

**COST OF GOVERNMENT COMMISSION  
MINUTES  
Kalana O Maui Building, 9<sup>th</sup> Floor, Mayor's Conference Room  
Thursday, May 21, 2015**

**PRESENT:** Tina Gomes, Chair  
Garrett Evans, Vice-Chair  
Gabriel Hoeffken (arrived at 10:05 a.m., left at 1:00 p.m.)  
Stanford Lantias, Member (left at 1:00 p.m.)  
Gayle Long, Member (arrived at 10:05 a.m., left at 12:18 p.m.)  
Dale Thompson, Member  
John Watling, Member (left at 1:00 p.m.)

**EXCUSED:** Bradley Bunn, Member

**STAFF:** Jeffrey Ueoka, Deputy Corporation Counsel (left at 10:42 p.m.)  
Edward Kushi, Jr., First Deputy Corporation Counsel (arrived at 10:42 p.m.)  
Gina Gormley, Technical Writer for the Commission

**OTHER:** John Buck, Executive Assistant, Office of the Mayor  
Lance Taguchi, County Auditor  
Scott Kaneshina, Senior Analyst, Office of the County Auditor  
Camille Sakamoto, Administrative Officer, Office of the County Auditor  
Linden Joesting, Deputy Corporation Counsel  
Alan Arakawa, Mayor  
David Taylor, Director, Department of Water Supply  
Greg King, Purchasing Agent, Department of Finance  
Jock Yamaguchi, Executive Assistant, Office of the Mayor  
Herman Andaya, Executive Assistant, Office of the Mayor  
Other (1)

**HANDOUTS DISTRIBUTED:**

1. **Copy of April Meeting Minutes**
2. **Copy of Council Member Stacy Crivello's Email Correspondence**
3. **Copy of Greg King's Purchasing Card Program Presentation**
4. **Copy of Department of Water Supply, Renewable Energy Projects and their Status - Part of County 20YR PPA as of May 2015 from Director of Water Supply**

**I. CALL MEETING TO ORDER**

Chair Gomes called the meeting to order at 10:00 a.m.

**II. PUBLIC TESTIMONY**

There was no public testimony.

**III. REVIEW AND APPROVE APRIL 9, 2015 MEETING MINUTES**

**\*\*Note: Agenda Item III taken out of order. For a summary of the Item III discussion, see below.**

#### **IV. REVIEW AND DISCUSS CORRESPONDENCE RECEIVED**

A. Email Correspondence dated May 12, 2015 from Council Member Stacy Crivello.

**\*\*Note: Agenda Item IV taken out of order. For a summary of the Item IV discussion, see below.**

#### **V. DISCUSSION WITH MAYOR ALAN ARAKAWA REGARDING IDEAS FOR 2015-2016 ANNUAL REPORT**

**\*\*Note: Agenda Item V taken out of order per Chair Gomes' request.**

Mayor Arakawa informed the Commission that each department is faced with severe challenges and inquired whether the Commission would be willing to work with the Administration in researching and analyzing County deficiencies. Mayor Arakawa requested the Commission to look at the County's deficiencies and determine what the County's needs and requirements are. Mayor Arakawa asked the Commission to present to the community and the County Council the level of funding needed to do the job adequately. Mayor Arakawa asked the Commission to verify, quantify, and solidify the Administration's position when asking for funding.

A deficiency that needs to be addressed is the County's road structures. Mayor Arakawa explained that the County is trying to "catch up" from a deficit because many of the roads are substandard and equipment needs to be updated.

Mayor Arakawa spoke about the lack of personnel in the various departments in addressing the needs of the public. For example, the lack of staffing and funding has precluded the County from upgrading public restrooms.

Every department's research should be done throughout the year, not just during the Budget Session.

Mayor Arakawa suggested the Commission to look at the system the County Council uses in drafting and analyzing the County's proposed budget. Mayor Arakawa suggested the Commission compare and contrast the Administration's proposed budget versus the County Council's proposed budget. He suggested the Commission do an analysis and determine what is more appropriate for the County.

Mayor Arakawa is working with his executives and will draft an analysis for each department indicating critical projects that are necessary to complete. He stated that he would provide this to the Commission once completed.

Mayor Arakawa suggested the Commission look in to the Council Members' salary. Years ago, the County Council advocated for an increase in their salaries

with the Salary Commission. Currently, Council Members are considered part-time employees; however, their salary is equivalent to or better than the County's full-time employees' salary. The Council Members should commit to full-time work since they are receiving a full-time salary. The alternative would be to receive part-time salary since they are part-time employees.

