

BUDGET AND FINANCE COMMITTEE

Council of the County of Maui

MINUTES

March 15, 2016

Council Chamber

CONVENE: 9:03 a.m.

PRESENT: Councilmember Riki Hokama, Chair
Councilmember Gladys C. Baisa, Member (in 9:50 a.m.)
Councilmember Robert Carroll, Member (out 10:50 a.m., in 11:03 a.m.)
Councilmember Elle Cochran, Member
Councilmember Don Couch, Member (out 10:50 a.m., in 11:07 a.m.)
Councilmember Stacy Crivello, Member (out 10:20 a.m., in 10:26 a.m.)
Councilmember Don S. Guzman, Member (in 9:51 a.m.)
Councilmember Michael P. Victorino, Member

EXCUSED: VOTING MEMBERS:
Councilmember Mike White, Vice-Chair

STAFF: Michele Yoshimura, Legislative Analyst
Steve Selee, Legislative Analyst
Yvette Bouthillier, Committee Secretary

Ella Alcon, Council Aide, Molokai Council Office (via telephone conference bridge)

Denise Fernandez, Council Aide, Lanai Council Office (via telephone conference bridge)

Dawn Lono, Council Aide, Hana Council Office (via telephone conference bridge)

ADMIN.: Sananda Baz, Budget Director, Office of the Mayor (BF-38(45), BF-2(2), BF-38(43), BF-38(38), BF-38(44), BF-38(35))
Joseph Pontanilla, CDBG Program Manager, Office of the Mayor (BF-2(2))
Danilo F. Agsalog, Director, Department of Finance (BF-38(43))
Robert M. Shimada, Deputy Chief, Department of Fire and Public Safety (BF-38(38))
Michael M. Miyamoto, Deputy Director, Department of Environmental Management (BF-38(44) and BF-38(35))
Richelle Mary Thomson, Deputy Corporation Counsel, Department of the Corporation Counsel (BF-63)
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel (BF-38(45), BF-2(2), BF-38(43), BF-38(38), BF-38(44), BF-38(35))

Audience:

Stewart Stant, Director, Department of Environmental Management (BF-63)

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Michael M. Miyamoto, Deputy Director, Department of Environmental
Management (BF-63)

OTHERS: Eric Poulsen (BF-63)
Rosemary Robbins (BF-63, BF-38(44))
Phillip Kowalski, CB&I Environmental and Infrastructure, Inc. (BF-63)
Devin Moose, CB&I Environmental and Infrastructure, Inc. (BF-63)
Others (8)

PRESS: Akaku: Maui Community Television, Inc.
Melissa Tanji, *The Maui News*

CHAIR HOKAMA: . . .*(gavel)*. . . The Council's Committee on Budget and Finance shall come to order. This is our meeting of the 15th day of March, 2016 and present today in our Committee meeting is Committee members, Mr. Carroll.

COUNCILMEMBER CARROLL: Good morning, Chair.

CHAIR HOKAMA: Good morning, Mr. Carroll. Ms. Cochran.

COUNCILMEMBER COCHRAN: Aloha, good morning, Chair.

CHAIR HOKAMA: Good morning. Mr. Couch.

COUNCILMEMBER COUCH: Aloha, good morning, Chair.

CHAIR HOKAMA: Good morning. Ms. Crivello.

COUNCILMEMBER CRIVELLO: Aloha, good morning, Chair.

CHAIR HOKAMA: And Mr. Victorino.

COUNCILMEMBER VICTORINO: Good morning, Chair.

CHAIR HOKAMA: Good morning. We excuse Ms. Baisa, Mr. White and Mr. Guzman at this time. Before we start into the specific items of the posted agenda, this Committee shall offer and accept public testimony on any item that we have agendaized for today's meeting. If you are presenting oral testimony, this Committee rule is you have three minutes. You have no minute to conclude. We will assist you to, with the lighting at the podium. Green means your time is on, yellow means you are going to conclude in 30 seconds, and red means you will stop. As a courtesy to everyone, I ask that you please either turn off your phones or place it on a silent mode please. And with that, we'll start public testimony. So at this time, we'll call up Eric Poulsen, if you would please come forward and share your thoughts with the Committee and introduce yourself. If you do represent an organization, we request that you inform us of that, so.

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. . .BEGIN PUBLIC TESTIMONY. . .

MR. POULSEN: Okay, thank you, Chair.

CHAIR HOKAMA: Good morning.

MR. POULSEN: My name is Eric Poulsen, resident of West Maui. Once again, the Administration and the Mayor are being accused of violations of the Maui County Charter by action outside their authority. My question is simple and short. Has this body, our elected officials, ever exerted their power and authority under 13-10 of the Charter by imposing penalties upon public officials who spend our money carelessly and possibly unlawfully? While we appreciate the audits and all the tough talk, truly the only thing that happens is the residents become disgusted by the lack of accountability. I know this, if I park longer than the meter allows in the lot next to this building, I will be fined. On the flip side, the Mayor tears down buildings, his directors allow giant walls to be built in residents' backyards but there is no consequence. Why is it that the citizens end up being the enforcement agency, resulting in countless, unnecessary lawsuits? Is it because this Council does not have the courage to slap these individuals with a fine equal to a parking ticket to let them know they are being watched and their conduct will not be tolerated? Chair, can you address this question today or perhaps can each member of the Council inform the public if they have any recollection of the Council ever imposing a fine upon a public official in Maui County? My message is simple. I have two young kids, four years old and seven years old. I know all too well, if there is no consequence, there is no concern. I'd like that question addressed today, please. Thank you.

CHAIR HOKAMA: Thank you, Mr. Poulsen. Mr. Poulsen spoke on BF-63. Any questions for the gentleman? Thank you very much for your testimony. We'll have Rosemary Robbins, if she would please come forward and share her testimony with us.

MS. ROBBINS: Good morning, everybody, on this ides of March.

CHAIR HOKAMA: Good morning.

MS. ROBBINS: I'd like to speak, also, to BF-63. It's entitled here on today's agenda, Performance Audit of the Solid Waste Division, the Department of Environmental Management. There is a number two item under that, which is a March 9th of 2016, earlier this month Chair White transmitting a report entitled Review and Assessment of the Solid Waste Division, prepared by CB&I Environmental Infrastructure from Illinois. They are the folks who did this. I came down and went over the binder. There was a whole lot of fine print in there but I did just want you to know that there is readily available, readable in here, this is the request from the Council Chair to the Budget and Finance Committee to take it up. And here is the review and assessment of the Solid Waste Division by that Illinois outfit. It would be nice if we knew who they were, coming from Illinois to do that. And I got a copy of the summary of that, talks about contract numbers that don't add up with each other and it doesn't give any names of who the people are so, again, we're dealing with initials that apparently are

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meaningful to some people but to most of us, not so. So that clarification would be nice. It talks about requests in order to pay for additional lawsuits because of regulatory compliance issues. In other words, possibly to avoid additional lawsuits for non-compliance. The last point on this summary is--I'm gonna read this for us--based on our review, the Division of Environmental Management and our own analysis--that's that collection of CB&I from Illinois--believes that the cost savings projected by the Division of Environmental Management were overstated. Not a realistic figure according the people who did this audit. Problem. We need to have accurate information and to have it timely. The second point that I had identified on that registration paper ...

CHAIR HOKAMA: Okay, we'll restart your time, Ms. --

MS. ROBBINS: Oh.

CHAIR HOKAMA: --Robbins, since you're going to speak on another item, so one second please. Okay, Steve, when she's ready. When you're ready Ms. Robbins.

MS. ROBBINS: Okay, thank you. Over on Page 3 of today's agenda, it talks about interfund transfers of money. There's been, we know this, this has come up a number of times at this microphone and other places, there has been money sitting in pockets and it doesn't get spent timely as to what its intended purpose of expenditure would be and so we end up having interfund transfers and it ends up addressing debt service, in this case, \$383,000. And that's such a pattern of we ask for money from, for example, the Fed and the State, and then we don't use it and it gets slid into a jar someplace apparently and then when it's recognized too big a hill not to be recognized, then that money ends up being used for other things. We've got a population here in the community that's very upset with that and they end up paying the fees for extra attorneys for fines for not having used those monies that came in, in many cases, from the taxpayers and some of them from taxpayers from the other 49 states. We don't, despite what we put out as having these A records on our bond ratings and stuff. There's another whole page, at least, that goes along with that. So I don't envy you, your need to address this, County Councilmembers, but it is your job to address this. So thank you for doing that, in advance.

CHAIR HOKAMA: Thank you, Ms. Robbins. Any questions for the gentle lady on testimony presented this morning, Members? We thank you for your comments this morning, Ms. Robbins.

MS. ROBBINS: You're welcome.

CHAIR HOKAMA: We'll ask our District Offices if anyone wishes to provide testimony. So this morning in our Hana Office, Ms. Lono, anyone wishing to provide testimony?

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

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

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

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

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

CHAIR HOKAMA: Okay, thank you, ladies. Is there anyone else wishing to provide testimony in this morning's meeting? Please make yourself known at this time. Having none, Members, with no objections, testimony shall be closed for today's meeting.

COUNCILMEMBERS: No objections.

CHAIR HOKAMA: Thank you. So ordered.

. . .END OF PUBLIC TESTIMONY. . .

**ITEM 63: PERFORMANCE AUDIT OF THE SOLID WASTE
 DIVISION, DEPARTMENT OF ENVIRONMENTAL
 MANAGEMENT (CC 16-13)**

CHAIR HOKAMA: Let me direct you then now, Members, to Item 63. This is under the heading of the Performance Audit of the Solid Waste Division, Department of Environmental Management. While Staff is handing out for you a copy of a presentation that will be given shortly, we have two representatives from CB&I this morning and they will be giving their comments to you shortly. The first person I'd like to introduce to the Committee is Phillip Kowalski. He is the Client Program Manager under Solid Waste Services and Environmental and Infrastructure component for CB&I. And Mr. Kowalski comes out of St. Charles, Illinois. Next to him is Devin Moose who is an Engineering Director and also has under him Coal Combustion Residuals. He is also from CB&I from the St. Charles, Illinois office. So, gentlemen, good morning. Welcome to our Chambers and we await your comments regarding this audit.

MR. KOWALSKI: Thank you, Chair Hokama. Good morning, Councilmembers. On behalf of Devin and myself, we're pleased to be here to present the results of our study. I thought I would...perhaps anticipated the question from the prior participant. Since this is the first time that we're meeting some of the other Councilmembers face-to-face, I thought I would just briefly go through who CB&I is.

COUNCILMEMBER COUCH: Mr. Chair? Excuse me.

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CHAIR HOKAMA: Yes.

COUNCILMEMBER COUCH: Can he get a little closer to the mic?

CHAIR HOKAMA: Okay, thank you.

MR. KOWALSKI: Is that better?

COUNCILMEMBER COUCH: Yes.

MR. KOWALSKI: CB&I is a, one of the largest engineering construction firms in the world. We've been in business for over 125 years. We perform work throughout the world and the U.S. We have 54,000 employees. We work in diverse fields, environment and solid waste, energy, infrastructure. Devin and myself have worked together for nearly 30 years together. So at this table, you have over 65 years of solid waste experience. Our solid waste practice is vertically integrated. We work on all types of solid waste facilities from initial planning through siting and permitting through design to actual operation and maintenance and construction of solid waste facilities. We've worked on hundreds of landfills across the U.S. Devin has designed nearly a billion cubic yards of landfill capacity at various facilities. We've worked on dozens of transfer stations. We've worked on recycling facilities, composting facilities, waste-to-energy facilities and emerging conversion technology projects, such as the Anaergia project. So we have a very diverse, very solid experience base spanning over decades. I think the comment was raised in the paper that landfills are not mere holes in the grounds. Between me and Devin, we understand that probably better than anyone. CB&I was selected for this particular assignment through an RFP issued by the Office of Council Services. So we responded to the opportunity. I think it's important to review the objectives of this study. There were two questions that we were asked to help evaluate. One, whether the resources in staffing approved for the Solid Waste Division in the Fiscal Year '15 budget process and subsequently gave the Solid Waste Division sufficient resources to operate in compliance. And then the second question was whether the proposed integrated waste project would result in net cost savings versus the current solid waste system. So those are two very important questions. I wanted to just maybe clarify a little bit. I know there are some subsidiary questions that have been raised, which were not part of our scope and which we did not address. And in particular, we did not review the Anaergia technology in detail so we're not offering an opinion on the feasibility of that alternative or whether it's, in fact, the best alternative for this community. Our approach was to review initially a bunch of documents and we reviewed extensive documentation. We looked at the budget documents for the past three fiscal years. We reviewed all the correspondence between Solid Waste and DEM and the Council and the various committees of the Council during that fiscal 2015 budget process. We also reviewed considerable information that was provided by the Solid Waste Division, information such as staffing schedules at the landfills, position descriptions, permits for the Solid Waste facilities, operating plans for the Solid Waste facilities, fee schedules. We reviewed the compliance history for the Division's facilities because that, compliance was one of the key issues in those fiscal 2015 budget discussions. We also reviewed historical operating cost information from

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the Department of Finance for the past four fiscal years. We did some research on our own to benchmark Maui County's Solid Waste system against other publically owned and publically operated solid waste systems. We, in late September, we interviewed Solid Waste Division management and DEM management and toured the Central Maui Landfill, as well as some of the satellite facilities. With respect to the second question on the integrated waste project, we reviewed the RFP that was issued to solicit a vendor for that project. We reviewed the contract. We also reviewed a cost analysis that was prepared by DEM concerning the Anaergia facility. All this information informed our study and analysis of the two questions. We also prepared a draft report. We wanted this to be a transparent process and give an opportunity for Solid Waste and DEM to respond back so they were provided a copy of the draft report. We took their comments and they are included as an attachment to the final report, as well as our responses to some of the comments that they raised. So turning now to the actual analysis. On the first question on staffing and resources for Solid Waste Division, one of the first thoughts we had was to take a big-picture look and see how the Solid Waste's staffing and resources compares to other publically operated solid waste systems. We did this in two steps. We looked at other counties in Hawaii and also we added to that data set by considering systems in Florida. We selected Florida, not by chance or by random. Florida has a preponderance of publically owned and operated solid waste systems. They tend to use transfer stations and landfills for managing their waste, much like Maui County. So there were a lot of similarities between the Florida systems and the Hawaii systems. Our first step in looking at this benchmark comparison was to look at staffing and we did a comparison of the Maui County system versus the Hawaii systems. That's shown on a graph on the left in this particular chart. And it may be a little hard to read but Maui County is here. And what that chart shows is how many staff are employed versus the tonnage handled by those solid waste systems. And so what you can see from that chart is that Maui County actually falls below the trend line relative to the other systems in the State of Hawaii. And if you are below that trend line, that means you are using fewer employees to manage a given tonnage of waste. We also prepared an expanded analysis, which is the graph shown on the right. That includes the Florida systems I mentioned previously as well as the Hawaii systems and I'm going to step up again to the chart to show you where Maui County falls. Here and here.

