

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

MINUTES

August 18, 2015

Council Chamber

CONVENE: 9:06 a.m.

PRESENT: Councilmember Riki Hokama, Chair
Councilmember Mike White, Vice-Chair
Councilmember Gladys C. Baisa, Member (out 11:43 a.m.)
Councilmember Robert Carroll, Member
Councilmember Don Couch, Member
Councilmember Stacy Crivello, Member
Councilmember Don S. Guzman, Member
Councilmember Michael P. Victorino, Member (in 9:16 a.m., out 11:43 a.m.)

EXCUSED: VOTING MEMBERS:
Councilmember Elle Cochran, Member

STAFF: Carla Nakata, Legislative Attorney
Yvette Bouthillier, Committee Secretary

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

ADMIN.: Sananda Baz, Budget Director, Office of the Mayor
Mark R. Walker, Deputy Director, Department of Finance (BF-14(3)) (BF-15)
John Kulp, Accountant III, Treasury Division, Department of Finance (BF-14(3))
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

Seated in the audience:

Tivoli Faaumu, Chief, Department of Police (BF-4(2))
Greg Takahashi, Business Administrator, Department of Police (BF-4(2))
John Kim, Prosecuting Attorney, Department of the Prosecuting Attorney (BF-4(2))

OTHERS: Kisa Uradomo, 2015 National Youth Orchestra of the United States of America
Others (5)

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

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CHAIR HOKAMA: The Council's Committee on Budget and Finance shall come to order. This is our regular meeting of Tuesday, August 18, 2015. Present today are, for the Committee is our Vice-Chair, Mr. White.

VICE-CHAIR WHITE: Good morning, Chair.

CHAIR HOKAMA: Good morning. And our Committee members, Mr. Carroll.

COUNCILMEMBER CARROLL: Good morning, Chair.

CHAIR HOKAMA: Good morning, sir. Ms. Baisa.

COUNCILMEMBER BAISA: Good morning.

CHAIR HOKAMA: Good morning. Mr. Couch.

COUNCILMEMBER COUCH: Good morning, Chair.

CHAIR HOKAMA: Ms. Crivello.

COUNCILMEMBER CRIVELLO: Good morning, Chair.

CHAIR HOKAMA: Good morning. And Mr. Guzman.

COUNCILMEMBER GUZMAN: Good morning, Chair.

CHAIR HOKAMA: Excused are Ms. Cochran and Mr. Victorino. As we do by our Council rules, we shall take public testimony on any item agendized for today's meeting. And we'll start with the Chambers. First, is the location, we'll ask our Secretary if anyone has requested to provide testimony? We have no one in the Chambers requesting to provide testimony. We shall go to our Hana Office and ask Ms. Lono if anyone wishes to provide testimony?

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

CHAIR HOKAMA: Thank you very much. To Lanai, we'll ask Ms. Fernandez, anyone wishing to provide testimony?

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

CHAIR HOKAMA: Thank you so much. On Molokai, we'll ask Ms. Alcon, anyone wishing to provide testimony, please?

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

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

COUNCILMEMBERS: No objections.

CHAIR HOKAMA: Thank you, Members. So ordered.

ITEM 4(2): FISCAL YEAR QUARTERLY REPORTS (FISCAL YEAR 2015 (JULY 1, 2014 TO JUNE 30, 2015)) (CCs 14-275, 14-291, 15-58, 15-73, 15-140, 15-144, AND 15-212)

CHAIR HOKAMA: May I please direct you to the first item that we have before the Committee, which is the First [sic] Year Quarterly Reports (Fiscal Year 2015 (June [sic] 1, 2014 to June 30, 2015)). We have listed various quarterly reports for your consideration today and we also have Mr. Baz joining us. One of the things that I've asked Mr. Baz as the Director of Budget to do for us is, of course, to give us his thoughts and comments regarding budget implementation. Part of the use of the quarterly reports is, of course, for this Committee to be able to review specific items if it chooses so and to also use it as a basis to ask any pertinent questions regarding any operations or project that you have a concern with. So, at this time, I'll turn it over to Budget Director Baz for his comments, please.

MR. BAZ: Good morning, Mr. Chair.

CHAIR HOKAMA: Good morning.

MR. BAZ: Good morning, members. I'm happy to be here. So, Chapter 3.04.050 of the Maui County Code is related to budget implementation reports. You have a thick stack of stuff in front of you over there 'cause these are quarterly reports. About two, two-and-one-half years ago, I was reviewing the Finance Director's quarterly report transmittals and we were providing this budget implementation report as a consolidated part of the Finance Director's quarterly report. I had decided to pull it out and make it a separate report. It is a separate requirement by Code. So, today we're gonna be going over County Communication 15-212. If you're...it's, it was the latest one that was just transmitted on July 30th to the Committee, excuse me, to the Chair of Council, Chair White. And it is the fourth quarter report ending June 30, 2015. So, it basically encompasses the operational activities of the departments as of the June 30th end of the fiscal year. So, if you wanna make sure you pull that report out. Again, County Communication 15-212 and you'll see in there, there is two sections to the report. The first section is the actual performance measures. So, 3.04.050 requires that a budget implementation report shall be transmitted by each County agency within 30 days of the end of each quarter of the fiscal year. And it has to include...each budget implementation report shall include the following information. A report of each position vacant for 90 days or more as of the end of the reporting period together with the reason for the vacancy, the duration of the vacancy, status of

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personnel actions taken to fill the vacancy, and anticipated date that the vacancy will be filled. And the second item is a status report of each County agency's program objectives and performance measures. So, when you look through the report that, the first thing you'll see there is the vacancies. For Civil Defense, it's completely blank there. You'll see they don't have any vacancies of 90 days or more. As you get into it, you can see there are some vacancies in different departments. So, we have like for the Department of Environmental Management, you'll see that there's a clerk position in the Administration Office that is vacant because of resignation of employee and the position was deleted in the FY '15 Budget as adopted by the County Council. So that is not going to be filled, there's an anticipation date of nothing. We will probably look at abolishing that position. In the Wastewater Division, you see there's a number employees that are...positions that are vacant based on promotions, resignations, retirements. And then the status of personnel action some of them are redescribing, they're recruiting, interviews completed, insufficient application pool sometimes is an issue. And so then we have also the anticipated fill date of those positions on the right hand side. So, basically this report is a...you've been a little bit familiar with Department of Personnel Services' vacancy report that you get on a regular basis from them. And that is just a generic report with all positions that are held within the Department of Personnel Services' system to say that, you know, those are the closed, right, that we talked about. And there may or may not be E/P count or funding for those. So, what my staff does is takes that quarterly implementation report from the, excuse me, the quarterly report from Department of Personnel Services and works with the departments. Mr. Takahashi is here from the Police Department and he does a really good job on working through the different positions that DPS says that are vacant with his list of items that we have, list of positions that we have actually funded in the Department, as well as and then what the statuses are, whether they're being, you know, a transfer from another section or a promotion or different things like that to fill the positions. So, we keep track of that. And then so, this report is a little bit more thought out than the Personnel report because it allows for the opportunity for us to provide some better information as to up-to-date from the departments as far as the activities are of those different personnel. So, those are the basic introduction to this section of the report. Mr. Chair, I don't know if we wanna stop and ask questions now on this?

CHAIR HOKAMA: Yeah, why don't we just take it section by section so that the Members can maybe focus? And just a few things. One, thank you very much for doing this with the Committee this morning, Mr. Baz. I appreciate it. But just quickly some of the things that quickly catches our eyes. So let's go through the vacancy, by page, the first page under Wastewater. You know, we have a vacancy from December 31, 2010. And, again, the E/P was transferred to another department, fill date unknown. So, four-and-a-half years since the retirement of the incumbent. Is there things that we can do to make this more efficient and the position filled for operational... 'cause, you know, after a while people like me would say that position is not needed since in four-and-a-half years we never filled it. Mr. Baz?

MR. BAZ: So, Mr. Chair, thank you for bringing that up. A good example of what happens is there was this position that remained vacant for a period of time. During the

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deliberations for the FY '14 Budget, it was discussed that the Department of Public Works needed a fiscal analyst position. So, this position DE-0083 was, the E/P for it was deleted out of the Department of Environmental Management and added to the Department of Public Works during budget deliberations. So, the Council adopted budget had deleted that position. So, they remain on this report until the Mayor abolishes that position.

CHAIR HOKAMA: Okay.

MR. BAZ: So, the act of the Mayor abolishing DE-0083 is something that the Department of Personnel Services sends a notice out to the different departments of vacancies in their department, and they will analyze whether or not that position needs to be abolished, you know, meaning that it's no longer in Personnel system. There's no E/P for it. There's no funding for it. So, and it hasn't been funded for, you know, as you brought up four years. So, why do we even need this position anymore? And the Department will say yes, no, it's okay to abolish. Then...or they say no, we really wanna try to fill it. And so, we're gonna come back and propose to Council that we get this E/P back. And so, you know...

CHAIR HOKAMA: The anticipated fill date and I apologize for interrupting. That is what the Department understands or that is what DPS feels to...

MR. BAZ: That's the Department's report.

CHAIR HOKAMA: The main department...the originating department?

MR. BAZ: The originating department, correct. So, this would be Department of Environmental Management saying they anticipate to fill this position by, you know, July 2015.

CHAIR HOKAMA: Okay, so, if you refer to pages now, Mr. Baz, and let's, there's like comparison to Liquor Control, we have a Chief Liquor Control Officer, LC-0003, vacant for ten years, from August 2005. And it says reallocate, reorganization, anticipated fill date, unknown.

MR. BAZ: So, for this one specifically, Mr. Chair, it did come up during the budget deliberations as well. But they had a different structure in mind of how they wanted to manage their Liquor Control Officers. And so, this position was a part of reorganization. Reorganizations take a long time. Obviously not ten years, but it's something that they haven't, I guess, completed the reorganization yet to be able to fill the position. I would have to defer to the Department to get any specifics as far as the status, what requests they've made. Basically, reorganization, they within the Department will have the managers and the Director work with, you know, the staff and figure out what is the best structure for that division. And it may be, you know, that they need a clerk and don't need a specialist or, you know, this Liquor...Chief Liquor Control Officer, maybe they decided that, you know, they needed some other position instead of that. Those requests go to the Department of Management and

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they are analyzed and if they are, you know, sometimes there's discussions going back and forth, questions back and forth between the Department and Department of Management. Then that request, if it's approved by the Department of Management, goes to Department of Personnel Services for review. And at the same time will go to the union for consultation. And so those, you know, any change in organizational structure requires union consultation. So, you know, each one of those steps and activities does take a while, but obviously not ten years. So that would be a question specifically for the Department.

CHAIR HOKAMA: Okay, thank you for that response. Mr. White, questions for Mr. Baz in this section of the implementation?

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

CHAIR HOKAMA: Okay. Ms. Crivello, anything? Mr. Couch?

COUNCILMEMBER COUCH: Thank you. Of course, my first question is is this available on PDF so we don't have to have all this paper so we can . . . *(inaudible)* . . .

MR. BAZ: It is available on PDF and but, I think, we'd have to work on rules of transmitting documents and documents becoming available.

COUNCILMEMBER COUCH: Okay.

MR. BAZ: Yeah.

COUNCILMEMBER COUCH: Yeah, 'cause . . . *(inaudible)* . . .

MR. BAZ: Because we do transmit it to the Clerk.

COUNCILMEMBER COUCH: Yeah, this is a lot of paper.

MR. BAZ: Yeah. And they make copies so.

COUNCILMEMBER COUCH: Okay. I noticed you were talking about abolishing. So when you say you wanna abolish a position it's only the ones that have no E/P and no funding and haven't had for a while? Is that what you're...

MR. BAZ: Typically, yes. I mean, the Mayor has the ability to create positions and abolish positions, right.

