

BUDGET AND FINANCE COMMITTEE

Council of the County of Maui

MINUTES

December 4, 2018

Council Chamber

CONVENE: 9:02 a.m.

PRESENT: Councilmember Riki Hokama, Chair
Councilmember Mike White, Vice-Chair
Councilmember Alika Atay, Member
Councilmember Robert Carroll, Member (out 10:29 a.m.)
Councilmember Elle Cochran, Member (in 9:07 a.m.)
Councilmember Stacy Crivello, Member
Councilmember Don S. Guzman, Member (in 9:51 a.m.)
Councilmember Yuki Lei K. Sugimura, Member

EXCUSED: VOTING MEMBERS:
Councilmember Kelly T. King, 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.: Mark Walker, Director, Department of Finance (BF-52(2), BF-138, BF-177)
John (Jack) Kulp, Deputy Director, Department of Finance (BF-52(2))
Guy Hironaka, Real Property Manager, Department of Finance (BF-138)
David Goode, Director, Department of Public Works (BF-138)
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

Seated in the audience

May Anne Alibin, Treasurer, Treasury Division, Department of Finance (BF-52(2))

Gregory King, Central Purchasing Agent, Purchasing Division, Department of Finance (BF-52(2))

Marci Sato, Accounting System Administrator, Accounts Division, Department of Finance (BF-52(2))

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OTHERS: Mark Steranka, Partner, Moss Adams LLP (BF-52(2))
Colleen Rozillis, Senior Manager, Moss Adams LLP (BF-52(2))
Robin Shishido, District Engineer, Maui District, Highways Division, State
Department of Transportation (BF-138)
Others (2)

PRESS: Akaku: Maui Community Television, Inc.

CHAIR HOKAMA: ...*(gavel)*... The Council's Committee on Budget and Finance shall come to order. This is our regular meeting of 4, December 2018. Present this morning is Vice-Chairman, Mr. White.

VICE-CHAIR WHITE: Good morning, Chair.

CHAIR HOKAMA: Good morning. We have Committee members, Mr. Carroll.

COUNCILMEMBER CARROLL: Oh, good morning, Chair.

CHAIR HOKAMA: Good morning. Happy holidays. Ms. Crivello.

COUNCILMEMBER CRIVELLO: Aloha, good morning, Chair.

CHAIR HOKAMA: Good morning. Mr. Atay.

COUNCILMEMBER ATAY: Good morning.

CHAIR HOKAMA: Good morning. Ms. Sugimura.

COUNCILMEMBER SUGIMURA: Happy holiday, Chair.

CHAIR HOKAMA: Happy holidays. We excuse Ms. Cochran, Mr. Guzman and Ms. King. This morning, Members, we have a long agenda but it's a doable agenda. At this time before we start the review as provided on our posting requirements for public notice and information, we will take public testimony if there is such requests. We have no requests within the Chambers, and we'll ask our District Offices if anyone has gone to their offices for comment. To East Maui and Ms. Lono, anyone wishing to provide testimony, please?

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

CHAIR HOKAMA: Thank you very much. On Lanai, Ms. Fernandez, anyone wishing to provide testimony?

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

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CHAIR HOKAMA: Thank you. And, Ms. Alcon, anyone on Molokai who would like 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: Much mahalo, ladies. Members, with no requests for testimony for today's meeting I will close that portion of our agenda with no objections.

COUNCILMEMBERS: No objections.

CHAIR HOKAMA: Thank you, Members, so ordered. The Chair would also like to state before we start our agenda I would like to publicly thank, Mr. Arthur Suyama.

COUNCILMEMBER SUGIMURA: Yay.

CHAIR HOKAMA: Mr. Suyama does this annually on his own where he decorates the Council Chambers with all of this beautiful holiday decorations and so, to Arthur, we thank you for your kindness, for your giving and helping to help the County, let's spread the holiday spirit to our whole community. So, to, Arthur Suyama, much mahalos to you.

**ITEM 52(2): PRESENTATION ON THE DEPARTMENT OF FINANCE
(ACCOUNTS, PURCHASING, AND TREASURY PROGRAMS)
AND PERFORMANCE AUDIT REPORT**

CHAIR HOKAMA: Okay, let us now direct our attention to BF-52(2). It is the Presentation on the Department of Finance, this is the Accounts, Purchasing, and Treasury Programs and Performance Audit Report. We are in receipt, Members, of a report from Moss Adams, LLP on the audit as performed by contract through the Office of Council Services and our Chair, Mr. White, and they are now reporting back to this Committee on their findings. So, this morning we have, Colleen Rozillis and Mr. Mark Steranka from Moss Adams, LLP, and at this time, I'll turn it over to the auditors for their presentation.

MR. STERANKA: Well, good morning --

CHAIR HOKAMA: Good morning.

MR. STERANKA: --Mr. Chair, Mr. Vice-Chair, and Members of the Budget Finance Committee. Mark Steranka, I'm a partner with Moss Adams, it's a pleasure to be here. A couple of unique things so, a very unique Council Chambers setup. So, we were admiring, and I don't know, puzzling a little bit in the orientation so, it's very, very different and kind of cool. And interesting we've never had a call in where you have other, in this case islands calling in, in terms of, you know, participation stuff so, that's a unique facet for us too right, never had that before. So, thank you for having us. So, a couple of introductory comments before I turn it over to Colleen. So, we do lots of work like this with cities and counties and, you know, we really approach it from our job is to help the County

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do what it does better, and we're gonna look for small opportunities, big opportunities, whatever opportunities that are there 'cause they are, they're opportunities for improvement. And when we talk about findings, in this case this is not like an external audit where a finding is, you know, perceived and I'll say, is a bad thing. Here findings not a bad thing. It's an opportunity for improvement and you'll see that we have some larger kind of more strategic, maybe more difficult to address things and in some small sort of tactical things. And we were guided by our scope of work, which is really depicted in the RFP, and just think of it as kind of a physical, a checkup and but really, we're looking at efficiency and effectiveness, how do the people, the processes, the foundational elements, policies and procedures sort of serve the Department in meeting its obligations, its responsibilities to the County as a whole. Our process, our methodology is very straightforward, the most important thing about it though is, it's collaborative. So, we don't...get an assignment, look at a bunch of stuff, say oh, this is what we think the, you know, the County needs to do. It's really important for us to get input from members of the Finance Department, other members of the County. So, sort of the provider, service provider and the customers to of course look at relevant policies and procedures, get an understanding of how things really work, what do people do so that we can give you insights that are really in, in part, in a large part based on the insights that we're getting from people within the County. So, you know, we're not being judgmental, we're extracting information, and then what we're trying to bring are best practices. So, how do other counties, how do cities do things that might have application here, because someone else does something differently doesn't make it the right way. What's right here is what works for the County of Maui, but we do bring sort of other ideas to the table based on how other local governments do things to try to identify good ways and opportunities for improvement. So, we worked with individuals in terms of interviews and reviewing documents, shared our findings and recommendations before we got here today because we want to make sure that sort of two things, our findings, our facts are valid, right. We have a solid foundation for what we're developing our recommendations, and that the recommendations are practical. Now, there are probably a couple in here that have bigger picture Charter relevance that may not be the most easy to address, it may never get addressed, and so they might not be really high on the practicality scale, but yet still things that we wanted to address 'cause we thought it would be beneficial. And so, then finally kind of our focus, Colleen's going to share information in terms of organized by themes, so sort of what kind of bubbled up from looking at various audit objectives, but these are really the objectives that were in the RFP. So, looking at staffing, staffing levels, staffing skills, looking at organizational structures, span of control, looking at your policies and procedures, looking how you're handling certain things like cash so processes and then certain key areas of you consider risks like fixed assets. So, there are some specific areas for us to focus on and then but we'll also we're gonna be giving you feedback in terms of findings and recommendations related to these, but in some cases a little broader from that because we want to give you as much insight as we can by going through this process. So, I'm gonna turn it over to Colleen, she's gonna start talking about what we call commendations, things that we see that are working well, and then share with you where we think the other primary opportunities for improvement are. Thank you.

CHAIR HOKAMA: Thank you.

