 16 applicants receiving a credit between 3,000 and 5,000. The next chart represents adjusted gross income range of the applicants with majority of the applicants with a AGI of less than \$5,000, this on the far left. The next chart shows that majority of the buildings fall into the 100 to 200 thousand dollar range. And then the last chart shows the age is not a factor in applying for the credit, but just shows that the majority of those receiving the subsidy are over the age of 60. On Page 26, here's a summary of the Homeowner class by ranges. On the top of the chart identifies the net taxable value of parcels within the Homeowner class after the 200,000 exemption is removed. So on the first bar on the left, 0 to 90,000 means that properties are valued up to 290,000. These...like 4,800 parcels receive and pay the minimum tax. The right-hand column identifies that 50 percent of our homeowners have a net taxable value of less than 250,000, and are paying less than \$695 in annual property taxes. Almost 5 percent of the Homeowners class with values above \$2 million will receive a Circuit Breaker credit. For the Hotel/Resort class, this class is the majority contributor of value. I wanted to point out that only 239 parcels of the 10,900 parcels within this class make up the true 44 hotels. The rest of the parcels are short-term rental properties primarily made up of short-term rental condominium units. This year the STRH properties were moved out of this classification and moved into Commercial classification as a result of this body. On the bottom of this page, you can see that these markets have very different markets over the years. For this very reason, I would almost caution the body to know that by having these two segments in

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a single class can be very difficult results on taxation where they do not move relatively similar. The 44 true hotels make up 21 percent of the value in the Homeowner class Resort classification. This chart also shows that the different categories are benefitting from subsidies...I'm sorry...the subsidy chart and benefitting total subsidy from these categories total \$90.2 million. I think you can see the Homeowner subsidy, the ag program, and this is the condo use program. Twenty-nine to the end, we're gonna have some...I'll have Marcy go over these. From this to the end of the slide show which probably be about 20 or 30 slides is just for a refresher for this Council, this body, to know what type of properties are in each category. So, Chair, would you prefer that I go through them or...

CHAIR HOKAMA: Yes.

MR. TERUYA: Okay, go ahead, Marcy.

MS. MARTIN: So this is Marcy Martin, the Property Technical Officer, and I'm gonna describe to you the type of properties that are in each of your tax rate categories. The Time Share classification has properties that are subject to HRS 514E-1. They are either individual condominium units, or they are timeshare buildings that have not been condominiumized. And this is an example of the two Kaanapali Ocean Resort properties. These properties are individually condominiumized and together they make up about 550 units. The Residential classification is vacant and improved, noncondominium land zoned Residential. It's also project district land designated for residential use. These homes are rented long term, or are second homes and not rented. It can be homes under construction, finished homes. The Apartment classification is a diverse category. It's either project district multi-family use, it could be vacant or improved, vacant and improved, noncondominium land zoned Apartment, condominium vacant land without regard to highest and best use or zoning, condominiums that are second homes and not rented to transient occupants, or they're condominium units that are rented long term. Here we have an apartment building. In the upper picture, we've got a home on Apartment land and we've got condominiums on Apartment land, and in the lower picture, is a Hotel-zoned condominium project where the owners have classified themselves as Apartment because they do not rent to transient occupants. The Commercial classification is project district land, or properties that are improved with a commercial use. Industrial and commercial condominiums, which are becoming very common. A lot of industrial land is being condominiumized at this point. Vacant and improved land zoned Commercial, condominium units used for business or mercantile activities, and now the permitted short-term rental homes are in the Commercial classification. So we've got a Napa Auto Parts store, a short-term rental home. The Industrial classification is land with a project district designation of Industrial. It can be vacant or improved, and vacant and improved noncondominium land zoned Industrial. Again, we have a Napa store on Industrial land. We've got warehouses on Industrial land. We have shopping centers, and Costco is also on land zoned Industrial. The Agricultural classification has vacant and improved, noncondominium lands zoned Agriculture or Rural. Land not zoned Agriculture or Rural but dedicated to

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Agriculture production is in the Agriculture classification. Land zoned Agriculture, improved with residential dwellings, Ag zone with no agriculture use. The homes in this category are rented long term or are second homes and not rented. The sugar cane fields are dedicated Agriculture. They're in the Agriculture class. In this picture we've got properties up in Kula. The center shows a home with agriculture use, and in the upper corner is a home without agriculture activity. They're both in the Agriculture class. The Conservation classification has golf courses regardless of their zoning. Properties are State-zoned Conservation. They may be improved with a wind farm, or a residential dwelling, or they could be vacant. We have a picture of the wind farm, forest reserve, they're all in the Conservation class. Golf courses. Along the shoreline there's a lot of Conservation land. We've got fishponds in Conservation land, and we have luxury oceanfront homes in the Conservation class. The Hotel and Resort classification has vacant and improved noncondominium lands zoned Hotel. If the zoning allows transient occupancy less than 180 days, it is in the Hotel and Resort classification. Properties that are grandfathered to allow transient occupancy less than 180 days are classified as Hotel and Resort. And condominiums used for transient occupancy less than 180 days are in the Hotel and Resort classification. So the Grand Wailea is a Hotel property. And condominiums, individual units within condominium projects that have declared their use as transient occupancy are in the Hotel and Resort class. We've got vacant and improved parcels that are zoned Hotel. Some of these parcels have homes on them. In the Homeowner classification, we have properties including condominiums used as the owner's principal residence and has been granted a Homeowner exemption. We've got single-family homes zoned Residential. It can be a commercial building. It can be a home on Hotel land, or a hotel on Industrial land. If they have been granted the Homeowner exemption, they will be in the Homeowner classification. And last, we have the Commercialized Residential classification. It can be a parcel or a condominium unit that has been granted a bed and breakfast permit, a parcel or condominium unit that has been granted a transient vacation rental permit, or a conditional permit to operate a transient vacation rental. And that concludes our slides for this morning.

CHAIR HOKAMA: Okay, thank you very much. We'll take a recess and reset the Chambers.
...*(gavel)*...

RECESS: 9:39 a.m.
RECONVENE: 9:42 a.m.

CHAIR HOKAMA: ...*(gavel)*... We shall bring this Committee back to order. Thank you to the Department and Division for the presentation on our certified real property tax numbers and what are some of the considerations that go into the discipline that presents your ability to give us a certified number. So the Chair wants to thank the Director and his staff, Mr. Teruya, you and your Division for the good work you put forth for us. So, Members, I wanna just point out Page 13 in the pamphlet that you've been presented gives you assessed valuation by the PITTs, or the...which is the number of parcels in each tax category. You have the amount in appeals, and as the Administrator shared, half of that is...goes into a fund for us not to be utilized until

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appeals are determined through the appeal process. Anytime the valuations go up, appeals tend to go up. It's like eating and everything else, the more you eat, you know, you get calories. Well, the better the valuations, the more appeals we tend to get. Now one of the definite increases in valuation was Time Share and Commercial, and therefore you see those numbers are in the areas, Hotel/Resort, Time Share. There was some growth in Commercial because of changes. So before I allow you to ask your questions, the Chair's gonna say a few things. It is my intent after Budget to look at various categories and consider proposing adjustments. One is in the Hotel/Resort category. I'm thinking of splitting out Hotels to be an independent standalone category. I think their impact of the other components that are in the current tax category gives them an unfair situation, and so I'm gonna be reviewing that. I'm also gonna be reviewing the Commercial Residential component. I have my issues with that, as well as the Commercial component. So I'll be looking at those tax categories, and make sure that they make sense with the zoning categories. For those that need or wants to know my position, I'm going after those illegal short-term rentals, from a taxation standpoint. So giving fair notice to all those operators who choose not to do it the right way. I have no problem going after those property owners and operations. Scumbags are scumbags. You cheating on the rest of the true taxpayers. I have problems with that. Another page I wanna direct you to that I asked the Department, and I was pleased, is of course Page 8 in the...under your statistics and consideration. Page 8 is the chart that I appreciated from the Division. They gave you values by your districts and the amount of revenues you generate by your districts, and also how within your district, your revenues are generated, from which tax categories.

COUNCILMEMBER BAISA: You say 8...18?

COUNCILMEMBER COCHRAN: Page 8, Chair?

CHAIR HOKAMA: Page 8 in the Section II. Section II is called --

COUNCILMEMBER COCHRAN: Oh, okay.

CHAIR HOKAMA: --selected real property statistics for Budget consideration. It's after a yellow page divider. So you can take a look at that, for everyone's information on how your district...where your value is in your district and how your revenues are generated by your district. I know we've had people at the...at our hearings asking how much their district generates. Well, this will help us provide those answers and where it comes in from those districts, whether it's Resort, Home, Commercial, Time Shares, Conservation, Residential, we'll be able to give them some good information back. At this time, I'll ask the Members if they have questions on the presentation. And start with Mr. White at this time, and we'll...if we need, we'll go multiple rounds so don't feel you need to get all your questions in round one. Mr. White?

VICE-CHAIR WHITE: Thank you, Chair. One of the questions I had was the Commercial...the significant amount of appeals in the Commercial sector. And in

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reviewing the assessments, it appears that the total valuations have gone up by about 50 percent. And I was wondering if the Director could help us understand if there was a...any significant jump in the number of parcels, or whether that's predominantly driven by increased assessed values?

CHAIR HOKAMA: Okay. Department? I don't know if Mr. Aagsalog, or Ms. Martin, Mr. Teruya?

MR. TERUYA: For the...Chairman, for the 2016 assessment year...I mean '15 assessment year, Fiscal '16, it's predominantly driven by the sales data. And the sales data have shown a tremendous increase in that area, and the appraisers likewise made the adjustments according to what they believe that they could support. So assessments are not magic, they're based on sales data. They use the data, they establish the data to determine what the benchmarks or the ultimate assessed values would be and the direct relation are the sales.

VICE-CHAIR WHITE: Okay. And once again your pictorial review of the Homeowner category included what looks like a commercial operation in Lahaina or in one of our small towns.

CHAIR HOKAMA: Mike, use the mic, please. Mike, use the mic.

VICE-CHAIR WHITE: Sorry, let me...let me rearrange my desk here.

CHAIR HOKAMA: Thank you.

VICE-CHAIR WHITE: Sorry about that. One of the pictures in your portion on the Homeowner exemption showed what looked like a commercial operation. And I know there's a...my recollection is that in the Code it says that it's for the homeowner's exclusive use. And how does that square with the commercial building that may be partially occupied by the resident, but the remainder is in commercial use? Or is that...is that an accurate description of what's going on on that parcel?

MR. TERUYA: Chairman?

CHAIR HOKAMA: Mr. Teruya?