COUNCILMEMBER COUCH: Right.

MR. BAZ: That's separate from the E/P count that's authorized in the Budget Ordinance. So, if there's ten E/P allowed in a program, really the creation and abolishment, you know, what those positions are is subject to the Administration, right. So, the Mayor is the one that's charged with that ability to create and abolish based on, you know, to

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make sure, I mean, we still have to make sure that there's not more than ten positions, and now with the salary restrictions as well. But, yeah, that's something that the Mayor does, yeah.

COUNCILMEMBER COUCH: So, then we can kind of safe or can we safely assume that wherever it does say it's abolished it's one that has no E/P and no funding?

MR. BAZ: Yes.

COUNCILMEMBER COUCH: Okay.

MR. BAZ: Yeah, 'cause we don't abolish positions that have a body in it and...

COUNCILMEMBER COUCH: Well, but it could be vacant and...

MR. BAZ: But we do, yeah, we have, on occasion, because of reorganization then abolish positions that may, and maybe in the budget details showed that they did have an E/P, you know, again, ten E/Ps for that program and we decided that we didn't need a specialist. We just needed, we needed a clerk, right. So, maybe that reorganization created it, that, you know, we're reclassifying a position from a...so, it's either reclassification where we --

COUNCILMEMBER COUCH: Okay.

MR. BAZ: --take that one position and make it a different body --

COUNCILMEMBER COUCH: Gotcha.

MR. BAZ: --right or we create a new position and abolish the old position.

COUNCILMEMBER COUCH: Okay. I was concerned that, you know, we were talking about reassigning for a long time and to abolish a position as opposed to reassigning it to somewhere else but the fact that the E/P is...

MR. BAZ: Right, you know, working with Personnel Services the creation and filling of a position, and the reclassification and filling, or redescription and filling of a position, take about the same amount of time. If it's an existing, you know, typical type of position, you know, in our civil service system then it's easy. If it's not a typical, whether it's a reclassification or a creation, it still is gonna take quite a while.

COUNCILMEMBER COUCH: Okay.

MR. BAZ: Yeah. So, it doesn't really save much time for us to take an existing, you know, DE-0083, and reclassify it from, you know, an engineer to a treatment plant operator. It's still gonna be whether it was creating a new position or not, still about the same amount of time.

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COUNCILMEMBER COUCH: Okay. One last question, Chair, and this is more of a comment or question in general is that I noticed that a lot of times it's six months to fill a vacant position that was, you know, an incumbent retired or whatever. Even six months, if you know the position is going away, especially in, you know, the private sector, you usually have two-weeks' notice, and then you recruit, and you can hire within a month. But to take six months, I mean, it's just, it's hard. I know, it's civil service and, I know, we have to deal with that. But if somebody signs up for a position, fills out an...hey, we got an opening. I'm gonna fill out this application in January. They're not gonna sit around until June or July waiting for that job hoping to get it. They're gonna find another job somewhere else. So, and we're all, I guess, we're all frustrated with this. But has the Administration or the Civil Service Commission taken a look at the procedures so we can shorten that amount of time?

CHAIR HOKAMA: Mr. Baz?

MR. BAZ: Thank you, Mr. Chair. Member Couch, the Director of Personnel Services has come down and described a little bit of, you know, some of the changes and, that they have to do. A lot of it is administrative rules they have to follow. Part of it too is that, you know, we as an Administration have charged our divisions with looking at the structure of the organization and saying is that the most efficient way to do things. So, when a position becomes vacant and sometimes we have two-weeks' notice. Sometimes even if we have a year's notice, we can't do anything until they actually file the paperwork that they're going to retire. Until they've filed that paperwork, we can't do anything 'cause they may say no I'm not really gonna retire on December 31st. On December 29th, they could say that, right? So, you know, that's one of the challenges we have. But by looking...taking the time, it does take a little bit more time, but looking at the structure while it's vacant is a lot easier to move things around while they're vacant. And so, that's a part of it. But, yes, it does take a significant amount of time and, I mean, some of it's H.R.S. rules, H.R.S., you know, law, and some of it's administrative rules, and some of it's civil service, some of it's union.

COUNCILMEMBER COUCH: Agreed and I understand that 'cause even when I was Deputy Director of Planning, it was horrible to try and get somebody, especially at that caliber, at that professional level, to wait six months.

MR. BAZ: Right.

COUNCILMEMBER COUCH: So, but you mentioned administrative rules. Those are our administrative rules, right?

MR. BAZ: Some of them are ours and some of them are State rules, I believe, that we have to follow. Yeah.

COUNCILMEMBER COUCH: Oh, okay, 'cause we have control over our administrative rules.

MR. BAZ: To a certain extent, yes, correct. Yeah.

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COUNCILMEMBER COUCH: Okay. Well I mean --

MR. BAZ: As long as they align with the State...

COUNCILMEMBER COUCH: --we, the County, has.

MR. BAZ: --yeah, as long as they align with the State laws. We can't make administrative rules that counter State law.

COUNCILMEMBER COUCH: Right, of course. Okay, thank you, Chair.

CHAIR HOKAMA: Okay, well Mr. Victorino can either consider if you wanna send a communication, more than likely, I would think Policy Committee would be the one to have a jurisdiction to review maybe Personnel Department?

COUNCILMEMBER COUCH: You know, we keep talking about it in different committees. It might be worth something that we wanna just take a long hard look at. Not in budget session or, you know, have a Committee, if it's Mr. Victorino's Committee. Have them come and go through the process and see what we can do as legislators to maybe help that process out.

CHAIR HOKAMA: Well the people have kept and ensured that the Council still has the power to investigate, that includes auditing under investigating any operation, program, or projects funded by the people. The Council still retains that authority by Charter. So, we are able to do that if that is something that is of high priority for you, Mr. Couch, you know, 'cause my thing is everybody should be audited . . . *(inaudible)* . . .

COUNCILMEMBER COUCH: Agreed. It might be worth, I mean, that might be the ultimate thing. But it might be worth having the discussion first in the appropriate Committee. So, if we could do a letter.

CHAIR HOKAMA: So yeah, you know, if you wanna...are you asking me to initiate or are you, you know, that's something you can do?

COUNCILMEMBER COUCH: Either way. I can do that.

CHAIR HOKAMA: Yeah. If you, I would prefer you since you know specifically how you wanna address it.

COUNCILMEMBER COUCH: Okay, thank you.

CHAIR HOKAMA: Okay, thank you. At this time, Members, with no objection, the Chair is going to interrupt our business agenda at this time. We have a special guest that we would like to give some recognition to. So, after the introduction, the Chair will then consider a recess but, I think, this individual deserves to be recognized in this meeting and before our community 'cause it is, again, another tremendous achievement for a Mauian of this County. So, I don't have a problem having this on the record. I'll

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allow, since this is a, I ask Mr. White as the Chair, and Mr. Guzman as the Vice-Chair, if they would maybe help set the Chamber for the introduction, please, of our special guest.

COUNCILMEMBER GUZMAN: Thank you very much, Chair, for allowing this acknowledgment. We do not have our Council meeting this Friday. So, we do truly appreciate taking some of your Committee time to recognize Kisa Uradomo, who has been selected for the 2015 National Youth Orchestra of the United States of America, which means she gets to go play...she gets to play Carnegie Hall. She's the only one, first ever musician selected from Maui, and the second ever from Hawaii, to have this prestigious selection to be part of the 114-member orchestra. I believe that she will be taking a nine-city tour, including China. And she's a graduate of King Kekaulike High School. And so, she is very much so the pride of Maui. We...I've seen her play when she was very small. I know the family well. Your grandfather would have been very, very proud. Masa would be smiling right now. I remember seeing you play as a very, very young girl, and now you're graduating from high school, and moving on in life. Best wishes from the Council. And if any other Member would like to give her well wishes, I would ask the Chair for that consideration.

CHAIR HOKAMA: Yes, what I'm very open to is at this time, if you'd like to bring Ms. Uradomo down and introduce her. We would like to have her on camera so that the whole County community can appreciate her achievement. And if there's anything you'd like to present or request of her, I would ask if you would consider doing it now.

COUNCILMEMBER GUZMAN: I'd also like to request Kisa if she...if you could show us some of your talent. That would be wonderful. I know before you leave us from Maui, we'd like to hear that music.

CHAIR HOKAMA: Yeah, thank you, Members, for this indulgence. It's a special day today for us. Yeah, so, yeah, Members . . .*(inaudible)*. . . do this. Okay, Members, we will ask Ms. Uradomo if she would like to share a few comments with the Members and the community.

MS. URADOMO: So, the National Youth Orchestra is full of musicians from all over this nation and they're usually the concert masters of their own orchestras or the section leaders, and when you have all of 'em on one stage it creates something incredible. And I'm so happy that I was a part of this experience and it is something that will, you know, forever be in my heart 'cause it was a huge family for me. It was a 114-member family plus a little more with the staff and even some managers that, you know, helped us out along the way. And it is...I'm so honored to be here and thank you so much for giving me this plaque. And it's amazing. Thank you. Thank you very much.

COUNCILMEMBER GUZMAN: Kisa, can you play, show us some of your talent?

MS. URADOMO: Yeah, of course.

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CHAIR HOKAMA: Yeah, right there would be fine. Thank you. Ms. Baisa, I guess, it's the air and the water, yeah, Upcountry.

COUNCILMEMBER BAISA: Well, I'm definitely proud to be the area representative. I know the Uradomos are Upcountry.

CHAIR HOKAMA: Yes, yes.

COUNCILMEMBER BAISA: They're the people and this is so wonderful to see one of our own. Congratulations, honey, we're really proud of you.

MS. URADOMO: Thank you so much. Okay, I'll play Czardas for you.

CHAIR HOKAMA: Okay, thank you.

(music played by Ms. Uradomo)

CHAIR HOKAMA: That was really wonderful. We'll take a short recess and I will ask if maybe the family might want some photographs. Mr. White?

VICE-CHAIR WHITE: Chair, I'd just like to point out that this is the first time I remember anyone getting a standing ovation from this Council. That was absolutely wonderful. Thank you, thank you, thank you.

UNIDENTIFIED SPEAKER: That was fabulous.

COUNCILMEMBER BAISA: Beautiful. Beautiful.

CHAIR HOKAMA: Okay, we'll take a short recess. . . .*(gavel)*. . .

RECESS: 9:40 a.m.
RECONVENE: 9:48 a.m.

CHAIR HOKAMA: . . .*(gavel)*. . . Okay, Members, we shall continue the business of the Committee. We are currently under review of BF-4(2), which is under budget...the implementation report presented by Mr. Baz, Budget Director. I believe, Mr. Couch, you have any remaining questions?

COUNCILMEMBER COUCH: Not at this time. Thank you.

CHAIR HOKAMA: Not at this time. Thank you. Ms. Baisa?

COUNCILMEMBER BAISA: I don't have remaining questions. And it's kinda hard to refocus where I was at the time, but we were talking about vacancies and we're talking about the time that it is involved in it. And I wanna say that I'm in support of the idea of taking a really hard look at this. You know, it's been this way forever and it certainly hasn't changed since I got here. I've always had concerns about this big, big time

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lapse from when we lose an employee and when we actually get one. And it doesn't happen all the time, but it happens a lot. And my concern is that, you know, while we're shuffling paper we have a vacancy and that means that there's strain on the people that have to pick up the slack, and there is an inability to do more, and people wait. And so, this is not a good thing. Now, I don't know how we can change this because I'm sure, you know, people that have spent a lot more time and skill and more knowledge trying to solve this problem, but it's a real issue for us. And I would really like to see us invest the time in taking a look at if there's any, any way. There's gotta be some creativity some way, somewhere. You know, it means having not to do things the way we always do them. But, we need to solve this problem. It's not good for anybody. Also, it's money sitting that we've allocated that should be used for where it was allocated for. So, I am in strong support of that recommendation, Chair. Thank you.

