

BUDGET AND FINANCE COMMITTEE

Council of the County of Maui

MINUTES

October 2, 2018

Council Chamber

CONVENE: 9:03 a.m.

PRESENT: Councilmember Riki Hokama, Chair
Councilmember Mike White, Vice-Chair
Councilmember Alika Atay, Member
Councilmember Stacy Crivello, Member (out 10:14 a.m., in 11:33 a.m.)
Councilmember Don S. Guzman, Member (in 9:28 a.m.)
Councilmember Kelly T. King, Member (out 11:09 a.m.)
Councilmember Yuki Lei K. Sugimura, Member

EXCUSED: VOTING MEMBERS:
Councilmember Robert Carroll, Member
Councilmember Elle Cochran, Member

STAFF: Michele Yoshimura, 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
Michael M. Miyamoto, Deputy Director, Department of Environmental Management (BF-166, BF-170)
Mark R. Walker, Director, Department of Finance (BF-170), BF-106, BF-41
Gladys Baisa, Director, Department of Water Supply (BF-169)
Wendy Taomoto, Engineering Program Manager, Department of Water Supply (BF-169)
Tammy Yeh, Civil Engineer VI, Department of Water Supply (BF-169)
Butch K. Buenconsejo, Director, Department of Parks and Recreation (BF-168)
Jacob Verkerke, Chief Technology Officer, Information Technology Services Division, Department of Management (BF-106)
Cynthia Razo-Porter, Deputy Director, Department of Personnel Services (BF-106)
William "Will" Spence, Director, Department of Housing and Human Concerns (BF-41)
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

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Seated in the audience:

Holly Ficke Ho, Waterworks Fiscal Officer, Department of Water Supply
(BF-169)

Guy Hironaka, Real Property Manager, Department of Finance (BF-41)

David Goode, Director, Department of Public Works (BF-41)

OTHERS: Jim Smith (BF-166, BF-169)
Robert Ferreira, Consultant Manager, Kaupo Ranch, Ltd. (BF-169)
Others (5)

PRESS: Akaku: Maui Community Television, Inc.

CHAIR HOKAMA: . . . *(gavel)*. . . Okay, good morning. This is the Council's Committee on Budget and Finance, regular meeting, 2, October, 2018. Present this morning we have Vice-Chairman Mr. White.

VICE-CHAIR WHITE: Good morning, Chair.

CHAIR HOKAMA: Good morning. Committee Members Crivello.

COUNCILMEMBER CRIVELLO: Good morning, Chair.

CHAIR HOKAMA: Good morning. Mr. Atay.

COUNCILMEMBER ATAY: Good morning, Chair.

CHAIR HOKAMA: Good morning. Ms. Sugimura.

COUNCILMEMBER SUGIMURA: Good morning.

CHAIR HOKAMA: And Ms. King. Excused are Mr. Carroll, Ms. Cochran, and Mr. Guzman. We have some request before us from various departments. Before that we will take public testimony. You have three minutes on items we have agendized, state your name for the record, your organization if you are representing one, address your comments to the Chair, everyone turn off your noise-making devices. We enforce decorum in this Chambers. So with that, we'll ask Mr. Jim Smith, please come on down.

. . . BEGIN PUBLIC TESTIMONY. . .

MR. SMITH: Aloha, Chair --

CHAIR HOKAMA: Good morning, Jim, good morning.

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MR. SMITH: --Hokama, Members of the Budget and Finance Committee. I'm here today because it seems to me that there's a dysfunction happening. I read an article in the paper where it said that some guy's dream because he couldn't get a water meter, okay, it became a nightmare. But then I see a water tank, okay, 100,000-gallon water tank, and there's no transmission lines showing and there's nothing that would say it was connected to a source or anything, just a water tank. Now, I don't think that that's sufficient for you to even make a judgment on whether there should be a 100,000...\$500,000 spent for a tank. It doesn't say anything about the customers that will be affected or anything. You may have it in front of you, but I wasn't able to get it on the Internet, so I thought that was a big problem. You just have to realize that integrity is the issue, always integrity. If you look at the community plans, you look at Hana, you look about a...they want to have a strategic plan that says where things happen. Is this part of a strategic plan? I don't know. They're the district involved. So, it would seem to me that there's almost a...it's almost frivolous on the way they approach this. There doesn't seem to be a connection with the people. It's just a, almost a formality. If you look at the transmissions from the department, the Mayor. He calls it a Carryover/Savings, but what is that? I use a Carryover/Savings as a measure of performance, but it seems like they're breaking up Carryover/Savings and they're making it a fund and they're making it something. They're putting hyphens and they're putting hash marks and they're changing the nature of it without saying so. They're doing this behind the scenes and to me that's one of the big problems. Come up front and say if you want to change my government we're gonna change it. Don't do it with this slash, hyphen, go look over there and I'm doing this over here and to me that's a big problem, and you guys are in the position to stop it and I ask you to do that. I ask you to defer this item, this tank, \$500,000. If it costs a person 3.3 million to get water to his property, how can it take a whole community only \$500,000 to put up a tank? That to me is a cause of not only confusion but distrust. So, I would ask you to look at that very carefully. The other issue that I've testified on or written down is 166, BF-166, and that is the amendment to the South Maui Recycling Water System Expansion, alright, of one-something-million, but isn't that connected to this water tank somehow or if it's not connected how come it's on...it seems to me to be in a topical way connected recycled water for some sorts of use. But it just seems to me that there's a confusion here without more information, so I'd ask you to look very carefully at all of this because it's not clear to me and I read kind of often and kind of careful, carefully. Thank you so much.

CHAIR HOKAMA: Thank you, Mr. Smith. Any questions for the gentleman on testimony provided? Having none, Jim, we thank you for your comments this morning. Next, we'll call up Mr. Robert Ferreira, please. Members, we also have received written testimony this morning.

MR. FERREIRA: Good morning, --

CHAIR HOKAMA: Good morning.

MR. FERREIRA: --Honorable Chair Hokama, Vice-Chair White. My name is Robert Ferreira. I represent Kaupo Ranch. I'm the consulting manager. I was before you September 21st,

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testifying on this topic. I have resubmitted my same testimony. I am here today to answer any of your questions of why, the reasons of the proposed tank. Thank you.

CHAIR HOKAMA: Okay. Thank you very much, Mr. Ferreira. Any questions for Mr. Ferreira at this time? Okay. Will you...I would just ask maybe if you will please stay around in case a question may come up --

MR. FERREIRA: Yeah.

CHAIR HOKAMA: --we may ask for your comments.

MR. FERREIRA: Definitely.

CHAIR HOKAMA: Yeah. Thank you very much, --

MR. FERREIRA: Thank you.

CHAIR HOKAMA: --Mr. Ferreira. Okay, we'll ask our District Offices if anyone wishes to provide testimony. Ms. Lono, Hana Office? Ms. Lono, Hana Office, anyone wishing to provide testimony, please?

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

CHAIR HOKAMA: Thank you. Lanai, Ms. Fernandez?

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

CHAIR HOKAMA: Thank you. On Molokai, 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: Thank you, ladies. Is there anyone else wishing to provide testimony this morning? With none, Members, with no objection we shall close testimony for today's meeting.

COUNCILMEMBERS VOICED NO OBJECTIONS.

. . .END OF PUBLIC TESTIMONY. . .

CHAIR HOKAMA: Thank you. So ordered. And with no objections, we shall receive all written testimony submitted to the meeting.

COUNCILMEMBERS VOICED NO OBJECTIONS.

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CHAIR HOKAMA: Okay. Thank you.

**ITEM 166: AMENDING THE FISCAL YEAR 2019 BUDGET:
DEPARTMENT OF ENVIRONMENTAL MANAGEMENT (SOUTH
MAUI RECYCLED WATER SYSTEM EXPANSION) (CC 18-310)**

CHAIR HOKAMA: May I direct you to BF-166, first thing on the agenda. This is the South Maui Recycled Water System Expansion. Mr. Baz, any opening comments?

MR. BAZ: Thank you, Mr. Chair. So, this item came before the Committee and we appreciate you rescheduling it. After discussions with the Department of Health, the Department of Environmental Management did confirm that money was available in the SRF Loan Fund and so we're presenting this budget amendment to you to approve or discuss and hopefully approve this item using SRF funds instead of using the Capital Reserve Fund as was originally transmitted.

CHAIR HOKAMA: Okay. Thank you. Very good. Mr. Miyamoto, you gotta come down. This is your project. So, give us comment and we are already aware that you secured SRF funds, so give us comment.

MR. MIYAMOTO: Thank you, Mr. Chair. As previously, in the previous Budget meeting with Division Chief Eric Nakagawa, he had explained about the project, how the bids came in higher than what was budgeted and the initial thought was the first available funds were the reserved funds, but in the meeting it was discussed that we would look into possibly getting more SRF funding and we were able to secure that, and so that's what this amended bill is for to use the SRF funding. Thank you, Mr. Chair.

CHAIR HOKAMA: Okay. Questions? Mr. White, no questions? Ms. King?

COUNCILMEMBER KING: Thank you, Chair. Yeah, Mr. Miyamoto, thanks for being here. Can you just, to refresh the public's mind and for the benefit of the Committee, just explain the project scope and geographical area?

MR. MIYAMOTO: Right. The project is to add another one-million-gallon recycled water tank adjacent to the existing recycled water tank in the South Maui service area. The existing tank is above the wastewater treatment plant, which is next to the golf course, and the project also includes some upgrading of some transmission lines and pumps for that, the additional tank. And the tank is necessary because we, the amount of recycled water we're going through is exceeding the capacity of the one tank. We're draining it probably about two times a day, so that's about 2 million gallons of recycled water currently being utilized. There is a desire to reuse that resource, so the additional tank will help us use that water to irrigate, I think, we have about 152 acres adjacent to that area that we can then utilize the water to irrigate that area. Thank you.

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COUNCILMEMBER KING: Okay. So, it's basically the tank and you don't have to do a huge expansion of any pipes or out to any other geographic areas? It's gonna be used in the immediate area?

MR. MIYAMOTO: Yes. Right now, the current plan, the usage is in the immediate area.

COUNCILMEMBER KING: Okay. All right. Thank you, Chair.

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

COUNCILMEMBER CRIVELLO: No, I don't, Chair, not at this time.

CHAIR HOKAMA: Thank you. Mr. Atay?

COUNCILMEMBER ATAY: Thank you, Chair. I think I missed, what was the holding capacity of the existing tank?

CHAIR HOKAMA: Department?

MR. MIYAMOTO: Thank you, Mr. Chair. The existing tank is 1 million, so we'll be adding two, another million-gallon tank.

COUNCILMEMBER ATAY: So, you'll have 2 million of...

MR. MIYAMOTO: Two million gallons of storage.

COUNCILMEMBER ATAY: You'll have 2 million gallons of recycled water.

MR. MIYAMOTO: Yes.

COUNCILMEMBER ATAY: Is that R-1 water?

MR. MIYAMOTO: Yes, it will be R-1 water.

COUNCILMEMBER ATAY: Okay. Thank you, Chair.

CHAIR HOKAMA: Thank you. Ms. Sugimura?

COUNCILMEMBER SUGIMURA: No questions.

CHAIR HOKAMA: Okay. So, for our _____, I believe we reviewed this project during our Budget Session under Capital Improvement Projects. We talked about it. It's something that the Director had previously mentioned to maximize reuse as best as we could within a reasonable distance, the R-1 water. So, again, we've talked about it and the key was how to fund it and I believe we found a better source of revenues through the State revolving fund. Any changes in the bidding or pricing? Everything's being held...we got the lowest bid of the five bidders? Any other changes?

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MR. MIYAMOTO: No, Mr. Chair, no changes.

CHAIR HOKAMA: Okay, Members, also attached as part of the item is two additional bills for ordinances. That's on Page 2 of the agenda. That would be to Amend the 2019 Budget as it pertains to Estimated Revenues; Department of Environmental Management, Kihei-Makena Community Plan Area, Sewer, South Maui Recycled Water System Expansion; Total Capital; Total Appropriations (Operating and Capital Improvement Projects), as well as A Bill for an Ordinance Amending Ordinance No. 4856, Bill No. 52 (2018), Relating to Authorizing the Mayor of the County of Maui to Enter into Intergovernmental Agreements for Loans from the State of Hawaii's Water Pollution Control Revolving Fund for Various Wastewater Projects, Fiscal Year 2019 Budget Ordinance. Any questions on those two proposals, Members? Mr. White? Ms. King?