MR. TERUYA: The Code is...has the word "exclusive" and I believe the word "exclusively" has been in there when we used to all be with the State of Hawaii under one jurisdiction. Over the years, we have never, at least Maui County has never, I think is the only county that has never used the word "exclusively" the way it's written in the Code. We have...if you do own and occupy even a portion of your home, our Code also says that once you have been granted and received the home exemption, the *parcel* shall be classified Homeowner. It doesn't say the portion of use for the homeowner. So there is something that I think this body should go over the Code and see whether...what is the true intent, or what is the interpretation that they want to take,

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and either remove the word “exclusive”, or if you wanna treat it as exclusive then I think it would be better to come out and publicly know about what we would change, because that's not how we're effectuating that word right now. So, is there anything you want to add? Yeah.

VICE-CHAIR WHITE: Okay, thank you.

MR. TERUYA: So in, I mean, in that case right there, it's in Lahaina. It's a mixed use where the owner was...could be living upstairs and use the first floor as commercial use. But in that situation, once you own and occupy and apply for a home exemption and were granted, the entire parcel becomes the classification of Homeowner. So I think we've mentioned that to the Members before that, you know, as big as this property would be, including the...I doubt somebody would own and occupy that hotel, but it's likely and it could be. So there's two hotels Marcy's saying that, and they're probably smaller hotels, that own and occupy and therefore the entire hotel is being given the Homeowner classification. And I don't think that is the intent of what it was intended for.

VICE-CHAIR WHITE: I certainly agree with that. Thank you, thank you, Chair.

CHAIR HOKAMA: Okay. And that is still with the word “exclusive” in the law?

MR. TERUYA: Chairman, the word “exclusive” is in there, but it's not being applied as exclusive, so that's why I said I think we should either clean up the language, or respect the language, one of the other so...

CHAIR HOKAMA: Can you and Mr. Ueoka provide a proposal to the Committee?

MR. TERUYA: Yes, Chair.

CHAIR HOKAMA: And then I'll put it under my signature. Thank you. Any comments, Mr. Ueoka, at this time?

MR. UEOKA: No, Chair.

CHAIR HOKAMA: Okay, thank you. Mr. Victorino, questions?

COUNCILMEMBER VICTORINO: I guess...I mean there's a lot of questions, but you know, not to be taking up too much of the Committee's time, I'd like to ask the question I guess first on these appeals. Do you believe you can...are you able to conduct and complete these appeals in a timeframe that we're...that we're looking for? You know, in other words in the next six months to a year?

MR. TERUYA: Chairman?

CHAIR HOKAMA: Mr. Teruya?

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MR. TERUYA: The appeal count...how fast the Board can go through the appeals is really the pace of the President of the Board. I think they could move faster, but it's not my Board to command. It's just really at the pace of whatever they're gonna do, and how often they meet, and how much cases they're gonna hear, and how...you know. So even if it passes the Board of Review, these 1,254, a lot of these cases are either Time Share or Commercial. A lot of times even if they were not a favorable judgment in their eyes, they still have the ability to go to Tax Appeal Court 30 days after the judgment. So...and I feel a majority of the times I would think that the timeshares continue to go to the higher courts. So that's kinda when you look back at the history on Tax Appeal Court --

COUNCILMEMBER VICTORINO: Right.

MR. TERUYA: --we have so many cases, it's stuck in Tax Appeal Court. I mean we only...we can only go at the pace of the judge on that, you know. So if he doesn't schedule it or it's not scheduled, you know, we're at the whims of the judge, so I feel that there will continue to be...hopefully they can finish on time. I mean that is the hope and that is the goal. But ultimately I think that talk would have to be with the Board of Review President and how he...he understands what is being lined up.

COUNCILMEMBER VICTORINO: Well, thank you. And, you know, again, Mr. Chair, again this Tax Appeal Court, you know, gives another opportunity for us people who are...or whatever entity is assessed or doesn't agree with that RPT's final decision, the Review Board, right. But the key there, Mr. Chair, is, you know, we're looking probably around 60 percent of, 70 percent of this being tied up for another extended period of time. And this is kinda frustrating each year. Especially like you just mentioned, because assessments went up...or appraised assessments went up, a lot more appeals. So...and of our decrease from our original projection versus what, according to RPT, about \$4 million came right off of appeals. That's a lot of money tied up. That's a lot of money tied up.

CHAIR HOKAMA: Yeah. Mr. Teruya?

MR. TERUYA: Thank you, Chairman. I just wanna let the body know that because...just because we get appeals it doesn't...that doesn't mean whether or not we're doing a good or bad job.

COUNCILMEMBER VICTORINO: No, no, no.

MR. TERUYA: I think if...I think what we need to understand is from the association's standpoint, when we go to these seminars, they expect you to have 2 percent of your _____ to be under appeal. That's the average.

COUNCILMEMBER VICTORINO: Okay.

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MR. TERUYA: We're slightly under so I think you should expect appeals, and I think if you're not getting appeals, you might be giving it away, you know. There's a reason why people appeal and it's because, you know, values are going up and it's getting really close to market value. And I think...I think 2 percent is really showing that we're doing what's normal.

COUNCILMEMBER VICTORINO: Thank you. And I...it was nothing...it wasn't any inference that you folks weren't doing a good job. In fact, maybe, Mr. Chair, they're doing a great job and this is why all this is occurring. So...but thank you, Mr. Chair, I'll let others ask questions. I have more, but to be fair to everybody I'll ask couple and then I'll wait to see and come back again. Thank you, Mr. Chair.

CHAIR HOKAMA: Okay, thank you. Mr. Carroll, any questions for Real Property Tax or Department of Finance?

COUNCILMEMBER CARROLL: Not at this time.

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

COUNCILMEMBER BAISA: Thank you very much, Chair. And first of all I wanna say thank you for the good presentation. There's a lot of really good information in here. And when we have time, I'll take a closer look at it but I think we were given a pretty good understanding of what's happening. I'd like to say that I totally agree with you that we need to do something about the illegally operating rentals. It makes a mockery of the work that this Council worked very, very hard on. We worked very hard on setting up process so that people could, you know, get a permit and upgrade legally. And it is so unfair to those that go through that, and so I agree with you that, you know, this should be a priority. We really need to go after them. I don't care what it costs. But we need to stop it because of the effects that it has. It's demoralizing to the legals and our County is deprived of revenue. It's not fair. It's just not fair. So I totally support you on that.

CHAIR HOKAMA: Thank you.

COUNCILMEMBER BAISA: The other thing is, it's kind of disconcerting to see that example that was given of that huge parcel that has a Homeowner designation and then the whole parcel gets Homeowner rates. It's not fair. And so that's another hole obviously we have to plug. The other thing that I wanna say and nobody wants to hear this, but I'm gonna say it again. Number 9, I'm still looking for us to spend some time as the Budget and Finance Committee looking at all of the classifications and seeing what the strengths of them are, and possibly any weaknesses. And you've identified a couple, but I really would like us to spend the time to look at all of it. Our RPT system is so important because that's our largest source of revenue, and I just think that the time we spend in Budget, it's just not enough. So I'd just like to hope that, you know, we take a look at it during the year. Thank you very much.

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CHAIR HOKAMA: I'm trying to carve out the calendar a little bit better to take requests such as yours, Ms. Baisa, into the Committee for a serious review.

COUNCILMEMBER BAISA: Thank you, Chair, and I appreciate that. I think it's important. Thank you.

CHAIR HOKAMA: Thank you. Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. And I wanna compliment the Department on a very thorough presentation and a wonderful booklet handout. Maybe it's just the years of going through this again and again that I'm...it's kinda sinking in now. But I'm seeming to understand it a lot better and quicker this time around. But my...it was interesting the statistic in regards to West Maui and South Maui where South Maui's values are up but their tax revenue generation is below West Maui's. And so is that...what is the reason for that?

CHAIR HOKAMA: Mr. Teruya?

MR. TERUYA: It's called timeshares.

COUNCILMEMBER COCHRAN: And where most of our appeals come from also and everything.

MR. TERUYA: Yeah, the valuations are really, really close, but it's the number of timeshares that's in West Maui that brings in more revenue, and that's why West Maui's higher in the revenue category.

COUNCILMEMBER COCHRAN: Okay, thank you. And also I know valuations are up, but the budget...the proposed taxation is the same...flat, the same, but thereby revenue coming in is higher by 16 plus percent. Was it ever looked at to bring it down to not as high of a jump at percentage for revenue? So dropping the tax percentage to be...you know what I mean? To not have the revenue grow so high, 'cause people are looking at it as we're still paying more because revenues are...you know, valuations are up, okay, great. Tax number is the same but that doesn't mean they're same...paying the same taxes due to valuation. So was it ever looked at, the ratio, and, you know, the difference to drop it down to a little more gradual, I guess, jump for the taxpayer themselves? If you get my question.

CHAIR HOKAMA: I don't wanna put the Division in a predicament, yeah. This is a call by the ninth floor.

COUNCILMEMBER COCHRAN: Oh, okay.

CHAIR HOKAMA: Yeah.

COUNCILMEMBER COCHRAN: But I guess...

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CHAIR HOKAMA: RPT is the one that has to find the revs to match the number the ninth floor wants.

COUNCILMEMBER COCHRAN: Right, right, okay.

CHAIR HOKAMA: Yeah, and so all I can tell you is 16, as I understand how we read the numbers, is the average increase of all the categories increase. Some categories went higher, some went lower. The number 16 that's being tossed around is the, more or less, category's average. But certain areas did go higher, and others did go...have less growth of valuation. And that is why when I...later on after we complete this and as I give you your opportunities to work on Exhibit 1 and you look at your rev streams, I'm gonna tell you that you might wanna dig in a little deeper into the weeds to make certain adjustments. I mean I leave it up to you how you wanna approach it. You could do one blanket reduction of X percent across all the categories, but I would say if you do that at least be aware that those...some of those categories may not have had the growth that others had. So it might not be a fair adjustment across the board.

COUNCILMEMBER COCHRAN: Right, thank you. I guess I was looking at where we're kinda matching when our economy was kind of booming a little bit back in '06, looks like '07, '08. Valuations are very similar to what they are today.

CHAIR HOKAMA: Right.

COUNCILMEMBER COCHRAN: So I was looking at trying to see--but it's not in here to cross reference--what this County taxed people then because the valuations were almost equal as today. But I probably could figure that the overall tax revenue is probably down from what we're gonna...they're proposing today.

CHAIR HOKAMA: Well, the Budget is growing. The total Budget number has increased, yeah --

COUNCILMEMBER COCHRAN: Right, right.

CHAIR HOKAMA: --over the years so --

COUNCILMEMBER COCHRAN: But...

CHAIR HOKAMA: --you gotta take...

COUNCILMEMBER COCHRAN: The amount came in...the valuations were this...about equal back in '07, '08. But what was the...you know...

CHAIR HOKAMA: You gotta look at the difference in rates.

COUNCILMEMBER COCHRAN: Right.

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CHAIR HOKAMA: You gotta look at the difference in what was the Homeowner's exemption amounts.

COUNCILMEMBER COCHRAN: Right.

CHAIR HOKAMA: Check out what was the Circuit Breaker amounts 'cause that all impacts the bottom net line of your RPT revenues.

