

**COST OF GOVERNMENT COMMISSION
MINUTES**

**Kalana O Maui Building, 9th Floor, Mayor's Conference Room, Waihe'e Side
Thursday, February 20, 2020**

PRESENT: Michael Williams, Chair
Sarah Simmons, Vice Chair (dep. 11:45 a.m.)
Noemi Barbadillo, Member (arr. 10:30 a.m.)
Michelle Del Rosario, Member
Lu Ann Lankford-Faborito, Member
Paula Heiskell, Member
Barbara Mattson, Member
Patrick O'Neil, Member
Hannah Werth, Member (arr. 10:25 a.m.)

EXCUSED: None

STAFF: Stephanie Chen, Deputy Corporation Counsel
Shelley Pellegrino, Technical Writer for the Commission (via teleconference)

OTHER: Gladys Baisa, Ex Officio Member, Office of the Mayor
Darlene Endrina, Community Liaison, Office of the Mayor
Lance Taguchi, Count Auditor, Office of the County Auditor

DOCUMENTS RECEIVED:

1. December 23, 2019 Letter from Kay S. Fukumoto, Director, Office of Economic Development, to Michael Williams, Chair, Cost of Government Commission, Regarding Request for Additional Information from Maui Visitors Bureau
2. December 27, 2019 Email from Camille Sakamoto, Administrative Officer, Office of the Count Auditor, to Shelley Pellegrino, Technical Writer, Transmitting the Following Documents:
 - a. Contract C6843 for Administrative Services to Support the Cost of Government Commission for Fiscal Year 2020
 - b. Request for Proposals (RFP) No. 19-02oca
 - c. Proposal from Pu'umakani Publishing, LLC dated 06/09/2019
3. January 6, 2020 Letter from Sherry Duong, Executive Director, Maui Visitors Bureau, to Michael Williams, Chair, Cost of Government Commission, responding to the Commission's December 12, 2019 letter to Kay Fukumoto, Director of the Office of Economic Development, requesting additional information from the Maui Visitors Bureau
4. Draft Cost of Government Commission Investigation Guidelines (prepared by Vice-Chair Simmons and Commissioner Werth)

5. Maui Visitors Bureau Documents:
 - a. Draft Recommendations (distributed by Commissioners Mattson and Del Rosario)
 - b. Maui Visitors Bureau Draft Report
 - c. Maui Visitors Bureau Grant PowerPoint Presentation (Updated February 12, 2020)
 - d. Maui Visitors Bureau PowerPoint Presentation List of Sources by Slide Number
 - e. Maui Visitors Bureau Grant Select Expenditures FY 2017-2018
 - f. Maui Visitors Bureau Grant Select Expenditures FY 2018-2019
6. Proposed scope of investigation for the Temporary Investigative Group reviewing the Department of Water Supply
7. January 29, 2020 paper by James Mak and Robert D. Ebel entitled, "Charting a New Fiscal Course for Hawaii: Fiscal Architecture Approach" (UHERO: The Economic Research Organization at the University of Hawaii) (distributed by Lance Taguchi, County Auditor)

I. CALL MEETING TO ORDER

Chair Williams called the meeting to order at 10:16 a.m.

II. ROLL CALL

Chair Williams took roll. Commissioners Barbadillo and Werth had not yet arrived.

III. PUBLIC TESTIMONY

There was no public testimony.

IV. REVIEW AND APPROVE DECEMBER 12, 2019 MEETING MINUTES

Commissioner Heiskell moved to approve the December 12, 2019 meeting minutes, and Commissioner Del Rosario seconded the motion. The motion was approved unanimously.

V. REVIEW AND DISCUSS CORRESPONDENCE RECEIVED

Ms. Pellegrino stated that most of the correspondence received was associated with the Maui Visitors Bureau investigation and could be discussed under that item. The Commission acknowledged receipt of the information from the County Auditor regarding the Technical Writer, but had no further discussion.

VI. COUNTY AUDITOR'S UPDATE

County Auditor Lance Taguchi distributed a copy of a January 29, 2020 paper by James Mak and Robert D. Ebel entitled, "Charting a New Fiscal Course for Hawaii: Fiscal Architecture Approach." He underscored the import of the fiscal issues (including climate change, housing, and unfunded liabilities) that the State, County, and Federal governments will face in the coming years. Mr. Taguchi stated that it would be good for commissioners to be aware of and understand the issues identified in the report so they can better inform not only themselves, but the public whom they serve.