COUNCILMEMBER KING: Yeah, Chair. Just can you explain the amendment to the Kihei-Makena Community Plan? Does it have...I mean, it doesn't really have these amounts in it, does it?

MR. BAZ: Mr. Chair?

CHAIR HOKAMA: Mr. Baz?

MR. BAZ: Thank you. So, actually what we're amending is the main Budget Ordinance itself, and that is split out if you look at the actual Capital Improvement Projects, section two of the Budget Ordinance there, it talks about the different projects and then it lists what community plan area that they're in.

COUNCILMEMBER KING: Oh, okay. So it's just a reference to the area?

MR. BAZ: Correct.

COUNCILMEMBER KING: It's not an amendment to the...okay.

MR. BAZ: It's not an amendment to the plan.

COUNCILMEMBER KING: Okay, sorry, my mistake.

MR. BAZ: It's a reference to the area.

COUNCILMEMBER KING: Okay. Thank you.

CHAIR HOKAMA: It's one of the way the attorneys like to be more detailed in the title of the bill. It's crazy but...

COUNCILMEMBER KING: Just want to make...thank you, Chair. I just want to make sure we're not amending the plan.

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CHAIR HOKAMA: Yeah. Thank you. Ms. Crivello, questions on the other two?

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

CHAIR HOKAMA: Mr. Atay?

COUNCILMEMBER ATAY: Thank you, Chair. I just...I don't if it's in this area, but I just trying to get clarification on this bid results page. So, --

CHAIR HOKAMA: Okay.

COUNCILMEMBER ATAY: --according to this bid results page, who would get the bid? 'Cause there's one that's...

CHAIR HOKAMA: Department, what...share what information you can. I don't know if you've awarded it. So, I don't know if you can say even who is the contractor, but if it's public information, you've awarded it, you can share that information.

MR. MIYAMOTO: Yes, thank you, Mr. Chair. When you look at the chart the, you see the first one, the low bidder was F&H. They withdrew the bid because of some error in their bid, so which was appropriate, and so the next low bidder was the Hawaiian Dredging bid.

COUNCILMEMBER ATAY: Okay. Yeah, 'cause I was looking on one column. Yeah, so Hawaiian Dredging would be, and then Goodfellow would be the next then, right?

MR. MIYAMOTO: Correct.

COUNCILMEMBER ATAY: Okay.

CHAIR HOKAMA: So, the adjustment is to make up the difference for the second bid.

COUNCILMEMBER ATAY: Yeah, the difference.

CHAIR HOKAMA: Yeah.

COUNCILMEMBER ATAY: Okay.

CHAIR HOKAMA: Thank you. Ms. Sugimura?

COUNCILMEMBER SUGIMURA: No questions.

CHAIR HOKAMA: Okay, with no further questions, then the Chair will entertain, unless you have an additional need for information from the Department or the Division or the Budget Office, your Chair will entertain a motion to move to Council for first reading, be ordered to print the first bill which is A Bill for an Ordinance Amending the Fiscal Year 2019 Budget for the County of Maui as it Pertains to Appendix C - Capital

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Improvement Projects, Department of Environmental Management, Kihei-Makena Community Plan Area, South Maui Recycled Water System Expansion.

COUNCILMEMBER KING: So moved.

CHAIR HOKAMA: Okay, the second bill, we're gonna do this all in one motion, Members. A Bill for an Ordinance Amending the Fiscal Year 2019 Budget for County of Maui as it Pertains to Estimated Revenues; Department of Environmental Management, Kihei-Makena Community Plan Area, Sewer, South Maui Recycled Water System Expansion; Total Capital Improvement Project Appropriations; and Total Appropriations (Operating and Capital Improvement Projects); and third, A Bill for an Ordinance Amending Ordinance No. 4856, Bill No. 52 (2018), Relating to Authorizing the Mayor of the County of Maui to Enter into Intergovernmental Agreements for Loans from the State of Hawaii's Water Pollution Control Revolving Fund for Various Wastewater Projects, Fiscal Year 2000...Budget Ordinance, 2019, Budget Ordinance; allowing staff to make non-substantive adjustments; and filing of any appropriate communications.

VICE-CHAIR WHITE: So moved.

COUNCILMEMBER KING Second.

CHAIR HOKAMA: Okay, motion by Mr. White, seconded by Ms. King. Members, any further discussion? With none, all in favor of the motion, say "aye."

COUNCILMEMBERS: Aye.

CHAIR HOKAMA: Opposed, say "no." Motion passes with seven "ayes," six "ayes," three excused, Mr. Carroll, Ms. Cochran, Mr. Guzman.

VOTE: AYES: Chair Hokama, Vice-Chair White, and Councilmembers Atay, Crivello, King, and Sugimura.

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmembers Carroll, Cochran, and Guzman.

MOTION CARRIED.

ACTION: FIRST READING of bills and **FILING** of communication by C.R.

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CHAIR HOKAMA: Thank you very much. We'll move on to the next one.

**ITEM 170: AMENDING THE FISCAL YEAR 2019 BUDGET:
DEPARTMENT OF FINANCE (COUNTYWIDE EQUIPMENT) (cc
18-328)**

CHAIR HOKAMA: This is the BF-170. This is with the Department of Finance requesting an amendment for the Fiscal Year 2019 Budget under Countywide Equipment. We have Communication 18-328, from the Budget Director, with a proposed bill for an ordinance, oh, we have three bills for an ordinance. Okay, first one is regarding bond/lapse bond Countywide projects, this is for four automated refuse trucks for Central Maui, West Maui, and Makawao, as well as one roll-off truck for Central Maui Landfill, and one wheel-loader for Central Maui Landfill. Second bill is to amend the general obligation bond authorization by decreasing the appropriation under Department of Finance by \$145,000, and third, bill for an ordinance is to amend Appendix C - Capital Improvement Projects, Countywide Equipment by reducing appropriations for the four automated refuse trucks, increasing appropriation for one wheel-loader and decreasing total appropriation by 145, and we also have received documents entitled Bid Results, County of Maui, Department of Finance - Purchasing Division. Mr. Baz, any comments at this time?

MR. BAZ: Yeah, thank you, Mr. Chair and Members. And so, this is an amendment to these three bills. The main budget bill, the bond authorization bill, and Appendix C of the budget. It most clearly outlined in Appendix C, but basically, we went out to bid for lease equipment for the Solid Waste Division of Environmental Management and the four automated refuse trucks came in lower than expected, as well as the roll-off truck for the Central Maui Landfill, excuse me, the residential...the roll-off truck for the residential drop off at Central Maui Landfill came in lower than expected. The loader for the Central Maui Landfill did come in \$15,000 more than what was expected, so we are asking an amendment to...the total appropriation has been reduced as the Chair mentioned by \$145,000 but we're in there asking for an additional \$15,000 for that specific loader at Central Maui Landfill. So, we have the Department here if there's any questions specific, you also have the bid results so that you can see and identify the actual costs of those different types of equipment. Department of Finance is here as well in case you had any questions about the equipment bond itself. Yeah, thank you, Mr. Chair.

CHAIR HOKAMA: Okay, thank you. Mr. Walker, any comments you want to share with the Committee on this item?

MR. WALKER: No. Good morning, Chair, Committee Members. I defer to the Budget Director and the Department to explain the details. Thank you.

CHAIR HOKAMA: Okay, thank you. Mr. Miyamoto, comments for the Department?

MR. MIYAMOTO: Thank you, Mr. Chair. No comments at this time. Thank you.

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CHAIR HOKAMA: Okay. Mr. White, questions for our gentlemen?

VICE-CHAIR WHITE: No questions. Thank you.

CHAIR HOKAMA: Okay. Ms. King, questions?

COUNCILMEMBER KING: I guess just, it just looks like we're saving \$145,000, that's the bottom line, so that looks great to me, wish this could happen all the time. Thank you.

CHAIR HOKAMA: Yeah, savor the moment, savor the moment. Ms. Crivello, questions?

COUNCILMEMBER CRIVELLO: No, just ditto. Good savings. Thank you.

CHAIR HOKAMA: Thank you. Mr. Atay?

COUNCILMEMBER ATAY: Yeah, same here. I applaud the savings; however, I'm trying to get clear on bid results. So, you mean to say what I'm seeing there's only one company was putting in a bid, like, say, for the loader and for the trucks? Were there...there's no other companies that put bids in?

CHAIR HOKAMA: Department?

MR. MIYAMOTO: Thank you, Mr. Chair. Yes, there was one company that could meet the specs that we required to, for the equipment that we had. Thank you.

CHAIR HOKAMA: Mr. Atay?

COUNCILMEMBER ATAY: No, I'm just thinking out loud. No questions.

CHAIR HOKAMA: Does it maybe help us still getting the Department or Division requirements but maybe generalizing some of the specs a little more so that maybe more people might want to bid? I mean, I've seen us write specs where I can tell you there's only one car, one model, one company gonna build that car for us, okay. I've seen how we can write those type of specs or you could write it so that maybe it's wide enough that can fit ten different models, ten different makers, ten different prices.

COUNCILMEMBER ATAY: Yeah, yeah.

CHAIR HOKAMA: Okay. So, it depends how we want to approach still taking care of the needs of the Department and the program and the men, so...

COUNCILMEMBER ATAY: I think, Chair, that's kind of like my...what I was kind of thinking is how do we be open to our community if we only specifically focus the specs and yet there are, for example, tractor equipment companies that have loaders that can do the same lifting of the rocks so that there is more of a competitive bidding process, as well as for the trucks. So, same line of thinking that I was having.

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CHAIR HOKAMA: Well, that's part of our so called evolution, yeah. I used to have only one dentist, now I get three. Okay. I mean, I had only one doctor, I get four. I mean, everything's such a specialty now that, you know, nobody really does everything. You gotta go to this one, so, you know, you look at our equipment. Departments or people have gotten so specialized only one, they say only one guy can build this truck for us or this vehicle for us, so I'm into seeing if we can get more competitiveness through smarter procurement, but we can work with the departments. And, I would say that is something for those that return should be questioning future nominees of directors that want to be confirmed, your approach to purchasing. How do you manage your money? We welcome Mr. Guzman.

COUNCILMEMBER GUZMAN: Good morning, Chair.

CHAIR HOKAMA: Ms. Sugimura, any questions?

COUNCILMEMBER SUGIMURA: No questions.

CHAIR HOKAMA: Thank you. We're on item 170, which is the Countywide equipment. If there's no further questions, first, good job on good numbers. The Chair is open to one motion for the following, recommending to Council, passage on first reading, be order to print the following: one, A Bill for an Ordinance Amending the Fiscal Year 2019 Budget for the County of Maui as it Pertains to Estimated Revenues; Department of Finance, Countywide, Other Projects, Countywide Equipment; Total Capital Improvement Project, and, excuse me, Total Capital Improvement Project Appropriations; and Total Appropriations (Operating and Capital Improvement Projects); two, A Bill for an Ordinance Amending Ordinance No. 4858, Bill No. 54 of 2018, Relating to the Issuance of General Obligation Bonds of the County of Maui Issuance, Sale and Delivery of Said Bonds (Countywide Equipment); third, A Bill for an Ordinance Amending the Fiscal Year 2019 Budget for the County of Maui as it Pertains to Appendix C - Capital Improvement Projects, Department of Finance, Countywide, Countywide Equipment; allowing Staff to make non-substantive adjustments; and filing of all appropriate communications.

VICE-CHAIR WHITE: So move, Chair.

COUNCILMEMBER SUGIMURA: Second.

CHAIR HOKAMA: Motion by Mr. White, seconded by Ms. Sugimura. Do we have further discussion? If not, all in favor of the motion, say "aye."

COUNCILMEMBERS: Aye.

CHAIR HOKAMA: Opposed, say "no." Motion passes with seven "ayes," excused Mr. Carroll and Ms. Cochran.