COUNCILMEMBER VICTORINO: Mr. Chair? You know when he does that, we have the portable mic that makes it more applicable so people can hear him, especially, we're recording. Would you mind getting that out, and that way if he has to go, then he can show us, if that's not a real problem please, Mr. Chair?

CHAIR HOKAMA: Okay.

MR. KOWALSKI: Thank you. And, again, we, on this particular graph we're showing two data points, one with Maui County staffing in Fiscal Year 2014 and then one in Fiscal Year 2016, which was following the approval of the six requested positions. And what, again, you can see from this graph, is that Maui County falls below the trend line. Again, that shows that fewer employees are being used to manage a given tonnage of waste. We also looked at financial performance and these charts, again, show Maui County's performance in terms of operating cost relative to system

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tonnage. And it generally tells the same story in terms of the Hawaii counties, Maui County is again below the trend line. So in this particular instance, fewer operating costs are being expended to manage a given tonnage of waste. And when we do the larger comparison, including the Florida counties as well, if we look at the actual operating costs, the County is slightly above the overall trend line, approximately 6 percent above the overall trend line. However, there are some unique factors about Maui County's system. Notably, there are these three smaller landfills, either operated on other islands or in very, in a very remote location. So we did a similar comparison just excluding the three small landfills from the County system and the operating cost. And on that basis, the County falls below the trend line. In looking at these overall data, we would also note that one of the important line items that factors into operating costs is County administration and overhead costs. This is typically beyond the control of the Solid Waste Department and does add to overall operating costs and that does tend to vary from county to county. But on balance, based on this benchmark analysis, our conclusion is that the County is operating along the trend comparable to other publically-owned and operated systems. We also evaluated the specific position requests back in Fiscal Year 2015. Staff were added, both to address operations, as well as engineering staff, so I'll start with the operations staff. At that time, Solid Waste asked for three positions at the satellite landfills. These are the smaller landfills. The purpose of those staff was to provide a dedicated operator position. Prior to the approval of those positions, the operations at those satellite landfills was being performed by a working supervisor position, who also had management responsibilities. Solid Waste indicated at the time that this presented challenges due to the need to allow for vacation time, for absences due to illness. We find that argument and those issues to be compelling and that the three additional positions will certainly help and facilitate the operations of those satellite landfills. The Solid Waste also asked for two engineering positions. We've reviewed the compliance history of the County Solid Waste facilities and what this, what the pie chart shows on this slide is we categorized the compliance, the historical compliance issues into three categories. Operations-related, which is shown in blue, that's the largest category of historical compliance issues. Operations-related compliance issues pertain to potential violations that come up in the normal daily operations of the landfills, such as applying daily cover or controlling litter. We also looked at reporting-related compliance matters. Those are the green slice of the pie, the second largest category. Those deal with timely filing of required monitoring and other correspondence with the State regulatory authorities. And, finally, there's a third category, which we characterized as design and environmental related issues. That's the smallest component shown in red. These tend to be larger issues which are, fall outside the daily operations or the reporting of required information to the State. But what we found is, looking at the six positions that were requested in Fiscal Year 2015, there were two engineering positions and four operations positions requested. So the rough proportion of the positions requested was two-thirds to operations and one-third to engineering. And as we reviewed the compliance history, the operations-related violations or potential violations relative to the reporting-related violations was also on that ratio of two-thirds to one-third. So given that, you know, our conclusion was that the staffing and much of that discussion in the fiscal 2015 budget process centered on compliance. It seemed like they selected staffing that matched where the compliance issues were coming up. One final thought, the two

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engineers requested brings the total engineering staff to six. That is within the range of other publically operated systems that we have seen but it is now at the high end of the range. So following this analysis of the benchmark comparison in the specific positions, our conclusion was that the Solid Waste Division is positioned now, given those resources, to address compliance issues going forward. We'll turn now to the second question, which is the IWCE [sic] project, the waste conversion project, and whether that will have cost savings relative to the current way of, current system and current facilities. We started our analysis by reviewing the cost model that DEM had put together on this and the DEM model basically consisted of five principal sections. One, there was some assumptions on tonnage that would be handled through the IWCE [sic]. There were also tipping fee assumptions, what would be charged at the Central Maui Landfill and what would be charged at the Anaergia project. Then there was another section and this is probably the most material to the cost model in our analysis, which is what were the County's costs at the Central Maui Landfill under current conditions and then following the implementation of the Anaergia project? There were also projections of revenues under both scenarios going forward finally resulting in, by comparing the revenues to the costs, the net annual cost to the County under both scenarios. And the difference between these two bottom-line numbers would be whether there are cost savings to the County or, as we determined, cost increases. I think it's important to say, I think we are in agreement with DEM on how the model was set up. We think it's an appropriate way of evaluating the costs under both scenarios. We utilized, in our analysis, County data, either from the Department of Finance or from Solid Waste or from DEM or from the actual contract with Anaergia so we did not come up with estimates of our own. We utilized County-provided data and, I think, so we're in agreement on overall methodology and how this project should be evaluated. It's just at the end of the day our cost analysis leads to a different conclusion. So this next chart kind of summarizes the parameters in our findings versus the findings in the DEM analysis. In quickly going through the DEM model, the projection is that the Anaergia project will result in 80 percent diversion of waste from the Central Maui Landfill. And to really quickly summarize the DEM analysis is you go down this list of different cost categories, labor costs, operating costs, daily cover material costs, airspace costs, you'll see that, generally, the DEM model assumed a proportionate reduction in costs similar to the reduction in tonnage, generally an 80 percent reduction in costs. What CB&I did to perform our analysis is we went back, and using that historical cost information we had compiled on the first question, we took the DEM model and utilized historical costs, average costs, for the past four fiscal years and incorporated that into our model. So that resulted in some differences, whereas DEM projected an 80 percent reduction in labor costs, based on our analysis, we think 64 percent is more appropriate. Operating cost, DEM estimated a 75 percent reduction. Based on our analysis, we think it's closer to 60 percent. And so at the end of the day, what we wound up with was DEM was projecting that the project would have a cost savings to the County of \$916,000 per year. Under our analysis, we believe it will actually be a cost increase of \$835,000 per year. I want to note one other thing that's on this chart, or that's not on this chart, going back to the prior slide, I indicated that one element of the model was a projection of County revenues going forward and that factors into the analysis. So under the DEM analysis, they estimated revenue from the project to the County, which would be the difference between the tipping fee charged by the County at the

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scale house and the contractual rate paid to Anaergia to manage the waste. So under the DEM model, the tipping fee at the gate was assumed to be \$90 per ton and the contract rate paid to Anaergia to process the waste was \$68 per ton so that's a difference of \$22 per ton, which would be retained by the County as revenue. What the DEM model assumes, however, is that that differential is applied to residential waste and not just the private contract waste collected from commercial sources. So that actually represents a new source of revenue to the County but effectively means that there would be a tipping fee of \$22 per ton being charged on the residential trash. And that amounts to about \$1.3 million in revenue on an annual basis and that \$1.3 million of new revenue charged on the residents is reflected in those numbers at the bottom of this chart. So it's, it was, so it's included in both, it's reflected in both the DEM analysis and our analysis. But that is a new fee that would be charged on the residents. So, again, just to kind of wrap up this portion, DEM projected \$960,000 in annual cost savings, our estimate was \$835,000 in increased costs. I wanted to focus on two of the cost elements, in particular, starting with labor. DEM assumed that there would be a 80 percent reduction in labor costs at the Central Maui Landfill. Again, that's proportionate to the reduction in tonnage. There's currently 22 employees staffing the landfill so an 80 percent reduction would reduce that workforce to 4.4 employees. We rounded it up 5. And given the reduction in tonnage, they would be expected to manage 30,000 tons per year of residual materials at the Central Maui Landfill. When we looked at the current operations at the small landfills, we found that there's typically now 4 to 5 employees staffing each of those small landfills but those landfills handle a much reduced quantity of waste, about 5,000 tons per year at the Molokai and Lanai facilities. Hana is even smaller, it's managing about 1,000 tons per year. So when we plotted that, this is Lanai and Molokai at 4 or 5 employees, and here's Central Maui Landfill current, with 22 employees. And, again, this is plotted against tonnage so if we reduce tonnage at the Central Maui Landfill to 30,000 tons per year, on this graph that would imply at least 8 employees. And it seemed to us that if it's, much of that discussion in Fiscal Year 2015 was on these positions needed at the smaller landfills, the staffing was increased from 4 to 5 employees to manage a much smaller quantity of waste, it seemed a stretch to us to say that, okay, we're going to operate the Central Maui Landfill and handle 30,000 tons per [sic] waste with 4.4 employees or 5 employees. DEM did provide comments on the draft report. They said that they're sticking to their labor cost projections on this. They indicated some reasons why they believe they can operate the landfill with that much reduced number of employees. They stated, for instance, that this 30,000 tons, this residual material coming from the Anaergia project, could perhaps be managed one day per week so that the landfill would only be operating one day per week. But that gets you to a daily through-put level that's even higher than what the landfill is handling currently. So to say, we're going to take all that material on one day per week with 5 employees doesn't seem to gel with what the landfill is currently utilizing on a daily basis. And there would still be employees necessary to service the residential drop-off facilities, which would still be maintained so it would require significant service cuts in terms of days of operation or hours of operation just on that aspect. There's, the second cost element was concerning airspace. And let me kind of define for you what we're talking about on airspace. Airspace is the construction cost to develop the engineered features of the landfill. So you're gonna have to purchase land, you're gonna have to build the liner at the bottom

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of the landfill, you're gonna have to construct the landfill gas collection system, and as the landfill gets filled to capacity, you're gonna have to put an engineered cap over the facility to close it and then provide 30 years of post-closure care. The DEM model assumed a value of \$30 per ton for that constructed airspace. We came up with a lower estimate of \$13.74 to \$15.43 per ton. I should actually say it's a calculated value, it's not an estimate, as I'll get to. So we have this difference in the per ton value of this constructed airspace. We requested backup from DEM to kind of itemize what was factoring into the \$30 per ton value. We were not able to obtain that detailed backup but they did respond to, via e-mail to us saying that well, what's included in that value is the cost of developing the landfill and closing it and providing for post-closure care. So, again, we're both agreeing to what should be included in the cost of that factor. We went back to the historical documents that we had reviewed during the course of this project. I think we were able to find at least a basis for DEM's estimate. We found a letter to the Policy and Intergovernmental Affairs Committee from late 2014. At that time, the Council had requested historical per ton operating cost information from Solid Waste and from DEM. And based on that correspondence, we found the value of \$25.83 per ton. There was a second letter in November 2014 on a different issue. This was on the cost of the 3-can curbside recycling program. There Solid Waste indicated that the marginal cost of putting waste into the landfill was \$26 per ton. So based on this historical documents, we were at least able to see that DEM was figuring around \$26 per ton, they may have rounded up to \$30 per ton. However, in reviewing those documents, it was clear to us that DEM was stating closure and post-closure costs on a future-value basis, not on a current-cost dollar basis. When you do a financial evaluation, you never want to compare some cost elements stated in current dollars and other costs stated on a future-value basis. That's mixing apples and oranges together. So it's not appropriate, generally, to include, mix those types of costs together. You don't have to take my word for it, however, on this. The Governmental Accounting Standards Board, which prepares accounting standards for units of government, has issued guidelines on how closure and post-closure costs are supposed to be reported. They say that all costs should be stated on a current-cost basis. And, in fact, when the Finance Department prepares the County's Comprehensive Annual Financial Report, they, too, are also reporting all of these costs on a current-cost basis. So as I sit here today, I think that's the difference between the \$30 per ton value and the \$15 per ton value that we came up with. I think the \$15 per ton is the more appropriate number to utilize. I'll try and finish up here so we can get to any questions you may have. We had a number of recommendations, some I think would go back to the Solid Waste Department and DEM. It was apparent to us in reviewing all the historical information for this project that there's a lot of financial information available. It's just not being presented on a consolidated basis. We think Solid Waste should prepare a ten-year financial forecast. I think it will facilitate the budget process in future years if the Council and this Committee could review overall system costs. Solid Waste has legacy facilities, which are closed and have to be maintained. They have current facilities and programs and with the Anaergia project, there's going to be new, a new facility coming online and we think that having this ten-year forecast would allow everybody to approach these various cost elements on a comparable basis. With respect to the Council, our recommendation is that you review the status of the implementation of the Anaergia project at least annually with DEM. This is a large

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project for the County. It will impact existing programs and facilities, both operationally as well as from a budget standpoint. So, again, I think it would facilitate everybody's thought process if you're getting regular updates on the status of the project implementation. I think it would be helpful to review both the DEM cost model as well as CB&I's cost model with Solid Waste Division management and get their, either approval or comments on whether those reductions that are projected going forward are, in fact, feasible from their standpoint in terms of labor and some of the other elements. Remember an 80 percent reduction in staff, in order for those savings to be materialized, those reductions in labor costs and staff have to be achieved. If those positions are just relocated to another part of Solid Waste or to another part of DEM and they are not moved into a position that is open through attrition, then those costs, those projected labor costs savings will never materialize. Another recommendation, okay. If there are cost increases associated with implementation of the Anaergia project, do the benefits proposed by that project in terms of greater waste diversion, in terms of utilizing the waste material as a fuel product, how do those relate to the County's overall sustainability and solid waste planning goals and how do those, how does the cost measure relative to some of those other community goals and benefits? And then, finally, I think you need to review the contract. There are certain milestones that have to be met under the contract. And certainly that's going to impact, as the facility is implemented, both current operations, as well as the annual budget process. So we think it's important to understand, for the Council to understand, what your rights and obligations are under that contract. So that closes our presentation. We're happy to address any questions or comments from the Committee. Thank you.

CHAIR HOKAMA: Thank you for your presentation. The Chair recognizes Ms. Baisa and Mr. Guzman.

COUNCILMEMBER BAISA: Thank you very much, Chair. Sorry to be late.

CHAIR HOKAMA: No apology is --

COUNCILMEMBER BAISA: Hard morning.

CHAIR HOKAMA: --necessary. No apology...things happen, we understand. Okay, so Members, you have just received the presentation, both visually and orally, from our auditors, CB&I. The Chair was going to open it up for you to give, ask questions first. We can save comments after questions. I would prefer you ask your key question. If you need a follow-up or two, that will be permitted, and then we're going to go to the next Member so that everyone has an opportunity to participate and ask questions, especially if it regards to their own specific districts. So stating that, and since our Vice-Chairman is not here, I will ask Mr. Carroll first if he has any questions for our auditors regarding the Hana component or the overall program? Okay, I'll let Ms. Baisa and Mr. Guzman have some time to get their place in the meeting and then I'll return to them. Mr. Victorino, any questions at this time?