#### **IV. REVIEW AND DISCUSS CORRESPONDENCE RECEIVED**

**\*\*Note: Agenda Item IV taken out of order per Chair Gomes' request.**

- A. Email Correspondence dated May 12, 2015 from Council Member Stacy Crivello.

Council Member Crivello acknowledged receipt of the Commission's request for annual report ideas. She did not have any suggestions at this time.

#### **VI. DISCUSSION WITH DAVID TAYLOR, DIRECTOR OF WATER SUPPLY, REGARDING THE USE OF RENEWABLE ENERGY FOR THE WATER PUMPING PLANTS/STATIONS**

**\*\*Note: Agenda Item VI taken out of order per Chair Gomes' request.**

Director of Water Supply Taylor informed the Commission that there are currently three Department of Water Supply ("DWS") water treatment facilities that have photovoltaic ("PV") systems. These three water treatment facilities, Lahaina, Kamole, and Mahinahina, total approximately 500,000 kilowatt ("KW") hours per year. The DWS is currently looking into a 400,000 KW hour per year wind turbine at the Kamole site; however, this may not come into fruition because of environmental issues.

The 500,000 KW per year covers less than one per cent of the County's energy needs. Director of Water Supply Taylor explained that moving water is very heavy and uses a lot of energy. A cubic foot of water weighs 64 pounds. Because water is heavy and uses so much energy, installing PV to supply energy for a 40-volt water pumping plant is not practical. There is simply not enough room for the amount of PV needed to supply the amount of energy used at pumping sites. It's not practical for small sites with high-energy usage to move to alternative energy.

The estimated cost savings per year is approximately \$70,000. The County's MECO average was 30 cents per KW hour. The County does not own the PV. A third-party owns and services the PV and the County's cost to the third-party is an average of 15-16 cents per KW hour with an escalation of two per cent a year. The County's electricity budget is approximately 12-15 million per year. He confirmed that DWS's electric bill is the highest utility expenditure for the County of Maui.

There are six treatment plants, approximately 40 plants, and a few booster-pumping stations. PV is installed on only three water treatment facilities because they are the largest and the County owns the land. The other sites are too small and the County does not own/control the land. Pursuant to the County's Power

Purchase Agreement, PV cannot be installed on land that the County does not own or control.

Before installing PV, the electrical load needs to be balanced against the horizontal free surface area. If the horizontal free surface area is small and the electrical load is huge, installing PV is not practical.

### **III. REVIEW AND APPROVE APRIL 9, 2015 MEETING MINUTES**

**\*\*Note: Agenda Item III taken out of order per Chair Gomes' request.**

Commissioner Evans moved that the April 9, 2015 minutes be approved, and Commissioner Watling seconded the motion. Commissioner Bunn was excused. The motion passed without objection.

***Chair Gomes recessed the meeting at 11:15 a.m. and reconvened the meeting at 11:31 a.m.***

### **VII. DISCUSSION WITH GREG KING, PURCHASING AGENT, DEPARTMENT OF FINANCE, REGARDING THE PROCESS AND USE OF THE P-CARD SYSTEM**

The P-Card works just like a credit card except it has extra controls in place by merchant category codes. Some P-Cards can only be used to purchase travel and office supplies while others can only be used to purchase items from Amazon or Home Depot. Another control prohibits cash withdrawals and imposes a credit limit. Limits are also placed on the number of transactions allowed per day, per month, and the amount of the transaction.

The County has approximately 370 P-Cards issued by First Hawaiian Bank. The annual total expenditures are approximately 4.6 million. There are approximately 17,000 annual transactions. The P-Card program began in 2004. Training is provided upon signing up for the program. Remedial training occurs but has been limited throughout the years.

There is a \$500.00 transaction limit and anything over requires a purchase order. There are exceptions for travel purchases, conference registrations, and Young Brothers, Ltd. The State of Hawaii and City and County of Honolulu have a \$2500.00 limit.

The benefits to the cardholder of using a P-Card are: 1) there is less paperwork involved, 2) do not have to wait for a purchase order, 3) more purchase options (some vendors don't accept purchase orders), and 4) delegated purchasing authority because the cardholder does not have to wait for a purchase order.