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VOTE: AYES: Chair Hokama, Vice-Chair White, and Councilmembers Atay, Crivello, Guzman, King, and Sugimura.

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmembers Carroll and Cochran.

MOTION CARRIED.

ACTION: FIRST READING of bills and **FILING** of communication by C.R.

CHAIR HOKAMA: Okay, next. Thank you very much, gentlemen.

ITEM 169: AMENDING THE FISCAL YEAR 2019 BUDGET: DEPARTMENT OF WATER SUPPLY (KAUPO WATER TANK IMPROVEMENTS) (CC 18-327)

CHAIR HOKAMA: BF-169, this is to Amend the Fiscal Year 2019 Budget, Department of Water Supply, subheading, Kaupo Water Tank Improvements. We have Communication 18-327, from the Budget Director. Okay, we have a proposed bill, let's see, this is by one, increasing Carryover/Savings of 450,000, requesting an amendment to Section 4.J., adding Hana Community Plan area, Water Supply, Water Fund - Unrestricted, Kaupo Water Tank improvements and adjusting totals accordingly. We also have another bill for an ordinance that would amend Appendix C - Capital Improvement Projects, stating Kaupo Water Tank project as well as certifications. Mr. Baz, any comments?

MR. BAZ: Thank you, Mr. Chair. So, the Department of Water Supply has requested this funding so that they may be able to replace and upgrade the tank in Kaupo. We do have certified funds available in Water Supply revenues that were over and above what was required for Fiscal Year 2018 operations, so we're gonna be utilizing those funds. And we do have our Director of Water Supply, Ms. Gladys Baisa, here to describe the project further and answer any questions, and we're available as well. Thank you.

CHAIR HOKAMA: Okay, thank you, Mr. Baz. Director Baisa, comments please?

MS. BAISA: Thank you very much, Chair and Members of the Water Resources, I mean, I'm sorry, the Budget and Finance Committee. I'm so used to Water Resources, I automatically go there. It's a pleasure to be with you this morning to be finally

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addressing this issue. It's very sentimental to me. I look back into the records when I got here because I had been hearing about this for many, many years, and was surprised to find out that it all began in 1941, which means I was barely one year old and I celebrated a 78th birthday very shortly, a few weeks ago, so it's been around for a very long time. And it was mentioned earlier by a testifier, the issue of integrity. And for me, that's a big piece of it. We have had an agreement with Kaupo Ranch and the folks that live out there for many, many years, and they've been very patient and very cooperative. I think that we've come up with a very good plan as to how we're gonna move forward in making sure that they have adequate water. I want to point out that the water we're providing is non-potable water. Everybody who has a meter out there has signed a legal agreement with us and it's on their statement every month that they know that the water they receive is non-potable and is restricted for that use, and so there's a real good understanding there. I think in a very long range plan we would like to see that turned into a potable system, but we agreed that we should start with the first phase and the first phase, of course, is the replacing of this tank and we're replacing a 50,000 gallon tank with \$100,000...a 100,000 gallon tank, so we're already doubling the capacity. And, of course, there is much more work to be done, but Kaupo will be doing a large part of it. There is a partnership going here, and I brought my Chief Program Engineer, Wendy Taomoto, with all the details and also the engineer who is working with her on it and that's Tammy Yeh, and they have all of the details about specifications or bids or whatever you want to know. I also have my Fiscal Officer in the gallery in case we have any money questions. So, Chair, those are just my introductory remarks, and thank you for the opportunity.

CHAIR HOKAMA: Okay. Thank you very much. Members, we also have Mr. Ferreira if you need him to respond to something he may be able to respond to. Mr. White, questions?

VICE-CHAIR WHITE: Yeah, just to, you know, we've talked about this being a hybrid system, and I'm just wondering if we've done a calculation as to how much the County, how much of the cost of the upgrades to the system? I know the ranch is doing a significant amount of the work, but I'm just wondering if the, if we have any idea what the ranch is spending compared to what the County is spending or just a rough estimate?

CHAIR HOKAMA: Director?

MS. BAISA: Chair, I would like to ask Mr. Ferreira to answer that question. He's very involved and has good answers. I may guess and I don't want to guess. Thank you.

VICE-CHAIR WHITE: Thank you.

CHAIR HOKAMA: Any objection, Members, to having Mr. Ferreira join us?

COUNCILMEMBER VOICED NO OBJECTION.

CHAIR HOKAMA: Mr. Ferreira, do you need the question repeated?

MR. FERREIRA: No.

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CHAIR HOKAMA: Okay, thank you.

MR. FERREIRA: I did a calculation on what, going back 15 years on what Kaupo has spent in this water system. Kaupo in 2010, we put in a deep water well, 647 feet, because the mountain water is not sufficient during the summer months. So, we went out and put that well in, cost us well over \$700,000. There is also an additional 18 tanks on Kaupo that joins into this system. And my calculation on what we've spent over the 52 years in our water system amounts to \$82,000 a year is what the calculation came. The high cost was putting in the well, because that well cost us well over \$700,000. So, that's my answer for you.

VICE-CHAIR WHITE: Good. Well, that was what I figured but with the testimony we received this morning, which was, you know, appropriately asking the question, you know, why are we doing this in one system, and I know that the...I know a little bit about ranch water systems. I know they cost a lot of money, so I just wanted to get that on the record. Thank you.

MR. FERREIRA: Thank you.

VICE-CHAIR WHITE: Thank you, Chair.

CHAIR HOKAMA: Okay, thank you. Ms. Sugimura, any questions --

COUNCILMEMBER SUGIMURA: No questions.

CHAIR HOKAMA: --for our resources? Okay, Mr. Atay, resource questions?

COUNCILMEMBER ATAY: Chair, I have no question for our resource person, but I do have things to share.

CHAIR HOKAMA: Okay. Yeah, Mr. Ferreira, yeah, please, relax, sit down. Yeah, relax.

COUNCILMEMBER ATAY: Okay, Chair, you know, as the Water Resources Chairman, I did have an opportunity, I think some, I don't know how many months ago, 16 months ago or so, the opportunity to do a site visit. Actually, I was out there to visit with the Kaupo community and just so happen to meet Mr. Ferreira not knowing, you know, he was gonna take me go riding up into the mountains and we went way up to the top to the source of where the water comes from the mountain, and I was just blown away to see a little ten-foot wide, a mountain pond that the water is coming out of the mountain and filling that up and they had a pipe that caught that water and through gravity flow went towards the Kaupo Village. I saw a very, very, I want to emphasize another very, antiquated tank that I think was like barely stuck together, look like was Bondo sidings and I said, wow, you know this is the water that goes toward the people down below and it was an open tank so the birds and the animals had access to it as well as, you know...it was a eye-opener for me. And then returning here I found out that this is a collaborative project from the ranch and the County with the community to just

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providing water, agriculture water, and with that I saw the necessity of taking care of the community with their sources of water properly and I think, you know, we've taken several months to get to here, but I, from what I've seen I think the Department working together with the ranch merits this thing moving forward. And it's an agreement that existed for well over 75-plus years and they patient, you know, the community patient waiting for resources. From what I've seen, it's long overdue to fix the tank and get the water to them. So, I'm in support.

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

COUNCILMEMBER KING: No, Chair. I just would echo Mr. Atay's statements and I've been out to Kaupo several times in the last six months for supporting different organizations, couple of times had a chance to sit and talk directly with Mr. Ferreira about this, so I'm fairly familiar with it and I support the project.

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

COUNCILMEMBER GUZMAN: Yeah, just a...so, back in the 2018, no sorry, 2017, working on the 2018 Budget, Mr. Atay approached me as well as Mr. Ferreira, and I believe in that Budget Session we went into a request for this particular matter and then my Committee or at least myself as well as Corporation Counsel worked extensively on researching the matter. My only question at this point is the legal agreements with the particular residents that are receiving their water bills, those agreements have been executed which is complete. Correct?

CHAIR HOKAMA: Director?

MS. BAISA: Yes, thank you for your question. Thank you for the question. When I became in charge of this project about a year and a half ago, we did update every agreement.

COUNCILMEMBER GUZMAN: Okay, good, good. 'Cause that was, we had a few formal meetings on that, as well as the 1941 agreement between the County and the ranch. I know there's issues with that but is, are we...if we have to go into exec session let me know, but are we working that out 'cause I haven't touched that for awhile?

CHAIR HOKAMA: Director?

MS. BAISA: Yes, thank you. Mr. Guzman, yes, we are very much aware that there is an agreement and what we're doing is covered by that agreement. It probably would not hurt to kind of take another look at it to make sure that it's updated.

COUNCILMEMBER GUZMAN: Yeah, that was the next phase was trying to get a new agreement in place. Chair, just to let the Committee know it is a quasi-type water system where portions of it is, was built by the ranch and portions of it was built by the County, so it's both a hybrid and obviously the County does bill, but in terms of the whole entire system it's hodgepodge in terms of ownership and responsibility. And so what the next phase is we need to reestablish the responsibilities as well as some of the

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equipment cost and so forth. So, I'm glad to hear that the 1941 plan agreement is going to be updated. That was one of the issues as well. So, thank you, Chair. I'm in support.

CHAIR HOKAMA: Thank you. Any other comments, Director?

MS. BAISA: No. I...I'm very excited to hear their support. I really believe that this is, like was said earlier, there's some integrity involved here and we've had a very good relationship with Kaupo. They just go all out, you know, to work with us, have been very cooperative and incredibly patient, and I definitely will be checking. I'm sure knowing my Engineering Program Manager as well as I do that she's dotting the I's and crossing the T's, but I'll make sure that if that agreement needs any updating that we'll bring it to the Committee. Thank you.

CHAIR HOKAMA: Okay. Thank you very much for those comments. Ms. Sugimura?

COUNCILMEMBER SUGIMURA: Thank you, Chair. So, I'm just curious based upon the discussion, so the resident agreements, how many residents are there and what is the agreement? Just curious.

CHAIR HOKAMA: Director?

MS. BAISA: Yes, thank you very much, Ms. Sugimura, for the question. I would...the last time I checked there were like 21 or 22 customers on the system and maybe Mr. Ferreira would have an updated number if that is too far...it's correct?

MR. FERREIRA: That's correct. Twenty-one meters we have.

MS. BAISA: Okay, so 21 meters on the system right now and those agreements are essentially so that they understand. They're very brief agreement that says, I understand that by having this meter that I'm receiving non-potable water and that if I use it for anything but that then the meter can be removed. It's that strong because we're concerned that somebody would use it for that and the County would have liability. So, about, like about a year and a half ago we updated every single one of them with Corporation Counsel.

CHAIR HOKAMA: Thank you.

COUNCILMEMBER SUGIMURA: Thank you.

CHAIR HOKAMA: I grew up in an era that had those signs, non-potable water. So, you just boil the water. Any other questions for our resources? Okay. Yeah, hold on, yeah, Mr. Ferreira. We into the Committee business at this time, so yeah, please hold on. Any other questions needed by the Members? Okay, then we'll move to the following, the Chair will entertain the motion, a motion to do the following, send to the Council recommending passage of first reading be order to print, one, Bill for an Ordinance Amending Fiscal Year 2019 Budget for the County of Maui as it pertains to Estimated Revenues; Department of Water Supply, Hana Community Plan Area, Water Supply,

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Kaupo Water Tank Improvements; Total Capital Improvement Project Appropriations; and Total Appropriations (Operating and Capital Improvement Projects); two, A Bill for an Ordinance Amending the Fiscal Year 2019 Budget for the County of Maui as it pertains to Appendix C - Capital Improvement Projects, Department of Water Supply, Hana Community Plan Area, Kaupo Water Tank Improvements; allowing Staff to make any non-substantive adjustments; and filing of all appropriate communications.

VICE-CHAIR WHITE: So move, Chair.

COUNCILMEMBER ATAY: Second.

CHAIR HOKAMA: Okay. We have a motion by Mr. White and a second, Mr. Atay. Further discussion, members? All in favor of the motion, say "aye."

COUNCILMEMBERS: Aye.

CHAIR HOKAMA: Opposed, say "no." Motion passes with seven "ayes," two excused. Mr. Carroll who talked to me and was definitely supporting this and Ms. Cochran is excused.

VOTE: AYES: Chair Hokama, Vice-Chair White, and Councilmembers Atay, Crivello, Guzman, King, and Sugimura.