COUNCILMEMBER VICTORINO: Well, first of all, thank you very much for this insightful presentation. I think it helps clarify a number of areas of discrepancies that we didn't

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quite understand. And when I say discrepancies, I'm not saying you're right, they're wrong, they're right, you're wrong. I, just, what your interpretation and their interpretation is. And I thank you very, very much. I wanted to go to Page 9, just go directly to Page 9. I understand the labor reduction and operating cost reduction, those two variables.

CHAIR HOKAMA: Hold on one second, please, mister...Phil, if you don't mind, if you could use --

COUNCILMEMBER VICTORINO: Go back to 9.

CHAIR HOKAMA: --your remote to put up Page 9 so as many people can look at it at the same time? Thank you.

COUNCILMEMBER VICTORINO: Yeah. So on the items of lost, labor cost reduction and operation cost reduction, those two I understand, you know, you're saying that you believe it will be, in your model, not quite as substantial as their model is concerned. The one that I did have a question on is the equipment cost reduction because they did not include it in their model and you analyzed 55 percent. Why was that, and, again, maybe it's the Department we need to ask that, why that was not included, but why did you include it, I guess, may be my question to you?

MR. KOWALSKI: It was not included as an actual component of their model. They did list what they thought were some of the intangible benefits and they did list potential reductions in equipment operating costs, as a potential cost. We thought we had the capability to evaluate that.

COUNCILMEMBER VICTORINO: Okay.

MR. KOWALSKI: And so we looked, the way we evaluated that, we looked at the current equipment employed at the Central Maui Landfill. There is a reduction but a lot of that equipment would have to be retained under both scenarios, even under the reduced tonnage scenario. So you could reduce the compactors or the bulldozers, which are currently being used to compact the trash because it would be handling lesser quantities of waste but a lot of the other mobile equipment at the landfill would still be required. So, for instance, there are trucks out there to move the roll-off containers for the residential drop-off recyclables, those would still have to be retained. And so you don't see that, in the 80 percent proportionate reduction because half or more of that material would still be required to operate the landfill given the services, even with reduced tonnage.

COUNCILMEMBER VICTORINO: Okay, thank you very much for that clarification. Chair, like you said, we'll ask one question and wait to see if my other questions are asked and when we come around the second time.

CHAIR HOKAMA: We're going to have multiple rounds --

COUNCILMEMBER VICTORINO: Yeah, yeah.

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CHAIR HOKAMA: --Mr. Victorino.

COUNCILMEMBER VICTORINO: Thank you, Mr. Chair.

CHAIR HOKAMA: Thank you. Ms. Crivello?

COUNCILMEMBER CRIVELLO: Thank you, Chair. Thank you for this awesome presentation. My question would be more in reference to, at this time, to Pages 6 and 7 in regards to the, I guess, bullet three, dedicated operators at small landfills will allow working supervisor to focus more on management and compliance. And then we turn to the summary of compliance issues by type on Page 7. So can you kinda expand more on the reporting-related percentage as far as the filing of reports? Are we not filing it on time or is, this is what's required for us to meet the compliances? And is it just in the smaller landfills? Which would be basically my island, but I think it's for overall. Is it the working supervisors that are responsible for these compliance reports?

MR. KOWALSKI: They, that may be part of their overall job duties. It would be my expectation, ultimately though, that that type of reporting to the State would be funneled through the engineering staff, ultimately, before being submitted to the State. So in terms of the working supervisor position, in addition to compacting the trash, there were other management responsibilities at those particular landfills, assigning staff, participating in the budget process. So in our view, there was a sufficient...there was a significant amount of added responsibility such that the dedicated operator position who would focus on compacting the trash would free up more time for that working supervisor to address some of those other duties, which is not to say that they would not operate the equipment either. The rationale was that if the dedicated operator was not available due to vacation or illness, then the working supervisor position would step in to provide those operational capabilities. So there is some, there's, much of the language focused on compliance during that fiscal 2015 budget process. I guess from our standpoint, we look at compliance as two factors. Applying daily cover, for instance, to a landfill at the end of the day is a best operating practice. It's required by the regulations but if there wasn't a regulation, it's something that you would want to do anyways to maintain and operate the landfill as a community asset. So that's how we kind of looked at the past compliance issues on an operational basis, which would be addressed by personnel, primarily by personnel at the landfill, applying daily cover, policing for litter, doing those things, those activities that have to be performed on a daily basis to maintain a clean appearance of the facilities. Whereas the reporting things are more monitoring related, there's more of an engineering element to preparing those reports, before they are preparing and reviewing those reports before they're submitted to the State.

MR. MOOSE: I think it's also important to remember that we did not review the operating plans --

COUNCILMEMBER VICTORINO: Chair?

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MR. MOOSE: --specifically.

COUNCILMEMBER VICTORINO: Could he identify himself? 'Cause he hasn't spoken to this point and I've almost forgotten who he was, I apologize.

CHAIR HOKAMA: Thank you.

MR. MOOSE: My name's Devin Moose. I'm head of the solid waste consulting group for CB&I.

COUNCILMEMBER VICTORINO: Thank you.

MR. MOOSE: I'm the engineer of the team, Phil is the finance on the team. So we work together on reviewing these estimates. Your question went a little bit to, a little bit beyond our scope. Just so you know, we did not review the operating plans and judge their thoroughness or effectiveness to meet future compliance issues.

COUNCILMEMBER CRIVELLO: Okay. Thank you for now, Chair.

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

COUNCILMEMBER COUCH: Thank you, Mr. Chair, and thank you, gentlemen, for being here. I noticed in your, on Page 9 again, in your, your DEM model and CB&I model, you have the percentages and I'm, that's the reduction in cost, correct?

MR. KOWALSKI: Yes.

COUNCILMEMBER COUCH: Okay. So Mr. Victorino asked the question I had about the equipment cost reduction, that's fine. My question is on the airspace cost reduction. You both have the same estimated cost reduction so why is that an issue?

MR. KOWALSKI: Let me clarify what that refers to on the chart. There's actually two components in the airspace reduction. The first factor is, will there be a reduction in airspace? Yes, we agree on that and that will be proportionate to tonnage. I mean, if you're putting 80 percent --

COUNCILMEMBER COUCH: Right.

MR. KOWALSKI: --less in, you're using 80 percent less of the airspace. The second critical factor is what that airspace is valued at and that's where we have the difference. We calculated that value as being \$13 to \$15 per ton, whereas DEM calculated it as \$30 per ton, so...

COUNCILMEMBER COUCH: So if you multiply that by 80 percent, it's a bigger cost reduction on DEM side versus...okay, so that, kind of a follow-up. It would be nice to have the actual numbers here, not the percentages, but the actual numbers, because it looks like a 55 percent cost reduction that they didn't put in there would be a lot of, a lot more to add to the bottom line there, as opposed to --

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MR. KOWALSKI: Yeah, I --

COUNCILMEMBER COUCH: --I mean that's a positive number for them on that one.

MR. KOWALSKI: --thought about that and didn't want to put so many numbers into this presentation that everyone's eyes started to glaze over. The backup is in the report. I guess I will say this. In terms of the two cost analysis, the airspace is the biggest cost factor between the two analysis. But I will reiterate, we did not come up with our own estimates of that airspace. We looked to the historical documentation that's available. Within the six-year CIP plan, there is, in fact, a project for additional land acquisition so we were able to fairly value the land acquisition. There is a cost for cell construction so we were able to value that component. There is a capping event coming up. We were able to value that. And there's also an expansion of the landfill gas collection system. And when we pull all those numbers together and look at the associated airspace where those construction activities are going to occur, that actually results in the lower number, the \$13 per ton. You know, that could be paid, pay-as-you-go, and that's what it amounts to, you know, \$13 and change. If you're going to finance that, then that's where you get the higher number of \$15 and change.

COUNCILMEMBER COUCH: Thank you, Chair.

CHAIR HOKAMA: Thank you, Mr. Couch, for that question. So I guess what would be helpful, if you gentlemen are aware of it, what would, at this time, be the, maybe the national average of airspace valuations? So we have a sense of what other counterparts are doing across the country. Are you aware of that kind of figures for us?

MR. KOWALSKI: Yeah, I can speak to that and, again, bear in mind, these are going to be broad averages across the country and they vary --

CHAIR HOKAMA: Understood.

MR. KOWALSKI: --from location to location, but in terms of your cell development costs--so this would include things like land and doing the bottom liner construction. Those costs in average would be approximately \$5 per ton. On the closure and the post-closure care you would be looking at another \$2 or \$3 per ton. So I think all in, you'd be looking somewhere \$7-\$8 per ton to construct, cap and provide long-term care for the landfill. So just as reference point, you know, in our analysis we were at \$13 to \$15 per ton. I still think that's fair. You're located on an island community. I would expect certain construction activities to be more costly than they would be on the mainland because you may need to import materials. So, nonetheless, you know, our estimate of \$13 to \$15 per ton would be probably about double what a typical cost would be on the mainland for a Subtitle D landfill.

CHAIR HOKAMA: Okay. Thank you for that. Ms. Cochran?

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COUNCILMEMBER COCHRAN: Thank you, Chair. And thank you very much, gentlemen, for this report. It's very, very exciting to see. I am the Chair of the Environmental, Infrastructure and Environmental Management Committee for this County so this is like right up my alley and these kind of things really excite me for some odd reason, like you folks. But, so thank you so much for this audit.

UNIDENTIFIED SPEAKER: And welcome to the club.

COUNCILMEMBER COCHRAN: It's definitely, yeah, great reading. And I appreciate your folks', it seems, level of, yes, obviously, competency, but really searching out why the, how the County came up with their numbers versus your numbers because there's a huge discrepancy in the numbers in the end from being in a whole positive light being presented to us versus the end result of yours with a negative, in a sense, for this County. So for me on how you got there is very, very important and I appreciate. It was easy to follow and easy to understand. I live in the West Side so you went to the Olowalu Convenience Center there, probably one of the first centers to be closed and has been under closure for decades now. But I'm looking...and compliance has been a stickler here. Compliance issues with this department has come from all different angles saying, yes, we have 'em, no we don't. We have a consistent \$800,000 bill every year and we could never get to the bottom of that. I'm looking at, so you just went back to 2012 for your historical, sort of, figures?

MR. KOWALSKI: No, and it ...

COUNCILMEMBER COCHRAN: And I'm just kind of glancing at Page 18 on the bottom where it's stating, you know, the breakdown of what the penalties stem from, operations-related, environmental or reporting-related.

MR. KOWALSKI: On the compliance history, we actually went back to 2001.

COUNCILMEMBER COCHRAN: Okay.

MR. KOWALSKI: And that's in ...

COUNCILMEMBER COCHRAN: And that's good.

MR. KOWALSKI: So that summary that, we summarize things in Attachment 1, but that's actually for the period 2001 through 2015.

COUNCILMEMBER COCHRAN: Oh, okay, very good. I was hoping that it went further than the 2012 because...and I guess, you know, we've seen people sent off on leave from this department, from this particular department, and with pay, and having to do with, there is litigation and things of that nature. Was any of that brought up, discussed? I mean, I saw you went around and did interviews with people. I mean, I'm just trying to figure out how all that plays into what we have today 'cause there's been, that's where the conflict has occurred in the sense of what kind of information this body has been receiving and how we can, you know, appropriate monies appropriately and what have you. So I see what you have here but I'm wondering if

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there were...I don't know. Obviously you can only work with what you're given and same for this body. So I don't know, I'm trying to form a question in a sense but it's, if you kinda...so I don't know if any of that, and it also goes with the recycling program too, which has to do with the contract with Anaergia in a sense. So there were four positions there, cut down to one position, two are on administrative leave, I believe that's with pay. So these are costs that are out there without this County having a service in return to the function of this department. So I think there's something to those points that are occurring but I don't really see it wrapped up in here unless it is in a sorta way that's not spelled out.

MR. KOWALSKI: In terms of people who are on temporary leave or paid absence, we did not specifically look at that. It may show up in some of the macro numbers that we looked at but we did not specifically address those particular things. We hope to shed light on it because compliance was used so much during that Fiscal Year 2015 budget process. It focused on the staffing aspects in relationship to those compliance matters as opposed to other administrative or management issues that may be going on. Having gone through this process, the basis for some of our recommendations hopefully is a little clearer. We reviewed a lot of information. I think there's a considerable amount of information coming from Solid Waste and DEM during the budget process in response to questions from this Committee or from the Council. There's a lot of good, useful, detailed information. It occurs to me that the value of that information is kind of being lost because it's so specific and so detailed and so voluminous and that's why we think if there was, you know, a forecast going forward, okay, this is what it's going to cost in terms of labor and CIP to manage our four closed landfills and this is what we expect going forward with, you know, our current four operating landfills and then this is going to be the impact of the Anaergia project or any of, you know, broader use of the three-can program, any of those things would, I think, would provide some greater insight and some greater confidence and more, I guess, a common basis for talking about some of these particular cost issues. That's why I think that that recommendation could help with that, address those, some of those issues that you've identified, that I know you've had to contend with.

COUNCILMEMBER COCHRAN: Right. Well, thank you very much. And that does lead me, segue, to the next question, Chair, that I had on Page 22 at the bottom in regards to you folks recommend a long-range plan. And so did you have a chance to look at the Integrated Solid Waste Management Plan and what, any comment? I don't seem to see any comments in regards to that plan.

MR. KOWALSKI: I did look at it. I have to, I want to be very clear in what I say on the plan because it came before this Council at one point in time. It was developed in, you know, with community outreach and input, so I want to be absolutely respectful to the process that was employed in developing that plan. But here I agree with the DEM and Solid Waste. Some of the costs implications of that plan--and I think they are presenting to you accurate numbers from the plan--were substantial, I mean, significant orders of magnitude difference. So I think the operating cost budget would go, approach \$100 million, if not over, based on...in the capital improvement budget, would be \$200 million. You know, that's what the plan recollects, or reflects so those are meaningful in material costs. So I want to be respectful since it is a community

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plan and there was participation for that, you know. I'm sure different segments of the public like different aspects of those plans. Some people may be committed to curbside, you know, recycling. But that being the case with cost impacts of that order of magnitude, it seems very challenging to me to find the resources to implement all that.

COUNCILMEMBER COCHRAN: Well, again, thank you, gentlemen, for your insight and expertise in this matter. Appreciate that hard work you've done. And, Chair, I'm good at this point. Thank you very much.

CHAIR HOKAMA: Thank you. Ms. Baisa, any questions at this time?

COUNCILMEMBER BAISA: Yes, thank you very much, Chair. Thank you for the opportunity to catch my breath, so to speak. Gentlemen, thank you very much for the presentation and I wish that I had had the opportunity to be here from the beginning, I'm sure I missed something. So if I ask you something that was covered, I apologize. But, you know, this audit was requested to address the net cost benefit between status quo and the anticipated net cost of the Anaergia contract, if I understand this correctly. And what I'm reading in your report is that you feel that a more thorough evaluation would address that better. And in here, at one point, on page...the report doesn't necessarily have pages, it says, you must conclude that the net cost benefit was not a primary goal of the request for proposals for the ISWMP; however, it was a factor weighed in the evaluation. And I see the disparity in costs between what we think the \$30 and your 15. And so my concern is, do we have the answer after all of this? I mean, there's a lot of stuff here and a lot of work was done, but do we have the answer that we wanted, and that was, is this Anaergia contract a good idea or isn't it? And I hate to ask that directly but, you know, in politics we dance around a lot of stuff. I don't have time for dancing. I just have nine months left on this Council and I need to make decisions. What's the answer?