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MS. ROZILLIS: Hi, everyone. Colleen Rozillis, I'm a senior manager with Moss Adams. So, I'm gonna start with the good part, we can probably just end the presentation after this if you like talk about commendations. So, when we go into an organization we always find things that you're doing really well, and we just wanted to point out a couple of these. I think the first that's really important to point out is that pretty much across the board we got very high levels of customer satisfaction with the procurement operations in the County. That's pretty rarely the case with our customers, procurement often stands in between people getting what they want, and here it seems like the working relationship is really strong. So, we really want to commend you on that and hope to continue that. The second is that the County is undertaking a huge effort to move to a single cashiering system, and that is a huge undertaking and it's quite rare. I've been doing this for about 15 years exclusively in local government, and you're only the second client I've ever had that's had one cashiering system. So, it's a huge innovative move, and it really helps to increase consistency and decrease risk across the County, and it helps you really get stronger controls of your revenue. So, we're really happy that you're doing that. Another piece that we want to point out, and this is really to credit both the Finance Department and the Managing Director's Office, is a tremendous amount of work that has been done recently to close out audit findings. So, the Managing Director's Office and the Finance Department worked really closely together to go through audit findings back to about 2012 and made a concerted effort to close those findings, to figure out ways to improve processes and controls to be able to close those. That's not something that we see happen a lot proactively, it happens frequently reactively.

MR. STERANKA: . . .*(inaudible)*. . .

MS. ROZILLIS: Yeah, well, yeah. So, it's great to see that happening and that collaboration across departments. So, I'm gonna get into our performance audit results. We would say overall in coming in and doing an audit of a finance department, the results that we found were about par for the course. So, nothing glaring kind of in either way, there are areas certainly for improvement, but we didn't find any processes or areas where the Finance Department is broken. What we found are opportunities for improvement that are pretty common across a lot of our clients. So, we had 22 findings and recommendations. I know when I briefed Chair Hokama about this report a couple of weeks ago I had just presented a similar report that was 90 pages long. So, this reports about 35 pages long so you're probably doing okay. And so, our, so, I'm gonna cover at a high level some of the major themes in our report and then we'll open it up for questions. The first theme is about developing and updating policies and procedures. The second is about providing training both internal to the Finance Department as well as externally to your customers and partners. The third is really about staffing and ensuring that we have the right skills and staffing in the Department. And then organizational stability is really important to be able to provide significant improvements, and also consistent service delivery across the board. So, I'll get into policies and procedures. This was a major part of our scope of work, and we reviewed policies and procedures in detail in a number of areas, so in accounting, in purchasing, in investments and fixed assets, and in cash handling. So, like almost every one of our clients we need to update our policies and procedures here. It's often that policies and

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procedures fall to the backburner because we have fires to put out and frankly some people find it boring, some of us find it exciting, that's my own thing. And so, what we need to do though, and what's really important is to update our policies and procedures because many of our functions are decentralized. So, like purchasing that happens in departments, like cash handling that happens all over the County, if we don't have updated policies and procedures and people aren't trained on them, then we have a risk of non-compliance. And we have a risk of maybe not collecting all the revenues that we could, not following current business practices, it's very important to have these updated and to make sure that people are trained on them. So, what we recommend is putting together a schedule so that we're updating policies every two or three years, or if there's a change in State or Federal law or Council action would preclude that. Making sure that we dedicate enough resources to getting our policy environment intact because that's really the baseline of us providing strong service to our customers, both our citizens and businesses, as well as all of the County Departments that are customers of Finance.

MR. STERANKA: I would just add and that's what preserves your institutional knowledge, right. So, if you have turn over in positions, those policies and procedures are what guides what does the next person know how to do, what they need to do and so, that's really important in terms on continuity and institutional knowledge protection.

MS. ROZILLIS: Yeah. And this last bullet here is also relevant. So, we're in the middle of a number of large system integrations. So, first the cashiering system and then we're also implementing Workday, and those are going to mean that our procedures change as well. And that's really important as part of organizational change management when we implement a new system to be able to add that time to make sure that staff has documented procedures and they're updated and applicable to the new system. It's also we know the County's financial system is aging, and I think it's more than 20 years old, and so it's about time to start looking at upgrading that system as well that's gonna require also a significant amount of procedure revision in order to make sure that everyone understands where we are, and that we can continue to be on the same page. So, directly related to policies and procedures, so we can update them but nothing's gonna change unless we train people on them. And so, when the Finance Department changes a procedure, like a purchasing or cash handling procedure, all employees who are charged with those duties should take mandatory training as part of that policy update. There are some pieces of training and we note this in the report, in particular cash handling, individuals who have those duties should be trained when they're hired, and they should have required annual refresher training so that we make sure that they're following the regulations. And that if anything is updated that they're completely aware and are able to change their processes. We want to make sure that we remain in compliance and we don't audit findings related to these things. And we also recommended that the County develop a manager training program. So, we often have, and we note in the report, we have individuals who move into manager or supervisory roles through internal transfers, and so we need to be able to provide them with the abilities and skills to be able to manage and supervise employees that may have not been part of their training up until that point because they have been acting as an accountant and maybe not had a lot of people management duties. Accountants are

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great, I'm not an accountant, but I'll tell you that most accountants don't have managerial training as part of their training. And so, we should be able to fill in those gaps so we can help to retain our staff as well and make sure that we can develop them and have really highly functioning teams. And then again just noting that if a process is decentralized, if you have folks in departments who are out there doing financial activities, the Finance Department, while they don't oversee those activities, should have a dotted line with training and making sure that we have some accountability in that process so that we can make sure we're compliant. So, workforce development, the Finance Department here is characterized by higher turnover than other departments, part of that is the County's structure, but we also need to think about succession planning. We have a lot of individuals who are sole contributors, and it's very important in an environment where we have impending retirements or the potential for individuals to leave because of political situations that we can't control to be able to have cross-training, to be able to identify clearly what the skills and knowledge is required for each position. So, there are two pieces of that. The first is to do workforce planning, understand what we need in the Finance Department, help to identify and develop employees to fill roles that we might not currently have the skills and abilities to fill, and then also we need to update our job descriptions. So most of the job descriptions in the Finance Department haven't been updated recently. I think we found at least one that went back to the '70s. So, I'm guessing that those business processes are not the same, could be wrong, but they're probably not the same. So, we have to update job descriptions, and then in addition to updating those job descriptions, we've got to conduct performance evaluations tied to those job descriptions. We have to make sure that the performance evaluations are consistent. We have to develop employee growth and development plans so that we can retain our staff and staff can be more highly functioning than they are. In addition to that, we would recommend, like we would for pretty much any internal service department, developing a plan for service delivery. So, understanding exactly what the Finance Department does, and what those internal and external service requirements are. One thing that we have noted in the report is that as the County has undergone these very large system implementations, really the Finance Department's staff has just taken on that work as additional work and no one has backfilled, and so that creates a back log, and it also impacts morale because people are working a lot, and they're not getting through their work, and it impacts customers because they're not getting what they need as quickly as possible because folks might be dedicated to a Workday implementation or the cashiering system implementation. So, being able to understand what really the requirements are of each activity, how much staffing we need and then when we embark on a special project or a system implementation being able to backfill or reset expectations accordingly. And then finally, I'm going to talk about organizational stability. We have some recommendations about restructuring financial functions to help with operational efficiency and stability. One of the things that we looked at that, that was kind of interesting to us is that the Department of Motor Vehicles and Licensing reports to the Finance Department. So we did look at the other counties in Hawaii, most also have DMVL reporting to the Finance Department. In Honolulu it reports to a department called customer service that has a number of different customer facing areas. DMVL takes in a lot of cash, so in that regard reporting to Finance is a natural fit. On the other hand, it's pretty far outside of the scope of services that a finance director might

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by their training necessarily be able to oversee because there's a lot of customer service involved and it's a State function so something to look at. Another piece to...what do I want to talk about next, budget? I'm gonna talk about budget, okay. Another piece to think about is to shift the reporting of the Budget Department. So, right now the Budget reports to the Mayor, that's a really unique reporting situation, and it presents a risk to the County because all of those positions are appointed, and a budget is a core internal service that requires a lot of stability in order to ensure that you all have the correct information, consistent information over time in order to develop and approve a budget. And so, having all of those positions be subject to political appointment, and turnover, and instability, ultimately leads to less effective governance. And what we would suggest doing is moving budget reporting either to the Finance Department which is a very common structure, or if you'd like to keep them separate into the Managing Director's office. In any case Budget and Finance need to work more closely together, they share a lot of information already, but working more closely together and really being able to go in lockstep on revenues and expenditures, and having more consistency between the staff, would really highly benefit the County. Within Budget there's a grants function. In most other local governments that grants oversight function is in finance because it does deal with expenditures and not revenues. So, that's where we would put that. And then we have a couple of positions that have been eliminated that we recommend filling. So, one is the Assistant Accounting System Administrator, there's a lot of work that, that position could accomplish that's currently not being accomplished. And the second is the Internal Control Officer position as well. It's important to be able to minimize risks and have an understanding of the risks across the organization with respect to controls. Not having someone in that position or in a quality assurance function in the Managing Director's Office does expose you to more potential risk. We also recommended a number of department director roles, we know this would be a Charter change, but it is important to note, so I'm talking a lot about organizational stability. Budget is a great example. Where you have a core internal service like HR, IT, Finance, Budget, those should be stable because those are the backbone of the County. Without the Finance Department, without a strong HR Department we're not gonna be able to pave the roads, we're not gonna be able to provide customer service. We need to be able to have strong internal services, and the best way to do that is to have additional stability in those positions, and most other public entities those positions report to the County executive, in this case the Managing Director. We also would recommend as you are the body, that is in charge of position allocation, that you should develop a standard policy and process for how you do position allocation outside of the budget process. So, when position allocation either adding or eliminating positions comes to this body, what sort of information do we need about those positions, including things like how long they have been vacant, what the turnover has been in those positions, what their roles and responsibilities are. And then the process for decision making about what we do with those positions, that should be standardized. So, we know that a number of positions in Finance have been eliminated in recent years, and what we would just like to see is some consistency brought to that process as well so that it's fully transparent as to how we're making those decisions, and that it's consistent across other departments. And these together will help to improve the stability of the Finance Department and ultimately improve operational service delivery and service continuity. And with that I'm gonna stop talking and open it up for questions.