COUNCILMEMBER COCHRAN: Right, okay. Well, thank you, Chair. And then lastly about vacant Agricultural taxation, was that ever thought to look into? We do not have that category but I believe I brought it up in previous years. And I'm looking on your Page 2...Section 2, Page 2, that Oahu does. And they're utilizing that bracket at \$8.50 tax rate so...

CHAIR HOKAMA: Mr. Teruya, comments please?

MR. TERUYA: I don't really have a say as to whether or not...I mean I think if we want to, I think we can. What's interesting is that the vacant Agriculture is higher than the actual Agriculture so I'm not sure what is the reason for that either.

COUNCILMEMBER COCHRAN: Right. Chair, having travelled to Asia, the reason for them was to get people in production. They're like, you're gonna sit on this ag land, then you better start producing to get the ag rate. And if it's gonna sit there fallow, whatever, we're gonna tax you on it.

CHAIR HOKAMA: So I guess it's a different approach to dedication.

COUNCILMEMBER COCHRAN: Right. So anyways, Chair, I just saw that...another island...county does implement and be something for us to look into.

CHAIR HOKAMA: Yeah.

COUNCILMEMBER COCHRAN: Thank you, Chair.

CHAIR HOKAMA: Thank you. No, I appreciate your questions. Ms. Crivello?

COUNCILMEMBER CRIVELLO: Thank you. Thank you for preparing this and your presentation. It gets a little bit more clarity for me. My question is on condominium units used as second homes on Hotel-zoned land. They get Apartment class classification. I'm sure that's because of the Code, but how do we determine that?

CHAIR HOKAMA: Department?

MR. TERUYA: Thank you, Chair. In condominium units we have a declaration. It's called a condominium declaration for the owner to attest what is the use. If he checks off that

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he's using it as a second home and not rented for periods less than six months, then it's considered long-term and it's called Apartment. So that is something that's different that subdivided parcels cannot do. And I think I talked to the Chair about this and I believe he's aware of the double standard that we have here. Because you condominiumize, now you can have a determination of what is your use, and potentially be claiming something lower than if you were subdivided as zoned as Hotel. You don't have that same right to claim long-term rental and get Apartment. So I believe the Chair is aware, and we'll take it under his guidance on what his direction is for that. But to answer your question, if it's a long-term and it's for a second home, the condominium he can claim as Apartment, long-term use.

COUNCILMEMBER CRIVELLO: Okay, so it's in the Chair's hands I guess. It kind of..you know, to confirm that they really are a second home and not rent...not a rental or short-term rental, is interesting how we physically . . .*(inaudible)*. . .

MR. TERUYA: Chairman?

CHAIR HOKAMA: Yeah, please?

MR. TERUYA: And what we do is...majority of these are all complaint-driven. If we have information that they may be looking like every...periodically they may be renting, we get complaints. And that's something that also the Chair has been considering whether or not we should start doing more in compliance, to actually go out there and do site visits and do questionnaires, et cetera, and maybe look at their returns whether or not they are filing for, you know, doing the TAT, et cetera. So we have a lot to go, but I think we're already starting to do some compliance, and I think either the Chair or this body will determine whether or not they want to see more in compliance or not.

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

CHAIR HOKAMA: Thank you. We'll go through another round. We have time...more time. So, Mr. White, additional questions?

VICE-CHAIR WHITE: Yeah, thank you, Chair. When you...when you look at the 649 Time Share appeals, is that 649 individual units, or how is that accounted for?

MR. TERUYA: Chairman?

CHAIR HOKAMA: Mr. Teruya?

MR. TERUYA: Yes, those are individual units. It could be one project, but there may be 400 in a project. But...you wanna say more to that?

VICE-CHAIR WHITE: Just to be clear. So one of the 649 might be a whole building?

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MS. MARTIN: Kaanapali Ocean Resort, they have two condominium projects. I think they made up over 500 of the appeals. So their buildings are condominiumized into multiple units.

VICE-CHAIR WHITE: Okay. So when you...when you're valuating timeshare units, are you valuing them as though they were condominiums, or do you value them based on the sales price of the individual week or two-week period?

MS. MARTIN: We value them as condominiums, as individual units. We do not use the building block approach where you add the timeshare sales and determine the value of the unit like that, because there's a lot of growing concern and there's a lot of elements in that building block values that isn't real property.

VICE-CHAIR WHITE: Would that be the marketing cost or what?

MS. MARTIN: Yes, marketing cost, exchange rights, sometimes they get points. It could be branding. I think the Kaanapali Ocean Resort is Starwood, and they can exchange and use other Starwood properties. And that has value as well. That isn't the real property that's here on Maui.

VICE-CHAIR WHITE: So in effect the way we're assessing it could be half of what the actual payment they made?

MS. MARTIN: Correct.

VICE-CHAIR WHITE: Could be the payment that was made by the 52 or 30-something owners of that particular unit.

MS. MARTIN: That's correct.

VICE-CHAIR WHITE: Okay. Interestingly enough, the valuations in the Homeowner category went up like 17 percent and Time Share went up 11. And yet in the Homeowner category, we had less than one...or just over one-tenth of one percent appealing. And in Time Share we had nine percent appealing. So I'll let others ask a few more questions. Thank you, Chair.

CHAIR HOKAMA: Okay, thank you. Mr. Guzman, do you have a question at this time?

COUNCILMEMBER GUZMAN: Not at this time, thank you.

CHAIR HOKAMA: Thank you. Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you, Chair. I guess my other concern with the changes, Mr. Teruya, as far as real property is concerned with the assessed values, I looked across the board and I was kinda running through the different tables by districts and I see some disproportion in that area. You know, I see some bigger

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increases percentagewise in Commercial, Hotel or Homeowners and I guess my question to you was, what predicates that difference? I understand sales and all of that, that's all part of it. And so if that's the same answer, then it's the same answer. So is that correct, Mr. Teruya? It depends on the amount of sales and changes in valuations per area, per district?

CHAIR HOKAMA: Department?

MS. MARTIN: Yes, it does amount to the sales and the increases from that area. Revaluations also sometimes create situations where one area goes up more than another. With the Homeowner class, the reason why the increase is larger is because they have the exemption, so all of the increase goes in after the \$200,000 exempt, so their gross value may be...increase is the same, but once you apply exemptions, that changes the increase in the net valuation.

COUNCILMEMBER VICTORINO: Okay. And then the last question I'll ask this round is, overall when you look at what we have here and over the last seven years I've gone back you have...thank you. And, Mr. Chair, I've gotta say this is probably the best report I've seen ever because I mean they have gone and computed [sic] from 2007 on through and really given us not only percentages but the actual dollar differences. I wanna thank the Department 'cause this is...I think this is very enlightening. And I'm gonna need more time to go through it to really understand the full focus of what they brought forward to us. But I think it really does give us, not only by districts and classifications, I mean they've covered the gamut. And I wanna thank them very much. Anyhow, my question to you is, on the various classifications that we have here versus neighbor islands, sister counties, I notice we're the only one that have ten. Most of the counties maybe have six or seven classifications. But that's not the question I have. Is...you had percentage after different classifications from the different counties, those are the percentage of revenue generated for their total budget, or what was that? Or was that the difference in ours versus theirs?

MR. TERUYA: That is the rate difference from theirs --

COUNCILMEMBER VICTORINO: Okay.

MR. TERUYA: --versus ours, yeah.

COUNCILMEMBER VICTORINO: That's what I thought but I just was really...make sure I was clarified...I had clarification on that. So that's the difference between what our rates our and their rates in that specific classification. Okay, very good. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Carroll, any questions? Ms. Baisa?

COUNCILMEMBER BAISA: Not at this time, Chair. I'm still trying to digest these numbers. Thank you.

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CHAIR HOKAMA: Thank you. Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. And so the Circuit Breaker, is someone not eligible because of their land valuations have gone up, would that determine that? Or is that solely income, not so much land type . . .(inaudible) . . .

MR. TERUYA: Yeah, it's solely income. I mean there's certain tests, but it has nothing to do with land value.

COUNCILMEMBER COCHRAN: What are the others?

CHAIR HOKAMA: Ms. Martin?

MS. MARTIN: I'm gonna refer to the Circuit Breaker chart.

COUNCILMEMBER COCHRAN: Yeah, sorry, just to refresh my memory, Chair. I've had repeated questions from the public also.

MR. TERUYA: While she's looking for that, I just wanted to follow up on your comment, your question the last time. I think on Page 3 of the second part of the handout, when you talk about why did it go up this much versus this much, et cetera. On Page 3 of the second handout, it shows you the revenues per class and it shows you the increases. That would basically tell you which category went up potentially higher than others. So if you're looking at what kind of rate...you know, I think you see further over towards the right you see revenue dollar change or revenue percent change for classification, that might aid you in the last question that you had.

COUNCILMEMBER COCHRAN: Okay, thank you.

MS. MARTIN: For Circuit Breaker, applicants are eligible for credits up to \$5,000 and you qualify if you have an income of \$100,000 or less, and if your building value is less than \$450,000 you qualify. Now there's a sliding scale where the cut off is 400,000 and then we have...so that we don't have a cliff, you get a certain percentage between 400 and 450 thousand dollars for your building value. But as far as land value, it's unlimited...your qualification for Circuit Breaker.

COUNCILMEMBER COCHRAN: Okay. So there's an example then where looks like the land value did go up by a couple 100,000 but the building value stayed the same at under \$60,000. So this person...what changed for this person?

MS. MARTIN: Well, the Circuit Breaker Credit is based on their taxes so it doesn't have anything to do with value. The credit is 2 percent, you know, so their taxes don't exceed 2 percent of their AGI. So values can go up or down, but the credit will be based on your adjusted gross income.

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

CHAIR HOKAMA: Thank you. Ms. Crivello?

COUNCILMEMBER CRIVELLO: Mr. Teruya, you mentioned about a \$4 million...\$4 million-plus shortfall. Is the shortfall part of the proposed...the proposal from the Mayor?

MR. TERUYA: No, it does not, because at the time the Mayor submitted his proposal, he had no idea what is under appeal.

COUNCILMEMBER CRIVELLO: I see.

MR. TERUYA: And the difference between the Mayor's and ours is actually the actual number under appeal so yet he would never have any way of --

COUNCILMEMBER CRIVELLO: Okay.

MR. TERUYA: --knowing that, so what's presented to you takes into account certification roll which had all the appeals in place and that's why the difference. I mean what we do is we try to estimate, but an estimate is just an estimate --

COUNCILMEMBER CRIVELLO: Right.

MR. TERUYA: --until you get the real numbers in, that's really what determines it, and therefore the shortfall.

COUNCILMEMBER CRIVELLO: Okay, okay, thank you. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. White?

VICE-CHAIR WHITE: Thank you, Chair. I'll ditto Mr. Victorino's comments because I especially appreciate this because I don't have to spend my Sunday mornings putting my spreadsheets together. You've got all the information there.