MR. KOWALSKI: I think our marching orders were pretty clear on these two specific questions. I know that the Committee, one of the committees, in discussing this very audit study, had extensive discussions. You were probably involved in those on to --

COUNCILMEMBER BAISA: Yeah.

MR. KOWALSKI: --what the scope would ultimately turn out to be. And so that's what we focused on, on answering those two particular questions. I don't, I think we are clear in our conclusion. We believe that the project will result in net cost and not net cost savings to the County. Again, similar to my comments on the plan, I am respectful to the process of everybody involved, from Solid Waste and DEM, to the public, to the Council, on how we got to this particular point. And so I'm careful in saying what you do going forward with this. As I sit here, all I can say is there are some potential benefits with this project in terms of increased diversion, there, that's going to, from our view, come with some associated costs. That is the type of...we provide information and data, some recommendations, we don't formulate the final policy. And I think that's ultimately the policy decision, how do we weigh those potential diversion gains versus what the cost increase would be to the community.

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COUNCILMEMBER BAISA: I thank you very much for your response. I think it's very important that we, you know, when we commission a study, what we're really looking for is answers and oftentimes we get a whole bunch of big, fat documents that tell us a lot of stuff and what we're really looking for is, is this going to work or isn't it going to work, which helps us make a decision. And, yes, the decision is ours but I want to have the best information to make it. And I also, Chair, would really appreciate the opportunity to see what the Department's response is before this is done.

CHAIR HOKAMA: I believe the Department's responses have been attached to the detailed report that has been presented by the auditors. So we can give you the ...

COUNCILMEMBER BAISA: I realize that, Chair. I was wondering if they had anything that they could say to us in this meeting and, if not, then we'll just go with what's written.

CHAIR HOKAMA: Okay. You have anything you want to add at this time, gentlemen?

UNIDENTIFIED SPEAKER: I don't think so.

CHAIR HOKAMA: Okay. Well, I think what, you know, Ms. Baisa brings up a good point and I would say as someone that works nationally, internationally, are you aware of any type of current Anaergia type of project that has been built and has provided cost savings to whatever entity pursued this type of technology?

MR. KOWALSKI: The data set on, or the installed base is a better phrase for these types of facilities across the U.S., is very, very small at this point in time. And so there's just not, it's not like a landfill or a transfer station or a recycling facility or even a composting facility where you could go out and find some comparable facilities and say, okay, how are they operating and what has been their impact from a cost standpoint. So there just isn't the operating experience yet in the U.S. with these types of facilities to make that type of assessment. It is very much an emerging technology and type of facility. There is considerable interest among communities across the U.S. in these types of facilities as a way of increasing recycling or diversion in their communities. But I haven't, even on a perspective basis, really seen a facility. They're more presented as hey, here's a technology that we can employ to increase your diversion. That tends to be more of the driving factor than hey, we're going to reduce your costs.

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

COUNCILMEMBER GUZMAN: Thank you, Chair. What's unique about this Council is we different, you know, different questions, different perspectives in the way we look at things. I'm looking at the recommendations on Page 13. Can you elaborate more on the review County's rights under IWCP [sic] contract with legal counsel regarding right to modify terms, rights with respect to project milestones? And then it goes on, to aid in monitoring IWCEP implementation planning for future budgets. What exactly are you referring to here and why did you specifically examine the County rights with the contract?

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MR. KOWALSKI: There's a couple of things going on there. One, and I didn't get into this in the presentation, just to keep it brief, one of the contractual provisions that we looked at was a put-or-pay provision in the contract. And that is where the County commits to deliver X tons of waste per year to this project, and if you don't, you pay for any difference. We think that paragraph is not worded clear and we actually present some examples in the report to show how that ambiguity in that language could lead to some unintended consequences, including cost consequences. DEM responded back to that saying, giving us their interpretation. I accept what they indicated as what the true intent of that put-or-pay provision was. However, it's still not reflected in the language so I think that language has to be modified so that everybody is on the same page in terms of how that put-or-pay language is going to operate on a year-to-year basis. Now throughout this project, I've, we've had to assume that this is, you know, the contract is what it is so I didn't want to presume that there's a, I mean, it was negotiated so I can't assume that there's a unilateral right of the County, for instance, to go back and say, hey, this language has to be changed because we're not comfortable with it. That requires a legal opinion so that's why we said, you know, that entails consultation with your legal counsel on how that would be approached. There are milestones that will have to be met in terms of the development of this facility. So it has to be up and running by April 2019, so essentially three years from now. Devin and I have been in the solid waste facility development business for years now. That is not all the time in the world. And so one question we had, again, is okay, if that milestone is not met, there's going to have to be another decision made and, frankly, I don't know if the Administration would make that decision at that point in time or whether the Council would make the decision at that time, whether additional time would be permitted for development of the project to Anaergia or not. So I, we can provide you with technical engineering advice, cost advice, but what I can't do is provide the legal advice. But --

COUNCILMEMBER GUZMAN: Okay.

MR. KOWALSKI: --I think those are some of the things you wanna, 'cause three years is not, again, all the time in the world. I think it's something that everyone wants to start looking at in terms of what the decision would be at that point in time. And if the facility does start to get further along in implementation and starts to, ultimately starts to operate, again, there are current recycling programs that are provided under contract with other private vendors. Those are going to be impacted.

COUNCILMEMBER GUZMAN: Right.

MR. KOWALSKI: Will that happen all at once or over a phased period of time? You're going to, I think, be asked to approve, at some point in time, construction of the next cell so, you know, if the facility is operating or close to operating, how does that impact the approval of those CIP projects that are already being planned with respect to the landfill. So that was the shortest way we could synopsise kind of all those thought processes. I mean, it is a big project for the County and implementing it is going to not happen instantaneously. It's going to occur over time and I think the Council needs to stay abreast of those types of timing issues.

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COUNCILMEMBER GUZMAN: Thank you, Chair. It seems as though the next time we review this, we're gonna, at least for me, be looking very closely at some of these legal aspects or issues. I see that one of the testifiers submitted our, Section 9-12 of the Charter and it seems to me that if there is an obligation that attaches to the County, a fiscal obligation, maybe we should've been, had the jurisdiction to approve that contract or not approve it. But it seems like, if I hear it correctly from the experts who's been in the field long enough, they tend to lean towards a financial obligation within that type of wording. So, curious to see how that analysis was conducted on the legal side, on our side of it. So, thank you, Chair.

CHAIR HOKAMA: Thank you. Definitely, once we get into Budget, on the new requests, these can be some of the points of discussion with the Department and allow the Director...you know, I want to, just, I also acknowledge that we do have Director Stant present if there are some questions for clarification purposes. But today is the report of the auditors and that is why you have the two gentlemen before the Committee at this time. But I do want to recognize that Mr. Stant has been open and available to respond and we are aware that he has taken over the responsibility as of December, 2015, which is months, that he has assumed responsibility. So I thank him for his presence and his ability to respond if required. The one area that I do want to ask our auditors for additional comment is a couple of areas that I found interesting. One is regarding the debt service discussion or lack of, gentlemen, and its impact on your bottom line of your analysis. How much of an issue or factor was the debt service for this Division or especially for Central Maui Landfill a factor of your analysis?

MR. KOWALSKI: The, we requested the existing debt service to get some insight. The historical financial information we received from the Department of Finance had a single line item for that and so we requested information to see if we can get some further breakdown of that because, obviously, Solid Waste has collection vehicles, they operate convenience centers and other landfills. So we wanted to see if we can, and this was when we were searching for information underlying the \$30 per ton and we thought, okay, if we looked at some detailed debt service information, we would be able to gain some insight into that \$30 per ton. We were not able to get that information. It's my understanding that after a certain part, point in time going back, there's just not a line item by line item. This was the prior CIP request, which was financed through debt and here's the associated annual debt service. I don't think that in...we found a better way, I think, of addressing that issue; however, instead of looking at historical costs, well, what are the future costs going to be in terms of landfill construction at the Central Maui facility? And that's why we looked at those planned projects that are currently in the 6-year CIP forecast for the Division. I think that's actually a better source of information. I will add this, though, I don't have insight at this point in time, how much legacy debt service exists that is attributable to projects at the Central Maui Landfill. So if there's another 10 years of payments or 15 years of payments associated with prior construction activities at the Central Maui Landfill, I mean, those costs don't go away. So, if anything, those are costs and those debt type of legacy debt service is not reflected in our model run so that conceivably could be higher than the number that we presented.

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CHAIR HOKAMA: Okay, thank you for that. We'll highlight that point in the Committee report about the difficulty of getting accurate numbers regarding the debt service. The other thing that was interesting in your discussion and I know for some of the Members, it caught them also. So is our understanding correct that part of the tipping fee, as you discussed in your presentation, assuming a additional \$22-a-ton tipping fee on residents? Because that's what I believe I heard but I want to be clear that that is, what is the actual proposal is we're gonna impose on residents, an additional \$22 a ton tipping fee. Is that the understanding from your cost analysis?

MR. KOWALSKI: Yes, that's what's included in the DEM model.

CHAIR HOKAMA: And that would be above the current 144 we charge the residents for their annual residential pickup?

MR. KOWALSKI: Yes, that's completely --

CHAIR HOKAMA: In addition ...

MR. KOWALSKI: --new revenue, if you will, or a new assessment.

CHAIR HOKAMA: Okay, and that's the \$1.3 million that you mentioned earlier?

MR. KOWALSKI: Yes.

CHAIR HOKAMA: That's kinda interesting 'cause we never did approve any residential increase on tipping fees yet that's part of a model that I would think needs Council action. Corporation Counsel, is that a good understanding on this Committee's part?

MS. THOMSON: Thank you, Chair. I would need to look further into that spreadsheet to understand what costs were included and whether some was attributed improperly to residential. I do believe that may have been a mistake on the original spreadsheet that the \$90 per ton was multiplied by the entire 150 tons of solid waste. So that number may need to be corrected by Solid Waste.

CHAIR HOKAMA: Okay. Well, I think the consultants gave us a good suggestion, recommendation that we continue to consult with the Department and Corporation Counsel to get some of these things better defined and clarified. So I appreciate that comment from the auditors. Members, we have additional things. Is there a pressing question that you need? Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you, Chair. You did make mention earlier about the, Ms. Cochran brought up about the Solid Waste Integrated Plan that was brought forward, and being the only surviving member of that group that's still here, yes, pie in the sky was given to us as our marching orders, similar to our GPAC, you know, in other words, put everything out there and let's see what we can come up with. So in defense of the plan, the plan was done with a lot of community groups saying, yes, we like recycling, we want this, we want plasma arc. And they were putting all kinds of stuff out there so want you to understand that that was the marching orders for that

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because I was part of that group that put that plan together and spent almost two years putting it together. So I want to defend the plan itself because the way it was set up and the way we were given our marching orders, was really to put something together and then let the Council and the Department come up with, what they call, policies, that would make it feasible for us to use here. So I just want to make that perfectly clear, yeah. The last thing I want to ask you is, the difference between your, their savings and your cost increase is nearly \$2 million, if you were to swing 1.7, almost \$1.8 million. And Ms. Baisa asked you specifically if you had an answer and you kinda danced around it and I understand, really, you're not into the policy, that's going to be back to us and what we decide. But do you see what our DMV [sic], our Department of Environmental Management, and they're standing on what they believe to be true, do you find there is anything that is substantially inaccurate that we should focus in on, that you feel that maybe, they're really not taking all factors into consideration, whether it's from an engineering standpoint or from a cost point of view?

MR. KOWALSKI: I want to make sure I understand the question. You mean in terms of the way they currently operate the landfill in ...

COUNCILMEMBER VICTORINO: No, the way they're planning to operate with Anaergia, their cost savings of 915,000 and your analysis saying, no, we believe it to be 835,000 cost increase to the County.

MR. KOWALSKI: Okay, is the question then, are there things they can do to ...

COUNCILMEMBER VICTORINO: Do you feel they overlooked some things they could do, that you'd recommend them doing or that you would put together as far as your final report?

MR. KOWALSKI: I am hard pressed to see where they could attain those levels of cost savings that they projected. I just, I mean, the staffing level would be similar to Molokai or Lanai and handle, you know, six times amount of tonnage. I don't see it coming from the labor. And the operating cost, there's, you know, fuel is a variable cost and I agree fuel will go down if you're handling less tonnage but there are other operating costs in terms of monitoring the landfill and other activities that are fixed and are just not going to go away whether it's 150,000 tons into the landfill or 30,000 tons. The daily cover savings, I think, are valid because that's tied directly, that is a proportional type cost in terms, relative to the tonnage. But I just don't, I don't think there's anything they could either proactively do operationally or anything that got overlooked in terms of savings to that. DEM commented that we didn't include recycling costs in our initial evaluation so we went back and looked at some of the recycling contracts and I think the costs are going up there too. So I don't see the cost savings there.

COUNCILMEMBER VICTORINO: Okay. Thank you for that clarification. Is there anything the engineer would like to add?

MR. MOOSE: No, I think Phil covered it.

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

CHAIR HOKAMA: Thank you. One area that you did highlight on your last page, 13, is this put-or-pay provision, gentlemen, that's part of the IWCEP project. So in your understanding of how this provision works or is written to work, if the annual tonnage was increased from 150,000 to let's say 200,000 tons for the 3-year period, do we have an increase in the minimum guarantee?

MR. KOWALSKI: Those are the examples that we went through in our report and as I read the contract, that's how I interpret the language of that contract to say that the actual amount of the guarantee would increase over time, or decrease depending upon actual deliveries on a three-year rolling average basis. I've had, so you know, I've had two other people who are also experienced in solid waste contracts within our office review that particular provision and it was unclear to them as well. But that's how I read it. Now DEM responded to the draft report and said, no, that's not correct, what it means is that the 125,000 tons annual guarantee will be fixed for the life of the contract and where the 3-year rolling average comes into play is that's how, whether the County meets that provision or not will be assessed so that you'll look at the actual deliveries for the last 3 years, take the average, and then if the average is over 125,000 tons, then you've met that provision. And I agree, that's also another alternate way to read the language in the contract but that still presents you with some issues, in my view going forward, as to how it's going to apply. So, for instance, if in year 1 you deliver 125,000 tons, and then it's 110,000 in year 2, and then back up to 125,000 in year 3 in a 3-year rolling average basis, you've not met the guarantee. Now, let's move forward another year. So now we're starting at 110,000 in year 2 and it's 125,000 in year 3 and 125,000 in year 4. Well, on that 3-year basis, you're still also on average under the 125,000 tons, and it's not clear to me whether you're again going to pay a shortfall even though you've already essentially paid for that shortfall one time. That's not, so that, there is some basis for a three-year rolling average. I think it does provide some protection for the County but I would want that language --

COUNCILMEMBER COUCH: Clarified.