CHAIR HOKAMA: Thank you for your thoughts. Mr. Carroll, any comments or questions? Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you very much, Chair. And I agree with what my colleague just said and I've already instituted a PAF to go through a lot of this discussion 'cause this is not something new. This has been going on for quite a while. So, you can be assured, Mr. Couch, it has already been done and we will be bringing this up very shortly, like we did yesterday. I believe, yesterday was a great opportunity to understand better the various aspects that we went through. And, I think, this is what's very...the public and the Council needs to know what's going on by the various departments and how they handle these various issues, yeah. So, hopefully in the next few months we'll be able to get this out and have a real good discussion, and I'll guarantee you whatever meeting this will be agendized, it would be the only thing, the only item agendized that day just so that we can spend the time reviewing it. So, thank you, Chair.

CHAIR HOKAMA: Thank you, Mr. Victorino. Mr. Guzman?

COUNCILMEMBER GUZMAN: Thank you, Chair. A question for Mr. Baz. On, when you say anticipated fill date, does that mean that you already have potential applicants that are in the interview stages or?

MR. BAZ: Yeah. Thank you, Mr. Chair and --

CHAIR HOKAMA: Mr. Baz?

MR. BAZ: --Member Guzman. Not necessarily, that's why you gotta look at the status of Personnel action column right before that. So, in Department of Management there's a Staff Services Assistant position that is, interviews were conducted, an offer made, they anticipated to fill August 1st. And there's an Information Systems Analyst's position that the incumbent resigned. The request to fill was submitted maybe to DPS and they anticipate the fill date of being October 1st. So, it may take, you know, a couple of months to do the recruitment and do the interviews and different things like

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that. So, there are different stages. The anticipated fill date is what the Department typically, you know, the length of time it typically takes them to go through the process from whatever step they're at when they do this report. Yeah.

COUNCILMEMBER GUZMAN: Okay.

MR. BAZ: Yeah so, if it has, interviews have been conducted then it's going to be a very quick anticipated fill date. If they're just starting the process of getting it approved for posting then it can take a few more months, couple more months.

COUNCILMEMBER GUZMAN: Yeah, I...Chair, I also would support an analysis as to the process why it's taking so long in terms of the selection, and it could be as simple as not having to wait for someone to resign officially on paper, but I'm not sure how the logistics work on that. But it definitely needs some examination. So thank you, Chair.

CHAIR HOKAMA: Okay, thank you. I would ask that those of you that are chairs of various standing Committees of the Council that you might want to consider under your purview of your Committee jurisdiction maybe some discussion with the departments that are your direct responsibilities, and maybe we can assist them in one of the measurements, is how many days does it take to fill a position as one of their measurements. You know, I'm sorry the Chief left because one of the areas that was of concern for me is if you look at the Department of Police a lot of things are based on his ability to recruit, so you notice the reference on personnel is for the upcoming 83rd Recruit Class for assignments. But on the civilian side where, I think, is a big signal to us as the Legislative Branch. If you'll look at the page that has the Emergency Services Dispatchers, they are a critical component to 911 and the ability to respond for fire, not only for police, but also for ambulance services. It is a difficult job that those people do and look at the vacancies. It's like ____ January, February, March. I mean, something's happening that if we can assist the Department and the Chief to fill this, what I would call critical response personnel because they start the whole process in responding once they take the call. You know, you're looking at it's 2014, we're anticipating to fill October 2015. That means, those like Ms. Baisa said remaining that have to pick up the slack and they're stressed, and their overtime, and their quality of work environment comes into question. So, I appreciate your folks' concern on how to assist the departments in filling these. And I'm sure Mr. Baz would welcome whatever support we can give. So, if no other questions on this...Ms. Crivello?

COUNCILMEMBER CRIVELLO: Thank you. Thank you, Chair. And I'm not sure if you can answer this but, you know, I have hemorrhoids over Solid Waste and landfill on Molokai. Yesterday, the Deputy mentioned that they're trying to fill five or try and extend it to five positions. But if I note here, it's not there. As far as there's one Landfill Attendant, anticipated fill date, August 2014. I don't know for what district, but the closures or the early closures for landfill is always due to staff shortages. So, is that a result of this list or why isn't it listed or do they have requests to fill positions? And if so, should it have been listed here?

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MR. BAZ: Thank you, Mr. Chair.

CHAIR HOKAMA: Mr. Baz?

MR. BAZ: Member Crivello, thank you. The question is related to the positions that were approved in the FY '16 Budget, is that... 'cause this report is as June 30, 2015. So, those positions wouldn't have been available to fill necessarily yet. I did... they did send the manpower requests to my office and we did approve them and send them to DPS. I don't know what the current status is of that today. But they did request to fill those, all those new positions that were approved.

COUNCILMEMBER CRIVELLO: And so, the anticipated fill date of August 2014, I guess, not for the higher management but for landfill attendants, what's the delay?

MR. BAZ: I would have to go look and see each one of those positions --

COUNCILMEMBER CRIVELLO: Okay.

MR. BAZ: --and the status of... yeah.

COUNCILMEMBER CRIVELLO: So, I think, that's the kind of thing it affects the service that should be made available --

MR. BAZ: Right. No, and...

COUNCILMEMBER CRIVELLO: --for our, the public. It's not working.

MR. BAZ: Yeah, definitely understand that. And so, I do especially with hot topics like this keep an eye on to make sure that they're requesting to fill the positions right away and that they do, you know, work on filling these. These are, the positions are typical positions in the County. It's not like they're new positions in organization, structure. They have to do a reorganization because it's adding a position to that structure. It's kind of sad that they have to do that, but that's a part of the process. So, believe they went through that as well. And then, you know, recruitment and filling will just depend on the people that apply. We do have occasion sometimes where we go through the process, the recruitment, the interviews, job offer, and they don't start for some... some people just don't show up on the first day of work and then other people don't pass pre-employment requirements or different things, so. Or, they get better job offers because it took so long to recruit. We've had that happen before. I had that specifically with somebody that I wanted to recruit.

COUNCILMEMBER CRIVELLO: Right.

MR. BAZ: He took another job because it took too long. But that's just, you know, yeah, some of the situations we deal with. And each individual position we would have to discuss with the Department and maybe Chair Cochran of the Infrastructure and

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Environmental Management Committee would like to bring up that in that Department as a possible suggestion.

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

CHAIR HOKAMA: Okay. Mr. White?

VICE-CHAIR WHITE: Thank you, Chair. And, you know, I guess, one of the questions that comes to my mind is when you look at the item that you mentioned, Emergency Services Dispatcher, and the Police Department overall, we have significant recruitment and retention challenges. And I just wonder whether the Police Commission or the Administration is taking a look at whether the compensation levels, or to what degree are the compensation levels driving some of our challenges with recruitment and retention, because when you look at the nine positions for Emergency Services Dispatcher, nine [sic] of those vacancies are caused by resignation. And so, you know, it's a high-stress job for probably a good portion of the time that you're there and it brings the question, are we probably compensating somebody for that additional stress and that additional training that is required to properly do that job. We have, you know, we've had this retention and recruitment problem in the Police Department for a long, long time. And we don't seem to be addressing it effectively if we're simply waiting for the union to come and knock on the door and say this is what we need. So, I, maybe when Mr. Victorino brings up the overall issue in his Committee he can, since the Police Department comes under his Committee's purview, maybe we can have an added discussion about various ways that we might be able to attack that problem. Thank you.

CHAIR HOKAMA: Mr. Baz?

MR. BAZ: Thank you, Mr. Chair. And, thank you, Chair White. Those are very good suggestions and we do for the emergency dispatchers provide additional compensation for that position because of that understanding that it's, you know, I mean, unfortunately our salary schedules are set by bargaining agreements, and we can adjust them on occasion due to certain circumstances when it's difficult recruiting like this emergency dispatcher where we can hire above the minimum. But, and, I believe, that the Police Commission has reviewed with the Department the activities of recruitment and retention. And they understand the same thing that you do is it's a difficult job and it's a difficult problem they're dealing with retaining employees. I know one that specifically took a voluntary demotion just because it was very difficult to be an emergency dispatcher and it was challenging for her. So, you know, unfortunately that's a part of a job that the County has to do that isn't so nice, right? Yeah. But we definitely agree.

VICE-CHAIR WHITE: Thank you, Chair.

CHAIR HOKAMA: Have the departments been able to use this portion of your implementation report, Mr. Baz, to be able to make enough adjustments that they've informed you how it will impact them budgetarily or whatnot? I mean with nine

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vacancies in this operation and we're not picking on Police, it just stands out, emergency dispatchers. Then has Mr. Takahashi been able to assist the Chief and say with nine vacancies overtime is gonna triple because we have nine less regular bodies to spread the work, we're gonna have to bring recall back in. We're gonna ask them for double shifts and whatnot. So from a financial side, there's additional...there's some kind of impact.

MR. BAZ: Yeah. So...

CHAIR HOKAMA: But still gets...it needs to be done, Mr. Baz, and we understand that. So, have they been able to forecast and make adjustments because if they gonna wait another one quarter or two quarters of a fiscal year to fill, I'm sure it's gonna adjust their budget accordingly. So, is this something that they've already been able to work with you or are you going to ask them to see if they're gonna make their adjustments accordingly?

MR. BAZ: So, yeah, Mr. Chair, thank you. The Police Department specifically has, of course, many challenges in recruitment and retention. And they have...we do adjust their budget accordingly based on, you know, projections of unfortunately, you know, higher overtime costs versus the savings from regular salaries and wages. That's something that is monitored. For other departments, every manpower, I call 'em manpower's, but generally called manpower's, the request for position action is a request to fill a position or a request to reclassify a position goes through my office. And, yes, so I get stacks of stuff almost every day that my team works on, you know. Jen Phillips, I just want to mention, you know, she is the one takes and looks at these very specifically for that, you know. So, if a position is budgeted for 52,000 and they decide they need to reclassify it and it's going to be \$58,000. You know, that's \$6,000 has to come from somewhere. So, you know, before, you know, we left it up to the departments a little bit more because, you know, it was a more program-based budget where, you know, they had a little bit more fluidity between the operations. If it was going to save them some operational costs to have this position be reclassified then, you know, that would make sense. Now that the A, B, C restrictions are in place very specifically we make sure that they are reviewing the actual positions in their department and identifying to my office where that savings is gonna come from. So, if they have to come up with that \$6,000, they have to come up with it someplace. And so, occasionally it might be from, yeah, we've been vacant for, you know, we're gonna have vacancy enough to fill, cover that or they've reclassified other positions to be lower classifications and this was their savings from there. So, every single one of those manpower's is analyzed with that process.

CHAIR HOKAMA: Okay, good. Why don't you give us your comments on the next section of the report, Mr. Baz, on which is, I think, the measures.

MR. BAZ: So, thank you, Mr. Chair.

CHAIR HOKAMA: Mr. Guzman, yes?

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COUNCILMEMBER GUZMAN: I'm sorry. Before we move on, Chair, can I ask Mr. Baz on the Prosecuting Attorney's Office, there's a, two positions here that says status of personnel action and it says unknown. And when I previewed the other departments this is the only one, this is the only Department that has the unknown category or described as unknown in the status of personnel actions. What does that mean? They just...

MR. BAZ: That means I don't, we don't know. You know, so that means they didn't report to us what the current status is.

COUNCILMEMBER GUZMAN: Oh, okay.

CHAIR HOKAMA: Okay. Any other questions before Mr. Baz gives us comments on the measurements portion of the report. Okay, Mr. Baz, if you would please.