VII. DISCUSS MEETING ATTENDANCE AND 2020 MEETING SCHEDULE

Ms. Pellegrino explained that the Commission normally meets on the second Thursday of each month at 10:15 a.m. in the Mayor's Conference Room, but that the room had been reserved by another agency for the months of May, July, August, and December 2020. In addition, the June meeting is scheduled on a holiday. She worked with the Mayor's Office to identify alternative dates for each of the affected months. Ms. Pellegrino also offered to contact the Metropolitan Planning Organization (MPO), which had reserved the room, to ask if the MPO might be willing to move its meetings.

10:25 a.m. — Commissioner Werth arrived

Based on the calendar schedule and the commissioner's responses, the following schedule was proposed:

- Tuesday, May 12, from 12:00 p.m. – 2:30 p.m. — Commissioners Lankford-Faborito and Mattson unable to attend
- Thursday, June 18, from 10:15 a.m. – 12:15 p.m. — Chair Williams, Commissioners Del Rosario and Werth unable to attend
- Thursday, July 9, from 12:00 p.m. – 2:30 p.m. — Commissioners Werth, Heiskell, and Mattson unable to attend

Gladys Baisa, Ex-Officio Member, suggested that Ms. Pellegrino contact the MPO to see whether MPO would be willing to change its meeting dates.

10:30 a.m. — Commissioner Barbadillo arrived

The Commission decided to wait on scheduling its December meeting.

Commissioner Del Rosario moved to change the May, June, and July meetings to the dates and times discussed above. Commissioner O'Neil seconded the motion. The Commission approved the motion unanimously.

VIII. DISCUSS COST OF GOVERNMENT COMMISSION COMMUNICATION PROCEDURES

Chair Williams turned to the draft document entitled, Cost of Government Commission Investigation Guidelines,” prepared by Vice-Chair Simmons and Commissioner Werth.

Chair Williams stated that he liked the guidelines as drafted and noted that the Commission has the power of subpoena should it be necessary. Deputy Corporation Counsel Chen explained that the subpoena power under Section 13-2 is primarily available for contested case proceedings, and less for advisory commissions such as the COGC. Ms. Chen added that the Commission had previously been granted subpoena power under the County Charter, but that it was removed in 2012 when the Charter was amended to have the Commission fall under the County Auditor. There is a general subpoena power for all boards and commissions under Section 13-2, but added that the Commission would have to take into account the language of Section 13-2(14), which states, “Except for purposes of inquiry and as otherwise provided by this charter or by law, no board or commission nor its membership shall interfere in any way with the administrative affairs of the department.” Ms. Chen advised the Commission to use the subpoena power with great caution.

Chair Williams explained that he recommended the Commission vote before issuing any subpoena.

Commissioner Del Rosario inquired about the language of draft investigation guideline #10, which states, “At any time, if investigators feel that their informal communications are not producing results, they may draft a formal letter requesting information with the assistance of the Technical Writer. The letter shall be approved by the COGC.” Commissioner Del Rosario stated that she thought these approval steps would be cumbersome. She suggested removing the Technical Writer and Commission vote and replacing it with review of the Chair.

Ms. Chen explained that she thought a formal letter would warrant Commission approval because it is a Commission action.

Ms. Pellegrino stated that she agreed with Commissioner Del Rosario to the extent that review by the Commission (in #10 and #7) might be too strong. She explained that the Commission has in the past authorized the Chair to work with the technical writer to draft and send a letter with general guidelines about its content, but has not required a vote on the letter itself. She added that the technical writer can aid the writing process by providing clarity and continuity.

Chair Williams expressed his concern that requiring a Commission vote could lead to a two-month delay if the Commission is unable to meet due to quorum or other issues.

Chair Williams proposed that commissioners review the draft guidelines and offer proposed changes at the next meeting.

Ms. Chen stated that the letters are contingent on circumstance.

Chair Williams deferred further discussion and adoption of the guidelines to the next meeting.

