

BUDGET AND FINANCE COMMITTEE  
Council of the County of Maui  
MINUTES  
March 23, 2007  
Council Chamber

RALPH ROSENBERG COURT REPORTERS, INC.  
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APPROVED:  
  
Committee Chair

- 1 CONVENE: 10:10 a.m.
- 2 PRESENT: Councilmember Joseph Pontanilla, Chair
- 3 Councilmember G. Riki Hokama, Vice-Chair
- 4 Councilmember Gladys C. Baisa, Member
- 5 Councilmember Jo Anne Johnson, Member
- 6 Councilmember Danny A. Mateo, Member
- 7 Councilmember Michael J. Molina, Member
- 8 Councilmember Michael P. Victorino, Member
- 9 EXCUSED: Councilmember Michelle Anderson, Member
- 10 Councilmember Bill Kauakea Medeiros, Member
- 11 STAFF: Lance Taguchi, Legislative Analyst
- 12 Gayle Revels, Legislative Analyst
- 13 Yvette Bouthillier, Committee Secretary
- 14 Leinaala Kihm, Executive Assistant to
- 15 Councilmember Medeiros
- 16 ADMIN.: Frederick Pablo, Budget Director, Office of
- 17 the Mayor
- 18 Kalbert L. Young, Director, Department of Finance
- 19 Agnes Hayashi, Deputy Director, Department of
- 20 Finance
- 21 Ty Yoshimi, Account System Administrator,
- 22 Department of Finance
- 23 Greg King, Central Purchasing Agent, Department
- 24 of Finance
- 25 Carmelito Vila, Manager, Motor Vehicle and
- Licensing Division, Department of Finance
- Scott Teruya, Acting Administrator, Real Property
- Tax Division, Department of Finance
- Brian T. Moto, Corporation Counsel, Department of
- the Corporation Counsel
- OTHERS: (5)

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1 ITEM NO. 1: FY 2008 Budget (C.C. No. 07-29)

2

3 CHAIR PONTANILLA: (Gavel). Good morning, Members.

4 COUNCIL MEMBERS: Good morning.

5 CHAIR PONTANILLA: Thank you for attending last

6 night's session in Hana. I think we had a darn

7 good session. I haven't seen that many people

8 come out to testify in the last five Budget

9 hearings that I've had.

10 Members, today is March the 23rd, 2007.

11 It's now ten after 10:00. The Budget and

12 Finance Committee meeting will now come to

13 order.

14 Chair would like to introduce the

15 Members that are here this morning. We do have

16 Member Mateo, Member Baisa, Member Johnson,

17 Member Molina, Member Hokama and Member

18 Victorino.

19 Excused this morning, Member Anderson,

20 as well as Member Medeiros.

21 Representing the Administration this

22 morning, we do have our Corporation Counsel,

23 Brian Moto; our Budget Director, Fred Pablo; and

24 our Finance Director, Kalbert Young.

25 Supporting the Council this morning, our

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1 Council staff, Lance Taguchi, Gayle Revels --  
2 both Legislative Analyst. And welcome back this  
3 morning to Yvette Bouthillier our Committee  
4 Secretary.

5 Members, Secretary, do we have anybody  
6 signed up for public testimony?

7 MS. BOUTHILLIER: No.

8 CHAIR PONTANILLA: Members, we do not have anybody  
9 signed up for public testimony at this time.  
10 With no objection, the Chair would like leave  
11 public testimony open for a little while.

12 COUNCIL MEMBERS: No objection.

13 CHAIR PONTANILLA: Thank you.

14 This morning we will continue our budget  
15 process. We do have with us Mr. Young from the  
16 Finance Department. We're going to cover the  
17 Countywide and as well as the Finance  
18 Department's request.

19 At this time, I'd like to call on  
20 Mr. Young for some comments.

21 MR. YOUNG: Thank you. Good morning, Mr. Chair.

22 Good morning, Members.

23 COUNCIL MEMBERS: Good morning.

24 MR. YOUNG: On Day 2 of the Budget presentation, I've  
25 prepared a discussion for Countywide costs that

1           are presented in the budget.

2                        Joining me is also Mr. Ty Yoshimi, the  
3           Accounts Division Administrator for the County  
4           in the Department of Finance.

5                        The presentation that I'm referring to  
6           is this handout that's labeled, "FY 2008 Budget  
7           Countywide Expenses."

8                        I will be using it to supplement the  
9           presentation that's in the Fiscal Year 2008  
10          Budget proposal, specifically that section on  
11          page 8-15, 8-15. It's the two pages towards the  
12          back of the Finance Department section of the  
13          budget proposal.

14                       This presentation is intended to give  
15          you a general overview of the various components  
16          of Countywide expenses and also to go through  
17          the anticipated and proposed expenses for  
18          Countywide costs.

19                       The second slide after the title slide  
20          is those Countywide expenses that are -- that  
21          are also listed on page 8-15 of the Budget  
22          proposal and they include such costs as Fringe  
23          Benefits, the Fringe Benefit Reimbursements to  
24          the Countywide Expense Account, the cost for  
25          Bond Issuance and Debt, Supplemental Transfers,

1 Insurance Program, the Open Space Fund, the  
2 Affordable Housing Fund, General Costs  
3 attributable to the overall County operations,  
4 Overhead Reimbursements, the Emergency Fund and  
5 the First-Time Homebuyers Fund. I'll go through  
6 more detail on each of these individual  
7 components throughout the presentation.

8 In terms of Fringe Benefits, Fringe  
9 Benefits represents the largest component of  
10 Countywide Expense -- I'm sorry, for Countywide  
11 Costs. Fringe Benefits expense includes those  
12 contributions for the State of Hawaii Employment  
13 Retirement System, that's the ERS, for both  
14 current and former employees, retired and for  
15 all collective bargaining units.

16 Slide No. 3, I just quickly present to  
17 you the ERS contribution considerations. For  
18 Police and Fire, it's 15.75 percent of salaries  
19 for those employees and for all other employees  
20 who are considered General, it's 13.75.

21 What I'm showing you here, though, is --  
22 what I'm showing you here is that for Fiscal  
23 Year 2007, the current fiscal year, that's the  
24 rate that we're currently contributing for ERS.  
25 We are prospecting that that rate will be the

1 same for 2008.

2           However, there is a measure before the  
3 State legislature that would propose to alter  
4 the calculation method for this contribution,  
5 because this contribution method is statutorily  
6 provided. Depending upon the result of that  
7 legislation, the calculation could change. And  
8 if it does change, it is proposed under the  
9 current legislative measure to change to Police  
10 and Fire to be increased to 19.7 percent and  
11 General employees to increase to 15 percent.  
12 These methods are ways that the ERS system is  
13 looking to recapture or speed up and reduce the  
14 Unfunded Liability that we discussed several  
15 meetings ago.

16           For Fiscal Year 2007, the budgeted  
17 amount for ERS contributions was 17 million.  
18 For 2008, the Budget proposal that you have  
19 before you considers no change, no statutory  
20 change in the calculation and it is budgeted at  
21 20 million.

22           There is an amount in there, in the  
23 20 million, that is meant to -- should the  
24 Council decide to set aside funds to start  
25 addressing the Unfunded Liability. However, as

1           you can see, the current year budget to the  
2           Fiscal Year '08 budget is very close, so this  
3           amount is not significant to address the  
4           300 million or the 400 million that you hear out  
5           there as our portion of the liability. It's  
6           really just there if we wanted to get along that  
7           discussion.

8                         Fringe Benefits also includes those  
9           contributions for the Employee Health Insurance  
10          or the Employers Union Trust Fund, EUTF, for  
11          both current and former employees, for all  
12          collective bargaining units. The Fringe Benefit  
13          expense also includes costs for agency  
14          requirements, such as Social Security, which is  
15          FICA, Workers' Compensation, et cetera.

16                        Again, I'm showing you the Employee  
17          Retirement System contribution, but I'm also on  
18          top of that showing you the calculation for  
19          medical insurance and Social Security that we  
20          also contribute.

21                        The budget for deriving these Fringe  
22          Benefits' costs is simple by calculating the  
23          anticipated salaries for each department and  
24          applying the appropriate Fringe rate.

25                        So in total for Fringe Benefits we see

1 for Fiscal Year '08, Workers' Compensation  
2 component is budgeted at 3 million, which is  
3 consistent to Fiscal Year '07; the ERS  
4 contribution is at 20 million, which is a 3  
5 million increase '07 -- over 17 million that's  
6 budgeted in Fiscal Year '07; FICA contribution  
7 is a 400,000 step up from 6.2 million to  
8 6.6 million in FY '08; the EUTF contribution is  
9 a \$400,000 increase from -- I'm sorry, \$400,000  
10 decrease from 17.7 million to 17.3 million; the  
11 Unemployment Compensation is projected to stay  
12 the same at 70,000; and the Terminal Pay and  
13 Salary Adjustments is, again, level at 1.1  
14 million.

15 In totality, the increase for Fringe  
16 Benefits is 3.1 million, from 45 million in  
17 Fiscal Year '07 to 48.1 in Fiscal Year '08.

18 Fringe Benefit Reimbursements is a  
19 return to the General Fund for its Fringe  
20 Benefit expense from Special Revenue Funds and  
21 Enterprise Funds. For those employees that  
22 exist in those funds, the Fringe Benefits is  
23 paid out of the General Fund but then reimbursed  
24 from those funds as a result. There's five  
25 funds that have been identified here -- the

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1 Highway Fund, the Golf Fund, the Sewer Fund,  
2 Department of Water Supply Fund and the Solid  
3 Waste Fund.

4 Here I've outlined the different  
5 components for the ERS contribution, the FICA  
6 contribution and the EUTF contribution for each  
7 of those funds. In totality, the reimbursement  
8 is 10,717,000.

9 The next component of Countywide is the  
10 Bond Issuance and Debt Service costs. This  
11 includes all Debt Service that currently exists  
12 and to the extent that any interest will be paid  
13 on new debt issued in the coming fiscal year.  
14 It also includes -- specifically, I'm talking  
15 about General Obligation Bonds, but it also  
16 includes State Revolving Fund Loans that are  
17 currently on the books and those that will be --  
18 that will be obtained during the remaining of  
19 the current fiscal year as an estimate.

20 Any Debt Service that is attributable to  
21 this Special Revenue Fund or the Enterprise Fund  
22 programs is recovered from those funds and the  
23 Bond Issuance cost represents the amount of  
24 administrative expense that is necessary to  
25 undertake a bond issue. There are

1 administrative and operational costs such as  
2 expertise, bond underwriters, bond counsel,  
3 filing fees, et cetera.

4 The graphic on the bottom of Slide 7  
5 shows a current outstanding General Obligation  
6 Bonds at 203.7 million. The current outstanding  
7 SRF loan is at 29.6 million.

8 For Fiscal Year '07, this category of  
9 Debt Service is budgeted at 36.35 million. For  
10 Fiscal Year '08 the Debt Service, if you notice,  
11 has declined. This is largely due to the fact  
12 that there has been a number of refunding issues  
13 over the last several years, as well as in  
14 2000 -- Fiscal Year 2006, we did not issue any  
15 bonds for that year. So we retired bonds during  
16 that year but did not issue any new ones.

17 For SRF loans, the amount budgeted in  
18 Fiscal Year 2007 was 24.3 million. This is  
19 projected to increase to 29.9 million or  
20 30 million.

21 The Supplemental Transfers in Countywide  
22 expense represents those funds from the General  
23 Funds that are necessary to be sent to the  
24 Special Revenue Funds or Enterprise Funds in  
25 order to support their operations.

1                   For Fiscal Year 2008, the Mayor's  
2                   proposed budget only requires two supplemental  
3                   transfers, that to the Golf Fund and that to the  
4                   Solid Waste Fund. If you'll notice at the  
5                   chart, the transfer to the Golf Fund, though,  
6                   has decreased from 355.8 thousand to 229,000 for  
7                   Fiscal Year '08. The transfer to the Solid  
8                   Waste Fund, however, has increased from 6.3  
9                   million in Fiscal Year '07 to about 12.9 million  
10                  in Fiscal Year '08 as proposed.

11                  The category for Insurance Program and  
12                  Self-Insurance is presented on the slides  
13                  separately. For the Insurance Program, this  
14                  represents the amount of funds that are  
15                  necessary to secure third-party policies that  
16                  the County undertakes in the area of, say,  
17                  property, liability, errors and omissions, et  
18                  cetera.

19                  What we have noticed for the last two  
20                  years, though, is that property insurance  
21                  premiums, in particular, have increased quite  
22                  significantly, largely attributed to the Katrina  
23                  and Rita affect. Funding for the Insurance  
24                  Program, therefore, is requested to be increased  
25                  in order to account for potential higher

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1 premiums.

2 In the current fiscal year, the  
3 Insurance Program was budgeted at 1.5 million.  
4 However, securing policies in the current fiscal  
5 year did require slightly more than 1.5 million.  
6 Therefore, for Fiscal Year '08, it's anticipated  
7 to increase this -- these funds to 2 million to  
8 accommodate our Insurance Program.

9 In terms of the Self-Insurance Program,  
10 which I'll go into more detail on the next  
11 slide, that amount is asked to increase from  
12 3.4 million in the current fiscal year to  
13 11.5 million in Fiscal Year '08. There's a lot  
14 of reasons which I will go into on the next  
15 slide.

16 I did note for Fiscal Year '07, the  
17 Insurance Program actually was budgeted at  
18 higher than that 3.4. What we did was due to  
19 the Paihi Bridge and the Kaupo issues,  
20 \$2 million of the Self-Insurance Program was  
21 earmarked to address both of those matters. In  
22 Fiscal Year '08 there is no similar earmark as  
23 of yet. In total, though, the  
24 Self-Insurance/Insurance Program is requested to  
25 increase from 6.9 million to 13.5 million.

1           The Self-Insurance category is -- is  
2           necessary to address such items as outstanding  
3           settlement and claims, damage, repair and  
4           maintenance of County equipment claims and any  
5           citizen or employee claims against the County.  
6           The amount for Self-Insurance takes into account  
7           in terms of the claims and settlements is based  
8           off of our review from Corporation Counsel as to  
9           the outstanding cases that are pending, some  
10          qualitative assessment as to which of those will  
11          conclude in the upcoming fiscal year, the  
12          likelihood for a settlement or a claim amount,  
13          and then a further qualitative review by the  
14          Finance Department as to what is a reasonable  
15          appropriation during the budget process.

16                 Self-Insurance funds, though, have been  
17          historically utilized for claims of damage on  
18          and to County property, repair and replacement  
19          of County assets after a, quote, insurable  
20          incident. The reason why I quote "insurable"  
21          here is because insurable means different things  
22          to different departments, to different  
23          operations and Risk Management has to assess  
24          each of these claims. For instance, replacement  
25          of a damaged police vehicle may have a different

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1 value than replacing a damaged Public Works  
2 truck versus replacing a damaged fire department  
3 tanker.

4 Self-Insurance also pays for legal and  
5 defense costs that are approved by the Council.  
6 We pay for settlements or legal claims in that  
7 regards and any other expenses that are  
8 considered reasonably appropriate as, quote,  
9 insurable. And, again, this one -- this  
10 particular category would be -- a good example  
11 would be the Paihi Bridge and Kaupo incident.

12 The Open Space Fund is established by  
13 Charter and mandates -- or ordinance -- and  
14 mandates 1 percent of the real property tax  
15 revenue collected each fiscal year to be  
16 appropriated for the fund.

17 In Fiscal Year '07, based on the real  
18 property tax revenue collection, it's 1.93  
19 million. For Fiscal Year '08, because real  
20 property tax revenue is projected in the Mayor's  
21 budget to remain essentially flat, the amount of  
22 contribution to the Open Space Fund is similarly  
23 so to be 1.97 million.

24 Similarly, for the Affordable Housing  
25 Fund, it's also established by Charter and

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1 mandates 2 percent of real property tax revenue  
2 collection. Based on the real property tax  
3 proposed collection, it's at 3.9 million for  
4 Fiscal Year '08, the inaugural year of this  
5 fund. Both the Affordable Housing Fund and the  
6 Open Space Fund is a simple calculation for  
7 budget based on the percentage.

8 The First-Time Homebuyers Fund was  
9 initially established in Fiscal Year 2006 and  
10 was initially funded by Administration and  
11 supported by Council at \$400,000 annually. The  
12 subsequent Fiscal Year 2007, current year, was,  
13 again, funded for the -- at the same amount  
14 400,000 and for Fiscal Year 2008, the budget  
15 proposes to fund it at that same level, 400,000.

16 The category for General Costs are for  
17 those expenses and items that are commonly  
18 shared and used throughout the County campus  
19 complex and in other common County operations.  
20 Specifically, these items are the telephone  
21 system, rental and facilities, centralized  
22 postage handling, the copying machine expense  
23 and salary adjustment.

24 For the telephone system, it is proposed  
25 to increase from 518,000 to 735,000. This

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1 includes the cost to operate the phone system.  
2 The increased amount is actually for  
3 improvements that are necessary to upgrade the  
4 existing phone system and the switches that are  
5 located here in the County building complex.

6 Rental and facilities is proposed to  
7 remain flat at 431,000. Centralized postage is,  
8 again, flat at 357,000. As you may know, there  
9 is a proposed \$.02 increase in postage.  
10 However, we don't know when that will go into --  
11 we didn't know when it would go into effect when  
12 the budget was constructed.

13 MR. YOSHIMI: May 14th.

14 MR. YOUNG: Okay. May -- Ty has informed me that  
15 that's May 14th of this fiscal year. So that  
16 \$.02 increase wasn't budgeted.

17 Finance Department estimates, though,  
18 that there should be adequate funds at 357,000  
19 to sustain current -- if the rate of postage is  
20 the same in Fiscal Year '08, the rate of  
21 materials being mailed is the same in '08 as in  
22 '07, there should be sufficient funds to handle  
23 the \$.02 increase.

24 Copying machine expense is also flat at  
25 50,000 and salary adjustments has increased from

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1           182,000 to 2.6 million. However, I will point  
2           out that the reason why it has increased so much  
3           is that every single collective bargaining unit  
4           is currently under negotiations. They're all --  
5           all bargaining unit contracts conclude on  
6           June 30th, 2006. The budget is structured in  
7           such a way to accommodate a portion of  
8           anticipated increases in each of the  
9           department's budget and I believe that amount  
10          was 3 percent of salaries in the departmental  
11          budget.

12                         Anticipating that there could be  
13          negotiations that will settle at higher than  
14          3 percent, an additional amount was placed in  
15          this category, Salary Adjustment, that should  
16          departments have bargaining units that negotiate  
17          higher than an amount that they currently have  
18          funded that this would be a category that will  
19          help sustain them through the remainder of  
20          Fiscal Year 2008.

21                         This strategy was used in consideration  
22          that a number of departments have a fair number  
23          of vacancies that they could draw on savings  
24          from those vacancies to help also address any  
25          increases above the 3 percent that they've

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1 budgeted.

2 Overhead Reimbursements is transfers  
3 from Special Revenue or Enterprise Funds to the  
4 General Fund for administrative or support  
5 services that are provided from the General Fund  
6 to those funds. And on Slide 14 I outline  
7 the -- the amounts that are anticipated to be  
8 recovered from the various Special and  
9 Enterprise Funds to the General Fund for this  
10 type of expense. In totality, it equates to  
11 6.5 million.

12 The Emergency Fund was established by  
13 ordinance in Fiscal Year 2005. It was initially  
14 funded with \$4 million by the Council. It has  
15 been funded in each subsequent fiscal year. The  
16 Emergency Fund is identified for addressing any  
17 natural or financial disasters that may befall a  
18 County and does not lapse.

19 As you can see from the graphic, the  
20 funding for each Fiscal Year '05, '06 and the  
21 current '07 year, has placed the funds in that  
22 Emergency Fund to just over 8.5 million. For  
23 Fiscal Year '08 the budget proposal requests  
24 another 1.8 million, which will bring the  
25 overall funding in the Emergency Fund to just

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1 over 10 million.

2 I would mention that -- that an  
3 appropriate level of funding for any Emergency  
4 Fund is suggested to be in the range of 5 to  
5 10 percent of the operating budget before  
6 capital projects. Considering that the fund has  
7 only been in existence for three years and  
8 noticing that there has been significant  
9 increase in each of the subsequent years, bond  
10 underwriters, underwriting agencies, credit  
11 rating agencies have looked very favorably on  
12 Maui County's efforts to build this fund and are  
13 agreeable that there is a certain duration of  
14 time that the County will take to get to the 5  
15 to 10 percent level. Noticing the progress,  
16 they have been satisfied thus far.

17 And with that, Mr. Chair, that concludes  
18 the presentation for the Countywide costs that  
19 are presented in the budget.

20 Mr. Ty Yoshimi can answer any of the  
21 technical questions for each of the categories  
22 and I am available to answer any of the larger  
23 and general administrative questions.

24 Thank you, Mr. Chair.

25 CHAIR PONTANILLA: Thank you, Director.

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1                   Members, the floor is now open for  
2                   questions and I'll start with Member Victorino,  
3                   working from my right to my left and, you know,  
4                   I'll come to Danny probably after the first  
5                   round.

6                   COUNCILMEMBER VICTORINO: I mean --

7                   CHAIR PONTANILLA: Mr. Victorino?

8                   COUNCILMEMBER VICTORINO: -- I would prefer that side  
9                   if that's -- if Mr. Mateo has something burning.

10                   Mr. Mateo, do you have anything burning  
11                   on your ...

12                   CHAIR PONTANILLA: Mr. Mateo?

13                   COUNCILMEMBER MATEO: I'm on fire.

14                   COUNCILMEMBER VICTORINO: You're on fire. Okay.

15                   I'll defer and I'll let it come this way this  
16                   time.

17                   Thank you, Mr. Mateo.

18                   COUNCILMEMBER MATEO: Thank you, Mr. Victorino.

19                   Thank you, Mr. Chairman.

20                   Essentially there's three areas of  
21                   interest for me. One is the supplemental --  
22                   that the transfers. Secondly would be  
23                   Self-Insurance. But I think a more pressing  
24                   interest for me at this point would be what  
25                   Mr. Director referred to as his -- as the

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1 unfunded liabilities. The number ranges that  
2 was toyed with was three, \$400,000 million  
3 range.

4 I think, Mr. Director, I'd like to  
5 understand that a little more in terms of if --  
6 we don't even know what the actual amount is,  
7 right?

8 MR. YOUNG: Correct. That is correct.

9 COUNCILMEMBER MATEO: So it could be 500 --  
10 500 million at this point, also?

11 MR. YOUNG: It could be. It could be.

12 COUNCILMEMBER MATEO: So the question, Mr. Director,  
13 is how do we prepare to even address this  
14 Unfunded Liability?