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmembers Carroll and Cochran.

MOTION CARRIED.

ACTION: FIRST READING of bills and **FILING** of communication by C.R.

CHAIR HOKAMA: So, good job, Mr. Ferreira. It's off to Council for more consideration. Yeah, so thank you for being here. Okay, Members, we are going...

MS. BAISA: Thank you.

CHAIR HOKAMA: Thank you, Director. Thank you, Department.

ITEM 168: WAILUKU HEIGHTS PARK IMPROVEMENTS (CC 18-325)

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CHAIR HOKAMA: Okay, we're gonna do one more before we take a break and that would be under BF-168, this is under Wailuku Heights Park Improvements. Okay, we have our Director here this morning for this very difficult request. So, we enjoy these, recognizing these type of things. So, let's see, we have a Communication 18-325, from Parks Department, as well as another correspondence dated September 24, from Mr. Baz and the Budget Office, with proposed bills to amend the 2019 Budget. So, Mr. Baz, anything, first?

MR. BAZ: Thank you, Mr. Chair. Yes, just to recognize the grant of \$5,000 from Wailuku Heights Community Association Extension One. They have already provided the funds. It's in a trust and agency account until it's recognized and the...it is in addition to funding that was appropriated in Fiscal Year '08, excuse me, Fiscal Year '19 for improvements to the park in Wailuku Heights and we have our Parks Director, Mr. Kaala Buenconsejo here to discuss the issue as well. So, thank you, Mr. Chair.

CHAIR HOKAMA: Okay, thank you. Director, good morning. Any comments for your Department, please?

MR. BUENCONSEJO: Chair, good morning, Members. No, just basically housekeeping for the acceptance of the \$5,000 that was a provision with the funding for the playground for Wailuku Heights. Thank you, Chair.

CHAIR HOKAMA: Okay, thank you. Mr. White, any questions?

VICE-CHAIR WHITE: No questions. Thank you, Chair.

CHAIR HOKAMA: Ms. Sugimura?

COUNCILMEMBER SUGIMURA: No questions.

CHAIR HOKAMA: Mr. Atay?

COUNCILMEMBER ATAY: No questions.

CHAIR HOKAMA: Ms. Crivello?

COUNCILMEMBER CRIVELLO: No questions.

CHAIR HOKAMA: Ms. King?

COUNCILMEMBER KING: Yeah, I have a question. So, was this another situation where the bids came in higher and so you were \$5,000 short or, you know, what is...

CHAIR HOKAMA: Mr. Buenconsejo? Parks?

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MR. BUENCONSEJO: Chair, Member King, no, this was totally nothing to do with that. This was a donation from the Wailuku Heights Community Association as it's part of a community outreach with the Department to --

COUNCILMEMBER KING: Okay.

MR. BUENCONSEJO: --get the project moving.

COUNCILMEMBER KING: So, it wasn't...but it was designated for the playground project?

MR. BAZ: Mr. Chair?

CHAIR HOKAMA: Mr. Baz?

MR. BAZ: Thank you. So, during the Fiscal Year 2019 deliberations the Council, the project was added and there is a proviso on the project that the association pay us \$5,000 for participation with that project. So, they were required to pay us the 5,000 as a part of that project so that the Parks Department can move forward with it.

COUNCILMEMBER KING: Oh, okay. Is that a fairly common practice for the Department or is that --

MR. BAZ: No.

COUNCILMEMBER KING: --like an anomaly or what was the purpose of that proviso?

MR. BAZ: From...this has been discussed for a number of years and it was part of it was the association working with the Parks Department wanting the improvements, and so that was a requirement that was put on funding. I think the first time it was put in was 2016. The project didn't move forward at that time, and so this now it's gonna be moving forward the requirement for the \$5,000 donation was put on this year's funding as well.

COUNCILMEMBER KING: Okay. So, they were waiting for the \$5,000 or did they put in \$10,000 altogether? They put in \$5,000 back in 2016?

MR. BAZ: The same \$5,000 requirement was there. I don't know the status of the '16 project and why it was delayed but maybe the Director does.

COUNCILMEMBER KING: Okay.

CHAIR HOKAMA: Director?

MR. BUENCONSEJO: Chair, Members, the delay wasn't due to anything with the \$5,000. It was part of the Park's systems monies, and as we go through projects and we get funding we have bulk of projects that deal with a certain amount of money, and so it falls into line if we use all the money in a certain area or project the other projects get backed up, same as in South Maui or anywhere else. It's part of the Park's systems. As we went

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into this current fiscal budget, we line itemed out that playground for Wailuku Heights and part of that provision, again, was the \$5,000 donation from the association.

COUNCILMEMBER KING: Okay. I was just...you know, I'm just curious, because I've been involved in playground projects before with partnership with the County as a private citizen, and I just wondered how, if there's some kind of standard for when we ask for monies from a community and when we don't. You know, if we're gonna put in playground structures or enhance something...

CHAIR HOKAMA: It's something we've been starting to talk more about during budget sessions, Ms. King. Some communities...this community, you know, mentioned their willingness to participate, they had no issue with the language, and they came through, you know.

COUNCILMEMBER KING: Yeah, I know. I think...

CHAIR HOKAMA: And we had the same thing with Upcountry --

COUNCILMEMBER KING: But I just...I'm just...

CHAIR HOKAMA: --but they chose not to pay.

COUNCILMEMBER KING: Yeah.

CHAIR HOKAMA: So, we had to go back to General Fund --

COUNCILMEMBER KING: Okay.

CHAIR HOKAMA: --to make up for Upcountry's verbal commitment to make up the difference and they chose not to.

COUNCILMEMBER KING: Okay. So, is that a way of getting, I mean, I'm just trying to speak on behalf of communities. Is that a way of getting projects moved up by being willing to fund it privately partially, you know?

CHAIR HOKAMA: It's a practice we've done on even the Napili Fire Station that community pushed that and helped fund it and that's why the project moved forward faster.

COUNCILMEMBER KING: Okay. That's what I was asking you --

CHAIR HOKAMA: Yeah.

COUNCILMEMBER KING: --was what, you know, what is the benefit to, you know, for more communities coming forward and asking to be able to participate like that.

CHAIR HOKAMA: Yeah, again, the Council has looked at it project by project in general and how much the County has been putting into the areas as well. So, we make those

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decisions per, by request. This...I wouldn't say there's a general policy or approach for the Councils, but we've made adjustments for every region, Molokai, Hana, Lanai, South Maui, West Maui, we've made those adjustments. Regarding this, any further questions on this \$5,000 donation? It is part of the Budget Ordinance under Central Maui. It is under General Fund, two, under subheading two, Central Maui Park System proviso A, that the Wailuku Heights Extension Community Association contribute \$5,000 for improvements to the park. And this was their expression to us had to be for the park and that's where the money goes. Anything else, Director?

MR. BUENCONSEJO: Chair, not at this time.

CHAIR HOKAMA: Okay. Mr. Baz, anything else?

MR. BAZ: No, Mr. Chair. Thank you.

CHAIR HOKAMA: Members, anything else you would like to ask? If not, the Chair will take a, recommend a motion to move to Council, passage on first reading, be ordered to print the following, okay, one, we have a proposed resolution that is Authorizing the [sic] Acceptance of a Donation of \$5,000 from Wailuku Heights Extension Community Association for Park Improvements to Wailuku Heights Park, Pursuant to Chapter 3.56, Maui County Code; then pass first reading, be ordered to print A Bill, one, for an Ordinance Amending Fiscal Year 2019 Budget for the County of Maui as it Pertains to Appendix A, Part I, Grants and Restricted Use Revenues - Schedule of Grants and Restricted Use Revenues by Departments and Programs, Department of Parks and Recreation, subheading, Private Donations - Wailuku Heights Extension Community Association; two, A Bill for an Ordinance Amending the Fiscal Year 2019 Budget for the County of Maui as it pertains to Appendix C - Capital Improvement Projects, Department of Parks and Recreation, Wailuku-Kahului Community Plan Area, Central Maui Parks System' allowing Staff to make non-substantive adjustments; and filing of appropriate communications.

VICE-CHAIR WHITE: So move, Chair.

COUNCILMEMBER ATAY: Second.

CHAIR HOKAMA: We do have long titles, yeah, for our bills. Motion by Mr. White, seconded by Mr. Atay. Anything further discussion, Members? All in favor of the motion please, say "aye."

COUNCILMEMBERS: Aye.

CHAIR HOKAMA: All in...opposed, say "no." Motion passes with seven "ayes" and two excused.

**VOTE: AYES: Chair Hokama, Vice-Chair White, and
Councilmembers Atay, Crivello, Guzman, King,
and Sugimura.**

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NOES: **None.**

ABSTAIN: **None.**

ABSENT: **None.**

EXC.: **Councilmembers Carroll and Cochran.**

MOTION CARRIED.

ACTION: **ADOPTION** of resolution, **FIRST READING** of bills, and **FILING** of communication by C.R.

CHAIR HOKAMA: Thank you. We'll take break, and then we'll finish up with BF-106 and 41. So, be back at 10:10, please. . . .(gavel). . .

RECESS: 9:58 a.m.
RECONVENE: 10:10 a.m.

CHAIR HOKAMA: . . .(gavel). . . We're back to order. Thank you, Members.

**ITEM 106: HUMAN CAPITAL MANAGEMENT (HCM)/PAYROLL
REPLACEMENT PROJECT (MISC)**

CHAIR HOKAMA: May I direct you to BF-106. This is our review under Human Capital Management, subheading is HCM/Payroll Replacement Project. We have some various communications, miscellaneous dated July 28, 2017, another one dated October 6, 2017, another one, November 6, 2017, and, of course, with the communications come various contracts as referred to this Committee for review. And, let's see, the last one is September 7, 2018, whereby we have also Contract C5869-2, which is an amendment 2 of the contract between the County and ADP for time extension of services, Accounts Division, Sole Source 16-15 and another \$180,000 addition to the contract. So, this morning we have Director Walker joining us. Director, good morning. Any comments at this time?

MR. WALKER: Good morning, Chair, Council, Committee Members. No, I'm here to answer any questions you may have regarding the project and anything related to Finance. Thank you.

CHAIR HOKAMA: Okay, thank you. Mr. Verkerke, any comments you wish to share at this time?

MR. VERKERKE: Good morning, Chair. I'd be happy to answer any questions the Committee may have. I can give you a quick initial update on how the project is progressing. As you have heard, I think, in previous presentations this is a complicated project with

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many moving parts. The parts are all moving quite nicely. We have...we're in the stage now where we're doing a lot of testing on the functionality that's been configured in the new product and the testing results, the test results are actually very encouraging so things are looking pretty good. There's a lot of work to be done still, but we're pretty optimistic on how the project will wrap up. Thank you.

CHAIR HOKAMA: Okay, thank you for those comments, Mr. Verkerke. We also have Personnel Services with us with our Deputy. So, Cynthia, any comments you like to share with us at this time on this item?

MS. RAZO-PORTER: Good morning, Chair and Committee Members. Just happy to be here to answer any questions that you have and for your support on this project.

CHAIR HOKAMA: Okay.

MS. RAZO-PORTER: Thank you.

CHAIR HOKAMA: Thank you. Yeah, no, part of the review today is for us to be, again, apprised by the current status what have been the challenges and a few things, so we can set the general parameters. Our understanding is with this component, the original go-live date was October 1, 2018, the original, okay, we get it. You've informed us in August revised to December 16. We understand you've talked about your testing efforts regarding accuracy and regarding our payroll effectiveness, I would say. So, for us, what is the actual status of the Workday project?

MR. VERKERKE: Mr. Chair?

CHAIR HOKAMA: Mr. Verkerke?

MR. VERKERKE: We believe that the December 16 go-live date is still a very realistic go-live date. We are confident that major portions of the new systems are already ready to go live. We are focusing most of our testing on the time capture and the rules associated with the time entry. We will have a major decision point on October 15th, when sufficient rounds of testing on the time capture and the payroll processing have been completed to decide exactly where we're at. So, until that time and given the results I mentioned that we obtained last week, we are still very much looking at December 16th as the go-live date.