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CHAIR HOKAMA: Thank you very much to our auditors and we appreciate the, your report on your findings. We appreciate those that you have commended, and we are well aware and appreciate our Department's areas of excellence. And we also appreciate your recommendations on areas of improvement for this County. So, Mr. White, I'll ask if you have any questions you would like to pose to the auditors at this time?

VICE-CHAIR WHITE: Thank you, Chair. Thank you for the work, we appreciate the clarity with which it's presented. The question I have is to what degree have you gone over the results with the Finance Department, and what was their response? 'Cause I don't see anything in the papers that give me that indication.

MS. ROZILLIS: Yeah. So, we reviewed the draft report with the Finance Department as well as with Chair Hokama and Council Staff to validate our facts and to talk about the recommendations. So, we had about an hour-and-a-half meeting with the Finance Director and Deputy Director, and they provided some additional feedback on our facts, and we talked a little bit about recommendations. They have not provided a formal management response, but they in general I think the response was agreement with our findings.

VICE-CHAIR WHITE: Are you aware of whether they have begun to implement any of the recommendations?

MS. ROZILLIS: I am not, but they're here.

VICE-CHAIR WHITE: If at some point we...

CHAIR HOKAMA: The Department will have their opportunity to --

VICE-CHAIR WHITE: Okay.

CHAIR HOKAMA: --comment, Mr. White.

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

CHAIR HOKAMA: Thank you. We welcome Ms. Cochran.

COUNCILMEMBER COCHRAN: Thank you, Chair.

CHAIR HOKAMA: Any questions for the auditors at this time?

COUNCILMEMBER COCHRAN: Good morning, Chair. Good morning, auditors, thank you very much for your work. Yeah. I was...so, the organizational stability section is quite eye opening and thank you for these bullet points and would be happy to hear what the Department has to say about these recommendations here. But I do recall I think the beginning of this Administration there was a project of sorts to look at the Water Department, their Fiscal and the Finance Accounts Division and their roles because

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they sort of duplicate duties. Did you folks look into that at all the interfacing of those two departments?

MS. ROZILLIS: We did not. So, we did send a customer survey to individuals across the County and the Water Department was included in that. It's pretty common for utilities to have their own finance functions and to integrate with the centralized finance department when necessary. But, for example, doing utility billing that can either be done in a, in the utility department or in the centralized finance department so it's relatively common. We didn't find anything out of the ordinary.

COUNCILMEMBER COCHRAN: Right. Well, I guess, Chair, a follow-up. I guess not so, much out of the ordinary, but to combine, you know, services because it's a duplication of sorts, was there any thought to perhaps, you know what I mean, merge of something like that? I don't know.

MS. ROZILLIS: That wasn't part of our scope of work.

COUNCILMEMBER COCHRAN: Okay. Okay. Alright well, thank you very much. And then I can't find it now, but it was in regards to...and I know you gave glowing reports about the procurement process. But isn't there a section in here that states about the expertise in RFPs, the bidding, and those types of things, the people needed more training, you felt that they were...I can't, sorry. I can't find it, but I do recall reading --

MS. ROZILLIS: Sure, it's on Page --

COUNCILMEMBER COCHRAN: --in your...

MS. ROZILLIS: --26.

COUNCILMEMBER COCHRAN: Okay.

MS. ROZILLIS: So, what we need to do is update policies and procedures. So, the Managing Director's Office and Procurement worked recently to develop a purchasing policy, but that document is pretty much directly just restating Federal regulations and we need to go deeper into procedure level documentation so, that everyone is on the same page. So, right now what we have here is customers are really satisfied with how things are working, we have to document that.

COUNCILMEMBER COCHRAN: Okay. But I mean as the role within you're saying there needs to be more training or getting better versed in the Federal regulations and what have you --

MS. ROZILLIS: So, --

COUNCILMEMBER COCHRAN: --more knowledgeable.

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MS. ROZILLIS: --no. So, the recommendation is that once the policy and procedures are revised we should revise the training and make sure that people are trained across the County in purchasing procedures and everyone is clear on what our procedures are.

COUNCILMEMBER COCHRAN: Okay. No, very good. Okay. Thank you, Chair.

CHAIR HOKAMA: Thank you. Ms. Sugimura?

COUNCILMEMBER SUGIMURA: Thank you. So, your commendations I was glad to see your list. Can you talk a little bit more about the cashiering system integration? As... 'cause you said it was, you commended the County for having, like going to a single cashiering system. So, can you talk about that 'cause I guess you said it was unusual.

MS. ROZILLIS: It is unusual. So, typically in local government we have lots of places where we collect revenues so, we, you know, we have the utility billing systems, Parks and Recreation brings in money, permitting things like that. And those systems typically don't talk to each other. And then the Finance Department has to retrieve the information from those systems in lots of different ways. So, yeah, it's pretty rare, we have only ever had one other client who has had a consolidated cashiering system and really what it does is provides you with much greater assurance as to your revenues. Yeah.

COUNCILMEMBER SUGIMURA: That's...

MR. STERANKA: And I would just add. So, a lot of activities in Finance in general, so, we kind of think of financial activities happening within Finance just in general for local government. And while that's true, there are lots of financial activities that happen de-centrally. Cash, you know, handling is one of those, and that's usually one of those where it's probably one of the least consistent activities across local governments 'cause we have lots of, as Colleen was saying, lots of different places where we're taking in cash, how are we handling it, how many systems that do we have. It's a really, it's a... even though it doesn't typically end up being a really large dollar amount in total, it's one of those areas where you kind of have a lot... kind of higher risk because it's decentralized and so different. And so, going to a single system really helps with a lot more control both in terms of the processes, but really having control over how much money really is taken in and so, it is, it is relatively unique and good to see.

MS. ROZILLIS: Yeah, yeah. It's quite innovative, and it takes a lot of energy and a lot of creative thinking to be able to move all of these different activities because collecting cash at a golf course is very different than collecting cash for a building permit. And so being able to move all these activities onto one system is quite innovative and, yeah, we're very happy to see that.

COUNCILMEMBER SUGIMURA: Yeah, we did have a lot of discussions about that when we talked about the golf course and everything else. But one more item in here that I'm interested in is director transition, can you speak about that again?

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MS. ROZILLIS: Yes. I skipped over that on our commendation slide. So, we heard across the board that the transition to this Director was very smooth and that in the past that that has not been the case. And so, we wanted to point that out as an area of commendation that this, this transition in particular was really smooth and that employees were really happy about the stability and the, and the, I guess for lack of a better term, the lack of drama upon the transition.

COUNCILMEMBER SUGIMURA: So, you're talking about Mark Walker --

MS. ROZILLIS: I'm talking about Mark. Yeah.

COUNCILMEMBER SUGIMURA: --in particular?

MS. ROZILLIS: Yeah.

COUNCILMEMBER SUGIMURA: Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Atay?

COUNCILMEMBER ATAY: No questions, Chair.

CHAIR HOKAMA: Thank you. Ms. Crivello?

COUNCILMEMBER CRIVELLO: Thank you, Chair. Thank you for being here and thank you for your report. I'm looking at the organizational stability and when you have the possible recommendation of to reinstitute and fill the Assistant Accounting System Administrator position. Who is doing that now and have you noted if there's any overtime involved and what will, what would this position be performing?