15 And the second part of the question,  
16 Mr. Director, would be would it be prudent for  
17 us at this point to even consider the  
18 establishment of a fund to start putting monies  
19 away to address this because when is the due  
20 date? When do they come to collect?

21 MR. YOUNG: Those are very good questions and my  
22 answer will be quite lengthy. I'll take the  
23 last question.

24 Is it prudent to establish a fund now?  
25 In my opinion it is very prudent that we

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1           establish a fund or set aside funds specifically  
2           to address the Unfunded Liability. That's my  
3           opinion. I believe it's shared by the  
4           Administration.

5                         In terms of how much is the liability,  
6           that we don't know because the current way the  
7           ERS and the EUTF is structured by Hawaii Revised  
8           Statutes, it's a State program that the  
9           individual jurisdictions while they pay into  
10          those funds the overall liability is not known  
11          to those individual jurisdictions because the  
12          method of payment is on a -- I'll characterize  
13          it as a pay-as-you-go system. We are paying for  
14          only one year's worth of liability, of actual  
15          operations and liability in the next fiscal  
16          year.

17                         So when we talk about the Unfunded  
18          Liability, it's looking at the actuarial value  
19          of the entire liability of both of these funds  
20          brought back into present day dollars. That  
21          could be -- well, it is a big amount.

22                         Estimating for our County, such as Maui  
23          or any of the other jurisdictions, to estimate  
24          what is its portion of this overall liability is  
25          rather difficult. So that's why I offer very

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1 large ranges because given the limited amount of  
2 information that I have to estimate, that's what  
3 I'm using.

4 The State Comprehensive Annual Financial  
5 Report that was recently released for Fiscal  
6 Year '06 put the Unfunded Liability for the ERS  
7 system at about \$5 billion. Maui's portion of  
8 employees in the entire State system, employees  
9 and retirees that exist in this entire system,  
10 is about 10 percent. So if you just did that  
11 simple calculation, that 10 percent of the  
12 population in the system is Maui's and there's a  
13 \$5 billion Unfunded Liability, do the math. It  
14 comes out to 500 million.

15 But that's very simplistic because what  
16 you must realize is that for the Employee  
17 Retirement System, for instance, you're paying  
18 for teachers. Teachers make up the largest  
19 single component of ERS system, both present and  
20 retirees. Actuarially speaking, teachers tend  
21 to be female. Female tend to live longer. They  
22 also have a very comparable to say public  
23 safety, Police and Fire. You know, they have a  
24 more -- a safer job. I wouldn't say it's less  
25 stressful, but for whatever reasons they tend to

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1 live longer. Well, there's no teachers in the  
2 County system. So that, actuarially speaking  
3 needs, to get broken out jurisdiction by  
4 jurisdiction.

5 Similarly, Police and Fire, we pay into  
6 the ERS system at a higher rate for Police and  
7 Fire. Police and Fire personnel tend to be  
8 male. Males tend to live shorter,  
9 unfortunately, and they also -- the current  
10 Police and Fire retirement systems allow them to  
11 retire earlier. So you factor that actuarially  
12 in, the State doesn't have as much Police and  
13 Fire personnel under its ERS contribution.

14 So for the State to evaluate its  
15 responsibility separate from the counties, that  
16 is another calculation. All of these factors,  
17 just these two alone, I hope relay the  
18 complexity that's involved in getting to the  
19 individual jurisdictions. You put on top of  
20 that the fact that the State's statutes do not  
21 mandate a requirement for the individual  
22 jurisdictions to identify their liabilities. On  
23 top of that, because there's no State  
24 requirement, the individual jurisdictions, even  
25 if they wanted to pay in advance its liability

1 cannot do so because it's not statutorily  
2 allowed. On top of that, the calculation is not  
3 established to determine it currently.

4 Having said all of that, the reason why  
5 I think it is prudent to start funding it now is  
6 because the amount of the Unfunded Liability for  
7 both of those programs combined, we know it will  
8 not be \$10 million; we know it won't be  
9 20 million; 50 million; and it's not going to be  
10 a hundred million dollars. I feel like an  
11 infomercial here selling you an oven or  
12 something. It's going to be substantial. By my  
13 estimate, it will be no less than \$200 million  
14 to fund this liability.

15 Now, GASB 45 is the reason why all of  
16 this discussion for Unfunded Liability is going  
17 on. It's Government Accounting Standards  
18 Board's Ruling No. 45 and actually 34 that  
19 identifies or requires jurisdictions to identify  
20 what is the Unfunded Liability for these  
21 post-retirement or post-employment benefits.

22 The requirement does not require that we  
23 fund it, it merely identifies it must be --  
24 requires the jurisdictions to identify how we  
25 intend to fund it. And how we intend to fund it

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1           could be if we do the same thing we're doing now  
2           on a pay-as-you-go.

3                       The liability will always exist out  
4           there. It will grow because the reason why it's  
5           grown is because we're not currently paying at  
6           the level to address the liability. We're only  
7           paying the liability for the future, for the  
8           next year. We could do that or we could set  
9           aside some funds or we could set aside all of  
10          the funds to pay it or we could issue revenue  
11          bonds or pension bonds, something to address the  
12          liability or some hybrid of all of these  
13          different options and there are other options  
14          out there.

15                      For Maui County, here's the problem,  
16          because the current State Statute does not allow  
17          for the individual jurisdictions to address  
18          that -- address its individual liability, we are  
19          in a position where whatever the State decides,  
20          the State ERS system decides or the State EUTF  
21          decides how to address that liability, Maui will  
22          have to be just like the other jurisdictions,  
23          pay its portion of that strategy.

24                      So if the State was to say, intend to  
25          sell pension bonds for 5.1 billion and then

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1 figure out what is the Debt Service for each of  
2 the individual jurisdictions and send the bill  
3 to Maui every year for the next 30 years, we  
4 will have to fund that. Or if the State was to  
5 say, "We're not going to address the Unfunded  
6 Liability in cash. We're going to allow the  
7 pay-as-you-go method," Maui will have to take  
8 that strategy under the current statute.

9 So it's a very long answer, Mr. Chair, I  
10 apologize, but it's a very complex issue and I  
11 hope I've relayed why I feel that in my opinion  
12 it is prudent to set aside funds now.

13 This bill will come to you at some point  
14 in time when the State decides it and Maui  
15 should be prepared financially whatever the  
16 strategy may be. I believe that establishing  
17 and setting aside funds now is the prudent  
18 course to do that.

19 CHAIR PONTANILLA: Thank you, Director.

20 COUNCILMEMBER MATEO: Mr. Director, thank you very  
21 much for that.

22 It just continues to be quiet scary to  
23 even imagine, you know, the potential of a  
24 \$500 million debt. That debt alone is almost as  
25 big as this entire County budget.

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1                   You know, so how the hell do we pay  
2                   something like that unless we are prudent enough  
3                   to take considerations of the establishment of  
4                   another fund to actually deal with paying this  
5                   bill that will strap future generations and  
6                   future Councils?

7                   So thank you very much for that answer.

8                   Chairman, I will yield to the other  
9                   members.

10                  CHAIR PONTANILLA: Thank you, Member Mateo.

11                   Member Baisa?

12                  COUNCILMEMBER BAISA: Good morning, Mr. Chair, and  
13                   good morning, Finance folks.

14                   My question -- first of all, I have some  
15                   comments about the previous discussion. I  
16                   strongly support your suggestion, Mr. Young. I  
17                   am of Portuguese descent. We do not like to  
18                   have bills. In fact, my mother was so paranoid  
19                   that we never had a bill overnight in our home.  
20                   She would insist on going out to pay it in cash  
21                   immediately or she couldn't sleep.

22                   It makes me uncomfortable to know that  
23                   this Unfunded Liability is out there and I think  
24                   that we need to begin this year to set aside a  
25                   kitty so that when the bill collector comes to

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1 the door, we can at least pay some of it, if we  
2 cannot pay all of it. I don't think that it's  
3 smart to continue to operate. And, you know,  
4 there's a perception that Maui County is very  
5 rich. And, therefore, we're like Santa Claus.  
6 But I think Santa Claus' toy shop is going to be  
7 very empty one of these days unless we take care  
8 of this.

9 It scares me because it's about pensions  
10 and it's about elderly people who are counting  
11 on this money and we want to be there, you know,  
12 for them when they need us. After all, they've  
13 been there for us now. So I'm a strong  
14 supporter of that.

15 My question is in the Self-Insurance  
16 Program. Can you tell me how much we spent or  
17 are going to spend in '07, if you have an idea?  
18 Just an estimate.

19 MR. YOUNG: For Self-Insurance?

20 COUNCILMEMBER BAISA: Yes.

21 MR. YOUNG: That's hard because it's hard to predict  
22 how much ...

23 COUNCILMEMBER BAISA: What do we do in an average  
24 year? Could you tell me for the year before?

25 MR. YOUNG: For 2006 -- I'm looking at page 8-15.

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1 COUNCILMEMBER BAISA: Uh-huh.

2 MR. YOUNG: For 2006, the actuals for 2005 and for  
3 2006 in the Insurance Program and Self-Insurance  
4 was 2.7 and 3.9 respectively. Of that  
5 portion -- of that portion, the Insurance  
6 Programs is included in there and that has run  
7 about 1.5, 1.4 million a year.

8 So the insurance -- the Self-Insurance  
9 claims out of these funds on an actual basis has  
10 run about that same level, except in 2006 it  
11 looks like it increased by about -- to about  
12 2.4 million.

13 COUNCILMEMBER BAISA: And I understand that's hard to  
14 predict because it depends on whatever  
15 settlements and untoward events come our way.

16 MR. YOUNG: Yes.

17 COUNCILMEMBER BAISA: But I was just kind of  
18 interested in getting an idea.

19 My last question for now is on the  
20 First-Time Homebuyers 400,000, has any of it  
21 been spent?

22 MR. YOUNG: My understanding is that none of the  
23 funds have been spent; although there has been  
24 a -- the Department of Housing Human Concerns  
25 administers this fund and the department has

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1 arranged or contracted with an administer --  
2 administrator for this fund and that's the Maui  
3 County Employee's Federal Credit Union, but I  
4 believe there's some administrative process that  
5 the County is undertaking in order to first  
6 distribute the funds.

7 COUNCILMEMBER BAISA: Thank you very much.

8 Thank you, Mr. Chair.

9 CHAIR PONTANILLA: Thank you, Ms. Baisa.

10 Member Johnson?

11 COUNCILMEMBER JOHNSON: Yes, Kalbert, and on page  
12 8-15, I'm looking at -- I know generally because  
13 you've outlined it in your presentation what the  
14 percentage of Fringe Benefits is to the hourly  
15 wage or the salary, but on page 8-15 it also  
16 just denotes a 6.7 percent change.

17 As a percentage of budget, it seems that  
18 we're going up. But out of the operating  
19 budget, what would the overall Fringe be?

20 I see it's going from 45 million in  
21 '07 -- and we don't know that for sure yet --  
22 but to '08 projected at 48 million.

23 So is that about -- it's not quite  
24 10 percent of our overall budget; is that  
25 correct?

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1 MR. YOUNG: Close to 10 percent of the overall budget  
2 is towards this Fringe Benefit cost.

3 COUNCILMEMBER JOHNSON: Yeah. And, you know, because  
4 I'm not familiar with what -- I know what  
5 private sector does. If you're looking at that,  
6 you know, just Fringe Benefits as a percentage  
7 of your operating budget in private sector,  
8 that's pretty hefty.

9 What I'm looking at is compared to other  
10 jurisdictions, do we ever look at, let's say,  
11 City and County of Honolulu? Do we look at  
12 Kauai County and see if we're comparable to what  
13 they're doing or other jurisdictions on the  
14 Mainland?

15 MR. YOUNG: Do you want to answer?

16 MR. YOSHIMI: As far as the other jurisdiction, we're  
17 all pretty much in the same boat because with  
18 the State retirement system, we all contribute  
19 13.75 for General and 15 point whatever percent  
20 for the Fire. And for EUTF, it's all the same  
21 contribution amount, too.

22 That amount is bargained in collective  
23 bargaining as far as the percentage that the  
24 employers pay for the health benefits.

25 COUNCILMEMBER JOHNSON: Okay. But the percentage of

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1           the overall operating budget for each one of the  
2           jurisdictions has got to be different, is that  
3           correct, or are we right on target?

4   MR. YOSHIMI:  It should be the same percentage as far  
5           as overall as compared to salary because it's so  
6           basic.

7   COUNCILMEMBER JOHNSON:  No.  I'm not looking at just  
8           salary.  I'm looking at the overall operating  
9           budget, let's say, for Maui County is  
10          537 million.  Out of that, we're looking at  
11          48 million just to pay Fringe.

12                 So if you look at City and County of  
13           Honolulu, what is their operating budget and  
14           then what is their overall percentage of Fringe  
15           compared to that?  That's what I'm speaking  
16           about.

17   MR. YOUNG:  Well, Ms. Johnson, I have looked at the  
18           budgets that are proposed by the mayors from the  
19           other counties for this -- for the upcoming  
20           fiscal year.

21                 The amount for Fringe Benefits actually  
22           differs for the different jurisdictions.  For  
23           the City and County of Honolulu, it's slightly  
24           less than -- you know, a smaller percentage of  
25           their overall operating budget.  But their

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1 budget is, you know, like \$1 billion in excess.

2 For the County of Kauai, the smaller  
3 county, the Fringe Benefit expense is actually  
4 on the higher side relative to their overall  
5 operating budget.

6 But, you know, there's not a whole lot  
7 you can do in this category because it's all  
8 tied to the amount of personnel that  
9 jurisdictions have on staff and it's really a  
10 straight percentage mathematics in terms of, you  
11 know, it's just a percentage of salaries.

12 The thing that makes Fringe Benefits go  
13 up is; one, the addition of employees,  
14 definitely, but also what people don't really  
15 realize is that when you negotiate higher  
16 salaries, it's not only the salary expense that  
17 increases it's also the Fringe Benefit expense  
18 increases proportionately and that's what you  
19 really don't really see and what a lot of people  
20 don't really consider is that when you negotiate  
21 higher salaries, you also are negotiating higher  
22 Fringe Benefit expenses on the part of the  
23 County and that's what's reflected here.

24 The increases are also due to  
25 anticipated growth in the salary amount.

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1 COUNCILMEMBER JOHNSON: I guess what -- if I look at  
2 it realistically, it's probably not going to be  
3 meaningful if you look at the overall operating  
4 budget because there are different charges that  
5 communities will actually include in a specific  
6 year's operating budget that may be -- are  
7 one-time expenses. So it's really going to  
8 throw it off.

9 I think what would be helpful for me and  
10 I know that we're not in, you know, the  
11 personnel negotiation side of anything, you  
12 know, that will come later.

13 What I think is really helpful is for  
14 our people who negotiate to communicate to the  
15 unions and to communicate to employees that many  
16 times it's better to increase the percentage of  
17 benefit paid by the employer. Because if you  
18 pay a portion, let's say, of my dependent  
19 coverage and a hundred percent of my, you know,  
20 overall insurance cost for my medical, that  
21 doesn't add on all these additional costs that  
22 you're talking about that are associated with  
23 Fringe Benefits. It amounts to, in some cases,  
24 more money in terms of expendable income in the  
25 person's pocket by getting it in the form of a

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1 benefit. So I think a lot of education on the  
2 public's part as well as the people that are  
3 participating would be helpful.

4 My last question is with regard to the  
5 baby boom generation, and I'm part of that.  
6 Have we done any kind of analysis to know what  
7 percentage of retirees we have in Maui County  
8 that are right on that fringe that will no  
9 longer be paying in in terms of the benefits or  
10 in terms of their contributions and how many  
11 people we're going to be looking at when the  
12 baby boom wave, you know, hits retirement age?  
13 Because that also concerns me.

14 Are we able to fund through, I guess,  
15 replacement employees a portion of this  
16 obligation?

17 MR. YOUNG: That is actually a very good question,  
18 Ms. Johnson, because that is actually one of the  
19 reasons that the Unfunded Liability issue is  
20 really coming to a head is because most  
21 jurisdictions, like the County, we haven't done  
22 any formal analysis or review of how much of the  
23 County workforce is going to be retiring in or  
24 hit that retirement age in two years or five  
25 years or ten years. We haven't done that.

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1           But all of us here -- I mean, if you  
2           just walk around the building and you look, you  
3           know of people that have been here up to 20  
4           years, you know, there's a good amount of them  
5           or they're approaching their retirement age or  
6           they could retire. That's similar to a lot of  
7           the jurisdictions in the State and it's similar  
8           to a lot of the jurisdictions in the country.

9           When these people retire, the liability  
10          to pay their pension and/or their other benefits  
11          other than their pension, medical insurance,  
12          that is when it comes home to roost.

13          Right now the State ERS system is  
14          unfunded, I think, to a portion of about  
15          60 percent unfunded or it's 60 percent funded.  
16          That is actually a pretty decent ranking for  
17          across the country where there are state  
18          pensions. To be 60 percent funded, we're not  
19          very bad off.

20          But, can you imagine those states, the  
21          majority of them are larger than Hawaii, that  
22          have people facing the same -- their workforce  
23          is facing the same issue, near retirement. They  
24          are not as fully funded as Hawaii is. They will  
25          have larger liabilities to deal with and they're

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1 going to be under the same problem as Maui is in  
2 that how are they going to fund it. That is a  
3 very big issue.

4 For the County of Maui, again, it comes  
5 back to how to handle future funding, future  
6 budgets, going forward to pay for these  
7 liabilities or these expenses that we know that  
8 are out there. We don't know when they're going  
9 to come due. We don't know when these baby  
10 boomers, when it's going to be the big peak in  
11 year that they're going to retire and start  
12 drawing. They'll no longer be contributing to  
13 the retirement system, they will be drawing.  
14 And there is that one year that's going to peak.  
15 You don't know when it is when all the baby  
16 boomers are going to say, "I've had enough. I'm  
17 going to retire." You don't know when that is.  
18 You know it's in some ten-year period between  
19 the time that they turn 65 and 75. That period  
20 is going -- there's going to be a peak and  
21 that's going to be the year that we're going to  
22 have to really think hard about how we're going  
23 to fund going forward.

24 COUNCILMEMBER JOHNSON: Is that part of the actuarial  
25 data that's being gathered?

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1                   Because if you look at Maui County -- I  
2                   suppose we can do a quick and dirty version  
3                   where you take everybody that's reached that  
4                   threshold, that legitimately after so many years  
5                   could take retirement. If we did that, we might  
6                   have a better idea of where we stand.

7                   Is that part of the actuarial  
8                   information that's being gathered?

9   MR. YOUNG: The State actuarial study for the ERS --  
10                  I don't know about for the EUTF -- but for the  
11                  ERS does take that into consideration and it  
12                  takes it into consideration by different  
13                  employment classes. So, again, the teachers  
14                  versus Police versus Fire versus General Office.  
15                  It does take that into consideration.

16   COUNCILMEMBER JOHNSON: Yeah.

17                  And perhaps, Mr. Chair, one of the  
18                  things that I would ask for, if Personnel  
19                  Services -- because we have all this information  
20                  on file, specifically with regard to those  
21                  individuals that could retire. If we could get  
22                  a general idea of how many people are out there  
23                  that -- where we could hit that wall, so to  
24                  speak, and have some idea of what the obligation  
25                  would be so that we know at least just from a

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1 snapshot in time of what we could face.

2 And then the other thing that -- and I  
3 don't know. This would be really difficult to  
4 do. But I guess the other thing, Mr. Young,  
5 that we're also facing, which is an unknown, is  
6 when a person comes in -- let's say you have a  
7 retiree and the person comes in to that  
8 position, they would be a new hire. So their  
9 contribution level is also based on what their  
10 wage is and their salary.

11 So if that is substantially below what  
12 the person's earning level was, the pay and rate  
13 is going to be way, way off of what is really  
14 needed in order to do a comparable; is that  
15 correct?

16 MR. YOUNG: Yes. And that is why you have an  
17 Unfunded Liability because when -- let's say  
18 when a person starts working at a college and  
19 they're making some amount, we'll say \$20,000 a  
20 year, and they pay a certain amount into the  
21 system -- right now they have the hybrid  
22 program. They may not have chosen hybrid. You  
23 know, whatever the case may be, they pay into  
24 the system. If they work for the County for 20  
25 years or 30 years or whatever it is to retire

1           and they may conclude their year of their career  
2           of service with the County, and they went from  
3           \$20,000 a year in Year 1 to something on order  
4           of -- let's pick a number -- \$80,000 a year at  
5           Year 30, we have to rely on the performance of  
6           the ERS system that they are -- that their  
7           investments are earning on the amount of money  
8           that that person contributed at \$20,000. For  
9           the next 30 years, they have to earn money on  
10          that initial year's contribution at a rate that  
11          is going to actuarially sustain this employee  
12          paying when they retire High 3 at \$80,000 a year  
13          and they receive 2 percent for every year of  
14          service and that's 30 years of service, that's  
15          60 percent at High 3. We have to pay them, you  
16          know, 60 percent of \$80,000. That's like  
17          \$48,000 a year. So we're paying out more every  
18          year for the remainder of their life than they  
19          earned in Year 1 of service.

20                 So actuarially speaking, that is where  
21          you get these unfunded liabilities. Where the  
22          Employment Retirement System, they need to  
23          invest at a level to sustain that type of  
24          performance and that's what they try to do. If  
25          there is a year where they happen to not reach

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1           that level because the investments by nature  
2           have varying returns and they may go down, they  
3           may do better in one year than the next, they  
4           may do tremendously in one year and average in  
5           the next. After all of these times, it -- we  
6           place a lot of reliance on the ERS system to  
7           meet that level of performance.

8                        Because there is an Unfunded Liability,  
9           clearly the level of performance and the amount  
10          that the employers have contributed over the  
11          years has not been enough to sustain and prevent  
12          an Unfunded Liability.

13                      I would say that, you know, to Ms. Baisa  
14          and Mr. Mateo's comments that, yes, it is --  
15          this debt is worrisome for me, too, but what we  
16          must always remember is that me telling you this  
17          morning about this \$400 million debt, you know,  
18          this is not like the first that we've -- that we  
19          have it. It may be the first that we really  
20          hear about it, but we've always had this debt.  
21          So, you know, that's something that at least  
22          allows me to sleep at night.

23                      So, going back to your question, is that  
24          to actuarially speak of how much Maui County's  
25          portion is going to be, if we can know when

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1           people anticipate retiring or how much their  
2           benefit will be, may help for Maui to get to a  
3           better more tighter number than my guesstimate  
4           that I'm giving you, but that's a very -- I  
5           mean, I know you know because of your insurance  
6           background, but that is a very complex study to  
7           undertake. I don't even know if the Department  
8           of Personnel or Department of Finance can  
9           actuarially undertake that type of evaluation.