MR. BAZ: Thank you, Mr. Chair. So, the next section of our report is the Fiscal Year 2015 Budget Implementation Report for the quarter ending, you know, June 30 of 2015, for performance measures. As we reviewed the proposed budget each year during budget deliberations, we discuss the goals and measures of the departments. And so, after the Council has adopted the budget these tables are created so that we can track the performance of the different departments and hold them accountable to, you know, if there's certain things they're doing. I'm going to pick on my buddy over here and we can go through the Corporation Counsel Department over there. So, if you go to the third page there...if you start off to the left hand side it's got Department's mission, right. So, this is the overall Department mission and it's to support County government by providing legal advice and representation that promotes public interest and promotes the Countywide Strategic Priorities. So, they have a legal services program that does that. And they have program goals. So, you will see Goal No. 1, effectively manage and control and decrease County's total cost of risk. I mean the Department of Corporation Counsel took on the Risk Management Division from Department of Finance a number of years ago and so this has been a heavy activity. They created some new performance measures in FY '15 so you see Program Objective No. 1, lower the average cost paid per workers' compensation claim by 3 percent by the end of the ensuing fiscal year. So, the decrease in average cost paid per claim is the success measure. And for FY '14, since it was a new measure you'll see that there's '13, in '14 there's no data, but for '15 there was an estimate of the 3 percent, which is what we started off with. Fiscal year, quarter one and two, they hadn't seen any decrease. But quarter three, they saw a 55 percent decrease in the average cost paid per claim. And at the end of the year, it was a 67 percent average, decrease in average of cost paid per claim. That's significant because the year before we had some pretty significant workers' compensation claims due to the issues you know about, so, yeah. So, Program Objective 2, to raise awareness by providing annual training and education to personnel Countywide. So, the present employees are trained by Risk Management Division annually. They estimated that they were gonna do 10 percent of our 2,500 employees. And it looks like here they have or looking at 66 percent of the employees being trained various ways in risk management safety activities. We do CPR, first aid

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training, different things like that. The third program objective is to reduce the workers' comp frequency rate from 3 percent from the prior year and the total new number of workmen's comp claims reported. So, you'll see that we estimated, you know, we're trying for again for that 3 percent decrease and the year to date, so the end of the fiscal year is 19 percent decrease in the total number of workers' compensation claims. So, that's something that, you know, they're way over their estimated 3 percent decrease, so. And then it goes on Goal No. 2 continue to maintain and minimize the need for costly outside assistance with claims in legal proceedings against the County. They want to reduce the number of hours spent in meetings by 3 percent. So, they do that by measuring the percentage of number of attorney hours reduced for board/commission meetings. Unfortunately, you know, they had estimated a 3 percent reduction and they haven't had that reduction 'cause my buddy over here has to sit in lots of boards and commission meetings. So, then another measure is the number of attorney hours reduced for Council and, Council committee meetings, you know, again, that's, unfortunately that's, you know, they're here doing what you need to do. So, that's the time it takes, so. Percent of amount of contract payments reduced for special counsel. They had initially, the first couple quarters you see that it was significantly reduced, but unfortunately with a lawsuit like the one we're dealing with in West Maui, the costs went up. So, we haven't been able to reduce the, those special counsel. You know, so, each one of these and we can go through each one of these, but I want you to understand, you know, where these numbers are coming from and how then we're looking, you know, the Director or the Corporation Counsel then is reviewing these to be able to determine, you know, operations of his Department and how maybe they should be changed and/or not changed. And then, also, from a management perspective we review these on occasion to look at, you know, are there something that they're doing that they shouldn't, you know, that maybe we should do a little bit better, or something they're doing wonderfully, and we can praise them for that. And so, you know, each one of these departments have, you know, again, this is based on the budget, proposed budget that we produced, performance measures. Mr. Couch likes to always have questions about performance measures when we're going through the departments. And the outcome of this is something that we utilize for, you know, next year as we're reviewing the departments' budgets, you know, we wanna reward departments that are doing well, and we want to discuss departments that are having challenges, what those challenges are, and how to overcome those challenges. So, just like a personnel performance evaluation this is a performance evaluation on the departments themselves. So, maybe if, you know, this is a lot to absorb right now, but especially for your committees that you have, you know, subject matter areas that you wanna review or there's certain departments that you want to look at to read these and, you know, we can go through maybe some questions right now if you'd like, or at a later time, Mr. Chair, if it's your interest from the Members to have a certain department here. We can discuss those performance measures. And it'd be really nice to do that before we get into budget so that you have a good understanding of how those departments are operating, how you're holding them accountable before discussing the financial objectives that they're gonna have towards the next fiscal year.

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CHAIR HOKAMA: Okay, very good, Director, thank you. I would say one of the things that could assist us under success measures is maybe something more specific from the department on what did they do to have such a success. You know, let's take Mr. Ueoka's Department. I take like the first one, lower the average costs per workers' compensation claim by 3 percent. Year to date after fourth quarter, 67 percent. So, to me, they did a pretty good job, but what did they do to get such a good success? Was it just one decision by Mr. Wong on procedure? Or, I mean, we'd like to know how they created the success because if it's a practice that we need to duplicate in others then that's something we would like to be able to support.

MR. BAZ: Yeah, thank you, yeah, and those discussions do come up for the risk management. I don't think Mr. Ueoka knows too much about what's going on. But they have a new servicer now, which is significantly enhanced the communication on the ability for us to work with the servicer and the, an employee to make sure, you know, that the claims are correct, and that we're doing the best thing we can to get them to work quicker, you know, if it's light duty or something like that, get them back to work, different things. The amount of training that they're doing has made a significant impact. So the safety training and doing things to, you know, if somebody is made aware of potential safety hazards then, and they see those potential safety hazards then they can address those before there's an issue. And so, that's something that we would like to promote. So, yeah, you're correct in that we do wanna highlight the things that they're doing well. And, you know, we pretty much leave it up to the departments to do that internally if they're being very successful in certain areas. I do, like I ask that specific question and that's why I knew the answer was because of those specific ideas of, 'cause I thought that was a wonderful thing that has happened to reduce our workers' compensation costs. And so, we wanna, you know, praise them for that and understand, you know, how they're doing it better. And in different departments and different areas, we see the same thing and, you know, sometimes it's a division chief and their staff that just really have, you know, good initiatives and we wanna be able to copy those to other areas as well. And we wanna see where there're successes and grow those successes.

CHAIR HOKAMA: Yeah, thank you. Yeah, I would agree with you. Mr. Carroll, any questions or comments regarding the performance measures of the Director's report? Ms. Baisa?

COUNCILMEMBER BAISA: No, thank you.

CHAIR HOKAMA: Mr. Couch?

COUNCILMEMBER COUCH: No.

CHAIR HOKAMA: Ms. Crivello?

COUNCILMEMBER CRIVELLO: No, thank you.

CHAIR HOKAMA: Mr. White?

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VICE-CHAIR WHITE: Thank you, Chair. One of the things, I just took a look at, Ms. Crivello's favorite Department, and there are a couple of things that jump out at me, the total tons diverted. On page...

MR. BAZ: I apologize there's no page numbers, so you . . . *(inaudible)* . . .

VICE-CHAIR WHITE: Yeah, I just noticed that. It's...

CHAIR HOKAMA: It's at the top right-hand corner, Members, of the Department. So, . . . *(inaudible)* . . .

VICE-CHAIR WHITE: Environmental Management and it's...

MR. BAZ: Yeah, it's second page of Department of Environmental Management. At the very bottom.

VICE-CHAIR WHITE: Under tons diverted, after 77,000 in 2014, and with estimate of 79,000 tons in 2015, the actual was 57,000, so that's down significantly from 2013 and '14. Similarly, the rate of diversion is down from 42.9, 42.9, down to 37.4. And the number of public presentations is down. It's been cut in half from six to three. And then on maintain acceptable number of days the landfill is open. Even though we haven't changed the...we've actually increased their staffing levels we've gone from 22 days in 2014 and we've got a projection of 11 days in 2015, but the actual was 99 days. And I know some of these are partial closures, but that just seems like a really big jump when they've got the same or more staffing than they've had in the past when they've been able to keep it open much more. So, that's all I have. Don't expect an answer from Mr. Baz, but just wanted to point that out. Thank you, Chair.

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

COUNCILMEMBER GUZMAN: I'm still trying to absorb. I'm looking at Parks and Recreation on the enforcement side, the Permit and Enforcement Section, and the program objectives. I don't see anywhere where there's a measure of success where you're issuing citations from the park rangers 'cause that's part of the enforcement. It's all educational awareness to the public, but, I think, enforcement needs to be as part of the success measures, how many citations are issued as well.

MR. BAZ: So, we do have on the Parks and Recreation in the Permit and Enforcement Section Goal No. 1, Program Objective No. 1, Measure No. 2 is average number of citations issued monthly.

COUNCILMEMBER GUZMAN: Okay.

MR. BAZ: Yeah.

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COUNCILMEMBER GUZMAN: Okay, thank you for that. And that's something I would like to track because it seems like...

MR. BAZ: Yes, it's a good number to track. I don't necessarily know if we wanna tell them they're performing good if they're issuing more citations. You know, we don't want them to have quota of citations . . . *(inaudible)* . . . issue. But to make sure that they're doing their job, you know, number of inspections is important, the number of educational opportunities to tell people they're doing something wrong is important as well. So, and then, yeah, and tracking the number of citations, not necessarily hold them accountable to they have to produce 100 a month or whatever, but...

COUNCILMEMBER GUZMAN: Is the quota?

MR. BAZ: Yeah, no, we don't want quotas.

COUNCILMEMBER GUZMAN: Okay, thank you.

MR. BAZ: Yeah, good question, thank you.

COUNCILMEMBER GUZMAN: Thank you.

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

COUNCILMEMBER VICTORINO: No questions at this time, Chair.

CHAIR HOKAMA: Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair. Mr. Guzman brought up, the one column that he did bring up, I have a concern on the actual functionality of the report or the accuracy of the report where it says on that one number, average number of citations issued monthly. First quarter, 2015, is five. Second quarter is 17, and that's year to date numbers. Third quarter, year to date is 17, and the fourth quarter, year to date, is zero. What happened there?

MR. BAZ: I'm not sure.

COUNCILMEMBER COUCH: Okay.

MR. BAZ: Some of these reports we get basically the day that we transmit them to you --

COUNCILMEMBER COUCH: Sure.

MR. BAZ: --and so I don't have time to analyze the reports. But it could be, and, I believe, there is somebody new in the Parks Department that is actually producing this report so maybe it's something that . . . *(inaudible)* . . .

COUNCILMEMBER COUCH: Sure. So, these are manually entered things entered in a --

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MR. BAZ: Yes. Yeah.

COUNCILMEMBER COUCH: --spreadsheet kind of thing?

MR. BAZ: Yeah, so, we have a Q: drive, our Q: drive, is a drive that's shared across the County. We have Excel spreadsheets with all those information in and we unlock the column that they're entering that month in and we lock up the rest of the columns.

COUNCILMEMBER COUCH: Okay, all right. I was just curious on how that worked out.

MR. BAZ: Yeah.

COUNCILMEMBER COUCH: Thanks.

MR. BAZ: Yeah. Good catches. I'm sure that they're gonna find more of those in here as well. It was an education process too of the year to date versus how many they actually did that quarter and there were some discrepancies in that. And we are still trying to deal with some of those sometimes.

CHAIR HOKAMA: Okay, other questions on this component of the report, Members? Any other comments, Mr. Baz?

MR. BAZ: Mr. Chair, I just wanted to thank you for bringing this item in front of the Committee so that we could have this educational period. And if any you individually have questions, I'll be happy to meet with you and go over, you know, if there's specific questions. For departments, we can, you know, we'll either schedule that in Committee or send requests to the departments as well. But I'll be happy to go over this individually with you as well. I know this is a lot to absorb, but it's something that is a good measurement tool. Something that, you know, it's in County Code and it's been in there for a while so that as a budget implementation report so that you have good information to make decisions. And really, you know, my goal from when I started four years ago, was to provide you with good information so you can make the best decisions at the moment. And I hope that I continue to work towards that goal as well.