MR. KOWALSKI: --crystal clear --

COUNCILMEMBER COUCH: Yeah.

MR. KOWALSKI: --with some examples so that there's no question later on.

CHAIR HOKAMA: Okay. Well, thank you for that. Last question and, again, the Chair's intent is to defer this because I'm sure we have additional discussion on this that the Chair will schedule for. In your understanding of what we are regulated under, how much does compliance drive positions as a factor, 50 percent, in your experience?

MR. KOWALSKI: Well, again, I think it comes down to two things, operating stuff in, there are certain operating practices which are required by regulation but are also kind of best management practices and then there are stuff that is in terms of monitoring

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either groundwater or leachate or landfill gas at the landfills, that's typically beyond the job description for someone who's operating the equipment. And that type of monitoring and reporting and analysis of that stuff is more, in my view, tied to the engineering. So, and we even wrote this into our proposal, there's this nuance, I know so much of that discussion during the Fiscal Year 2015 Budget process was compliance, compliance, we have to operate compliantly and whether you view putting daily cover or controlling litter at the end of the day as being operationally-related or compliance-related, I guess in my view of the world, it's more operationally related although there is ultimately a regulation behind that type of stuff. So in looking at the types of compliance issues that have been raised before--and I had no expectation that things would work out this way. When Solid Waste requested, you know, in this proportion two-thirds operational staff to kind of the reporting issues and then we went back and I had someone completely separate from myself kind of categorize these compliance issues and report back to me, okay, how did they divvy up between operations-related stuff and reporting-related stuff. Well, it happened to be that it was in the same proportion so I think Solid Waste at least put some thought into what they were being issued Notice of Violations for and thought about, okay, what personnel changes can we make to allow us to better address it. And came up with, you know, we need these dedicated operators at the small landfills to make sure that we're handling the daily operating stuff, to daily cover the litter better; but we also need some engineering staff to support the reporting in the more technically orientated stuff. That being said, my conclusion on this, I think they are well staffed and well positioned to be able to address compliance. And I can never say there will not be compliance issues going forward but they should be able to operate those facilities where it's less of an issue --

CHAIR HOKAMA: Right.

MR. KOWALSKI: --than it may have been historically.

CHAIR HOKAMA: And you're referring to the 22 current positions?

MR. KOWALSKI: That would be the current staffing, yes, at Central Maui and then, this is through the six positions that were approved through the Fiscal '15-'16 Budget process.

CHAIR HOKAMA: Okay, thank you for that. Members, I know I promised you more rounds but I'm going to cut this short. Mr. Couch?

COUNCILMEMBER COUCH: Just one real quick question about the debt service --

CHAIR HOKAMA: Yes, sir.

COUNCILMEMBER COUCH: --they talked about, that they didn't get the numbers. Did you ask for the numbers and weren't given them or did you just not know what those numbers were?

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MR. KOWALSKI: I did not know them so I asked. The request went through Council Services back to the Finance Department and I did not speak directly to the head of Finance. I tried to have all the information flow through a central point in time but that's what was conveyed back to me by staff from Council Services that there was not this detail of information available where you could say, okay, this is all the debt service attributed to the Central Maui Landfill on these particular projects.

COUNCILMEMBER COUCH: Gotcha, okay. And that number would've gone into the \$15.43 a ton or ...

MR. KOWALSKI: It may have, if we...see, you can look at the construction costs to the landfill either on a historical basis, in which case the debt service would've been one of the parameters that I looked at or you can look at it more on a going forward basis, which is ultimately what we did, using the future CIP budget estimates for those future construction projects. By the way, those numbers, those Budget requests, I'm sure you're aware of this, those aren't numbers pulled out a hat. I mean, I'm sure Solid Waste had their engineers, okay, this is what's going to be involved in our next cell construction and here's our construction cost estimate on that. So you could either look historically, in which case the debt service would've been useful to have. I actually think on a forward-looking basis is probably even a more relevant information since we are on a forward-looking basis. But, again, I will say, the debt service on any legacy projects at Central Maui it doesn't go away by, so I just don't know what that number is.

COUNCILMEMBER COUCH: Okay. Thank you, Chair.

CHAIR HOKAMA: Okay, thank you. Again, as the Chair mentioned, I'm gonna have this deferred so we can continue. I think the Members have additional questions that they may wish to present in another meeting. So with no objections, Members, I'm gonna defer this item.

COUNCILMEMBERS: No objections.

ACTION: DEFER pending further discussion.

CHAIR HOKAMA: Thank you so much. I would like to thank our auditors from CB&I, Mr. Kowalski and Mr. Moose, for their work on behalf of the Council on this audit. And with that, we're gonna take a five-minute recess. . . .*(gavel)*. . .

RECESS: 10:50 a.m.
RECONVENE: 11:01 a.m.

CHAIR HOKAMA: . . .*(gavel)*. . . We shall bring this meeting back to order. Members, we're burning sunlight. Therefore, and you...we have a very aggressive agenda. So we'll do definitely the required reviews and if we don't make, complete it all, there are those that the Chair will reschedule for the next meeting.

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**ITEM 38(45): AMENDMENTS TO THE FISCAL YEAR 2016 BUDGET
(DEPARTMENT OF PUBLIC WORKS, FEDERAL HIGHWAY
ADMINISTRATION, FEDERAL-AID AND OTHER
TRANSPORTATION GRANTS)**

CHAIR HOKAMA: Let me direct you to 38(45). This is an Amendment [sic] to the Fiscal Year 2016 Budget (Department of Public Works, Federal Highways Administration, Federal-Aid and Other Transportation Grants). We have an ordinance from Director Baz, proposal, which is to increase the Federal-Aid Administration Grant from 19.147 million to 24.674 million or an increase of 5.527 million and the bill would also include revisions resulting from the passage of prior amendments regarding the Fiscal Year 2016 Budget. Mr. Baz, comments please?

MR. BAZ: Thank you, Mr. Chair. Real quickly, this is just basically a housekeeping bill. There was a bill passed 4280 that had increased the amount that we're recognizing in Federal aid and that was not included in the recently passed budget ordinance so we wanted to make sure that it properly reflected the total amount. So the new total we're expecting to receive is \$24,674,000, Mr. Chair.

CHAIR HOKAMA: Okay, thank you very much. Members, any questions on the proposal before you? Mr. Victorino?

COUNCILMEMBER VICTORINO: Real quickly. And thank you, Mr. Baz. It's always good news to receive more money. Is this part of, this Federal aid and other transportation grants, is this anything to do with the new appropriation for highway transportation that recently passed Congress or this is just a backlog of monies that we were expecting to get?

MR. BAZ: Mr. Chair?

CHAIR HOKAMA: Mr. Baz?

MR. BAZ: Yeah, thank you. Yeah, Mr. Victorino, this was actually a prior discussion that we had --

COUNCILMEMBER VICTORINO: Right.

MR. BAZ: --a couple months ago regarding some Federal-Aid monies that we were going to receive and just missed the acceptance of the ordinance. It has no relation to new monies --

COUNCILMEMBER VICTORINO: New monies.

MR. BAZ: --that we're receiving.

COUNCILMEMBER VICTORINO: Okay, so this is just actual monies that, I use the word backlog but it's actually money that we were intending to get in the first place?

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MR. BAZ: Correct. We already recognized and approved the project. It's just a matter of changing the ordinance.

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

CHAIR HOKAMA: Okay, any other questions by the Members? Therefore, the Chair will entertain a motion to recommend to Council passage on first reading and be ordered to print A Bill for an Ordinance Amending the Fiscal Year 2016 Budget for the County of Maui as it Pertains to Appendix A, Part 1, Grant Revenue - Schedule of Grants by Departments and Programs, Department of Public Works (Federal Highways Administration, Federal-Aid and Other Transportation Grants). And are we filing anything? Okay, just that, the motion to move forward the, a bill for an ordinance.

COUNCILMEMBER VICTORINO: So moved, Mr. Chair.

COUNCILMEMBER CRIVELLO: Second.

CHAIR HOKAMA: Okay, I have a motion made by Mr. Victorino, seconded by Ms. Crivello. Any further discussion on the motion, Members? Having none. All in favor of the motion please say "aye."

COUNCILMEMBERS: Aye.

CHAIR HOKAMA: Oppose say "no." Motion passes with seven "ayes," two excused, Mr. Couch and Mr. White.

VOTE: AYES: Chair Hokama, and Councilmembers Baisa, Carroll, Cochran, Crivello, Guzman, and Victorino.

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: Vice-Chair White and Councilmember Couch.

MOTION CARRIED.

ACTION: FIRST READING of bill by C.R.

CHAIR HOKAMA: Thank you, Members.

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**ITEM 2(2): COMMUNITY DEVELOPMENT BLOCK GRANT (“CDBG”)
PROGRAM (PROGRAM YEAR 2016/FISCAL YEAR 2017: JULY
1, 2016 TO JUNE 30, 2017)**

CHAIR HOKAMA: May I direct you to BF-2(2). This is under the heading of Community Development Block Grant, or CDBG as we commonly know it, and this is for the Program Year 2016/Fiscal Year 2017. And so this is a year that starts on July 1, 2016 and ends on June 30, 2017. This morning we have both Mr. Pontanilla from the CDBG Office and Mr. Baz from our Budget Office. So, Mr. Baz, any opening comments before we ask Mr. Pontanilla for his presentation?

MR. BAZ: Real briefly, Mr. Chair. This, again, is a resolution authorizing the Mayor to file an application for the Community Development Block Grant Program for Program Year '17 and we request the Council approval on this so that we can get the application filed for HUD to review. I believe we had some prior discussion on items and Mr. Joseph Pontanilla, our CDBG Program Manager, is here to answer any questions that you might have regarding any of the projects or the application itself. Thank you.

CHAIR HOKAMA: Okay, thank you very much, Mr. Baz. Mr. Pontanilla, good morning. Thank you for being here.

MR. PONTANILLA: Good morning, Chair Hokama and members of the Committee. I'm Joe Pontanilla, the CDBG Program Manager. I would like to thank you for considering the Community Development Block Grant for Program Year 2016. As stated on our February 2nd meeting, the project selected for Program Year 2016 includes Maui Economic Opportunity, Molokai Expanded Rural Shuttle Bus Service, Maui Economic Opportunity Molokai Expanded Rural Shuttle Service Bus A, Hale Mahaolu, Lahaina Surf Preservation, The Maui Farms, Inc., The Maui Farm Rehabilitation, Ka Hale A Ke Ola Homeless Resource Center, Inc., Staircase Safety Initiative, Walter, J. Walter Cameron Center, Partial Funding for Cameron Center Rehabilitation and Improvement Project. The alternates that were selected follows: J. Walter Cameron Center, Cameron Center Rehabilitation Improvement Project, Hale Mahaolu, Hale Mahaolu Ewalu Senior Housing, this is up in Kulamalu, Ka Hale A Ke Ola Homeless Resource Center, Inc., Renewal Project, Phase III, Boys and Girls Club of Maui, Inc., Central Clubhouse Renovation Building B, Boys and Girls Club of Maui, Inc., Paukukalo Phase I. With your approval, we hope to file the County's application for Program Year 2016 to HUD by April 15, 2016. Again, I would like to thank the selection committee for doing an excellent job during the selection process. Thank you, Chair.

CHAIR HOKAMA: Thank you, Mr. Pontanilla. As we've already discussed in earlier meetings regarding CDBG, the concern of the Chair, as well as, and we've made it known to our Federal representatives in the various agencies of having an understanding of what certain circles that is drawn by the Federal government on this County and potential impacts. So Mr. Pontanilla has worked very sincerely to try and get some kind of assurance that other agency circles that designate the County urban does not, will not negatively impact this County's ability to secure CDBG funding now and in the future. This is a funding source that the Chair is very supportive of and I would like us to

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retain the maximum ability to get the maximum dollars for various County projects. So that is where my position of concern comes from regarding the CDBG component. With that, you know, I do have one issue with one of the recommendations but I will allow Members to ask questions on recommendations to Mr. Pontanilla and I assume he has appropriate staff to support if there's a need for additional comment or clarification. So with that, let's see, who does it go under? Ms. Crivello, I think this is under your, one of your committee's areas of responsibility with Human Concerns and whatnot so. Any questions regarding the CDBG proposal?

COUNCILMEMBER CRIVELLO: The only question that I would have, Chair, at this moment, for Mr. Pontanilla is the assurance of us meeting the time limits requirements of the HUD, this CDBG Program from HUD.

CHAIR HOKAMA: Mr. Pontanilla?

MR. PONTANILLA: What was the question? I couldn't hear. Oh, timeliness, I'm sorry. Presently, as you know, we didn't meet timeliness for Program Year 2015, or '14, I'm sorry, and we had set up an action plan to get to where we supposed to be, which is 1.5. I'm happy to announce that as of our last report, we were down to 1.54. So the next coming up report, I'm sure we're gonna hit 1.5 or below.

COUNCILMEMBER CRIVELLO: Okay, thank you.

CHAIR HOKAMA: Okay, thank you very much. Mr. Couch, any questions for Mr. Pontanilla?

COUNCILMEMBER COUCH: Tons, but ...

CHAIR HOKAMA: Can you narrow it down to a few pounds?

COUNCILMEMBER COUCH: Yeah, I know. Yeah, there's all, as we know, they're all worthy projects. It's just with the homeless situation that's going on, I'm just wondering how Ka Hale A Ke Ola didn't score so much.

MR. PONTANILLA: Thank you for the question, Mr. Couch. Remember last Program Year 2015 they had requested for some funding to replace their wastewater lift station as well as to put in a backflow preventer? We did have some monies to reappropriate to Ka Hale O Ke Ala [sic] to take care both of those equipment. Of course, Program Year 2016, we want to take care of the safety initiative. Again, you know, Administration and the Council don't have the ability to change the course or the selection of the selection committee on the projects that we do here in Maui County, but prior to 2016 selection, I talked highly about homelessness as well as affordable housing to the committee, to the selection committee members. The rehabilitation that you see, or that I have told you about, is trying to rehab buildings and rooms so that we can continue to provide, you know, safety net housing for our homeless as well as provide safety...shelters for our elderly. So based on the 2016 year, program year, those were two objectives that the CDBG Program, you know, we wanted to take care homelessness, affordable housing and safety issues.

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COUNCILMEMBER COUCH: Okay. And I understand that you don't have the, I mean, there's a committee that comes up with this and you did emphasize...I just wish there was a, I know this is a tough process and we all have our priorities and I just want to see what we can do more, especially now with the need, to help with the homeless, so. Okay, thank you.