IX. DISCUSS 2019 – 2020 ANNUAL REPORT

Chair Williams suggested that he and Ms. Pellegrino draft a report summarizing the work of the Commission over the past term. The draft report can be presented for review at the March meeting.

Commissioner Del Rosario requested that the Annual Report include any recommendations the Commission makes regarding the Office of Economic Development Grant to the Maui Visitors Bureau. Chair Williams responded that he thought the recommendations could go in the Annual Report, but he was unsure whether the recommendations would be complete by then.

X. DISCUSSION OF OFFICE OF ECONOMIC DEVELOPMENT GRANT TO MAUI VISITORS BUREAU (COMMISSIONER MATTSON)

Chair Williams began the discussion by stating that he was impressed with the depth of the investigation and Commissioner Mattson's persistence in obtaining information.

Commissioner Mattson discussed the letters from the Office of Economic Development (OED) Director Kay Fukumoto and response from the Maui Visitors Bureau (MVB). She stated that MVB said there had been eight travel coordinators, but only listed five names. Commissioner Mattson stated that this response was representative of other instances where she received some, but not all, of the information she requested. She then stated that she conducted online research into the coordinators listed, and that only one company was in good standing with the State. The other businesses had expired, dissolved, were not in good standing, or had no listing. Gohawaii.com was in good standing. She could only find an expired business listing for PacRim Marketing Group, which received a retainer of \$47,500 from MVB for consulting services.

Commissioner Del Rosario added that there is a lack of documentation regarding how much money is being spent and where the money is going. Commissioner Mattson agreed that there needs to be more oversight.

Commissioner Mattson pointed to a Forbes Magazine listing for three online videos valued at \$120,000, and pointed out that MVB speaks in terms of "value," rather than how much is paid. Consequently, it is unclear how much was actually paid for the service or product.

Chair Williams noted that Commissioner Mattson's two primary criticisms appear to be that MVB's reporting process lacks transparency and clarity, and that MVB is likely spending more money than it needs to.

Commissioner Mattson then turned to her draft report. She first summarized the grant awards that have been given to MVB over the years and then turned to her investigative process. She noted that there were substantial delays in gathering information from the former OED director, with given reasons including the time it would take to provide the information and the volume of information requested. Commissioner Mattson noted that the new OED administrator has provided information in a timely manner.

Commissioner Mattson also pointed out that the State spends a significant amount to promote tourism — \$79 to \$82 million annually. She stated that the Hawaii Tourism Authority (HTA) has improved over the years and that information is readily available on its website.

Commissioner Mattson stated that online research into Maui and other islands defaults to the website gohawaii.com, which is operated by the State-funded HTA. She added that Transient Accommodation Tax (TAT) money might be better spent supporting smaller businesses on Maui.

Commissioner Mattson stated that HTA provides global marketing, so MVB should not be doing the same. She noted that most of the \$2.5 million spent on domestic marketing is for print media — design and printing of magazines and brochures. In addition, MVB spends approximately \$6,000 per month on Zeta Interactive to serve as a call center for travel agents, as well as to house and distribute print media from Arizona.

Commissioner Mattson stated that MVB spends approximately \$400,000 – \$483,000 for grant administration for wages, benefits, and some co-advertising.

Commissioner Mattson then turned to neighbor island line-item budget grants to their respective visitor bureaus. The County of Hawaii grants \$325,000, Kauai County grants \$215,000, and the City and County of Honolulu grants \$0. The County of Maui's current grant to MVB is \$3 million (reduced from \$4 million the prior year).

Commissioner Del Rosario added that the revenue received per grant dollar awarded is significantly less for Maui County than the neighbor island counties. For Maui, the revenue received per grant dollar is \$975. For the County of Hawaii, it is \$5,662; for Kauai County it is \$7,209, and for the City and County of Honolulu, it is \$0 (because zero grant dollars is awarded).

Chair Williams asked Commissioner Mattson for an explanation of how she reached these figures. Commissioner Mattson explained that other entities (e.g., hotels, airlines, cruise ships, activity groups) also market Maui. She stated that she removed all of these entities from her calculations and only looked at MVB grant money when she determined the revenue received per grant dollar. To make her calculation, she looked at visitor spending figures and divided it by the amount of grant money allocated.