CHAIR HOKAMA: Thank you very much, Mr. Baz. We appreciate your collaborative partnership with this Committee. So, I thank you. Is there any...regarding budget implementation I know we're in the very initial stages of first quarter of the new year. Is there any challenges you wish to share regarding the departments now need to be a little bit more detailed and thoughtful in managing their budgets? Is there anything the Committee needs to know at this time regarding how they're performing so far? I know, they need to be, you know, there's an adjustment period, and they need to work with you regarding some, whether it's a budget amendment down the road or not. Is there anything that we need to be aware of at this point in time regarding implementation of the current budget?

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MR. BAZ: Yeah. Thank you, Mr. Chair. As far as the performance measures, no, you know, we're getting those, the ones that were adopted into the system so that we can start tracking them for the new process. I think, there was some performance measures that were new this upcoming year that are gonna be more beneficial, sometimes measuring, you know, accountability. As far as the implementation of the actual budget and how the departments are managing the restrictions that were put in place, I did have a meeting with the departments a few weeks ago and provided with them with a training of implementation of the A, B, C Accounts and, you know, what it is, what it isn't. There was a number of staff in the departments that didn't even know what A, B, C was. It's a term that, you know, we use in a financial perspective from salaries, wages, operations, and equipment, but something, you know, as a program objective they didn't really understand. So, I had to explain the situations to them. And what we're working on is, you know, I've asked them for a detailed review of their spending plans to see if they are gonna be having challenges and I set a deadline of September for them to review those and get back to me if they are gonna have significant challenges so that we can bring it in a timely manner to the Committee and discuss. And then also for preparation of the Fiscal Year '17 Budget, which I'm sending instructions out next week Friday is my goal to send the instructions out if you can imagine that, of community meetings coming up in September, is to really to have them have a better understanding of the definitions of certain things, what's repairs and maintenance, what's capital, you know. So what is a B Account, what is a C Account, so that they're looking at it from a clearer perspective of an understanding so that when we present the budget to you they have a better idea of where that money is supposed to be budgeted in their departments.

CHAIR HOKAMA: Okay, thank you, for that. Questions for Mr. Baz on what he just shared regarding implementation of the current year's budget, Members? Ms. Baisa, questions?

COUNCILMEMBER BAISA: No, thank you. I really appreciate the information. We really could use a, you know, a good, we could really use a good review of this and I agree with you that decision making, we need good information. We sit here often trying to make decisions, but if we had time to really discuss it with the departments about what their needs are and how we can help, I think, that'd be productive. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Carroll? Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you. And I agree with Ms. Baisa. You know, and, I think, hopefully each standing committee will take that up like you're suggesting. I'll take the overall review of the procedures, but what each department needs, I think, had become paramount. And if we're gonna hold them to certain standards and they're gonna put out measurements for which we are going to be looking at then Personnel is going to be extremely important, especially the necessary personnel who will conduct and enact whatever changes they are looking for. So, that would be my suggestion to all the standing committees. I agree with you, Chair, this is one way we could assist them in getting what they need done. As far as the review that I plan to

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do is really on the overall scale on what Personnel does as far as vacancies and elimination of positions and addition. You know, all of the different aspects that we've discussed. But each department has their own unique needs and, I think, we should follow up by the various committees and make sure that, at least they have that opportunity and do it before budget because when you wait until budget time it's just too encumbersome [sic] and we don't seem to accomplish very much.

CHAIR HOKAMA: Yeah, we're on a tight schedule, so yeah.

COUNCILMEMBER VICTORINO: Absolutely.

CHAIR HOKAMA: This is the period I would the standing committee chairs to spend their time.

COUNCILMEMBER VICTORINO: I agree wholeheartedly.

CHAIR HOKAMA: So, when we hit budget you will be one of the most best briefed within your subject matter areas.

COUNCILMEMBER VICTORINO: Yeah, and, I think, when I was Chair of the Water Resource Committee, I allowed Mr. Taylor to come and give presentations on what his plans were, CIP, personnel needs, and it seemed to have worked real well, and helped him as far as when he came at budget time. So, I would suggest that to all the standing committees. Thank you, Chair.

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

COUNCILMEMBER GUZMAN: Yeah, I think, it's imperative that we do have accountability based off of measures of success. But my question would be how do you then verify the accuracy of some of these reports, you know, when they're...I mean, getting back to enforcement, you know, on the citations? Yeah, you mentioned earlier that there may have been a mistake or inputting different variables that may not have come up accurately. So, what is to say that, yeah, we are the checks and balances but then they can always inflate their inputs. What is the verification there? I mean, I understand the measurements and the ability for us to hold the departments accountable, but then how do you verify the data?

CHAIR HOKAMA: Mr. Baz?

MR. BAZ: Thank you, Mr. Chair. There are some ways that we can verify the data. I mean, we could go back and look at their citation books and see how many citations they're actually issuing and different things like that. You know, it's really the department director's responsibility to manage their departments and verify that those occurred. You know, the Managing Director and I do on, you know, occasion because something gets told to us or, you know, we see that there's the possibility of discrepancies, have on occasion held departments responsible for fixing something that, you know, they may have reported it a different way. But, you know, it's human nature to...you're

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gonna miss stuff once in a while and unfortunately I'd hope that there's no malfeasance in providing information that's incorrect. But we do...we don't have, my short answer is we don't have a specific way to verify to make sure that all these measures are accurate. But with anecdotal information, reports that we get to us on certain things then we can go back and verify specific individual items. You see there's, you know, thousands of performance measures in here so it would be hard to verify every single one of them. I am looking at a dashboard system so that we can provide that information to, you know, readily available to department directors as well as to the Councilmembers and to the general public. So, and with that information being available, then there may be some additional level of accountability because somebody who's very interested in that specific topic from the general public can say, oh, no, that's not right, you know. Or, you know, they're not really doing what they say they're doing and that way we can provide a better response. Yeah.

COUNCILMEMBER GUZMAN: Thank you, Chair. The only reason why I brought that up is, of course, if you're a department you wanna be able to show to the Council that you are completing or you're succeeding in the measurements so that, therefore, your budget will be more accommodating to your requests. The other hand is okay if we come up with bad measurements, or bad or not succeeding in the measurements, then what happens? Do we then as a Council not appropriate the funds that they are looking for? Or what is the incentives? What are the carrots and what are the, I wouldn't say punishments, but the punitive damages or the punitive imposition that we as a Council, or as an Administration, would impose on a department if they did not make the measurements? If they do not meet the successful objectives?

CHAIR HOKAMA: You know, Mr. Guzman, and I appreciate Mr. Baz' is willing to make a...I would say as your Chair that is one of the things I would hope as standing committee chairs of the various Council committees, you would work with your department heads to possibly revise the measurements so that when they do perform you're aware of what it means. It shouldn't be an isolated measurement. I think, the committees need to participate with the directors and help develop meaningful measurements that help you make the right decision, whether it be for performance or whether it be for finance, from the fiscal standpoint. I think, that is one of the things that we can do and show from the Council side our willingness to work with the departments because, I would agree, some of the measurements I would say can be revised and improved. But that's something I would ask for you to make those recommendations back to Budget Committee. You spend more time with your departments than this Committee on specific things within your parameters. So, that's something I would look forward as you would, of how you as a chairman would work with your departments. So, for you I would expect Parks and Recs to come to you and say this is our current measurements proposal, do you have some recommendations or what, and you may say, I think, we need to refine or delete this, add this. But, I think, those measurements down the road will then help you make the right, help you, lead you to the right decision, Mr. Guzman.

COUNCILMEMBER GUZMAN: Thank you, Chair.

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CHAIR HOKAMA: And so, Mr. Baz, any comments on how I'm trying to proceed?

MR. BAZ: Yeah. Thank you, Mr. Chair. So, you know, when I had started as Budget Director, one of the things that was a process of budgeting that is recommended by the Government Finance Officers Association of America is the budgeting for outcomes. It's using measurement tools to actually effectuate, you know, budgets and the program implementation. There are certain municipalities that if they're not performing they do cut their budgets. But we're using it more as a tool to say if they're not performing, what is it that they need to change in their operations to get them to do performance, you know. So, just a punitive, you know, oh, yeah, we're going to cut your budget by 50 percent because you're not performing is still not going to provide services to the community, right? So, I mean, there's certain mandated, you know, things that we have to do for the community that we really wanna make sure get done in the best manner so we use these as a management tool, and as a Council, you can be looking at these when you're reviewing the departments and saying, you know, yeah, somebody who's performing well maybe you do give them another opportunity maybe if they wanna do a new initiative or something like that. And somebody who's not performing tell 'em, no, you know, we'd prefer that you focus on your core activities than these ancillary activities that you'd like to do. And we've done that specifically I can tell you with some of our departments that they wanted to do something new that was innovative, kind of a neat idea, but they're not doing one of their core functions to our satisfaction, so we told them no we don't want you to focus on that yet. Get your core functions up to speed and then maybe we'll talk about this ancillary function. So, you know, and that's something that Chair Hokama has mentioned, zero-based budgeting. Well zero-based budgeting isn't necessarily just that you zero out their budgets. It's that you take their budget and say every aspect of that budget needs to be discussed and evaluated and seeing whether or not it should be funded. And so, to evaluate properly you need to have some kind of tool to do that. And just them coming in and asking for less money than last year isn't necessarily the best tool to say they're doing a good job or not. I mean, yes, we wanna reward performance in being more efficient but if they're doing, if they're spending less because they're not doing the job that we need them to do then that's not really a good outcome either. So, that's how we evaluate those kind of things. Thank you, Mr. Chair.

CHAIR HOKAMA: No, thank you, Director Baz. Mr. White?

VICE-CHAIR WHITE: No further questions.

CHAIR HOKAMA: Okay. Ms. Crivello?

COUNCILMEMBER CRIVELLO: No further questions.

CHAIR HOKAMA: Mr. Couch? Very good. Anything else you wish to share, Mr. Baz, before we close up this area?

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MR. BAZ: No. Again, Mr. Chair, just the, thank you for the opportunity to discuss this and I'm available individually if you have questions or wanna go over certain things. You can discuss this with me and we can sit down in your office and go over individual items.

CHAIR HOKAMA: Well I did make a statement to this Committee and the members that I would bring up periodically the review of the implementation of the A, B, C Accounts because it's something new and different for us. And I would rather be able to be preemptive and make appropriate adjustments earlier than be punitive and then have the community suffer because of the processing requirement. So, I'm gonna ask with no objections, we defer this 'cause I would like to bring back Mr. Baz in the near future again to give us an update maybe at the beginning of the second quarter on how budget implementation is working for the departments so that we can plan to make whatever appropriate adjustments are required to make the budget work.

COUNCILMEMBERS: No objections.

ACTION: DEFER pending further discussion.

CHAIR HOKAMA: Okay, thank you very much, Mr. Baz. I appreciate this report and I'm gonna have us continue to do this periodically because, I think, it's important what you share with the Committee.

MR. BAZ: Thank you, Mr. Chair.

CHAIR HOKAMA: Thank you. Okay, Members, so we are going to defer with no objections, and bring up Short-Term Investments under 14(3). Do you folks want a short recess, members?

UNIDENTIFIED SPEAKER: Yes.

CHAIR HOKAMA: Okay, we'll take a short recess, ten minutes, 10:50. . . .(gavel). . .

RECESS: 10:40 a.m.
RECONVENE: 10:55 a.m.

CHAIR HOKAMA: . . .(gavel). . . We shall bring the Budget and Finance Committee meeting back to order, please.