10       COUNCILMEMBER JOHNSON: And I appreciate it. Thank  
11       you for adding even more, I guess, to the whole  
12       dialogue of what we're facing because it's very  
13       similar, Mr. Chair, to Social Security. I  
14       mean ...

15       MR. YOUNG: It is -- it's exactly like Social  
16       Security. It is exactly like Social Security.

17       COUNCILMEMBER JOHNSON: And all these factors are  
18       completely unknown. And if a pandemic or any  
19       kind of an illness would strike a large  
20       percentage of the population, that also could  
21       dramatically impact future, I guess, reserves  
22       because people -- you would be overpaying then,  
23       technically. Because if your retirement  
24       benefits at that point in time, depending on the  
25       type of settlement you took, it could actually

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1 affect it the other way, too.

2 Thanks very much for trying to explain a  
3 very complex situation.

4 CHAIR PONTANILLA: Thank you, Member Johnson.

5 I've got a fast question before I go to  
6 Member Molina. This is for Corporation Counsel.

7 Is there a way that we can establish or  
8 is it permissible to establish some kind of fund  
9 to meet this Unfunded Liability in the future?

10 MR. MOTO: Good morning, Mr. Chairman.

11 I believe there might be. I'm  
12 hesitating because I wasn't really prepared to  
13 address this particular answer.

14 I know that from conversation with my  
15 First Deputy, Traci Villarosa, that she and  
16 others were looking into this matter.

17 As you know, there's nothing in the  
18 current Charter that provides for such a fund.  
19 However, by ordinance, the County has created  
20 funds from time to time with specific purposes  
21 and provided that those appropriations in the  
22 funds, made to the funds, will not lapse but  
23 will be built up, essentially, over time.

24 So I think we can investigate for you  
25 whether such a fund could be adopted by

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1 ordinance for these ERS unfunded liabilities.

2 CHAIR PONTANILLA: Thank you.

3 Member Molina?

4 COUNCILMEMBER MOLINA: Thank you, Mr. Chairman.

5 Mr. Young, I'm just following up on the  
6 First-Time Homebuyers question from Member  
7 Baisa.

8 You have here \$400,000 as an  
9 appropriation. If I recall, some of the members  
10 who served last term, there was a project we  
11 approved out in Kaanapali and I believe the  
12 developer, Mr. Kihune, kicked in an additional  
13 120,000 into that fund.

14 Can you tell us what happened to the  
15 other 120,000 that was part of the First-Time  
16 Homebuyer -- supposedly part of the First-Time  
17 Homebuyers Fund?

18 VICE-CHAIR HOKAMA: Please don't tell us it went  
19 General Fund.

20 MR. YOUNG: Mr. Molina, I'm not familiar with this  
21 particular issue.

22 To my recollection and Mr. Yoshimi's  
23 recollection, we have no knowledge of monies  
24 being sent into the First-Time Homebuyers Fund.

25 COUNCILMEMBER MOLINA: Would the -- does the Housing

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1 Department have jurisdiction over that? And I  
2 guess, you know, oversight?

3 Because I remember Mr. Kihune made the  
4 commitment in Committee and Council. I'm just  
5 curious, Chairman, through staff's -- your  
6 staff's assistance if we can make an inquiry to  
7 find out what happened to that 120,000.

8 CHAIR PONTANILLA: Yes, we can do that. And when the  
9 Housing and Human Services review -- it's  
10 upcoming, you know, in the following weeks --  
11 then we may ask the director that same question,  
12 also. But we'll follow up with a letter.

13 COUNCILMEMBER MOLINA: Okay. Thank you.

14 And I'm really frustrated. These monies  
15 were made available to the public last year and  
16 for whatever reasons, the prior administration  
17 didn't -- sat on their hands. Maybe, I guess,  
18 they had higher priorities than the needy  
19 residents who wanted to get assistance to  
20 purchase a home but, anyway, I'm just sharing my  
21 frustration, Mr. Chairman.

22 On another subject, on the Unfunded  
23 Liability issue, you mentioned the option of  
24 looking at revenue or pension bonds versus  
25 establishing a fund -- a cash-based fund. What

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1 are the advantages and disadvantages?

2 I mean, if we go bond, what kind of  
3 expenses are we looking at, additional expenses  
4 versus establishing a cash fund?

5 MR. YOUNG: Well, Mr. Molina, again, the decision to  
6 issue revenue or pension bonds to address the  
7 ERS or EUTF unfunded liabilities would not be  
8 the decision of the County of Maui unless --  
9 unless our individual liability can be  
10 ascertained and addressed legally.

11 So what would be involved is if we went  
12 to pension bonds or if the State decided to go  
13 pension bonds, they would essentially be saying  
14 that they are going to address the Unfunded  
15 Liability today and we're going to do it by  
16 basically selling debt for that exact same  
17 amount. So that we'll have the funds available  
18 to address the overall liability, but we're  
19 still going to pay for it over future revenue  
20 stream or period of revenue stream.

21 COUNCILMEMBER MOLINA: So it's a pay now or pay later  
22 kind of deal?

23 MR. YOUNG: It's -- yes. Yeah.

24 It's essentially how do you want to --  
25 you want to pay it all now or you want, you

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1 know, pay it over 30 years or whatever. But  
2 that won't be the decision of the County of Maui  
3 under the current statute.

4 COUNCILMEMBER MOLINA: I see.

5 It's very sobering news. But I think  
6 the hidden message here is, I guess, maybe we  
7 have to tighten our belts a little bit when it  
8 comes to the budget and any requests made from  
9 our community and departments, as well.

10 MR. YOUNG: Mr. Molina, I would actually say that the  
11 County of Maui, in my opinion, is actually  
12 better positioned than I would dare to say all  
13 the jurisdictions in the State of Hawaii in  
14 terms of we have the flexibility now to take a  
15 look at how we want to position ourselves. We  
16 have cash. We're not -- I wouldn't characterize  
17 us as flush with cash but we do have cash. We  
18 have adequate reserves at levels and ratios that  
19 are superior to any other jurisdiction in the  
20 State in my opinion.

21 For Maui County to take this on to  
22 determine what the strategy will be for the  
23 Unfunded Liability, we will set ourselves apart  
24 not only from other jurisdictions in the State  
25 but also from the majority of jurisdictions in

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1 the entire country.

2 I know that some other counties and the  
3 City included are also -- their Councils are  
4 also considering strategies or methods by which  
5 to tackle the Unfunded Liability so we're not  
6 unique there. Everybody is taking a look at it.

7 Maui is positioned probably the best --  
8 again, in my opinion -- to actually do something  
9 about it or take that first step.

10 COUNCILMEMBER MOLINA: I guess the news is not too  
11 sobering then, but at the same time, too, I  
12 guess we have to be careful about going on  
13 spending sprees.

14 MR. YOUNG: Right.

15 COUNCILMEMBER MOLINA: Anyway, thank you for your  
16 responses, Mr. Director.

17 Thank you, Chairman.

18 CHAIR PONTANILLA: Thank you, Member Molina.

19 Member Hokama?

20 VICE-CHAIR HOKAMA: Thank you, Chairman.

21 So, Mr. Young, as part of the component,  
22 are we or do we have a very good handle on the  
23 County of Maui's requirements to the health  
24 insurance, the health fund program, under the  
25 Fringes -- and we call it EUTF now. So, how

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1           would you describe our situation with our  
2           requirements to provide the employer's share in  
3           this program?

4   MR. YOUNG: Well, I think Mr. Yoshimi may also  
5           provide some insight. But, in my opinion from  
6           what I see, the portion for EUTF contributions  
7           is actually, relatively speaking, quite  
8           reasonable in the sense that there have been  
9           some reductions and reductions in the sense the  
10          premiums have been reduced. That's what we're  
11          looking at for the future year. But, also, the  
12          amount of benefit has also been reduced.

13                 Previously retirees, for instance, used  
14           to be able to insure themselves 100 percent,  
15           their spouses 100 percent and I think in some  
16           cases even like a dependent or family member.  
17           Over the years, that benefit has been curtailed  
18           to where, you know, now retiree -- current  
19           employees hired after a certain date -- I don't  
20           know what that date is, in the '90s or  
21           something -- you can't even insure your spouse  
22           as a retiree and in some instances you can't  
23           even insure 100 percent -- the employer does not  
24           even pay 100 percent of the retirees' premium.  
25           Those methods helped to reduce the Unfunded

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1 Liability.

2 In this area, you know, that's why I say  
3 the EUTF in my opinion the way that it's going  
4 there, it appears in my opinion to be reasonable  
5 from that perspective.

6 Perhaps Mr. Yoshimi, though, could -- he  
7 has more technical -- no?

8 MR. YOSHIMI: Are you referring to that OPEB thing?

9 VICE-CHAIR HOKAMA: I just want to know, Mr. Yoshimi,  
10 like the retirement system, where this County  
11 stands in regards to our requirements to fund  
12 this program, also?

13 So if you told me today "At this point  
14 in time we're fully funded. We've taken care of  
15 all of our requirements for this health  
16 component of the Fringes," I would be one happy  
17 person. I would buy you lunch.

18 MR. YOUNG: Well, I'm sorry, Mr. Hokama, then I guess  
19 I'm starving at lunch because I misunderstood  
20 your question.

21 We are -- there is going to be an  
22 Unfunded Liability for EUTF. We don't know what  
23 that is. The EUTF, from my perspective, we  
24 haven't seen any actuarial studies for the EUTF  
25 unlike the ERS, which I have seen some actuarial

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1 studies.

2 We know that there is going to be an  
3 unfunded balance for EUTF. We don't know what  
4 that balance is. We don't know what the overall  
5 amount is, so we are not, you know, prepared to  
6 even take the first step in calculation for the  
7 EUTF.

8 MR. YOSHIMI: As a rule of thumb, they did mention  
9 that they've seen this unfunded -- not unfunded  
10 but this OPEB thing coming close to five to ten  
11 times our pay-as-you-go method. So right now  
12 that's 17 million, you know, we're paying for  
13 our pay-as-you-go kind of thing. So we looking  
14 up to maybe up to 170 million on the high end.

15 VICE-CHAIR HOKAMA: On the high end?

16 MR. YOUNG: And for the members, OPEB stands for  
17 Other Post Employment Benefits, other than  
18 pensions.

19 VICE-CHAIR HOKAMA: Right. Right. Right.

20 And so -- I just bring this up,  
21 Chairman, because there's more than just the  
22 retirement component of the unfunded  
23 requirements of this County and it concerns me  
24 that the State has not adjusted within a  
25 reasonable time that every year, every day that

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1 goes by, we continue to get further behind what  
2 I would consider fiscal sound management.

3 If you ever have some time, and I know  
4 you'd rather read other things, then read this  
5 CAFR on the retirement system and maybe your  
6 dreams will turn into nightmares like for me  
7 because statutorily, Chairman, the State puts  
8 themselves behind the ball. It's based on  
9 4 percent increase per year on salaries and we  
10 know already with the new collective bargaining  
11 we're at 5 percent. So we're losing ground just  
12 on the new -- the current collective bargaining.  
13 And I bring that up, Chairman, because I think  
14 it's important.

15 And, again, Members, if you want to look  
16 they got the contributory requirements of what  
17 they're basing actuarially -- actuarial studies  
18 on.

19 My point is, Mr. Chairman, that while  
20 this is a national problem and it's also our  
21 private sector concern, there's too many of our  
22 own neighbors and community members that depend  
23 on this retirement and we all know that,  
24 especially those -- since this system is based  
25 on so many complexities, there's the old plan,

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1           there's the current plan, there's the hybrid  
2           plan. So there's all different calculations  
3           depending on what the employee has chosen or  
4           selected as their plan that makes it much more  
5           difficult.

6                        I think the State needs to come up to  
7           the current times and provide counties different  
8           options on how to approach this because I have  
9           no confidence in the State system, whether it be  
10          on deferred comp, health plan, retirement. I  
11          don't have confidence in the State system, not  
12          as regards to our employees that we're  
13          responsible for, Chair.

14                       I think maybe we need to make the push  
15          to allow either this County or the counties as a  
16          whole to be able to make some self-determined  
17          decisions that we can then try and flatten out  
18          our expenses and budget wiser and smarter along  
19          the road. It's a more truer since of what  
20          government is costing our community. I think  
21          that would be much more fair.

22                       But in the meantime, so if we look at  
23          \$510 million, let's say, on the round numbers of  
24          10 percent of \$5.1 billion liability on  
25          retirement, another potential, maybe on the real

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1 high side, 200 million more for health or other  
2 benefits, it comes scary, Chairman. It becomes  
3 very scary because there's too many things that  
4 are involved that impacts real people and real  
5 people's lives.

6 So I'll get off this but I just think  
7 it's important for us to understand that in the  
8 '70s New York City was bankrupt on bad  
9 decisions. Orange County went bankrupt. So  
10 there's no such thing as a government cannot go  
11 bankrupt by bad fiscal decisions.

12 I would agree with Mr. Young as our  
13 Budget Director that we have I think at this  
14 point in time the best opportunity to make some  
15 choices that continue to benefit our County and  
16 I would be very supportive of this 20 million.

17 In the meantime, though, you know, my  
18 point of view, Mr. Chairman, is I think we  
19 should start drafting legislation to allow us to  
20 put aside monies because it's very clear in the  
21 Charter to me in, my opinion, that the Charter  
22 gives us and states, you know, the foregoing  
23 explicit powers over responsibilities. It does  
24 not limit our powers to legislate as it impacts  
25 this County.

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1                   You know, we've done Revolving Funds.  
2                   There's no Charter provision for Revolving  
3                   Funds. We've created Revolving Funds that  
4                   doesn't lapse. We've created other legislation  
5                   that's not explicit in the Charter. So I would  
6                   say that the Charter has already granted Council  
7                   the opportunity to create such funds. If the  
8                   State doesn't like it, they can take us to  
9                   court, Chairman.

10                   I think we can prove to our community,  
11                   we are doing the fiscally right decisions in  
12                   moving the County in a direction that will take  
13                   care of our County and our employees because  
14                   without the employees, we don't provide the  
15                   service to the community.

16                   Thank you, Chairman, that's all I have  
17                   in this area.

18 CHAIR PONTANILLA: Thank you, Mr. Hokama.

19                   Mr. Victorino?

20 COUNCILMEMBER VICTORINO: It's very interesting when  
21                   you hear all the perspectives coming across the  
22                   table and I say ditto, ditto, ditto. I agree to  
23                   everything.

24                   However, I have a little different take  
25                   on this whole aspect and I would like to ask

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1 maybe Mr. Young.

2 Is it possible -- and you may not be the  
3 one to answer this question but I'm asking you  
4 directly and maybe Corp. Counsel, Mr. Moto,  
5 don't go for away because you may have to answer  
6 the question, too.

7 Is it possible that we secede from the  
8 Employee Retirement System from the State and  
9 create our own Employee Retirement System?  
10 Because for which we have direct control, we  
11 know exactly what we're doing, we could be much  
12 more fiscally responsible. Is that a  
13 possibility?

14 First Mr. Young and then Mr. Moto and  
15 Mr. Hokama could probably give me more historic  
16 perspective, but a question I think the public  
17 should hear.

18 Is that a possibility?

19 CHAIR PONTANILLA: Mr. Young or Mr. Moto?

20 MR. YOUNG: I'll just start by saying that I don't  
21 know if there are statutory requirements that  
22 the County of Maui must be in the ERS system. I  
23 don't know. Mr. Moto might know that better.

24 I would say that the Employee Retirement  
25 System from the State, there's a lot of benefits

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1 from a financial investment perspective. They  
2 have the benefit of size. They are one of the  
3 larger capitalized retirement systems in the  
4 country. So in terms of securing investments  
5 and placement of their funds, they have that  
6 strength. That strength would be a challenge  
7 for any jurisdiction in the State of Hawaii to  
8 secede from the retirement system.

9 The legality issue aside, that would be  
10 a challenge because the State retirement system  
11 has, you know, \$10 billion under investment and  
12 that's a lot of leverage in the market place for  
13 placing funds.

14 The County of Maui, you know, you figure  
15 10 percent of that, we'd have \$1 billion maybe  
16 under investment to place. That's a sizable  
17 amount of money but in terms of the strength in  
18 the market to find investments, that's a  
19 challenge.

20 The other thing is that the current  
21 administrative structure of the Employee  
22 Retirement System is admittedly bureaucratic,  
23 but it is a structure that's in place that has  
24 some maturity to it.

25 Any retirement system would fall under

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1 SEC rules that, you know, you'd have to have --  
2 establish boards, establish administration,  
3 support, you know, accounting, that type of  
4 thing. The County of Maui or any jurisdiction  
5 other than the ERS system would further have  
6 that challenge to establish itself.

7 So with that being said, I don't -- if  
8 we wanted to take it on, other than the legal  
9 limitations, anybody could take it on. But I  
10 would caution because of those two issues as  
11 being the primary challenges to overcome.

12 COUNCILMEMBER VICTORINO: Thank you, Mr. Young.

13 Mr. Moto?

14 MR. MOTO: Mr. Chairman, the short answer is, no, we  
15 could not secede without State legislation.  
16 Right now I'm not sure whether the State  
17 constitution also addresses the issue. I  
18 haven't looked and thought about that.

19 I definitely know that State Statutes  
20 would have to change, the legislature would have  
21 to amend State law in order to accomplish  
22 something like that.

23 I won't address the many, many, other  
24 practical, financial, administrative issues that  
25 would be associated with that, with such a move,

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1 but I would agree with the kinds of observations  
2 made by the Finance Director.

3 COUNCILMEMBER VICTORINO: Thank you.

4 And, again, the reason I raised that  
5 question, Mr. Chair, is that I think the public  
6 should understand that there are demographic,  
7 there are situations, there are problems that  
8 exist that if we were to move away from the  
9 State system into our own system and be able to  
10 handle everything on our own, there would be  
11 costs -- like you mentioned before -- involved,  
12 statutory issues that would have to be taken  
13 care of, so that makes it very difficult.

14 I want the public to see that even  
15 though the system itself has its drawbacks there  
16 are -- like you just said, there are strengths  
17 to the system that we don't realize.

18 But, this also creates what we've had  
19 and we've talked about and will continue to talk  
20 about is, first of all, why we cannot attract  
21 people to come to government, especially county  
22 government. Because if you work 25 years -- and  
23 it used to be in the common practice. You work  
24 for the county, you work for the state, you work  
25 there 25, 30 years, you look forward for a good

1 retirement. That has all changed.

2 Now when you cannot take care of your  
3 spouse under the medical plan, that makes it  
4 extremely difficult and that is not only  
5 happening in government, it's happening in the  
6 private sector also because medical expenses,  
7 especially as we get older, become so cost  
8 prohibitive and people get, you know, get left  
9 out in that area. When do we need medical the  
10 most? Generally is when we get older.

11 When you're looking at attracting young  
12 people who can look at the future and say,  
13 "Well, I can put money aside for retirement and  
14 it may not be there, just like social security."  
15 Do you blame them for opting out or not being a  
16 part of the system?

17 You know, these are issues that we  
18 cannot deal with, which then hampers our  
19 everyday operations with which we talked about.

20 Pay is part of the issue but it's the  
21 benefit package which is the key issue. I think  
22 this just brings to light the reasons why we all  
23 hear from department after department after  
24 department why we cannot attract quality people,  
25 we cannot even get the numbers of people we need

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1 to pass on the services that our people of Maui  
2 County deserve and want.

3 The other thing is it is very apparent  
4 the cash cow or the rich Maui County or Maui  
5 County has money so don't worry about it is  
6 becoming a true illusion. Reality is setting in  
7 and not only for the ERS and all of that, many  
8 other groups are out there wanting more and more  
9 services, which cost more and more, and expect  
10 or hope that we will fund it.

11 Last night we spent many hours in Hana  
12 hearing many great programs that need help and  
13 we got to help them in every way we can, but  
14 we'll hear that from every community we walk  
15 into and every one is a good program. Every one  
16 has a good assistance for their communities.

17 Reality is setting in, ladies and  
18 gentlemen. We are getting to a point where  
19 we're going to have to draw the line in the sand  
20 and say, "We can and cannot do certain things."

21 I think it's government's responsibility  
22 to be as frugal as possible, to be efficient as  
23 possible so that we cut as much waste out of it.  
24 Because if we can cut down on waste -- which has  
25 always also been a big attribute to government

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1 no matter what level. People have that  
2 perception. Maybe if we can do that, show them  
3 that we can be as efficient as possible -- and  
4 there's no full-proof efficient manner, but  
5 maybe then we can start looking at some of these  
6 problems and having some solutions.

7 Putting money aside is important. So if  
8 we got to put 2 percent for our Affordable  
9 Housing, we got to put money aside for the Down  
10 Payment Program, we got to put money aside for  
11 our Coastal Land Trust and all these other  
12 mandated or other ordinances we have put forth  
13 plus whatever, like, Mr. Chair always reminds us  
14 of all these unfunded mandates from the State,  
15 sticking us with the expenses I should say. All  
16 of these are coming due. The accounts are  
17 coming and they're coming up real fast.

18 So all I want the people of Maui County  
19 to understand that they need to help us being  
20 frugal and help us to do what they can. Like in  
21 Hana to make things better for their community,  
22 working together. We've got to band together  
23 because this is our community. The money will  
24 not be free flowing. There is a limit. The  
25 stream is drying up and we have to address that

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1 matter and we have to work together to find a  
2 solution.

3 Thank you, Mr. Chair.

4 CHAIR PONTANILLA: Thank you, Mr. Victorino.

5 Members, I notice the time and we  
6 haven't taken a morning break. If you'd like to  
7 continue up to quarter to 12:00, the Chair is  
8 willing to break at quarter to 12:00 and return  
9 at 1:30 for the rest of the discussion.

10 Quick questions from Member Mateo? Any  
11 questions?

12 COUNCILMEMBER MATEO: Chairman, I have an additional  
13 question regarding Supplemental Transfer. But,  
14 Chairman, I will put it in writing and submit it  
15 so I can get something more definitive.

16 CHAIR PONTANILLA: Thank you.

17 COUNCILMEMBER MATEO: Thank you.

18 CHAIR PONTANILLA: Member Baisa?

19 COUNCILMEMBER BAISA: No questions, Chair, just a  
20 comment.

21 This has been a very sobering morning  
22 and I think it kind of sets the framework for  
23 the work to come that we're going to have to  
24 make really good decisions about how we spend  
25 money and be sure that projects that we

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1           undertake are doable within the next 12 months  
2           or in a reasonable amount of time.

3                       So I really appreciate, you know, having  
4           this discussion.

5 CHAIR PONTANILLA: Thank you, Member Baisa.

6                       Member Johnson?

7 COUNCILMEMBER JOHNSON: No more questions. It's too  
8           depressing.

9 CHAIR PONTANILLA: Member Hokama?

10 VICE-CHAIR HOKAMA: Chairman, you know, we can  
11           chuckle and have a light laughter from my  
12           colleague from West Maui's comment, but it is  
13           very true.

