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BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

MINUTES

April 18, 2007
Council Chamber

APPROVED:


Committee Chair

1 **CONVENE:** 9:08 a.m.

2 **PRESENT:** Councilmember Joseph Pontanilla, Chair
3 Councilmember G. Riki Hokama, Vice-Chair
(in 9:25 a.m.)
4 Councilmember Gladys C. Baisa, Member
(out 3:08 p.m.)
5 Councilmember Jo Anne Johnson, Member
6 Councilmember Danny A. Mateo, Member
7 Councilmember Bill Kauakea Medeiros, Member
8 Councilmember Michael J. Molina, Member
9 Councilmember Michael P. Victorino, Member

10 **EXCUSED:** Councilmember Michelle Anderson, Member

11 **STAFF:** Lance Taguchi, Legislative Analyst
12 Gayle Revels, Legislative Analyst
13 Carla Nakata, Legislative Attorney
14 Yvette Bouthillier, Committee Secretary

15 Leinaala Kihm, Executive Assistant to
16 Councilmember Medeiros

17 **ADMIN.:** Frederick Pablo, Budget Director, Office of the
18 Mayor
19 Helene Kau, Budget Analyst, Budget Office, Office
20 of the Mayor
21 Kalbert L. Young, Director, Department of Finance
22 Scott Teruya, Acting Administrator, Real Property
23 Tax Division, Department of Finance
24 Tamara Horcajo, Director, Department of Parks and
25 Recreation
Ron Kubo, Golf Course Superintendent, Department
of Parks and Recreation
Milton M. Arakawa, Director, Department of Public
Works and Environmental Management
Ralph Nagamine, Administrator, Development
Services Administration (DSA), Department of
Public Works and Environmental Management
Tracy Takamine, Chief, Solid Waste Division,
Department of Public Works and Environmental
Management
David Taylor, Chief, Wastewater Reclamation
Division, Department of Public Works and
Environmental Management
Cary Yamashita, Chief, Engineering Division,
Department of Public Works and Environmental
Management

1 Joseph Krueger, Civil Engineer, Engineering
 2 Division, Department of Public Works and
 Environmental Management
 3 Jeffrey K. Eng, Director, Department of Water
 Supply
 4 Eric Yamashige, Deputy Director, Department of
 Water Supply
 5 Holly Perdido, Fiscal Officer, Department of
 Water Supply
 6 Traci Fujita Villarosa, First Deputy Corporation
 Counsel, Department of the Corporation Counsel

7 **OTHERS: Item 1:** Richard Ellis
 Others (5)

8 **PRESS:** Ilima Loomis, The Maui News
 9 Melissa Tanji, The Maui News

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

12 COUNCIL MEMBERS: Good morning.

13 CHAIR PONTANILLA: The -- good morning. The Budget
 14 and Finance Committee meeting for April 18, 2007
 15 is now called to order. The time is about 9:08.

16 The Chair would like to introduce the
 17 Members, that are here this morning. We do have
 18 Member Mateo, Member Baisa, Member Johnson,
 19 Member Medeiros.

20 COUNCILMEMBER MEDEIROS: Good morning.

21 CHAIR PONTANILLA: Member Molina as well as
 22 Member Victorino.

23 COUNCILMEMBER VICTORINO: Good morning, Chair.

24 CHAIR PONTANILLA: Good morning. Excused this
 25 morning are Member Anderson, as well as our

1 Council Chair Member Hokama.

2 From the Council Staff this morning, we
3 do have Lance Taguchi, Gayle Revels -- Revels,
4 Legislative Analysts; as well as Carla Nakata,
5 who is our Legal Analyst; with our Committee
6 Secretary Yvette Bouthillier. Here also with us
7 from the Administration, we do have First Deputy
8 Corporation Counsel Traci Fujita-Villarosa; as
9 well as the Finance Director, Kalbert Young; and
10 from the Budget Office, we do have Helene Kau.
11 Good morning.

12 COUNCIL MEMBERS: Good morning.

13 CHAIR PONTANILLA: Members, this morning -- well,
14 throughout the day we're going to be reviewing
15 the rates and fees for Maui County that is being
16 proposed for Fiscal Year 2008. But before we do
17 that, the Chair would like to call for public
18 testimony. We do have one person that's signed
19 up for public testimony.

20 But before we do start, Members, if you
21 can turn off your cell phones, and members of
22 the audience, if you could do that also, the
23 Chair would appreciate it.

24 Ground rules for public testimony: The
25 testifier will have three minutes to testify

1 with one minute to conclude. And if you can
2 come up and state your name and the organization
3 that you represent.

4 Members, we do have one person that had
5 signed up for public testimony. At this time,
6 I'd like to call Mr. Richard Ellis.

7 Good morning.

8

9 . . . **BEGIN PUBLIC TESTIMONY** . . .

10

11 MR. ELLIS: Good morning. Mr. Chairman, Ladies and
12 Gentlemen of the Council, Council Staff and
13 visitors in the audience, good morning. My name
14 is Richard Ellis from Isiqua, Washington.

15 Last year, I made about five or six
16 meetings with you, short meetings, quickie
17 meetings. And in that meeting, I handed out to
18 each of the Council Members a little folder like
19 this that included what I was presenting. In
20 that was a sheet on the home tax exemptions, and
21 I would like to just share with you some
22 thoughts that I have as to some -- what I see as
23 discrepancies or -- in -- in the way that that
24 is handled.

25 First, I would like to read to you a

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1 letter dated April 18, 1984 from the Department
2 of Corporate Counsel for the Honorable Howard S.
3 Kihune, "Legislation in the area of taxation is
4 subject to the qualification that there be
5 equality and uniformity with -- within each
6 class. In other words, a tax statute must
7 operate alike for all persons and property
8 similarly situated, and the concept the
9 uniformity requires that all property or other
10 taxable subjects of the same class be taxed by
11 the same rate or measure."

12 I would also like to read to you an
13 article in the Maui News, April 26, 2005. "The
14 Mayor proposed cutting rates for homeowners this
15 year but the Council opted instead to increase
16 the exemption again. They said the exemption
17 would offer more relief to median-priced homes
18 while a rate cut would benefit high-priced
19 homes."

20 That shows there is some discrepancy in
21 the practice of what you're going to follow. In
22 this packet I gave out was -- last year, was a
23 home tax exemption. And so I had some more made
24 up, and your efficient staff put one on your
25 desk in case the dog ate the one I gave you last

1 year.

2 COUNCILMEMBER VICTORINO: Well, we weren't here last
3 year.

4 MR. ELLIS: You weren't here last year. Thank you.

5 COUNCILMEMBER VICTORINO: Thank you.

6 MR. ELLIS: This sheet that you have before you
7 shows, and this is for 2005 -- it's the same one
8 I presented last year. I didn't update it for
9 the 2006 taxes. But it shows on there some
10 assessed values, variable assessed values. And
11 at that time, the tax rate was \$3.50 and the
12 Council voted to give taxpayers -- homeowners a
13 \$200,000 exemption from their assessed value.
14 And in doing that, that comes out to \$700 per
15 household.

16 MS. REVELS: Three minutes.

17 MR. ELLIS: The basis of the taxes is based on the
18 assessed value, and by doing that, you disturb
19 the assessed value for anything above the lowest
20 of homeowners. And if you look over on the
21 right-hand column, what I would like to bring to
22 your attention, you will see that after these
23 adjustments are made, the tax rate equivalent
24 ranges from \$1.75 from a homeowner with a
25 \$400,000 property to \$3.15 for a homeowner with

1 a \$2 million property. And, to me, that is not
2 equitable.

3 Mayor, last year, suggested that you
4 reduce the rate and the -- I agree with the
5 Mayor on this statement. I disagreed with him
6 on some other things that he said, but on this
7 statement, I think the County and the people of
8 the County could be better served by an
9 adjustment ending tax rate, rather than giving a
10 disproportionate share of money to the
11 taxpayers.

12 MS. REVELS: Four minutes.

13 MR. ELLIS: Thank you very much.

14 CHAIR PONTANILLA: Thank you, Mr. Ellis.

15 Members, any questions for the testifier
16 at this time?

17 Member Baisa?

18 COUNCILMEMBER BAISA: Good morning, Mr. Ellis.

19 MR. ELLIS: Good morning.

20 COUNCILMEMBER BAISA: Thanks for being here. I'm one
21 of those that wasn't here last year.

22 MR. ELLIS: I recognize that. Congratulations on
23 your election.

24 COUNCILMEMBER BAISA: Thank you very much.

25 Property taxes are a huge concern for

1 me. If there's anything that I hear more from
2 my constituents, it's -- it's concerns about
3 property taxes. Are you familiar at all with
4 the COMET proposal?

5 MR. ELLIS: No, I am not.

6 COUNCILMEMBER BAISA: You might want to take a look
7 at that. There is an alternative way of
8 assessing taxes that they are suggesting, and
9 that probably is available if you contact my
10 office.

11 MR. ELLIS: Okay. Thank you very much.

12 COUNCILMEMBER BAISA: Thank you very much for coming.

13 CHAIR PONTANILLA: Thank you.

14 Thank you, Member Baisa.

15 Members, any more questions for the
16 testifier at this time?

17 If not, again thank you, Mr. Ellis for
18 being...

19 MR. ELLIS: Can I just add one thing? This does not
20 affect me financially in any way. This is from
21 my heart and I think everybody should be
22 treated --

23 CHAIR PONTANILLA: Thank you.

24 MR. ELLIS: -- fairly and equitably.

25 CHAIR PONTANILLA: Thank you.

1 Members, Mr. Ellis was the only person
2 signed up to provide public testimony. The
3 Chair, if there is no objection, would like to
4 close public testimony at this time.

5 COUNCIL MEMBERS: No objections.

6

7 . . . **END OF PUBLIC TESTIMONY** . . .

8

9 **ITEM NO. 1: FY 2008 BUDGET (C.C. No. 07-29)**

10 CHAIR PONTANILLA: Thank you very much.

11 Members, this morning we're going to
12 again be reviewing Appendix B, rates and fees
13 for the County of Maui.

14 Before I call on Mr. Kalbert Young, the
15 Director of Finance, if the -- if Helene Kau
16 from the Budget Office has any comments to make
17 at this time. Helene?

18 MS. KAU: No comments.

19 CHAIR PONTANILLA: Thank you.

20 At this time, the Chair would like to
21 call on Mr. Kalbert Young, the Director of
22 Finance. Mr. Young?

23 MR. YOUNG: Good morning, Mr. Chair. Good morning,
24 Members.

25 COUNCILMEMBER VICTORINO: Good morning.

1 MR. YOUNG: In regards to reference of Appendix B for
2 the rates and fees, the first set of rates --
3 rates that are presented in this section of the
4 proposed ordinance is those rates pertaining to
5 real property taxes.

6 Some of this discussion may be somewhat
7 premature as certification of real property
8 taxes is scheduled to -- one, it's scheduled on
9 your agenda for tomorrow, but, two, it's
10 scheduled by ordinance to be submitted to the
11 Clerk's Office tomorrow, and actually will
12 anticipate -- the Department is anticipating
13 submitting it before the close of business
14 today.

15 The rates, as proposed in the ordinance
16 by the Mayor, represent a very bold move to
17 reduce real property tax rates for every
18 property classification in the County to a level
19 that, at the time of budget construction back in
20 March of 2007, just last month, at the time of
21 the Mayor's Budget construction, the rates were
22 proposed to be reduced to a level at such a
23 point where revenue for each property
24 classification would be near the same level in
25 Fiscal Year '08 as was collected in Fiscal

1 Year '07.

2 Since the rates were established in
3 March and certification is now to occur about
4 30 days later, there obviously will be some
5 changes to the assessed valuation counts that
6 the Mayor had to work with.

7 Preliminary examination of certification
8 indicates that assessed values for the majority
9 of the classifications have increased since the
10 Mayor constructed her budget, which ultimately
11 means that at the Mayor's proposed rates, should
12 the Council support and hold on those rates, the
13 revenue for real property taxes will be slightly
14 higher than as proposed in the Mayor's budget.

15 Mr. Chair, I have a handout that I can
16 speak to. Some of it might -- again, might be a
17 little bit premature because it doesn't -- does
18 involve a fair amount of issues related to real
19 property tax certification. If you'd like, I
20 can distribute the handout now or for tomorrow's
21 discussion, Mr. Chair.