**ITEM 14(3): SHORT-TERM INVESTMENTS (FISCAL YEAR 2015
(JULY 1, 2014 TO JUNE 30, 2015))** (CCs 14-266, 15-44,
15-123, AND 15-211)

CHAIR HOKAMA: Members, let us move to Item 14(3). This is under the heading of Short-Term Investments, subheading is Fiscal Year 2015, and we have our various

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communications from the Director of Finance, Mr. Agsalag, regarding his quarterly reports on short-term investments. We already had an initial meeting with the Department and we have Mr. Walker and Mr. Kulp here along with Mr. Baz to be able to respond and give comment for the Committee today. Part of my desire today if the Committee is open is to assist and give the Department some thoughts on where and what do we wanna see as potential investment opportunities or areas of interest for the County. And one of things that I was talking to Mr. Walker about is, you know, we may need to work out with the Legislature and convince them that the counties are matured, much older than the State, and well enough to be able manage a percentage of the cash portfolio with a higher level of managed risk, whereby you don't jeopardize the whole portfolio, but reasonable and manage risk a certain amount to be able to get the returns that the County feel is reasonable, and we can defend to our community and tax base. So, with that I'm gonna ask, Mr. Walker, if you would give us some general comments about how the Department might want to approach the ability of expanding on what we can consider for investment considerations and how we can support the Department in possibly amending State law. Since we're a governmental entity, the State Employee Retirement System is a governmental entity and yet they have different investment opportunities not provided to the counties and maybe one of it is equity on governmental entities to have the same investment opportunities. If, and, you know, if we have to go through the same due diligence process I'm fine with that. But allow us to have those opportunities to make reasonable returns on our cash. So, Mr. Walker, if you, or, Mr. Kulp, maybe you guys share some thoughts from the Departmental's point of view, please.

MR. WALKER: Thank you, Chair. I'm Mark Walker, Deputy Director of Finance, Committee members. Well, as you know, we're, we are...what we can invest in is controlled by Hawaii Revised Statutes, and as you learned at our, I think, I believe, the last meeting before this Committee on this subject, we are working with Senator Agaran to try to expand what has been given to the State actually, so what they can invest in to include the counties as well. That it is still very limited, and to the degree that this body would want us to have other opportunities, we could certainly provide you with some information that might allow you to help us support that with the Legislature if that was your intent. I think, what we're talking about now is we're very limited on the types of instruments we can buy mostly government backed, government secured. If you're talking about buying equities, whether, you know, or other types of investments we would certainly assist you if that's what you wanted to do. The Chair and I talked briefly at recess and he's talking about potentially if went in that direction, and, again it's an H.R.S. issue. It would have to be approved by the Legislature, but maybe putting some caps on the percentage that you could invest in any of these types of things maybe as low as 5 percent or 10 percent kind of stuff. But, you know, if the Committee is looking to help us get better returns or is wanting us to get better returns then, you know, we're sort of a captive of the market at this point, rates are at all-time historic lows, it is what it is. If we had some really good dividend paying stocks I would think our return could be higher, but, again, that's not for us to say. That's the policy of the County and ultimately a policy of the State. So, that's all I have, Jack, unless you want to add anything.

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CHAIR HOKAMA: Mr. Kulp, any thoughts you can share with us?

MR. KULP: Thank you, Chair. A couple points just to get a historical context. H.R.S. 36-21 is the statute that the State operates under to invest in the short-term investments of cash that they have prior to needing for their annual budget. We use H.R.S. 46-50, which was identical. It's my understanding at their conception is somewhere around ten years ago 36-21 was upgraded to add some additional agencies and that's what we're trying to get done at this point in time with this legislative session and hopefully that will happen. Additional instruments that we might look at, we can see if we look around some of the other counties in California, I was looking at Monterey, they do the top end, I'm using that because it's an A1/P1, a rating, which is equivalent to like AAA and a bond. Things like GE, Toyota, bonds of those natures that have the highest rating. They're also, by the way, limited to five years. But that would give us a little bit higher yield if we could get into some of those things. Restrictions on the amount is not a bad idea. That will ensure that we're focused, most of our money where we can be assured that's it's going to come back, but these extremely highly rated commercial bonds are very safe investments as well. But they do give you a little bit better yield. The only other thing I can think of is we could do a full analysis and try to get a broader scope of what the different municipalities around the country are doing to give us an idea of how far we can go with what's already existing. I'd like to address one other thing, vis-à-vis the ERS and the EUTF money versus what we have. There is a difference in the nature of the money. The money that H.R.S. 36-21 that the State has and the 46-50 for the counties is taxpayer dollars. The nature of the money that goes to the EUTF and ERS is actually employee dollars and therefore, we're giving the ERS our own personal approval to go ahead and invest in any way they want. The taxpayer dollars has a different level of fiduciary responsibility and that's one of the reasons, I think, originally there were the constraints put on it versus what's on the ERS and EUTF.

CHAIR HOKAMA: Okay, thank you, Mr. Kulp. I'll open it up to questions from the Members, if you have any. Ms. Baisa?

COUNCILMEMBER BAISA: Thank you very much, Chair. And thank you very much, Mr. Walker and Mr. Kulp, for being here this morning. I need some education, maybe you can help me. What is the expected return or the ideal return that you wanna see on these investments?

MR. KULP: Council [*sic*] Chair?

CHAIR HOKAMA: Mr. Kulp?

MR. KULP: Of course, we would like to be as high as we possibly can. I think, you've probably noticed that we've been increasing every quarter and I can assure you from what you're seeing from the last quarter is behind us and we're much above that already in this quarter. I think, we'll, in the current market we'll probably max out somewhere around 1.25 to 1.50 percent. I'm anticipating being in the mid-80s at the

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end of this first quarter. So, we are rising up. In the future as rates change if they go up, we will rise up with them. A better way to look at it, Councilwoman, is what is the horizon that we're expecting to be able to make. We're investing at maximum length of time out to five years, but we have liquidity issues. What I am trying to do is get us so that we're around about a three-year horizon for the overall portfolio. And that's probably a pretty good number to look at. And right now, three years is somewhere between 1 and 2 percent depending on what type of instruments you're looking at going into the equity that is on the 2 percent side.

COUNCILMEMBER BAISA: Thank you. That's pretty clear for me. I understand that, you know, there's much more out there but then you have all of these restrictions on what you can do. So, we gotta be safe with people's money. And so that's our big fiduciary responsibility. But I was curious just to know more or less what is out there.

MR. KULP: Well to give you...Chair?

CHAIR HOKAMA: Mr. Kulp?

MR. KULP: To give you a range, right now, I'm, at the five-year point, we're seeing, the maximum I'm seeing right now on taxable municipal, muni bond, for example, like out of Honolulu would be about 2.2 percent. Okay, we don't have to pay taxes so we get the 2.2 percent. But that's pretty unusual to get. Most of the stuff is around 1.75 to 2 percent at 5 years; about 1.65 for 4 years; 1.35 for 3 years; and then drop down at 1 percent for 2 years; and dropping downwards. So these are CDs that are FDIC insured.

COUNCILMEMBER BAISA: Yeah, CDs have changed a lot. I remember when I was at MEO as Finance Director we were getting six, seven, eight, you know.

MR. KULP: Yeah.

COUNCILMEMBER BAISA: And it's just so hard to swallow when you get these bank statements and you look at these 1 percent things, you know. It's just really disappointing, but that's the market we're dealing with. So, thank you.

CHAIR HOKAMA: Thank you. Mr. Carroll? Mr. Victorino?

COUNCILMEMBER VICTORINO: No, no question at this time.

CHAIR HOKAMA: Thank you. Mr. Guzman?

COUNCILMEMBER GUZMAN: Thank you, Chair. Just a very simple question on the, when you're deciding on what type of short-term investments, is there a group or is there a, I know, under the, a task force, or how do you guys go about determining what investments you go forward?

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MR. KULP: Well principally our guidance is H.R.S. 46-50 and it has a listing in that particular statute that tells us what we can and cannot invest in. And basically, we try to stay within the guidelines there.

COUNCILMEMBER GUZMAN: Is there an investment consultant that you work with?

MR. KULP: No. We have an investment committee that meets and reviews all the investments that we're doing.

COUNCILMEMBER GUZMAN: I think that was one of our subject matters in our budget deliberations before. Okay.

MR. KULP: No it's...

COUNCILMEMBER GUZMAN: Thank you, Chair.

CHAIR HOKAMA: Mr. Kulp is correct. The statute actually grants the Director of Finance the authority to invest. The statute also allows the Director to lead an investment committee and in the language it states, Managing Director, Director of Finance, Deputy Director of Finance, and the Treasurer. Those four are signatories for the County and are considered the County's investment committee along with Treasurer's Accountant III. This is in black and white that I'm reading, Members, and one of the interesting thing is that, so it says any two members can call for a meeting and any three members will constitute a quorum and the committee can establish its own rules of procedure. I would say for those of you...I don't know if you, you should have a copy. This is a, I'm looking at a July 31st response from Finance to my, a letter dated July 24th, so I'm not too sure if you have it, members. I can make sure you get this. But basically, Mr. Agsalog, Director of Finance, listed all types of current investments that is authorized within the County's parameter, the yield. And basically, it's a lot of CDs, U.S. treasury notes, and he has some Federal mortgage notes too. So, I would say, gentlemen, attached to the response from the Director is, of course, investment procedures of the County as established by the Investment Committee. This says revised July 24, 2012. Do you folks have a practice of how often you review and update the procedures, gentlemen, 'cause this a three-year-old document, so I'm just wondering if you have a practice of review and making adjustments to the procedures?

MR. KULP: As a formal annual or a quarterly basis, no. As things come up and we realize there might be an issue, then we would go ahead and revise. But as a procedure, as a formal procedure, looking at procedures itself, we don't have anything that's says that we will on a certain timeline review with the intent of just reviewing. But our procedures really haven't changed that much if at all.

CHAIR HOKAMA: So, you know, it says you folks have to meet at least once annually to determine strategies and monitor investment results as well as the Committee will review quarterly investment reports. So, during those meetings, Mr. Kulp, Mr. Walker, anything regarding procedures or changes that we need to be aware of that the Committee was looking at? And I bring this up because in the letter from

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Director Agsalog and this is one of the things that, you know, I'm interested in. The list provided in H.R.S. 46-50 dates from the late 1950s and includes securities that no longer exist as well as securities in which the County can no longer invest, such as Sallie Mae auction securities. And that's why my question about how often are we reviewing it because there's things that are authorized but doesn't exist. Does it make sense for us to be held to something that's outdated? Are we missing opportunities for the County? And, you know, gentlemen, you know, you and I know, we all watch money. The last two years pharmaceutical sector has been a growth sector, but that's not something we can even consider a reasonable percent of managed risk to investment in. But that's a growth sector. You know tech is the hot boy now but six months ago, it was on the opposite end of the spectrum. We all watching what's happening. Market has changed, investment has changed. Are we having a policy and practice that is outdated and doesn't serve the County in 2015?

MR. KULP: Chair?

CHAIR HOKAMA: Mr. Kulp?

MR. KULP: I think our method for evaluating things is solid. Now whether the instruments are outdated, I agree with you. There is some major problems there and there's things that we can do to improve. One of those is what we're doing right now with the aid of Senator Agaran is trying to at least get upgraded so that we match 36-21, that will be a major improvement. At this point in time, Chair, we are having times at different times we go to get a maturity at certain time where we cannot find any paper. And that's amazing when you think about it. And we've had to go ahead and then step back and take a different _____, an inferior position on that particular investment day. So having those additional instruments will help us at least have a shot at finding something in the timeframe that we're looking. Okay, so that's one. If we can go ahead and convince, you know, after this process happens, talk to the other counties and the State, and then work with the Legislature to open up some additional avenues for us, I think, we can do better. In fact, I know, we can do better. I like the idea of the highly rated corporate bonds. They are nice instruments. Equities, that's a really, that's a tough area to get into, but the bonds by these highly rated issuances are very good. When we start dealing with equity bear in mind we have a chance of watching our corpus disappear. Whereas, if we're in a bond it'd be much less likely that that would happen. There's another thing we're not doing that we can consider. It's called riding the yield curve. And what that is you buy out at five years 'cause that's our maximum. In the current market, we have a very steep short-term yield and when this thing gets back to that and starts dropping down that yield curve as the yield drops down the price goes up. We could sell instruments early and pull a gain. This is especially helpful if we're gonna pull the money out of the portfolio because then we just take the entire thing over to our operating account and use it there. What we've been doing as a practice is letting things run to maturity. So, what you see...