CHAIR HOKAMA: Okay. So, again, help us understand that the from the Committee two communications and this is from the Managing Director's Office...you know what, instead of I tell you what we think, why don't you tell us what is the role of ADP currently since part of this whole process was to end our service with ADP? So, we're still using ADP and help us understand the role since we invested in Workday.

MR. VERKERKE: Mr. Chair, until we have gone live with all aspects of phase one of the project, you may remember that there is a phase two where we will focus more on HR/Personnel functions for recruiting and performance management and things like that. But phase

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one is focused primarily on the payroll, core HR, and time tracking, so until we have gone live with all aspects of that phase one, ADP will provide services to make sure that staff gets paid on time. That would be a bit of a transition, of course, because of the timing of entering timesheets and payouts, also with, you know, submitted leave requests and everything, we need to make sure there is a solid transition that everything gets taken care of. So, ADP will play a role in making sure that things are correct. They will have to produce, if I'm not mistaking, mistaken, the tax forms at the end of the year, W-2s. So, you know, when we're kind of living in both worlds, ADP will still be very much part of the picture. After we've gone live, time tracking and payroll processing they'll be done completely in Workday; however, one of the requirements of the project is and one of the functional design, underlying functional design decisions in Workday is that people get paid for their regular time and any overtime or what have you on the same cycle. Right now, under ADP, say the pay period just ended September 30, you would get your pay for your regular pay on October 15. If you worked any overtime, you would get paid on October 31st. On the Workday, that difference between when you get your regular pay and your overtime pay is eliminated, so your overtime and your regular pay would happen for the September 30 pay period on October 15th. That means that the processing time for people to enter, you know, all the details in their timesheet, for the departmental DPO's to review that, for the payroll staff to review that and process in time so that pay can be produced on the 15th is much tighter. So, one of the requirements that come out of that tighter schedule is that we don't want to allow, say, three days for a printed paycheck to travel from wherever it would be printed to Maui and that's about the allowance we have under the current set up. So, the requirement was that paychecks need to be printed within this date. Workday does not have facilities to print paychecks within the State so that we only have a mailing from, say, Oahu or wherever it would be printed to Maui, not from the mainland. So, ADP, we went out with a request for proposals and evaluated the various proposals. It turned out that ADP had the most cost effective way of printing checks in the State. So, they don't process payroll, they just get the completed payroll file and print it on the appropriate payroll stock, paycheck stock, and send it to us. So, they will continue to provide --

CHAIR HOKAMA: Well, ADP, --

MR. VERKERKE: --the printing service.

CHAIR HOKAMA: --Mr. Verkerke, is a subcontractor to Workday or they're a direct vendor providing adjusted services to County Finance Department?

MR. VERKERKE: So, they're not a subcontractor to Workday. The arrangement is directly with the County, but they receive the, process payroll information ready for printing from Workday.

CHAIR HOKAMA: Okay. So, we started this to replace ADP, but now all we did was add one more step and one more guy we gotta pay another bill to?

MR. VERKERKE: Well, we're replacing the processing of time information and of payroll. The last step of printing a physical paycheck is really...I mean, it's important but it's...

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CHAIR HOKAMA: No, we understand, you know, the logistic challenges you gotta deal, but my hard thing is, you know, are we being told that people take leaves or vacation or leave time unauthorized or after they take it now they gotta do the paperwork and figure out if that employee deserves that time so that now it's one paycheck? Man, we used to do this...Lanai was hourly workers every day, every check was slightly different, and yet they got that payroll done every other week, checks come in from Oahu for hundreds of employees. Geez. This is not going in the direction I would like. Mr. White, questions?

VICE-CHAIR WHITE: Thank you, Chair. How are we doing from a budget standpoint? Are we over, under, or right on budget?

MR. VERKERKE: The contract with Workday and their implementation partners, Sierra-Cedar, is a fixed bid contract, so there is no impact on the budget. You know they will do the job for the price agreed originally. Unless the scope changes or anything like that there's no reason for the budget to be affected by the delay from October to December.

VICE-CHAIR WHITE: And if you put the total separate from the annual fees that will be paid later, what is the total cost of the system at this point?

MR. VERKERKE: One second please. The implementation effort provided by Sierra-Cedar, the contract total is \$2,840,000. For Workday, the contract really is the annual subscription to this cloud-based solution. And so, that's an ongoing cost.

VICE-CHAIR WHITE: Okay. So, we're not buying the program or not paying for the program up front other than the implementation to the contractor?

MR. VERKERKE: That's correct. The model for cloud-based solutions is different than if it were running on computers in our data center. So, there isn't so much of a license fee anymore, it's all subscription based that includes license and maintenance. There is some additional cost for ongoing training beyond the subscription fees and there is a, I believe, it's a \$79,000 component to the Workday contract called delivery assurance where they make sure that the implementation partner follows their methodology and their processes. 'Cause since it's in the cloud, they need to, Workday needs to update and configure, what they call, tenants in the cloud, you know, instances of our solution and the delivery assurance is designed to make sure that that process, any implementation process is subject to review and scrutiny to make sure that the end product is in line with Workday's standards of quality.

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

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

COUNCILMEMBER GUZMAN: I'm good, thank you.

CHAIR HOKAMA: Ms. King?

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COUNCILMEMBER KING: I guess...thank you, Chair. I guess my main concern is, you know, I know we're looking at a new timeline but things seem to be moving, but are we still on track with the original reasons for moving into this program as far as saving money and efficiency?

MR. VERKERKE: I believe we are very much so. The concerns that existed with the ADP implementation of payroll and time tracking and the concerns that existed with the age and the lack of support for the HR system haven't changed. This solution will address that. We will have a solution that is efficient, is well designed that this is going to be continuously maintained by the vendor, because that's one of the benefits of the cloud-based solution. They...it's their environment. They maintain it. It's not up to us to decide whether or not we're ready for an update. We will have to just go along with their cycle on that, which ensures that we always have the latest updates of the product available. So, I believe that the intent of the product...of the project to address the processing concerns and the diminishing support for some of the systems that we had will be fully addressed by this project.

COUNCILMEMBER KING: Okay. Chair, if I can follow up with one more question? Thank you. I was just interested when you were talking about reconciling paychecks, so rather than having overtime being paid, I don't know, two weeks or a month later, it's gonna be the same paycheck. And so, is there gonna be a period at the beginning when this launches is where that it's gonna actually cost us a lot more money upfront because we have to now cover that amount of money all in one paycheck instead of waiting for two weeks or a month, you know? I'm just curious whether that was a function of, the original intent of those delays was a function of economy, you know, trying to stretch it out or if it was just the function of, you know, or malfunction or whatever of the original program. But I think if we have hundreds of employees and then when we launch this we're going to...the first paychecks are going to come out, you know, possibly some of them double what they originally were and we have to cover that up front instead of a month later, you know. Will that require an adjustment in the budget for that first initial launch?

CHAIR HOKAMA: Director?

MR. WALKER: Thank you, Chair. It's not going to affect the budget. They were due the money anyway. We were gonna have to pay it, and so I guess it's more from a cash flow perspective.

COUNCILMEMBER KING: Right. That's what I, yeah, I'm talking about, cash flow.

MR. WALKER: I'm confident we have the money.

COUNCILMEMBER KING: Oh, okay. All right. Thank you, Chair.

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

COUNCILMEMBER ATAY: No questions.

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CHAIR HOKAMA: Ms. Sugimura?

COUNCILMEMBER SUGIMURA: No questions. I'm grateful for the explanation and the overview. Thank you.

CHAIR HOKAMA: Mr. White, other questions? Are we currently paying Workday their monthly fees to provide us for services by, although we're not operational?

MR. VERKERKE: Mr. Chair, yes, that's industry standard for cloud-based solutions and even for some on-premise solutions that once you start using the software for configuration for testing you pay for the maintenance, because while that project is going on and you may not have gone live yet you're entitled to upgrades, you're entitled to fixes to the program if there's problems that are discovered during the project or by other customers or functionality enhancements that are normal in the life cycle of a product. You're entitled to that as soon as you install the software, so in exchange they require that you pay the maintenance for the product.

CHAIR HOKAMA: Okay. Now, between Workday and Sierra-Cedar, my understanding that's two separate contracts with the County. Yet I'm trying to understand what actually is Sierra-Cedar. Is it a subsidiary of Workday? Since the way it's explained to us, says Sierra-Cedar is the implementation partner for Workday. So, what kind of business relationship is that? Are they...it's same...all to the same holding company or they share directors on both boards?

MR. VERKERKE: Mr. Chair, to my knowledge there is no such relationship where they are part of a holding company or share directors. It is not unusual and it's becoming more common that a software developer recognizes that implementation services are something that they're not always excel at. They...many of them like prefer to focus on the development of functionality and the maintenance of the product and have special partnerships with independent companies that specialize and develop a lot of expertise in the efforts and the challenges with the implementation and working with customers, so this is such an arrangement. Sierra-Cedar has the same arrangement with other software developers. It's not an exclusive arrangement between Workday and Sierra-Cedar, but they provide similar implementation services for other software developers. And, now, Workday does offer those professional services and when we were evaluating proposals, we explored that because it was kind of a first for us to really see that separation between the software developer and the implementation services provider, but we quickly discovered that Sierra-Cedar's implementation services come at a very high premium, so it wouldn't have been cost effective. And the delivery assurance that I mentioned earlier that is a component of the Workday contract gave us confidence that Workday takes responsibility for how their product is being implemented. So, it's not like they go, you know, you do whatever you want, we don't care. They recognize that the reputation of their product is affected by how successful an implementation project is and that delivery assurance component is designed to make sure that these quality standards are met.

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CHAIR HOKAMA: Okay, thank you for that, Mr. Verkerke. Personnel Services, have you folks had any unforeseen challenges that you folks have to work through right now?

MS. RAZO-PORTER: So, we have a relatively small Department, but we've been managing as best as we can. I haven't noticed any, you know, dips in our services but we have a large percentage of our staff that's either dedicated to the project or helping with the project. So, we're continuing along. Thank you.

CHAIR HOKAMA: Okay. No, we just, again, want to make sure we put our resources in the right areas of support, so if you are having issues we would like to be aware of it. And so, Mr. Verkerke, with the payroll, again, yeah, while we know you got your little, we have little pockets, so Water Department has their...so, everything is gonna be under one payroll system whether it's Water Department, Transportation...we just have one system now?

MS. RAZO-PORTER: Yes.

CHAIR HOKAMA: Mr. Verkerke?

MR. VERKERKE: Mr. Chair, yes, everybody will be...although, payroll processing for every department will go through the system. One of the things that is currently being tested and accommodations that were designed are being exercised to allow Water to continue with its practices of, if I may call it that, job costing that they do. So, the...from the beginning, the system requirement and configuration design was done with all those variations in mind.

CHAIR HOKAMA: Director Walker, what is our current status or capability of printing checks in house?

MR. WALKER: Thank you, Chair. Currently, we don't have any check printing capabilities. We don't have the printers or and not set up to do that as ADP has been doing that for us since we've been under that contract. And I don't know...I wasn't here then, I don't know when was the last time we actually printed payroll checks in house, but currently, we're not set up to do that.

CHAIR HOKAMA: Okay. Yeah, yeah. Like I said, I think this is gonna be my fourth payroll system in my years of service. Maybe, Mr. Ueoka, if you need you can give us some comment. Can...is it within our purview to create policy whereby we can consider, let's say, required direct deposit of paychecks? Then we don't need to print and the employee gets it online, all the details immediately, so they know how much went to Federal for taxes, Social Security, State, FICA, payroll deductions. Is that something if we do that's one less item we have to pay a vendor who is now we paying another vendor to do for the first vendor? Getting kinda crazy, we get one more step now instead of one less step. Is that something we can consider?

MR. UEOKA: Thank you, Chair. I'm...I think this body could pass a law, something to that effect. I would encourage a lot more research going into it, for instance.

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CHAIR HOKAMA: I understand, yeah. We would need to do our appropriate thorough due diligence. I just want the County to know we have choices, yeah, with technology and one is to get rid of the paper.

MR. UEOKA: I think one of the first things probably we should think about is possibly union consultation. I'm not sure if a paper paycheck is included in a CBA in any way, shape, or form. I'm not sure. I'd rather not state way or the other on that.