22 CHAIR PONTANILLA: Mr. Director, you can hand it out
23 now this morning.

24 Members, also on March 20, 2007, we did
25 receive from the Budget Director a revised sheet

1 for page 2 of the rates, and I hope every one of
2 you have that correspondence with you.

3 Okay. Thank you.

4 MR. YOUNG: Thank you, Mr. Chair.

5 What the Members will be receiving very
6 shortly is just a quick summary of real property
7 tax assessed values by classifications, and a
8 comparison of the revenues for the last several
9 years for real property tax, and the proposed
10 for FY-08 revenues based on the Mayor's tax
11 rates.

12 Did all the Members receive...

13 COUNCILMEMBER JOHNSON: No, she's still...

14 CHAIR PONTANILLA: No, she's --

15 MR. YOUNG: Okay.

16 CHAIR PONTANILLA: -- preparing the thing.

17 MR. YOUNG: Okay. I'll go through and summarize
18 then.

19 CHAIR PONTANILLA: Thank you.

20 MR. YOUNG: For the 10 different property
21 classifications, each classification is proposed
22 to be reduced in the tax rate:

23 Improved residential is proposed to be
24 reduced from \$5.00 per \$1,000 worth of value to
25 \$4.70;

1 The apartment classification is proposed
2 to be reduced from \$5.00 to \$4.55;

3 Commercial properties is proposed to be
4 reduced from \$6.00 to \$5.90;

5 Industrial properties reduced from \$6.50
6 to \$5.70;

7 Agricultural properties reduced from
8 \$4.50 to \$4.15;

9 Conservation properties reduced from
10 \$4.75 to \$4.70;

11 Hotel and resort properties reduced from
12 \$8.20 to \$7.30;

13 Time share properties reduced from
14 \$14.00 to \$12.75;

15 The unimproved residential category
16 reduced from \$5.86 to \$5.35;

17 And the homeowner classification reduced
18 from \$2.50 to \$1.85.

19 And again, Members, these rate
20 reductions, at the time the Mayor proposed them,
21 were to evacuate a flat or near flat revenue
22 collection in each of the property
23 classifications.

24 I believe each of you have received a
25 copy of the handout, so I'll just go through

1 them.

2 Also, for your reference -- or for our
3 availability this morning, Mr. Scott Teruya, the
4 Assistant Administrator, is also with us this
5 morning and can be available to answer any
6 technical questions, but please bear in mind
7 that certification has not been submitted to the
8 Council yet.

9 The first page shows a pie chart. We
10 believe that certification will come in very
11 close. The numbers are being shored up as we
12 speak for delivery to the Council.

13 At the Mayor's proposed tax rates and
14 with the assessed valuations that are coming in
15 in certification, the Council is looking at real
16 property tax revenue of \$200,163,281. This is
17 slightly more than what the Mayor had proposed
18 in her budget by about \$3 million.

19 The circuit-breaker credits for
20 applications that have been filed by the
21 deadline are estimated to account for about
22 1.2 million based on the current tax rates.

23 The pie chart illustrates the different
24 categories by revenue for the 200 million that's
25 before you. And as you can see, the largest

1 section of the pie is going to be the hotel and
2 resort category, which generates 71, 72 million
3 of the Mayor's proposed real property taxes.

4 The next largest category is going to be
5 in the residential, which is 17 percent. That
6 is improved residential, so that's not -- those
7 are residential properties excluding homeowners.
8 And the apartment category for another
9 12 percent. The residential and apartment
10 classifications are slated to collect revenues
11 of between 33 million and 24 million,
12 respectively.

13 And I won't go through -- I won't
14 belabor it and go through the other
15 classifications, but for the record, homeowner
16 properties for -- by revenue is slated to bring
17 in 18.2 million and represents nine percent of
18 the revenue collection.

19 Page 2, this is where we get slightly
20 ahead of ourselves, because this is a snapshot
21 from what we believe certification is going to
22 be -- is going to be when it's filed. And this
23 produces the assessed valuations by tax or land
24 classification distributed between building and
25 land.

1 Currently, the Maui County Code allows
2 for the assessed valuation by building and
3 improvements on every parcel, and the tax rates
4 that are proposed can be distributed between
5 building and land. Currently, the County has --
6 currently, the County has tax rates for building
7 and land that are identical to each other for
8 each property classification, so that's why,
9 although it's reflected on this page that
10 there's two different rates for each
11 classification, they're -- they're the same rate
12 effectively.

13 Taking out the effect of the
14 circuit-breaker tax credit, if you held to the
15 Mayor's proposed tax rate, revenue for real
16 property taxes net of circuit-breaker credit
17 would be 198,957,000.

18 The third page is the worksheet that we
19 use -- that the Administration has used to
20 evaluate the effect of the proposed tax rates
21 relative to the assessed valuations and taking
22 into account the amount of valuations on appeal.
23 And so the 198,957,000 amount that I referenced
24 earlier is net of circuit-breaker, but also net
25 of those valuations on appeal as an estimate.

1 And as you can see, since the Mayor's
2 proposed budget was constructed and
3 certification has occurred, a period of about
4 30 to 45 days, there have been some significant
5 changes in the amount of valuation for
6 calculation purposes. And that is -- that is
7 illustrated or reflected in the column towards
8 the right-hand side of the page that's labeled,
9 "Percent Change from FY-07."

10 When I was before you earlier in the
11 budget season and gave you a similar graph based
12 on the Mayor's proposed -- what she had to work
13 with as our estimate, a lot of the percentage
14 change were really flat and small. Now, we're
15 seeing some valuation changes, notably in the
16 classifications 8 and 9, which is -- 9 is
17 homeowners and 8 is unimproved residential.

18 And lastly, on the final page, page 4,
19 is a graphical representation for revenues by
20 property classifications going back the last
21 three fiscal years. In Fiscal Year '05, real
22 property tax revenues were 131,919,000. The
23 following Fiscal Year '06, based on the rates
24 of -- the rates approved, real property tax
25 revenue...(inaudible)...up by about 22 percent

1 to 163,264,000. And for the current Fiscal
2 Year '07, real property tax revenue was
3 200,079,000.

4 The Mayor's proposed rates, based on the
5 anticipated -- the near anticipated certified
6 numbers will hold real property tax revenues at
7 200,163,000 for barely \$100,000 increase in real
8 property tax revenues.

9 With that Members and Mr. Chair, I
10 conclude the part of the presentation relative
11 to Appendix B for real property tax rate
12 amendments.

13 CHAIR PONTANILLA: Thank you.

14 Members, any questions for the Director
15 at this time?

16 Member Victorino?

17 COUNCILMEMBER VICTORINO: Yes. Thank you, Mr. Chair.

18 And thank you, Mr. Young, for this
19 presentation. I think this is an eye-opener. I
20 think the Administration has made some bold
21 moves in -- in the right direction, in my
22 opinion, and I think in a lot of people's
23 opinion. A lot more needs to be done, but let's
24 not -- let's not go there.

25 Let me ask you this question, as far as

1 the 0 -- well, we're looking at '07, but you're
2 proposing '08, which we're moving into. In the
3 '08, with all the vast development -- for
4 example, on West end of the Island, the Airport
5 Beach area, I see there's like 2,400 to 2,500
6 units going to come online. Is that reflected
7 in this 12,893,000 -- I mean 12,893,000 increase
8 for '08?

9 MR. YOUNG: No, Mr. Victorino, because the
10 certification that you'll be receiving tomorrow
11 reflects the snapshot values for all properties
12 on December 31st, 2006.

13 COUNCILMEMBER VICTORINO: 2006, okay.

14 MR. YOUNG: So the particular properties that you are
15 speaking of, and any other properties in the
16 County, their status and value on December 31st,
17 2006 would be reflected, so those properties
18 that you're talking of, I believe, are in the
19 state of construction or near completion. Those
20 values -- you know, whatever the values may be
21 of properties that are partially built, would be
22 reflected in here but not the completed project.

23 COUNCILMEMBER VICTORINO: It would be on the
24 unimproved, that would be, or in some other
25 category?

1 MR. YOUNG: Yeah, it depends on their -- their
2 current zoning, so if it's hotel, it would be
3 hotel, it's not unimproved. Unimproved is only
4 unimproved residential.

5 COUNCILMEMBER VICTORINO: Okay. And the next
6 question I have in this area is, based upon
7 these estimates and decrease that the Mayor and
8 the Administration is proposing, if we were to
9 adopt this, then you're saying pretty much '08
10 and hopefully '09 would be pretty much flat
11 unless something really changes drastically?

12 MR. YOUNG: Yeah, it -- it is hard to project '09,
13 but based on, you know, with four months of the
14 year completed and looking back in terms of what
15 the real estate market is currently doing, you
16 are seeing a -- some level of stagnation and
17 that level of, you know, how the real estate
18 market goes affects valuations. So difficult to
19 predict what the remaining two-thirds of the
20 year will do, but based on the first third of
21 the year, you know, my estimate is that you will
22 continue to see some level of softening in the
23 real estate market. And as that relates to
24 valuations, we may be looking at a period of --
25 to be conservative, I would probably say that it

1 would be flat in terms of valuations for next
2 year.

3 COUNCILMEMBER VICTORINO: I think this is important
4 so people understand that when you're
5 projecting, you are just doing that, and the
6 forecast can be at this rate right now. We've
7 had these great increases, but the overall
8 outlook at this point is flat and to maybe even
9 starting to go down a bit. And how that will
10 affect the future budgets is something that
11 concerns us but not now, you know.

12 MR. YOUNG: Well, the Administration does recognize
13 that the bold move to reduce tax rates is not to
14 say that that level can be sustained even one
15 year out, so the public does need to recognize
16 that the real estate market, the demands on
17 County operations, delivery of services, may in
18 future years or -- next year require that rates
19 be adjusted upwards.

20 But the Administration is comfortable
21 that given the rapid increase in assessed values
22 over the last several years, that now is a time
23 that the Administration and the County can
24 afford to provide a little bit of a break in a
25 rate -- in the way of tax rates.

1 COUNCILMEMBER VICTORINO: Thank you, Mr. Young. I
2 think you summed it up very eloquently that, you
3 know, what we have, what we may have, what we
4 could have may all change, so people will
5 understand that what we're doing here is what we
6 can see in the very near future. The distant
7 future two, three years down the road, none of
8 us can anticipate at this point.

9 MR. YOUNG: Yes.

10 COUNCILMEMBER VICTORINO: Thank you, Mr. Director.
11 Thank you, Mr. Chair.

12 CHAIR PONTANILLA: Thank you, Mr. Victorino.

13 At this time, the Chair is going to call
14 upon Ms. Baisa.

15 COUNCILMEMBER BAISA: Thank you, Chair.

16 Mr. -- Mr. Young, sorry. Having a
17 senior moment. Too many things on the mind.
18 I'm very -- well aware of what the County needs
19 to pay. I've been sitting through this
20 agonizing process of watching the budget and the
21 expenditures and the needs, and it all takes
22 money. That's what it comes down to.

23 And for the County of Maui most of the
24 money comes from property taxes, and that's
25 basic political knowledge that everybody should

1 have. You know, most of the bills get paid by
2 property taxes, so we have to pay.

3 I think the concern that I have in
4 looking at these proposed rates is, I commend
5 the Mayor for looking at rate reductions because
6 we could certainly use them, but I am concerned
7 because what will it mean to the individual
8 taxpayer when their valuation has gone up? Some
9 of them may wind up paying more, and that's a
10 real strain in our community, particularly on
11 those who can afford it the least.

12 It's not a strain for people who write
13 big fat checks, but it is a strain for people on
14 fixed incomes or people who are not -- are
15 considered middle class. But we all know that
16 our middle class is the largest class we have
17 and it's suffering, along with our low income
18 people.

19 So I understand the net effect, and I
20 can read the numbers, is that we will come out
21 okay in terms of paying our bills, but I'm
22 concerned about the long-term effect on our
23 taxpayers. And I really would like to suggest
24 that after we're done with this, that we really
25 take a look at our system and consider an

1 overhaul because we've got to do something about
2 this ever-escalating valuation.

3 And I know the projections are that they
4 might come down, but I've lived on Maui for
5 67 years and what I've seen is property get more
6 and more expensive, and yet, it tends to ebb and
7 flow, but it always goes up, it's never gone
8 down.