CHAIR HOKAMA: Well, the Department and the Division, Members, one, paid attention to the last few years of what we were requesting, and then the Division asked the Chair of what he...I thought was pertinent information that I felt would assist you in your proposals. So without doing the spreadsheets, I understand your love for spreadsheets, so Division was able to make pie charts for you, and graphs.

VICE-CHAIR WHITE: That's...no, it's very, very thorough, very helpful and a lot of very useful information, and I'm sure that I would have --

CHAIR HOKAMA: Yeah, the Division and the Department performed --

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VICE-CHAIR WHITE: --more questions if we had more time to go through it.

CHAIR HOKAMA: --I mean they responded excellent.

VICE-CHAIR WHITE: Yeah, excellent job, so thank you very much.

CHAIR HOKAMA: Mr. Guzman, question at this time?

COUNCILMEMBER GUZMAN: No, no questions. I also would like to ditto Mr. White and Mr. Victorino's comments. Is this done by a software system, the charts and _____?

CHAIR HOKAMA: Mr. Teruya?

MR. TERUYA: Magic with Excel.

COUNCILMEMBER GUZMAN: Really? Ah, really? Wow, very good. So manual?

MR. TERUYA: It's _____, yeah, yeah.

COUNCILMEMBER GUZMAN: Wow, very good, thank you.

CHAIR HOKAMA: Okay. Members, I know we...we presented you with a report that gives you a lot of information. I reviewed it, I can verify it. And we wanted it to go out earlier than later since the original intent was Friday that you would receive the Exhibit 1 proposals. We're gonna do it today. Are we...yeah, we're ready to hand out Exhibit 1 drafts. I don't know what's the right word we're gonna use, submittals for your review. Okay, yeah, we're gonna hand it out today, Members, for your information. I'm gonna ask if you could present it by the afternoon of Friday, April 24th. There's certain general rules that have stayed the same throughout the years. Please balance by funds so that all the additions are balanced by cut or increase in the revenue in the same fund. I'm gonna tell you that your Chair's target in general numbers is a reduction of borrowing by 60 million. A reduction of cash even after this adjustment from RPT of another 10 million in cuts. I'm looking at a proposal of maybe going up to 6 percent increase over the 2015 certified number for General Funds. So was about 237.7 million, I'm looking at a number of 251. And then instead of \$123 million worth of borrowing, I'm looking at between 60 and 65 million now for those projects that are worthy for consideration. As I stated in the real property areas, you can check with Mr. Teruya and Ms. Martin which categories had performed higher in valued growth than others in case you wanted to be a little bit more sharp in your scalpel work regarding adjustments of revenues. Conservation, I'm going after conservation lands. That's your golf courses, your wind farms and other things. We know what the court has ruled. We know what our revised law is. So for me there is nothing regarding settlements. There's no issue before Council. So for me, Members, I'm gonna say I'm gonna go aggressive and get the revenues from Conservation that this County is owed. Let's see, what else? We still haven't finished our Leg Branch reviews of OCS, Auditor's, and Clerk's Office, so if we have time this

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morning, we'll try and catch up with one of those or all of those financial requests, 'cause we have till 12:00 and then our sister Committees have priority work for the Members. So let's see...did I forget to mention anything, Staff? And again, the Chairman is also open to regarding CIPs of various ways of addressing the requirements for financing. So if you have some different ideas, please share that in your proposal. Questions for the Chair on...regarding the...your proposals due Friday afternoon at 4:00 p.m., please?

COUNCILMEMBER VICTORINO: Are we gonna...Mr. Chair, are we gonna have like in the past, we all meet at 4:00 to make sure we present it to you? Or by 4:00 p.m. . . .*(inaudible)*. . .

CHAIR HOKAMA: I'm gonna try and work it with Staff and Mr. Ueoka. I would prefer to just leave the record open and let you submit.

COUNCILMEMBER VICTORINO: By 4:00 p.m.?

CHAIR HOKAMA: By 4:00 p.m.

COUNCILMEMBER VICTORINO: Okay. No, I have no problem with that.

CHAIR HOKAMA: Because...I mean for those...and the only reason is let's say you finish at 8:00 in the morning --

COUNCILMEMBER BAISA: Right.

COUNCILMEMBER VICTORINO: Yeah.

CHAIR HOKAMA: --I don't wanna keep you till 4:00 just to submit.

COUNCILMEMBER VICTORINO: Exactly.

CHAIR HOKAMA: The record can be allowed like how Legislature allows the record to be open for additional comments from the members in journal statements or whatever. We'll see if we can do that so that if you finish early and you submit early, and you feel to leave, that's fine.

COUNCILMEMBER VICTORINO: Okay.

CHAIR HOKAMA: But if you need the additional time until max deadline of 4:00, that will also be available for the Members so...

COUNCILMEMBER VICTORINO: So, but the deadline is 4:00 p.m. --

CHAIR HOKAMA: Friday.

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COUNCILMEMBER VICTORINO: --on Friday, the 24th?

CHAIR HOKAMA: Yes, sir.

COUNCILMEMBER VICTORINO: Okay, and that's fair enough. Thank you, Mr. Chair.

CHAIR HOKAMA: Okay, any other questions for the Chair at this time? Any other questions for our resource people on the certified numbers, Members?

COUNCILMEMBER COCHRAN: Chair?

CHAIR HOKAMA: Since...yes, Ms. Cochran?

COUNCILMEMBER COCHRAN: I'm still trying to...Section 2, Page 24, 26, this is all in reference to the Circuit Breaker area.

CHAIR HOKAMA: Okay.

COUNCILMEMBER COCHRAN: And I'm just trying to kinda wrap my head around, I guess, the numbers.

CHAIR HOKAMA: Okay.

COUNCILMEMBER COCHRAN: Especially on 24 that I just came across in regards to...it looks like this does show us the number qualified, total, tax credit given, and so the number difference between number qualified from '09, '08-'09 to present is drastic. And then, you know, you just go down the line. And then the average credit given is kinda close, 949 back in '08-'09 to 876 present day. So I'm just trying to figure out, is that saying valuation...the climate is very similar than it is today, but income or overall income is less for our residents than back in '08-'09?

MR. TERUYA: Chairman?

CHAIR HOKAMA: Mr. Teruya?

COUNCILMEMBER COCHRAN: Is that...

MR. TERUYA: I think you guys know the last two years we've come before this body, done some amendments regarding Circuit Breaker credit. And the reason why we did that was because we felt there were so many people who were getting so large credit like \$35,000 credits, showed AGI of zero, but had two \$4 million homes. So the amendments that we did really kicked out the upper half of the bell curve I would say, so to speak, whereby homes are over 450,000. These homes are over \$2 million actually. The credits were way above \$5,000, was, you know, I think it was \$25,000. So we've made amendments to the Code that kinda kicked out a lot of people who we felt that really didn't really deserve it. I think they had a lot of business loss, but their

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AGIs were still over \$100,000. We didn't have that criteria where you had a limit of AGI, but now we do and the limit is \$100,000. So we've had different criteria over the last two fiscal years, and I think you see the difference here. And I think as it maintains or moves forward, I think this is...these are the numbers that are probably more prevalent moving forward, unless we make further amendments. I said, you know, every County Code is never gonna be perfect. I think you try to make amendments just to make steps forward to better the ball, but it's really hard to get a perfect bill that'll meet every single resident in the entire County. So I think what we did is we made amendments and that's the best what we can do for now.

COUNCILMEMBER COCHRAN: Okay, well, thank you, Mr. Teruya, for that explanation. And then your other...not word of caution, but your kinda heads-up was the amount of subsidies that we give. Was that in reference to Page 28 and all the different categories and then the ending dollar amount of 90 million that we helped...that's the amount that we subsidized to...

MR. TERUYA: Chairman?

CHAIR HOKAMA: Mr. Teruya?

MR. TERUYA: Yeah, on Page 28 of the second half of...second part of the handout, what we...the Chairman also wanted to know and I think what's fair to everybody is before we start raising rates or, you know, ask more...taxpayers to pay more money, you need to look at your subsidies and whether or not it still holds true. Some of these subsidies may be things that you've been given long time and there's a question of whether or not it's still worthy of being subsidized. Chairman, I think I have an article that kinda talks about what the State of Maine is doing and whether or not they still believe certain people should be taxed and/or be exempt?

CHAIR HOKAMA: Submit that for our...the record, please, Mr. Teruya.

MR. TERUYA: And, you know, what I pointed out was we're trying to do our best in enforcing the Home Exemption program which is a large, large subsidy, and the largest as you see it with 26,000 Homeowners and a \$55 million credit or subsidy. The Ag program, \$21 million, what're we gonna do about that? Condo classification, Kauai and Big Island don't have this program of attesting a use for condominiums. And if we had the similar language, we would have 7.6 more million dollars. Is it fair that condos can declare a use and subdivided parcels cannot? That's also a question whether or not you feel that we should have two different systems. I don't think anybody's gonna argue the point of churches and, you know, what they do, but ultimately the subsidies go back to yourself and ask yourself is this what we need to subsidize for the better good of everybody else? And if the County had to provide that service, then maybe it should be worthy. But if the County didn't have to provide that service, do they still need...or should they be entitled to the subsidy? I think that is the general question that we should ask.

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CHAIR HOKAMA: Okay.

COUNCILMEMBER COCHRAN: Thank you, Mr. Teruya. Thank you, Chair.

CHAIR HOKAMA: Okay, thank you. Yes, so since Mr. Teruya responded to your questions, Ms. Cochran, I would say that as your Chair, I am...I'm looking at the nonprofit sector. And we're gonna...share with you an article that as Mr. Teruya referenced to, whether or not we should be looking at, at least having a discussion, on seeing whether or not taxation should be on structures, not necessarily the property of nonprofits but the structures. Other counties, our sister counties on the mainland is also moving strongly on taxation for second homes over a certain dollar amount. So for the Northeast some call it the country western star, the movie star, luxury tax or whatever it be because those are those that buy those expensive second homes, are there part time and their counties are asking whether or not they should pay differences in taxation since those purchase impact the typical resident like we deal with in this County. So that's one thing I would say, Members, when you do consider your proposal, again, yeah, the tax structure's one thing, we got nonprofits. I would say you can look at minimum tax. During difficult times, especially in rapid valuation growth, we tend to adjust Homeowner's exemption to minimize very bad financial impacts on the resident Homeowner. But we don't do a good job, is then readjust that exemption when times are good...much better again, and then we can lower the exemption to be...to treat that exemption in a more fair context to the existing situation. Like how we respond quickly during the bad situations. So look at home exemption. Another thing is in the reports that I would ask you to look at because I find it interesting, is unbudgeted purchases by the departments. So if you look at the report, you'll find that they've bought equipment that each equipment is worth in the hundreds of thousands of dollars and wasn't budgeted. So where was all that fat? If you can buy 21 vehicles, one time that's not budgeted, where was all that money hiding? If you can buy 2 pieces of equipment worth \$500,000, where was that money hiding? I don't have a problem supporting the departments' needs, but don't hide and buy and not inform Council. And that is one of the reasons I'm gonna look at locking up the A, B, C Accounts, because they won't be able to use Ops money to buy equipment unless they get authorization from Council. I don't have a problem. Let's, you know, let's give 'em what they need, but be upfront with the body. Tell us how you wanna pay for it. Stop hiding 'cause as I said in zero base budgeting you will be punished for that kind of action. So those are the things that I will ask you to take in account when you look at your numbers and whatnot, see how the certain departments have performed, whether they were upfront with you or not, and make your adjustments that you feel are justified. And then I will take all your proposals and then present it to you in the Chair's proposal on Monday. Ms. Crivello?