14                       So, Members, when you have time, take a  
15           look at this from page 90 on. It's about the  
16           actuarial studies.

17                       I would say that the Director was very  
18           candid and upfront with us in his responses but  
19           if you look at their economic requirements and  
20           assumptions, they are basing a lot of things on  
21           an 8 percent annual return. They're basing  
22           their payroll growth rate at 3.5 percent per  
23           year. They're basing it on only a 4 percent  
24           increase regarding salaries.

25                       And so while it's true if you're in the

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1 State system, you have the leverage of billions  
2 to do investment. And if we can recall in the  
3 '80s, that was one of the problems. Their  
4 investment went south and they lost big money.

5 So, while they have opportunity to make  
6 good money, you know, it's been shown  
7 historically they've lost big money, too, in the  
8 market place. That does not assist any retiree  
9 in the government system.

10 I can tell you nationally, Members,  
11 we've been asked to consider things that our  
12 national organization has recommended and we  
13 look at things like CalTRUST, which is a  
14 County -- California State County Association  
15 Investment Program. We have people that are  
16 seeing that Hawaii can do this and create a high  
17 trust -- Hawaii trust program if the legislature  
18 would just start cutting some of their chains on  
19 us so that we can do more appropriate decisions  
20 to assist our people. But, I would say they're  
21 right with the statutory requirements and,  
22 again, it is time. The counties have grown. We  
23 have matured. We can make some better  
24 decisions, I believe.

25 So just one quick question. Page 7,

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1 Director, on Debt Service. I just want to have  
2 an understanding on State Revolving Fund.

3 That's the bottom of the page, Members.

4 You show an outstanding number of  
5 29.59 million. So for the -- this upcoming  
6 budget year, you're asking a consideration of  
7 29.96 million. So I would just ask for some  
8 comment. One, is the intent to pay off the  
9 whole Revolving Fund obligation?

10 MR. YOUNG: Okay. This is a little bit unclear, I  
11 guess. The part for a State Revolving Fund  
12 loans. The outstanding SRF loans is the  
13 principal amount outstanding, 29.6 million.

14 FY '07 SRFL means the amount of projects  
15 that were budgeted for that amount, so that  
16 would be in addition principle. And, similarly,  
17 FY '08, 29.96 is the amount of principle  
18 addition.

19 So the amount of Debt Service for the  
20 SRF loans is actually included in the section  
21 that's labeled for FY '08 and FY '07 Debt  
22 Service, yeah. Because SRF loans are actually  
23 preferable on the interest rate side to us as  
24 compared to say General Obligation Bonds,  
25 they're more preferable.

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1 VICE-CHAIR HOKAMA: Right. Right.

2 I just wanted the Committee and myself  
3 to have a good understanding of what the new  
4 request is as regards to -- I would like it to  
5 be placed against the total obligation so that  
6 we can have an understanding.

7 That's why I would ask, Mr. Director, in  
8 the past Finance has provided us with a  
9 schedule, repayment debt schedule sheet, and I  
10 would ask that you consider preparing that so  
11 that we can see if we do no further borrowing  
12 how we, through the years, reduce and what is  
13 the anticipated annual debt payments that we  
14 would need with the balance of the bonds, as  
15 well as the State loans.

16 Chairman, thank you very much.

17 CHAIR PONTANILLA: Thank you, Member Hokama.

18 Member Victorino?

19 COUNCILMEMBER VICTORINO: I think I said more than  
20 enough, but I have one question that I'm not  
21 sure who could get the answer for me.

22 I'm very curious to know on the County  
23 side on page 10, when you go to No. 3 and No. 4,  
24 you have "Pay for legal and defense costs  
25 approved by the Council" and Payment of

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1 settlements and claims. Okay.

2 What I'm asking, Mr. Chair, because it's  
3 a historical perspective, if there is some way  
4 we could get for the last -- I'd like to see the  
5 last five years what the ratio of defense cost  
6 dollars, legal and defense cost dollars,  
7 inclusive of the time and effort our Corp.  
8 Counsel and Pros ... Corp. Counsel puts in, if  
9 that's possible, versus the settlement and legal  
10 claims. The reason for that is -- especially  
11 the settlement, maybe not the legal claims, the  
12 settlement. I'd like to see that ratio if that  
13 is at all possible.

14 CHAIR PONTANILLA: Director?

15 MR. YOUNG: Mr. Chair, I think if the question can be  
16 addressed in writing ...

17 COUNCILMEMBER VICTORINO: Sure.

18 MR. YOUNG: And it will involve a level of  
19 coordination with Corporation Counsel Moto and  
20 possibly the Department of Finance in reviewing  
21 the claims or the charges on the Self-Insurance  
22 Fund.

23 CHAIR PONTANILLA: Okay. We'll send out a memo to  
24 you for some response to this committee.

25 Thank you, Mr. Victorino.

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1                   Members, this concludes our Fiscal Year  
2                   2008 ...

3           VICE-CHAIR HOKAMA:   Chairman.

4           CHAIR PONTANILLA:   Mr. Hokama?

5           VICE-CHAIR HOKAMA:   If you would please indulge me  
6                   one question for the --

7           CHAIR PONTANILLA:   Go ahead.

8           VICE-CHAIR HOKAMA:   -- Director.

9                   Mr. Young, you know in your response to  
10                   basically the Committee's questions regarding  
11                   liabilities, I think one of the statements I  
12                   believe we heard you say was that it would be  
13                   difficult for the County or Personnel Services  
14                   to come up with some assessment, I guess, with  
15                   the fringes and whatnot.

16                   I would ask you if we provided funds in  
17                   this upcoming budget to allow Finance and  
18                   Personnel Services to consider contracting out  
19                   to a third party to assist this County to come  
20                   up with a reasonable sense of where we stand in  
21                   our obligations and liabilities, is that  
22                   something doable or do we need to go through  
23                   this whole State bureaucratic circus before we  
24                   can come up with some responses?

25           MR. YOUNG:   I would -- I would think that that would

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1 be a good move and I would appreciate the  
2 effort.

3 In terms of the actuarial study, it  
4 would entail -- if the goal was to get to like  
5 an accurate actuarial study, it would obviously  
6 entail coordination and cooperation from the  
7 State Retirement System.

8 VICE-CHAIR HOKAMA: Yes.

9 MR. YOUNG: I can only assume that they would be as  
10 cooperative as would be required to get that  
11 information.

12 If the goal of the study was to look at  
13 the current workforce, that would be in  
14 coordination with Ms. Johnson's question, look  
15 at the current workforce to come up with the  
16 actuarial presentation, that might purely lie  
17 within the hands of the County of Maui and we  
18 could probably get a little bit more -- or  
19 expect a higher degree of accuracy in that  
20 regards.

21 That study would be very interesting to  
22 me actually from a planning standpoint in terms  
23 of planning how to, you know, how much --  
24 because it would mean a lot to individual  
25 departments in terms of addressing their work --

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1 future workforce needs. It would mean a lot to  
2 the Department of Finance in terms of planning  
3 financial and fiscal structure and policy for  
4 the next five, ten years. It would mean a lot  
5 to the Department of Personnel Services because  
6 it would help them gauge their work  
7 requirements. That study would have a lot of  
8 value.

9 VICE-CHAIR HOKAMA: I would also assume it would  
10 assist us in collective bargaining that all  
11 sides would have an understanding of what's the  
12 financial impacts as an employer in relationship  
13 to the employee.

14 MR. YOUNG: Yes.

15 VICE-CHAIR HOKAMA: I would just ask, Chairman, that  
16 we seriously consider this and maybe work with  
17 the impacted departments, Personnel and Finance,  
18 and to see if this is something doable that I  
19 would ask the Committee further down the process  
20 for its support and financial appropriation.

21 Thank you, Chairman.

22 CHAIR PONTANILLA: Thank you, Mr. Hokama.

23 We surely look forward to your input in  
24 regards to a third party doing some work for us  
25 in regards to our unfunded liabilities and how

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1 we can get more information so that it would  
2 help all of the departments here in this County.

3 Members, this is the Countywide expense  
4 for Fiscal Year '08 as presented by the  
5 Department. That concludes that portion of this  
6 morning's discussion.

7 This afternoon we'll take the Finance  
8 Department A, B and C Accounts.

9 It is my hope also that we -- if we have  
10 time this afternoon, to include Corporation  
11 Counsel to review. I know it's pushing but, you  
12 know, the more we do the faster we complete our  
13 budget.

14 Members, the liabilities is for real.  
15 This Committee will address the Unfunded  
16 Liability in a manner that is fiscally  
17 responsible without paralyzing the services that  
18 we provide the people of our County.

19 So, with that, Members, before I adjourn  
20 the meeting, at this time is there any  
21 objections to me closing public testimony?

22 COUNCIL MEMBERS: No objection.

23 CHAIR PONTANILLA: Thank you very much.

24 This meeting is in recess. (Gavel).

25 RECESS: 11:45 a.m.

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1 RECONVENE: 1:35 p.m.

2 CHAIR PONTANILLA: (Gavel). Good afternoon, Members.

3 Welcome back again to the Budget and Finance  
4 Committee meeting. The meeting is now  
5 reconvened.

6 Members, this afternoon we're going to  
7 be hearing from the Finance Department in  
8 regards to -- in regards to their 2008 Fiscal  
9 Year Budget.

10 Before we go into that, I'd just like to  
11 remind the members that we're going to be taking  
12 questions by programs and it will go from A, B,  
13 C Account; which is A, the Salaries; B,  
14 Operations; and C, Equipment.

15 It is my hope that we can complete the  
16 Finance Department's review this afternoon and  
17 hopefully have enough time to at least take the  
18 Corporation Counsel's budget requests.

19 So, Members, at this time I'd like to  
20 call on the Finance Director to provide us with  
21 some opening comments.

22 MR. YOUNG: Thank you very much, Mr. Chair.

23 Good afternoon, Members.

24 COUNCIL MEMBERS: Good afternoon.

25 MR. YOUNG: On behalf of Deputy Director, Agnes

1 Hayashi, and myself, we are very glad and proud  
2 to present the Finance Department's budget as  
3 proposed for Fiscal Year 2008.

4 All the members should be aware that  
5 through great deliberation on the part of the  
6 Director's Office and all of our divisional  
7 managers, as well as the Office of the Mayor and  
8 Budget, we hope to relay to you that the budget  
9 as proposed for the Finance Department shows  
10 that a level of constraint and restraint in  
11 terms of additional funding and a level of  
12 deliberate focus on additional funds in those  
13 areas to improve our strategic operations and  
14 our delivery of services to the community.

15 With that, we've prepared a presentation  
16 that's labeled "FY 2008 Budget Finance  
17 Department" as a handout and it will be used to  
18 supplement that section of the budget details  
19 that's in your binder for that section that's  
20 labeled "Finance Department."

21 Mr. Chair, this presentation is  
22 organized, first at the high level for the  
23 entire Department and then by individual  
24 divisions.

25 Would you like for me to suspend the

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1 presentation after each division to allow for  
2 questions or would you like for me to go through  
3 the entire presentation and double back?

4 CHAIR PONTANILLA: I would think if you could stop  
5 before you go into the various programs that you  
6 have so that we can ask more appropriate  
7 questions in regards to the different  
8 disciplines of your organization.

9 MR. YOUNG: Okay.

10 CHAIR PONTANILLA: So if you can take the high level  
11 side first.

12 MR. YOUNG: All right.

13 I will be referring to the handout and  
14 I'll go through the handout in its entirety and  
15 then I will go back and overview the more  
16 specific items in the individual divisions.

17 CHAIR PONTANILLA: Thank you.

18 MR. YOUNG: Slide No. 2 shows the overall review for  
19 the Finance Department by individual operating  
20 divisions. There are seven separate divisions  
21 operating in the Department of Finance. They  
22 are the Administration, which comprises the  
23 Director's Office; the Division of Risk  
24 Management, the Division of Treasury, Accounts  
25 Division, Purchasing Division, Real Property Tax

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1           Division; and the ever loving Division of Motor  
2           Vehicles and Licensing.

3                       As you can see for each of these  
4           divisions, we are projecting budget decreases  
5           from Fiscal Year '07 to '08 in two divisions,  
6           the Division of Director's Office and of the  
7           Treasury. However, overall the Finance  
8           Department budget is proposed to increase by  
9           12.7 percent, which equates to \$973,000 from '07  
10          to '08.

11                      The next two slides shows graphically  
12          what this means on a division level, as well as  
13          on a departmental level. Slide 3 shows where  
14          the greatest amount of contribution for our  
15          departmental expenditures relies in the area of  
16          Financial Services, the service center, those  
17          two divisions -- Real Property Tax Division and  
18          the Motor Vehicle and Licensing Division.

19                      In terms of the overall department, you  
20          can see that it is the area of DMV and Real  
21          Property Tax that accounts for greater than  
22          65 percent of the Department's operating budget  
23          and also represents the largest customer contact  
24          divisions of the entire Finance Department.

25                      So I'll start first with the

1 Administration Division. And for the purpose of  
2 the budget, the Administration Division is  
3 actually comprised of the three divisions, that  
4 of the Finance Director, the Treasury Division  
5 and Risk Management.

6 What I've outlined on Slide 5 is those  
7 components that make up the A, B and C Accounts  
8 for each of those divisions. So for  
9 Administration, salaries are projected to  
10 increase by just about \$30,000. This is largely  
11 attributable -- well, only attributable to  
12 increases in existing salary and staff as there  
13 are no additional employees proposed for the  
14 Administration or Director's Offices.

15 Similarly, for Treasury there's also an  
16 \$11,000 increase proposed for salaries. Again,  
17 no additional positions are requested and it is  
18 in the operation's budget of the Treasury  
19 Division that we are proposing a reduction.

20 For Risk Management, again, salaries are  
21 proposed to increase for existing personnel.  
22 There are no additional personnel being asked  
23 for in this division. There are operational  
24 expenses for a number of new programs that Risk  
25 Management Division would like to see initiated

1 and there is also a reduction in the amount of  
2 equipment that's proposed.

3 The equipment for the Administration or  
4 Director's Office and the equipment for Risk  
5 Management are proposed to be reduced because in  
6 the current Fiscal Year '07, there was budgeted  
7 funds to replace vehicles.

8 So looking more closely at the  
9 Administration area. For the Administration  
10 offices, again, in FY '07 there was a request  
11 for \$36,000 in equipment that was to use to fund  
12 for vehicle replacement and for furniture.  
13 Those will not be recurring costs in FY '08.

14 For Risk Management there is for FY '08  
15 requested \$4,800 for equipment and this is for  
16 three external or automated external  
17 defibrillators for the old Wailuku gym, the  
18 Kahului Community Center and the Kilohana  
19 Community Center on Molokai. These  
20 defibrillators, you're probably familiar with  
21 them. You see them every day when you go to  
22 catch the elevator out of this building.

23 There's also operational expense  
24 increases of \$25,000 for a Work-Safe Program.  
25 This program is to encourage safety in the

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1 workplace and to basically reward or to promote  
2 safe behavior. As well as \$12.2 thousand for an  
3 insurance certificate tracking service. This is  
4 a contractual service that would look to improve  
5 the County's current deliberation and monitoring  
6 of grantees, contract awards, et cetera.

7 For Treasury, there is a net reduction  
8 of \$51,000 in operations due to the reduced need  
9 of professional services, services that were  
10 previously provided to the Solid Waste Division  
11 for collection of their accounts. We no  
12 longer -- the Department of Finance no longer  
13 collects these accounts, the Division of Solid  
14 Waste does in Public Works. So you no longer  
15 write your checks for home refuge pick up to the  
16 Director of Finance anymore. You write it to  
17 the County of Maui for Solid Waste Division.

18 Slide 7 shows the performance measures  
19 that are identified for the Administration area.  
20 I'll state right now that in my opinion the  
21 performance measures for the Department of  
22 Finance are arguably not appropriate. My  
23 opinion is that the performance measures don't  
24 offer a lot of -- a lot in the way of, say,  
25 control. In that, a lot of the factors, the

1           division has very little control over. So it's  
2           only in the ones that we actually have a control  
3           that I will be focusing on in terms of revising  
4           and I would expect to see that these measures  
5           revised for next year's budget. The same could  
6           be true of all the other divisions in Finance,  
7           as well.

8                         For the Accounts Division, the overall  
9           budget is proposed to increase by over \$82,000.  
10          This is to accommodate salary increases of  
11          current employees but also \$32,000 of that is  
12          for an additional personnel. This division is  
13          asking for additional personnel for an  
14          accountant position that will go to assist  
15          Mr. Yoshimi in terms of financial reporting,  
16          supervising and program support of the different  
17          areas and sections that comprise the Accounting  
18          Division.

19                        Again, Slide 9 has their performance  
20          measures, which are listed out in the budget  
21          proposal, the bound budget proposal, but I've  
22          also presented them here.

23                        Again, a lot of these performance  
24          measures in my opinion are not within the  
25          control of the Accounts Division, so they should

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1           either be modified or revised to more accurately  
2           reflect those items which are in the control of  
3           the division and management.

4                         That being said, the performance  
5           measures that are presented, I believe the  
6           budget is right sized to meet the FY '08  
7           projections that are listed as measures.

8                         For the Purchasing Division, their  
9           budget is proposed to increase by \$32,656.  
10          Again, to accommodate salaries of existing staff  
11          but also to address additional personnel that's  
12          being requested, a contracts clerk, and this  
13          accounts for \$19,000 of that 32,000. The  
14          contract clerk position is necessary to address  
15          the noticeably increased levels of grants and  
16          contracts that are being processed by the  
17          County. There currently is one contracts clerk  
18          in the Purchasing Division. You will also  
19          notice that the Purchasing Division operations  
20          is very slim and is not proposed to increase.  
21          Again, the performance measures on Slide 11  
22          relate to the Purchasing Division.

23                         For the Division of Motor Vehicles and  
24          Licensing, their budget is proposed to, again,  
25          increase by \$514,000. Their total budget in FY

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1 '07 is 2.9 million, just under \$3 million and is  
2 proposed to increase to 3.5 million. The  
3 Council has supported a number of position  
4 additions in the last three fiscal years for  
5 this division and management is satisfied that  
6 the division is currently right sized to  
7 continue operations. There are no additional  
8 personnel requested in the budget for this  
9 division this year as management would like to  
10 evaluate the sizing and the delivery of  
11 services.

12 The focus of this division remains a  
13 management prerogative to focus on the satellite  
14 deployment of the DMVL services. The primary  
15 center for DMVL is at the Kahului Service Center  
16 with the Real Property Tax Division.

17 Operational increases in this area  
18 include \$100,000 for Professional Services.  
19 These funds are intended to contract for  
20 scanning and imaging services with a target to  
21 record or a target to image and scan those  
22 records and documents going back in the area of  
23 three to five years in age. Digitizing  
24 documents will directly go to supporting the  
25 satellite operations as it will make operations

1 more efficient to be able to communicate or  
2 transmit document data from the main service  
3 center location to the satellites.

4 The amount for Division of Motor  
5 Vehicles and Licensing also includes a portion  
6 of the annual rent increase at the service  
7 center. The rent increase is proposed to go up  
8 by \$75,000. DMVL pays a proration of the  
9 overall rent as shared with the Real Property  
10 Tax Division.

11 The performance measures that are  
12 presented on Slide 14, I've revised from that  
13 which is presented to you in the bound budget  
14 proposal because the numbers needed to be  
15 updated and made more accurate -- specifically  
16 in the area of the first two items, number of  
17 online registration renewals and the number of  
18 credit card transactions processed.

19 It's been a goal of the division for the  
20 last several years to try and implement online  
21 vehicle registration renewals, as well as to  
22 accept credit card transaction payments.  
23 There's been difficulties or challenges in  
24 implementing both of those, and so they have not  
25 been able to implement them in Fiscal Year '06

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1           and we are not expecting them to be implemented  
2           before Fiscal Year '07's conclusion but I'm  
3           hopeful that FY '08 will prove different.

4                     The overall goal for both of those is,  
5           again, to support our satellite operations but  
6           also to diminish the amount of or the need of  
7           in-person transactions going into our facilities  
8           thereby reducing the overall customer wait time.

9                     I would point out that the average  
10          customer wait time in minutes at the Kahului  
11          Service Center, that's the KSC, has been  
12          declining. Mr. Vila has been doing a tremendous  
13          job in reducing the amount of overall wait time  
14          at the service center.

15                    The Real Property Tax Division is  
16          presented last, but they are certainly not the  
17          least important of any division in the  
18          Department of Finance, but they do represent the  
19          focus this year of where the Department's  
20          strategy of increased position and resources  
21          will be going.

22                    The Real Property Tax Division, during  
23          my tenure as Finance Director, has not received  
24          any consideration for additional positions over  
25          the last three years, largely because they've

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1           been under a situation of chronic vacancies and  
2           prolonged vacancies.

3                       Over the last fiscal year, management  
4           has spent a direct focus in trying to address  
5           these vacancies through various and different  
6           methods and strategies and has made significant  
7           process to reduce -- or progress to reduce the  
8           number of vacancies. I feel that it is  
9           appropriate and time to correctly begin right  
10          sizing this division to address our needs in the  
11          area of real property tax collection and  
12          assessment.

13                      The overall budget for Real Property Tax  
14          Division has four new positions requested.  
15          That's -- and that results in the lion's share  
16          of the increase from 2,029,000 in the current  
17          fiscal year to 2,381,000, a difference of about  
18          \$360,000 in the Fiscal Year '08. As you can see  
19          on Slide 15, a large part of the increase is  
20          rooted in salaries.

21                      The operational increases are due to the  
22          training expenses for these new positions, as  
23          well as for Real Property Tax's pro rata portion  
24          of the service center rent increase.

25                      Salaries for Real Property Tax Division

1 are going to increase about \$148,000. Of this,  
2 75,800 is for premium pay adjustments related to  
3 addressing backlog issues and for exceptional  
4 higher work volumes. The additional four  
5 positions will actually only account for \$83,000  
6 in additional salaries.

7 The four positions on Slide 17 are laid  
8 out for you. The first one is a delinquent tax  
9 collection assistant, this is in the collection  
10 section. The position is to assist the staff of  
11 about three people. They are now processing and  
12 collecting real property tax funds. This  
13 section also processes refunds, adjustments,  
14 liens, circuit breaker adjustments and interim  
15 billings. This position funded for eight months  
16 is budgeted at \$21,432.

17 A Clerk III position in the Assessment  
18 and Taxpayer Services section is necessary to  
19 increase the staffing of the division's first  
20 line of customer contact. If you've been down  
21 to the service center, this is the section that  
22 directly assists walk-in customers or inquiries.  
23 This position is necessary to increase our  
24 service level and capacity for the Real Property  
25 Tax Division. Assessment clerks are responsible

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1 for public inquiries, phone and walk-in traffic,  
2 as well as information assistance and processing  
3 of exemption assessments, appeals and parcel  
4 ownership determinations. Budgeted for eight  
5 months, this position is proposed to cost  
6 \$17,617.