9 Another question that I have is about
10 value -- the tax classes. Why is it that
11 unimproved residential land is taxed more than
12 improved residential?

13 MR. YOUNG: With all due respect, Ms. Baisa, it's the
14 Council that determines the tax rates for the
15 individual classifications, so I -- I'm not sure
16 what was the discussion at the time of why one
17 classification is higher than another. I -- I
18 can't answer that.

19 COUNCILMEMBER BAISA: Thank you. I'll direct that to
20 my colleagues at some better time. And thank
21 you for all the hard work you do. You do
22 wonderful work.

23 Thank you.

24 MR. YOUNG: Thank you, Ms. Baisa.

25 CHAIR PONTANILLA: Thank you, Member Baisa.

1 Member Hokama, questions?

2 VICE-CHAIR HOKAMA: In the development of this
3 proposal before this Committee, has the
4 Administration taken into account the needs of
5 the long-term requirements of major financing,
6 or is this just a snapshot for this year?

7 MR. YOUNG: I hope I'm understanding you correct,
8 Mr. Hokama. You're talking about long-term
9 financing in terms of future County projects
10 or...

11 VICE-CHAIR HOKAMA: I'm talking about our
12 reliabilities.

13 MR. YOUNG: Okay.

14 VICE-CHAIR HOKAMA: And again, I share with the
15 Members that in the latest State's actuarial
16 assessment for retirement system, the State is
17 currently underfunding our system by
18 \$5.1 billion. If we take 10 percent as an
19 estimate of Maui's share of this liability, Maui
20 County eventually needs to find a \$510 million
21 to fully fund our share of retirement only.
22 You're going to be going and finding out what is
23 our health program liabilities, so we're going
24 to add that on.

25 If this -- if this Island is to grow in

1 the future, more than likely we're going to need
2 to expedite relocating the Central Maui Waste
3 Treatment Plant. I estimate 250 to \$500 million
4 for that. Okay. We're over a billion dollars
5 of liabilities potential. Near term big picture
6 liabilities.

7 It doesn't include Fire Department's
8 request for stations in almost every community.
9 It doesn't take into account Police says
10 \$30 million project for South Maui. Okay. So
11 we just keep -- you know, you keep -- you forget
12 the...(inaudible)...we're in big -- way over a
13 billion dollars of need of future revenue, and
14 this is not ongoing operations yet.

15 So is this part of a plan of this
16 Administration of how we're going to address the
17 need to come up with revenues or how we're going
18 to bank certain type of funds so that we can --
19 if need be, we can pay our bills?

20 MR. YOUNG: Okay. I understand, Mr. Hokama.

21 The Administration did consider a lot of
22 the long-term expenses that are looming out
23 there. In fact, all of the ones that you
24 mentioned and some of them that you -- that you
25 didn't, but there is a very large amount of

1 liabilities and capital requirements that are
2 pending.

3 The Mayor's proposed budget, relative to
4 the tax rates, does take into account some of
5 those anticipations, and they're reflected, but
6 not at a level in which I would say from a
7 financial perspective that we -- that the
8 current budget will be able to deal with it in
9 the next year.

10 At the current levels that are proposed,
11 there are some considerations in terms of the
12 ERS liability. There's a -- there is a few
13 million that could be used for ERS prefunding.
14 A few million, meaning less than three, less
15 than five, let's say. But the liability is, by
16 our estimates, going to be in the multiple
17 hundreds of millions. And in terms of the EUTF,
18 the actuarial study is already underway for
19 health benefits.

20 And yesterday was a meeting of which I
21 did attend to get a presentation on what that
22 projected liability will be, and that liability
23 is about 500 million projected for the County of
24 Maui alone.

25 So the County of Maui, any other County,

1 even the State of Hawaii is not prepared to deal
2 with those -- just those two loans, one billion
3 dollars worth of liability in one fiscal year.
4 There does need to be some planning.

5 The Administration has given some
6 thought in terms of what we need -- what Maui
7 needs to do to position itself within the next
8 five years to address this. The Administration
9 has given thought to constructing funds, as you
10 mentioned, as a set-aside fund to start saving
11 or banking so that this liability doesn't have
12 to be all addressed in one fiscal year.

13 And in terms of the capital projects,
14 the Mayor's budget does take into account some
15 funds for design in anticipation of those
16 capital projects or to phase certain projects
17 over the course of the next several years. But
18 again, the Mayor's budget only reflects those
19 requirements to get us through the next fiscal
20 year. And the non-financial planning aspects, I
21 can assure you, is going on and that the Mayor
22 and the Administration is aware of it.

23 And the reduction in the tax rates is at
24 levels that can sustain the year, the next
25 year's planning of that, but again back to the

1 relevance of Mr. Victorino's comment is that in
2 future years, as we deal with these larger
3 capital projects, the liability issues, as the
4 time to put up the funds come closer, we will
5 have to -- the County will have to deal with how
6 we're going to get those funds.

7 VICE-CHAIR HOKAMA: Well, I have confidence in -- in
8 your abilities to present to the senior
9 Administration the fiscal realities that we all
10 must come to terms with. We may not like it,
11 but that's the financial reality.

12 And so I -- I just share that because
13 politically, it's always easy to do the popular
14 thing, okay? Unfortunately, that doesn't --
15 doesn't really work with our job. You know,
16 people expect us to do the right thing. And,
17 you know, unfortunately again, in my experience,
18 90 percent of the time, the right thing is not
19 the popular thing to do.

20 And so stating that, I am just
21 wondering -- and again, you know, I'm looking at
22 the amount of borrowing you're asking this
23 Council to consider and approve. So is -- is
24 the borrowing also calculated as part of this
25 potential future obligations, Mr. Director?

1 MR. YOUNG: Yes. In that regards, the Mayor did go
2 through great lengths to hold back the amount of
3 assumed debt in the next fiscal year, and look
4 to fund operations more out of cash operations,
5 and to be a little bit more constrained and
6 focused on core services in the intent that in
7 the very near years, there's going to have to be
8 a ramp-up of debt that's -- right now, under the
9 current County financing structure, there is
10 very little avenues around it. It will be
11 incumbent upon the Finance Department to find
12 other avenues to maybe stave off the reliance on
13 larger debt, but unfortunately in 2007, when I
14 look at the picture, we are left with very few
15 options other than assuming more bond debt.

16 And I would say that, you know, for the
17 public, they can be assured that over the last
18 several years under the former Administration
19 and in continuation of the current
20 Administration, we have focused on reducing the
21 amount of debt load that the County has, and by
22 limiting the amount of debt we're willing to
23 assume now, I think the County will be prepared
24 or better prepared, anyway, to handle the
25 increased debt load.

1 But with that being said, a one billion
2 dollars -- we cannot go up to a one billion
3 dollar debt load. Currently, the County's debt
4 is about 230 million and we have a lot of room
5 under our ceiling, but we cannot accommodate,
6 you know, one billion dollars just in unfunded
7 liability and another 400 million to move the
8 wastewater treatment plant and 40 million for a
9 police station and the list goes on and on, so
10 we will -- the County will be challenged to find
11 different financing options.

12 VICE-CHAIR HOKAMA: We appreciate that comment. And
13 just so the Members can maybe have a sense, if
14 we had a billion dollars in debt, I would assume
15 our debt service per year would be over
16 \$100 million, way over \$100 million.

17 MR. YOUNG: It would actually -- yes, it would be
18 closer to the -- to the 150 -- could be even
19 200 million. One billion dollars would be -- is
20 not even feasible. Our debt ceiling would not
21 accommodate one billion dollars worth of debt.

22 VICE-CHAIR HOKAMA: Because that would take all the
23 money from this year's budget for real property
24 tax?

25 MR. YOUNG: Correct.

1 VICE-CHAIR HOKAMA: Yeah, we'd have to pay just debt?

2 MR. YOUNG: Correct.

3 VICE-CHAIR HOKAMA: And -- and I appreciate you
4 verifying that, because I think we need to have
5 the community understand the magnitude of the
6 financial situation the County's in, our
7 obligations, while still trying to meet regional
8 needs, Countywide needs, it is getting
9 definitely more difficult.

10 But I can tell you, Mr. Director, we
11 wouldn't even be in this situation if eight
12 years ago, we didn't start in trying to take
13 care and adjust Council -- the County's
14 finances. And it's taken us this long for us to
15 be able to have this flexibility, eight years of
16 adjusting and restructuring fiscal discipline in
17 this County. So at least we are being prepared
18 for the challenge, I would say.

19 MR. YOUNG: Yes.

20 VICE-CHAIR HOKAMA: Okay. Chairman, thank you very
21 much.

22 CHAIR PONTANILLA: Thank you, Member Hokama.

23 Member Molina?

24 COUNCILMEMBER MOLINA: Thank you, Chairman.

25 Good morning, Director Young, and I must

1 say your comments and responses are quite bold.
2 That seems to be the word of the day, bold, but
3 I say it in a complimentary fashion.

4 You mentioned in your opening or your
5 presentation that since the Mayor submitted her
6 budget to us on March 15th, that there's been
7 some changes to the valuations. What is that
8 attributed to?

9 MR. YOUNG: It -- it's a technical process to get the
10 certification. The system essentially closes
11 right on January 1 -- or December 31st, so
12 there's a number of records that have to get
13 updated. The Real Property Tax Division has
14 between January 1 and April 19th to clean up all
15 the valuations on system that occurs. You
16 have -- also have the factor that there's a
17 number of appeals. The appeals process doesn't
18 close until April 9th, so you have all of --
19 appeals that may be going in. Appeals affect
20 the certified -- the certified value because, by
21 law, certain number of appeals has to get
22 calculated as the -- to reduce the certified
23 valuation.

24 So we take the -- we take the number of
25 appeals that come in before April 9th, and they

1 have basically 10 days to calculate up all the
2 appeals, the effect on valuation to reach
3 certification. So between March 15th and -- and
4 April 19th, there's -- there's a lot of moving
5 parts.

6 Coupled with that, when the Mayor
7 constructs her budget, she, unfortunately, does
8 not have the luxury of looking on March 15th, as
9 the last date. The valuation for real property
10 taxes, just because of the -- the inherently
11 complex budget process, the snapshot actually is
12 from February, so -- and it's mid February at
13 that. So there's a number...

14 You know, between February and -- and
15 the Mayor's completion of her budget, there's a
16 lot of movement in the real property tax system,
17 so the Mayor only has an estimate of what to
18 work with, and that estimate just really grows.

19 So we, the Department of Finance and the
20 Department of Budget, has to provide the Mayor
21 with some estimate of what Council will be
22 looking at so that her budget can be as near to
23 what you folks will be looking at. But as you
24 can see, this year, unlike in years past, this
25 year there -- there is a fair amount more of

1 revenues coming into the Council for real
2 property tax.

3 COUNCILMEMBER MOLINA: Thank you, Mr. Director.

4 Now, you know, in -- in your opinion,
5 looking at the drastic decrease in rates across
6 the board, give me your feel on that. I mean
7 it's -- it's something -- have you seen -- in
8 your tenure as Finance Director, have you seen
9 an across-the-board increase like this? I mean
10 I'm just trying to pick your brain,
11 Mr. Director. Tell me -- tell me honestly what
12 it -- what do you feel? Because when you
13 mentioned bold, I'm just kind of curious. Is
14 this too drastic, in -- in your opinion?

15 MR. YOUNG: Well, in my brief tenure as Finance
16 Director, because I've only been your Finance
17 Director for three years now, less than three
18 years, actually -- I'm into my third year,
19 the -- the -- Mayor Arakawa and Mayor Tavares
20 have each, in my opinion, proposed budgets with
21 significant tax rate reductions for -- during
22 those three years that I've been Finance
23 Director.

24 The reason why I characterize Mayor
25 Tavares' proposal as bold is because it is, in

1 my opinion, and, from what I've observed, unique
2 and avant guard in the sense that I have not
3 seen any jurisdiction propose to reduce tax
4 rates across the board for every classification,
5 and also to reduce them to levels where the
6 methodology would be to hold value -- to hold
7 revenue collection flat for each classification.