COUNCILMEMBER CRIVELLO: Thank you, Chair. When you talk about the buildings like, for instance, nonprofit, in Conservation I noticed we also...they have for the buildings, how does that determine...you know, you have...you may have a home on Conservation land and then you have...I don't know what buildings you have on golf

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courses, or then you have wind farms. Is the infrastructure considered a building per se?

CHAIR HOKAMA: Mr. Teruya?

MR. TERUYA: Yeah, improvements, or buildings, or any improvements to land, that's what it is. In conservation land, I think when we think conservation, we think of forest reserve. We think of wind farm, et cetera. But we have a lot of conservation oceanfront, and they basically have a density of one unit. So we have big, expensive, like 16 million, \$20 million sales of conservation land with a home on it. And the structure is, I would say, at least one fourth of the value, and we're seeing multimillion dollar estates on oceanfront. So all improvements, like I mentioned, is anything that is other than land. Anything that you erect on the building...or on the land is considered improvements, yeah, whether it's a building, or a structure, or a barn, all that.

COUNCILMEMBER CRIVELLO: Okay, okay, thank you.

CHAIR HOKAMA: I can tell you that we are making progress in the area of conservation lands. We met with DLNR representatives. One of the things that we are assisting them on is lots of times their Land Board upon approval of permit request require the permittee to follow and comply with all State and County laws. Unfortunately, the Board doesn't really have a strong enforcement arm. They assume that the permittee is doing everything within County law. Lots of time the permittee does not comply at all, but the State assumes they did, so what we have them working out with real property taxation is so you get better communication and documentation verification so that... 'cause lot of time our inspectors tell the State, do you know there's this structure on your conservation land? And a lot of times they're caught unaware because, again, the follow-through process. So we are working with them right now to ensure that if there are structures, it's permitted by the Board, and if it's taxable, it's taxed accordingly to our Code and our requirements. Anything, Mr. Teruya, you can add to that?

MR. TERUYA: In regards to the?

CHAIR HOKAMA: Conservation.

MR. TERUYA: Conservation, no. I think everything is done that we're trying to move forward. I think we have the bill in that we're trying to require them to do the building permits. I think...I think the State Department is also supporting that measure, moving forward because they wanna make sure that everybody gets a building permit as well. So I think it's moving forward, Chairman. I haven't followed it where it is right now, but we're supporting of it right now.

COUNCILMEMBER CRIVELLO: Thank you. Thank you, Chair.

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CHAIR HOKAMA: Mr. White?

VICE-CHAIR WHITE: Thank you, Chair. On Page 28, could you explain to us how you calculated the subsidy for the last three programs you list, the Condo classification, the Ag program, and the Homeowner? Just wondering if it's a combination of the assessed value and rate, or how you've come up with those numbers?

CHAIR HOKAMA: Department?

MS. MARTIN: The subsidy is based upon the Mayor's proposed tax rates. So if the rates changed, the subsidy would change. So we take the values and then multiply it times the rates of the various classes that the Mayor proposed.

VICE-CHAIR WHITE: Okay, but for example, in the Homeowner classification, I'm assuming that the majority of the...of the benefit is based on the...on the exemption of \$200,000. Is that included in this calculation?

MS. MARTIN: Yes, the exemption of 200,000 is included in the calculation, but actually the rate is the real subsidy. For example, you might be in the Hotel and Resort class because of your zoning, so your rate goes from...yeah, 2.78 to \$9.11. So if you have a high-value property, the benefit is in the tax rate.

VICE-CHAIR WHITE: Right. So if you're in a...in a residential area, and you have the Homeowner rate, is the subsidy the difference between Residential and Homeowner?

MS. MARTIN: Yes, it's the --

VICE-CHAIR WHITE: Okay, so it --

MS. MARTIN: --difference in the rate and the difference in the value so we...in our subsidy calculation we add back the \$200,000 and then we apply the different rates.

VICE-CHAIR WHITE: Right, okay. And then how do you calculate the same thing in the Condo classification? Is it just the difference in the rate? Like if you're in Hotel, it's...

MS. MARTIN: Yes, it's a difference in the rate for condominium units that are on land that allows transient occupancy. We take those values and we multiply it times the rate.

VICE-CHAIR WHITE: Okay, so the 7 million, or 7.6 million is for those who might be living in the Whaler condo at a Homeowner rate and the Homeowner classification...or the Homeowner exemption.

MS. MARTIN: Okay, the Condo classification figure is someone maybe who's living at the Whaler, but is claiming Apartment use, claiming that they don't rent, or that they rent long-term.

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VICE-CHAIR WHITE: Oh, that's right, 'cause the Homeowner would be in the Homeowner...

MS. MARTIN: Correct.

VICE-CHAIR WHITE: Yeah, okay. And then the Ag program is basically just through the assessed value? The discounting of the assessed value?

MS. MARTIN: Yes.

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

CHAIR HOKAMA: Okay, thank you. Other questions, Members, for our Department of Finance and/or Real Property Tax Division at this time? Okay, if not, if you do have questions, I'm happy to give you Mr. Teruya's Division number. Don't call 'em at night. He may answer. Yeah, we're gonna take that submittal that you have, Mr. Teruya, regarding the nonprofits approach from...

COUNCILMEMBER COCHRAN: Oh, Chair?

CHAIR HOKAMA: Yes, Ms. Cochran?

COUNCILMEMBER COCHRAN: In regards to...so when does the assessed value change or the approach when zoning gets changed?

CHAIR HOKAMA: Mr. Teruya?

MR. TERUYA: Thank you, Chair. As mentioned in my opening remarks, all values are as of January 1 so if there's zoning or your home burned down on January 2, it's still as of January 1. So whatever the zoning was as of January 1, that is what the valuation is based on.

COUNCILMEMBER COCHRAN: Okay.

MR. TERUYA: So mid-year you change it to a different zoning. The entire assessment year, it's still the old one, and the next year beginning January 1 will reflect the change.

COUNCILMEMBER COCHRAN: And so it's safe to say that all our change in zonings we have done thus far is now current and up to date, in its classification and its taxation.

MR. TERUYA: As long as it was approved by December 31st, it's reflected on January 1. Everything that's been approved since January 1, will be affected in the 2016 certification.

COUNCILMEMBER COCHRAN: Okay, 'cause I know we had issues when working on these things in Planning and making sure the RPT is in working in conjunction with

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Planning, and that they're all on the same page at the same time. So, you know, these valuations can go through in a timely manner.

CHAIR HOKAMA: Yeah, yeah, and that is why your Chair is gonna look at...review the law. I am leaning to propose to you a consideration that will move up the date of tax appeals. I would like that to be done prior to the certification. So when certification comes, we get a better, accurate number and to certification...I mean it's kinda like little...it's not as efficient as it can be. And I think Mr. Baz and Mr. Teruya, Mr. Aagsalog would agree with the Chair that this slight improvement will help us get better numbers in the near future if we can just adjust the deadline of the appeals.

COUNCILMEMBER COCHRAN: That'll be helpful. But, Chair, I agree with you and looking also into the second homes type of different taxation. And I think looking at Time Share, that's kind of what it's looking...it sorta has that air about it where it's an extravagance, a luxury item, and as, you know, it's a vacation home, place, residence of some sort. So thereby taxation's a little higher than others. But...and I'm a timeshare owner by...so I know.

CHAIR HOKAMA: Yes, yes.

COUNCILMEMBER COCHRAN: The prices I pay.

CHAIR HOKAMA: You've been very upfront with us, yes, thank you.

COUNCILMEMBER COCHRAN: Thank you, Chair.

CHAIR HOKAMA: Okay, any other questions? Mr. Victorino?

COUNCILMEMBER VICTORINO: Yeah, you mentioned earlier that if we had specific questions, we could call Mr. Teruya and I appreciate that, but if we have questions that we would like to forward to you to forward to the Department for --

CHAIR HOKAMA: Please, yeah, yeah.

COUNCILMEMBER VICTORINO: --written, will you still accept that?

CHAIR HOKAMA: Yes.

COUNCILMEMBER VICTORINO: Okay, I just wanted to make sure that was still acceptable and...from your side.

CHAIR HOKAMA: Yeah. No, that is.

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

CHAIR HOKAMA: That will not change.

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COUNCILMEMBER VICTORINO: Okay.

CHAIR HOKAMA: Okay, if there's no other questions for Mr. Teruya, Ms. Martin, or Director Agsalog, I'm gonna conclude this portion, take a recess, and then bring up OCS for their budgetary review, Members. Any other questions for RPT? If not, Mr. Teruya, Ms. Martin, we thank you for a great submittal. You gave us some very good information for our use, and we appreciate the hard work. And Mr. Director, thank you for your Division's cooperation and great work and information provided, so thank you. We're gonna take a recess till 11:00 and use the last hour to review Legislative Branch requests. . . .*(gavel)*. . .

RECESS: 10:46 a.m.
RECONVENE: 11:01 a.m.

CHAIR HOKAMA: . . .*(gavel)*. . . Okay, we shall bring this Committee meeting back to order.

OFFICE OF COUNCIL SERVICES

CHAIR HOKAMA: We are going to review the Council Services' request, Members. So joining us is Mr. Raatz. Mr. Raatz, any opening comments?