7 In the Appraisal section, requesting two  
8 additional positions there. One is an  
9 Appraiser I position. This is actually not a  
10 new position. During the Fiscal Year '07,  
11 management has found it necessary to redescribe  
12 one of the appraiser positions in this section  
13 up to be the Assistant Administrator position.  
14 The Assistant Administrator position, for some  
15 background and history, previously existed prior  
16 to 2003 or four and was eliminated for various  
17 reasons.

18 During the last fiscal year, the Real  
19 Property Tax Administrator has been out on an  
20 extended medical leave and this has placed an  
21 amount of hardship on the division and on  
22 management, so Director's Office has recreated  
23 the Assistant Administrator position and to do  
24 so we needed to utilize one of the vacant  
25 appraiser positions. So this is merely just to

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1 give them back one of the positions that  
2 management took away. To fund this position for  
3 eight months would be \$22,208.

4 Also in the Appraisal section, I'm  
5 looking to establish an Appraiser Assistant  
6 position. There currently is no administrative  
7 support by way of an Appraiser Assistant  
8 currently in this section and this single  
9 position would provide administrative support to  
10 about seven appraisers. This position  
11 currently -- sorry, there previously was  
12 Appraiser Assistant positions in this section,  
13 but those positions were elevated to be  
14 Appraisers in order to address heavy workloads  
15 in this section.

16 The performance measures for the Real  
17 Property Tax Division are presented to you on  
18 Slide 18. I've also revised this presentation  
19 separate from your budget proposal document to  
20 make them more accurate, specifically in the  
21 area for the number of appeals filed.

22 The appeal deadline for Fiscal Year '08  
23 has not concluded yet, but for FY '06 that  
24 number was modified to 544 appeals filed and for  
25 FY '07 it's about a little bit over 1500 appeals

1 filed. The appeals denied has also been  
2 modified.

3 Again, in these areas the Real Property  
4 Tax Division really cannot control the number of  
5 appeals filed, nor do they control the number of  
6 appeals denied, directly in any case. So, to  
7 me, these are not fair performance measures.  
8 Management assumes responsibility for submitting  
9 performance measures that, you know, now that  
10 I'm telling you, my opinion is not appropriate.

11 Lastly, the Department of Finance does  
12 have a proposed Capital Project. As with other  
13 departments, the Department of Finance is faced  
14 with severe space constraints for office staff.  
15 Nowhere is that more true than here at the  
16 County building. The Finance Department on the  
17 second floor is very tight. The amount of  
18 documents, records, personnel that are packed in  
19 there is very constrained.

20 We've taken a look at trying to make  
21 more efficient the space, either by way of more  
22 current and contemporary ergonomic cubicle  
23 designs, but I do feel that it is appropriate to  
24 examine the possibility of expanding the floor  
25 space. On the second floor, the Department of

1 Finance is fortunate that we can expand out,  
2 unlike the other floors, because there is a  
3 pretty large and sizable lobby area.

4 We're looking to expand the walls from  
5 the current office to accommodate another 350  
6 square feet. What this would mean is if you're  
7 familiar with the second floor, it would be  
8 moving that glass wall out approximately 9 feet.  
9 It would still allow for a 12 foot lobby  
10 walkway. We would also ask to reposition the  
11 information booth to be more up front so that  
12 patrons won't have to walk the entire length of  
13 the lobby and it would allow for greater  
14 visibility with the staff at the information  
15 booth.

16 We've estimated that the funds necessary  
17 to accommodate this space increase to be  
18 \$85,000. The funding source is proposed in the  
19 budget to be utilized in cash County funds.

20 With that, Mr. Chair, that concludes the  
21 overall general presentation.

22 With us today are members of ... the  
23 divisional managers from the Department of  
24 Finance, as well as Deputy Director Agnes  
25 Hayashi. We can answer any questions related to

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1           the specific budget items for each specific  
2           division.

3                         Thank you, Mr. Chair.

4   CHAIR PONTANILLA: Thank you, Director. That was a  
5           pretty good overview in regards to the  
6           Department's responsibility and the various  
7           divisions in your department.

8                         Members, as I stated, the Chair will  
9           take it by A, B, C Accounts.

10                        In regards to the Department, for the  
11           first area it's Administration, Risk Management,  
12           Treasury programs.

13                        Members, do you have any questions in  
14           regards to salaries and wages?

15                        No questions?

16   COUNCILMEMBER MATEO: Chairman.

17   CHAIR PONTANILLA: Member Mateo?

18   COUNCILMEMBER MATEO: Chairman, thank you very much.

19           Would the -- would we be able to at this point  
20           ask questions regarding any of the divisions  
21           or -- yeah, the divisions covered by the  
22           department head?

23   CHAIR PONTANILLA: Yes.

24   COUNCILMEMBER MATEO: So, okay. Thank you.

25                        Then for Director Young, the inquiry

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1           would be relative to DMV.

2   CHAIR PONTANILLA:  Mr. Mateo, we'll get to that  
3           later.

4   COUNCILMEMBER MATEO:  Okay.

5   CHAIR PONTANILLA:  Right now we're in the first area,  
6           Administration, Risk Management, Treasury  
7           Program.

8   COUNCILMEMBER MATEO:  Thank you.

9   VICE-CHAIR HOKAMA:  Chairman.

10  CHAIR PONTANILLA:  Mr. Hokama?

11  VICE-CHAIR HOKAMA:  I would just ask Director Young  
12           if we still plan to use the Investment Committee  
13           then I would assume, you know, you are one of  
14           the key components.  If that is a practice we  
15           are still going to use for the near term  
16           regarding the County's Short-Term Investment  
17           Program.

18  CHAIR PONTANILLA:  Mr. Young?

19  MR. YOUNG:  It's my intention that for the next year  
20           that, yeah.  I would maintain the existence of  
21           the Investment Committee.

22  VICE-CHAIR HOKAMA:  And, again, Members, this is  
23           compared to, let's say, the County using a  
24           professional securities or investment manager, I  
25           guess it would be called, in the private sector.

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1                   I can be supportive that, Director, I  
2                   think your committee has shown some very good  
3                   decisions made and that in the current market it  
4                   is at this point in time still advantageous with  
5                   short-term versus long-term regarding the  
6                   payouts and interest rates that we are dealing  
7                   with.

8                   So, again, I just wanted to have that  
9                   reconfirmed, Chairman, and that they have  
10                  performed quite well. In know in my review and  
11                  estimation of the County's performance and  
12                  ability to generate revenue outside of the  
13                  general tax space.

14                 CHAIR PONTANILLA: Thank you, Mr. Hokama.

15                         I just want to say one thing in regards  
16                         to the performance measurements for all of the  
17                         divisions within the Department. I think  
18                         Director Young is aware that some of the  
19                         measurements are generated by others and he's in  
20                         the process of correcting some of those  
21                         performance measurements. Thank you.

22                         Members, any more questions in regards  
23                         to salaries and wages?

24                         Thank you.

25                         The B Account, Operations?

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1 VICE-CHAIR HOKAMA: A question, Chairman, just

2 quickly, please.

3 Chairman.

4 CHAIR PONTANILLA: Mr. Hokama?

5 VICE-CHAIR HOKAMA: Operation, Risk Management,

6 Director Young. Are we still going to maintain

7 the existing level that we depend on a third

8 party to assist us with Workman's Compensation,

9 claims or do you see us -- you would believe

10 that we have a good grasp of the situation that

11 we may not need a John Mullens and Company to

12 assist the County.

13 MR. YOUNG: Mr. Hokama, in my opinion, the

14 third-party administrator has actually proven to

15 be quite efficient and cost effective for the

16 County. The County doesn't -- doesn't have the

17 skills to provide the level of service or to

18 match the level of service that the third-party

19 administrator has been providing. So I think

20 the County gets its dollar value that far

21 exceeds the cost by having the third party

22 administrator. So it would be my intent that

23 the County should continue that arrangement.

24 VICE-CHAIR HOKAMA: And in a normal structure,

25 Mr. Director, we are part of the employer. But

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1 do you believe also that it is fair to our  
2 employees through this use of a third party that  
3 the John Mullens and Company does deal with our  
4 employees in a fair manner regarding their  
5 claims and their requests for, you know,  
6 consideration, particularly in Workman's Comp  
7 situations?

8 MR. YOUNG: I believe so. It's my opinion that  
9 although this third-party administrator  
10 represents the employer, that they do bring a  
11 level of -- for lack of a better word --  
12 impartiality.

13 I would just say they bring experience  
14 that is more closely aligned. Like in the  
15 private sector, they are aware of other  
16 incidences or claims or issues in that same area  
17 and they bring that type of expertise to the  
18 table in reviewing all of these claims.

19 And I think for -- you know, they don't  
20 always side on the part of the employer and they  
21 don't always side on the part of the employee  
22 but for me at least I feel a level of confidence  
23 that they bring that level of expertise that --  
24 that adds and supports their decisions or their  
25 advice of their decisions.

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1 VICE-CHAIR HOKAMA: Thank you for your response,

2 Mr. Young.

3 Chairman, thank you.

4 CHAIR PONTANILLA: Thank you, Mr. Hokama.

5 Members, any more questions in regards

6 to this particular area?

7 If not we're going to go into the second

8 area, which is the Accounts Program. We'll be

9 starting from page 6-9.

10 COUNCILMEMBER MOLINA: Mr. Chairman -- oh, wait this

11 is Details, yes, 6-9?

12 CHAIR PONTANILLA: Yes.

13 COUNCILMEMBER MOLINA: Okay. Thank you.

14 CHAIR PONTANILLA: Members, any questions in the

15 salaries and wages regarding Accounts Program?

16 VICE-CHAIR HOKAMA: Chairman, I have one that deals

17 more in Operation, but I guess it would impact

18 the A Account.

19 CHAIR PONTANILLA: Okay. Why don't you bring it up

20 at this time then?

21 And if you can direct us to the page

22 that you're looking at that's interrelated with

23 the A Account.

24 VICE-CHAIR HOKAMA: Well, on the A Account, of

25 course, it would deal with, I guess, our

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1 accounts clerks.

2 What I wanted to ask the Director,  
3 because I believe the Director gives us very  
4 candid and upfront answers so we can make better  
5 decisions. I'll just be also then candid and  
6 upfront, too.

7 I'm not convinced at this point in time  
8 that our decision to bring payroll in-house has  
9 been a smart decision on the County's part. And  
10 so, do you believe that we are in a better  
11 situation to service our employees with the  
12 payroll requirements of the County, since it is  
13 general practice everyone outsources payroll to  
14 an entity that is specialized and just focuses  
15 on doing payroll and ensures the schedules, the  
16 reports and; therefore, when the checks are cut,  
17 it is very accurate and, you know, the amount of  
18 needs to reprint or -- you know, we just went  
19 through a reprinting on a very small item about  
20 a month or so ago, which did not make me happy  
21 because that's to me wasted cost and wasted  
22 efforts.

23 Do you have any comments, Director --

24 CHAIR PONTANILLA: Director?

25 VICE-CHAIR HOKAMA: -- regarding payroll?

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1 MR. YOUNG: Well, if -- I guess to be candid, the  
2 payroll functioning in the County, having had  
3 brought it in-house in 2005, has proven to be a  
4 challenge for the County and for the Department  
5 of Finance in particular.

6 Where it relates to employees receiving  
7 paychecks, I think the employees will also have  
8 a lot of comments about the accuracy, the  
9 correctness, the timeliness of their paychecks.  
10 From a Finance Department perspective, that has  
11 been the challenge.

12 I would say that the overall project has  
13 proven to offer a level of benefit in the area  
14 of, say, DPS and the record keeping. It may be  
15 arguably improved their functionality, so I  
16 would say there is some value there.

17 However, again, from the payroll  
18 processing standpoint, there has been a fair  
19 number of challenges that although the system  
20 was implemented in 2005, the County still must  
21 work through. It's not a smooth running system.

22 I don't know if payroll is ever a smooth  
23 running system when it's brought in-house, but  
24 in my opinion the County and the Department of  
25 Finance is not right sized or adequately skilled

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1 to deal with all the nuances and intricacies  
2 that are involved in payroll processing.

3 The nuances that I'm referring to are  
4 functionalities that the County never had to do  
5 when it was outsourced and that's stuff like  
6 agency filings, tax reporting, the issue that  
7 you were speaking of is W2 printing, which is  
8 actually a very -- seems like it would be quite  
9 a simple process but a small discrepancy and  
10 you're faced with rerunning all W2 forms.  
11 There's legal requirements that W2 forms must be  
12 sent out on a specific date. There's filing  
13 deadlines to the IRS periodically throughout the  
14 year that the County never had to actually  
15 calculate to do. Now the County is doing it.

16 For those reasons, I also agree that,  
17 you know, having come from the private sector  
18 and see where corporations and large  
19 organizations are moving, to me the decision to  
20 bring payroll in-house was a bold move that I  
21 think it's still needing additional time to  
22 evolve before it pays dividends.

23 I'm not saying that we are wrong in  
24 sticking with it. I'm just saying that we -- if  
25 we want it to work, we need to be content to

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1 stick with it a little bit longer and we need to  
2 evaluate it given how much investment the County  
3 has put into it thus far, how much we are  
4 willing to continue to invest in it.

5 The budget that you have before you does  
6 not reflect any change in the philosophy of  
7 keeping payroll processing in-house. So the  
8 Administration is content to allow this project  
9 to continue to evolve in the hopes that  
10 improvements will come through -- through  
11 maturity of the project and learning and it's a  
12 challenge that the Department of Finance will be  
13 addressing this year by way of continuing to  
14 hope that its -- that our staff will be able to  
15 progress up the learning curve and work with the  
16 system to work out the kinks that currently  
17 exist.

18 That's about all I can offer you,  
19 Mr. Hokama.

20 VICE-CHAIR HOKAMA: Well, that was candid. I  
21 appreciate that. I know you're trying to be  
22 diplomatic in your response.

23 Like I who have come from private  
24 sector, I'm willing to cut the loss because two  
25 years to me is too long, Chairman. You know, I

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1 had my skepticism at the beginning but they were  
2 interesting reassurances made and guess what?  
3 Every one has gone down the toilet to me.

4 It's unacceptable for any employee of  
5 this County to have to double check every time  
6 they get paid whether or not it's accurate, the  
7 deductions are accurate. Again, the Director  
8 brought up the same thing, you know, the  
9 specific thing I was referring to, the W2  
10 reprinting.

11 Certain things I have low tolerance and  
12 this is one area of low tolerance regarding  
13 payroll.

14 And so, Chairman, I bring this up  
15 because I think we need to set a time where  
16 we're going to have to make the final call  
17 whether we're going to continue this program or  
18 we're going to cut and outsource this again  
19 because I don't want to hear about continuing  
20 need of time to work out the kinks. This should  
21 be done with and we should have a smooth running  
22 program now in my estimation, Chairman.

23 Thank you.

24 CHAIR PONTANILLA: Thank you, Mr. Hokama, for the  
25 comment in regards to the payroll system.

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1 I do have a question for the Director in  
2 regards to that. I understand the complexity in  
3 regards to converting into an automated payroll  
4 coming from a business that had a whole division  
5 just doing that for several years.

6 My question to you, though, is that  
7 other than the payroll, is there any offshoot  
8 type programs that can be taken off this  
9 particular program that is now being done for  
10 payroll only?

11 MR. YOUNG: Yeah. My evaluation of this project,  
12 while it's not as in-depth as maybe previous  
13 staff. Again, I would reiterate that there are  
14 some value components in this overall project.  
15 The components for DPS, even for the section  
16 that the MIS Division has to maintain. There  
17 are definite improvements there. There's  
18 valuable work that has been done. I think going  
19 forward, those departments and divisions will  
20 see a lot of value in keeping those  
21 functionalities.

22 The most problematic has -- in  
23 truthfulness, to be frank -- has been payroll,  
24 the functioning in the Finance Department and  
25 integration of that process into financial

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1 operations, financial reporting. That has been  
2 the most difficult part.

3 There are other issues such as FLSA  
4 issues, such as timeliness filing issues that  
5 all affect payroll and those are challenges that  
6 may not be directly related to the payroll  
7 project but they are impacting the challenges.

8 I would also say that, you know, a  
9 review of the current status, the next phase of  
10 the payroll project is supposed to be the  
11 paperless time management and self-service  
12 system. The reason why the Administration is  
13 confident or hopeful that this project will  
14 start to ramp up and show improved value is that  
15 the benefit is in the paperless time management  
16 and self-service component. For that reason,  
17 you know -- after what I candidly expressed to  
18 you -- you don't see any -- I'm also not asking  
19 for any additional staff for payroll and that is  
20 because in anticipation or in hope that the time  
21 management self-service component, when that is  
22 implemented, that will be the ramp up part of  
23 the project where you will see the dividends.  
24 In that hope, I am hopeful that that will be the  
25 case and will come to fruition. That phase is

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1           scheduled to start in this next fiscal year.

2           CHAIR PONTANILLA: Thank you, Director.

3                       Members, any more questions in regards  
4           to the Accounting or Accounts Program?

5                       Ms. Baisa?

6           COUNCILMEMBER BAISA: Yes.

7                       Mr. Young, just one question. I  
8           understand the difficulties in trying to  
9           implement the new payroll system in-house. I  
10          came from a company that did that and every time  
11          we switched programs it would take us two or  
12          three years to get it together.

13                      How long do you think it would be before  
14          you think things will be smoothed out?

15          MR. YOUNG: I'm sorry, Ms. Baisa, but I'm not as  
16          intimately knowledgeable about this project or  
17          the status of this project to be able to give  
18          you an informed decision on that or estimate.

19                      Having worked in large organizations,  
20          some larger than the County of Maui, on ERP  
21          implementations -- and this project mirrors a  
22          portion or a component of ERP. ERP solutions  
23          are -- they take a fair amount of time. Two  
24          years, you know, is very optimistic.

25                      The paperless component is -- represents

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1           where all the value added is. That is a major  
2           part to get to. With that, the paperless  
3           component is also the very -- is also a very  
4           difficult part to implement because you're  
5           talking about cultural changes, operational  
6           changes. Moving some people from paper to  
7           paperless is very difficult. Imagine moving a  
8           2300 employee operation with varying levels of  
9           checks and controls to paperless. That is huge.

10                        So with that, I would say if you're  
11           talking about the paperless component, if I  
12           would just have to venture a guess ...

13   COUNCILMEMBER BAISA: Yes.

14   MR. YOUNG: Yeah. I would -- we're not talking about  
15           12 months. We're talking -- we're talking 12  
16           months to implement a paperless solution. We're  
17           talking about another 6 to 12 months to  
18           implement the cultural shift and administrative  
19           shift that will be required.

20   COUNCILMEMBER BAISA: I see. It's getting rid of the  
21           manual time sheets that is tough?

22   MR. YOUNG: And it's the process, right?

23                        Because right now as you folks know with  
24           you and your staff, you know, just for your one,  
25           two levels of checks and processing, the amount

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1 of -- you know, the institution that exists just  
2 to process one paycheck at that level. Imagine  
3 if you're talking about a 500 employee, three  
4 island police department processing up these  
5 time sheets and you're going to have to  
6 implement a payroll -- paperless payroll system  
7 that mirrors or addresses that structure that's  
8 in place and then move people culturally to, you  
9 know, rather -- it's not as simple as saying,  
10 "Well, you did it on paper now you do it on  
11 computer. There's no difference." There is a  
12 difference and addressing that is the hard part.

13 COUNCILMEMBER BAISA: Let me try again.

14 Are the complaints as frequent as they  
15 were -- I remember watching old Council meetings  
16 where people were testifying and they were  
17 upset. Is that still as frequent as it was?

18 MR. YOUNG: I would say, no. They're not as  
19 frequent. There are improvements. As these  
20 errors and problems and challenges come up, they  
21 are being addressed.

22 You know, DPS and MIS have staff that  
23 are very good at addressing these issues as they  
24 come up. The goal is to always -- you know, you  
25 make it once, we correct it not to see them

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1           again. They do a good job of always addressing  
2           these issues.

3           COUNCILMEMBER BAISA: All I can say is that any time  
4           you go to automation, you're going to have a lot  
5           of challenges and, of course, it's the value  
6           judgment of is it worth it or isn't it worth it,  
7           which I'm not in a position to make that  
8           determination.

9                           Thank you.

10          CHAIR PONTANILLA: Thank you, Ms. Baisa.

11                           Members, any more questions in regards  
12          to salaries and wages?

13                           Member Molina?

14          COUNCILMEMBER MOLINA: Thank you, Mr. Chairman.

15                           Mr. Director, just following up on the  
16          in-house payroll. First all of I wish I could  
17          articulate and be as diplomatic as you. You do  
18          a very good job at that. I'm just more of a  
19          meat and potatoes kind of person, simplistic.

20                           Just from your comments, as I'm  
21          interpreting it, the system thus far has not met  
22          expectations. Tell me how far I'm off, you  
23          know, as far as my interpretations go.

24                           It hasn't met expectations. It's  
25          somewhat of a failure at this point and you're

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1           somewhat optimistic that with a little bit more  
2           time this thing will work.

3                       Am I accurate in my assessment or  
4           somewhat?

5 CHAIR PONTANILLA: Department?

6 COUNCILMEMBER MOLINA: Before you answer, could you  
7           give me a ballpark figure?

8                       I was asking Chairman Hokama. I'm  
9           trying to recall how much we invested because,  
10          you know, we bought into this thing, too. A  
11          good sales job was done on us, those of us who  
12          were on the Council then.

13                      Offhand, do you have the ballpark figure  
14          how much we invested?

15 MR. YOUNG: I believe the project thus far has been  
16          contracted in the \$1.1 million range, that's  
17          just for the contract of services.

18                      There are other costs that, you know,  
19          are related to this project; for instance, you  
20          know, overtime, conversion costs. I believe  
21          there's some personnel that may have been hired  
22          as a result to support the system, that type of  
23          thing.

24                      I would -- the only cost that I could  
25          say explicitly is the contractual cost, which is

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1           the 1.1 million. I wouldn't be able to speak  
2           intelligently about the additional costs and,  
3           you know, those other implicit costs.

4                     In regards to your comments, though, I  
5           guess diplomacy would prevent me from commenting  
6           on that except that I would say that I wouldn't  
7           characterize the system as a failure or be as  
8           strong as your comments are. I hope I'm not  
9           relaying that in my responses.

10                    My expectation of the payroll system  
11           implementation is probably somewhat closer to  
12           what Mr. Hokama outlined in that payroll is very  
13           important. It's important to every single  
14           person that they receive a quality accurate  
15           paycheck. It's important to me. I don't want  
16           to be stiffed on my pay any more than you do or  
17           any of our staff does. It's very important.