8 And relevant to Ms. Baisa's question,
9 the theory is that although assessed valuations
10 have gone up, assessed valuations are not
11 controlled by County government, they're
12 controlled by the free market. We don't -- we,
13 the County, doesn't control how much someone can
14 sell their property for, and we don't limit how
15 much they can sell it for, but it is the
16 responsibility of the County to control the tax
17 rate. And that's the flexibility that's given
18 to the body, the County Council every year.

19 So although assessed valuations have
20 increased significantly, it's the effect of the
21 tax rate coupled with the assessed valuations
22 that affects the tax bill. And in my opinion,
23 this bold proposal before you, I don't believe,
24 is extreme in that perspective. It is a
25 philosophy to hold flat tax bills for our

1 taxpayers, and that, ultimately, is what
2 taxpayers are really concerned about because
3 your valuation, your assessed value, could drop
4 50 percent tomorrow and would everybody be
5 happy? Would everybody be happy if valuations
6 dropped 50 percent, but the Council raised the
7 tax rate 100 percent to make up the difference?
8 The tax bill would essentially be the same.

9 So we get very focused on assessed
10 valuations because they increased so
11 significantly the last several years, but if you
12 look at the homeowner tax rates, the Council has
13 also made significant reductions.

14 So from that re -- from that
15 perspective, in my opinion, again, I believe
16 these overall tax rates coupled with what the
17 Mayor's budget has proposed is -- while it is
18 unique and bold, I believe it's still
19 reasonable. But it is unique. I have not seen
20 it in any other jurisdiction -- you know,
21 offered this way in any other jurisdiction.

22 COUNCILMEMBER MOLINA: You know, Mr. Young, with all
23 the considerations for the various CIP from all
24 the Departments and to -- to see the rate, you
25 know, decreases, you know, I think it will be a

1 challenge for -- for this Council, at least for
2 some of these categories, to consider a
3 reduction because I, for one, look at, for
4 example, the categories of the hotel and time
5 share, and to see a reduction there, I'm
6 somewhat on the fence with that because I think
7 we need to -- you know, in my opinion, I would
8 like to keep those rates the same as in Fiscal
9 Year '07, but...

10 MR. YOUNG: And -- and the Administration recognizes
11 and appreciates that it is the purview of the
12 Council to establish the rates.

13 COUNCILMEMBER MOLINA: Thank you. So with that being
14 said, you know, I want to thank you for your
15 comments and I'm sure we'll consider our further
16 deliberations and discussions on this very
17 important matter.

18 Thank you, Chairman.

19 CHAIR PONTANILLA: Thank you.

20 Member Medeiros?

21 COUNCILMEMBER MEDEIROS: Mahalo, Chair.

22 Thank you, Director Young, for your
23 presentation and for this information, and I
24 think, like my colleagues, I'm kind of pondering
25 the proposed rate changes, and what -- the

1 question I'd like to ask you is that, similar to
2 Chair Hokama's line of questioning is, because
3 we -- the rates will keep us fairly flat in
4 revenues, how does this affect the fiscal health
5 of our County?

6 MR. YOUNG: Well, Mr. Medeiros, based on the Mayor's
7 proposed budget, the amount of real property tax
8 revenue being flat is adequate to sustain -- to
9 provide for those proposals in the Mayor's
10 budget.

11 We recognize that the Council may seem
12 fit to add additional proposals, or additionally
13 fund other proposals, and that may require
14 additional revenues. As you see on these -- on
15 the proposed -- on the handout, the Council will
16 have the luxury of a few million dollars more
17 than the Mayor's proposed budget.

18 But if some of the projects that are not
19 included in the Mayor's budget or are not funded
20 at the level that the Council deems appropriate
21 and you do need additional funds, I look
22 optimistically that you could bump up the
23 Mayor's proposed rates, or hold flat on the
24 Mayor's proposed rates or, you know, return them
25 to FY-07 levels, and that should provide the

1 Council with the flexibility to fund those
2 initiatives.

3 COUNCILMEMBER MEDEIROS: I see. When we look at
4 fiscal health, we're looking at revenues as a
5 ratio to debt or liability obligations. If we
6 remain flat on revenues and we're looking at the
7 proposed budget requests for very large CIP
8 projects, does that have an impact on our -- on
9 our bond rating?

10 MR. YOUNG: Okay. I'm sorry, Mr. Medeiros. I didn't
11 answer your question the first time. Yeah,
12 that's a very good question, because the...

13 Yes, the fiscal rating for bonds and by
14 credit agencies is based on the -- you know, the
15 debt to -- in our case, debt to asset value
16 ratios and debt to revenue ratios.

17 In 2007, calendar year 2007, these
18 ratios are attractive for the County of Maui
19 because of two primary factors that have gone on
20 for the last several years. One is that the
21 County has actually reduced its amount -- its
22 amount of debt. We have less debt today in 2007
23 than we had in 2004, and that's because we've
24 refinanced some -- some established debt.

25 In 2006, the County did not even assume

1 any additional debt. We didn't do a bond issue
2 in 2006, and yet we retired debt in 2006. All
3 of those factors reduced the ratios of our debt
4 to revenues to levels that the County had not
5 seen in a while.

6 That being said, this ratio has a little
7 bit of room, yeah, and that room allows for --
8 if we did hold revenues to be flat and the
9 financing of debt projects to be constrained, as
10 Mayor Tavares is -- is proposing, our fiscal
11 health measured on those ratios would be -- we
12 would still be very sound, very attractive.

13 I do not propose -- I do not foresee
14 that there will be any impact in terms of
15 ratings, in terms of credit measure, there
16 should not be any effect. In fact, we, the
17 County, will be very well positioned as -- as
18 with the Mayor's proposed budget, we will be
19 very well positioned the next time we do seek
20 debt, even at this revenue level.

21 COUNCILMEMBER MEDEIROS: Thank you, Mr. Young. But
22 in that same breath, as -- as you say, if we
23 constrained our future debt obligations, which
24 seems to be hard with the requests that are
25 being made this budget time around for very

1 large CIP projects, and these are not luxury
2 projects, these are projects we need to do in
3 order to keep the health of our community, such
4 as the Wastewater Plant in Kahului, the Police
5 Station in Kihei.

6 So knowing that these are CIP projects
7 that are going to -- have to be discussed and
8 made a part of this budget, it's good to see
9 that maybe our -- our rating will not change
10 with the flat revenue and a constrained attitude
11 as far as new projects. But if we take on these
12 large projects, isn't there going to be an
13 impact on the rating?

14 MR. YOUNG: There could be an impact. Again, the
15 ratio to -- one of the ratios that will be
16 considered is the comparison for the level of
17 debt, the overall debt load, and the debt -- the
18 annual debt service relative to revenues and
19 relative to asset value or, in the County's
20 case, assessed valuation.

21 The projects that you speak of, the
22 Administration is aware of them, is aware of the
23 prospect of them. They are not fully funded in
24 Fiscal Year '08. They, most likely, will occur
25 within the next two to three years, though.

1 That preparation, that preparation -- I
2 guess there is no way to, and I'll say it
3 bluntly, will have to be taken into
4 consideration in that year, because from a
5 credit rating perspective, the ratio of debt to
6 asset valuation may be compromised if property
7 values do not increase in the next two to three
8 years -- if they don't increase by any
9 substantial measure to meet the debt load.

10 Similarly, in future years, the Council
11 and the Mayor may have to have the fortitude to
12 increase tax rates to generate additional
13 revenue beyond what they are now in order to
14 maintain the ratio for debt service to revenue
15 collection.

16 Do those questions need to be answered
17 for FY-08? In my opinion, no. But they do need
18 to be planned for and anticipated, and, as
19 Mr. Hokama brought up, we need to be prepared
20 and plan for what we are going to do as a County
21 in two or three years. One of the issues is the
22 thought of establishing funds to bank away
23 reserves.

24 Currently, the County does not have that
25 financial ability to do that -- financial

1 ability from a perspective of it is not
2 permitted under the ordinances to establish
3 these funds. It is the desire of the -- of the
4 Finance Department and the Administration that
5 there be some consideration that we may want to
6 start looking at developing reserves, such as
7 other Counties have done in anticipation of
8 these large ticket items that are coming up;
9 whether they be liabilities or capital projects,
10 to set aside funds in portion now, next year,
11 the following year, so that in 2010 or 2011,
12 when they -- when they come due, we will not be
13 tagged with such a big bill.

14 That would go a very long way to
15 preserving our credit rating and our fiscal
16 financial health.

17 COUNCILMEMBER MEDEIROS: Thank you, Mr. Young.

18 Thank you, Chair.

19 CHAIR PONTANILLA: Thank you, Member Medeiros.

20 Member Johnson?

21 COUNCILMEMBER JOHNSON: Yes, Kalbert, thank you.

22 It's always difficult to get bad news, and I
23 think that even though, you know, we look at
24 this as, you know, a beefy budget or, you know,
25 we're managing, I think that it's the

1 postponement of addressing year after year after
2 year, and putting off and putting off that has
3 left us in the position that we're in. And even
4 though we're in a more enviable position than
5 our sister Counties maybe, we still have a long
6 way to go, given what we're facing.

7 Saying that, were you able to construct,
8 or do you have readily available the figure that
9 if we left everything just at no adjustments, no
10 reductions, given the current assessment, what
11 revenue would be produced? I realize it's not
12 going to be certified, but do you have that
13 figure?

14 MR. YOUNG: I -- I don't have that exact figure, but
15 I would say that if you kept the -- the tax
16 rates in '08 the same level as they are in '07,
17 the revenue for real property taxes would be
18 somewhere in the area of 223 to 225 million.

19 COUNCILMEMBER JOHNSON: Okay. All right. That gives
20 us a little bit of a ballpark.

21 With regard to the homeowner exemption,
22 because the complaints that I'm getting, of
23 course, are always in that category, not to
24 mention the category where elderly people have
25 now given up their properties to their children,

1 they cannot, in most situations, take advantage
2 of the homeowner exemption, so long-time
3 kama'aina families are reaching this point where
4 they're having to liquidate a lot of their
5 property.

6 So if you look at the homeowner
7 exemption for every 100,000 of exemptions, do
8 you have a ballpark figure of what that would do
9 in terms of revenue reduction based on what we
10 have currently?

11 MR. YOUNG: That examination hasn't occurred, but if
12 you look on my handout, page 3, you'll notice
13 that the counts for homeowners, that's class 9,
14 there's 24,901 properties in the homeowners
15 classification. At \$300,000 worth of exemption,
16 that -- and at \$1.85 tax rate, that basically
17 comes out to \$185 for every \$100,000 worth of
18 value. And if you just did the simple math,
19 you'd see that the homeowners' exemption for
20 24,900 parcels, which is the largest parcel
21 count of any classification in the County, is
22 quite significant, yeah?

23 I couldn't give you the exact number,
24 but you -- you can kind of get the sense that it
25 is -- it is a very significant benefit that's

1 afforded to residents, and it's quite sizable.

2 And that, coupled with the reduced tax rate,

3 really reduces the amount of tax burden on

4 homeowners and residents.

5 COUNCILMEMBER JOHNSON: Yeah. And -- and the reason

6 I ask that is just using my own taxes, sort of

7 as a barometer, if we were to keep things level,

8 are -- you know, and even with the proposed

9 alteration, I guess that's a better way of

10 saying it. With the proposed reduction, with

11 the increase in the assessment that we received

12 on our property, it was so significant that even

13 a rate reduction, given the Mayor's proposal,

14 would not reduce the tax. Our taxes would still

15 go up. They would still escalate on our tax

16 bill at the end of the year, even with the

17 \$300,000 exemption, keeping that the same.

18 So, Mr. Chairman, if we could have Staff

19 do a calculation so that when we're doing some

20 of our proposals, it would be helpful to know if

21 we go up 100,000, in terms of the exemption for

22 homeowners, what would that produce in terms of

23 a -- I guess, a reduction in income to the

24 County? So if we could do that?

25 And one final area, Mr. Young, that is

1 really important because I know your comments
2 have always been -- even though you and I may
3 not agree on certain, you know, aspects of how
4 we construct our real property taxes
5 assessments, one of your comments has always
6 been that the market will basically dictate fair
7 market value.

8 One of the aberrations that we've been
9 seeing through, I guess, a number of people
10 sending us their tax bills and then showing what
11 the real property would actually sell for, what
12 actual sales are, is in the category of
13 leasehold properties.