CHAIR HOKAMA: No, no, no. Yeah.

MR. UEOKA: But yeah, I think would be a big change in the way everything's looked at, so but I think we could definitely look at the legality of it, but as far as the functionality of it there would be a lot more research that would need to go into it. Thank you, Chair.

CHAIR HOKAMA: Well, I can tell you I just went to a big event with, what, 55,000 people, no paper. Everything had to be digital to enter the facility. No paper allowed. I mean, it's being done out there, so maybe we should consider if there is an advantage for this County, something we can think about. Any other questions regarding this project, because I'm gonna defer this? We're gonna continue to follow up on the status until we get this implemented and operational and then we'll do a complete audit after that of the project. So, anything else for either Mr. Verkerke, Mr. Walker, or Cynthia Razo-Porter?

MR. VERKERKE: Mr. Chair?

CHAIR HOKAMA: Mr. Verkerke?

MR. VERKERKE: I just want to mention it bears repeating how much effort the staff in Payroll, Personnel and other departments is putting into this project. It's remarkable how hard they work in addition to their regular workload, and I think that's one of the key factors that will deliver a successful project. It just bears repeating 'cause they probably don't hear enough how much it's appreciated how much effort is being put into this effort. Thank you.

CHAIR HOKAMA: Yeah, thank you for that statement. We appreciate you keeping us in mind of those that actually do the work in the trenches. Director?

MR. WALKER: Yeah, Mr. Chair, thank you. Also, I just want to repeat that the central goal of this project is to deliver a quality product and this testing is very important. We're not gonna roll out a product that's 85 percent done or 93 percent done. It's gotta work from end to end, and so keep that in mind as we move down this road that many times in these types of processes you fix one thing it breaks another thing. And so, there are unseen things right around the corner, but our goal is quality and our vendor Workday is on board with us to deliver a quality product, so that's what we're deliver at the end of the day.

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CHAIR HOKAMA: Thank you for that statement. Yeah, we will support you because what we pay for is 100 percent product. So, we agree with you and we'll help ensure you that the County will get the 100 percent product we paying for. So, with no objection, Members, we'll defer this item.

COUNCILMEMBERS VOICED NO OBJECTIONS.

ACTION: DEFER pending further discussion.

CHAIR HOKAMA: Okay. This item is deferred. Thank you very much, gentlemen and lady.

ITEM 41: DISPOSITION OF THE LOTS AT THE FAIRWAYS AT MAUI LANI (CC 17-115)

CHAIR HOKAMA: Okay. We got one last item to review this morning. It is BF-41, under the heading of Disposition of Lots at the Fairways at Maui Lani. Okay, we are in receipt again of, within the Committee of a County Communication 17-115, from Director of Finance. We also have correspondence dated June 6, 2017, from Department of Corporation Counsel, with a revised proposed resolution regarding the disposal of the lots at Maui Lani. Okay. So, all of you, Members, know we went through a, various steps on this item within the Committee and the Council. We did adopt Resolution 17-155, I believe, and that was having the Administration put forth a RFP or request for sales within affordable, affordability restrictions, and Finance and Department of Housing and Human Concerns did put out the RFP. And as I've been informed, we had no responses to the RFP as it was recommended to us by various housing advocates. So, the specs that they advocated for that is what we've put out. No response, no interest. Okay. So, we are back after trying what were asked of us. We're back to where we are and that is with the original consideration of a proposed resolution to sell the County's 50-plus lots at and at upset price requirement of a minimum of a \$9,817,500. It is my desire that we think about it, talk about it. I believe this position is one of the better options for you to consider today or in the very near future. For me, since the Department doesn't have one for us, but we are aware of the cycle of funding as it goes with HOME funds, other State funds. About 2020, we'll be back in the rotation. So, from the Council side we can start preparing funds and look at projects until the Department is ready to submit something for us to consider under a housing plan, but we will not wait for them. It will be your Chair's recommendation that with the funding available in this potential pot we can start preparing projects that we'd like to move forward including advancing certain infrastructure requirements. Okay, so we will...and when need be we should do our own water exploration development, too, and not wait appropriately. So, that is your Chair's general parameter at how I would like you to look at this that this is one of the steps we can prepare our County financially for the support we want to provide to the housing issue and challenge. Mr. Walker, any comments at this time?

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MR. WALKER: Thank you, Chair. I thought I'd just give you just a quick update on cost, carrying costs for this project --

CHAIR HOKAMA: Okay, thank you.

MR. WALKER: --because cost keep is rolling along despite the fact that we still own the property. Year...total to date since acquisition for the parcels in question is \$336,656. It appears that on an annual basis we're looking at roughly 55,000 to \$56,000 a year in costs. The information I would pass along to the Committee is I had our real property manager look at recent comps in the area just to see, hey, what's the market doing. I think we are all, all know that the market's been pretty good over the last two years or so. Interestingly, sold listings that are comparable to the property we own, prices are down about 10.6 percent from the same time last year. Now, again, this is just a snapshot one month to the, to a year later, so it's not a, necessarily a trend. I just wanted to point that out, but also we know that interest rates are going up, so from a buyer's perspective it's a little tougher to buy as rates go higher. So, for the Committee's information and use, you know, the market may be softening slightly over when we first discussed this in early 2017. Thank you, Chair.

CHAIR HOKAMA: No, thank you for those comments and factors we should consider. Well, I guess, for one perspective, I guess the buyer will say, well, makes it maybe it was the price for me, of course, they need to add interest, so I hope they're doing their calculations smartly. Mr. White, any questions you would like to ask?

VICE-CHAIR WHITE: Thank you, Chair. Can you provide us the details on what the comparables were? You said that it was showing a reduction of about 10 percent. How many lots were included in that comparison or if you have that information?

MR. WALKER: Give me a second, I'll count 'em up. I mean, it's not a ton. Looks like nine sales roughly in this period and, I'm sorry, in the prior period, seven in the period I mentioned.

VICE-CHAIR WHITE: Nine in the prior period and then seven--

MR. WALKER: Yes.

VICE-CHAIR WHITE: --in the...

MR. WALKER: September, I think it's September to September.

VICE-CHAIR WHITE: The periods are the...are one-year periods or?

MR. WALKER: No, in a specific month. I'm just saying this same time last year. I think he ran this in September.

VICE-CHAIR WHITE: Okay, okay.

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MR. WALKER: Right.

VICE-CHAIR WHITE: So, nine sales a year ago and seven sales --

MR. WALKER: Right, right.

VICE-CHAIR WHITE: --in September?

MR. WALKER: Correct.

VICE-CHAIR WHITE: Okay. Okay. I...of course, we don't know the details of, you know, personal situations that might, you know, might force somebody to sell something now because they can't wait. And...

MR. WALKER: The number I used to come up with the percentage, it was a median as opposed to an average so that, you know, a particular sale didn't skew the market as much. So, anyway, just for your information.

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

CHAIR HOKAMA: Okay, thank you. Mr. Guzman, any questions at this time?

COUNCILMEMBER GUZMAN: Just to refresh my memory, the actual settlement that we paid out was roughly around 12 mil for the properties?

MR. WALKER: Eleven-point-seven.

COUNCILMEMBER GUZMAN: Eleven-point-seven. Okay, thank you.

CHAIR HOKAMA: Okay, thank you. Ms. King, any questions?

COUNCILMEMBER KING: Well, I have questions for our Housing Director, but do you...

CHAIR HOKAMA: That's fine. No, no, you can ask --

COUNCILMEMBER KING: Oh okay.

CHAIR HOKAMA: --Mr. Spence questions.

COUNCILMEMBER KING: Okay. Yeah, Mr. Spence, I don't recall anything being referred...this project being referenced in that recent housing report that we just commissioned, that we reviewed recently. Do you know why it was not looked at, you know, when they were identifying plots of land?

MR. SPENCE: Mr. Chairman?

CHAIR HOKAMA: Mr. Spence?

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MR. SPENCE: Thank you for the question. The...I believe they were, the, SMS was looking for larger parcels, these being individual parcels, as I recall this, there were a number of, these were like, 6,500, 7,500 square feet. So, they were looking for larger two, three, five-acre properties that could be developed, so...and beyond that, I don't know. I kind of had that same question myself.

COUNCILMEMBER KING: Okay, thank you. Yeah, I'm just curious because these lots are obviously way more advanced than anything else we've got in the County, so just wondering why that wasn't look at. That's my main question. I'm sure I'll think of more. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Atay, any questions you would like to pose?

COUNCILMEMBER ATAY: Yeah, thank you, Chair. So, as you mentioned, I think the settlement was 11.7 million and you mentioned that the carrying cost for today was over 300,000, so that would bring us right at 12 million into this project or I...

CHAIR HOKAMA: Yeah, round numbers, yeah.

COUNCILMEMBER ATAY: Yeah. And so, I'm trying to think...well, I think, Director Spence, you know, what would be the Housing Department's plan in addressing housing? The concern I have is that we have shovel-ready lots that, you know, pretty much you're ready to get built. Can...rather than just selling it all one time, can they be RFP'd out, like ten houses each and ask developers or builders give us a bid on building and completing and moving out ten houses at a time? Can that approach be done?

CHAIR HOKAMA: Director?

MR. SPENCE: Thank you, Mr. Chairman. Well, and first let me say, I just got back from the East Coast yesterday, and so saw this was on the agenda so I scrambled a little bit to look at the reports and the materials that were posted. The...I know they...the task force looked at a number of items including the bulk sales, including selling out ten lots at a time, a number of different things, developing the properties ourselves. The...I don't believe the question for the task force was asked about RFP'ing out, say ten lots at a time, but my understanding from the Finance Director is we did do an RFP for the, to have a developer come in and build on the lots. I, that predates my tenure here. The...I believe if Mr. Walker wants to give you more information on that particular RFP, he would be much more knowledgeable of that. But, I brought up all the stuff with the task force just to say that they did look at a number of different options. This other option that you're speaking of, I believe, Mr. Walker would have more knowledge.

CHAIR HOKAMA: Director Walker?

MR. WALKER: Thank you, Chair. Thank you, Councilmember Atay, for the question. Again, for the record, I wasn't a member of the task force, Finance was just staffing it, but I've read the report and, obviously, I was privy to the conversations. Certainly, you know,

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it's this body's decision on how they want to dispose of the property if at all, and so you could break it up any way you wanted to. I think originally, you know, the recommendation from the task force was to sell it and they looked at, well, should we sell it all at one time, should we sell it in varying block sizes, and the decision was made to sell it as an all in one for all of the lots because of the market and the time it would take to sell it in smaller increments. They felt that it was better to take the large lump sum, put it into the Affordable Housing Fund as opposed to potentially stretching out the sale, you know, in smaller chunks and maybe lose the market, I think, was the overall thinking. Thank you, Chair.

CHAIR HOKAMA: Mr. Atay? Thank you. Ms. Sugimura?

COUNCILMEMBER SUGIMURA: Yeah, thank you. I was gonna just ask for a recap of what that committee, the conclusion was. But just for, you know I hate to do this, but public information, the RFP that was put out that it wouldn't get any bidders, could you summarize it? I don't know if it's Finance or Housing.

CHAIR HOKAMA: Director Walker?

MR. WALKER: Based on a friendly resolution, I believe, from the Council, which outlined various terms, we put out a invitation for bid in January of 2018 with bids to be open in early February. I mean, there were a number of conditions. I not sure if you want me to go through all of those. There was a minimum required purchase price of 8 million.

CHAIR HOKAMA: Mr. Ueoka?

MR. UEOKA: Thank you, Chair. Without getting into the specifics about RFP, I can tell you that the reso that this body passed, which was the basis for the RFP, required like the Director said \$8 million sale price for all the lots, 1,100 square feet minimum lot size but that's due to the Maui Lani CC&Rs. Of course, you'd have to comply with all of the Maui Lani CC&Rs. The, 25 of the single family dwelling units would need to be sold to buyers who are very low income and low income as defined by 2.96 for a price of \$290,450 including land and building improvements. The other 25 single-family dwellings units would need to be sold to below moderate income as defined under 2.96 for a price of 372,000 and \$372,050, those are the prices. And, it was gonna force all 50 units be sold to very low income, low income and below moderate income buyers, not allowing for the timing opt out that exists in 2.96. So, those are the...and I don't believe we weren't gonna be offering any credits, residential workforce housing credits for project either, that was per the reso. Thank you, Chair.