Chair Williams noted that Maui hotels are the most profitable in the country, with the highest revenue per room and the highest daily rates. Given the other needs of the County, it seems difficult to justify giving \$4 million.

Commissioner Del Rosario stated that she would recommend to the Council that grant funding be reduced to no more than \$325,000, which is the highest grant figure provided by another county (i.e., Hawaii County).

Chair Williams stated that from the perspective of the County Council or the Mayor's Office, the draft proposal is not quite focused enough. He recommended at least another month was required to draft specific recommendations and a justification as to why. Commissioner Mattson stated that the justification is provided in the slides.

Commissioner Del Rosario stated that she hoped the Commission would make its recommendations at the March meeting so it could be transmitted to the County Council in time for the next budget session. Chair Williams stated that the report should be refined.

Commissioner Del Rosario stated that her recommendation would be to reduce funding to \$325,000. Chair Williams asked Commissioner Mattson what her recommendations might be.

Commissioner Mattson continued with her draft report and turned to the lack of transparency for grant dollars spent. She stated that the final grant reports produced by MVB lack specific and detailed information on how much was spent and for what service, event, or product.

Commissioner Mattson also mentioned the need for greater oversight of MVB-contracted companies.

Commissioner Mattson then distributed a draft document entitled, "MVB Grant Recommendations."

Commissioner Heiskell commended Commissioner Mattson for her work. She added that she had not used a travel brochure in years. She was leaning toward reducing the grant award to \$0.

Commissioner Del Rosario pointed out money that was spent for a segment ("Foodie Calls") that was not Maui based at all.

Commissioner O'Neil stated that a \$975 return on its face sounds great, and that the Commission might need to explain how a reduction to \$0 would increase the return.

Commissioner Werth commented on recommendation #6 (eliminate 10% grant administration fee), and stated that based on her experience, 10% is a standard administration fee. She recommended that the Commission review other County grants to determine whether 10% is a standard figure. Commissioner Del Rosario responded that she is fine with the percentage, but not fine with the magnitude of the dollar amount.

Commissioner Lankford-Faborito stated that the reduction from \$3 million to \$325,000 was huge. In response, Commissioner Mattson stated that there is a significant duplication of effort in the amount of about \$2.5 million. Commissioner Lankford-Faborito asked whether MVB was aware of such duplication. Commissioner Mattson responded that MVB is aware of it, but justifies it because the funds are spent to promote Maui.

Commissioner Del Rosario highlighted the County Council's recent decision to eliminate 17 short-term rentals on Molokai because the island does not want tourism. Yet, she said, MVB expends \$200,000 annually to promote Molokai and another \$200,000 to promote Lanai, which has half the population of Molokai, so she does not understand the rationale behind the figures. Commissioner Del Rosario recommended removing \$200,000 from Molokai and allocating it toward economic development (e.g., startups, incubator businesses) for the island. Commissioner Lankford-Faborito observed that the draft recommendations stated that \$200,000 had been allocated to the islands since at least 2001.

Commissioner Mattson asked whether Commissioner Lankford-Faborito or Commissioner Barbadillo had ever seen brochures promoting their home islands of Molokai and Lanai. Commissioner Barbadillo responded that there are no racks on Lanai.

Chair Williams stated that the report needs to be written to explain what needs to be cut and why, what needs to be accounted for and why, and that he and Ms. Pellegrino could assist with editing the report. He added that commissioners were welcome to send their comments to him or Ms. Pellegrino. He hoped to have a draft available before the next meeting.

Commissioner Lankford-Faborito wondered why MVB had not seen the agenda and attended the meeting. Commissioner Mattson responded that they appeared before the Commission with the former OED director a while ago, but had not attended a meeting since then.

Commissioner Simmons inquired about whether there was a report based on the County Council's most recent grant reduction from \$4 million to \$3 million, and that she thought the grant was supposed to focus more on managing, rather than promoting, tourism. Commissioner Del Rosario responded that MVB is midway through its current grant. Commissioner Mattson

responded that MVB is spending \$300,000 on cultural education, but also spending a significant amount to sponsor large events that are already supported by HTA.

Commissioner Barbadillo stated that Lanai does not want more visitors; it wants fewer visitors who are willing to spend more. She added that she does not see Lanai-specific marketing besides what is produced by her company.

Chair Williams stated that he hoped to have a draft report with recommendations available at the next meeting.