CHAIR HOKAMA: So we haven't done any hedge fund, I mean, hedging of practices then?

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MR. KULP: Oh, no. We're not allowed to do anything like that. Hedging usually has a lot of leverage associated with it and that's a tremendous amount of exposure. I wouldn't recommend that even in the future unless we get very sophisticated. But the corporate bonds would be a good area. Another one is the super nationals, like the World Bank, very highly rated, higher rated return than what we're getting right now.

CHAIR HOKAMA: Thank you for your thoughts, Mr. Kulp. Mr. White, questions?

VICE-CHAIR WHITE: I'm working on one.

CHAIR HOKAMA: And again, Members, my thing is, you know, just to be aware of how we might want to structure our requests for proposal with Administration for the upcoming legislative session. The one thing though I wanna say and you need to be aware of because I find it interesting, it's finally in black and white. Under 46-50, I tell you somebody was brilliant down there. It authorizes, it says it authorizes director of finance of each county to invest county monies with the approval of the county legislature. So in this legislature, we're not a board. We are a legislature, which for me, then says we have legislative standing. We are not a board or commission. Even the State recognizes that we are a legislature. So, I think, we have even stronger standing since it's already part of statute language. Anyway, that's a side comment, Members.

COUNCILMEMBER COUCH: See if Corp. Counsel can argue that one.

CHAIR HOKAMA: Oh, yeah, Mr. Ueoka, he's going to have a good time with us. So, again, you know, part of it is to respond to Mr. Victorino who has already notified us of regarding potential considerations for HSAC and whatnot. It is my intent to look at something for the investment portfolio to be supportive of what the Department would like to at least try as the minimum and then maybe we need to ask for something a little higher on the bar so that when we come down at the end of the day, we'll get something at least better than what we got now, gentlemen. Ms. Crivello, questions for the gentlemen?

COUNCILMEMBER CRIVELLO: Not at this time. Thank you.

CHAIR HOKAMA: Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair. You know, just in looking at the numbers and maybe I'm just reading them wrong. So, maybe he can, Mr. Kulp can help me. On Page 9 of 9 of the portfolio market value and accrued interest, all funds combined.

CHAIR HOKAMA: Okay, you're on the report attached to the July 29th communication?

COUNCILMEMBER COUCH: Correct.

CHAIR HOKAMA: Okay, thank you. So, what page, Mr. Couch?

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COUNCILMEMBER COUCH: Page 9 of 9 of the portfolio market value and accrued interest, all funds combined.

CHAIR HOKAMA: Okay, page, what was the first part of nine, page?

COUNCILMEMBER COUCH: Nine of nine.

CHAIR HOKAMA: Nine of nine, thank you, got it.

COUNCILMEMBER COUCH: The grand total, it shows, that and I'm reading it that market values, which would be our starting value, accrued interest, and then total value, that we accrued \$427,000, on two point, on \$232 million, of investment. Is that right? If I did the math, I think, that's 18 basis points. That's not very...I just was curious what happened that last year. Unless I'm reading it wrong.

CHAIR HOKAMA: Okay. So, you're talking about the UBS treasury notes?

COUNCILMEMBER COUCH: Treasury securities, yeah, I guess, it says treasury securities. Well no, that's just the last one. This bottom one looks like a grand total of all of 'em.

CHAIR HOKAMA: Right. You're looking at the top portion?

COUNCILMEMBER COUCH: The very bottom line. The very last line on Page 9 of 9.

CHAIR HOKAMA: Okay.

MR. KULP: Once again, that's a quarterly report.

MR. BAZ: Yeah. Mr. Couch, are you looking at the last quarter, County Communication --

COUNCILMEMBER COUCH: Yeah.

MR. BAZ: --15-211?

COUNCILMEMBER COUCH: 15-211, yes.

MR. BAZ: Yeah, okay. And pretty significantly down in the page 'cause 9 of 9 we're coming up as not having anything on there, so.

COUNCILMEMBER COUCH: On the portfolio market value and accrued interest report?

VICE-CHAIR WHITE: I have the same Mr. Couch has.

CHAIR HOKAMA: Okay, if you could restate your question, please?

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COUNCILMEMBER COUCH: Yeah, the question is am I reading that the 427,000 is interest that we accrued on 232 million...\$233 million? And if so, that seems to be 18 basis points.

MR. KULP: That's the accrued interest. That's not the earned interest. There's a difference.

CHAIR HOKAMA: Okay, Mr. Kulp, if you could explain.

MR. KULP: If you look at the market value, okay, and you add the 427 to it that gives you your total value. Okay. So, what's occurring here, first of all, this...yeah, it's quarterly issue that this is as of. Okay, as of. Accrual of interest is only a component of what happens and how we generate interest, earned interest. We also have a change in the value of the different components. Now, this accrued interest here is associated with that accrual of the change in the market value of the instrument. But the interested, the earned interest itself is a second and different than this. Like if you go and you buy a CD for \$99, and it pays you \$5 interest a year, and it rises \$1, this is the \$1 going up, and the \$5 of interest that you're earning on the side is a separate interest and it's not this. I don't know how...I...it's much easier to look at the other, the larger report to see it all right there in one place.

COUNCILMEMBER COUCH: Okay.

MR. KULP: I use this report right here basically as a check against the other reports, but this isn't the real good working report. If you look at the one that's called investment earnings and interest booked that's where you can actually see the real data.

COUNCILMEMBER COUCH: Where would that be?

MR. KULP: That's...it's the second...

MR. BAZ: It's in the beginning of the document.

MR. KULP: I think, it's your second document in. Some of these reports are just flat, confusing to try to explain to 'em, but this one right here the investment earnings and interest booked is the one that's clear. And if you go to the very last page of that one...

CHAIR HOKAMA: So that's 47 of 47, Mr. Kulp?

MR. KULP: Yes. Well let's see. We wanna make sure we get to the last page that has data on it. So, that would be 46 of 47. See the yield earned or earned yield right above there, that's 67.5 basis points. That's the real yield for the portfolio for the year. Okay. If you look above it, there's your 451. Once again, that's a quarterly amount. So, in this one quarter we earned a total amount of interest of 579,000. We had \$135,000 worth of premium that had to be amortized, which drops it down. We also had \$7,400 worth of accretion of discount. That's where we bought it at less than 100. It went up. And it left us with a total of \$451,000 worth of earned interest for the quarter.

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COUNCILMEMBER COUCH: Okay, so, is there any report like this that can tell us, you know, 'cause we're not all accountants. You guys are getting way into the technical portion now. Is there a report that we can go at the end of the year, which, you know, June 30th, at the end of the fiscal year. This is how much we had in the bank, this is how much we earned in interest, and this is now new amount that we have in the bank.

MR. KULP: Well, we know how much is in by looking over at the par and book values on the other side.

COUNCILMEMBER COUCH: I guess...

MR. KULP: But that's just on a quarterly basis.

COUNCILMEMBER COUCH: Right. But it's...

MR. KULP: I could run, I could do a run for the entirety of the year.

COUNCILMEMBER COUCH: Yeah, I would think that this body would like to know at the end of the year. Okay, yeah, we made 67 basis points, you know, if that's the case if we're looking at 5 times...about \$2 million.

MR. KULP: Last year was a little bit less than 2 million. This year we're already on the \$2 million course.

COUNCILMEMBER COUCH: Okay.

MR. KULP: We're doing, this month, we did one hundred seventy some thousand dollars for July.

COUNCILMEMBER COUCH: Okay. As a non-accountant type guy, that would be the kind of information that I would like to know by the end of the year if it's possible. I don't know if...

MR. KULP: I can generate a report showing you exactly the dollar amount of interest if that would be helpful.

COUNCILMEMBER COUCH: Okay.

CHAIR HOKAMA: Okay, we'll forward a letter to Finance Department, Mr. Couch, requesting the information that you've put forth and we'll allow Mr. Kulp and the Department to respond, and then we'll have that disseminated to all the members.

COUNCILMEMBER COUCH: Okay, thank you, Chair.

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

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COUNCILMEMBER BAISA: No.

CHAIR HOKAMA: Mr. Carroll, any questions, sir? Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you. And, Mr. Kulp, as you just mentioned and Mr. Couch has been asking is, you know, the exact amount or the amount that we end up after the year as far interest. And you're saying at this point, we're well over or over 2 million. What do you...no, I'm sorry, go ahead. Now I thought that's what I understood. So, I apologize if I made a mistake.

MR. KULP: We did 170,000 plus interest in July.

COUNCILMEMBER VICTORINO: Okay.

MR. KULP: If you multiply that by 12, that's over \$2 million.

COUNCILMEMBER VICTORINO: Okay. That's July of this year?

MR. KULP: This year.

COUNCILMEMBER VICTORINO: Okay.

MR. KULP: So, that's the rate we're on this year.

COUNCILMEMBER VICTORINO: This year. Last year, what do you think we came up with? Based upon this, if you had 400...I mean, you tell what?

MR. KULP: I'm going to, this is just a guess.

COUNCILMEMBER VICTORINO: Yeah. And, you know, you're estimating, I agree.

MR. KULP: I would say maybe 1.5 million.

COUNCILMEMBER VICTORINO: One and a half million?

MR. KULP: Yeah.

COUNCILMEMBER VICTORINO: So, we're projected at this rate if nothing major changes to make over 2 million so about 500,000 more than we made last year?

MR. KULP: We should do better than that 'cause we're on the rise.

COUNCILMEMBER VICTORINO: We're on the rise?

MR. KULP: Yeah.

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COUNCILMEMBER VICTORINO: Okay.

MR. KULP: So, this will be the lowest. July would be the lowest of this fiscal year.

COUNCILMEMBER VICTORINO: And that's due to the market and interest and other variables that are occurring out there?

MR. KULP: That's correct and how the portfolio is finally maturing into what we've always wanted it to be.

COUNCILMEMBER VICTORINO: Okay. Okay. All right, Chair, thank you. And I await that report, you know, from them, from Finance. I think, that's gonna be very important for us to understand and really the general public to understand that we're trying to get the best return on their dollar.

MR. KULP: Right. Every month we do a reconciliation and in that reconciliation we have the exact dollars of interest that was generated in that period of time for every month. All we have to do is sum 'em together and we can give you a report.

COUNCILMEMBER VICTORINO: And am I correct in asking that this monies have to be very liquid, liquidable so that we can pull it out any time we need it? Is this what this is all about, right? This is the short-term investment for monies whenever needed we can pull out?

MR. KULP: Yeah, essentially that's what it is. What we try to do is we try to forecast our cash needs and our cash flows, coming in and going out. And when we look at that then we figure out how much we have to have in our operating accounts. The remainder of the cash then can be invested. So, the first step in any of this type of a program, and this is what we started with three years ago, we built a forecasting model.

COUNCILMEMBER VICTORINO: Okay.

MR. KULP: Once that was accomplished we started taking the residual amounts of money that we had over what our budget...over what our expenditures required, and we began to investment them, filling in the pukas in between in the portfolio, and then expanding it out. And what you're seeing now with the portfolio increasing in yield is the expansion out as we have much greater confidence in our ability to forecast our cash flows.

COUNCILMEMBER VICTORINO: Okay, very good, Mr. Kulp. I look forward to seeing how this continues to benefit the people of Maui County. Thank you, Mr. Kulp. Thank you, Chair.