14 The leasehold property assessments,
15 based on the valuation of the land coupled with
16 the building are almost double what the person
17 who's actually selling the property would be
18 able to recapture in a sale. You know, so if
19 somebody who has a leasehold property at
20 Alaeloa, for example, wants to sell their
21 property, the market will only allow them to get
22 so much income and, yet, their real property tax
23 assessment, which combines the value of their
24 leasehold land as well as their actual dwelling,
25 it's substantially above what they would be able

1 to capture.

2 And if you could address that, it's
3 really just troubling me, and it's certainly
4 troubling these property owners.

5 MR. YOUNG: Well, Ms. Johnson, I'll just say that you
6 must understand that valuation for real property
7 tax purposes by law is on the fee simple value.
8 When you look at leased property, when they sell
9 on the open market, leased property, they're not
10 selling the fee. So we don't tax based only on
11 the lease, we are taxing based on the assessed
12 value, and that's the full market value of fee
13 simple.

14 And for leasehold properties, what
15 people must understand is someone must pay the
16 tax on fee simple. Whether it's the lessee
17 paying just the lease portion and the landowner
18 paying the fee simple remainder interest, fine,
19 but someone must pay the full tax on fee simple.
20 And a lot of leases, it is customary and
21 traditional that the lessee pay the real
22 property taxes. And that is not based -- again,
23 not based on leased interest. It's based on the
24 full market value, and that includes fee simple.

25 And so while I sympathize with a lot of

1 lessees that complain about their taxes because
2 it -- when they look at their assessed
3 valuation, they don't feel they could sell their
4 property leased for the same amount that it's
5 being assessed at market, what they must
6 understand is that that assessed value is the
7 value fee simple market value.

8 COUNCILMEMBER JOHNSON: Okay. So what they're doing
9 is they're taking on the obligation of the
10 landowner who holds title to the actual land
11 underneath their property?

12 MR. YOUNG: That -- that is correct. And a lot of --
13 this is not an issue for the County to get
14 involved in, because this is a contractual issue
15 between two private parties, but from what I've
16 seen, it is customary and traditional that when
17 you lease property, you pass on the real
18 property taxes in whole to your lessee. It's
19 not the responsibility of the fee simple
20 landlord.

21 I'm not saying that it couldn't be done
22 that way, it's just that customarily and
23 traditionally 99 percent of the leases that I
24 see are all like that. Taxes passed on to the
25 lessee.

1 COUNCILMEMBER JOHNSON: And -- and I can understand
2 that. I think that where I have a problem with
3 that logic is in the area of the attractiveness
4 of that underlying property on which the
5 leasehold property has been constructed.

6 In the free market, properties that
7 generally have these problems, particularly
8 where there's a short span of time, which you're
9 seeing over on Oahu where the actual improved
10 residential property is, in some cases, selling
11 for \$30,000, \$40,000 because no one wants that
12 property. It's unattractive, since they don't
13 know what the renegotiated lease fee will be
14 charged.

15 You know, so what's happening
16 philosophically, I think, is that the lease
17 itself is creating a downward -- or should be
18 creating a downward trend on the value of the
19 property itself, because in -- even though the
20 landowner will say, "Oh, this is my property," I
21 mean, you could have a pig farm constructed on
22 it, and it still is not going to have the same
23 attractiveness that a property that would have
24 something really nice, like a flower farm on it,
25 would.

1 So to me, it's the use of the property
2 that really is creating, I think, downward
3 pressure -- or should be creating downward
4 pressure on the underlying value of the land on
5 which the property is situated.

6 So anyway, that's my philosophy, but
7 I -- I do feel for these owners. I also feel
8 for the people that have the sandwich leases
9 too, who got roped into a very, very bad, I
10 guess, situation because many of those
11 underlying leases actually have someone who is
12 contractually obligated in between the person
13 who's the property owner and -- well, I guess
14 the landowner versus the improved property
15 owner.

16 Anyway, thank you.

17 CHAIR PONTANILLA: Thank you, Member Johnson.

18 Member Mateo?

19 COUNCILMEMBER MATEO: Chairman, good morning.

20 CHAIR PONTANILLA: Good morning.

21 COUNCILMEMBER MATEO: Chairman, I -- I came in this
22 morning tired. Listening to the discussion, I
23 am exhausted. It's going to be a challenge to
24 just try to address. You know, it sounds funny,
25 but it's just going to be exhausting just to try

1 to get this reality check that we just received
2 from the -- the Finance Director.

3 A billion plus dollars in debt. That's
4 incredible. That's debt that my kids and my
5 grandkids and the generations to come will
6 probably have to deal with. Because this budget
7 is one that is kind of lean at this point, but
8 the reality is it doesn't go deep enough because
9 the debt did not just occur. The debt has been
10 compounding.

11 And it's really nice to see reductions
12 in our tax classifications, but I -- I tend to
13 agree with Ms. Baisa, and I thank you,
14 Mr. Young, for your comments on valuation and
15 what generates it, but the fact that these
16 continued classification reductions occur is
17 because of the runaway valuation that has
18 continued to tax our people.

19 Perhaps we need to spend a lot more time
20 reassessing and readdressing that tax structure,
21 because I think the time has come now because
22 now we cannot spend our time looking at what we
23 want any more, it's what we can live with.

24 Government must run its budget restrictions
25 based the same way that families with their

1 budgets allocate their moneys.

2 We cannot live outside of our abilities
3 to pay, and right now we're -- we're stuck.
4 We're stuck between a rock and a hard place, how
5 to make the choices, how to still provide this
6 County and our people the opportunities and the
7 benefits and the comforts that they want, and in
8 reality, still meet the -- the deficits and the
9 realities of paying bills that somebody's got to
10 pay for. Nobody wants to pay a tax increase,
11 but they'll be here lining up for tennis courts.

12 So the tough choices need to be made at
13 this point and it is a rude awakening and,
14 Mr. Chair, I'm exhausted.

15 CHAIR PONTANILLA: Thank you, Member Mateo.

16 VICE-CHAIR HOKAMA: Mr. Chairman?

17 CHAIR PONTANILLA: Mr. Hokama?

18 VICE-CHAIR HOKAMA: If you would allow me just a
19 short comment?

20 CHAIR PONTANILLA: Sure.

21 VICE-CHAIR HOKAMA: I can appreciate the Members'
22 frustrations, the Members' burden that they may
23 feel being placed upon each -- each of us as
24 public officials, but to Mr. Young's credit and
25 our Finance Department over the last few years,

1 we're dealing with a lot of impact from factors
2 that the County has little or no control over.

3 The choice of how we approach the
4 retirement system, EUTF, is driven by the State
5 and their inability or their desire not to do
6 the right thing. They've continued to do the
7 popular thing, yeah. So they've chosen to do
8 things, whereby in the past, when the County has
9 tried to reduce liability, they've returned our
10 money because they don't want to accept it. So
11 it continues to place this County behind the
12 eight ball, if I can use that phrase.

13 So I just want to be fair to the
14 Department that in the past, the County with the
15 Council and the Administration working together,
16 we've tried to reduce and plan better. And of
17 course, I'm very biased. I think we've done it
18 the best over the last decade. But the State
19 drives things which puts us in deeper holes than
20 we should be because they won't do the right
21 thing.

22 If they raise taxes appropriately and
23 tell the people what they're going to do with
24 those increased revenues, some of these other
25 obligations will be further reduced on the

1 Counties, but they choose to do the popular
2 thing. So it impacts us, whereby we're going to
3 need to find how we're going to take care of
4 liabilities, as well as taking care of all the
5 State's programs that we end up subsidizing
6 reduces our ability to put those funds where we
7 need to is another factor that I will ask.

8 But Chairman, I -- I think this
9 hopefully will lead us into areas of other
10 revenue potential that I think we really need
11 to...

12 Because one thing the State does better
13 than we do, and I'll admit to that, is that they
14 charge reasonable leases for State property. We
15 cannot keep going with dollar-a-year leases on
16 County property. It doesn't work. And we paid
17 hundreds of thousands or millions of dollars
18 for -- we're leasing out a dollar a year? We
19 don't increase fees. What is our minimum tax
20 bill, \$60? I think we spend more than that to
21 process and get -- get assessments and take care
22 of the appeals and everything else. We need to
23 make adjustments.

24 Thank you, Chairman.

25 CHAIR PONTANILLA: Thank you, Mr. Hokama.

1 Before I recognize Mr. Molina, the Chair
2 has a few comments in regards to what Members
3 have said. Members, you know, next week will be
4 the decision week and we've got to make tough
5 choices. You know, there's no wrong or right in
6 this one here.

7 We need to ensure that our
8 infrastructures are in place and repaired and
9 maintained. We need to provide the human
10 services that -- some of the human services that
11 the State has passed on to the County, which we
12 now are responsible.

13 It -- it's going to be tough choices.
14 Like some of you Members, you know, you guys
15 mentioned all of these big item CIP projects
16 that need to be done. We need to take a hard
17 look at those projects and, you know, set aside
18 some money for the future.

19 You know, the only way we're going to
20 raise revenues is -- is through real property
21 tax rates. Another way is probably looking at
22 increasing the fees. And the worst one is
23 increasing our debt load.

24 But one thing that I would like to ask
25 the Finance Director in regards to other

1 opportunities, you know, the County of Maui has,
2 has the Administration took a look at operations
3 to see if we can improve any efficiencies so
4 that, you know, not -- you know, we're not only
5 spending money, but also looking at how we can
6 save money within the County of Maui?

7 MR. YOUNG: Mr. Chair, definitely the Administration
8 has taken a look at areas or opportunities for
9 more efficient or effective use of current
10 County resources. Some of them are, in some
11 fashion, reflected in the budget. A lot of them
12 do entail further inspection and consideration
13 in light of the fact that this is the first four
14 months of a new Administration, the Mayor does
15 need additional time to further review County
16 operations to see philosophically where there's
17 further areas of improvement.

18 But there is a fair amount of looking at
19 efficiencies in the Mayor's proposal. I am very
20 optimistic that next year there will be even
21 further areas of increased level of efficiency
22 because we will have had that additional time to
23 really study some of the operations. And the
24 areas that are primarily in focus are those
25 areas with large capital and labor resources,

1 namely Public Works, Parks, the new Department
2 of Environmental Services, in those areas I
3 would be very optimistic that there's -- there
4 are great potentials there, and the Mayor will
5 be looking at -- in those areas.

6 CHAIR PONTANILLA: Thank you very much, Director, for
7 that comment. I appreciate that information,
8 that going forward, the Administration is going
9 to be looking in that direction.

10 So Member Molina, questions?

11 COUNCILMEMBER MOLINA: Thank you, Mr. Chairman.

12 Still one request either through your Committee
13 or from Director Young, as I recall last term,
14 there was a comparison made with our sister
15 Counties in terms of rates and where Maui County
16 stacks up.

17 Are you at this point able to tell us
18 with this proposal how we stack up against other
19 Counties or -- and if not -- if you can't give
20 us that answer today, could you provide that for
21 us as to how -- you know, what's being proposed
22 in Kauai and Oahu and Hawaii?

23 Because I know -- you know, there's
24 members of the public that have been critical of
25 our tax system and in -- in some cases

1 justified, but I think it's also important to
2 note, you know, how we compare rate-wise. And I
3 believe last term, we were the lowest compared
4 to the other Counties. Am I correct, Mr. --
5 Director Young?

6 MR. YOUNG: That's -- we are -- the County of Maui is
7 the lowest for the homeowners classification,
8 and for the majority of the other similar
9 classifications, the County of Maui is the
10 lowest. We're actually the highest in terms of
11 the -- of any tax rate classification because
12 we're the only ones with a timeshare rate, and
13 we're the only ones that are in -- above the
14 \$10 per 1,000 value.

15 I'm not prepared at this time to present
16 to you what the other Counties are proposing
17 because the County of Maui, when you conclude
18 your budget on May 15th, you'll actually be, I
19 believe, the first County to -- to finish the
20 budget process. And in talking with some of the
21 other Finance personnel from other Counties,
22 while they have -- while their Administrations
23 have in some ways proposed tax rate reductions,
24 they're not to the degree or level that Maui is
25 proposing, and they're definitely not as broad

1 as Maui's proposing.

2 And some of the Counties, like the City,
3 for instance, have chosen to explore other --
4 other changes to the tax rate structure that may
5 or may not reflect revenue reductions or
6 amendments.