18                    I would expect that anything that gets  
19           implemented, while there is a learning curve and  
20           there is an implementation time and a transition  
21           period that must be accounted for, how long  
22           would you wait or allow for performance is, you  
23           know, varies according to management.

24                    I would say that for me, the performance  
25           measure has not been adequately met. I wouldn't

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1 characterize it as an outright failure. What  
2 I'm saying is the management and administration  
3 has been content that a little bit more time  
4 should be afforded in the hopes that the next  
5 phase will pay the big dividends.

6 It has been two and a half years. I  
7 recognize that ERP implementations routinely  
8 take longer than two and a half years. So on  
9 that basis I, you know, I take responsibility  
10 for the performance of my staff, for the  
11 performance of payroll because it is a Finance  
12 Department function.

13 The payroll system that we have is the  
14 tool that I must work with and so, you know, the  
15 fact that my staff is not able to produce at the  
16 level of expectation of me or the employees, I  
17 take responsibility for that and it is  
18 management's decision that we are going to try  
19 with the system a little bit longer and so I  
20 support that, as well.

21 COUNCILMEMBER MOLINA: So how much longer are you  
22 looking at before you, you know, if you do throw  
23 in the towel on this?

24 MR. YOUNG: Yeah. This would be a decision, you  
25 know, the Mayor is involved in this discussion

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1           and the Mayor supports this decision at the  
2           administrative level. Of course she is advised  
3           by all of her directors, myself included. I  
4           would say that directors have different opinions  
5           into when is the time to fish or cut bait.

6                        I would just say that, you know, all of  
7           those factors will go into a decision of when it  
8           is time to fish or cut bait. For -- you know, I  
9           have a different opinion than, say, some of my  
10          colleague directors on it so, again, diplomacy  
11          would prevent me from openly telling you here  
12          but I am supportive of the Administration's  
13          decision to stick with this project.

14   COUNCILMEMBER MOLINA: For as long as --

15   MR. YOUNG: For the next fiscal year in anticipation  
16          of the paperless time management system  
17          implementation. That's what I am personally  
18          looking forward to is the paperless time  
19          management system implementation.

20   COUNCILMEMBER MOLINA: Okay. And thank you for your  
21          candidness and honesty because your input helps  
22          us as a body make our decision as well with  
23          regards to this program. Thank you. Thank you,  
24          Mr. Director.

25   CHAIR PONTANILLA: Thank you, Member Molina.

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1 Members, any more questions?

2 Member Mateo?

3 COUNCILMEMBER MATEO: Chairman, thank you very much.

4 Mr. Director, thank you for being as  
5 open as you are. I'd like to reference my meat  
6 and potatoes man at the end and just continue in  
7 that discussion because though you're patient in  
8 being able to wait until the system actually can  
9 gel and work, you know, for me it's a little  
10 bothersome to know that in fact we did hire one  
11 of those initial consultants who helped program  
12 this system for us. So it's like, you know, how  
13 much time are you going to give them? We have  
14 apparently one of the best there was and yet,  
15 you know, they're still experiencing  
16 difficulties and some glitches still occurring.

17 I don't know how much time we want to  
18 give it because if we've spent in excess of a  
19 million dollars at this point, perhaps it's time  
20 to start taking a look at, you know, what it  
21 will actually cost us from, you know, doing it  
22 outside.

23 CHAIR PONTANILLA: Department, comments?

24 MR. YOUNG: Yes. I would say that the additional  
25 personnel that were hired to assist on the new

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1 system have been critical to address the  
2 challenges that the system has faced. So there  
3 is value there. And the system would not have  
4 been able to progress to the point that it is  
5 today had it not been for having those -- that  
6 level of expertise on staff.

7 Again, how long are we going to work on  
8 the project or do additional resources or  
9 direction or different management need to be in  
10 place to make this project work, that's -- you  
11 know, I'm not in a position to say right now how  
12 much longer the Administration will be content  
13 to go with the system as it is right now, as it  
14 is today. But we are content and hopeful that  
15 over the next 12 months, over the next fiscal  
16 year, there will be significant improvements to  
17 the system. Hopefully it will get to a level  
18 where we are at least more satisfied and we can  
19 see the light at the end of the tunnel.

20 CHAIR PONTANILLA: Thank you, Member Mateo.

21 I've got a question. What was your role  
22 in regards to the payroll system when we first  
23 implemented the system itself?

24 What is your role today as the Finance  
25 Director moving forward on this existing payroll

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1 system?

2 MR. YOUNG: Yes. Mr. Chair, actually my tenure as  
3 Finance Director only started in September of  
4 2004. At that time the decision to bring  
5 payroll in-house had already been made. The  
6 project had already progressed for, I believe,  
7 at least 12 months and the decision to implement  
8 the in-house payroll system was to be effective  
9 January 1st, 2005, so that would have been three  
10 months after my tenure had started as Finance  
11 Director.

12 My role in the project was actually very  
13 little to the extent that the project manager  
14 was not from Finance and the payroll -- it's not  
15 a payroll project. It was an HR payroll  
16 project, so the HR component may have been of  
17 equal importance as the payroll side.

18 So, you know, when I did start in  
19 September 2004, I guess some of the inquiries in  
20 terms of my understanding why the County was  
21 going to go the route it did probably delayed  
22 implementation of the payroll project or payroll  
23 component from January 1st. It wasn't fully  
24 implemented on the payroll side until May of  
25 2005.

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1                   So -- and even until today, I'm not --  
2                   I'm not the active participant on this project  
3                   team for implementation. Although, you know,  
4                   there is a -- there is a management -- there is  
5                   a management committee on this project of which  
6                   I am a part of and so we do review where the  
7                   stages and phases for this project are going.  
8                   And it's from this management committee that the  
9                   decision has been made that it is worthwhile to  
10                  stick with this project for another fiscal year  
11                  and to move on the paperless time management  
12                  portion.

13               CHAIR PONTANILLA: Thank you.

14                         Members, any more questions?

15                         Member Baisa?

16               COUNCILMEMBER BAISA: Just a suggestion, Mr. Chair.

17                         I notice that there is an objective that  
18                         says, "Evaluate the efficiency and effectiveness  
19                         of the new payroll system for payroll purposes."

20                         I might want to suggest it under  
21                         performance measures. It might be a good thing  
22                         to see if you can kind of monitor your  
23                         complaints and keep track of it and report so  
24                         that we would know exactly how much angst there  
25                         is over this thing. It might help us in having

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1 to make a decision down the road.

2 MR. YOUNG: Thank you, Ms. Baisa. That's actually a  
3 very good suggestion.

4 I would also like to say that the  
5 payroll staff that I have, they are very  
6 conscientious and diligent about making sure  
7 people's paychecks are correct and it's to their  
8 credit that a lot of the issues are resolved.

9 It is, again, my decision that I'm not  
10 requesting additional staff to assist them in  
11 their trials on moving with this system. I take  
12 responsibility for that, but they are the ones  
13 that actually work the hardest to make this  
14 thing work on a day-to-day basis.

15 COUNCILMEMBER BAISA: Thank you, you know, but I'm  
16 kind of a bean counter so I like numbers.

17 You know, if they're saying we have a  
18 lot of complaints, what is a lot of complaints?  
19 Is it two people complaining loud or is it 500  
20 people?

21 So I think it might be really helpful to  
22 us because we're going to have to discuss this  
23 further. It's an important issue.

24 Thank you.

25 CHAIR PONTANILLA: Thank you, Ms. Baisa.

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1                   Members, any more questions in regards  
2           to the A Account?

3                   The B Account on 6-11, Operation budget.  
4                   Director said that the Operation budget  
5           for this division is flat.

6                   Questions?

7                   On the C Account on 6-12?

8   VICE-CHAIR HOKAMA:   Chairman.

9   CHAIR PONTANILLA:   Go ahead, Mr. Hokama.

10   VICE-CHAIR HOKAMA:   I'm sorry to interrupt.

11                   Just so we understand.   You know your  
12           CIP request, that is to assess which division  
13           more, please, Mr. Director?

14   MR. YOUNG:   It actually addresses ...

15   VICE-CHAIR HOKAMA:   Accounts Division?

16   MR. YOUNG:   The greatest benefit will be to the  
17           Accounts Division, but there is also a benefit  
18           to the Purchasing Division.

19                   My intent, if allowed to expand the  
20           offices, would be to expand to the positions  
21           that are appropriated for the Accounts Division  
22           but also to that single position that is -- that  
23           is proposed for the Purchasing Division, the  
24           contracts clerk and that's because the contract  
25           clerk that currently exists is stationed right

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1 next to that area in question and would benefit  
2 by having an additional personnel assist them  
3 there.

4 VICE-CHAIR HOKAMA: Okay. Thank you. Thank you.  
5 That would be helpful for us.

6 And, again, Chairman, the intent of the  
7 question is so that we can understand the B and  
8 C requests.

9 CHAIR PONTANILLA: Right.

10 VICE-CHAIR HOKAMA: For those divisions and what  
11 impact this prospective CAP does to the  
12 Director's financial requests.

13 CHAIR PONTANILLA: Thank you.

14 Members, any more questions in regards  
15 to that?

16 If not, we go to the Purchasing  
17 Division. A accounts, salaries and wages on  
18 page 6-13.

19 Questions, Members?

20 Member Hokama?

21 VICE-CHAIR HOKAMA: Chairman, you know what? I'll  
22 wait until other members because mine is not  
23 necessarily about A, B or C but it's about our  
24 general procurement.

25 CHAIR PONTANILLA: Fine.

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1 No questions on the A Account?

2 The operation activity, B Account, on  
3 page 6-14. Again, it's flat.

4 And then the C Account.

5 C, no question?

6 Mr. Hokama, your question.

7 VICE-CHAIR HOKAMA: Thank you.

8 And, Director, I know Mr. King is here  
9 so if you think he might be able to assist the  
10 response, I would appreciate that, please.

11 CHAIR PONTANILLA: Mr. King?

12 VICE-CHAIR HOKAMA: Thanks for being here, Greg.

13 Mr. King, you know, I don't have a  
14 problem in general to support the request for an  
15 additional contracts clerk. But just so we can  
16 understand procurement and this increasing  
17 amount of contracts your division has to deal  
18 with, what is driving that, please, so we can  
19 understand this better?

20 MR. KING: I don't have any specific statistics for  
21 you, Mr. Hokama, but there is an increase.

22 There's also an increase in the complexity of  
23 the contracts over the years.

24 There's -- over the years we've had  
25 legislative requirements for tax clearances and

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1 responsibility requirements, DCCA clearances and  
2 Department of Labor clearances and it seems like  
3 the process has gotten a lot more complicated.

4 And within the budgeting process,  
5 there's some projects that are -- and I don't  
6 even understand it exactly, but the bonding  
7 requires extra time and it seems like that area  
8 has become a bottleneck and an additional person  
9 would help to, you know, help us to the point  
10 where we can track these contracts better and  
11 walk them through and I think that would provide  
12 substantial benefit to the County.

13 VICE-CHAIR HOKAMA: And when we talk about contracts,  
14 Mr. King, it's not just, let's say, under  
15 Department of Housing and Human Concerns. We  
16 have a lot of contracts with entities,  
17 nonprofits to provide --

18 MR. KING: Grants.

19 VICE-CHAIR HOKAMA: -- certain services, grants. So  
20 that's a couple we know because in the annual  
21 budget we do have part of the grant review  
22 consideration as well as our earmarks or we call  
23 it line items.

24 But is there something else driving this  
25 amount of contractual increase that your

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1           division is facing? Is it construction  
2           contracts? Is it general procurement contracts?

3 MR. KING: Yeah, I think it's a combination of  
4           contracts and grants.

5                       One thing I forgot to mention is the  
6           contract process is, you know, the Grant's  
7           Review Committee does their work in the spring  
8           and a lot of the grantees expect payments, you  
9           know, a lot of the grantees are recurring  
10          grantees and they expect payments right away and  
11          we have a real bottleneck in June -- June and  
12          July, actually -- when these things --  
13          end-of-the-year contracts. The fiscal year ends  
14          June 30th so people are spending a lot of end of  
15          the year money and also the grants and all that  
16          hits at same time, so that's a big bottleneck.  
17          And then also in December when our CIP funding  
18          cycle expires, there's also a bottleneck at that  
19          point.

20                      But, again, I don't have specific  
21          statistics. I know we process, I would guess,  
22          300, roughly 300 contracts a year and probably  
23          the same amount of grants.

24 VICE-CHAIR HOKAMA: Are there -- are there changes  
25          either by statute or rules, administrative

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1 rules, that has made it more difficult for your  
2 division to process, approve because of changes  
3 in procurement laws or decisions of how we  
4 procure certain items for the County?

5 MR. KING: Not really that has affected the grants  
6 process -- or grants or contracts process other  
7 than what I've previously mentioned, tax  
8 clearances and the responsibility provisions  
9 part.

10 VICE-CHAIR HOKAMA: What about the contracts, let's  
11 say, for the upgrade of the phone?

12 You know, I think Mr. Young early said  
13 that we're going to need a sizable increase in  
14 Countywide because of upgrades to, let's say,  
15 the telephone service or program the County has.

16 MR. KING: Right.

17 VICE-CHAIR HOKAMA: So does that kind of increase  
18 also the demand under your division because  
19 we're going to procure now for a service?

20 MR. KING: Yeah. I --

21 VICE-CHAIR HOKAMA: Is that a big impact to you?

22 MR. KING: Yeah. Well, it's going to -- not the  
23 Contracts Division per se, but it does take time  
24 away from me from supervising the Contracts  
25 Division.

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1 I'm glad you mentioned the phone thing  
2 so I had an opportunity to bring that up. The  
3 phone system, we're at the end of our current  
4 cycle on the contract and the existing switch  
5 structure that we have -- we have ten major  
6 switches in our different buildings. One here,  
7 for example; one in One Main Plaza; one at the  
8 Base Yard; Fire Department; Police Department;  
9 War Memorial; et cetera. There's ten of them  
10 out there. I was informed late last year,  
11 before this current budget, that a lot of those  
12 switches are obsolete. They're really not  
13 obsolete, they're really fine, but it's a  
14 planned obsolescence thing to where the company  
15 NEC won't support them without us paying them  
16 some more money. It's like a ransom kind of a  
17 thing.

18 So we have the opportunity to -- this is  
19 a time where we have to address that and make  
20 some decisions on that and I'm going to be  
21 seeking not only Administration input but  
22 Council input on where we should head in that  
23 direction.

24 There's some technology changes.  
25 There's a thing called Voice Over IP, which

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1 is -- would allow us to utilize potentially the  
2 Oceanic infrastructure to put not only -- not  
3 only the data stuff we have on there currently  
4 but also voice on there. There's some risks  
5 associated with that, so one of the things I'm  
6 going to be working on is hiring a consultant to  
7 help me guide me through that process.

8 VICE-CHAIR HOKAMA: Does it make sense for your  
9 division working through the Director's Office  
10 to have us consider whether or not we want to  
11 continue this NEC program or should we -- for  
12 the short term this upgrades, switches,  
13 conversion or replacement, is it in the County's  
14 best interest or should we look at a potential  
15 new service provider that can adjust the system  
16 to the changing needs of this County?

17 MR. KING: Yeah, and I really can't answer that  
18 question. I'm seeking the services of a  
19 telephone consultant. The consultant's not  
20 going to be an expensive proposition, probably  
21 under 25,000, to assist us on that. There's  
22 people out there -- these are Honolulu based  
23 consultants that do these projects every day and  
24 can give me a better insight into it.

25 With the issue of Voice Over IP, there's

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1           an eventual transition that will occur, whether  
2           it occurs now or five years or ten years from  
3           now, where it makes sense for the voice and the  
4           data to combine and also that function to be  
5           under the MIS Division at some point it's going  
6           to make sense. So that transition, guiding us  
7           through that transition, is a little over my  
8           head and would -- and I think we would benefit  
9           from hiring a consultant for that.

10       VICE-CHAIR HOKAMA: Okay.

11                       And, again, Chairman, I think this is  
12           timely because we've invested, again, a lot of  
13           money in the 800 megahertz system. We've put a  
14           lot of money into this NEC system about six,  
15           eight years ago.

16       MR. KING: Yes. Yeah, the NEC system has paid off  
17           substantially over the years. It was  
18           based -- the original calculations -- at that  
19           time we calculated that we were going to save  
20           about \$10,000 a month over a seven-year period  
21           and we're through that seven-year period.

22                       I was hoping that we would, you know,  
23           after this time we would get some free time out  
24           of it, we would have a bunch of years where  
25           we're not paying lease payments and we could

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1           utilize this stuff and, of course, then they try  
2           and squeeze you.

3       VICE-CHAIR HOKAMA: Well, maybe there's a new service  
4           provider that will give you a better  
5           contractual --

6       MR. KING: Possibly.

7       VICE-CHAIR HOKAMA: -- offerings. So I'm open to  
8           that, too.

9       MR. KING: Also, just for your information, on the  
10          voice -- on the dial tone side of the -- side of  
11          it, which is the actual phone service coming in,  
12          we're getting very good rates right now from the  
13          current provider for the T1s that we have coming  
14          in to our switches.

15                 I need to advise you that when we do do  
16          a bid on this, the prices are going to go up on  
17          those existing -- probably going to go up on  
18          those existing circuits.

19       VICE-CHAIR HOKAMA: Chair, one more question, please.

20       CHAIR PONTANILLA: Go ahead, Mr. Hokama.

21       VICE-CHAIR HOKAMA: Thank you. Thank you.

22                 You know, I would hope that you would  
23          also look into, Mr. King -- since the timing  
24          seems to be right. We've tried to consider  
25          things like streaming and I guess we could maybe

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1 work it through Oceanic if we have the ability  
2 to access that system, but it might be another  
3 way for us to be able to communicate with our  
4 general community of how the County operates  
5 through our meetings.

6 And I just wanted to know if the key  
7 restriction now for us under the current system  
8 is just band width? Is that the biggest thing  
9 that impacts MIS, impacts your area, impacts our  
10 ability to look at other options of  
11 communicating to our community and residents?

12 MR. KING: I think Jacob Verkerke would be the best  
13 person to answer that on those issues.

14 VICE-CHAIR HOKAMA: Okay. Thank you for the  
15 responses, Mr. King.

16 Chairman, thank you.

17 CHAIR PONTANILLA: Thank you, Mr. Hokama.

18 Members, any more questions in regards  
19 to the Purchasing Division?

20 If not, thank you very much, Mr. King.

21 The Chair notes that it's 2:50 and I  
22 think it's a good time to take our mid-afternoon  
23 break.

24 So we'll return to the Chambers at 3:00.  
25 This meeting is in recess. (Gavel).

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1 RECESS: 2:50 p.m.

2 RECONVENE: 3:10 p.m.

3 CHAIR PONTANILLA: (Gavel). Thank you, Members, for  
4 that recess.

5 At this time we're going to cover the  
6 DMVL.

7 Members, we are on page 6-17.

8 Director, comments?

9 MR. YOUNG: Mr. Chair, Mr. Lito Vila, the  
10 Administrator for the DMVL, is here.

11 I also remind the Members that the  
12 County Council has approved significant staff  
13 increases in personnel to the DMVL for the last  
14 three fiscal years and these were largely to  
15 help us address the service delivery needs for  
16 this division and to implement our strategy of  
17 the satellite programs for the DMVL.

18 Mr. Lito Vila has done a good job of  
19 helping to increase the service capacity, gain  
20 additional efficiencies and value out of the  
21 DMVL and this is translated into reduced waiting  
22 times at the service center, increased  
23 capacities at the satellites and overall higher  
24 levels of service.

25 Mr. Vila is available for any technical

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1 questions in this regards.

2 CHAIR PONTANILLA: Thank you.

3 Members, any questions in regards to the  
4 A Account, salaries and wages?

5 COUNCILMEMBER MATEO: Chairman.

6 CHAIR PONTANILLA: Mr. Mateo?

7 COUNCILMEMBER MATEO: Chairman, thank you very much.

8 During the break I kind of looked and  
9 tried to get some of the answers, you know,  
10 myself. However, Mr. Vila, you know on your  
11 list of existing vacancies, you have 11  
12 vacancies or positions that are either being  
13 redescrbed or it's going to be filled by a  
14 transfer.

15 All of these 11 positions, are they  
16 existent on your list of, I guess, your employee  
17 listing in this Details?

18 CHAIR PONTANILLA: Mr. Vila or --

19 MR. VILA: Okay. Thank you.

20 CHAIR PONTANILLA: -- Director?

21 Mr. Vila?

22 MR. VILA: Thank you, Mr. Chair.

23 Yes, Mr. Mateo, all of those positions  
24 are existing positions. The Division at this  
25 point have not requested for any expansion

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1 positions for this upcoming fiscal year budget.

2 COUNCILMEMBER MATEO: Thank you.

3 Because I'm looking at a memo dated  
4 March 7th, 2007, that provides all of the  
5 vacancies for the different departments.

6 When we take a look at the vacancies for  
7 your department today and we look at the  
8 salary -- the salary basis, it's off in terms of  
9 what you're showing in the Details versus what  
10 is showing as a vacant position. Is there a  
11 reason for that discrepancy?

12 CHAIR PONTANILLA: Department?

13 COUNCILMEMBER MATEO: And if you like, I can cite a  
14 specific item for you.

15 MS. HAYASHI: Will you please cite the specific item,  
16 Councilmember Mateo.

17 COUNCILMEMBER MATEO: Thank you, Deputy.

18 That would be -- it's described as GF  
19 0124, Driver's License Examiner I, the FY '07  
20 budget salary was 44,144. For projected '08  
21 request, 44,428. And in this particular listing  
22 as of March 12th, it shows 32,424 based on a  
23 yearly salary.

24 VICE-CHAIR HOKAMA: Page, please, Mr. Mateo.

25 CHAIR PONTANILLA: 6-17.

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1 COUNCILMEMBER MATEO: 17.

2 CHAIR PONTANILLA: I think it's eighth line from the  
3 bottom.

4 MR. VILA: Yes, at that point I believe that vacancy  
5 was created by an employee that has retired at  
6 the higher level. So that may have been listed  
7 on that report at the higher salary.

8 So right now it's going to get adjusted  
9 I believe down to -- whoever gets into that  
10 position, that employee's salary will be  
11 reflected. I don't ...

12 COUNCILMEMBER MATEO: Okay. So the other 11  
13 positions, then, you did go through the salary  
14 range and checked it out so that it now becomes  
15 consistent with what the Details is showing?

16 CHAIR PONTANILLA: Member Mateo, can I interject,  
17 please?

18 COUNCILMEMBER MATEO: Yes.

19 CHAIR PONTANILLA: Thank you.

20 Director, is this a direct relationship  
21 in regards to schedule increases due to  
22 negotiations as mentioned earlier?