CHAIR HOKAMA: Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. Yeah, and I sorta have the same thoughts as Mr. Couch here in regards to...the applicants, I guess this is more bricks and mortar type of projects and, again, the homelessness, and I know they do assist. But, you know, I did a site inspection the other day in Lahaina and quite a bit of things seem to be neglected, nothing huge but there's things and obviously, I have no time to go into them all, but, and I see there's a couple, and this is for staircase safety and building deteriorations and what have you. So I understand that but I think on a bigger picture with the whole homeless crisis happening, I would've like to have seen more focus on those types of things, setting up the staging area for those modules or something, I don't know. But, again, I think this particular entity, I kinda, I have questions that have been brought to my attention in regards to how monies they get from us are being utilized in a efficient, I guess, manner. But those are just comments I've been hearing and actually seen for myself. So the other projects, I know. Lahaina Surf Preservation, very, very old project, definitely, way over due for this type of rehab, much older than any Ka Hale A Ke Ola has been around. So just some comments, Chair, at this point.

CHAIR HOKAMA: Okay.

COUNCILMEMBER COCHRAN: They're all very worthy because they provide some type of service to this needy, needy community. So I, you know, it's a take it all or none at all, I guess, kind of option that we always get every year on this list and what we see is what we get and definitely not going to turn them away but, again, share some concerns in a sense with certain entities. Thank you, Chair.

CHAIR HOKAMA: And that's fine if Members have some concerns about certain organizations. If they're gonna request public money then they're gonna face public review. But also as part of public review, maybe in the future, Mr. Pontanilla, you can also consider how the agency is performing and whether or not they're meeting the objectives of their mission and how it ties into their financial request, such as CDBG funding. So if, like one entity is, it says their mission is transitional housing, they're gonna move people from one component of entry to the next, to the next, and then eventually assist them to be out in the general community. If they're not performing it, then we need to know and why we keep funding an agency that does not perform 'cause then I don't have a problem cutting the lifeline and give it to somebody else that can do the job. Ms. Baisa?

COUNCILMEMBER BAISA: Yes, thank you, Chair. I commented earlier on this and I'll just kinda keep along the same vein. I'm really happy to see that they have been responsive to the recommendations that we made. You know, we did kind of suggest

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that we wanted to see this go this way instead of, you know, buying fire engines and I don't see that in here this year. And so I want to thank them for, you know, taking attention to our recommendations. And, again, this is a tough one because every project in here I'm sure is worthy but, you know, I'm glad we're gonna make this decision because we are going into Budget and if there are some of these projects that are of time consequences or safety or whatever, we may be handling them. We could possibly handle them through the Budget process. So I'm okay with what is proposed and, of course, you know, we all want to ask them our questions but what we have before us is a, either we approve the package or we don't approve the package and so I will approve the package. Thank you.

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

COUNCILMEMBER VICTORINO: No, thank you, Chair. And I wanna also thank Mr. Pontanilla and the committee for putting this together. I think they did a yeoman's job and I appreciate Mr. Pontanilla visiting with most of us to give us, you know, how the process worked and how he and the committee came to these conclusions. And I think, I have no qualms with any of these groups and I will, again, identify that I am a Board Member of Ka Hale --

CHAIR HOKAMA: Okay, thank you.

COUNCILMEMBER VICTORINO: --MECC, I mean, and that's well known, and I'm not going to back away from that, and I've seen the changes. In fact, we have a new director and I think this young lady will even enhance us and move us forward even further, as you're well aware of. All the other groups, I work with them, I've known what their results have been, I've seen it, and even in Lahaina, our results have been very positive, the transitional housing issue has worked out very well. Yes, there's a lot of people that are not satisfied but you cannot satisfy all. And I listen to the community as well as any other Member in . . . *(inaudible)* . . . and I listen to all of the communities, not just one community, not just one area, and Mr. Pontanilla knows that. I travel all around this County to find out what goes on. So I'm pleased in how he does it and I'll close by saying, I agree with Ms. Baisa, we don't need more fire engines being put in here. That should be a County responsibility, not CBDG *[sic]*. So thank you, Mr. Pontanilla, and thank you, Mr. Chair, for allowing me to make my comments.

CHAIR HOKAMA: Thank you. Mr. Guzman?

COUNCILMEMBER GUZMAN: I'm okay.

CHAIR HOKAMA: Okay, Ms. Crivello, you had additional questions?

COUNCILMEMBER CRIVELLO: No, I guess I should've disclosed that I was a member of the selection committee and I wanted to add to that, in the concerns of Ms. Cochran, that the Ka Hale A Ka *[sic]* Ola Resource Center also is addressing and the staircase safety problems that was mentioned. Also, the, I have to plug this in because in meeting timeliness, how it was identified in the past was equipment and so we have what we call our community, what is the priority, through the process at public facilities are

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one of the priorities and it's been changed somewhat with this process. So it is an intense process to come up with the priorities that Mr. Pontanilla and his staff end up compiling. So I just needed to disclose that and my own kind of experience and being through the process as well as coming from the rural area of Molokai that we've utilized applications for CDBG grant quite some time.

CHAIR HOKAMA: Okay, thank you for those disclosures from Ms. Crivello and Mr. Pontanilla [sic]. If the Members have a concern, the Chair's ruling, if asked, would be that since we are voting on a total program package, the Chair will find no conflict, have no findings of conflict for Ms. Crivello or Mr. Victorino to participate in the vote. So that is the Chair's position on this matter. Okay. What we would also ask though is that as you see in your binders, Members, we do have--and, again, this is through Mr. Pontanilla's sincere efforts--to try and get a letter from CDBG and HUD stating what they said in their e-mail to Mr. Pontanilla. And it's interesting, they're willing to put it in an e-mail but they won't sign a letter. And so that tells me, eventually, there could be a Federal bureaucrat down the road with higher standing that will say, sorry, we don't agree with your understanding of the circle, which is my concern. But, again, we have a clock ticking. Mr. Pontanilla, again, made sincere efforts to get the request of the Committee understood by the Federal agencies and the Chair is happy to move this forward with the attachment as you see from Mr. Chandler, which is the Regional Head of the CDBG Program for Housing and Urban Development. Are there any further questions that needs to be asked of our personnel, Members? If not, the Chair will entertain a motion to move forward to the Council adoption of a proposed resolution entitled Authorizing the Filing of an Application with the Department of Housing and Urban Development, United States of America, for a Grant Under the Community Development Block Grant Program. Are we doing any filings?

MS. BOUTHILLIER: Yes.

CHAIR HOKAMA: Okay, filing of County Communication 16-12 and allow Staff to make any unsubstantive [sic] adjustments and revisions.

COUNCILMEMBER VICTORINO: So moved, Mr. Chair.

COUNCILMEMBER CRIVELLO: Second, Chair.

CHAIR HOKAMA: We have a motion by Mr. Victorino, seconded by Ms. Crivello. Any further discussion, Members? Having none, all in favor of the motion, please say "aye."

COUNCILMEMBERS: Aye.

CHAIR HOKAMA: Oppose say "no." Motion passes with eight "ayes" and one excused.

VOTE: **AYES:** **Chair Hokama, and Councilmembers Baisa, Carroll, Cochran, Couch, Crivello, Guzman, and Victorino.**

NOES: **None.**

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ABSTAIN: None.

ABSENT: None.

EXC.: Vice-Chair White.

MOTION CARRIED.

ACTION: ADOPTION of resolution and **FILING** of communication by
C.R.

CHAIR HOKAMA: We thank you, Mr. Pontanilla, for a good job moving this forward. Thank you for your presence.

MR. PONTANILLA: Thank you.

**ITEM 38(43): AMENDMENTS TO THE FISCAL YEAR 2016 BUDGET
(DEPARTMENT OF FINANCE, COUNTYWIDE COSTS, FRINGE
BENEFITS)**

CHAIR HOKAMA: Members, 38(43) is next on our agenda. This is Amendments to the Fiscal Year 2016 Budget under the Department of Finance, Countywide Costs, Fringe Benefits. We have, from Mr. Baz, a proposed ordinance which is going to recommend increasing Carryover/Savings by \$2 million, increasing Department of Finance Fringe Benefits by \$2 million and amending Appendix A [sic] to incorporate those changes. As you see in our description, Department of Finance projects budgetary shortfall in the appropriations for the ERS due to collective bargaining increases and for EUTF or the Employer-Union Health Fund Benefits, Health Benefits Trust Fund, due to an increase in health plan costs and an employer contribution rate of 4 percent increase. Mr. Baz, opening comments?

MR. BAZ: Thank you, Mr. Chair. So before you, Councilmembers, is a request to increase our fringe benefit costs by \$2 million and this is a net amount of some savings we've had in other areas. But, basically, it's necessitated from increases in ERS rates. The ERS rates went up both for general, a half percent, and public safety employees, 1 percent, as well as collective bargaining increases, you know, regular salaries went up so it's a ratio, those numbers went up fairly significantly. The EUTF is, of course you know it, it's our health insurance costs and health insurance premiums, went up this January as well. We don't know what those are. We kinda take a guess at it but we're going to be seeing as a shortfall this year. So that's why we're looking at a total net increase in fringe benefit costs of \$2 million. So, Mr. Chair, we thank you for this review and hope that the Committee can pass it out so we can make sure that we're paying our obligations.

CHAIR HOKAMA: Thank you, Mr. Baz. Mr. Carroll, any questions on the request by Finance? Ms. Baisa?

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COUNCILMEMBER BAISA: No. Thank you, Chair, it's quite straight forward. Thank you.

CHAIR HOKAMA: Thank you. Ms. Cochran?

COUNCILMEMBER COCHRAN: No. Gotta pay our bills. Thank you.

CHAIR HOKAMA: Mr. Couch?

COUNCILMEMBER COUCH: No, thank you.

CHAIR HOKAMA: Ms. Crivello?

COUNCILMEMBER CRIVELLO: No. It's like, we don't have much of a choice.

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

COUNCILMEMBER VICTORINO: No, good. I'm good. Thank you. I wait for your recommendation, Chair.

CHAIR HOKAMA: Before I give that I will just share, too, with Mr. Baz for Finance Department. This is not something I will be happy to entertain in the next fiscal year. I expect better calculations. We know what is our contract requirements and I'm making a assumption that you have already made your appropriate adjustments for the upcoming Fiscal Year '17 proposal. So with that, I don't expect another \$2 million issue like this in the next fiscal year. So let that be clear. With that, the Chair will entertain a motion for passage on first reading, be ordered to print, the recommendation, Council, that we move forward the Bill for an Ordinance Amending the Fiscal Year 2016 Budget for the County of Maui as it Pertains to Estimated Revenues; Department of Finance, Countywide Costs; Total Operating Appropriations; and Total Appropriations (Operating and Capital Improvement Projects); filing of any appropriate communications as well as allowing staff to make any unsubstantive [sic] changes to address the needs of the ordinance.

COUNCILMEMBER VICTORINO: So moved, Mr. Chair.

MS. YOSHIMURA: No filings, Mr. Chair.

CHAIR HOKAMA: Okay, then there's nothing to be filing.

MS. BOUTHILLIER: Chair?

CHAIR HOKAMA: Yes.

MS. BOUTHILLIER: There's no filing of the communication.

CHAIR HOKAMA: Yup. And that's why I said if any appropriate communications to be filed. Okay. Any questions?

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COUNCILMEMBER VICTORINO: So move. Oh, okay, yeah.

CHAIR HOKAMA: Fine. If not the Chair will accept the motion from Mr. Victorino.

COUNCILMEMBER COUCH: Second.

CHAIR HOKAMA: Second from Mr. Couch. Any further discussions? Well since Mr. Agsalog is here, I know we're in discussion, but I will allow the Director, if you choose to give comment at this time, Mr. Agsalog, we are happy to allow you to share your few thoughts before we take a, make a decision on the requests.

MR. AGSALOG: Mr. Chair, I just wanna thank you for working on this and I really appreciate you entertaining my request to expedite this as we need it for our fringe benefits and when I had the staff look into how much more we need and as a consequence, we came to you that really we need this. So I really appreciate you again, Mr. Chair, for leading on this request that we have and for your anticipated favorable approvable.

CHAIR HOKAMA: Okay, thank you, Director Agsalog. I know we are in a process of a decision-making motion. The Chair will allow if there is a need by a Member to ask a question to Director Agsalog for clarification purposes. Any questions for the Director? Okay, having none. The motion is before you to approve the request as stated by the Chair. All in favor of the motion, please say "aye."

COUNCILMEMBERS: Aye.

CHAIR HOKAMA: Oppose say "no." Motion passes with eight "ayes," and one excused Mr. White.

**VOTE: AYES: Chair Hokama, and Councilmembers Baisa,
Carroll, Cochran, Couch, Crivello, Guzman, and
Victorino.**

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: Vice-Chair White.

MOTION CARRIED.

ACTION: FIRST READING of bill by C.R.

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**ITEM 38(38): AMENDMENTS TO THE FISCAL YEAR 2016 BUDGET
(DEPARTMENT OF FIRE AND PUBLIC SAFETY (WEIS DRAFT
COMMANDER MOBILE FIRE PUMP TESTING UNIT AND PUMPER
TRUCK FOR PUKOO FIRE STATION))**

CHAIR HOKAMA: Okay, let us move forward to 38(38). Thirty-eight dash thirty-eight, again, is another amendment to the Fiscal Year 2016 Budget under the Department of Fire and Public Safety. Let's see now...I believe we have already pushed out under the heading of 38(38) their request for No. 1. So Committee already took action on No. 1, which was the \$20,000 request. What is before you specifically today, Members, is as it regards to the pumper truck for Pukoo Fire Station. And we have our Deputy Chief present with us this morning. And so if there's any need, what I would like him to give comment on, after Mr. Baz, is the difference between a tanker and a pumper since there seems to be some misunderstanding among general community of what we actually budgeting and considering to purchase. So maybe the Chief later can explain the difference between the pumper and the tanker. Mr. Baz, any opening comments, please?

MR. BAZ: Thank you, Mr. Chair. Before you is two bills. One is to amend the Budget to increase the appropriation for the Countywide Equipment Costs by \$197,000, which is the additional funds needed to fund this pumper truck, which the Chief will describe, for the Pukoo Fire Station. The original request during Fiscal Year '16 deliberations, the proposed budget was 650,000, it had been reduced just to verify the amount, then, you know, the bids went out, came back, and came out, the additional \$197,000 is required to fund the total cost of the pumper truck itself. The second bill is just the authorization of the bond issuance related to this purchase and increasing that authorization to match. So, Mr. Chair, that's basically what's in front of you today and we have the Deputy Chief of Department of Fire and Public Safety, Mr. Robert Shimada, here for questions and answers as well.

CHAIR HOKAMA: Okay, thank you very much, Mr. Baz. Chief, why don't you give us your comments as well as if you can help make it clear what the difference is between the pumpers and the tankers.