7 For example, the City is currently
8 considering to create a homeowner's
9 classification. They're the only County in the
10 State that does not have a homeowner's
11 classification. They're looking to make it like
12 Maui and the other Counties where there would be
13 a separate tax rate for homeowners coupled with
14 a homeowner's exemption. But that tax rate,
15 what they would propose, is not in any means
16 settled yet, and my understanding is there's a
17 fair amount of opposition between the
18 Administration and their Council on whether or
19 not a separate classification is going to get
20 crated.

21 So I -- I'm not prepared to provide you
22 where the other Counties are right now because
23 their budget process is -- like Maui's, is in
24 the midst of deliberation.

25 COUNCILMEMBER MOLINA: Okay. Well, I think that's,

1 you know, whether you -- you can provide it to
2 us, you know, in May or at some later point, you
3 know, I'm sure some of us would like to know and
4 I'm sure some of the members of the public...

5 MR. YOUNG: As it gets more settled -- as the process
6 gets more settled in the other Counties, I would
7 be -- I would be more than happy to provide it
8 for you as it get more settled. But my only
9 reluctance is the fact that it's a constantly
10 moving target right now, and I would not want to
11 in any way misrepresent or confuse where these
12 tax rates are going to end up with the other
13 Counties.

14 COUNCILMEMBER MOLINA: Okay. Thank you,
15 Mr. Director.

16 Thank you, Chair.

17 CHAIR PONTANILLA: Thank you.

18 Member Victorino?

19 COUNCILMEMBER VICTORINO: Yes. I think, like Member
20 Mateo said, I'm awful tired at this point. As
21 we've mentioned, the State and the burden
22 they've thrown on us with the unfunded mandates,
23 their inability to correctly fund the various
24 retirement programs, et cetera, but also we have
25 another category called the Federal government.

1 And I'd like to know, if at all
2 possible, you could -- could you total up the
3 amount of Federal subsidies, grants and all
4 other things that we've been receiving through
5 the years for agriculture and other areas that
6 be being cut back because of this war in Iraq --
7 and I'll say it a point here, I have no qualms
8 because I think everybody understands that. And
9 also the slowing of the economy nation --
10 nationwide, that now the Federal government is
11 cutting back on some very important areas, soil
12 conservation, watershed programs, et cetera,
13 et cetera, et cetera.

14 Is that possible, Mr. Young, for us and
15 the public to see what kind of cutbacks are
16 going to be then essentially thrown back on us
17 to fund as a County? Because the people and
18 the -- the mandates that are being sent down by
19 DOT, by the EPA for various areas in water and
20 other areas that we're going to have to fund,
21 we're going to have to take care of because
22 we're told we need to do this. We have no
23 choice. And if we don't, we'll have consent
24 decrees for which we're all aware of, we've all
25 had to live with, that we all have to pay for.

1 We're being forced into a box under the guise of
2 whatever they think the right. Not ever coming
3 to us, consulting us. Never coming to the
4 people that are most affected by it, but okay,
5 this sounds like as great idea, like the State
6 and --

7 And Councilman, Council Chair Hokama has
8 stated many times they come up with these
9 brilliant ideas, send it down and put no money
10 for us to fund it, so we've got to pick up the
11 tab. We're having this happen in the federal
12 level, too.

13 So I would be interested, and I think
14 the general public would like to know, how much
15 more do we have to pick up for all these
16 mandates that are coming down, all these
17 cutbacks in subsidies, cutbacks in grants, and
18 cutbacks in things that have -- or continued to
19 help the people of Maui County, our farmers, the
20 agricultural business, et cetera, et cetera,
21 water, you name it; is that possible? Could you
22 give us a round -- some kind of -- in the
23 future, not tonight -- today, but in the very
24 near future some -- how much of an effect...

25 Because I've heard this from people

1 coming. They've said we're going to get cut
2 back here and cut back there. Can we have
3 something like that so we know and the public
4 knows how much of an effect that has along with
5 what else has been discussed this morning; is
6 that possible, Mr. Young?

7 MR. YOUNG: Well, Mr. Victorino, I would say yes
8 it's -- I'm sure it is possible. I wouldn't
9 know right now, though, how much of an extent of
10 research would be required because a lot of the
11 Federal grants and Federal funds, there's a
12 variety of ways they come through the County,
13 yeah, either through pass-through from the State
14 or -- and earmarked for different purposes.

15 So I -- I don't know if in the Finance
16 Department, if we would be able to do that
17 research, sans, or without, the assistance of
18 these grantees or these pass-through agencies.
19 So it may involve a fair amount of communication
20 and collaboration with some other County
21 Departments, perhaps some State Departments,
22 State of Hawaii Departments, so it might take a
23 fair amount of time.

24 I wouldn't be able to provide that to
25 you by today end of today, for example --

1 COUNCILMEMBER VICTORINO: No.

2 MR. YOUNG: -- or maybe even tomorrow.

3 COUNCILMEMBER VICTORINO: No. I -- and I understand
4 that, and Mr. Chair, I'm asking if -- if not
5 only maybe Finance, but if there's some way we
6 could communicate with the various Departments
7 that have come forward to us in the past couple
8 of weeks and said, "We're getting this cutback.
9 We anticipate that cutback." And -- and that
10 way, because -- again, we know that somehow
11 funding then becomes necessitated and we become
12 the one they lean on.

13 So if -- if that's a possibility,
14 Mr. Chair, I would request that because that's
15 going to be very important in all this
16 decision-making that we're going to be doing
17 next week.

18 CHAIR PONTANILLA: Thank you, Member Victorino.

19 We'll try.

20 COUNCILMEMBER VICTORINO: Yeah, and that's all...

21 CHAIR PONTANILLA: And hopefully, the Department can
22 try because, you know, time is so short in
23 regards to our decision-making that we need to
24 do by the end of next week. So we may -- we may
25 not have that information as we do our budget

1 deliberation come decision.

2 Members, the Chair recognizes the time
3 this morning. Is there any more questions for
4 the Department, otherwise I'm going to take our
5 mid morning break?

6 Seeing none, then we'll take a recess
7 and return at 10:50. This meeting is in recess.

8 (Gavel.)

9 **RECESS: 10:35 a.m.**

10 **RECONVENE: 10:53 a.m.**

11 CHAIR PONTANILLA: (Gavel.) Thank you, Members, for
12 the mid morning break.

13 When we left, we had the Director of
14 Finance still with us. At this time, the Chair
15 would like to ask the Members if there's more
16 questions.

17 Member Hokama?

18 VICE-CHAIR HOKAMA: Mr. Chairman, thank you for these
19 additional opportunities you are providing for
20 the Committee.

21 I would ask the Finance Department,
22 either Mr. Young as our Director or Mr. Teruya
23 as the current Administrator for Real Property
24 Tax Division, if they have some comment.

25 I -- I would be interested in to see if

1 it would be prudent on this Committee's part to
2 recommend to the Council the need to review
3 zoning categories as it relates to taxation bid
4 codes or classifications. Because if there is a
5 disconnect or we are allowing certain
6 inconsistencies from the -- the code to the
7 taxation, then if we made certain adjustments,
8 it could potentially, one, take care of some
9 violations, as well as maybe improve our ability
10 to get our -- our rightful revenues from each
11 category, as well as maybe the need to amend the
12 categories, such as the continuing debate on how
13 to approach the agricultural category.

14 You know, I think in general all of us
15 support active agriculture use to get the
16 agricultural benefit in taxation, but why would
17 the other tax categories subsidize the
18 agricultural category for those that are, you
19 know, one horse on 10 acres. Is that
20 agriculture? Then why should they get then what
21 the true farmer or agriculture user, who is
22 depending on his revenues on, get the same
23 consideration?

24 So I'd ask the Department if they have
25 any comment they could share --

1 CHAIR PONTANILLA: Mr. Young?

2 VICE-CHAIR HOKAMA: -- with the Committee?

3 MR. YOUNG: Mr. Chair, I -- I would allow for

4 Mr. Teruya to -- to make comment since this

5 could be from a perspective of an operational

6 and technical aspect.

7 MR. TERUYA: Chair Pontanilla?

8 CHAIR PONTANILLA: Go ahead.

9 MR. TERUYA: Mr. Hokama, according to zoning,

10 properties are taxed based on its zoning, which

11 ultimately is the classification of a property.

12 There can be instances where properties, like

13 condominium properties are a little different in

14 our Code where it says that condominiums are

15 taxed based on their actual use.

16 We are not -- Real Property Tax is not

17 in the compliance, you know, business. We're

18 here based -- taking people's attestment of what

19 the actual use is. There's other Counties or

20 two other jurisdictions, which is Kauai County

21 and Big Island, that do not operate like our

22 code. It says that it's zoning, period. Maui

23 County and Oahu does condominiums based on their

24 actual use, so that's the difference there.

25 MR. YOUNG: And -- and I would add that from an

1 Administration's point of view, I would welcome
2 any examination by the Council in terms of
3 the -- the real property tax code, especially on
4 the zoning side, which is actually -- I would
5 guess is not actually part of the real property
6 tax section of the code but the zoning portion,
7 because the County of Maui's taxation is all
8 based on zoning, and only the exception that
9 Mr. Teruya points out for condos is based on
10 use. And as this Council is aware, there's a
11 fair number of conflicts relative to, you know,
12 zoning and use. You know, the TVR issue comes
13 to mind. And often real property tax is looked
14 at as the only measure of potential enforcement,
15 but, you know, I would reiterate that real
16 property tax, we don't want to be enforcing
17 zoning -- zoning ordinance. That's more
18 appropriate in the purview of that appropriate
19 agency.

20 MR. TERUYA: Mr. Hokama, there's also areas that
21 Corporation Counsel has advised us that we
22 should be looking at our rules of procedure and
23 how to handle certain issues, like violations.

24 Currently, the rules of procedure or the
25 ordinance doesn't allow us or say how to

1 handle -- for example, if I was to go there and
2 find out that there is a claimed homeowner but
3 they're using it for short-term rental, nowhere
4 in the code or the ordinance or the rules of
5 procedure say how to handle the situation, so
6 there's -- Tracy's advised us to kind of try to
7 shore that up.

8 VICE-CHAIR HOKAMA: So currently, you couldn't put a
9 lien on the property and make an adjustment and
10 collect the tax, and if we don't, we just
11 foreclose and sell the property?

12 MR. TERUYA: Well, we could -- we could -- it's right
13 now, it's office procedures, but office
14 procedures do not have the effect of law. So if
15 I was to choose to maybe back-tax somebody for
16 the illegal use, I'm not sure how that is
17 supported by the law, the current rules of
18 procedures, whether that's just.

19 VICE-CHAIR HOKAMA: Well, I think the request,
20 Mr. Chairman, is reasonable. The environment is
21 changing. The hotel component of our zoning, as
22 well as taxation category, has adjusted to how
23 that private sector industry looks at securing
24 capital for improvements as well as how they
25 tend to recapture their investment. So we have

1 hotels doing investment of upgrades but then
2 calling themselves luxury condominiums.

3 So, you know, I can appreciate the
4 Department's comments, and we may need to
5 accordingly make our adjustments just as how
6 hotels have gone to timeshares as a way to
7 recapture the investment up front from timeshare
8 purchasers, and now those people want to be
9 viewed not as visitors any more. Well, I'm
10 sorry. That's the way it is. And the State law
11 currently makes us view timeshares as hotels.
12 It's a State Statute. It's not the County.

13 But I think if we might do this review,
14 Mr. Chairman -- and again, we're always pressed
15 for time, we may be able to then realize and
16 adjust taxation more appropriately and more
17 fairly.

18 Thank you, Chairman.

19 CHAIR PONTANILLA: Thank you, Mr. Hokama.

20 Department, we'll be sending you a
21 correspondence in regards to the request.

22 VICE-CHAIR HOKAMA: I will work with Director Young
23 and Mr. Teruya to see if we can come up with
24 some type of communication for Council to
25 transmit for future consideration, Mr. Chair.

1 CHAIR PONTANILLA: Fine. Thank you.

2 Members, any more questions for

3 Mr. Teruya or Mr. Young?

4 If not, Members, I'm going to release
5 both Mr. Young, as well as Mr. Teruya. Thank
6 you very much for being here this morning.