MR. RAATZ: Thank you, Mr. Chair. And for the record, this is David Raatz, Director of Council Services. I have Ross Izumigawa with me. He's the Supervisor of our Support Section. Just briefly I'll point out we have provided two documents to this Committee for the Budget Session. On March 19th, I provided a spreadsheet showing OCS unbudgeted equipment purchases in response to an inquiry from this Committee, and on April 14th, I provided some updated information that might be useful to the Committee for both Fiscal Year '15 Budget updates and Fiscal Year '16. For the sake of time, I think I'll just focus on the Fiscal Year '16 information included in my April 14th memo. because it's fairly noteworthy with respect to what the Committee's considering with OCS budget. And that's in two respects. In the category of staffing for OCS within our Research Section, as the Councilmembers know, we have Legislative Attorneys as a position. The Mayor's Budget proposal for Fiscal Year '16 transfers the three existing OCS attorney positions to the Department of the Corporation Counsel along with just over \$300,000 budgeted for those position salaries. And I know you went over this to some degree when the Department of the Corporation Counsel was here, and just to clarify this is not an OCS request. This is obviously a policy decision for the Council, and we will work with whatever decision this body makes. But I do appreciate Corporation Counsel being creative in trying to develop proposals that will ensure that the Council receives the legal staffing requirements that helps the body perform its Legislative functions. But this particular proposal is not something that OCS is requesting at this time. Secondly is in the area of audits. The Mayor's Budget proposal deletes \$200,000 for Council-initiated audits in the Fiscal Year '16 Budget. It appears to OCS that the Council does wish to retain

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its ability to exercise its Charter-established power to conduct audits from time to time. Though the County now has an Office of the County Auditor, of course the Council can't dictate which audit the County auditor should perform. So if the Council wants to be certain that a particular audit will be performed, the only way to do that is to have the Council commission the audit itself. So again this obviously is a policy decision, but we understand that the Council would like to retain its independent ability under the Charter to conduct audits which is why our original proposal that went up to the Mayor's Office did include \$200,000. So the...what came down in the formal Budget proposal would eliminate the funding for Council-initiated audits. So thank you, Mr. Chair, I thought it was important to provide that background information, and Ross and I would be happy to answer any questions the Committee may have.

CHAIR HOKAMA: Okay, thank you very much. We appreciate your comments, Director Raatz. Okay, Members, let us look at the A Account under Council Services. They have a reduction in their proposal. Mr. Carroll, questions for Mr. Raatz on the A Account? Thank you. Ms. Baisa?

COUNCILMEMBER BAISA: Not at this time, thank you.

CHAIR HOKAMA: Thank you. Ms. Cochran?

COUNCILMEMBER COCHRAN: No, thank you, Chair.

CHAIR HOKAMA: Ms. Crivello?

COUNCILMEMBER CRIVELLO: Not at the moment, Chair. Thank you.

CHAIR HOKAMA: Mr. White?

VICE-CHAIR WHITE: No, thank you, Chair.

CHAIR HOKAMA: Mr. Guzman?

COUNCILMEMBER GUZMAN: No, thank you, thank you.

CHAIR HOKAMA: Mr. Victorino?

COUNCILMEMBER VICTORINO: None at this time, Chair, thank you.

CHAIR HOKAMA: Salary adjustments, you have a...about a \$41,000 request, Mr. Raatz. Can you give us comment on that one?

MR. RAATZ: Yes, thank you, Mr. Chair. That's in anticipation if any step increases are approved by the Council for OCS staff later this term. The appointment resolution on January 2nd did not include any step increases. Traditionally, that's something that

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the body has deemed appropriate and we wanted to allow for that possibility in our budget.

CHAIR HOKAMA: Okay, that's on 4-6, Members, under Salary Adjustments. How many part-timers is in your proposal?

MR. RAATZ: We currently have five part-time...excuse me, just gone up to six is our current level staffing for the part-timers.

CHAIR HOKAMA: So what is your approach for Analyst Section? Maintain the same amount with overlapping duties?

MR. RAATZ: We currently aren't requesting any additional full-time staffing. We are assessing needs, however. We do have a little bit of a backlog in our research work right now, what we call project assignment forms, or PAFs, and we're hoping that with the new Attorney, who will be joining the office on May 1st, will be able to make some progress in reducing that backlog. And I do thank the body for approving that hire as recommended by our hiring committee and the Council Chair. But we're evaluating whether it would be prudent to recruit additional staffers, or possibly even look at a new category of part-time assistant, somebody who can do research work. Perhaps somebody even who's an alumnus of OCS or elsewhere in County government as a potentially cost-effective way of reducing the backlog.

CHAIR HOKAMA: What is your approach for the Secretary Section?

MR. RAATZ: It's fairly similar to the Research Section. We're not currently requesting additional staffing. The Secretarial Section is working very hard right now. We have nine standing Committees, and several Secretaries are doubling up on their Committee assignments. And I've had the Supervisor of the Secretarial Section write me out an argument for possibly requesting an additional Secretary during this current...this upcoming fiscal year but we haven't yet decided that that's warranted.

CHAIR HOKAMA: Okay. I don't know if we need all these part-timers. I prefer not to have overlapping Committees for Staff. Mr. White, questions?

VICE-CHAIR WHITE: No, I'd just like to comment that if we discuss it in fairly good detail that the move of our Attorneys to Corp. Counsel, while possibly well intentioned by Corp. Counsel to solve the representation issue, I think is something that I find difficult to go along with. And we are in the process of trying to evaluate the level of backlog in PAFs. Lot of them are the more...more challenging large projects that are very difficult to set aside time to complete. And so we're possibly gonna have to...well, we're hoping that this...the new attorney that's coming on will provide a lot of that research and assistance. So we're looking at whether or not we can realign the way we assign PAFs, or whether we need to possibly contract out some of the research rather than bringing on people so...

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CHAIR HOKAMA: Okay, thank you. Mr. Guzman, questions, sir?

COUNCILMEMBER GUZMAN: I have no questions, but yeah, I believe that we are in the process of looking at part-time research. I think it's a more efficient way of going about...I know that our...lot of our analysts are double loaded, that their main priority's Committee work. And so if we could have some type of assistance for the PAF, the research section which is very, you know, grueling and long in some of these projects and some of these researches that we have pending, I think it would be very, very valuable for our body. So thank you.

CHAIR HOKAMA: Okay, thank you. Mr. Victorino?

COUNCILMEMBER VICTORINO: No, and just that I will agree with my colleagues, especially Mr. White, that maybe contracting out may be the best resolve to get this problem taken care of. That way we are using what we need and not having someone here, and like you've said many times, Mr. Chair, we keep building to increase the bodies count. And we don't wanna keep doing that. So as much as possible, Chair, I agree with that scenario. Maybe contracting out the research portion and freeing up our people to do, like Mr. Guzman said, doing their actual Committee work that we need accomplished, yeah. So thank you, Chair.

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

COUNCILMEMBER BAISA: No, thanks.

CHAIR HOKAMA: Ms. Cochran?

COUNCILMEMBER COCHRAN: Yeah, I was looking through the transmittal, the April 14th transmittal, from Mr. Raatz. And I guess it's the proposal for the transfer of the three E/Ps is not supported at this time from this Department, or was not given via you folks at all?

CHAIR HOKAMA: Mr. Raatz?

MR. RAATZ: Thank you, Mr. Chair. Councilmember Cochran, we don't have an official position on this. We don't think it's really our role to offer a position, but I did want to clarify this is not something that we're requesting. It's not our idea.

COUNCILMEMBER COCHRAN: Okay, thank you.

CHAIR HOKAMA: Okay, thank you. Ms. Crivello, questions?

COUNCILMEMBER CRIVELLO: No, but I also...I can appreciate where Corporation Counsel is getting creative to try and move our Legislative Attorneys. But I would prefer that when we get into that discussion that we should get more in depth in that discussion. Other than that, I'm okay with what we have before us at this time.

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CHAIR HOKAMA: Okay, thank you. Most of your overtime was attributed to what factors, Mr. Raatz?

MR. RAATZ: Thank you, Mr. Chair. Well, we've been actually consistent in recent years relatively speaking on what our overtime is. It is I would say, just to be very general, Committee work that...is the leading factor in generating overtime, primarily because as this body well knows, the hours can be quite beyond the 7:45 to 4:30 normal work day and there's deadlines that have to be accommodated. And one of our primary reasons for existing in OCS is to help the Council meet legal deadlines, so we don't hesitate to invest the time and labor and effort necessary to meet the deadlines. So I guess the short answer I'd say it's Committee work, and it hasn't from the records I've seen, been subject to a lot of fluctuation in recent years. It's been fairly steady.

CHAIR HOKAMA: How much can you adjust this for improvements by adjusting your review process, approval process?

MR. RAATZ: Thank you, Mr. Chair. We've actually had supervisor level discretions...discussions, excuse me, within the last couple weeks about our review process and improving it. One of the things we take pride in at OCS is producing documents that are as accurate and as free from errors as humanly possible. But we understand timeliness is very important as well, and we're looking at new systems to allow for more timely reviews. And we actually have been in discussions on looking at our overtime policies as well. We have a little bit more freedom because our employees are not in civil service or subject to collective bargaining agreement, so we may be able to do a little bit more with flex time or other adjustments that will be fair to the employee and also perhaps cut down on our overtime expenses.

CHAIR HOKAMA: How much of this is converted to comp time? You have a percent?

MR. RAATZ: Thank you, Mr. Chair. I don't have those figures at my fingertips. We could get back to the Committee if you'd like on that. We do have a general policy that when an employee works overtime, she or he has the ability to request compensation either in comp time or in cash.

CHAIR HOKAMA: Do we have a policy of how soon you gotta use the comp time?

MR. RAATZ: Thank you, Mr. Chair. We don't currently have a policy on that and that can be a concern. We don't wanna have too many hours banked in CTO. That can be a problem both for the employee and for the office, and we're going to be continuing to look at that.

CHAIR HOKAMA: Okay, let's get one policy in place sooner than later. I don't want that hanging out on our budget. Ms. Baisa, any questions? You've enjoyed this role before.

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COUNCILMEMBER BAISA: Thank you very much, Mr. Chair. First of all, I'd like to say that, you know, I had the pleasure of working very closely with the Council Services Staff, and I'm very impressed. They're good quality people and very dedicated and work really hard. And as has been mentioned, fill many roles. You know, they're trying to deal with Committees and Committee Chairs, and of course every Committee Chair feels that their work is a priority and they want it done right away. And at the same time, you know, we're asking them to do PAFs and do all kinds of things. And so they are, in my opinion, they're really hard worked, and that they try very hard to please us. So, but I do share your concern about CTO. We've talked about this before. You know, I don't like to see a whole lot of it banked up like you because who knows that we someday have to pay it off, and it could be a lot. So I come from an agency as you know that had a very strict policy on CTO, and we were required to either use it within a pay period or pay. And that may be too strict for us, but I think some tighter deadlines wouldn't hurt. Better to pay than to have that hanging and not know what it could do to us budget-wise if somebody leaves and you have to pay all that off. So I'm really happy that we have a new attorney coming aboard. I think it's gonna make a big difference because Council Services has not had a full staff of attorneys for quite a while now, yeah. I think you all remember when we started losing Council attorneys. It was like everybody just...you know, it started a trickle down thing and person after person left and changed jobs, and so, you know, it's kinda been in a flux. And I'm really excited that we might finally have a full staff. It will affect I think our ability to do the PAFs. But I do like the idea that, you know, if we are getting behind, we may have to have some outside help just to at least to catch up, and kinda with a full staff maybe we can better determine exactly what we need. You know, when you're operating short of staff, it's hard to evaluate what you really need 'cause when you have everybody there it makes a big difference, even with us. You know, when we're all here it's so much easier to get work done than when we're just a few. So I don't have any serious concerns about the budget. I know that Council Services is very frugal and that they watch their budget very carefully. And so I really have no concerns, Chair. Thank you.