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

MR. WALKER: And I would just add the other condition, which was I think was a big one, was a requirement that they post a performance bond of 12 million in favor of the County.

CHAIR HOKAMA: Ms. Sugimura?

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COUNCILMEMBER SUGIMURA: Yeah, thank you. I just want to...I want it to be recapped just so that everybody understands where we're coming from and where we're going to. So, I support this where the Budget Chair is going towards for this property and what the future goals are and what we're trying to do in the big picture. So, thank you, Chair.

CHAIR HOKAMA: Thank you. Members, further questions you'd like to pose to, we have couple of departments here? Mr. White?

VICE-CHAIR WHITE: Not a question, Chair, but I think it's important to point out that while we put conditions on the sales prices that could be, that the houses could be offered at, we also gave an 18½ percent price reduction that we were willing to accept in order to provide additional subsidy for lack of a better term, and so even with that additional subsidy no one took, you know, took the opportunity to bid on it. So, I think it's...it just simply is a reminder that building affordable housing is not easy whether government does it or whether the private sector does it. And, you know, we're...those of us who have been here awhile are used to subsidizing affordable housing and as we've said there's no affordable housing that isn't subsidized either by government or the market buyers or by housing credits. So, there's no getting around it. So, I'm in favor of moving forward with this. I was one that wanted to sell these lots individually because I thought we might get a little better pricing, but at the same time I'm, you know...the guys that were on the committee that made the decision to sell it in a lump sum are much more familiar with these kinds of things than I am. So, I'll defer to them. Thank you, Chair.

CHAIR HOKAMA: Thank you. Ms. King?

COUNCILMEMBER KING: Yeah, thank you, Chair. I guess, I'm still a not wanting to give up on this property, because I think it's one of the few potential affordable housing properties that we have that's this far along, and I do agree with Mr. White that we are, you know, we are...we do subsidize affordable housing with the recognition that we need it. So, this project to me is, I guess, a question of how much do we subsidize to make it worthwhile for someone to develop. Do we sell it individually? Do we carve it up and...or do we subsidize the lot prices at a higher rate so that it makes it more attractive? And I don't know what the answers to that...I would...I really think it needs...and I was, so I was disappointed that it wasn't in that report, the affordable housing report because I would have like to have seen that. But, I guess my question to Mr. Spence, now that you've gone from Planning to Housing Department and I've heard this subject being talked about in the candidate forums and both candidates for mayor are saying that the County should get involved in developing housing ourselves. So, do you have any thoughts on that since you, I mean, I hate, I don't want to put you on the spot but I just, I'm really curious to know, you know, is this something that this, other counties do it, other cities do it, Honolulu's doing it now, so what is your opinion on that?

CHAIR HOKAMA: Keep it short because we're only supposed to be on Maui Lani lots.

MR. SPENCE: Okay.

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CHAIR HOKAMA: Okay.

MR. SPENCE: Thank you, Mr. Chairman. My thought on the...I think the County should be involved in developing. I don't think we should be the developer. I think we should partner with developers, but constructing housing is of such a complex nature with so many moving parts and has enough risk that...well, I'll just say historically municipalities doing the constructions has been a disaster. So, we should be partnering with people and letting them do the building.

COUNCILMEMBER KING: Okay. Thank you. I appreciate that.

CHAIR HOKAMA: Okay. Yes, Mr. Atay?

COUNCILMEMBER ATAY: Thank you, Chair. I guess, I, too, don't really want to give up on this project. You know, the issue is housing and we have, you know, the biggest cost of housing development is the cost of the land, which we the County already own it. Second biggest cost is the cost of infrastructure in the subdivision, which the County, we already got it. You know, to, so I'm trying to look for solutions because we're 12 million in and I represent looking after the best interest of the people's money. I'm not ready to take a \$4 million loss. So, with that, you know, the other thoughts that was shared was to pursue Maui Lani's CC&Rs to see if their CC&Rs could be amended, whether the Administration or the Housing Department amend the CC&Rs that would allow ohana units/duplex units type of constructions, bringing the construction part of building homes to a level of affordability. And, our initial communication with the overall Maui Lani group was that is an option that is out there, but did the Administration or Housing Department pursue that?

CHAIR HOKAMA: Director?

MR. SPENCE: Thank you, Councilmember Atay, for that. I'm not aware that we...that anybody within the County looked at amending their CC&Rs and I have not looked at them. But I'll tell you traditionally it's very difficult to change CC&Rs, because it requires the, sometimes, 75 percent of the membership to do so, sometimes a higher percentage. So, it's not just us pursuing it, it would have to be all the other property owners in the area.

COUNCILMEMBER ATAY: It...Chair? In my earlier discussion, I know this, we discussed this matter but, you know, this is a subdivision that's like a 50-plus lot island, you know, lots of...it's an island of 55-plus lots that would qualify as their own structured association and that's why I'm inquire, you know, possible checking the CC&Rs. You know, can we investigate? Yes?

MR. UEOKA: Thank you, Chair. I believe as part of the task force they, we did look into that; however, you're still part of the Maui Lani master plan and part of that, I guess, project district. So, you would always be subject to the overall Maui Lani CC&Rs and, I guess, you can make your own CC&Rs, which could further restrict, but I don't necessarily think that's what you're trying to do here. So, I don't know if that would necessarily be helpful for this project. You could try and get out of the CC&Rs of Maui Lani. There

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are different ways to do it. I'm not sure how effective they would be 'cause this is, of course, right on their golf course, right next to their, or adjacent to one of their other areas, so not sure how simple of a task that would be. Thank you.

COUNCILMEMBER ATAY: Yeah. I'm just inquiring that 'cause I, you know, like I said, I don't want to give up on this, and I don't want to take this \$4 million loss. I don't want to lose time. We have an issue of addressing housing for our people. We walk away and we got lots developed, we got infrastructure developed. We got roads. We got everything. And, if we give it up, what do we get? The next possible land that we have is gonna take us seven more years to go through the permit hoops. So, we're telling our people we're almost there, but we gonna give it up to start all over and wait another seven years for another opportunity of housing. I have a...Chair, I just have a hard time with that, but that's my position and I, you know.

CHAIR HOKAMA: And that's fine, Mr. Atay. That's fine.

COUNCILMEMBER ATAY: Yeah.

CHAIR HOKAMA: Anyone else? Mr. White?

VICE-CHAIR WHITE: Thank you, Chair. I certainly understand Mr. Atay's point. It is a little frustrating but at the same time we have a fiduciary responsibility to get as much as we can from the assets that we have at our disposal and have under our responsibility. And, I have a little bit of a challenge after already taking a potential loss on this to further subsidize these lots by building and then, you know, taking on the building costs and then still selling at the \$370,000 amount, because then we're further subsidizing this and taking a further haircut. So, yeah, it's frustrating but I think we've got a responsibility to move in the direction that gives us the most to play with and gives us the opportunity to spread that into way more than 50 units. Thank you, Chair.

CHAIR HOKAMA: Yeah, thank you. Anyone else? Mr. Guzman?

COUNCILMEMBER GUZMAN: Yeah, Chair, yeah. I agree with what Mr. White is saying on the fiduciary portions of our responsibility but also in terms of what Mr. Atay is saying. My concern is the public auction. If we were to...and you know as well as I do, Chair, you know, we set the price at 9 million, 9.8, goes to public auction, obviously, it's gonna go down, you know, whatever the bids are, so we're not even guaranteed 9.8. And so, unless you have...is it locked in? Is it a firm?

CHAIR HOKAMA: Mr. Ueoka?

COUNCILMEMBER GUZMAN: So, okay, it's firm. So, whether we're not gonna...Mr. Ueoka, may have him respond, Chair?

CHAIR HOKAMA: Yes. Mr. Ueoka?

MR. UEOKA: Thank you, Chair. Yes, Mr. Guzman, you're correct. It's a floor of 9.817.

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COUNCILMEMBER GUZMAN: Okay.

MR. UEOKA: If bids come in below that, the Director of Finance is not authorized to sell per this reso.

COUNCILMEMBER GUZMAN: Okay.

MR. UEOKA: Thank you, Chair.

COUNCILMEMBER GUZMAN: That's a clarity. Thank you. Thank you for that clarification. My other thought process, Chair, if I can be frank, this is a black eye in the Arakawa one Administration. Things happen, things were not done correctly, it's never been, you know, supported thereafter the settlement. And so, yeah, it's a hot potato, and I can see that the Administration, at least in my perspective, hasn't duly been enthusiastic or accommodating to try to develop. It's like a hot potato, something that they want to erase right away. So, when we went out and did the RFPs, you know, I heard things that were, oh yeah, we're not really going to pursue this, we just want to sell this in the end, you know, that's the perception I was receiving and eventually it would go off to auction and someone out there could get a really good deal on 12 or 11.7 million worth of property. I'm not at this point willing to go that route. I want to see a new administration come forward whether it's one or the other, whoever the mayor is, but with some type of idea or planning that could happen for these properties or in the alternative what would we do with the money if we were to sell. What is the plan? You know, what...is there a backup plan once we receive the money if we sell? That is the missing element, you know, it's like unsurety. It's like, okay, we're gonna sell but what are you gonna do with the money once we get it, are we gonna start seven years down the road again? What's the plan? Give me some insurances that something will happen and that's the blank portion that I'm kinda concerned about. Either we're gonna plan and develop this property or there's a set alternative plan that we're gonna move forward with. So, that's where I sit right now, Chair. Thank you.

CHAIR HOKAMA: No, thank you. Your Chair had wanted to hear from all of you your perspectives, your ideas. And one of the good things is we have multiple perspectives, which means, you know, it's good we having multiple thoughts of how we can best utilize assets. So, your Chair will just say a few things and I, and we all can count, okay. I did good in mathematics and arithmetic's or I can count. And, again, it's hard just for five members to make a major policy decision, but I appreciate you folks being here because for your Chair there's couple of things. One as I think Mr. Guzman alluded to earlier, potentially we should not even be in this situation today, okay. This is because of legal action taken against the County. So, for one I would agree that if we did things according to the Code and what was allowed at that point in time we wouldn't, it shouldn't be here today on this item. Okay, there would be no 55 lots for us to consider, one. Two, it is what it is though. We have 55 lots and we spent almost \$12 million. That's correct. But from the time we did the settlement to now, for your Chair, it is too long a time of having this asset just sit and do nothing. Make a call and make a decision and move forward, stop spinning on the dime, which is what Council has been doing

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and administrations have been doing. That's not good enough, okay. We've heard all about it. We shouldn't give . . . *(inaudible)* . . . I agree, but the boogeyman is CC&Rs. It runs with the land, okay. And I going tell you now, I have yet to see a successful amendment to change and reduce restrictions on private land. I've never seen it done successfully once it gets established. So, if it happens it's gonna be very major to get this changed, especially when you have the amount of participants under this agreement. And now, I think Mr. Ueoka should also be a state...besides the master agreement there are other smaller CC&Rs within certain components of the master development. So, you may have to work through multiple agreements. And, again, I hear you about giving the new administration _____. I'm open to that, but my thing is at least you're thinking about what you want to do with it. My thing is by 2020 with the Federal dollars available, with this potentially sold, and let's say we just earned \$10 million, we will have enough money in the bank to make a project go and not have to wait seven years because you gotta now leverage and get more money, okay. Potentially we should have enough monies, if we do this right, in my projections that the County can help fund and do on, with the appropriate as, I think Mr. Spence say, partner with the right developer another project within the numbers of Kaiwahine to go, to construct, not wait, okay. And my thing is you will take away what everybody bitches about. Well, where's the money? Okay. I'm saying we'll set up the money now. Let's challenge the other guys and say get your butts and put us the plan, let's get to the shovel. I'm tired too. I'm getting, as my mother told me before she passed, don't forget you owe too, and that's true. So, we've talked about a lot. I need to see a lot more than just talking about it. Okay. So, my thing, people, is part of my approach to this item is get the cash, let's put in the pot, and get ready to finance when we get those HOME monies and other, and fund the project for construction by 2020, not 2025. If we don't do it in 2020, the Department say we're ready to go, and we're going to say, okay, we gotta go find money, okay. No, we'll put the money upfront. If this is not the site, I got Lanai. I'm ready to push Lanai. It's been revised. That's our project. We own the land. It's abutting existing development. We got the water, we got the electrical, we got the sewer. We can move Lanai. We can move MCC dorms. We can adjust Code and do experimental housing and revise standards to bring down pricing and use technology. That's my approach, Members, take away the lame excuse where the money is. I think this is one County that has shown to the, I would say, maybe at times not to their advantage, the State and Fed, our ability to fund our priorities 'cause we make hard financial decisions to provide for this County. Okay, so we've raised taxes, and I can tell you I just came back from international real property assessment where Maui was recognized for excellence. Maui received a certificate of excellence in appraisal, okay. And I can tell you, they talked about one thing, and in the country, I can tell you one thing, the general taxpayer of real property in the USA really doesn't care about the value and they really don't care about the rate. At the end of the day, they care about what is the bill they have to pay, that number, that's the number they want to know, and that's the number they're concerned about, not the rate and assessment. How much in dollars and cents do I have to pay my governing body on my bill? That's what they came across in their surveys, not the rate, not the value. I do owe you, what, \$3,000...Austin they grumble, average they say, \$6,000 real property tax, residential, 6,000. Okay, that's what they concerned about, not the value, not the rate, that \$6,000 bill. That's what they're concerned about. Okay, so for us, Members, back to this again. You've heard my