MS. ROZILLIS: So, currently there is an Accountant V whose performing some of those duties. There has been overtime incurred as the result of system implementations and so, this role would, would help to manage the financial system and other systems that the Finance Department uses. So, things like Workday and the cashiering system, and also ensuring the consistency of the system, when the system is up, the data that we're getting out of it, making sure that the reports that we're writing are accurate and that the reports that you get are reports that are appropriate to your level versus the reports that maybe a department might get, things like that. So, having a person who is a technical and system expert in that role, can really help with the accuracy and consistency of information.

COUNCILMEMBER CRIVELLO: So, if I'm hearing you, you're saying that this time whoever is handling that position, does not have that technological background that is needed to provide the work with the system?

MS. ROZILLIS: So, what I would say is that there are individuals in the Finance Department who are doing their best. And that not having that role filled means that we don't have the best person to be able to perform those duties.

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COUNCILMEMBER CRIVELLO: Okay. So, I have another question. You made mention about the Licensing Division consideration when you say in other counties is customer service. Where is our customer service and within our County that the Licensing Division would be reporting to?

MS. ROZILLIS: Yeah. So, I don't know the answer to this question. We actually when, we chatted about this when we walked through the report we talked about after we did the research as to where other counties had it, whether we would pull it out of the report, but we decided to keep it in because in Honolulu it is in a separate department. So, we might see that it could be better to report directly to the Managing Director or in a different capacity. It's not, I would say this is not a very high priority for the County. It's just that when we think about our, all of our functions reporting to the right individual, a finance director does not have the same type of background that someone who would oversee a highly customer service-oriented function maybe necessarily would have. So, we may not be maximizing our service in that area. That was not a function that we audited, so my caveat is that I don't know what the level of customer service is that's provided, it's just if...the further that we spread the Finance Director the less attention then there is to the core functions of Accounting, Purchasing, and Treasury.

COUNCILMEMBER CRIVELLO: Okay. If I may, Chair, one more question?

CHAIR HOKAMA: Okay.

COUNCILMEMBER CRIVELLO: In reference to this organizational. So, can you expand further in shifting reporting of the deputy director roles to the Managing Director?

MS. ROZILLIS: Sure. So, department directors of internal services as I mentioned before, internal services like finance, and budget, and IT, and HR really are the backbone of any organization. In the public sector it's very important that those roles are consistent, that they are providing strong service to their customers. And their customers really are, with the exception of say collecting some revenues from the public, their customers really are other departments. So, Public Works and Parks are not going to function as well as they could if we don't have strong individuals in those HR, finance, IT roles and if they're not consistently delivered services. And so, shifting those to being positions where we have to have people apply, we have strong jobs specifications for those roles, is only going to benefit the County. When those positions are political appointees there's always the risk that there's additional instability or that it may not be the most qualified person for the role.

MR. STERANKA: And I would, I would just add kind of an analogy, and so, just think of a private business, and let's say they have a board, that this would be the equivalent of the department directors, any department director reporting to like the board chair versus the president or CEO. And so, the structure is not optimally conducive to how an organization be run. Meaning that managing director or what we would typically call county executive, we'd expect to be managing those people directly, having those direct reporting lines. So, there's the organizational structure part of it and then there's the lack of stability in terms of political appointment in that. So, you're just having a lot

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more turnover in those positions than ideally you would otherwise if they weren't that way. And then the third item, which isn't relative to organizational structure, is just what's the basis by which we're appointing people or selecting people to be appointed. And so, you know, absolutely no disrespect to any mayor, but a mayor and a councilperson brings whatever skills they have to the job that aren't necessarily skills for per se running a local government, but you hiring a managing director you would expect that you're hiring someone who has experience running a local government. So, you want to have the people who are helping to run the government reporting to that person whose sort of the professional in that regard versus someone who may or may not bring those skills sets to the table. So, I'm trying to say it, you know, respectfully, but the impact of it is you have a lot less continuity and integrated work within the teams because of it and you have more turnover. So, anyway.

COUNCILMEMBER CRIVELLO: I hear what you're saying, but I guess on a side note the structure today is sort of is the Managing Director has oversight all, over the departments and the department heads on behalf of the Administration. So, what I'm hearing you say is your audit includes looking at how we do our or allow continuity with however the system would allow the appointment of a managing director.

MS. ROZILLIS: Yeah. A performance audit is focused on both compliance...

CHAIR HOKAMA: This audit is about the Finance Department; their role is not to review the structure of the County itself.

COUNCILMEMBER CRIVELLO: Yeah. That's...thank you, Chair. That was what I was trying to get clarified.

CHAIR HOKAMA: Yeah. They're not here to speak about the position of Managing Director. They are here to talk about the Department of Finance and the ability of it to perform its duties as by Charter and by County ordinance.

COUNCILMEMBER CRIVELLO: Thank you, Chair. That's what I was looking for, that sort of explanation 'cause I wasn't sure how you crossed over to Managing Director with that explanation. Thank you.

CHAIR HOKAMA: Okay. Thank you. Mr. Carroll? Thank you. I will allow the Members another round, but I'll invite the Director and Deputy to join us and if they have comments they want to share. The Chair will allow comments. We know you have Accounts here, Treasury here and Procurement here. So, if you have questions, Members, for those divisions please forward it. So, Mr. Walker, again we have not received any formal response regarding the audit from you yet, but if you have any verbal comments you wish to share with the Committee at this time we are very open to hear them.

MR. WALKER: Thank you, Chair. Good morning, everybody, Committee members. Yeah, we've had the audit for about a week. Our goal is to respond in writing by the end of the month. We have had the opportunity as mentioned to review it briefly over the

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phone last week. And, you know, we welcome the opportunity to improve, we look at it as an opportunity to improve, and we're gonna certainly have some to-dos which will help us map the future, and so, we will be doing that. That our plan is to, you know, again we're, we're just getting together now to come up with our responses, but in general I think the things that were brought up are things that we know and understand and want to improve it. Thank you, Chair.

CHAIR HOKAMA: Okay. Thank you. Mr. White, any questions in round two for the auditor or would you like a Departmental response to a question?

VICE-CHAIR WHITE: I guess the one of the things that I questioned, and this can...is the comments regarding Procurement were very, very positive in your discussions with other members of the staff. And yet the, you've made the comment that the procedures need to be better, more updated and better organized. Could you expand on that a little bit?

MS. ROZILLIS: Well, that's actually pretty common in local government that we provide good service, we just haven't taken the time to document the service that we provide, or the steps that we actually perform. So, it's important to have that information documented, but that doesn't necessarily determine whether or not we provide good service. It can if we have turnover really impact the continuity of service however.

VICE-CHAIR WHITE: Okay, and for the Director, are there any items that at first blush you feel are low-hanging fruit that can be easily implemented and...

MR. WALKER: Chair?

CHAIR HOKAMA: Director.

MR. WALKER: Yeah. Yes, certainly I would just pick one looking at our position descriptions, I mean I think that's, that's pretty easy for our divisions to haul those out and really have the individuals that are in those positions review those and compare those to what they really do and report back within a, you know, a period of time and let's see where we need to make changes to update those PDs. And then again look and then further after that look at our work processes internally to see where we can create efficiencies, et cetera. So, yes there's certainly some low-hanging fruit.

VICE-CHAIR WHITE: Yeah. That was gonna be my next question was whether you are going to address that. As often happens the position responsibilities sometimes are morphed into what the person does well, and sometimes they get shifted around based on different talents. The other question I had was on the very last finding, the \$500 capitalization level, have you taken a look at that and made any determination whether that should be increased since the recommendation is that the minimum it should be is 5,000? And I think there, there is a concern that the, well, there's a valid concern that the operating statements are gonna be somewhat understated if a lot of things are capitalized that are that small of an expense.

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MR. WALKER: We haven't had the opportunity to formally discuss it, but it is certainly something that we're going to look at, and I would just say it is probably too low and so, we will be certainly looking at that.

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

CHAIR HOKAMA: Is there an amount the auditors would recommend as a minimum on capitalization?

MS. ROZILLIS: Yeah. So, we recommend following the guidance of the Government Finance Officers Association which is \$5,000 and that's in the report.

CHAIR HOKAMA: Right, right, right. Okay, thank you. Mr. Carroll, questions? Thank you, Ms. Crivello? Thank you. Mr. Atay?

COUNCILMEMBER ATAY: No questions.

CHAIR HOKAMA: Ms. Sugimura?

COUNCILMEMBER SUGIMURA: No questions.

CHAIR HOKAMA: Thank you. Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. Hi, good morning, Department. I think this is probably for the auditors though, you did speak about the cashiering system, our Workday, and currently I know the Finance knows the dollars, the millions that we're spending in, in trying to integrate this. In your folks' opinion, or findings, or did you look at this, is it cost effective? And I guess in reference to other municipalities, were you able to kind of crosscheck what we're doing with our programs versus in other areas?