CHAIR HOKAMA: Thank you. Mr. Carroll, questions?

COUNCILMEMBER CARROLL: No questions. But it's more or less the same feelings as Councilmember Baisa had that I'm very glad that we're having somebody else come inside there. And I do worry about them being short staffed because a lot of the times, my Committee as an example, we have a lot of work to do after an item passes out. And it's really important to have it fully staffed. Thank you.

CHAIR HOKAMA: Thank you. Mr. Victorino?

COUNCILMEMBER VICTORINO: No, I don't have any questions for the Department. I think, you know, I echo the same sentiments as my colleagues. They've always fulfilled and worked very diligently to provide us with what we need when we needed it, so I wanna thank them for everything. And hopefully we can help them continue to do a good job

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by providing the necessary equipment and as well as staffing, so that they can provide us with the service for our communities at large. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Guzman?

COUNCILMEMBER GUZMAN: Thanks.

CHAIR HOKAMA: Thank you. Mr. White?

VICE-CHAIR WHITE: Are you still on A Account?

CHAIR HOKAMA: Yeah.

VICE-CHAIR WHITE: No further.

CHAIR HOKAMA: Ms. Crivello?

COUNCILMEMBER CRIVELLO: Thank you, nothing right now, thank you.

CHAIR HOKAMA: Okay. Mr. Raatz, B Account.

MR. RAATZ: We're essentially flat, Mr. Chair, on our Operations. I think maybe I could highlight briefly back to my April 14th memo just to acknowledge that we are using Fiscal Year '15 funds to move forward with the contractor, we hope, called Granicus which we've had several discussions with the Council on over recent years. And the body did provide that funding in Fiscal Year '15, and I wanna acknowledge that we are intending to use that before June 30th. And we'll look forward to working with all the Councilmembers and the Committee Chairs on testing out the new features that will be available, and making sure that it's a seamless transition.

CHAIR HOKAMA: Okay. So Granicus, we have a contract at this time, Director?

MR. RAATZ: Thank you, Mr. Chair. No, we don't. We've been in discussions with them for some time, and we feel like we're getting close. They've...to their credit they've taken the time to understand our operations and how we do things at the Maui County Council, and we've taken the time to look at what they've done with other legislative bodies throughout the State and on the mainland and tried to correlate that to what they can do for us. And it's largely an efficiency tool, I would say, helping to actually expedite review processes, tracking the status of Legislative proposals, tracking the work of all the nine standing Committees, and then also using technology including web streaming to both make live accessibility to our meetings a little bit easier for folks throughout the County, and then also having an archiving system where the video is linked to the minutes and the Legislation. So our archives will hopefully be more useful and meaningful to people frankly within the Legislative Branch doing their work and ultimately for the public who works with the Council and tries to track what the Council's doing. You know, we currently put up a lot of information online. We're

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constantly updating, uploading material, but it's not in necessarily always a very user-friendly type of organization where it's really intuitive. And we know it's not as easy to track Legislation and to do Legislative history as we'd like based on the content that's actually available to us. So this will help to make our system a little bit more meaningful for people who go online, and also again with our internal operations in producing meeting agendas and the other documents that we create in OCS.

CHAIR HOKAMA: Okay, thank you, Director. 4-7, what's your increase for your Contractual Services for?

MR. RAATZ: Thank you, Mr. Chair. This is for our transcription services. We're currently preparing an RFP. As I think the Councilmembers know, we contract out most of our Committee minutes. We do verbatim minutes, and we have a contractor who does the bulk of the work. We do have our Secretarial Section who checks the work and oversees the preparation of the minutes. But that's based on our expectation for the contract that will result after this RFP process is concluded.

CHAIR HOKAMA: So are we caught up with transcription requirements, or we 20 percent behind of all our required deadlines? Where are we with transcription?

MR. RAATZ: Thank you, Mr. Chair. For this current term, we are current. We're in legal compliance for all of our Committee meeting minutes, and we do plan to continue with that. We have I think a good system in place for that.

CHAIR HOKAMA: Okay, so no Secretary is doing any transcription work?

MR. RAATZ: Thank you, Mr. Chair. They do step up and do transcription work when it is necessary to meet a legal deadline in the instances where the outside contractor hasn't been able to meet the deadline. So, yeah, thank you for allowing me to clarify that. The office as a whole is in legal compliance, but sometimes it does require our Secretaries stepping in when the contractor is not able to meet the deadline, but that is the exception rather than the rule.

CHAIR HOKAMA: Computer Services, that request to us, 65-8. Is this for the HPSI contract?

MR. RAATZ: Thank you, Mr. Chair. That's actually for the DSL service, the cable internet that allows our office to have reliable web access.

CHAIR HOKAMA: Okay.

MR. RAATZ: And part of that is related to the contract for our outside IT consultant, HPSI, from Honolulu.

CHAIR HOKAMA: Okay. Only a portion of that amount, Director?

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MR. RAATZ: Thank you for the clarification, Mr. Chair. Yes, but I do see that is a large portion of it. That is \$59,000 for HPSI, and then the remainder is for the DSL and other web-related upgrades.

CHAIR HOKAMA: Okay. When does this contract with the HPSI terminate?

MR. RAATZ: Thank you, Mr. Chair. It terminates on May 30th of this year.

CHAIR HOKAMA: Is the vendor selected through an RFP, Mr. Director?

MR. RAATZ: Yes, Mr. Chair, that's another RFP for IT consultants, so again we don't know for sure if HPSI will be the winning bidder. So we have to go through that process.

CHAIR HOKAMA: How long have we had this vendor?

MR. RAATZ: Thank you, Mr. Chair. I think close to 20 years is how long we've had a relationship with HPSI to do our IT work.

CHAIR HOKAMA: Well, shake 'em up or what, but I'm not happy with their performance. Either terminate 'em or get somebody better. Mr. White, questions?

VICE-CHAIR WHITE: Thank you, Chair. On the next line down, Contractual Services, we show the increase for anticipating transcription. But one of the things I'd like to have you check out is at the end of last year in encumbrances, or the beginning of this year, we had encumbrances of \$192,000 and we budgeted 100. And my recollection is we reduced that based on a level of encumbrances that we had on that line. And we've encumbered another 83,000. So if you don't mind I would...Chair, I'd like to have them provide us the detail on encumbrances in this line, because the remaining balance at this point is actually is in excess of the amount we budgeted last year. So that means we're living off of those encumbrances, so I'd just like to know how much we've got left and how much we're gonna need to spend.

CHAIR HOKAMA: Okay, we'll forward that.

VICE-CHAIR WHITE: We may not...we may not need to increase that line. So, Director, if you wouldn't mind researching those encumbrances. And then again on the 6132 Professional Services line, I believe that's another one that where we had a large encumbrance balance last year and we reduced the funding. Is that our *Akaku* contract, Director?

MR. RAATZ: Thank you, Mr. Chair, yes. That's for our video services which is currently with *Akaku*.

VICE-CHAIR WHITE: Okay, so if you could provide us the details in what's in the remaining 160...or what...remainder of whatever encumbrances are there, I would appreciate that. And I'm assuming, Director, that the Administration shifted a \$200,000 amount

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for...that we commonly have in for Audit Services. And I'm assuming that you're wanting us to reinstate the \$200,000 elimination there so that we maintain a certain amount of money to provide for audits that we generate. Would that be a correct assumption?

MR. RAATZ: Thank you, Mr. Chair. Yes, that's an accurate assumption, thank you.

VICE-CHAIR WHITE: Okay, so when we...when you state that our budget is fairly flat with last year...oh, that's right. Part of that 200,000 was shifted to another area so, yeah, you're right, okay. And that's all I have for now. Thank you, Chair.

CHAIR HOKAMA: So I see that line you're referring to, Mr. White, that negative 200,000 on 4-9. Director, tell us about the 300,000 for Professional Services.

MR. RAATZ: Thank you, Mr. Chair. That is largely the allocation and anticipation of the Council hiring its own Special Counsel.

CHAIR HOKAMA: Okay.

VICE-CHAIR WHITE: And that's been a relatively steady number, hasn't it?

MR. RAATZ: In recent years...Mr. Chair, yes, that's been --

VICE-CHAIR WHITE: Okay.

MR. RAATZ: --generally the standard figure that's been put in the budget.

VICE-CHAIR WHITE: Yeah, thank you. Thank you, Chair.

CHAIR HOKAMA: Thank you. Ms. Crivello?

COUNCILMEMBER CRIVELLO: Nothing right now, thank you.

CHAIR HOKAMA: Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. And so referring to the first, back to 4-7 and the Contractual Services 6112, in your correspondence Page 2 of April 14th, you folks will soon be publishing RFPs for such services. So...but yet you're anticipating this increase anyways? So it's like we have a current, I guess, vendor of sorts but you're gonna be putting out an RFP for a new one, but you're anticipating that the bid will come in higher than currently?

CHAIR HOKAMA: Mr. Raatz?

MR. RAATZ: Thank you, Mr. Chair. We do anticipate some increase in....some potential increase in transcription services.

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COUNCILMEMBER COCHRAN: Okay. And then following along the same lines over to the Professional Services, Page 4-8, 6132, and Mr. White asked that's the *Akaku* current services. You're also looking to go out for an RFP soon for video services which I guess would be in connection to this line and figures?

MR. RAATZ: That's correct.

COUNCILMEMBER COCHRAN: So annually I guess that's...so *Akaku* has to resubmit an RFP annually. It's not a given they get it every year?

MR. RAATZ: Whenever we go out for an RFP, certainly any proposed bidder has to submit a proposal and it could be any number of potential vendors. We'll have to see how the process plays out.

COUNCILMEMBER COCHRAN: Okay, and it looks like...yeah, that's all I had, Chair.

CHAIR HOKAMA: Okay.

COUNCILMEMBER COCHRAN: We...well, sorry. And in that explanation it changes...removal of set up fees and removal of closed-captioning. So we...we've been doing closed-captioning?

CHAIR HOKAMA: Director?

MR. RAATZ: Thank you, Mr. Chair. Councilmember Cochran, we have in prior years anticipated the possibility of doing closed-captioning and for this year's proposal we're not making that assumption.

COUNCILMEMBER COCHRAN: So you've gotten the 60,000 annually but never actually used it for such service, closed-captioning?

MR. RAATZ: Thank you, yes, that's correct.

COUNCILMEMBER COCHRAN: Okay. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. White?

VICE-CHAIR WHITE: Yeah, if I could just add a little to that point. During last year's Budget, the encumbrance...we had been allocating in the budget each year \$60,000 for closed-captioning, but had not actually done it. And we hadn't...and because we hadn't, that \$60,000 kept adding up, and so that's why we were able to reduce the amount of this line item last year because we were able to work off of that encumbrance. And so we're likely to be able to do that to some degree again this year. Thank you, Chair.

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CHAIR HOKAMA: Okay, thank you. Other questions in the B Account, Members? Okay, Mr. Raatz, C Account?