CHAIR HOKAMA: Okay, thank you. Mr. Guzman? Mr. White?

VICE-CHAIR WHITE: No further questions.

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CHAIR HOKAMA: Ms. Crivello?

COUNCILMEMBER CRIVELLO: I'm good, thank you.

CHAIR HOKAMA: Mr. Couch? Very good. I appreciate the comments from Mr. Walker and Mr. Kulp this morning on giving us some points of view regarding how we can maybe work, be collaborative in requesting the Legislature to make some revisions to allow the County to have better investment. Since we know the Fed is looking at raising interest, gentlemen, and they give us enough signals, more or less when it's gonna happen, is there something we need to adjust in the portfolio on a short-term basis because of the potential positioning of the Fed?

MR. KULP: Chair?

CHAIR HOKAMA: Mr. Kulp?

MR. KULP: One of the things about the portfolio is on a monthly basis we're having maturities occurring., if the Fed were or if there was any impetus to increase rates, we will be able to benefit from the maturities that we're having because we'll be reinvesting them into a higher market. So, that's one of the ways we can cover that. The only other thing we could do is either bring more money into the portfolio from the operating accounts or sell out of some of the other positions early and then reinvest them. And those would be the methodologies that would give us a higher yield at that point. But the way it's structured is to go ahead and take advantage of any changes in yield because we have these constant maturities. They're also there so that we have liquidity in case we need the money in our operating accounts. So, it serves a dual purpose.

CHAIR HOKAMA: Okay, and then the balance between the CDs and treasury notes, we're in a pretty good, I would say balance for the portfolio?

MR. KULP: It's getting better. Right now, we're moving into the 90s, okay. So, as opposed to the 67.5 that you saw there. We will be in the 1 percent range before the end of this calendar year. So, things are...it's beginning to operate the way it was envisioned in the first place. It just took some time to be able to stabilize everything out and then be able to stretch it.

CHAIR HOKAMA: Okay, very good, very good. Any other questions, Members, before we end the discussion on this item today? Okay, having none, Members, again, we'll continue to keep this item on the master calendar so that we can get continued updates and work with the Department on, again, a collaborative approach for the Legislature. Mr. Kulp?

MR. KULP: One last thing, I want to thank the Council, and the Council Chair, and the Budget Chair for your support with the legislative actions and movements that we're trying to do. It's very, very much appreciated.

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CHAIR HOKAMA: Well, we thank you since, you know, it helps to be a standard bearer and if Senator Agaran can be that standard bearer for us to at least have the discussion, we appreciate that good work already. So, thank you. Members, with no further questions, any objections to deferring this matter?

COUNCILMEMBERS: No objections.

CHAIR HOKAMA: Thank you. So ordered.

ACTION: DEFER pending further discussion.

**ITEM 15: TRANSFERS FROM THE GENERAL FUND AND THE
DEPARTMENT OF WATER SUPPLY REVENUE FUND**
(CCs 15-8, 15-32, 15-122, 15-138, 15-139, 15-188, AND 15-210)

CHAIR HOKAMA: Members, you know, I listed this transfers from our General Fund, Department of Water Supply Revenue Fund and it's more about getting from the Department an update from Mr. Walker and Mr. Baz. We did authorize and Council is going to take up the special counsel for the bond, future bond consideration from the County. One of the main things is first ask the Department if they can share with us their new projected date for a bond float and where are we in the process of what are we trying to achieve by the date you folks are proposing to float the bond for.

MR. WALKER: Thank you, Mr. Chair, Committee members. It appears at this point, subject to change, hopefully sometime in early October as far a bond float date. I just got confirmation today of when we're gonna have our agency, our rating agency presentations, which is looking like September 11th and the 14th, which is a Friday, and we'll, of course, invite the Committee, if they're interested in attending those, we're having three different agencies come to town. What we're trying to achieve is as far as the bond float is and, I think, we've identified to the Committee in past correspondences significant savings in doing some refunding, which is the majority of the, what the bond proceeds will be used for. But also, we've reserved at this stage, subject to change, about 15 million in new money because we've already spent close to 13 million, I think, in General Fund monies on CIP projects. So, we could use money for at the, what we think are still very good rates. But as you mentioned the Fed is gonna move at some point, whether it's in September, December. Rates are gonna be moving higher and so the goal here is to take advantage of rates at this historically low time in rate history. Thank you.

CHAIR HOKAMA: So, what is the target interest rate you're hoping to lock in on? Or just give us a range, Mr. Walker.

MR. WALKER: Yeah, I think, anywhere like from 2.7 to maybe 2.8, something like that, 2.85. I don't know what the market is today, but, you know, it changes daily. And so, I think, that's roughly the...yeah, and it's a competitive bid.

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CHAIR HOKAMA: One thing that I wanted to ask before I allow the other Committee members for their questions that we are aware of, which is kinda, for me, we fight hard to get this ability of financial options, but the recent statement from EPA that the State of Hawaii is not utilizing Federal monies for SRF and water line projects. So, is part of the bond float being, gonna be reviewed and readjusted to make use potentially of this EPA statement they put out in the media that if Hawaii doesn't spend it they're gonna take it away? And I don't know if you had a copy of those, members, recently. But I'm happy to make it available to all the members of the Committee, but the EPA has a concern with Hawaii, and it's non-using of Federal dollars that is geared for water projects. Mr. Baz?

MR. BAZ: Yes, thank you, Mr. Chair. I am aware of the issue and the situation. The State of Hawaii had, been, known of the situation a while so they within the last couple of years reduced SRF interest rates and fees, so that it makes it significantly more advantageous for us to borrow SRF monies versus bonds for Wastewater and Water projects. And so, if you noticed during the last couple of budget deliberations most of the borrowing for Water Department and for the Wastewater Division of Department of Environmental Management has been SRF loans. There are certain restrictions as to what we can use the money for, but based on those we do utilize that as a funding source anytime we can. You know, other than cash it's the next best financing model for...

CHAIR HOKAMA: So, the, with that, Mr. Baz, is the SRF that the State held departments' responsibility to disburse on approved projects able to give us a better percentage rate on interest than what Mr. Walker just shared on the potential range on the bond float?

MR. BAZ: Oh, yes, definitely. I think, it's around 3/4 to 1 percent depending on the size of the project.

CHAIR HOKAMA: Versus 2 percent?

MR. BAZ: Yeah, so the projects that we're issuing these bonds for most likely don't...I'd have to go back and review them, but they most likely do not qualify for SRF loans.

CHAIR HOKAMA: Okay. Okay.

COUNCILMEMBER VICTORINO: Chair?

MR. BAZ: 'Cause we are the County that utilizes the SRF funding to the most out of any of the counties. We, in fact, they continually come to us and say can we do more projects for you. One of 'em they ended up giving us a grant for, I think, it was \$2 million or something for a West Maui recycled water project. It was supposed to be a loan, but they liked us so much they gave us the money. So, and, you know that's, basically forgave, you know, that portion of the loan and...

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CHAIR HOKAMA: SRF, can that be used to acquire real property too for water, either water source, water distribution requirements for a public potable system?

MR. BAZ: Yeah, Mr. Chair, we'd have to review that with Department of Water Supply and the State Department of Health. Yeah, to be able to see if that's one of the possibilities.

CHAIR HOKAMA: I would appreciate it if you would follow through on that, Director. Who knows, I mean, I may want to propose we buy a watershed on Lanai.

COUNCILMEMBER VICTORINO: Chair?

CHAIR HOKAMA: Mr. Victorino?

COUNCILMEMBER VICTORINO: You know, I cannot be an expert in everything. But this one area that I'm very familiar with. First and foremost, we are the only county when it comes water that has been continuously applying for SRF funds. If you understand that the other three departments are separate entities, do not belong or work under the counties, they're independent. Okay, so that's the first issue. Secondly, you're right, Mr. Baz, that the interest rates wasn't advantageous, and you, Mr. Hokama, I remember once bringing this subject up because general bonds were much more advantageous interest rate wise. And there's fee and the fee was extremely high at one point. They have brought that fee down because they realized no one wants to borrow money and pay not only high interest but a higher fee to use that money. And then the other area that there was of great concern was that EPA each year puts "x" amount of dollars per region and region nine, which is Hawaii has been getting this amount steadily over the last ten years. And I don't know if that dollars, but it's been a steady amount. And because of these roadblocks and also to answer your question as far as I know, no real property can be brought with this fund. It is strictly for CIP and improvements to systems, both water and wastewater. And that is my understanding. And, you know, as the government representative for the Hawaii Waterworks Association, we have met a number of times with the Department of Health, and their basic concern is we have these monies, but the projects that are being brought forward either don't qualify or are not large enough. And there's also a range of money that has to be asked for or ascertained. So, there's a number of factors. So, when the EPA sent this out a few months back they were jumping the gun. You know again, you know, saying that we don't utilize the funding. We have been trying to utilize the funding. However, their restrictions and the high interest rates have made it not very cost effective. So, now, these changes that have come down you will see that more counties and more water departments will be jumping in for funds in that respect, especially now as interest rates start to rise on the other side of the spectrum. Yeah. So, let me assure you that Maui has been very, very much a leader as far as applying for these funds, SRF funds, every, and Mr. Taylor can come down and give you the amounts that we have applied for and have been granted. And as Mr. Baz mentioned, even to the point where they gave us the grant instead of a loan for the West Maui treatment facility. So, Maui stands very tall in that respect, Mr. Chair. However, EPA, I think, again, sometimes jumps the gun and puts out

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statements like that to make us...they want the State to shake a little and to make us to move a little quicker with these funds. You know what, unless they do it right, we don't want to get stuck with loans and fees that cost our consumers or our constituents more money. So, that's my understanding of the situation over the last ten years. So, just so that the public is aware that Maui County has been and continues to be a leader in that respect; however, when it was advantageous. We do not wanna be caught behind the eight ball. Thank you, Chair.

CHAIR HOKAMA: No, thank you, for that update, Mr. Victorino. Mr. Baz?

MR. BAZ: Thank you. Just to put in, you know, I did review these projects that have, you know, we were looking at providing bond financing for and none of them are qualified for SRF loans.

CHAIR HOKAMA: Okay. Thank you for checking.

MR. BAZ: And another perspective to look at the Fiscal Year '16 Budget, we actually, Council authorized \$34 million in SRF loans and only \$24 million in bond issuances. So, we are utilizing --

CHAIR HOKAMA: Yeah, we made a change. Yeah.

MR. BAZ: --the SRF significantly more than we're utilizing the bonds and especially for the projects that we do qualify for. So, thank you.

CHAIR HOKAMA: Okay, thank you for that comments. And again, thank you, Mr. Victorino, for giving us your update status. Further questions, members, regarding either transfers, specific transfers, or the proposed bond float? Any questions? Okay, having none, Mr. Walker, any closing comments on this subject for today, BF-15?

MR. WALKER: No. Thank you for your interest and we're available should you have further questions. Thank you.

CHAIR HOKAMA: Okay, thank you. Mr. Baz, anything you wish to share?

MR. BAZ: No, thank you, Chair.

CHAIR HOKAMA: Okay, thank you very much. Members, thank you very much for your attendance. With no objections, we'll defer this item.

COUNCILMEMBERS: No objections.

CHAIR HOKAMA: Thank you. So ordered.

ACTION: DEFER pending further discussion.

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CHAIR HOKAMA: And we've completed the business of the day. This meeting is adjourned.
...*(gavel)*...

ADJOURN: 11:44 a.m.

APPROVED:



RIKI HOKAMA, Chair
Budget and Finance Committee

bf:min:150818:df

Transcribed by: Delfey Fernandez

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CERTIFICATE

I, Delfey Fernandez, 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 10th day of September 2015, in Wailuku, Hawaii.



Delfey Fernandez