MS. ROZILLIS: Do you mean the cost of the systems themselves?

COUNCILMEMBER COCHRAN: Yeah, the cost and the effectiveness. The amount of money we're expending into what we're gonna get in the end.

MS. ROZILLIS: Yeah. So, we didn't look at that. I will say that so, Workday is a very standard system that many of our clients use. The transition time is always painful, people don't like changing their processes. So, we're right there, right now, but upgrading to a system that is consistent and contemporary can only give you a return on investment. And the same thing with eventually when you do upgrade your financial system that the savings that you have in terms of time, improved processes and accuracy of information always adds value.

MR. STERANKA: Yeah, and I would just add so...the first I'm gonna say doesn't make what you're doing better or worse, but most of our clients are going through enterprise system implementations. Again that doesn't make it, you know, the right thing to do

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but...necessarily, but most are because they have older systems and just with the, you know, just sort of the trend to want to be able to look at, and analyze more and more data, and just the need to updates, it's like you have to update your phone because it gets so slow, so they are big investments. The second thing I was just gonna say, but what makes the investments worthwhile or have a ROI, is that there...we really maximize use of the systems. So, lots of times systems are implemented, and we use a portion of it, or we don't and, or we don't use the portions that we do to the maximum extent possible. So, that's where you get the benefits when you make this big investment, and so that's just the key is to make sure that we have strong follow through not just within Finance and IT, but throughout the County that we are making maximum use of these systems. 'Cause that again that's what will make it worthwhile.

COUNCILMEMBER COCHRAN: Right, excellent, and so, I'm not sure did you see what progress point they're at, at all, in the trends, and how are they progressing I mean in your opinion if you got to look at that?

MS. ROZILLIS: Yeah. So, we didn't look specifically at the system implementation plan and where we are. But what we do know is that people are spending a tremendous amount of time on the system. So, I think what we have in here was that the, we have so far 2,400 additional hours dedicated to system implementation, that's really common, it takes a lot of work, but we did not look at the progress of the project management.

COUNCILMEMBER COCHRAN: Okay. And, Chair, I think in the bigger picture view being we're in Budget and Finance, I know you mentioned adding or subtracting maybe some positions, adding positions, reinstating and was there any dollar amounts attached to all those, you know, recommendations? And what would in the end how much more would we be needing to add to their budget or take from the budget and things of that nature?

MS. ROZILLIS: So, what we recommend is that the Department perform workforce planning in concert with HR and really determine which specific positions are needed. We do specifically recommend the accounting system administrator role. But once we conduct workforce planning, and determine where the holes are in the organization, if any, then that's when you would determine the dollar amount, and how you would potentially phase in those positions, or figure out a way to grow current employees into those roles.

COUNCILMEMBER COCHRAN: Okay. And, Chair, one last, thank you. And you when your organization stability points, you shift budget reporting to Finance or Managing Director--I know this isn't about that but--and grants...so, you're saying have them housed under that person? Okay, so not just send reports which hopefully they're doing already, but you're saying physically they are under the, that Executive Branch I guess?

MS. ROZILLIS: Yes.

COUNCILMEMBER COCHRAN: Okay. Alright I just wanted clarification on that. Okay. Thank you, Chair.

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CHAIR HOKAMA: Okay, thank you. We welcome Mr. Guzman. The Chair would ask if you have any questions you would like to pose at this point, Mr. Guzman?

COUNCILMEMBER GUZMAN: On the policies and procedures you have the, this outdated policies and procedures increase operational risk of non-compliance and impede efficiency on customer service. What is, is that...I apologize, Chair, I just wanted to get more clarification --

CHAIR HOKAMA: Okay. That's fine.

COUNCILMEMBER GUZMAN: --for this, that particular point --

MS. ROZILLIS: Sure so what --

COUNCILMEMBER GUZMAN: --of the non-compliance.

MS. ROZILLIS: Yeah. So, if we have old policies and procedures, for example, the Federal government just recently updated their grant guidance, and so we need to in turn update County policies to make sure that we're reporting on those revenues and accounting for them in compliance with what the Federal government wants. So, that's a large-scale item. Another is just something like we're gonna implement Workday, and so our processes will change as a result of Workday. The guidance the County employees go out to, to look for to be able to perform their duties in compliance with County procedures, if that's not updated then we're gonna slow down the pace of business.

COUNCILMEMBER GUZMAN: So, this type of updating would that be via the Department itself, or it has to come from a more umbrella Managing Director management portion? Because I know that sometimes we've had issues where we're not, we haven't been consistent with some of the Federal tax codes and some of the other things that are going on Federally. So, is that something that on a large scale, on a, you know, maybe Corporation Counsel level or something like that, that needs to be monitored more so, or is that specifically geared towards the Department?

MS. ROZILLIS: So, our clients that have the most robust policy environments do have it led centrally. Either --

COUNCILMEMBER GUZMAN: Centrally?

MS. ROZILLIS: --either from the managing director's office or equivalent or from a cross functional committee that leads policy review and update, and will trigger departments to, on a regular schedule, update their policies and procedures. Many even just setting the expectation for department directors to lead that in their own departments, can create a stronger policy environment. There are policies and procedures that will apply Countywide, and many of the policies that also need to be updated here are just department level policies and procedures, so desk manuals, things like that. We want to be able to ensure continuity of operations if someone leaves, but we also want to be

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able to have consistency in between functions across the County where there is overlap. So, it's a combination of the things that you said.

COUNCILMEMBER GUZMAN: Okay. So, currently, our Department hasn't been updating in compliance, there is no level or...let me take that back. . .(chuckling). . . We have been updating, and what is the I guess frequency of our updates, or do we have someone that is designated to look at the various compliance issues? I know --

MS. ROZILLIS: Most policies are out of date.

COUNCILMEMBER GUZMAN: -- . . .(inaudible). . .

MS. ROZILLIS: You missed this at the beginning, but most policies and most local governments are out of date.

COUNCILMEMBER GUZMAN: Yeah.

MS. ROZILLIS: Post recession that it's been a real challenge across the country, and do you want to...

COUNCILMEMBER GUZMAN: Yeah. Go ahead, Mr. Ueoka.

CHAIR HOKAMA: Mr. Ueoka?

MR. UEOKA: Thank you, Chair. Just for clarification on the record, I believe they are stating our policies are out of date; however, it is my understanding the Finance Department is in compliance.

COUNCILMEMBER GUZMAN: Okay.

MR. UEOKA: This is not a, they are not saying we're not compliant with anything, it's just our policies should be updated so we'll be easier to be in compliance. Thank you, Chair.

MS. ROZILLIS: Right, right, so, as it says in the presentation, if your policies aren't updated, it increases your risk of non-compliance.

COUNCILMEMBER GUZMAN: Yes.

MS. ROZILLIS: We didn't find any specific issues of non-compliance.

COUNCILMEMBER GUZMAN: Okay. Very good, very good.

MS. ROZILLIS: Yeah.

COUNCILMEMBER GUZMAN: Thank you.

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CHAIR HOKAMA: Thank you very much. Department, any additional comments you want to share with the Committee at this time? Director?

MR. WALKER: Again, Chair, we look at this is an opportunity to improve and embrace that. Thank you.

CHAIR HOKAMA: Okay. The Chair will just say that in my review of the final report to this Committee, I would agree with basically most of it. It is true we have areas to improve, but we are not a standalone unique entity. We are like pretty much what many of our other colleagues are facing with their own operations. Technology has changed a lot of things, and one of it is we haven't kept up with the other requirements of embracing technology, and we get it in not only in this audit, we got it in yesterday's audit regarding the need to update our procedures. Obviously, there's something not happening on the collective bargaining table because, you know, we get contracts that supposed to be recommending compensation for job descriptions and the steps or whatever it be that the union agent provides for their members, this report shows us there's a disconnect with what's happening actually at the contract table. Because if now we're gonna have to ask our employees to rewrite their job descriptions because what they currently have is not what they currently doing, but then we have a question of whether or not we compensating appropriately, and are they in the right positions? Okay, so, that means how much credibility do we have in the integrity of the departmental structure itself? And is the reporting to help that structure currently sufficient and accurate enough for our needs as a Council to hold an account for the expenditures of this County? So, Members, couple of things, if you have a pressing question I will allow you to move it forward, if not the Chair is going to have this referred to the next Council so that the next Council and its appropriate committee can continue to follow up. I think the Department has shown a very open willingness to embrace those that they can move forward currently, and I'm glad to hear the Director said that they already moving forward in certain areas so that is again a positive thing. This Council has taken affirmative action on various things including how we'll look at our short-term cash portfolio. Okay. We are in the ____ and I know that the Director has put out the RFP for third-party proposals to see if there's something smart for us to consider and reduce the risk of our exposure on our investment. So, I can say I think that we're all be doing our part, we're not there yet, there's always room for improvement as the auditor has mentioned. But I do not want us to forget the first comment of this meeting on this item, and that was the page on commendations. This Department does things very, very well also. And we should take pride in those things to give the community the confidence that what our Finance Department does is accurate, verifiable, and as much as we can be, timely. Okay, three things that we should strive for: accuracy, verification, timeliness. That's what we expect from the auditors. So, Members, any questions? If not, that would be your Chair's --

COUNCILMEMBER COCHRAN: Chair.