The benefits to the government are lower transactions costs, less paperwork, and rewards for card use. The estimated transaction cost savings to Maui County per year is approximately \$850,000.00. This is based on the conservative estimate of \$50.00 savings per transaction x 17,000 transactions.

Department heads and/or supervisors are able to see P-Card transactions on the CentreSuite Software within three days of the transaction being made. Both P-Card purchases and purchase orders rely on supervisors monitoring their employees' purchases.

Since the program started the cost of known fraud to Maui County is approximately less than \$20,000.00

***Chair Gomes recessed the meeting at 12:18 p.m. and reconvened the meeting at 12:30 p.m.***

## **VIII. COUNTY AUDITOR'S UPDATE**

Discuss Audit Report No. 14-01, entitled "Examination of the Treasury Function of the Department of Finance".

The report was distributed at the meeting on April 9, 2015. The examination focuses on the Treasury's Banking and Investment section, which is made up of an Accountant III and an Accountant II, both of who are supervised by the Treasurer. The scope of the audit covered the period from FY 2011 through FY 2014.

The report examines the effectiveness and adequacy of the financial management of the Treasury's cash and investments. The report also makes recommendations for improvement.

The report made five findings. First, the Audit found that funds held in the County's Treasury lost out on over 21 million of interest earnings. Because the funds were not sent to the Hawaii Employer Union Health Benefits Trust Fund ("EUTF") and sat in the County's Treasury for five years, it earned less than one percent per year. The EUTF could have invested those funds and earned over ten per cent per year. The Audit Report recommended that funds appropriated to the County's Other Post-Employment Obligations Fund be sent to EUTF at the beginning of the year. This would result in potentially higher investment earnings that could be used to pay down some of the County's 344 million unfunded liabilities.

Second, the Audit found questionable investments in the Treasury. Large portions of the Treasury's investment portfolio were not in compliance with State Law and the County's own investment policy. The Audit recommended the Treasury obtain clarification from legal counsel on their current investments and to implement procedures to follow when determining whether a certain investment is legal.

Third, the Audit found that the County's investment portfolio was over-concentrated in a single business sector. On average, 92 per cent of the County's investment portfolio was in the securities of a single business sector, the mortgage industry. The Audit recommended the County follow best practices by the Government Finance Officers Association. The best practice would be to diversify by industry. If this is not feasible, management should incorporate that decision and any related rationale into the County's investment policy.

Fourth, the delegation of multiple critical tasks to a single staff accountant exposes the Treasury to uncertainty warranting further review by management. The Audit recommended that adequate managerial oversight and support be provided to the Treasury taking into account the sizable amounts of cash and investments that are being handled.

Fifth, certain cash handling activities of the Treasury lack adequate segregation. The Audit recommended that cash handling activities of the Treasury be reviewed by management to ensure the written policies and procedures adequately address any potential weaknesses in internal controls. Further, the Audit recommended that management develop and implement appropriate mitigating controls to address segregation of duties related to Sewer Exception Payments.

The Office of the County Auditor will review these issues in a few years and determine whether any of the recommendations were implemented

**IX. UPDATE OF REQUEST FOR PROPOSAL (RFP) TO ACQUIRE TECHNICAL WRITER FOR JULY 1, 2015 – JUNE 30, 2016**

A. Review, Discuss, Modify and Approve Draft of the Request For Proposal

The Commission lost quorum and proceeded to receive a presentation on this matter in accordance with Hawaii Revised Statutes 92-2.5(d).

County Auditor Taguchi informed the Commission that an RFP allows more flexibility since cost would not be the deciding factor. The RFP will be based on similar qualifications outlined in the administrative services procurement. The Council Chair is the Chief Procurement Officer who would have to approve the RFP.

If Council Chair approves the RFP, County Auditor Taguchi will post the RFP on both the County of Maui and State Procurement website for thirty days.

The Commission deferred this item to its June 4, 2015 meeting.

**X. 2014-2015 ANNUAL REPORT**

A. Discuss, Review and/or Modify Draft of Final Report -T.I.G. of County Planning Commission

B. Discuss, Review and/or Modify Draft of Final Report - T.I.G. of Grants Review System & Process

The Commission deferred this item to its June 4, 2015 meeting.

**XI. DETERMINE NEXT MEETING DATE, TIME, AND AGENDA**

The next meeting is scheduled for June 18, 2015, in the Mayor's Office Conference Room, 10:00 a.m. – 1:00 p.m.

**XII. ADJOURNMENT**

The meeting adjourned at 1:12 p.m.