23 MR. YOUNG: Yes, Mr. Chair. This is what the three  
24 of us are trying to discuss up here in between.

25 The schedules that is presented on 6-17,

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1 as well as in the other schedules related to  
2 salaries that are in the detailed budget, do  
3 reflect the 3 percent anticipated increase for  
4 positions relative to, you know, the step  
5 movements or whatever issues that would result  
6 in salary changes.

7 I believe also what Mr. Mateo is asking  
8 is about these discrepancies relative to a  
9 communication that was provided from, I'm  
10 assuming DPS, that doesn't match the schedule on  
11 the Details. I believe that the discrepancies  
12 could be related to the time that has past  
13 between the construction of the schedules and  
14 the Detail versus whenever the communication  
15 was.

16 In discussing the process with the  
17 Budget Office, because there was a change in  
18 Administration and a change in Budget Directors,  
19 some of the work for the construction of this  
20 budget was done by Mr. Ginoza while he was  
21 Budget Director and was provided to the Budget  
22 Office under Mr. Pablo. So there could have  
23 been -- this schedule on 6-17 may have been  
24 completed before or after the communication that  
25 you're referencing from DPS and that is most

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1           likely, in my opinion, probably the reason why  
2           the numbers don't -- are not identical.

3           COUNCILMEMBER MATEO: Thank you.

4                         Thank you, Chair.

5           CHAIR PONTANILLA: Thank you, Member Mateo.

6                         Members, are there any more questions?

7                         Mr. Hokama followed by Member Johnson.

8           VICE-CHAIR HOKAMA: Chairman, not in the A Accounts  
9           area. Thank you.

10          CHAIR PONTANILLA: Thank you.

11                         Member Johnson, A Account?

12          COUNCILMEMBER JOHNSON: Yes.

13                         I just wanted to make sure that the  
14           staffing was going to be sufficient in that A  
15           Account and the amount that you're asking for to  
16           operate the satellite offices.

17          MR. VILA: Yes, in my opinion it is.

18                         Mr. Director Young and myself, we looked  
19           at the deployment of the vacancies and what we  
20           have. At this point we are not done hiring for  
21           all of the vacancies yet. We are still actively  
22           recruiting. We have some internal movements  
23           that are moving on so, hopefully, we'll be able  
24           to fill those.

25                         Once we're able to fill, we're going to

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1           begin expanding Pukalani with additional days,  
2           probably to four days and probably going on  
3           record now. And after that, once the staff gets  
4           more training, we plan to take Kihei up to five  
5           days with a staff of three, then Lahaina up to  
6           five days; however, we continue to have some  
7           space challenges in the Lahaina offices you see.  
8           Lahaina is scheduled for three service reps plus  
9           one -- the examiners and space is a constraint.  
10          So we're going to open up Lahaina up to five  
11          days and shortly after that, hopefully, we'll be  
12          able to take Pukalani up to five days, also,  
13          with a complement staff of three service reps.

14         COUNCILMEMBER JOHNSON: Okay. Great.

15                         The time line for, you know, these  
16                         projected dates?

17         MR. VILA: It's hopefully by the summer. It will  
18           take me some time from the time a person is  
19           hired to get them functional, about four to six  
20           months of training to perform all the types of  
21           transactions and be independent enough to  
22           perform.

23                         At this point, we have exhausted the  
24           ready list because employment is really tough.  
25           We just got the issue -- DPS just issued the

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1 test, and correct me, hopefully the ready list  
2 for those positions because the minimum  
3 qualification is pretty much a little bit  
4 stringent and I've been advised that hopefully  
5 by the end of this month I will be able to get a  
6 listing --

7 COUNCILMEMBER JOHNSON: Great.

8 MR. VILA: -- so I can continue with the recruitment  
9 process.

10 COUNCILMEMBER JOHNSON: That's wonderful.

11 I want to thank you also because for me  
12 I went in -- I had to do a transaction and the  
13 wait time was about five minutes. So, I mean,  
14 for me, maybe not on all things but I was very  
15 impressed and you seem to really have been  
16 working on that. So I'm glad to see that the  
17 money is in the staffing and other things are  
18 working out the way that you had hoped they  
19 would. Thank you.

20 CHAIR PONTANILLA: Thank you, Member Johnson.

21 Any more questions on the A Account?

22 The B Account, Operating Activity?

23 Mr. Hokama, you had a question on that?

24 VICE-CHAIR HOKAMA: Yes, Chairman, thank you.

25 This would be on page 6-22, Members,

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1 Subaccount 6132, Professional Services.

2 I'm assuming that this is -- part of the  
3 increase is what you had shared on page 12 of  
4 your presentation, Mr. Director, regarding  
5 upgrades from Molokai and Lana'i satellite  
6 offices.

7 Is this where -- part of that 50,000  
8 plus would be coming from? You went --

9 MR. YOUNG: Yeah.

10 VICE-CHAIR HOKAMA: -- from 15,000 to about 142,000.

11 MR. YOUNG: Actually, \$100,000 of that is actually  
12 in -- is in a consulting service for scanning  
13 and imaging that I referenced earlier.

14 The improvements to the Molokai and  
15 Lana'i satellite offices are actually in the  
16 equipment category. That's going to move up  
17 from 12,450 up to 89,300.

18 The 6132 that you're referring to is the  
19 Professional Services and that's to accommodate  
20 for the scanning functionality of that project.

21 If you like, Mr. Vila can more  
22 thoroughly articulate that project.

23 VICE-CHAIR HOKAMA: Let me just get back to home  
24 first, please, regarding the Lana'i office and  
25 maybe Mr. Mateo might have some questions from

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1 Molokai.

2 I would like to avoid another Parks  
3 situation. So there comes a point where  
4 improvements might be called general maintenance  
5 or slight upgrades really should be considered a  
6 CIP. I would like the County to be the standard  
7 bearer of us doing things correctly.

8 So can you just give me some further  
9 detail and understanding, Mr. Vila, what kind of  
10 improvements are you looking at?

11 Because I don't have a problem  
12 supporting -- if this needs to be a CIP, that's  
13 fine with me and I would be very happy to  
14 support it. I just need to know the scope and  
15 understanding because I don't want to get --  
16 again, like I said, another mess with this Parks  
17 facility down at Iron Maehara Stadium.

18 Comments, please.

19 MR. VILA: Yes. Thank you, Mr. Director.

20 These improvements are FF&Es,  
21 furnitures, fixtures and equipment. That  
22 office, like the Molokai office, probably has  
23 never been renovated or upgraded in terms of the  
24 equipment, the computer, the work stations. So  
25 it's no longer or has not been conducive to our

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1 upgraded work station standards that we have  
2 similar to the satellite offices. I feel we  
3 need to update the employees' work stations  
4 that's more functional and that will accommodate  
5 the equipment that we have. So it's strictly  
6 that we plan to remain within the same office.  
7 So it's just furnitures, fixtures and equipment  
8 for that.

9 In the event we do go ahead with some  
10 CIP project, that is a rather old building.  
11 These I'm planning to purchase modular  
12 furnitures for both offices. Lana'i's office is  
13 a little bit larger than the Molokai office.  
14 The Molokai office has a staff of two, so I have  
15 to fit all of the equipment and staff and some  
16 area for customers.

17 VICE-CHAIR HOKAMA: Thank you very much.

18 I think our committee would appreciate  
19 this upgrade, but then again, I would also ask  
20 that if it makes sense to also expand it  
21 slightly more to address some of your future  
22 needs for expansion that I would ask that you  
23 consider it because I would rather do the  
24 improvement one time if we can anticipate, well,  
25 then we get good, of course, I guess bids to do

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1 the job or are you just doing this all in-house,  
2 Mr. Vila?

3 Everything that you've shared this  
4 afternoon is just more of a procurement thing  
5 than a need of a contractor or other service  
6 provider?

7 CHAIR PONTANILLA: Department?

8 MR. VILA: Yes, Mr. Hokama. Those are just modular  
9 work stations that can be moved.

10 VICE-CHAIR HOKAMA: But you mentioned light fixtures  
11 and whatnot.

12 MR. VILA: Well, furniture -- I termed that is the  
13 purchasing procurement of equipment. It's like  
14 the work stations, the desks, the lamps, the  
15 hutch, the tables, chairs maybe and just  
16 redesigning the floor of that office.

17 To answer your other question about CIP,  
18 I would love to move both facilities into a  
19 better area where it's going to be comfortable  
20 for the customers to wait in, as well as for the  
21 employees.

22 In the DMV world as far as service, it's  
23 a combination of is the customer comfortable,  
24 are they standing up, do they have to wait  
25 outside. It's a combination.

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1                   I would love to have -- move those two  
2                   offices into a larger facility that we can be a  
3                   lot more flexible in.

4                   So I can put in -- for example, when we  
5                   get online registration, one of the options I'm  
6                   looking at is to put a terminal right in that  
7                   area where they can go in -- the customer can go  
8                   in and register so he can get processed by  
9                   Kahului and perhaps the staff can show them how  
10                  to register so next year they don't have to come  
11                  in and they can renew online, some concepts like  
12                  that. We're looking at computerized testing for  
13                  some efficiencies.

14                  So we have a project list to go over but  
15                  that will take time and the facility is really a  
16                  big step towards it.

17 VICE-CHAIR HOKAMA: Okay.

18                  Chairman, thank you very much. I would  
19                  ask that if --in the next run, I would just  
20                  give a heads up to Mr. Vila. I want to talk  
21                  about the ability of getting our people over for  
22                  the actual driving examination.

23 CHAIR PONTANILLA: Thank you, Mr. Hokama.

24                  Member Molina?

25 COUNCILMEMBER MOLINA: Thank you, Mr. Chairman.

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1                   Mr. Vila, before I ask my one question,  
2                   I just want to pass along a compliment. A  
3                   couple weeks back it was a spur of the moment  
4                   decision on my part. I just realized my license  
5                   was set to expire real soon, so I popped in  
6                   there about maybe before 10:00 in the morning  
7                   and, I guess, the person that you have at the  
8                   front gave me the form to fill out. Before I  
9                   was even done with the form, my number flashed  
10                  up for service and the whole process, picture  
11                  taking and all, took under ten minutes. So I  
12                  want to just compliment you and your department  
13                  on that. I was totally amazed. It was great.  
14                  Boy, you know, I took your guys' advice. I  
15                  think at a prior meeting you had mentioned the  
16                  best time to go is maybe midweek, late morning  
17                  and true to form. It was -- I was truly  
18                  impressed.

19                  My question relates to the rent. For  
20                  Fiscal Year '08, it's moving up from 275 to  
21                  350,000. What are we looking at for Fiscal Year  
22                  '09? I don't know if you have that information  
23                  offhand. And how long is that lease for, if you  
24                  can help refresh my memory?

25                  MR. YOUNG: The lease at the service center expires

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1 in 2010. The lease when it was originally  
2 signed included a set step up each year of -- I  
3 believe it's 5 percent, 3 to 5 percent,  
4 somewhere in there. It is set. So we know what  
5 the step ups are going to be.

6 We haven't increased it, the request for  
7 the rent payment in Fiscal Year '07 over Fiscal  
8 Year '06, but it is time that -- there's no more  
9 savings in that funding. We need to increase  
10 the request to meet the scheduled rent payment.

11 COUNCILMEMBER MOLINA: Thank you.

12 CHAIR PONTANILLA: Thank you, Member Molina.

13 Members, any more questions?

14 Member Mateo, any questions in regard to  
15 the Molokai since we got Lito here?

16 COUNCILMEMBER MATEO: Chairman, thank you very much.

17 I had the opportunity of talking to Mr. Vila  
18 prior to the meeting get started, getting  
19 started.

20 However, Mr. Vila, I think because  
21 you're aware of our limitations on that  
22 particular island and because you're aware of  
23 the real small accommodations available there,  
24 are you already anticipating expansion of this  
25 particular facility in terms of providing you

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1 with the adequate space that you need?

2 CHAIR PONTANILLA: Mr. Vila?

3 MR. VILA: Thank you.

4 Within the present location, and I  
5 believe there's the Council office there and  
6 another office on the other side, I don't  
7 believe it's feasible to expand the current  
8 office as it is.

9 To answer your question, I would love to  
10 expand that facility because it's very small.  
11 It's perhaps one or two customers can go in at  
12 one time and I have the staff of two. Where are  
13 the other customers going to be waiting at? So  
14 that is an operational dilemma there, as well as  
15 for Lahaina with -- that's our situation over  
16 there for those offices.

17 So if I'm able to get a bigger facility,  
18 thank you very much.

19 COUNCILMEMBER MATEO: Mr. Vila, thank you. I'm going  
20 to be looking forward to your recommendations as  
21 well, yeah.

22 For another time, Mr. Vila, we can get  
23 together just to start talking about the  
24 potential of I.D.s because your office is  
25 equipped with the equipment to do it and for our

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1 community, we don't have access to the State  
2 I.D. programs.

3 I know on Maui the County does it  
4 through various departments and on Molokai we  
5 don't have that opportunity. So with your  
6 updated equipment, perhaps at a later time we  
7 could continue this discussion.

8 CHAIR PONTANILLA: Thank you, Member Mateo.

9 Any more questions in regards to the B  
10 Account?

11 If not, the C Account?

12 Mr. Victorino?

13 COUNCILMEMBER VICTORINO: I do have one about  
14 Operations and I don't, you know, I want to be  
15 real specific. This would be for your, Lito,  
16 okay?

17 What has happened is three days ago I  
18 got a call about a young lady who had  
19 transferred a car, sent in her registration,  
20 signed off. You guys acknowledged that you had  
21 gotten her transfer but the other person never  
22 came in, which is a common theme in this area  
23 and I hear this all the time.

24 The other person never came in, racked  
25 up a bunch of tickets for which she then had to

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1 go to court and pay \$300. Okay. Again, this  
2 theme is nothing new and I think you've heard  
3 this before. However, then the judge told her  
4 that if there's any other violations on this  
5 vehicle, that she still was responsible.

6 I understand the law was changed that  
7 the registered owner was responsible. However,  
8 I couldn't understand even after going to court,  
9 after showing all the documentation from both  
10 the DMV and hers she still can be held liable  
11 for any other violation the person who bought  
12 the car from her, who never paid her for the  
13 car. I mean, this lady had bad luck. If she  
14 didn't have any luck at all, she'd be in good  
15 shape.

16 But, you know, we laugh about this but  
17 this is a common theme I hear all the time. I  
18 guess it falls on the Operations. I'm not  
19 trying to blame anybody, but the public needs to  
20 know that, you know, you hear all the  
21 compliments and that's fine and I'm generally,  
22 you know, okay with compliments.

23 But, also, when I hear and I've heard  
24 this before and I just had this three days ago,  
25 I wonder where is the line that we draw when

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1           somebody as best they knew did what they thought  
2           was right but the other party doesn't follow  
3           through and now they're stuck with bills and  
4           potential liability.

5                         Maybe you can let the public understand  
6           a little bit more on this process beyond like  
7           what I've had other people do, including my  
8           lovely wife, take the person down there, make  
9           sure the registration is all signed off by her  
10          and the new one is done and issued and that way  
11          all liability does not exist. How many people  
12          really have that time?

13                        So I think the public needs to know, if  
14          that was to happen and you've done your due  
15          diligence, what happens next? What other  
16          recourse does this person have or others that  
17          may be sitting out there saying, yeah, that  
18          happened to me?

19       CHAIR PONTANILLA: Mr. Vila?

20       MR. VILA: Okay. Thank you.

21                        I believe you're referring to, so I'm  
22          correct, a person -- you sell your vehicle to  
23          Council Chair Hokama and he doesn't come in to  
24          register, correct, but he gets tickets on the  
25          vehicle, you're liable or has -- have you filed

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1 a notice of transfer on that vehicle?

2 COUNCILMEMBER VICTORINO: Yes, that notice of  
3 transfer was received by DMV. It was noted, she  
4 even had a copy of that when she went to court,  
5 but the court still found her liable for the  
6 ticket so she paid the tickets.

7 MR. VILA: Okay. According to State law, HRS, the  
8 owner is required to file the notice of transfer  
9 with the DMV within ten days. As the law  
10 states, Corp. Counsel is here, after that notice  
11 is filed, that owner is then relieved of the  
12 liability for the citations. It's transferred  
13 on to the person's name of that notice of  
14 transfer.

15 However, if there's citations involved,  
16 that's the extent of the DMV's role. After that  
17 comes the judiciary because that's on the  
18 enforcement side, so it's how the judge will  
19 rule or that judiciary will assess and look at  
20 that citation and they make that determination.  
21 The DMV does not do that.

22 If a notice of transfer is filed and it  
23 contains all of the pertinent information and  
24 correct information, we file it and then that  
25 becomes, I guess, submittable in court as

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1 evidence and we receive lots of subpoenas for  
2 those types of information.

3 COUNCILMEMBER VICTORINO: So it falls back, really  
4 back on the judiciary when it comes to that kind  
5 of situation.

6 If they have done what they -- and you  
7 have filed and you got the subpoena and you sent  
8 it in, then the judge makes that final decision?

9 MR. VILA: I believe so. I can't -- unless I know  
10 more specifics of what it is, then it's really  
11 hard to speak in generalities in terms of  
12 whether that person was right or wrong.

13 What we deal with is the actual  
14 registration and the notice of transfer. As  
15 long as Mr. Hokama would not come in to  
16 reregister the car or transfer ownership, your  
17 name would remain on the vehicle on our records  
18 until he comes in and transfer the title over.

19 However, what we would also have on our  
20 file, which is a permanent paper file that we're  
21 about to scan those myriads of documents, is  
22 that have you filed a notice of transfer on this  
23 date naming Mr. Hokama as the person that is now  
24 responsible for that vehicle.

25 COUNCILMEMBER VICTORINO: Okay. What I'll do is I'll

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1           have that young lady that did call me put  
2           something in writing and get it to you and maybe  
3           you can help her a little bit more in that area.

4                         However, thank you for the information  
5           because I think that just reinforces in people's  
6           mind, best way to do it is go down there with  
7           that individual and have them sign off and  
8           reregister the car. That way you avoid any  
9           liability. Other than that, you still leave  
10          yourself open.

11   MR. VILA: Yes.

12                         One more comment is that we have a Call  
13          Center that is open and the website I believe  
14          also has a section on notices of transfers. But  
15          call our Call Center, 270-7363, and hold for our  
16          service representatives. They can help you.  
17          They can pull up the record and advise you  
18          appropriately and specifically.

19   COUNCILMEMBER VICTORINO: Thank you, Mr. Vila. I  
20          appreciate that and I think the public  
21          appreciates that. Thank you.

22   CHAIR PONTANILLA: Thank you, Mr. Victorino.

23                         Mr. Hokama?

24   VICE-CHAIR HOKAMA: Chairman, thank you.

25                         Quickly, Mr. Vila, your air travel

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1 budget is static, you know, has been very flat  
2 for the last couple of years.

3 Is this money now so that you can send  
4 to Lana'i driver examiners to take care of  
5 communities' needs for it is licensing -- area  
6 licensing requirements?

7 MR. VILA: I believe so. As a matter of fact, we are  
8 in the process of -- well, for the vacancy at  
9 Lana'i we're about -- believe I'm going to  
10 receive the list pretty soon to move ahead with  
11 that.

12 With your -- for that position, the plan  
13 is -- as well as with Hana. I believe we  
14 discussed it last budget session. For those two  
15 outlying districts the plan is to have that  
16 Service Rep II be able to be cross trained and  
17 also administer the light vehicle road test for  
18 Hana, as well as Lana'i, because that person is  
19 there and the volume of work and if we can  
20 certify and get that person trained then that  
21 community, we'll have the ability to do road  
22 testing as my staff will determine. For  
23 example, they could do it twice a week instead  
24 of once a month, which is what the -- those  
25 areas have been requesting.

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1                   I think once that's in place, then  
2           you're going to see the road testing volume  
3           because right now it's just once a month taking  
4           staff from Wailuku and going out.

5   VICE-CHAIR HOKAMA:   Yes.   Yes.

6   MR. VILA:   And that actually also reduces the need  
7           for air travel compared to what we have now.

8   VICE-CHAIR HOKAMA:   I appreciate that response from  
9           the Division.   It's something that at least my  
10          office can help disseminate back to our  
11          community, so thank you very much.

12   CHAIR PONTANILLA:   Thank you, Mr. Hokama.

13                   Any more questions on the C Account for  
14          Mr. Vila?

15                   Mr. Vila, just a comment and maybe good  
16          information for you.   On Molokai, the Public  
17          Works Department is going to be moving their  
18          function to their new baseyard, hopefully in  
19          2009, 2010 time frame.   So, you know, you may  
20          have space available at that time.

21                   Members, the next area that we want to  
22          go to is the Real Property Tax Division.

23                   Director?

24   MR. YOUNG:   Yes, Mr. Chair.

25                   The Real Property Tax Division is the

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1 primary division that we are focusing on this  
2 year in terms of our budget, our budget being  
3 Finance Department's budget, whereby they are  
4 looking to receive the lion's share of the  
5 positions requested, four new positions.

6 These positions represent the first new  
7 positions requested for this division in the  
8 last three, maybe even four years. As long as  
9 my tenure as Finance Director, I've not come  
10 before you asking for increases to this  
11 division. Again, largely because this position  
12 has had chronic vacancies and it was in my  
13 opinion not fair to request for additional  
14 positions without knowing the full effect of  
15 right sizing and the effective vacancies.

16 Mr. Scott Teruya is the Assistant  
17 Administrator for this division and over the  
18 course of the last fiscal year has been working  
19 very hard to address the vacancy issues by  
20 changing our strategy that we've previously had  
21 in terms of dealing with vacancies under the  
22 prior two years and prior to my tenure as  
23 Finance Director.

24 I believe the Department has made  
25 headway in filling the vacancies and has

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1           currently allowed enough time to evaluate the  
2           need for additional positions in order to right  
3           size the capacity of resources to the services  
4           that need to be provided from this division.

5                       The four positions that are being  
6           requested are outlined on Slide No. 17.

7           Mr. Teruya is here to address or answer any  
8           specific technical questions related to the  
9           operations and these four new positions.

10                      Thank you.

11   CHAIR PONTANILLA: Thank you, Director.

12                      Members, any questions to the A Account,  
13           salaries and wages?

14                      Member Molina?

15   COUNCILMEMBER MOLINA: Thank you, Chairman.

16                      Mr. Director or Mr. Teruya, do you know  
17           with regards to the delinquent tax collection  
18           assistant position, is this in relation to the  
19           fact that are we behind in collections or is  
20           this just more the Department just needs more  
21           assistance for the current, I guess, the  
22           other -- how many people to you have assigned to  
23           do collections in the first place?