CHAIR HOKAMA: --recommendation. Yes, Ms. Cochran?

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COUNCILMEMBER COCHRAN: Thank you, Chair. And so, thank you for referral of this item. And just...I know that Finance would like to respond in writing, but I would like to ask that in that to provide a timeline at least on, you know, implementing the actions for us, and who would be responsible for the different recommendations to be done. So, I think that's, you know, understandable for this body to know as we work through the finding.

CHAIR HOKAMA: We'll send that communication appropriately to the Department so the Department has a referral to send the response back to, and again, Director, we use your judgment. I believe short-term, midterm, long-term goals is sufficient instead of saying one month, three months. We understand we are in a transitional period of Administrations and so the new director will have additional review responsibilities.

COUNCILMEMBER COCHRAN: Thank you, Chair.

CHAIR HOKAMA: Okay, anything else, Members? Auditors, any other comments you wish to share with the Members? We appreciate your time being present with us this morning.

MS. ROZILLIS: No further comments. Thank you very much.

CHAIR HOKAMA: Thank you. Director? Deputy? Any additional comments you wish to share? Okay, Members, the Chair will be recommending that this item be referred to the Council Chair for referral to the new Council for continued discussions and appropriate review.

COUNCILMEMBER SUGIMURA: So...

CHAIR HOKAMA: Any objections?

COUNCILMEMBER SUGIMURA: So move. Do you need a motion? No? No objections.

CHAIR HOKAMA: Yeah, I'll take a motion so there's no question, okay.

VICE-CHAIR WHITE: So, moved.

COUNCILMEMBER SUGIMURA: Second.

CHAIR HOKAMA: Moved and second by White and Sugimura. Yes, Ms. Yoshimura?

MS. YOSHIMURA: Mr. Chair, Chair White will be transmitting a matter referring the audit to the next Council Chair. 'Cause this is a Rule 7B item...

CHAIR HOKAMA: Okay, thank you. So, we don't need this at all.

COUNCILMEMBER SUGIMURA: No motion.

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CHAIR HOKAMA: Yeah. Yeah, thank you. Okay. So, it's understood we will be moving this forward to the next Council. Okay. With no further business this item is completed. So, to our auditors, Ms. Rozillis and Mr. Steranka, thank you very much for your presence and the work you've performed for the Council and our Department. Department, thank you for your presence, and I thought it was a very upfront audit that the community can understand.

ACTION: DEFER pending further discussion.

CHAIR HOKAMA: We'll take a five-minute recess and then we'll continue and finish up the rest of the agenda. . . .(gavel). . .

RECESS: 10:04 a.m.

RECONVENE: 10:11 a.m.

**ITEM 138: HONOAPIILANI HIGHWAY REALIGNMENT, PHASE 1B-2
(LAHAINA BYPASS) (CC 18-114)**

CHAIR HOKAMA: . . .(gavel). . . We are back in order. May I direct you to BF-138 under the heading of Honoapiilani Highway Realignment, Phase 1B-2, Lahaina Bypass. We have a Communication 18-114, from the Mayor, with an attached proposed resolution to authorize disposition of approximately 33.373 acres in Launiupoko, Maui, Hawaii, as it regards to the realignment of Honoapiilani Highway. We also have correspondence dated November 21st, from the Department of Corporation Counsel, with a revised proposed resolution authorizing the disposition of the said 33.373 acres. This morning...I know Mr. Sniffen, our Deputy Director from the State Department of Transportation, was making an effort to be here with us this morning so we thank him again. Although he's the Deputy Director, he has no control over airlines. And so, he's like us, he deals with the situations, and unfortunately, he's not currently here. We do have Robin Shishido assisting us, and he is our Maui Division Manager for the Department of Transportation. Okay, Members, in the proposed revised resolution, the State is now proposing to pay the County \$1,251,798 for additional acreage used by the State DOT to construct the bypass. And at this time the proposal is to take proceeds from the transaction and then we would redeposit it back to the Open Space Natural Resources Fund. Okay, at this time let's see, Mr. Goode, any comments you want to give regarding this item?

MR. GOODE: Good morning, Chair, Members. David Good here, Director of Department of Public Works. I'm not sure how our Department got totally involved in this portion of it, but it did help. I guess we have a copy of the subdivision record and just by way of background, Chair, when the Council and the County purchased all those properties in Makila, Makila Ranches, and payment was made to the private owner, the values, the appraisals anticipated that the bypass was going through, and they valued that acreage at zero. So, essentially, we got a discount when we purchased the property with the anticipation of the bypass. When the bypass was finally put in, and the actual

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alignments and acreage needed was higher than what we originally contemplated. So, essentially, we, you know, paid for some of the land acquisition for the bypass. So, I think what today is about is that difference in calculation, the difference in acreage, and then I can as we discuss that I could also add that, you know, our Department has been working closely with DOT on other aspects of phase 1B-2 primarily at Keawe Street and I could speak to that. Thank you.

CHAIR HOKAMA: Okay. Thank you. So, Members, as you are aware this is not the first roundup for this item with this Committee, we've discussed this prior, we've had our discussion with Mr. Sniffen, Deputy Director, earlier about our willingness to consider different options regarding the land. And we appreciate it, he has gone back, we have a new proposal before us, but let us be clear, okay, as Director Goode has mentioned, the original agreement with us and the State was for 21.19 acres. They have used 33.373 acres for more than 50 percent more. Now, the State has agreed to pay this County the sum of \$1,251,798 for the additional 12.182 acres of our land that they have utilized for this Lahaina Bypass project. And this comes out to \$102,758 per acre, which is what it comes when you divide the acres and the amount the State is willing us to pay. Okay, the Chair feels that this is a very fair amount of what they are now agreeing to pay the County in return for those 12.182 acres. That is how we have arrived at this number that is in the proposed revised resolution, Members. Mr. White, questions on the proposal for the Department or the State representative?

VICE-CHAIR WHITE: Thank you, Chair. No, your explanation and Mr. Goode's explanation covered the questions that I had. Thank you.

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

COUNCILMEMBER GUZMAN: I don't have any questions. It seems to resolve a lot of the I guess equitable discussions that we had in the previous meeting. My only question at this point was when we initially entered into the negotiations or the final price of the 30...oh, excuse me...the 33 acres was incorporated as part of the larger land sale I believe. Is that correct? And then at some point, we kind of got that, that acreage or that parcels, those parcels as a benefit for the 13 mil or 9...what...did it come out to 13 mil, the entire...

CHAIR HOKAMA: I forgot how much we had originally paid for that total parcels. But as Mr. Goode has indicated accurately, there was consideration of the value for the area that was agreed upon for the bypass project.

COUNCILMEMBER GUZMAN: Right, right. So, that was like as part of the extra credit that we would have gotten. So, the...did...I can't recall, did we pay under the appraisal price for the entire parcels? Or did we purchase at --

CHAIR HOKAMA: Finance Department?

COUNCILMEMBER GUZMAN: --appraised...

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MR. WALKER: According to Mr. Hironaka we paid slightly above the appraised value at the time.

COUNCILMEMBER GUZMAN: Okay. So, we paid slightly above the appraised value. So, to me it's like we paid for the 33 acres, you know, 'cause we did pay over and above the appraised value, and I recall there was some kind of --

CHAIR HOKAMA: We had discussions regarding this.

COUNCILMEMBER GUZMAN: --discussions regarding the accuracy of the appraisal. So, I kind of feel that we should have a little be more, but I would agree, Chair, that it at least we're getting something out of it. But to me, it's kind of like a wash 'cause we paid above the appraised value for the entire parcels. So, I'll go along with your recommendations but that's just how I feel.

CHAIR HOKAMA: No, I appreciate it and again we appreciate Mr. Sniffen going back and coming back with another proposal 'cause the original proposal was zero, Members, if we recall. Mr. Carroll, any questions, sir? Thank you. Ms. Crivello? Thank you. Mr. Atay?