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financial reason why I think this makes sense. And, again, I would say, let us put this out. They still have to come back and report and we gotta agree to the actual disposition, yeah. But, I would say let's go authorize it and see if there is interest. If there's not, we're not required to sell. Okay, we can keep holding it. My challenge to the Department and all you then is throw us another plan, throw us another plan I'm presenting you a financial plan to be open to shovel ready projects in, for 2020, okay. That's what I'm presenting. If you feel that that's not the right plan, that's fine with me, I'm happy to support another plan, please offer it, please offer it, because I want the people to know we've been trying, we've been looking at options, we've put up proposals, we've been trying, okay. Sometime I guess it's not the money, sometime it's not the land, okay. I don't know what it is, but we keep trying, so that's where I coming on this item at this point in time. Mr. White?

VICE-CHAIR WHITE: Thank you, Chair. I'd also just like to remind the Members that, you know, we've thrown out the number of \$4 million and I think that was in relationship to the \$8 million price tag that we're, we have in the previous reso. This resolution is offering the lots at a reduction of about 1.9 million from 11.7, so it's only, it's a 16 percent discount for selling it all together and I, so I don't...I think the value, the general value is there, but the numbers that we're looking at are not at the 4 million level. I think it's a reasonable amount. Thank you.

CHAIR HOKAMA: Mr. Guzman.

COUNCILMEMBER GUZMAN: Thank you, Chair. When we did this settlement for the 11.7 million, and it may reference to Mr. Ueoka, was that paid through our self-insurance or is that out of the General Fund when we paid out for the settlement?

CHAIR HOKAMA: Mr. Ueoka, do you recall?

MR. UEOKA: Yeah, I believe it was some kind of litigation fund that was paid out of, but theoretically that money does come from the General Fund in a sense. Thank you.

COUNCILMEMBER GUZMAN: So, specifically, was that a percent? Did any of our self-insurance pay for it? I mean, was it a part of the settlement? You said there was a litigation fund, we had a most...which specific litigation fund are you talking about?

CHAIR HOKAMA: We have the _____ and settlement under Finance.

COUNCILMEMBER GUZMAN: Yeah, the settlement, right. So...

MR. BAZ: Yeah, Mr. Chair?

CHAIR HOKAMA: Mr. Baz?

COUNCILMEMBER GUZMAN: Mr. Baz?

MR. BAZ: Yes, thank you. The appropriation was in the self-insurance program --

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COUNCILMEMBER GUZMAN: Okay.

MR. BAZ: --and out of the General Fund, so those were, it was made over two fiscal years.

COUNCILMEMBER GUZMAN: Okay, thank you.

CHAIR HOKAMA: And Department of Corporation Counsel in conjunction with Finance submit their monthly reports and when we look at the, part of their reports is under claims and settlements the departments have listed those specific amounts that when they did have payouts. So, I know they've been keeping track of the totals and everything else. It's public information unless there's an issue, we filed that communication normally at Council, so that's how I can verify that they have reported and given us updates as required. Okay, anyone else?

COUNCILMEMBER SUGIMURA: I just...

CHAIR HOKAMA: Ms. Sugimura?

COUNCILMEMBER SUGIMURA: I just have a question.

CHAIR HOKAMA: Yes?

COUNCILMEMBER SUGIMURA: So, the \$9 million or whatever that amount is --

CHAIR HOKAMA: Yes.

COUNCILMEMBER SUGIMURA: --are you open to making it more? I'm hearing we're talking about 12 million and I just curious about that.

CHAIR HOKAMA: Again, yeah, part of the due diligence was to get a status, so you've heard the Director of Finance, Mr. Walker, said that the market has in this snapshot of time, he gave us an adjustment of pricing or percent of value has a change. He said again whether it's a trend or not, we're not verifying that. We just giving you a snapshot of time that about 10 percent adjustment happened within 12 months. Again, you know, there's major factors we have no control over that's impacting value right now. One, the tariffs. Okay. The battle of the nations on tariffs. Yeah. Two, watch the value of gold, please. You know, see which way the gold is going, the metal gold. And, third, again, is interest rates that the Feds has made an adjustment, so you dealing with three bit monetary factors that will influence the buyer because of interest and what is then the new adjusted price. For me, I don't have an issue making appropriate adjustments. That's our due diligence, as long as we can justify it and defend the number, that's fine with me. But I think we need to make a call, and, you know, if one is wait for a new administration and allow that mayor and new director an opportunity, that's fine with me. But, to me, the clock's ticking. And I would like us to be able to do a project that I can, that I say can be done in 2020. That's in my estimation. It can be done if we get the money ready.

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COUNCILMEMBER SUGIMURA: Agree.

CHAIR HOKAMA: Okay, so, okay, so two things, Members, and again, I know it's tough there's only five of us. So, the Chair will do one . . . *(inaudible)* . . . either we move this resolution forward and see what happens or we can defer it. Again, I think this was good discussion. I think the community needed to hear our thoughts so, you know. Mr. Atay?

COUNCILMEMBER ATAY: Chair, if I may, I personally, today, am not ready to support this moving forward.

CHAIR HOKAMA: Yeah. That's fine.

COUNCILMEMBER ATAY: I would, you know, if not a current Administration or Housing Director or when the new administration whoever that is assigns their housing director to come up with a plan and/or the new administration also be a part of what do we do with this lots, these lots moving forward. So, today, I'm not ready.

CHAIR HOKAMA: That's fine, Mr. Atay. Yes, Ms. Sugimura?

COUNCILMEMBER SUGIMURA: Can I ask for a short recess?

CHAIR HOKAMA: Okay, sure. Short recess. . . .*(gavel)*. . .

RECESS: 11:27 a.m.
RECONVENE: 11:33 a.m.

CHAIR HOKAMA: . . .*(gavel)*. . . Okay, we're back to order, thank you. Last one that spoke again was Mr. Atay. So, thank you for your comments. I understand your point and, you know, thank you for that sharing that. Okay, anyone else wants to speak? Because then, if not, the Chair has either one of two things, yeah. We're either going to defer the item or we can move this out to Council for Council consideration. Okay, so...

COUNCILMEMBER SUGIMURA: Sandy.

MR. BAZ: Um...

CHAIR HOKAMA: Yes, Mister...oh, and wait. Before we even consider which way we wanna go, I asked Mr. Baz if he has any information as far as update of status that may help us this morning. Mr. Baz?

MR. BAZ: Thank you, Mr. Chair. So, you know, having sat on the Committee and discussed this and looked at different options and been a part of the County's involvement in construction of the Kulamalu Affordable Rental Project, should we be able to change the CC&Rs or get out of the Project District or whatever the method of removing the types restrictions on there, and do lot consolidation, rezoning kind of situation, which is a

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possibility, which I would kind of like the idea of 'cause we need more rentals. In my opinion this...in my opinion, we need a lot more rentals. And so if we did that, using Kulamalu as the model that was multifamily projects, we did 64 units there, total cost of it...if we take that cost of construction and apply it to the land that we've acquired, you know, for very expensively, then we're looking at over \$500 a unit...\$500,000 a unit that we'll be have invested in these individual rental units. So, just for the Committee consideration of different options when you're looking at that what could you get for \$500,000 a unit in other areas or for other purposes? It's something that maybe the Housing Department needs to take into consideration when we're looking at these different options in the Committee because finance, just, you know, as your Budget Director, financially looking at it, you know, it seems to me that there are lesser cost options. I don't know exactly what's currently like shovel ready as you mentioned but there may be lower cost options where we can get more units for a lower cost and actually provide more housing units for our citizens, so just for the Committee's consideration whether it's deferred today or you vote on it just to understand that unfortunately this land is, it's available, it's purchased, it's County, it's got infrastructure, but it's very expensive. The Kulamalu one had infrastructure as well, so it was ready to go. We had water credits. We had all of the...all the infrastructure was in there ready in place and it still cost us a significant amount of money to develop, so just, you know, for the Committee's consideration. Thank you, Mr. Chair.

CHAIR HOKAMA: Okay, thank you for those comments. Any questions Members would like to ask Mr. Baz on his information provided? Ms. Crivello?

COUNCILMEMBER CRIVELLO: I'm sorry I had to step out for a bit, and I may have missed this. What is the actual yearly cost, our monthly cost for the County's maintenance fees if that has been mentioned?

CHAIR HOKAMA: Mr. Walker, if you can respond, please?

MR. WALKER: Yeah, roughly 55 to 56,000 a year.

COUNCILMEMBER CRIVELLO: Okay, thank you.

CHAIR HOKAMA: Okay, thank you. Anyone else has a question for our gentlemen? Okay, so, Members, first I'm gonna ask for a motion. If that doesn't go, depending on the outcome, then I do have a Plan B. So, the Chair at this time would entertain a motion to recommend to Council consideration of the proposed revised resolution as stated in our agenda, Authorizing the Disposal of the Lots Comprising the Fairways at Maui Lani by Public Auction; allowing Staff to make any appropriate non-substantive adjustments; and filing of any and all appropriate communications.

VICE-CHAIR WHITE: So move, Chair.

COUNCILMEMBER SUGIMURA: Second.

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CHAIR HOKAMA: Motion by Mr. White, seconded by Ms. Sugimura. Discussion, Members? Okay, none. I know all of you did state your positions and reasons. One last opportunity. If not, all in favor the motion, say "aye."

COUNCILMEMBERS: Aye.

CHAIR HOKAMA: Oppose, say "no."

COUNCILMEMBER ATAY: No.

COUNCILMEMBER GUZMAN: . . . *(raised his hand in opposition to the motion)* . . .

CHAIR HOKAMA: Okay, we have two noes, Mr. Guzman and Mr. Atay. So, the motion does fail.

VOTE: AYES: Chair Hokama, Vice-Chair White, and Councilmembers Crivello, and Sugimura.

NOES: Councilmembers Atay and Guzman.

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmembers Carroll, Cochran, and King.

MOTION FAILED.

CHAIR HOKAMA: Any objection, Members, we defer this item?

COUNCILMEMBERS: No objections.

CHAIR HOKAMA: Okay, we'll defer item BF-41. So, thank you very much. This was very good discussion. We have completed our agenda and we are adjourned, thank you. . . . *(gavel)* . . .

ACTION: DEFER pending further discussion.

ADJOURN: 11:39 a.m.

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APPROVED:

A handwritten signature in black ink, appearing to read "Riki Hokama", is written over a horizontal line. The signature is fluid and cursive.

RIKI HOKAMA, Chair
Budget and Finance Committee

bf:min:181002:mb

Transcribed by: Michelle Balala

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CERTIFICATE

I, Michelle Balala, 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 24th day of October, 2018, in Kihei, Hawaii



Michelle Balala