XI. UPDATE BY ENFORCEMENT OF SHORT-TERM RENTAL LAWS TIG (COMMISSIONERS WILLIAMS AND BARBADILLO)

Chair Williams stated that he is waiting for some responses from Planning Director Michele McLean and that he thought he might have a draft report for the Commission at the March meeting.

XII. DISCUSSION OF PARAMETERS AND SCOPE OF INVESTIGATION OF TEMPORARY INVESTIGATIVE GROUPS (TIGS)

A. Department of Water Supply Appropriations and Expenditures for Capital Improvement Projects TIG (Commissioners Del Rosario and Williams)

Chair Williams distributed a document entitled, "Proposed parameters and scope of investigation into the County's capital budget for water projects." He stated that when he started looking into the proposed budget for water projects, he was also interested in wastewater because potable water can be saved if it is replaced by recycled wastewater, such as for irrigation on golf courses and landscaping. As such, he proposed expanding the TIG's scope to include water, which is managed by the Department of Water Supply, and wastewater, which is managed by the Department of Environmental Management. Chair Williams also proposed reviewing the acquisition of Wailuku Water Company's aqueduct system, which Mayor Victorino outlined in his State of the County address. Chair Williams further proposed reviewing the acquisition of the East Maui Irrigation aqueduct system, which was proposed by the Board of Water Supply. Chair Williams explained that the Commission should be looking at the big picture of all the money the County is planning to spend on acquiring and managing an expanded water supply system.

Commissioner O'Neil stated that he sees two broad issues: water usage and ownership of water, and its impact on land development. He also pointed to issues surrounding the water systems which cross over both public and private land.

Deputy Corporation Counsel Chen cautioned the Commission that the proposed scope seemed to be a lot for a single TIG to take on, and suggested separating the capital expenditure component from the water system acquisition issues. Chair Williams stated that he is willing to take it all on.

Commissioner Del Rosario stated that she wants to review the capital projects in the Department of Water Supply and the Department of Environmental Management because the funds that have been allocated by the Council (at the Departments' request) have not been spent. She is interested in learning why the money was not spent, who made the decision not to spend the money, and where the money has since been spent.

Commissioner Del Rosario moved to expand the TIG membership to three with the addition of Commissioner O’Neil. Commissioner O’Neil seconded the motion. The motion was approved unanimously.

11:48 a.m. — Commissioner Simmons departed

B. Wildfire Costs and Responsibility of Private Landowners TIG (Vice-Chair Heiskell)

Commissioner O’Neil stated that he would like to be involved in reviewing the issue. Chair Williams stated that a TIG is not necessary, but requested that a proposed scope be drafted prior to the March meeting. Commissioner Del Rosario suggested contacting two Council committees — the Climate Action and Resilience Committee, and the Environmental, Agricultural, and Cultural Preservation Committee. Both committees are looking at actions the County can take to impact climate change.

XIII. DISCUSS TOPICS TO REVIEW AND ESTABLISHMENT OF TEMPORARY INVESTIGATIVE GROUPS (TIGS)

Discussion and possible action regarding the establishment of Temporary Investigative Groups (TIGs) to review and investigate the below listed subjects, appointment of members, and setting of the parameters and scope of the investigation and review.

A. Information Technology (Vice-Chair Simmons)

The Commission deferred discussion of this item.

B. Other Potential Topics

Chair Williams proposed an investigation into why the County is spending its own capital on the Wailuku parking garage instead of using a federal tax subsidy. He wants to look into whether the parking garage can be refinanced with private money instead of using public money. He thought that the County could issue a Request for Proposals (RFP) and also work out an agreement with the garage owner to allot a certain number of parking spots for County employees. He added at this Opportunity Zone concept is relatively new (about 1½ years old), so it was not available to the County Council at the time it was financing the project.

Commissioner Del Rosario moved to authorize Chair Williams to investigate private financing of the Wailuku parking garage via Opportunity Zones and federal funding. Commissioner Mattson seconded the motion. The motion was approved unanimously.

XIV. DETERMINE NEXT MEETING DATE AND AGENDA

The next meeting is scheduled for March 12, 2020.

XV. ADJOURNMENT

The meeting adjourned at 12:00 p.m.