7 Mr. Pablo, as far as the poundkeeper, is
8 there any adjustments to that?

9 MR. PABLO: Thank you, Mr. Chair.

10 With regard to the poundkeeper, I've
11 noticed -- it was brought to my attention that
12 it's underlined on page 21. There's actually no
13 change to that page, I suspect because we're
14 pressed for time, that particular page was not
15 reviewed. Thank you.

16 CHAIR PONTANILLA: Okay. Fine. So everything
17 remains the same for...

18 COUNCILMEMBER BAISA: That's correct.

19 CHAIR PONTANILLA: Okay. Good.

20 Okay. Corporation Counsel?

21 MS. VILLAROSA: I believe that this is an addition to
22 the -- to the rates and fees. Last summer, I'D
23 asked our summer law clerk to go through the
24 rates and fees to catch any corrections, and
25 also there were -- we found a few instances

1 where fees were still set forth in the Maui
2 County Code instead of being referenced to the
3 Annual Budget Ordinance, and I believe that this
4 is one of them. I believe there's a companion
5 bill that was submitted which deleted the actual
6 fees from the Maui County Code and referred to
7 the Annual Budget Ordinance instead.

8 CHAIR PONTANILLA: Thank you.

9 Members, any questions to that?

10 Member Johnson?

11 COUNCILMEMBER JOHNSON: Yes. I apologize. Did we go
12 through the plumbing inspection, which is a new
13 and also...

14 CHAIR PONTANILLA: We'll take care of that when we
15 call on the Public Works Department.

16 COUNCILMEMBER JOHNSON: Oh, okay. Okay.

17 CHAIR PONTANILLA: And then we're going to handle
18 Public Works at that time throughout the day.

19 COUNCILMEMBER JOHNSON: Okay. And the poundkeeper --

20 CHAIR PONTANILLA: Poundkeeper's --

21 COUNCILMEMBER JOHNSON: -- that's the one we're on
22 right now?

23 CHAIR PONTANILLA: -- what we're discussing right
24 now.

25 COUNCILMEMBER JOHNSON: Okay. My only question on

1 the poundkeeper is because there isn't a fee
2 currently, what impact is this going to have,
3 because who pays the fee? You know, let's say
4 if it's -- it says within a five mile radius of
5 the pound, and then for each additional mile, I
6 guess -- you know, so this somebody's in Hana
7 and they have an animal, who is going to pay for
8 that? Because I mean, obviously because if
9 you've got a dog roaming around, is this for
10 animals that are tagged and they can identify
11 the owner?

12 CHAIR PONTANILLA: Member Johnson, we do have a
13 proposed ordinance that's going to be coming
14 forth when we do the rate and fees.

15 Maybe Corporation Counsel can answer the
16 question at this time?

17 MS. VILLAROSA: Mr. Chair, the language that you see
18 in the -- being proposed for the rates and fees
19 is taken directly from the current Maui County
20 Code language. No changes were made, so I guess
21 you'd have to check with the Department if you
22 wanted to make some revisions.

23 The whole intent of this was just merely
24 to move it from the Maui County Code into the
25 rates and fees where --

1 COUNCILMEMBER JOHNSON: Okay.

2 MS. VILLAROSA: -- it belongs and there was no
3 changes or anything.

4 COUNCILMEMBER JOHNSON: Okay.

5 MS. VILLAROSA: So this is the existing law.

6 COUNCILMEMBER JOHNSON: All right. And even though
7 it says new, it's not -- it's new to rates and
8 fees --

9 MS. VILLAROSA: Yes.

10 COUNCILMEMBER JOHNSON: -- but it's not new to the
11 County Code?

12 MS. VILLAROSA: Right.

13 COUNCILMEMBER JOHNSON: Okay. That's where -- I
14 appreciate that.

15 Thank you, Mr. Chair.

16 CHAIR PONTANILLA: Thank you.

17 Members, any more questions to that
18 particular item?

19 If not, thank you.

20 At this time, the Chair would like to
21 call on the Public Works and Environmental
22 Management Director.

23 Members, the Chair will call for a
24 five-minute recess at this time to have the
25 Director -- to contact DSA. So five-minute

1 recess. (Gavel.)

2 **RECESS: 11:08 a.m.**

3 **RECONVENE: 11:14 a.m.**

4 CHAIR PONTANILLA: (Gavel.) The Budget and Finance
5 Committee meeting is now reconvened.

6 Members, we're at plumbing and
7 inspection, and inspection fees. I'm going to
8 call on Corporation Counsel in regards to those
9 two items. It's similar to the poundkeeper
10 item, which we moved from the ordinance into the
11 Rate and Fees Ordinance.

12 So Corporation Counsel?

13 MS. VILLAROSA: Thank you, Mr. Chair.

14 Yes, the plumbing inspection fees and
15 the subdivision inspection fees are both similar
16 to the poundkeeper fees in that there was no
17 substantive change made. The fees were merely
18 moved out of the Maui County Code and put into
19 the rates and fees section of the Budget
20 Ordinance.

21 So if you look at the companion bills
22 that were submitted along with the Budget
23 Ordinance, you'll see, you know, the deletion
24 and the underlining for that.

25 CHAIR PONTANILLA: Questions, Members?

1 VICE-CHAIR HOKAMA: Chairman?

2 CHAIR PONTANILLA: Member Hokama?

3 VICE-CHAIR HOKAMA: You know, the inspection fees
4 particularly in that subdivision on Saturday,
5 Sunday, holiday, if I understand this right, you
6 still want to maintain the \$10 an hour two-hour
7 minimum proposal. Would that be our -- the
8 understanding from the Department, Division,
9 gentlemen?

10 CHAIR PONTANILLA: Department?

11 MR. ARAKAWA: Sorry. What page are you on,
12 Councilmember Hokama?

13 VICE-CHAIR HOKAMA: Oh, I'm sorry. I -- I'm working
14 off what was presented to the Committee by the
15 Budget Office, so maybe if we can have a copy
16 shared with -- it says page 17 as the reference
17 and I guess it's under, "Inspection Fees."

18 MS. VILLAROSA: Mr. Chair?

19 CHAIR PONTANILLA: Corporation Counsel?

20 MS. VILLAROSA: If you refer to page 17 of the rates
21 and fees, the minimum is actually a \$20 minimum.
22 I'm not sure where the two-hour minimum came
23 from on your summary sheet, but there is a
24 \$20 minimum specified -- currently specified in
25 the Maui County Code and, again, that was just

1 transferred to the rates and fees section.

2 VICE-CHAIR HOKAMA: Okay. I will tell you my -- my
3 issue with this proposal. If we just look at
4 the essay, in general -- I just, you know, did a
5 cursory review of an electrical building
6 subdivision, building construction, let's just
7 say the average salary, an annual is about
8 \$50,000 and you divide that by the work week, it
9 comes out to about \$24 an hour.

10 And my understanding of the new
11 contracts or the existing contracts is if we
12 call out the inspector, it's a minimum
13 three-hour call-out, which means, and again, I'm
14 not even calculating the fringes, you're looking
15 at about -- and if you do time and a half, it's
16 \$36 an hour without fringes to the employee
17 times a three-hour minimum call-out, you're
18 going to be spending \$120 minimum, and yet,
19 we're going to assess -- ask for an assessment
20 of \$10 per hour minimum fee of 20 for Saturday,
21 Sunday and holiday?

22 We're losing money. We should be
23 breaking even at the worst if we're going to
24 call out employees for holiday inspections,
25 Saturday, Sunday inspections, and we've got to

1 go pay the minimum three hours by contract. I
2 don't understand this proposal.

3 MR. ARAKAWA: Councilmember Hokama, as the Deputy
4 Corp. Counsel mentioned, this is basically just
5 mentioning -- moving the provisions of the Code
6 to the Budget Ordinance.

7 As far as, you know, changing the
8 amounts, certainly you bring up a good point.
9 We are certainly open to increasing the fees
10 amount because it doesn't cover our costs.
11 Those -- those amounts were out dated and fairly
12 old.

13 But as far as this year's Budget
14 Ordinance, it's basically just moving the
15 provisions from the Code to the Budget
16 Ordinance.

17 VICE-CHAIR HOKAMA: So if I understand this right,
18 then Chairman, the Departments are only pushing
19 it from the Code to the annual Budget, the Code
20 request, but you -- there was no review on
21 whether or not the fee that the Code has
22 instituted is an appropriate fee so that when
23 we're doing this adjustment, we couldn't then
24 make the right adjustment on the rates.

25 So is all of this without appropriate

1 rate adjustments for us to consider the current
2 costs of doing the work, Chairman? Because then
3 we've got a lot more adjustment to do, because
4 every time we send somebody out, we're losing
5 money.

6 CHAIR PONTANILLA: I agree, Mr. Hokama.

7 Mr. Pablo, can you provide us with that
8 information or Department? Very good question.

9 MR. ARAKAWA: Probably, you know, the -- the amounts
10 that are stated in the Code, like I mentioned,
11 they're dated. So if it's the Council's intent
12 to recoup the costs, we'd probably have to do
13 more of a comprehensive analysis and propose
14 some changes to the Council.

15 VICE-CHAIR HOKAMA: Uh-huh. And again, Chairman,
16 we've started today hearing the impacts on
17 General Fund, which comes from property tax, so
18 I think it's only fair we do the appropriate
19 adjustments in rates and fees to be fair to the
20 General Fund source as we review and -- and try
21 and finalize this -- this year's budget
22 proposal.

23 Because I don't think it's fair that the
24 General Fund subsidizes the fees portion. Our
25 understanding is fees can recoup our costs of

1 service provided, and that's what the Department
2 should be recommending to us and then we make
3 the appropriate adjustment -- either we defer
4 and do an incremental increase or something, but
5 we need to know the costs of their business,
6 especially now with adjustment of collective
7 bargaining and, again, their minimum three hours
8 that we are required to pay for a call-out.

9 Thank you, Chairman.

10 CHAIR PONTANILLA: Thank you, Mr. Hokama.

11 And as far as the Chair is concerned
12 that in regards to rates and fees, if we're not
13 getting the right amount in regards to covering
14 our costs, especially on those weekends and
15 holidays, then we should make some adjustments
16 or make some adjustments throughout the rates
17 and fees. And I don't know if only Public Works
18 has it, but throughout the County.

19 Member Johnson?

20 COUNCILMEMBER JOHNSON: Yes, Mr. Chair.

21 If, as Council Chair Hokama states, we
22 know approximately what the real costs are and
23 we know what is -- I guess it's not going to be
24 exact, but it's going to be close to what the
25 current costs would be. Is it appropriate at

1 this time for us to just look at making
2 notations and then when staff gets to this
3 point, you know, because I have no problem with
4 if it's \$36 an hour, three-hour minimum, you
5 know, inserting that. If there is nothing to
6 prohibit us from doing that, I don't think we
7 need to hire another consultant to do another
8 rate study when we -- I know what the actuals
9 are. And then if somebody, you know, disputes
10 it, well, we'll deal with it then, but
11 personally, I just think that that would be an
12 approach.

13 And I'm completely open to doing that
14 right at this point in time because time's
15 really our enemy right now, so if -- I mean, if
16 you needed some kind of a motion or whatever,
17 I -- I know it's premature at this point, but I
18 am for inserting in there \$36 an hour with a
19 three-hour minimum.

20 CHAIR PONTANILLA: Member Johnson, what I'll do is
21 I'll direct the Department to take a look at
22 your rate and fees in regards to inspections.
23 If you can come back to this Committee and
24 provide to this Committee by Friday, if it's
25 possible, before we go into our decision-making,

1 which is next week Monday, so that we can make
2 adjustments to the rates and fees in regards to
3 inspection.

4 Member Johnson?

5 COUNCILMEMBER JOHNSON: Isn't that going to affect
6 our revenues, though?

7 CHAIR PONTANILLA: It will, but I don't know how
8 much.

9 COUNCILMEMBER JOHNSON: Yeah. And my only -- my only
10 thought is because, you know, I -- maybe --
11 maybe not in this particular area, but I'm
12 concerned that we've been charged as Council to
13 try to balance, and the more information we know
14 going in --

15 CHAIR PONTANILLA: Yeah, that's --

16 COUNCILMEMBER JOHNSON: -- the better off we are.

17 CHAIR PONTANILLA: -- the reason why I asked for
18 Friday so that by Friday, you know, we still
19 have time to -- to make adjustments in regards
20 to when we start deliberations --

21 COUNCILMEMBER JOHNSON: Okay.

22 CHAIR PONTANILLA: -- on next week Monday.

23 COUNCILMEMBER JOHNSON: Well, just be aware,
24 Mr. Chair, that not all of our proposals then
25 may not balance exactly.