COUNCILMEMBER ATAY: Thank you, Chair. You know, the original visit around was definitely offered at zero and 1.25 is way better. However, you know, we're also giving up additional acreage, but it is what it is. Thank you.

CHAIR HOKAMA: Thank you. Ms. Sugimura?

COUNCILMEMBER SUGIMURA: Thank you, Chair. So, just kind of reflecting back to the discussion about this, when this item came before my Committee in terms of acquisition of the land with DOT, I still remember you asked the question if the Director, or if the Deputy Director could go back and see if there could, if we could receive any kind of compensation or, you know, figure out more. And I just want to commend you as the Budget Chair to be able to see these kinds of opportunities and bring it forward to the Council, and I think it takes all the years of experience that you have, and I appreciate that. I just want to say it 'cause, you know, you not gonna every say it, so I think that we may not ever have seen this --

CHAIR HOKAMA: Did you say I'm old? Thank you.

COUNCILMEMBER SUGIMURA: Huh?

CHAIR HOKAMA: If you're saying I'm old. Yes, thank you.

COUNCILMEMBER SUGIMURA: Yeah, you're old. . . (chuckling). . . Hey 20 years makes a difference. But I just wanted to thank you for that, and then also I think, Ed Sniffen was here with Mr. Shishido, and he said he had to go talk to the higher ups. So, I believe that there was probably a lot of negotiating going back and forth that, you know, the Council didn't see. But I just want to thank you and Michele, Staff, and Yvette for all

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your work that you do in behalf of us for Budget and the whole County to bring about this kind of results. So, no question, I just wanted to make that observation --

CHAIR HOKAMA: Thank you.

COUNCILMEMBER SUGIMURA: --as it applies to my Committee item, that may have gotten no result, but this is a great result so thank you.

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

COUNCILMEMBER COCHRAN: Thank you, Chair. I'm trying to decipher exactly where the acreage is so...and the road is on it already, correct? I'm trying to, Mr. Goode or somebody, the map that we have in our exhibit, where is this? Kai Hele Ku has always been there so it's not Kai Hele Ku. So, it's the makai lane of the bypass? Is it the...I'm trying to figure...I see where lot seven is, but I'm trying to figure out what portion is this.

CHAIR HOKAMA: Okay, Mr. Goode or Mr. Shishido?

MR. GOODE: Well, Mr. Shishido might be able to answer, but I think we need to see the exhibit that you're looking at.

COUNCILMEMBER COCHRAN: Okay.

MR. SHISHIDO: So, I'm not sure exactly.

COUNCILMEMBER COCHRAN: A, there's A and then there's...

CHAIR HOKAMA: Hold on, we'll share a...your...the Exhibit "A" that the Members have.

MR. SHISHIDO: So, the additional property is along multiple lots along the alignment from Kai Hele Ku to southern terminus. I don't have an exact breakdown of each, how much property from each specific lot, but it's along that corridor.

COUNCILMEMBER COCHRAN: So, okay, Chair, a follow-up.

CHAIR HOKAMA: Okay.

COUNCILMEMBER COCHRAN: So, is it the road that curves up to connect to 1B or is it the 1B?

MR. SHISHIDO: It is the 1B portion from Kai Hele Ku to southern terminus.

COUNCILMEMBER COCHRAN: Okay.

MR. SHISHIDO: So, that southern mile or mile and a half of the new road.

COUNCILMEMBER COCHRAN: Okay, it's that.

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MR. SHISHIDO: Yeah. So, it might include part of the catch basin, retention basin, it might be part of southern connector. I mean it varies throughout --

COUNCILMEMBER COCHRAN: Okay.

MR. SHISHIDO: --that mile . . .*(inaudible)*. . .

COUNCILMEMBER COCHRAN: By the Cut Mountain area. Okay and briefly sorry if this is...that particular area is in dire need of a guard rail. Do you see that drop? I know the road kind of slants towards the ocean but, when you look over the edge oh my God.

MR. SHISHIDO: When you come off the southern terminus and you're headed northbound?

COUNCILMEMBER COCHRAN: Yes.

MR. SHISHIDO: Yeah, we checked with the designer, it does have the proper clear zone requirement, and I know what you're saying when you drive there because --

COUNCILMEMBER COCHRAN: That's scary

MR. SHISHIDO: --you can't see that bottom edge --

COUNCILMEMBER COCHRAN: Yes.

MR. SHISHIDO: --it looks like it just drops off, but from the travel lane to I think where that drop off is there's like 28 feet or so. So, it has the requirement, you know, for a vehicle to correct itself or like that but--

COUNCILMEMBER COCHRAN: Okay. Still...okay that's still kind of scary.

MR. SHISHIDO: --but, we'll look at it.

COUNCILMEMBER COCHRAN: Alright thank you. Chair, but thank you so much I recall the discussion and it was like give State? It's like, wait a minute, how's about a trade, how's about money. So, here we are with some money to come our way, so completely in favor. And, yeah, it's the road's built so it's not like --

CHAIR HOKAMA: Yes.

COUNCILMEMBER COCHRAN: --we had too much else of it at this time. So, thank you for the efforts but that's all. I just wanted to know where the actual area was so thank you.

CHAIR HOKAMA: Thank you. Mr. White, any other questions you would like to ask or pose? Members, any further questions regarding this item? Mr. Walker, your comments please.

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MR. WALKER: Just a quick one, Chair, thank you. In furtherance to Councilmember Guzman's inquiry, just wanted to point out that the, we are getting the current assessed value for this added acreage that they're getting. So, the value has increased since the appraisal in 2012, so we are getting that increased value per acre in this price. So, it's maybe a little better than a wash 'cause values have gone up so that's just my point, Chair, thank you.

CHAIR HOKAMA: Yeah. That's correct.

COUNCILMEMBER ATAY: Chair.

CHAIR HOKAMA: Yes, Mr. Atay?

COUNCILMEMBER ATAY: So, I just want to be clear then so...the added, the money that's now...okay, first it was zero money for "x" amount of acreage. Now, they're adding an additional...getting an additional 12...okay so, it was getting an additional 12 acres --

CHAIR HOKAMA: Correct.

COUNCILMEMBER ATAY: --for 1.2 million. So, basically the original request is still at zero, and they're just giving us additional money for the additional acreage that they're getting.

CHAIR HOKAMA: That's pretty accurate.

COUNCILMEMBER ATAY: Okay.

CHAIR HOKAMA: That's pretty accurate. Yes. Mr. White?

VICE-CHAIR WHITE: And that's because we didn't pay for the initial portion anyway because it was not, it was excluded from the --

CHAIR HOKAMA: Correct.

VICE-CHAIR WHITE: --original...or not excluded from the purchase, but technically we weren't charged for it even though we overpaid.

CHAIR HOKAMA: That's a...yeah, another way of saying it, Mr. White, yes. That's another way to say it.

VICE-CHAIR WHITE: You know, I have to say that, that vote was the one vote in my eight years that I feel really, really badly about. Because we had a \$13 million expense when the most recent appraisal for the same acreage was 6.7, and we decided that we weren't able to withstand the pressure from the Mayor and the developers, and we bought it for 13 when it was currently valued at 6.7. So, that's a vote that I will have to live with for the rest of my time. Thank you, Chair.

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CHAIR HOKAMA: Yeah, thank you. Yeah, and we'll look forward to tax season. Okay, Members, any other questions that you would like to ask? Any other comments? If not, the Chair will be recommending that we move forward to Council a proposed revised resolution Authorizing the Disposition of Approximately 33.373 Acres of County Real Property Located in Launiupoko, Maui, Hawaii, to the Department of Transportation, State of Hawaii, for the Honoapiilani Highway Realignment, Phase 1B-2; allowing for any nonsubstantive adjustments by our Staff; as well as filing of any appropriate communications.

VICE-CHAIR WHITE: So move, Chair.

COUNCILMEMBER SUGIMURA: Second.

CHAIR HOKAMA: Motion by Mr. White, seconded by Ms. Sugimura. Any further discussion, Members? None. All in favor of the motion say "aye."

COUNCILMEMBERS: Aye.

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

COUNCILMEMBER ATAY: No.

CHAIR HOKAMA: Oh, thank you. Seven "ayes," one no Mr. Atay, and one excused Ms. King.

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

NOES: Councilmember Atay.

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmember King.

MOTION CARRIED.

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

CHAIR HOKAMA: Okay, thank you very much. Thank you very much, Mr. Shishido, departments, for your time.