MR. RAATZ: Thank you, Mr. Chair. We're again doing our standard replacements for equipment. We try to rotate both in OCS and Councilmembers' offices so that at any given time, each office is well-equipped and there's new equipment coming in. Nothing has really changed in our equipment policies of too much significance. I will note in passing because I think it's probably of interest to the Councilmembers, we are requesting funding relating to the new VOIP phone system, ShoreTel equipment that will need to be installed at the three District Offices replacing the current Polycom equipment to facilitate testimony via the interactive communication system. We had actually anticipated having the Legislative Branch make the change to the new system by this point in the calendar already, and we've been in regular contact with the Administration. We're still waiting for that to happen, and I think best I can tell right now it'll probably happen right around the beginning of the Fiscal Year.

CHAIR HOKAMA: Is this dependent upon something from the Admin for us to implement?

MR. RAATZ: Yes, it is. It's a project led by ITSD and their outside consultants, and we're dependent on when they can fit us into their timeline.

CHAIR HOKAMA: So tell us the improvement from what we have now, this new conference equipment should provide us?

MR. RAATZ: Well, the District Office equipment will be necessary to be compatible with the new system, the new VOIP, or voice over internet protocol system as it's been explained to me by the technical folks. The Polycom that we currently have isn't a good match for the VOIP system. I don't know all the technical reasons.

CHAIR HOKAMA: Okay. So the consultant recommended us buy ShoreTel and then the consultant is not telling us buy this new voice over equipment. They're the same...they're the provider too? They're the equipment provider, the consultant? Mr. Baz?

MR. BAZ: Thank you, Mr. Chair. The Administration has, you know, at least in this building mostly moved over to this new system, and ShoreTel is the brand of equipment that works with the new system just like how the old system used to be Nortel, or whatever the current product is. So, yeah, that equipment then is one of the standards that is being introduced throughout the County. These phone systems are very enhanced as compared to the current phone systems I can tell you. Or...now for the Administration and previous phone systems, the features of this new system I think that the Members and Staff will incredibly appreciate. I appreciate mine very much.

CHAIR HOKAMA: Do you usually do an assessment of who actually use those accessories on the phone system?

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MR. BAZ: Yes.

CHAIR HOKAMA: I can tell you for me, except for dialing out or taking a call on hold, I never use any of the accessories on the phone.

MR. BAZ: Yeah, and they do...I know when they came and interviewed my staff, they asked each of my staff members what they did on the phone and there was changes. Couple of them were for some reason, they had, you know, multiple lines and different things like that. They got reduced to just single usage kind of systems. And the base phone system does have a lot of features on it which I use quite a bit of, but maybe in general most people will just dial out and take incoming calls. But the caller ID features integration with your computer is incredible. You know, you're able to, if you would like, capture your voicemails and have it send you an e-mail with our voicemails in it. So, you know, like I can be sitting here on the floor and know that I got a voicemail from somebody and you know, I could actually check it from, you know, on my smartphone, download that wav file and listen to the voicemail. I'll tell you that it's...I could go into much detail about it, but it's a great system. And what this four...you know, \$1,125 each are specific phones to replace the...that triangle Polycom system that you have instead of...I think the normal replacement phones are included in the contract, but if there's any special things, you know, so like our conference rooms have those same type of equipment.

CHAIR HOKAMA: Does this system work best so that the incoming call, even if they're not on the same equipment, wouldn't interfere with the transmission?

MR. BAZ: Yeah, that's correct. So if, say like, we're in the conference room and have a conference call. It doesn't matter who the other person on the other side of the line, what type of equipment they have. It just matters what type of equipment we have because we're connected to our system.

CHAIR HOKAMA: Okay.

MR. BAZ: Yeah, so it's not like it's proprietary that...do they have to have that same type like it used to be.

CHAIR HOKAMA: Okay, thanks. Director, what is this mobile devices for Members in your Equipment request?

MR. RAATZ: Thank you, Mr. Chair. That reflects an office policy that's been in place for couple of years now I believe where each Councilmember has a \$200 allotment to apply towards the purchase of any mobile device to assist in the Councilmember's official duties. And that \$200 credit can be applied towards the purchase of a more expensive device with the excess funds coming from the Councilmember's individual office account. And we've budgeted \$600 for the upcoming Fiscal Year, or proposed that, in anticipation of three Councilmembers wanting to take advantage of that opportunity.

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CHAIR HOKAMA: So the line on 4-8, Mr. Raatz, that 19,000 for cell phone, what is the big difference between that line and this other equipment line?

MR. RAATZ: Thank you, Mr. Chair. That's the service cost for the mobile devices.

CHAIR HOKAMA: So their monthly contracts whatever it be?

MR. RAATZ: That's correct.

CHAIR HOKAMA: So new devices, repair of old...current devices wouldn't come under this code, sub-code? Is that where it would be booked?

MR. RAATZ: I think it could be both current...or existing and new devices under that category.

CHAIR HOKAMA: Okay. Mr. Victorino, questions?

COUNCILMEMBER VICTORINO: No, not at this time, Mr. Chair.

CHAIR HOKAMA: Thank you. Mr. Guzman?

COUNCILMEMBER GUZMAN: Not at this time, thank you.

CHAIR HOKAMA: Mr. White?

VICE-CHAIR WHITE: No, thank you, Chair. I'll wait for the information from the Director.

CHAIR HOKAMA: Thank you. Ms. Crivello?

COUNCILMEMBER CRIVELLO: No, nothing right now. Thank you, Chair.

CHAIR HOKAMA: Ms. Cochran?

COUNCILMEMBER COCHRAN: Chair, sorry, I actually forgot I had another question in regards to the contract with Granicus, and it had to do with the live web streaming of meetings. So is that in Council Chambers or out remote testimony, district meetings, or our own public hearings that we go out district-wise? What meetings are these. . .would be?

CHAIR HOKAMA: Director?

MR. RAATZ: Thank you, Mr. Chair. Thanks for that question, Councilmember Cochran. That would be at the body's discretion ultimately. What we're envisioning is any meetings that are videotaped by *Akaku*, or whoever becomes our video provider, would be provided to Granicus who would then put it on the web in nearly real time.

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If...some may have seen on *Akaku's* website currently there is a version of web streaming, but it's got a very significant lag time. It's got commercials and we can't control the content of the commercials, and we've had people complain to us about that frankly. So this would be a commercial-free virtually real-time web streaming service, and it would just be taking the existing video content. So, you know, to the extent that this body decides which meetings...our videotape which currently is basically every Committee and Council meeting in the Chamber, then those would be meetings that would also be on the live stream.

COUNCILMEMBER COCHRAN: Okay. So they wouldn't be doing the video itself, the videotaping itself? They're the...whatever...

MR. RAATZ: Thank you. Yeah, that's correct. They're a mainland based company and...so they wouldn't have people here on site operating cameras, running...running video. If there were no *Akaku* or other existing video provider that we had, they would probably go out and contract with video professionals here locally to get it done and enable the live streaming. But that's...they'll...but if there is existing video content, they'll just pick it up and run with it on their live stream.

COUNCILMEMBER COCHRAN: Okay, thank you. And I guess, Chair, going into the narrative book and looking at Equipment there on Page 148, the \$2,600 for a monitor for this Chamber. That's similar to what we see on the wall there and we're...is this for one monitor? And where are we planning to put that?

MR. RAATZ: Thank you, Councilmember. Do you have the sub-object code on that, please?

COUNCILMEMBER COCHRAN: How does that work? 902015-7044, is that the number you need?

UNIDENTIFIED SPEAKER: Clerk's Office.

COUNCILMEMBER COCHRAN: Is it in the...

MR. RAATZ: Thank you, Mr. Chair. That's actually a proposal from the Office of the County Clerk.

COUNCILMEMBER COCHRAN: Oh, sorry.

CHAIR HOKAMA: The Chambers is under the Clerk's jurisdiction.

COUNCILMEMBER COCHRAN: Oh, okay, sorry, sorry. No, no further questions, Chair. Thank you.

CHAIR HOKAMA: Okay, any other questions, Mr. White?

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VICE-CHAIR WHITE: Thank you, Chair. Under the Granicus arrangement, are we required to be the ones to provide the archiving...the additional storage for the archives?

CHAIR HOKAMA: Director?

MR. RAATZ: Thank you, Mr. Chair. Thank you, that's a good question. That's one of the benefits of Granicus is that they will provide all of the web space, the Cloud space that's necessary for archiving the content. We have an ongoing issue both physical space and electronic space, and that's one of their selling points.

VICE-CHAIR WHITE: Okay. And my understanding from our discussions was that the Granicus contract is actually looking as though it's gonna come in lower than we initially anticipated.

MR. RAATZ: Thank you, Mr. Chair. Yes, we do believe that it looks like that will be the case. There'll be some savings there.

VICE-CHAIR WHITE: Okay. And I think the other question that we had...I don't recall where we are on that now, but my recollection is that there was a concern earlier that if we went with Granicus that we would no longer, so to speak, own our documents. That it would become Granicus's documents and we would not be as open and free with the ability to do things with the documents as we might otherwise. Do you know if that's been resolved, or whether that was a concern in the first place?

MR. RAATZ: Thank you. Yes, we've raised that concern with the Granicus folks, and we'll make sure that the contract makes it clear that any content that is produced relating to Granicus, or they somehow work with or manipulate still remains public record that's fully accessible to anyone in the public.

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

CHAIR HOKAMA: Okay, any other questions for Mr. Raatz in the C Account, Members? Mr. Baz?

MR. BAZ: Thank you, Mr. Chair. Just to note, I did get a note that the vendor that's our contractor for the phone service and the upgrades is separate from the contract that we have for the equipment itself. So those are separate functions.

CHAIR HOKAMA: Okay, thank you very much.

MR. BAZ: And then can I just take half a second to say that the *Akaku* feed on the web is not that great. I used it a lot when I was out but it has significant flaws, and if you can upgrade that I would personally appreciate that.

CHAIR HOKAMA: They get money from the State. We're not the cure-all for everybody including *Akaku*. Okay, any other questions for Mr. Baz, Mr. Raatz, Mr. Izumigawa,

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Members? Office of Council Services? Okay, I have a few announcements, 1:30 we do have a Committee of the Whole requirement. 2:30 we have a Policy Committee requirement. 6:30 there is a district meeting in Central at Lihikai School this evening. And we'll finish Audit...Auditors and County Clerk either Thursday, Friday of this week, Members. Any questions for your Chair? If not, this meeting is adjourned. . . .(gavel) . . .

ACTION: DEFER pending further discussion.

ADJOURN: 11:56 a.m.

APPROVED:



RIKI HOKAMA, Chair
Budget and Finance Committee

bf:min:150420:rk

Transcribed by: Reinette Kutz

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CERTIFICATE

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

DATED this 13th day of May 2015, in Wailuku, Hawaii.


Reinette L. Kutz