MR. SHIMADA: Okay, sure. Good morning, everyone. Thank you for the opportunity to appear before you. The difference between a tanker and a pumper is a tanker is primarily used to supply water to the pumpers and the other trucks at the scene. A pumper is primarily used as a frontline apparatus so it's more of a multiuse vehicle, whereas the tanker is primarily used as a water source. It also can be used for firefighting but mostly it sticks just to brush fires. I hope I explained that. I can answer any further questions you may have.

CHAIR HOKAMA: Okay so just so everybody understands, the pumper is basically the piece of equipment the community sees that has a hose attached to the hydrant. The pumper then has the ability to force and push the water through the hoses to, for the firefighters fighting of the incident.

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MR. SHIMADA: That's correct, Chair. The pumper does have a water tank also. It normally carries about 750 gallons of water, whereas a tanker normally carries 1,000 or more. So it all depends on the size of the tanker or the community that, you know, it's assigned to but the pumper does have its own water supply, but very limited.

CHAIR HOKAMA: Okay, thank you so much. I'll ask Ms. Crivello, since this is being considered for Molokai, if she has questions on the request.

COUNCILMEMBER CRIVELLO: Thank you, Chair, and thank you for hearing this amendment this morning. And not so much a question, I recognize that the additional costs continues to increase, not only for the pumper truck for Pukoo's fire station but as well as your equipment overall. Have you noticed a big percentage of dollar increases as you try to work on your budget for equipment overall?

MR. SHIMADA: You know, that's a really hard thing to gauge. There are price increases every year. Some years there's multiple price increases. It's something, it's kinda hard to forecast and predict. But history has shown, every year the price does go up, it never goes down.

COUNCILMEMBER CRIVELLO: Right. I'd like to just comment, if I may, Chair, that the, I have had personal contact with the firefighters as well as mechanics that commute to our island as well as your island, sir, to do the appropriate maintenance as well as repairs. And I was quite impressed to have a mechanic actually make a personal call or personal plea, you know, for the safety of the firefighters, they cannot continue using what we're using to Band-Aid, says on the exterior, it looks quite shiny and what have you but if you'd look under, you know, or the internal, it's dangerous. So his personal plea was, Councilmember, please, please, please take care of the safety of the firefighters so I really, as well as, the needs of the community. So I appreciate us hearing this and I, at this time, I do support this amendment.

CHAIR HOKAMA: Thank you. Mr. Guzman, any questions, sir?

COUNCILMEMBER GUZMAN: I'm okay.

CHAIR HOKAMA: Mr. Victorino?

COUNCILMEMBER VICTORINO: No, I think it's long overdue. Thank you, Chair.

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

COUNCILMEMBER BAISA: No, thank you.

CHAIR HOKAMA: Ms. Cochran?

COUNCILMEMBER COCHRAN: No, not at this time. Thank you, Chair.

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

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COUNCILMEMBER COUCH: No, thank you. Recommendation?

CHAIR HOKAMA: Thank you. Okay, Chief, you are asking us for another \$197,000. So what is the current estimate for this new pumper in total cost?

MR. SHIMADA: It's, the current estimate, I believe, is just under 700,000.

CHAIR HOKAMA: How much of an increase is this over the previous pumper we purchased?

MR. SHIMADA: The previous pumper actually costed more. Or you're talking about the existing one, Chair?

CHAIR HOKAMA: Yeah, what are we replacing? How much, you know, do you know, can you recall what we paid for the current pumper?

MR. SHIMADA: I don't, that was before my time.

CHAIR HOKAMA: Okay.

MR. SHIMADA: I really have no idea what we paid for that existing pumper.

CHAIR HOKAMA: What is your length of service for the lifecycle of the current pumper?

MR. SHIMADA: You know, we're looking at 10 to 12 years, depending on the condition of the vehicle and how much action it actually sees. And this particular vehicle, if I can add, Pukoo Station is located right on the beach and it's subject to lot of salt spray, salt breeze, and I think that's attributed to the heavy corrosion we're seeing on the vehicle.

CHAIR HOKAMA: Okay. Okay, Chief, thank you. I understand the process you went and so I can appreciate the request for 700,000 for a pumper. It's big money, Members. And, again, this is not like we can go to Nissan Hawaii, Maui Toyota, I mean, I wish we could just go and buy one already made but that's not how it works in the country, so. The Chair is open, will entertain a motion to forward two proposed bills for an ordinance. The first one is, it regards to the, Amending the Fiscal Year 2016 Budget for the County of Maui as it Pertains to Estimated Revenues: Countywide, Other Projects, Countywide Equipment; Total Capital Improvement Project Appropriations; and Total Appropriations (Operating and Capital Improvement Projects). And this is the bill that would increase the res by 197 and the second bill, A Bill for an Ordinance Amending Ordinance No. 4228, Bill No. 35 (2015), Relating to the Issuance of General Obligation Bonds of the County of Maui, subheading Countywide Equipment, and this bill would then authorize the bond appropriation. So I will entertain a motion for both bills.

COUNCILMEMBER CRIVELLO: I so move, Chair.

COUNCILMEMBER VICTORINO: Second, Mr. Chair.

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CHAIR HOKAMA: Okay. There's a motion made by Ms. Crivello, seconded by Mr. Victorino. Any further discussion, Members? Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair, and thank you, Deputy Chief, for being here. So in regards to your comments about the salt spray and seeing the, I guess, kind of premature, you know, aging, rusting of the vehicle--and I live with that too, myself. I've had trucks the engine runs good but I'll tell you what, the floor is gone, the roof is gone, the door falling off but in that regards, is it housed or does it need to get a, you know, just to add more protection for the environment?

MR. SHIMADA: You know, we currently have it under a tent and that's all we have 'cause we do not own the building so --

COUNCILMEMBER COCHRAN: Right.

MR. SHIMADA: --we cannot make any improvements --

COUNCILMEMBER COCHRAN: Improvements.

MR. SHIMADA: --to it so we're making do with what we have. And, I guess, I'd just like to add, we've taken some steps in the design of this new truck to fight some of that corrosion issues, you know, down to stainless steel fasteners and plating and also the plumbing is all stainless steel so that will definitely add life to the vehicle.

COUNCILMEMBER COCHRAN: Okay, yeah, very good. And, of course, there's your cost too --

MR. SHIMADA: Yes, absolutely.

COUNCILMEMBER COCHRAN: --with stainless steel parts. And, I guess, and I'm not a manufacturer, but extra protective coatings and what have you, too, I guess can be incorporated.

MR. SHIMADA: Well, I know the new trucks, they also have changed to aluminum cab versus steel, like we see on the older trucks. So that's gonna add life to the vehicle also, slow down that corrosion process, you know.

COUNCILMEMBER COCHRAN: Right, very good. Okay, well, thank you. I know you do what you can with what you got so thank you very much. Thanks, Chair.

MR. SHIMADA: Thank you.

CHAIR HOKAMA: Okay. Further discussion on the motion? The Chair wanted to make it clear also that the motion includes allowing the Staff to make any nonsubstantive changes. But one change that I would ask you allow the Staff that is a substantive is the totals on the bill. And we are going to need to make those appropriate adjustments under the totals, Members. So if you'd allow Staff to make those corrections, that's part of the motion, okay.

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COUNCILMEMBER COUCH: No objections.

CHAIR HOKAMA: All in favor of the motion, please say "aye."

COUNCILMEMBERS: Aye.

CHAIR HOKAMA: Opposed say "no." Motion passes with eight "ayes," one excused.

VOTE: AYES: Chair Hokama, and Councilmembers Baisa, Carroll, Cochran, Couch, Crivello, Guzman, and Victorino.

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: Vice-Chair White.

MOTION CARRIED.

ACTION: FIRST READING of bills by C.R. (noted in paragraphs 2 and 3 on the posted agenda)

CHAIR HOKAMA: Thank you very much, Chief, for being here this morning.

MR. SHIMADA: Thank you, Chair and members of the Council.

COUNCILMEMBER CRIVELLO: Thank you.

**ITEM 38(44): AMENDMENTS TO THE FISCAL YEAR 2016 BUDGET
(DEPARTMENT OF ENVIRONMENTAL MANAGEMENT,
WASTEWATER ADMINISTRATION PROGRAM - DEBT SERVICE)**

CHAIR HOKAMA: Okay, let us go to, next is DEM. So may I direct you to 38(44). This is A Bill for an Ordinance Amending the Fiscal Year 2016 Budget for the County of Maui as it Pertains to Estimated Revenues; Department of Environmental Management, Wastewater Administration Program - Sewer Fund, Department of Finance, Countywide Costs; Total Operating Appropriations; and Total Appropriations (Operating and Capital Improvement Projects). This is a request through Mr. Baz, the Budget Director, to, I guess we are going to increase Interfund Transfers by 383,000, increasing Carryover/Savings from the Sewer Fund of 383, increasing Sewer Fund Debt Service by 383, increasing Department of Finance Bond Issuance and Debt Service by 383,000 and amending Appendix C to incorporate those changes. You will

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also see a certification of the new revenue as presented by the Mayor through the Budget Office. Mr. Baz, any opening comments?

MR. BAZ: Thank you, Mr. Chair. So I received a request from the Department of Finance when they were reviewing the debt service for the solid...excuse me, the Sewer, Wastewater Division of the Department of Environmental Management regarding to the Sewer Fund payments for debt service were budgeted lower than what they were expecting to fund for this fiscal year, or required to fund for this fiscal year, by about \$383,000. In reviewing them, it looks like a majority of the cost increases for debt service are related to State Revolving Loan Funds that it came on board and required that debt service payments during this fiscal year that we were not expecting. The State Revolving Loan Funds are not like bond issuances where we issue them and have a projected fixed schedule later on that we can budget for. They come on board when the project is completed and the completion date is varied based on when the Department authorizes the, or accepts that capital improvement. So because of some of the timing of those acceptances, it looks like the SRF funds available to pay back those loans is going to be short for this fiscal year so we're asking for this additional monies, Mr. Chair.

CHAIR HOKAMA: Okay, thank you. We have Deputy Director Miyamoto. You wanna come forward and have any comments regarding the request, Mr. Miyamoto? Okay, thank you for being here, Director. Any comments you would like to share with the Committee regarding your request?

MR. MIYAMOTO: None at this time, Mr. Chair. As we try to finish our project as fast as we can and as Director Baz has mentioned, you know, the timing of when it's completed sort of triggers when we start to paying back the SRF loans, which are extremely, less than 1 percent interest rate on those so it's just a matter of how fast we can finish our projects.

CHAIR HOKAMA: Okay. For Mr. Baz and, again, you know, I thank Mr. Miyamoto for looking at the least expensive way of financing requests so the Committee thanks you for that. With the SRF and the lure, or the bait of the 1 percent interest, is there additional fees and financing costs that the Committee should be aware that is added to the 1 percent interest, whereby if the total debt servicing would then be 2 percent or whatever it may be? Director Baz?

MR. BAZ: Thank you, Mr. Chair. That's a very good question. Actually the 1 percent that Director Miyamoto mentioned is a consolidation of the interest cost and the fees. So it's generally a three-quarter percent fee and a quarter percent interest cost, so a total of a 1 percent loan.

CHAIR HOKAMA: Okay. And that is why, I believe, we look at the SRF versus the regular GO Bond since our current GO Bond is slightly, what, 2.0, 4 percent, I believe, Director Baz?

MR. BAZ: Yeah, the true interest cost of the last issuance was 2.08 percent. And Mr. Miyamoto just actually corrected me, the Department of Health has reduced their

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fee to a half a percent with a quarter percent interest so it's a three-quarter percent loan. We'll have more discussion of those during the Fiscal Year '17 Budget deliberations. They are also working on a different type of loan agreement and processing as well for that to get the money out to us quicker and so that we have more flexibility in using the available dollars in this definitely low-cost financing source.

CHAIR HOKAMA: Okay, thank you very much. Questions, Members, for Mr. Baz or Mr. Miyamoto on the proposal? Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair, and thank you, gentlemen, for being here. So the, Mr. Miyamoto, this amount goes to what? Any particular project or just goes back into the general operating --

CHAIR HOKAMA: Director?

COUNCILMEMBER COCHRAN: --appropriations or was there a certain, was this already going to something in particular?

CHAIR HOKAMA: Mr. Baz?

MR. BAZ: Yeah, Mr. Chair and Member Cochran, the debt service that Sewer Fund pays for is all of the Wastewater projects that have been either bonded or use SRF monies so it's a consolidation of those. I could get you the details but I don't have the, yeah, but generally it's all of those, you know, whether it's a recycle. I think one of the latest ones was a recycled water project that got completed so, you know, those kind of things come online and then they...but they're previously approved by the Council during the actual appropriation for the capital project.

COUNCILMEMBER COCHRAN: Okay, yeah, very good. I didn't know if it was general or it was specific. So, no, that answers, I don't need any further details in regards to that. But my other question is, I guess, you couldn't predict this payment was going to be due or expected at this time. Mr. Miyamoto, you mentioned that projects got done quicker than you expected or what have you and that triggered this or kicked this payment in. What is that timeframe, like you're a month in closing out this project, oh, payment's due? Or is there a certain, you know what I mean, timeframe that kinda triggers the due, the payment due?

MR. MIYAMOTO: Yeah, once we accept, you know, the facility that we're using the money for is in operations and it passes all of our requirements for performance, then we send the paperwork to the State Department of Health who sort of oversees it. We sort of have to get their concurrence that it meets their requirements of the contract that we have with them for that, and once that is done then we have to start paying the bill, I guess, you could say, for the loan.

COUNCILMEMBER COCHRAN: Okay.

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MR. MIYAMOTO: So one of the big projects that was done, if you recall, was the Lahaina UV facility that we had out there. We got the facility on board and so now we're able to process more R1 water in that facility.

COUNCILMEMBER COCHRAN: Okay, very good. And so I guess not...so the project's done, you're pushing forward through all your paperwork to DOH, and now you're awaiting their, you know, concurrence or whatever, reply. Is that kinda where the oh, we got the letter of approval, we didn't expect it back so soon or it came really late or, I mean, where is it that? 'Cause it sounds like at that point, it's a pretty good chance it'll be a done thing and, you know, the appropriations should be found to pay the bill.

MR. MIYAMOTO: And that's one of the things, like you're saying, you know, we try to plan these projects, have a schedule for it. We work with the Department of Health and they come up with a payment schedule as soon as we start processing the information to them. So how long they take to process that paperwork, we have no control over but we try to schedule those so that we, when we know we have to pay back these loans that'll come on board that we try to budget for them in advance, and it's one of those, this is one of those close to the, sort of the budgeting period that sort of could've gone either way. We could've delayed the project and paid next year but I think we're better off getting it more so that there's more SRF funds available for other projects.

COUNCILMEMBER COCHRAN: Okay, well, very good. Thank you. Just needed a little more clarification on how the process works so thank you for that. Thank you, Chair.