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**ITEM 177: AUTHORIZING EMPLOYMENT OF BOND AND DISCLOSURE
COUNSEL (CC 18-366)**

CHAIR HOKAMA: We have one more item specifically that is BF-177 under the title of Authorizing Employment of Bond and Disclosure Counsel. We are in receipt of a Communication 18-366, from Director of Finance, with a proposed resolution entitled Authorizing the Employment of Special Counsel Hawkins Delafield & Wood LLP, for the County of Maui 2018 Supplemental General Obligation Bond Issuance. Okay, we have Mr. Walker with us this morning. Mr. Walker any comments on this item at this time?

MR. WALKER: Good morning, Chair. You should also have my letter dated November 29th requesting...rescinding the resolution as it was handled in a previous meeting of this Committee.

CHAIR HOKAMA: Yes, thank you for citing that. So, Members, in your binders or in your records you should have that November 29th letter from our Director with his request. Again, we had discussions on this in an earlier committee meeting. The Chair will be recommending that we file this item. Any objections?

COUNCILMEMBER SUGIMURA: No objections.

CHAIR HOKAMA: Do we have consensus? This item is filed. Okay we have one last item, and this is--

MS. BOUTHILLIER: Chair.

CHAIR HOKAMA: Yes?

MS. BOUTHILLIER: Chair, you need a motion.

CHAIR HOKAMA: Okay, motion to file.

VICE-CHAIR WHITE: So moved.

COUNCILMEMBER SUGIMURA: Second.

CHAIR HOKAMA: Second? Any discussion on the motion? All in favor of the motion say "aye."

COUNCILMEMBERS: Aye.

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

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

NOES: None.

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ABSTAIN: None.

ABSENT: None.

EXC.: Councilmembers Carroll and King.

MOTION CARRIED.

ACTION: FILING of communication by C.R.

**COMMUNICATIONS FOR REFERRAL TO THE COUNCIL CHAIR FOR THE
TERM BEGINNING JANUARY 2, 2019, PURSUANT TO RULE 23 OF THE
RULES OF THE COUNCIL**

- BF-4 FISCAL YEAR QUARTERLY REPORTS**
- BF-5 SUPPLEMENTAL SUMMARY OF TOTAL FUNDED INDEBTEDNESS**
- BF-12 ANNUAL INVENTORY REPORT**
- BF-14 SHORT-TERM INVESTMENTS**
- BF-15 TRANSFERS FROM THE GENERAL FUND AND THE DEPARTMENT OF WATER
SUPPLY REVENUE FUND**
- BF-21 WAILUKU WATER COMPANY ACQUISITION**
- BF-41 DISPOSITION OF THE LOTS AT THE FAIRWAYS AT MAUI LANI**
- BF-44 COUNTY SERVICE CENTER**
- BF-51 KALANA O MAUI CAMPUS EXPANSION, PHASE 1A**
- BF-53 CONTRACTS AND GRANTS**
- BF-76 WAILUKU CIVIC COMPLEX**
- BF-94 INDEPENDENT AUDIT OF THE DIRECTOR OF FINANCE'S ACCOUNTS**
- BF-98 PLAN OF AUDITS**
- BF-106 HUMAN CAPITAL MANAGEMENT (HCM)/PAYROLL REPLACEMENT PROJECT**
- BF-110 FUNDING, IMPLEMENTATION, AND STATUS OF PROGRAMS UNDER THE RISK
MANAGEMENT DIVISION**
- BF-130 CONSTITUTIONALITY OF TRANSIENT ACCOMMODATIONS BROKERS
COLLECTING TAXES**

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- BF-143 MAUI COUNTY GRANTS**
 - BF-144 FORBEARANCE OR DISCHARGE OF DEBTS**
 - BF-145 ESTABLISHING AN INFRASTRUCTURE DEVELOPMENT FUND**
 - BF-147 TIERED REAL PROPERTY TAX RATES**
 - BF-148 PARK ASSESSMENT FEES IN LIEU OF LAND**
 - BF-149 ECONOMIC DEVELOPMENT REVOLVING FUND**
 - BF-153 250TH CELEBRATION OF QUEEN KAAHUMANU, GRANT G4607**
 - BF-155 BIODIESEL FUEL TAX**
 - BF-156 AMENDMENTS TO THE FISCAL YEAR 2019 BUDGET TO AUTHORIZE TRANSFERS RELATING TO CATEGORIES OF USE THAT ARE WITHIN A PROGRAM OR DEPARTMENT**
 - BF-157 AMENDMENTS TO APPENDIX A, GRANTS AND RESTRICTED USE REVENUES – SCHEDULE OF GRANTS AND RESTRICTED USE REVENUES BY DEPARTMENTS AND PROGRAMS FOR FISCAL YEAR 2019**
 - BF-171 MAUI METROPOLITAN PLANNING ORGANIZATION - UNIFIED PLANNING WORK PROGRAM**
 - BF-188 AUDIT OF THE USE, MANAGEMENT, AND EXPENDITURE OF PUBLIC FUNDS RELATING TO THE BANYAN TREE PARK**
-

CHAIR HOKAMA: We're back to the following recommendations from your Chair to be referred to the new Council for the term January 2, 2019 pursuant to our own Rule 23 of the Rules of the Council. So, the items that we have listed and agendized are as goes: Fiscal Year Quarterly Reports under BF-4; Supplemental Total Summary of Total Funded Indebtedness BF-5; Annual Inventory Report BF-12; Short-Term Investments BF-14; Transfers from the General Fund and the Department of Water Supply Revenue Fund BF-15; Wailuku Water Company Acquisition BF-21; Disposition of the Lots at the Fairways at Maui Lani BF-41; County Service Center BF-44; Kalana O Maui Campus Expansion Phase 1A BF-51; Contracts and Grants BF-53; Wailuku Civic Complex BF-76; Independent Audit of the Director of Finances Accounts BF-94; Plan of Audits BF-98; Human Capital Management (HCM)/Payroll Replacement Project BF-106; Funding, Implementation, Status of Programs Under Risk Management Division BF-110; Constitutionality of Transient Accommodations Brokers Collecting Taxes BF-130; Maui County Grants BF-143; Forbearance or Discharge of Debts BF-144; Establishing an Infrastructure Development Fund BF-145; Tiered Real Property Tax Rates BF-147; Park Assessment Fees in Lieu of Land BF-148; Economic Development

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Revolving Fund BF-149; 250th Celebration of Queen Kaahumanu, Grant G4607 BF-153; Biodiesel Fuel Tax BF-155; Amendments to the Fiscal Year 2019 Budget to Authorize Transfers Relating to Categories of Use That Are Within a Program or Department BF-156; Amendments to Appendix A, Grants and Restricted Use Revenues - Schedule of Grants and Restricted Use Revenues by Departments and Programs For Fiscal Year 2019 BF-157; Maui Metropolitan Planning Organization - Unified Planning Work Program BF-171; and finally Audit of the Use, Management, and Expenditure of Public Funds Relating to the Banyan Tree Park BF-188. Any questions?

VICE-CHAIR WHITE: Recommendation?

CHAIR HOKAMA: Recommendation is motion to move all items as read by the Chair to be forwarded to the Council Chair for assignment to the next term.

VICE-CHAIR WHITE: So move, Chair.

COUNCILMEMBER SUGIMURA: Second.

CHAIR HOKAMA: Okay, motion by Mr. White, seconded by Ms. Sugimura. Any further discussion, Members? All in favor of the motion say "aye."

COUNCILMEMBERS: Aye.

CHAIR HOKAMA: Oppose say "no." Motion passes seven "ayes," two excused.

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

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmembers Carroll and King.

MOTION CARRIED.

ACTION: Recommending REFERRAL of communications to the Council Chair for the term beginning January 2, 2019, pursuant to Rule 23 of the Rules of the Council.

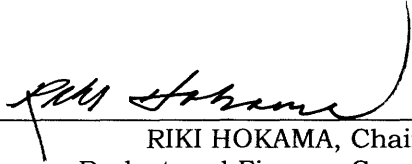
CHAIR HOKAMA: We have done the business of this agenda. Members, thank you very much. Any Member who would like to make a last comment before we adjourn? With none, we are adjourned. . . .(gavel). . .

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ADJOURN: 10:34 a.m.

APPROVED:



A handwritten signature in black ink, appearing to read "Riki Hokama", is written over a horizontal line. The signature is cursive and includes a large, sweeping flourish that extends upwards and to the right.

RIKI HOKAMA, Chair
Budget and Finance Committee

bf:min:181204:cvk

Transcribed by: Cheryl von Kugler

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CERTIFICATE

I, Cheryl von Kugler, 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 December, 2018, in Kihei, Hawaii

A handwritten signature in cursive script, appearing to read "Cheryl von Kugler", is written above a horizontal line.

Cheryl von Kugler