24   MR. TERUYA: Member Molina, currently we have one  
25           person doing the delinquent tax collecting

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1           assistant and that person is tasked to do all  
2           the refunds, as well as do a lot of the  
3           delinquent accounts which is the tax liens, et  
4           cetera, and it takes an extreme amount of  
5           research of ownership as well as knowing who  
6           made the payment in order to do a refund.

7                         The process of just doing refunds is in  
8           itself takes a lot of time. Carla DeAquino, who  
9           is currently the Delinquent Tax Collector, calls  
10          them books because, you know, a day you can  
11          probably process five refunds and it takes a lot  
12          of paper and research just to do one. So it  
13          would be all the overpayments. Like if there's  
14          multiple owners, two people make the same  
15          payment and then we got a refund. So it takes a  
16          lot of work.

17                         So this is one of the areas that we felt  
18          that needed to have that additional body to  
19          address the great amount of delinquencies and  
20          refunds that need to be processed.

21         COUNCILMEMBER MOLINA: So in terms of the amount of  
22          delinquencies, do we have an -- I mean, has it  
23          increased over the last fiscal year? I mean,  
24          was there a lot of delinquencies that we know  
25          of?

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1 MR. TERUYA: To my knowledge, it's still the same.

2 It just continues to go year after year.

3 COUNCILMEMBER MOLINA: So only the paperwork has

4 multiplied and the time to process?

5 MR. YOUNG: Well, delinquencies, again, for

6 underwriting purposes or credit evaluation

7 purposes are evaluated as a percentage of

8 overall tax revenue expected. So while the

9 level of the delinquency has remained

10 essentially constant, the number, the sheer

11 number has increased.

12 This position -- this section is

13 actually staffed with three people on staff with

14 one supervisor. There's only one other

15 delinquent tax collection assistant. So this is

16 an area where they need additional help to

17 address just the growing size of the County in

18 itself. More properties means more people that

19 have to pay taxes and there's going to be more

20 delinquencies. So this is just a result of the

21 growing size of the County and addressing the

22 services that we need to provide.

23 COUNCILMEMBER MOLINA: Okay.

24 I guess my -- the whole nexus is why I

25 asked the question is I'm wondering if maybe you

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1           needed additional -- more than one in itself. I  
2           was just curious. Thank you.

3                       Thank you, Chairman.

4 CHAIR PONTANILLA: Thank you, Member Molina.

5                       Member Hokama followed by Member  
6           Victorino.

7 VICE-CHAIR HOKAMA: Chairman, thank you.

8                       Maybe so we can appreciate more clearly  
9           the situation that this division is in, I heard  
10          what you said in response to Mr. Molina,  
11          Mr. Teruya.

12                      So if we had an apartment, a  
13          condominium, that chose to use a property regime  
14          and only 50 percent of those property unit  
15          owners claim homeowners exemption and the other  
16          half -- how they didn't qualify, so they would  
17          be like improved residential then, how does this  
18          impact your ability, if any, regarding how you  
19          view the property as well as -- are there things  
20          that we need to better understand of the  
21          intricacies and difficulty it is to administer  
22          your division regarding property regimes?

23                      Because we've heard the difficulty from  
24          Public Works when we're trying to get easements  
25          and right-of-ways. If we're dealing with

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1 property regime, it's easier to condemn and do  
2 an eminent domain.

3 Is there something with taxation that  
4 has unique difficulties with property regimes  
5 and how we administer real property tax?

6 CHAIR PONTANILLA: Department?

7 MR. TERUYA: Member Hokama, first of all, every  
8 County has a different stance on how they handle  
9 property regimes. Maui County and Oahu they --  
10 condominium properties are based on actual use.  
11 For Maui County we have five different uses, one  
12 is time share, hotel, commercial, apartment or  
13 homeowner. In the county of Kauai and Big  
14 Island, they do not have actual use as a  
15 classification. The zoning would take  
16 precedence in a condominium regime, so they  
17 don't have to administer the actual use so it's  
18 easier for them.

19 For Maui County, according to our  
20 ordinance, it requires us -- well, it requires  
21 the owner to declare the use in a condominium.

22 VICE-CHAIR HOKAMA: And, again, I was just wondering  
23 whether or not, you know, it adds to the  
24 difficulty of administering your program so that  
25 we can, again, since we are looking at making a

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1 position adjustment and EP adjustment that we  
2 might want to consider some of the, I guess,  
3 unique intricacies that you just have to deal  
4 with that we may not be aware of.

5 MR. YOUNG: Mr. Hokama and Mr. Molina, I think both  
6 of your folks' questions and line of questions  
7 are greatly appreciated because it is some of  
8 the uniqueness that in Maui County that there is  
9 a level of complexity and amount of work that is  
10 unique to the County and to this Division that's  
11 different from other jurisdictions.

12 I have no doubt that if Mr. Teruya could  
13 speak candidly he would want more positions than  
14 the Director sitting here before you is asking  
15 for these sections.

16 As I've stated in prior years, it's my  
17 opinion that I don't want to see the size of  
18 government grow too fast, especially in these  
19 level of positions. Knowing that this division  
20 has only recently addressed its vacancy issues,  
21 I feel it prudent and responsible to ask for  
22 these minimal amount of positions now and  
23 reserve the right that I may be here before you  
24 next year and may be asking for the exact same  
25 positions again.

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1                   But, again, I want you to feel confident  
2                   and I want the Council to feel confident that we  
3                   are deliberately trying to evaluate the right  
4                   sizing for this division and not be too overly  
5                   aggressive in building up the amount of staff.

6   VICE-CHAIR HOKAMA: You know, Mr. Director, you're a  
7                   such a refreshing -- your approach is so  
8                   refreshing for many of us who have been here for  
9                   years, so I thank you once more.

10                   The reason I bring this up and this is  
11                   where I'm coming in because of your request for  
12                   support, additional support positions, is I  
13                   would hope you would consider this -- and I'm  
14                   willing to support this -- in that, you know,  
15                   I've been made more aware of the need of our  
16                   County to assist a component of our community,  
17                   which is more of our elderly property owners,  
18                   whereby we might want to look at an information  
19                   position and educational outreach position that  
20                   can help our property owners, particularly our  
21                   older long-time property owners that we're  
22                   concerned about, to deal with circuit breakers,  
23                   to deal with homeowners exemptions and for us to  
24                   go and do the outreach.

25                   Because, again, like an example from

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1 Ms. Baisa. You know her mother couldn't send  
2 even a \$.10 debt so she would just pay the bill.  
3 For some, even understanding the appeal process  
4 of the assessment may not be clearly understood.

5 So if you're part of that old school,  
6 you're going to go, "Wow, my tax went up \$3,000  
7 more. It's my County so I'm going to have to  
8 find a way to pay it" not knowing that maybe the  
9 right thing for us is to ask for an appeal to  
10 understand how this change of assessment  
11 occurred so that there's an understanding why  
12 they should either pay that \$3,000 more in their  
13 tax bill or they had a reasonable case whereby  
14 an appeal would then make an appropriate  
15 adjustment.

16 I bring this up because eventually even  
17 people like my mother are in that category that,  
18 yes, we do have circuit breaker but if you don't  
19 know about when to apply, you don't get the  
20 benefit. If you don't understand exemptions and  
21 the need to annually reapply once more, you  
22 know, the benefit that we work hard to try and  
23 provide is not utilized by those that really  
24 need that break in taxation, as well as the  
25 appeals of your property tax assessment.

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1                   So I share this because I believe we  
2                   need not only to be fair in our taxation but to  
3                   help our people understand that what we're  
4                   asking them to pay is a fair amount for what the  
5                   County is willing to provide in return of those  
6                   tax dollars.

7                   So I would just ask for you to think  
8                   about it because I think it's something we might  
9                   want to investigate and I am willing at this  
10                  point to be real upfront and say I can support  
11                  that.

12       MR. YOUNG: Thank you for that, Mr. Hokama, because  
13                  Mr. Teruya's former section, the appraisal  
14                  section, each year does undertake the effort to  
15                  go out into the community and explain circuit  
16                  breaker and homeowners exemption.

17                  In fact, I've gone with them on a number  
18                  of occasions and have done the presentation  
19                  myself and we do so every year. We recognize  
20                  that there is a lot of value and a lot of need  
21                  out there and if there was a dedicated focus,  
22                  specifically by somebody just to do that, they  
23                  would have more than enough job time to  
24                  accommodate them.

25                  So, right now we are hopefully meeting a

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1           portion of the communities' needs by using the  
2           assistance of the existing staff and, you know,  
3           we would welcome if you wanted to increase focus  
4           in that regards. I would be very supportive of  
5           implementing a community outreach function or  
6           position, but currently that -- whatever degree  
7           of that function is being served is being served  
8           by existing staff that are -- that's not their  
9           primary function.

10          VICE-CHAIR HOKAMA: I understand and I will say that  
11           we have heard the positive comments of your  
12           efforts to do the level of outreach that you've  
13           done over the past few years. So I would say  
14           from the communities part, thank you very much  
15           for your efforts.

16                           And, again, I will be happy -- more than  
17           happy to support expanded efforts in that area.

18                           Chairman, thank you.

19          CHAIR PONTANILLA: Thank you, Mr. Hokama.

20                           Members, any more questions on the C  
21           Account?

22                           Ms. Baisa?

23          COUNCILMEMBER BAISA: Chair, I just want to say amen  
24           to our Chair Hokama. He expressed very, very  
25           clearly the very thing that I had on my mind.

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1 I also want to say that I have seen the  
2 efforts that you have made to go out and do  
3 education on the circuit breaker and I  
4 appreciate that a whole lot because I always had  
5 a concern that people didn't know about it,  
6 particularly seniors or people -- but its bigger  
7 than that because many of us are intimidated by  
8 the system. And although that relief is  
9 available, we don't know where to get it, we  
10 don't know about it and we can't navigate  
11 through it, you know.

12 I recently had to file a tax appeal  
13 myself and if I didn't know how to go online,  
14 you know, and pull down a form and print it out  
15 and fill it out and if I didn't have the \$15 to  
16 file it and couldn't understand a form and some  
17 of the questions are very pointed questions, I  
18 wouldn't know how to do it.

19 So I really would be very much in favor  
20 of some kind of information specialist dedicated  
21 to helping people understand it better and  
22 possibly even assisting them in the process.

23 CHAIR PONTANILLA: Thank you, Ms. Baisa.

24 Member Victorino?

25 COUNCILMEMBER VICTORINO: Thank you.

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1           Since my two esteemed colleagues took  
2           down about five of the ten things I had, that  
3           reduces what I have to say.

4           I do have a specific question because,  
5           again, in line with what has been said about  
6           education and making people understand, I had a  
7           thing thrown at me the other night and I was  
8           told -- and maybe, Mr. Teruya, you can answer  
9           this if this is your area -- that when  
10          assessments are made for leasehold condominiums,  
11          okay? This person owner/occupant had the owner  
12          occupancy, had the 300,000 exemption, the whole  
13          9 yards; however, the value is based upon the  
14          ownership fee simple. I understand that's --  
15          you know, I tried to look it up online. There's  
16          no ordinance or anything of that nature. It's  
17          more of, I guess, a procedural acceptance.  
18          Whoever wants to answer it.

19          I felt it very interesting that this  
20          condo, which is 675 square feet, had a bigger  
21          value than my house up in Wailuku Heights. I  
22          was astonished at that, fee simple/leasehold,  
23          and he's almost 800,000 and I'm a little over  
24          750.

25          I don't care how I tried to add it up

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1           that night along with everybody else who were  
2           quote/unquote Realtors and some other people  
3           that understood that could not comprehend that.

4                         So maybe you can explain how do we  
5           derive at something that an owner/occupant of a  
6           condo would pay more for a 676 square foot condo  
7           than I would for my property up here in Wailuku  
8           Heights?

9   CHAIR PONTANILLA:   Director or ...

10   MR. YOUNG:   Well, it sounds like there's two  
11           questions in there.  I'll take the last one  
12           because that's the more general one.  Mr. Teruya  
13           may have to respond to the leasehold issue.

14   COUNCILMEMBER VICTORINO:   Fine.

15   MR. YOUNG:   Property to property I would just say the  
16           value --

17   COUNCILMEMBER VICTORINO:   Before you do -- before you  
18           answer, let me put one more statement in there.

19                         The last condo to sell in that complex  
20           was 359,000, which was December of 2006, okay.  
21           So I will add that as part of the equation so  
22           that, you know, you have all the facts as  
23           delivered to me the other night.

24   MR. YOUNG:   Okay.  On that -- if you're selling a  
25           leasehold condo, when you sell it in the market

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1 place to somebody else, you're selling it  
2 considering -- or someone's buying it  
3 considering that there's a lease on it. They're  
4 not getting the land value, they're not getting  
5 perpetual use of that property. So that  
6 diminishes the value, right?

7 But for tax purposes, the Maui County  
8 Code, there's no distinction between leasehold  
9 and fee simple. You pay the tax -- someone pays  
10 the tax to the County on fee simple. And you  
11 own that property as leasehold is -- I would  
12 almost say bluntly -- that's regardless to the  
13 County, frankly. Someone must pay the tax on  
14 fee simple.

15 If you have a lease on it, there is a  
16 landowner, you want to argue that the landowner  
17 is responsible for that portion of the real  
18 property tax that is the fee simple portion and  
19 you are only responsible for the property tax  
20 that's the leasehold portion, that is between  
21 you and the landowner. That's not the County  
22 issue.

23 COUNCILMEMBER VICTORINO: Mr. Chair and Mr. Director,  
24 may I interject that one more -- since you're  
25 going in that direction -- they do pay a portion

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1 of the land tax through their maintenance fee  
2 justified by the landowner. They do pay that.

3 We are strictly talking about their  
4 appraised value based upon leasehold, okay? So  
5 your answer -- and I apologize. I should have  
6 added that part in because I leave part of the  
7 question out and that's not fair to you.

8 But they do pay a direct portion. It's  
9 all part of their maintenance fee. They also  
10 showed me that part.

11 So now my question is if that -- what  
12 you said is true, okay, I accept that and I  
13 think they accept that. But the appraised value  
14 is what that -- they were really ballistic on.

15 MR. TERUYA: Member Victorino, in Maui County Code  
16 3.48.150 it says, "The assessment of property"  
17 and that addresses the issue that you have of a  
18 leasehold.

19 In paragraph B it says, "Real property  
20 shall be assessed in its entirety to the owner  
21 thereof."

22 Entirety is a legal term for the entire  
23 bundle of rights, which is interpreted in tax  
24 appeal court to be the fee simple value. That  
25 is what we follow.

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1 COUNCILMEMBER VICTORINO: You support?

2 MR. TERUYA: Yes.

3 COUNCILMEMBER VICTORINO: I really find that hard to  
4 fathom but, and again, they had gone 300 percent  
5 from the year before and that's what really --  
6 and the last sale in that particular condominium  
7 was 359,000.

8 So the big discrepancy in their mind  
9 was, "Why such a big increase when the actual  
10 sales values in that condominium have gone down"  
11 particularly because their lease -- they're in  
12 what they call that? That sandwich lease? Is  
13 that the term they use "sandwich lease"?

14 Am I correct in using that term, Scott?

15 MR. TERUYA: I'm not -- are we talking about parcels  
16 in Maalaea?

17 COUNCILMEMBER VICTORINO: No. In Lahaina.

18 MR. TERUYA: Oh.

19 COUNCILMEMBER VICTORINO: This is actually a Kahana  
20 side.

21 MR. TERUYA: Okay.

22 COUNCILMEMBER VICTORINO: Okay. I'll give you the  
23 area is Kahana. I actually do forget what condo  
24 they told me. They gave me the specific condo,  
25 but it's in Kahana.

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1                   They told -- they talked about a  
2                   sandwich lease where they're in that middle  
3                   portion of the lease, which is up in five or  
4                   seven years. So that makes it more difficult to  
5                   sell because until that is renewed, you have  
6                   that challenge of what value is there. If the  
7                   lessor says, "You guys are out tomorrow," right,  
8                   everybody's out tomorrow.

9                   Again, I found that very interesting and  
10                  that's why since we're discussing this matter, I  
11                  wanted to bring it up and get your take on how  
12                  they come about with these valuations. There's  
13                  many others I'd like to bring up but we'd be  
14                  here all day and I won't go into that. I  
15                  thought that was a real interesting one with the  
16                  leasehold and how that is determined as fee  
17                  simple. I just, you know, couldn't comprehend  
18                  that, but thank you for pointing out where and  
19                  I'll let them know where to go look it up  
20                  because we were trying to find it.

21       MR. YOUNG: Again, when you're talking about market  
22                  sales, the market sales on lease hold property,  
23                  you're actually only selling the lease. You're  
24                  not selling the fee simple. That's why it's  
25                  350,000. But the assessed value is on the

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1 entire bundle of rights for that property. The  
2 entire bundle of rights includes fee simple.  
3 That's what the Maui County Code dictates. So  
4 that's why there's that discrepancy in value.

5 So when you hear these complaints about,  
6 yeah, the most recent condo sale in that  
7 building was 350,000 but my value is 800, well,  
8 that 350,000 sale only represents the remainder  
9 on the leasehold interest. Because when you  
10 think about it if you were buying that property  
11 in its leasehold, you know you're not buying the  
12 land. You're only buying the leasehold right to  
13 use it. That's what the value of the market  
14 price is. That's not what you're being taxed  
15 on. You're being taxed on the entire value of  
16 the property.

17 COUNCILMEMBER VICTORINO: And, Director, I find that  
18 so strange because we hear the other complaint  
19 where, "My neighbor sold the house for  
20 1.7 million and I bought my house 15 years ago  
21 for 300,000. But now because of that sale, the  
22 next year, whoops, it goes up."

23 So, really it's a contradiction of what  
24 you're saying because market is one thing,  
25 right? And that's what derives this whole tax

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1 base, right? And then all of a sudden you get  
2 the reversal when it goes down but yet, oh,  
3 sorry, still go up.

4 It doesn't make since but, again, I'm  
5 not smart enough, you know. I'm like my  
6 colleague. I don't have meat and potatoes. I  
7 just have French fries and hamburger. I'm  
8 really confused but maybe we can discuss it and  
9 this is something I will write you a letter and  
10 maybe we can ...

11 CHAIR PONTANILLA: Thank you, Mr. Victorino.

12 COUNCILMEMBER VICTORINO: Thank you.

13 CHAIR PONTANILLA: Thank you.

14 COUNCILMEMBER VICTORINO: Sorry, Mr. Chair. You got  
15 me going. Sorry.

16 CHAIR PONTANILLA: Thank you.

17 Members, any questions to the B Account  
18 or the C Account for Real Property Tax?

19 Ms. Baisa?

20 COUNCILMEMBER BAISA: Just one little manini thing as  
21 we've been going through these budgets that I've  
22 been noticing.

23 We have a postage account and we have to  
24 make increasing amounts for that every year. I  
25 suggest that somebody run down to the post

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1 office and buy a big amount of forever stamps  
2 because they're promising us that those values  
3 will not change even though the stamps go up and  
4 they're available now.

5 CHAIR PONTANILLA: Thank you.

6 Members, I know some members need to  
7 leave to catch a flight and some appointments.  
8 So at this time, Members, any questions on the B  
9 Account or C Account?

10 None?

11 Thank you very much. I want to  
12 thank ...

13 VICE-CHAIR HOKAMA: Chairman.

14 CHAIR PONTANILLA: Oh, Mr. Hokama?

15 VICE-CHAIR HOKAMA: I would ask for your guidance,  
16 Chairman. I believe we've concluded the various  
17 divisions of Finance Department.

18 CHAIR PONTANILLA: Yes, we did.

19 VICE-CHAIR HOKAMA: So one thing that I think may be  
20 helpful in preparation for future analysis and  
21 possibly a future determination of how we move  
22 forward is that I would ask this committee that  
23 we may want to consider either this afternoon or  
24 in the very near future a resolution to  
25 authorize Council to move forward with a

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1 legislative audit of the payroll system, okay.

2 We're told this is an HR/payroll  
3 project. For me it should have been driven as a  
4 payroll/HR project. The integrity of payroll to  
5 me drives a lot of other things, including the  
6 HR portion.

7 Let's figure out -- because, Chairman,  
8 the only way, as I understand Director Young, to  
9 realize the benefit of the paperless side of the  
10 next phase that we hope would be -- can be  
11 accomplished is if the employees of this County  
12 that get paychecks, including you and I, have  
13 the confidence in this paperless system to  
14 provide accurate, consistent, error free  
15 processing and that the check that you get is  
16 accurate, the leave balances that it states is  
17 accurate. Because I don't know how we're going  
18 to do some other things that we've done in the  
19 past including requests for advance payment of  
20 wages.

21 So why don't we do an audit and bring in  
22 a third-party professional that can assist the  
23 department, can assist us in finding out if this  
24 makes sense. There may still be some  
25 efficiencies that can retain with the HR portion

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1           and that might be rightfully needs to be  
2           retained. I'm open to that.

3                       But I definitely don't want to wait one  
4           more year and find out that we have not improved  
5           the level of confidence of our employees whereby  
6           the paperless progression will never accomplish  
7           what it needs to do. Because no matter what,  
8           even in that test phase, we're going to need a  
9           backup system to re-verify a paperless product.

10                      So I would ask this committee -- we have  
11           monies in our professional account, Members on  
12           the Council. We might be able to procure it  
13           under the current budget if it deems so or we  
14           can put it as part of our next year's budget  
15           under Professional Services, Chairman. That  
16           would be my request.

17 CHAIR PONTANILLA: Thank you, Chairman Hokama.

18                      The Chair will consider that.

19                      At this time the Chair would like to  
20           thank the Department of Finance for being here  
21           this morning, this afternoon. I was hoping to  
22           get to Corp. Counsel, but we'll do that another  
23           time.

24                      Thank you, Members, for your attendance  
25           this morning and this afternoon knowing that we

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1 had a very good night in Hana.

2 So have a good weekend and we'll start  
3 off again Tuesday morning.

4 So, Members, at this time the Chair  
5 would like to adjourn this meeting. (Gavel).

6

7 ACTION: DEFER pending further discussion.

8 ADJOURN: 4:10 p.m.

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1 STATE OF CALIFORNIA )  
2 ) SS.  
3 COUNTY OF SAN DIEGO )  
4

5 I, Amy R. Neyhart, a certified shorthand reporter  
6 for the State of California, do hereby certify:

7 That the foregoing audiotaped proceeding was  
8 transcribed by me to the best of my ability; that the  
9 foregoing is a true record of the testimony and  
10 proceedings taken at that time.

11 I further certify that I am a disinterested  
12 person and that I am in no way interested in the outcome  
13 of said action.

14 In witness whereof, I have subscribed my name and  
15 affixed my seal this 25 day of April, 2007.

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Amy R. Neyhart  
CSR No. 12469