CHAIR HOKAMA: Thank you. Any further questions, Members? Having none, the Chair would recommend a motion for a bill for an ordinance recommending passage on first reading, be ordered to print, A Bill for an Ordinance Amending the Fiscal Year 2016 Budget for the County of Maui as it Pertains to Estimated Revenues; Department of Environmental Management, Wastewater Administration Program - Sewer Fund, Department of Finance, Countywide Costs; Total Operating Appropriations; and Total Appropriations (Operating and Capital Improvement Projects).

COUNCILMEMBER VICTORINO: So moved, Mr. Chair.

COUNCILMEMBER COUCH: Second.

CHAIR HOKAMA: Okay. I have a motion made by Mr. Victorino, seconded by Mr. Couch. Discussion, Members? And, again, allowing Staff to make those required adjustments for form and legality, Members, as part of the motion. All in favor of the motion, please say "aye."

COUNCILMEMBERS: Aye.

CHAIR HOKAMA: Opposed say "no." Motion passes with eight "ayes" and one excused.

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VOTE: **AYES:** **Chair Hokama, and Councilmembers Baisa, Carroll, Cochran, Couch, Crivello, Guzman, and Victorino.**

NOES: **None.**

ABSTAIN: **None.**

ABSENT: **None.**

EXC.: **Vice-Chair White.**

MOTION CARRIED.

ACTION: **FIRST READING** of bill by C.R.

ITEM 38(35): AMENDMENTS TO THE FISCAL YEAR 2016 BUDGET (ENVIRONMENTAL PROTECTION AND SUSTAINABILITY PROGRAM, AND COMMUNITY WORK DAY PROGRAM (MALAMA MAUI NUI))

CHAIR HOKAMA: We have the final item before the Committee this morning is 38(35). Again, another amendment to the Fiscal Year 2016 Budget under Environmental Protection and Sustainability Program, Community Work Day Program. Mr. Baz has sent us a consideration, a bill for an ordinance, and the purpose of the bill is to amend Appendix A of the Budget under Highway Beautification and Disposal of Abandoned Vehicles Revolving Fund. And the request is to increase appropriations in the proviso for salaries and premium pay for the Environmental Protection and Sustainability Program, \$5,000, appropriation in the proviso under Operations and Services by \$35,000 for Countywide illegal dump site clean-ups and towing of roadside abandoned vehicles, and increasing the grant to Community Work Day Program, dba Malama Maui Nui, by \$11,500 for an Operations Manager, as well as amending Appendix A [sic] to incorporate any revisions. Mr. Baz, any comments, please?

MR. BAZ: Thank you, Mr. Chair. You described the details of this. We have to amend Appendix A, Part II, to revise the provisions that are incorporated in that section for the Highway Beautification Fund to allow for these purchases, the appropriations to be set forth. We have the, again, Deputy Director of Environmental Management here to discuss the details of these requests should you have any questions regarding each of these. Just for your information, the Highway Beautification Fund is a fund that is paid for by your car vehicle registrations. There's a \$5 fee that is attached to your vehicle registration that goes into this fund specifically for beautification of our highways, as well as the management of abandoned vehicles. And so the purposes that we're requesting use of this funds are appropriate to the State law that has requested...provided us with the appropriate authorization for it.

CHAIR HOKAMA: Thank you. Director Miyamoto, any comments, please?

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MR. MIYAMOTO: Thank you, Mr. Chair. It's unfortunate that we have to request this additional funds but as the market for a lot of our recycled materials have dropped, the end result is that it's costing, it's gonna cost us to, it cost the general public, for example, if they want to recycle an automobile, that cost goes up. So what's their alternative? They leave it on the side of the road so we're left, the County is left keeping our roadways beautiful. We've seen an increase in trash alongside of the roadway. It's either us or Highway Department that's going to end up picking it up. So if it's metals, we're picking it up. We contract a lot with Malama Maui Nui because they're a great organization and they've seen the increase and in here you see they wanted, they hired a operations manager to better schedule their volunteer manpower to address some of these littering-type issues. And so those are the included funds here. As far as for our staff, the premium pay, as we get more and more abandoned vehicles out there, they have to do their level of activity involving that type of vehicle and so we're seeing a lot more extended hours of work because of the amount of roadside material being left behind. Thank you, Mr. Chair.

CHAIR HOKAMA: Thank you. Ms. Cochran, questions?

COUNCILMEMBER COCHRAN: Thank you, Chair. And I see these are provisoed via this body. Is that what initially ...

CHAIR HOKAMA: Mr. Baz?

MR. BAZ: Thank you, Mr. Chair and Member Cochran. The way that the revolving funds are provided appropriations is through provisions, provisos in the actual budget ordinance. It's a little different than the other section of the budget ordinance, you know, the front section where you're familiar with. There's appropriations for each program within a department. Those are, and then provisos are added to further restrict that. For the revolving funds, provisos are put in place so that those funds can be spent for those specific purposes.

COUNCILMEMBER COCHRAN: Okay. And so the additional 35,000 for the program, this is what aspect? I mean, this is in play? This is occurring, the Environmental Protection and Sustainability Program, is ...

CHAIR HOKAMA: Mr. Baz?

MR. BAZ: Yeah, thank you. Yes, Member Cochran, the development of a Environmental Protection and Sustainability Program was adopted by Council action in the FY '16 Budget. The general outcome of it was just moving the Recycling Program out of Solid Waste into its separate program. And so the recycling and abandoned vehicles, those type of activities, were consolidated in this Environmental Protection and Sustainability Program without a significant investment in more resources available unfortunately.

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COUNCILMEMBER COCHRAN: Okay. And for the Community Work Day addition of 11,500, this, they currently do not have a operations manager, this will create that body in their organization?

CHAIR HOKAMA: Director?

MR. MIYAMOTO: Actually, they've already hired someone to do it. They just saw the necessity of it, hired it without, you know, asking funding for it and they're realizing that they either have to sacrifice what they do in the community to pay for this person or ask for the money. And we said, you know, it's an appropriate function that helps benefit the Highway Beautification Fund so we asked, we allowed them to put the funding in here for the remainder of the year.

COUNCILMEMBER COCHRAN: Okay. And I agree, they do awesome work so I have no issues in increasing funding for them to continue the good work they do. Thank you, Chair.

CHAIR HOKAMA: Thank you. Ms. Baisa?

COUNCILMEMBER BAISA: Thank you, Chair. I echo Member Cochran's support. You know, it is so important what these people do and we certainly would notice if they weren't doing it. So I think we should support this. Thank you.

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

COUNCILMEMBER CARROLL: No questions.

CHAIR HOKAMA: Thank you. Mr. Victorino?

COUNCILMEMBER VICTORINO: No, happy to support and I concur with my colleagues. Thank you.

CHAIR HOKAMA: Thank you. Mr. Guzman?

COUNCILMEMBER GUZMAN: . . .*(inaudible)*. . .

CHAIR HOKAMA: Ms. Crivello?

COUNCILMEMBER CRIVELLO: I was just looking at the, what we provide for now. Am I reading this correct that disbursement for salaries and premium pay is limited to 102,085 and 773,205 for disbursement for operational services for the--that's the overall Environmental Protection Program, Mr. Baz?

CHAIR HOKAMA: Mr. Baz?

MR. BAZ: Thank you, Mr. Chair and Member Crivello. The \$773,205 that's requested in that is not the total for the Environmental Protection and Sustainability, it's just the

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amount funded by the Highway Beautification Fund. There are appropriations in that program from the Solid Waste Fund as well.

COUNCILMEMBER CRIVELLO: Okay. So I have a question for Mr. Miyamoto, if I may. You mentioned that there's like premium cost to employees in working with the recycled, abandon...or metals or cars that are brought in. Do we have a contractor that accepts or handles all of the abandoned vehicles or metals?

CHAIR HOKAMA: Director?

MR. MIYAMOTO: Yes, we have a process where once the Police Department tags a vehicle, the owner is allowed a certain amount of time to go ahead and reclaim that vehicle and then once, if the time period has passed, our staff goes out to make sure it's still there so that when we hire a towing company, which we contract out, to go ahead and tow it to a storage yard, which gives the last registered owner 30 days to try and collect that. Failing that, the vehicle ends up at our metal processing contractor who's Hammerhead Metals, who's out in the Central Baseyard and they do all of that processing.

COUNCILMEMBER CRIVELLO: So this, Malama Maui Nui, when they haul in the abandoned, or do their community clean-up or what have you, are your employees involved in that or is it taken straight to the vendor who handles the recycled?

MR. MIYAMOTO: We're more, our staff is more involved in an administrative, trying to make sure everything's arranged and then they're, Malama Maui Nui, is given vouchers so that when they take it to the processor, it doesn't cost them anything. So it, that cost is brought back to the program that we're contracting with the metal processor. So Malama Maui Nui doesn't have to pay the processing cost for vehicles or the metals that they pick up alongside the road for us. We pick up the tab for that as part of the contract with Hammerhead.

COUNCILMEMBER CRIVELLO: Okay, thank you.

CHAIR HOKAMA: Thank you. Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair. And, yes, I echo the sentiments of my colleagues that this is a worthy organization. They do a really good job at cleaning up. The question I have, Mr. Miyamoto, you mentioned that the price of recycling has gone down so the cost for dropping off a car has essentially gone up. What is the cost to us for dropping a car off at Hammerhead?

CHAIR HOKAMA: Director?

MR. MIYAMOTO: I don't have that exact cost. It's a contracted price, obviously, and it's pretty fixed. I know for the public, they're asking more money because if it has batteries, batteries become a hazardous material for them to dispose of, the liquids, the tires. So for the public in general, the price has gone up but for us, we have a

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contract with them and I think it's pretty fixed. I don't know that exact number offhand at this point.

COUNCILMEMBER COUCH: The question I would have is, would it be cheaper for us to, instead of go through that whole process of picking up an abandoned vehicle to subsidize, you know, have the people drive the car to Hammerhead and us pick up the difference in cost or the, whatever it cost us to do the whole abandoned vehicle process to pay for it at the public end as opposed to having to go through the whole, you know, tagging of the car, and then going out and checking the car, and then towing it for 30 days, and then towing it again to Hammerhead. Wouldn't it be cheaper to say, hey, public, take it to Hammerhead and the County will pick up the charge?

CHAIR HOKAMA: Director?

MR. MIYAMOTO: Mr. Chair? I think that's something we should probably talk about in, during the Budget hearing. And for the last...I can give you the numbers of vehicles that we've processed. For example, in 2013 we did 285 vehicles on the County system. In 2014 we did 463 vehicles, 2015 we did 797 vehicles, and for the first 4 months of 2016 we've already processed 351 vehicles. So if you project that out for 12 months, it would be about, over 1,000 vehicles, 1,050 vehicles for this past year. And that's something, certainly, we can look into as to, like you're saying, you know, try to combine having them tow it because I know even the towing cost has gone up. Before they would pay you for it, now it's, they want you to pay the tow charge, so.

MR. BAZ: Mr. Chair?

CHAIR HOKAMA: Mr. Baz?

MR. BAZ: During the Fiscal Year '17 Budget deliberations, we'll be discussing in the Department of Environmental Management's rates and fees, this topic specifically so we'll be able to have a further discussion on this item.

COUNCILMEMBER COUCH: Oh, okay. Yeah, just something to look into. And the last question I would have was, you know, we're taking, we're provisoing adding--I didn't add it up quickly enough--but approximately about 80,000, it looks like, to the provisos. Is that money coming from anywhere or is that just we're not spending the Highway Beautification Funds? It just looks like the anticipated revenue is \$1.5 million and that increase was, brings up the, for those three provisos, it's \$1.1 million so there's some money left over. Is that where we're --

CHAIR HOKAMA: Mr. Baz?

COUNCILMEMBER COUCH: --taking it up or are we taking that from some other project potentially?

MR. BAZ: Thank you, Mr. Chair. No, Member Couch, it's a good question. Yeah, it's monies that we haven't been spending out of the Highway Beautification Fund.

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COUNCILMEMBER COUCH: Okay. Thank you.

CHAIR HOKAMA: Okay, thank you. Any further questions, Members? I would ...

COUNCILMEMBER COCHRAN: Chair?

CHAIR HOKAMA: Yes, Ms. Cochran?

COUNCILMEMBER COCHRAN: It was mentioned that I guess the fund itself comes from \$5 from our car registration fees via DMV. Is that ...

CHAIR HOKAMA: Mr. Baz?

COUNCILMEMBER COCHRAN: It's \$5, is it per registration?

MR. BAZ: Correct. The current, State legislation restricts the U-drive vehicles to \$1 and a limit of \$10 for all other vehicles. We charge \$1 for U-drive and \$5 for all other vehicles. U-drive, I could not find the legal definition of, it's rent-a-cars.

COUNCILMEMBER COCHRAN: Right. This is a old term. My mom uses that term. So we actually could bump it to that \$10 mark?

CHAIR HOKAMA: You know what, Members, we're straying from the --

COUNCILMEMBER COCHRAN: Oh, okay.

CHAIR HOKAMA: --parameters of the request. This is going to be discussed in Budget.

COUNCILMEMBER COCHRAN: Oh, okay. That's fine, Chair. Good.

CHAIR HOKAMA: And so, again, you've heard the Department and Mr. Baz say we'll have discussions under the Highway Fund and the Department's request but I would also say that you should also look at adjustments in car registration and what is under the control the County, including weight tax, fuel tax and other things that could be considered as revenue sources for this fund. But we'll have that in Budget, okay. Any further questions regarding the specific request as provided by Mr. Baz? If not, the Chair is going to be recommending and open to a motion to move forward to Council for passage on first reading, be ordered to print, A Bill for an Ordinance Amending Appendix A of the Fiscal Year 2016 Budget for the County of Maui as it Pertains to Part II, Special Purpose Revenues, Schedule of Revolving Special Funds for Fiscal Year 2016, Highway Beautification and Disposal of Abandoned Vehicles Revolving Fund.

COUNCILMEMBER VICTORINO: So moved, Mr. Chair.

COUNCILMEMBER COUCH: Second.

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CHAIR HOKAMA: I have a motion made by Mr. Victorino and seconded by Mr. Couch. Any further discussion, Members? Having none, all in favor of the motion, please say "aye."

COUNCILMEMBERS: Aye.

CHAIR HOKAMA: Opposed say "no." Motion passes with eight "ayes," one excused.

VOTE: AYES: Chair Hokama, and Councilmembers Baisa, Carroll, Cochran, Couch, Crivello, Guzman, and Victorino.

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: Vice-Chair White.

MOTION CARRIED.

ACTION: FIRST READING of bill by C.R.

CHAIR HOKAMA: Thank you for your attendance. We have completed the work of the Committee for today and this meeting is adjourned. . . .(gavel). . .

ADJOURN: 12:10 p.m.

APPROVED:



RIKI HOKAMA, Chair
Budget and Finance Committee

bf:min:160315:alp

Transcribed by: Annette L. Perkett

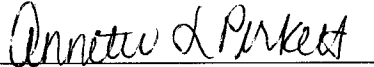
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CERTIFICATE

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

DATED the 4th day of April, 2016, in Haiku, Hawaii.


Annette L. Perkett