1 CHAIR PONTANILLA: Thank you.

2 MR. ARAKAWA: Mr. Chair.

3 CHAIR PONTANILLA: Director?

4 MR. ARAKAWA: Just a note just to let the Committee
5 know, if -- if the Committee's intent is to have
6 our fees cover all of our costs, then I think
7 it's a fairly substantial undertaking for us to
8 kind of go through and have all that data to the
9 Committee by Friday. But if you are talking
10 about something more limited where, maybe just
11 for the inspection fees, we could possibly
12 provide some additional data to the Committee by
13 Friday for you to consider.

14 CHAIR PONTANILLA: Yes. If you can provide us that
15 inspection fees to us by Friday, the Chair will
16 accept it. And I think, you know, it's only
17 fair that we give the Department and all
18 Departments some time to look at the rates and
19 fees and probably make some adjustments as we
20 move forward throughout the year.

21 Mr. Pablo?

22 MR. PABLO: Mr. Chair, thank you. Let me make a
23 comment. In the short time that we had to put
24 together the Fiscal '08 budget, we included in
25 the rates, fees and assessments those items

1 which were readily available, and those were the
2 sewer rates, water rates, also the golf rates
3 and the real property tax rates.

4 Our intention was to go back to the
5 Departments in June after the budget session to
6 do a comprehensive review, which has already
7 been started, by the way, to go through the
8 rates, fees and assessments for each of the
9 Departments, not only Public Works. So that was
10 what our time line. We were hoping to get to
11 the Departments in June and have something ready
12 for the next budget season.

13 CHAIR PONTANILLA: Thank you, Mr. Pablo.

14 Members, any questions to that?

15 Member Medeiros?

16 COUNCILMEMBER MEDEIROS: Thank you, Chair.

17 Department, just clarify for me. Every
18 time an inspector goes out for a plumbing
19 inspection, this fee is charged?

20 MR. NAGAMINE: No, that's actually incorrect. When
21 we issue a plumbing permit, there are certain
22 inspections that are required by the Plumbing
23 Code.

24 COUNCILMEMBER MEDEIROS: Right.

25 MR. NAGAMINE: And those are done without charge --

1 COUNCILMEMBER MEDEIROS: Okay.

2 MR. NAGAMINE: -- because it's somewhat included in
3 the cost of the permit.

4 COUNCILMEMBER MEDEIROS: So -- so what is this
5 plumbing inspection, miscellaneous plumbing?

6 MR. NAGAMINE: That would be inspections that are not
7 required pursuant to an issued plumbing permit.
8 For example, if you had a owner come -- let's
9 say, a tenant calls the County and wants to know
10 whether or not the plumbing in the rental unit
11 meets the plumbing code, then we could go out
12 for a fee.

13 COUNCILMEMBER MEDEIROS: I see. And are -- are we
14 also discussing the inspection fees on Saturday,
15 Sunday and holidays, Chair?

16 CHAIR PONTANILLA: Yes, we are.

17 COUNCILMEMBER MEDEIROS: Okay.

18 CHAIR PONTANILLA: That's where the dispute is at
19 this time?

20 COUNCILMEMBER MEDEIROS: Okay. And these also would
21 fall in the same line as what you described in
22 the above one, why the requirement would be for
23 an inspection fee?

24 MR. NAGAMINE: Well, my understanding is that the
25 Chair had requested new rates for inspection

1 fees, which would be the miscellaneous
2 inspection fees and the off-hour inspections.

3 COUNCILMEMBER MEDEIROS: Okay. So when would the --
4 and these only apply to subdivisions --

5 MR. NAGAMINE: No.

6 COUNCILMEMBER MEDEIROS: -- not individual homes?

7 MR. NAGAMINE: No, we have rates for -- for both, for
8 building, electrical and plumbing, and I believe
9 we have work -- rates for road work, road
10 inspections.

11 COUNCILMEMBER MEDEIROS: Okay. So why would the
12 inspection be required on a Saturday, Sunday or
13 holiday?

14 MR. NAGAMINE: It's just the contractor's choice.
15 Maybe that's the only time they're available
16 or -- if it's a really -- a rush project, maybe
17 they want it as soon as possible. They don't
18 want to wait until Monday.

19 COUNCILMEMBER MEDEIROS: Okay. And so if we're
20 talking about providing a fee that recovers the
21 entire cost to the County, and this is per hour,
22 right, per hour is from when the inspector
23 leaves his office to when he returns --

24 MR. NAGAMINE: Well...

25 COUNCILMEMBER MEDEIROS: -- or per hour at the -- at

1 the site?

2 MR. NAGAMINE: Well, what I thought would be fair was
3 not to include travel time, but just to consider
4 what the average pay rate would be for an
5 inspector of that SR rating. And the travel
6 time would be included in the minimum that you
7 decide upon, whether it's two hours or three
8 hours or whatever.

9 COUNCILMEMBER MEDEIROS: Okay. My concern is, if
10 this is going to be like somebody in Hana
11 requiring this, we're charging that person \$136
12 an hour from when they leave Wailuku, does the
13 inspection and returns back?

14 MR. NAGAMINE: Yeah. By -- by the same token, you're
15 charging somebody that's in Wailuku that same --
16 you know, it kind of -- that same two hours, so
17 it kind of evens out after --

18 COUNCILMEMBER MEDEIROS: So it's just --

19 MR. NAGAMINE: -- a while?

20 COUNCILMEMBER MEDEIROS: -- a two-hour minimum or
21 maximum?

22 MR. NAGAMINE: Two hour minimum.

23 COUNCILMEMBER MEDEIROS: Minimum?

24 MR. NAGAMINE: Minimum.

25 COUNCILMEMBER MEDEIROS: So Hana would get charged

1 more because we're --

2 MR. NAGAMINE: Possibly.

3 COUNCILMEMBER MEDEIROS: -- further away?

4 MR. NAGAMINE: Possibly.

5 COUNCILMEMBER MEDEIROS: That -- that would, to me,

6 would seem, Chair, a little bit unfair because

7 people living in outlying areas to have to pay

8 more for the same service as somebody in Central

9 Maui has to pay.

10 So if you've fly them to Molokai and

11 Lanai, you -- we're going to charge them for

12 that, too?

13 MR. NAGAMINE: Although we can charge more, we rarely

14 charge more than the minimum.

15 COUNCILMEMBER MEDEIROS: Okay. So...

16 MR. NAGAMINE: So if we were to do a miscellaneous

17 inspection out in Hana, more than likely it's

18 just the minimum. We're not going to charge

19 you...

20 COUNCILMEMBER MEDEIROS: More than likely, but -- but

21 you have a flexibility of charging more?

22 MR. NAGAMINE: Yes, we do. And -- and the times when

23 we usually charge more is if we have a request

24 to inspect, for example, a condominium project

25 where we need to go into every -- each and every

1 unit.

2 COUNCILMEMBER MEDEIROS: I see.

3 MR. NAGAMINE: We know that that's going to take more
4 than two hours, so we kind of come to an
5 agreement with the requester as to how much we
6 think it's going to -- how much time it's going
7 to take, and we agree upon that price.

8 COUNCILMEMBER MEDEIROS: So -- so, example in Hana,
9 somebody's building a house, a single-family
10 resident house, so you would charge them two
11 hours?

12 MR. NAGAMINE: That's correct.

13 COUNCILMEMBER MEDEIROS: Okay. And...

14 MR. NAGAMINE: Well, the reason why you don't
15 necessarily incorporate the travel time is
16 because we do the miscellaneous inspections at
17 the same time that we do our permit inspections,
18 so he's not making a special trip out to Hana
19 just to do this miscellaneous inspection.

20 COUNCILMEMBER MEDEIROS: Okay. But this is done on
21 Saturdays, Sundays and holidays.

22 MR. NAGAMINE: Right.

23 COUNCILMEMBER MEDEIROS: That would seem to be like a
24 special request.

25 MR. NAGAMINE: Yeah, but again, we -- we don't do a

1 lot of inspections over the weekends. Most of
2 our miscellaneous inspections are done Monday
3 through Friday.

4 COUNCILMEMBER MEDEIROS: Okay. I -- I can see the --
5 the importance of recovering our costs, like
6 Chair Hokama says. But I can see a problem with
7 charging a lot for people in outlying areas that
8 adds to the cost of their house, and I -- and I
9 don't know how we can find more equal balance to
10 this. Because it seems like we're taxing the
11 people that live further from Wailuku --

12 MR. NAGAMINE: I think on...

13 COUNCILMEMBER MEDEIROS: -- for the same service.

14 MR. NAGAMINE: Yeah, on paper, it looks that way
15 because we can charge more.

16 COUNCILMEMBER MEDEIROS: Right.

17 MR. NAGAMINE: But in reality, we don't do that. We
18 just charge them the minimum.

19 COUNCILMEMBER MEDEIROS: Okay.

20 MR. NAGAMINE: The only exception would be where we
21 have to do one structure that's -- that's got
22 multiple units, and we know it's -- we're going
23 to have to go into each and every unit --

24 COUNCILMEMBER MEDEIROS: I see.

25 MR. NAGAMINE: -- to do that.

1 COUNCILMEMBER MEDEIROS: Thank you, Department.

2 Thank you, Chair.

3 CHAIR PONTANILLA: Thank you, Member Medeiros.

4 The way I understand this is that if
5 someone wants an inspection done during a
6 holiday or on the weekend, which is not our
7 normal work, that we'll be charging the premium
8 to do the inspections?

9 MR. NAGAMINE: Depending on the discipline, but the
10 standard procedure is that if a contractor
11 requests a special inspection at a certain time,
12 let's see it's evening work or, in some cases,
13 over the weekend, what they agree to do is pay
14 for all of our expenses. That would be overtime
15 pay and all that. And on top of the overtime
16 pay, Finance also includes their administrative
17 costs with all the fringes included, so the
18 County really isn't putting anything out for
19 that inspection.

20 CHAIR PONTANILLA: Okay. Fine. So the information
21 the Chair is requesting is for the inspection
22 fees, as well as the plumbing inspection that
23 are done over the weekend, Saturday, Sunday or
24 holidays? And the rest of the fees, the
25 Department take a look at that, make amendments

1 to the fees so that by the next budget we'll
2 include the new rates into Fiscal Year 2009.

3 Thank you, Members.

4 Member Hokama?

5 VICE-CHAIR HOKAMA: Chairman, I have a problem with
6 that.

7 CHAIR PONTANILLA: Go ahead.

8 VICE-CHAIR HOKAMA: You know, if you're going to ask
9 for special inspections, I don't care where you
10 live, you pay the price, or schedule
11 accordingly.

12 So Corporation Counsel, if we don't make
13 the adjustments in this budget now and let's see
14 we do in a budget amendment -- can we do a
15 budget amendment on rates after the Fiscal Year
16 has started? Because if so, I mean we need...

17 MS. VILLAROSA: I believe we can. I believe we can
18 make adjustments to the rates.

19 VICE-CHAIR HOKAMA: In the annual budget?

20 MS. VILLAROSA: Yeah.

21 VICE-CHAIR HOKAMA: It would just be a budget
22 amendment?

23 MS. VILLAROSA: Amendment, right.

24 VICE-CHAIR HOKAMA: Okay. Then hearing that,

25 Chairman, I would just ask that we do what we

1 can within the time allotted and, if we need to,
2 we can always come back, but I would hate to
3 see -- let me ask the Department.

4 What are you relying on when you charge
5 the fees, you're relying on the ordinance,
6 you're relying on your current practice that
7 Finance is agreeing to? What -- what are you
8 folks relying on when you -- when you calculate
9 what the bill would be for a special inspection?

10 MR. NAGAMINE: We actually look at the employee that
11 went out to do the inspection -- inspection. We
12 find out what their pay rate is, and we include
13 that. It's based on that -- that individual.

14 VICE-CHAIR HOKAMA: So if you get one of the senior
15 inspectors at the L class -- L step, they would
16 be assessed more?

17 MR. NAGAMINE: That's correct.

18 VICE-CHAIR HOKAMA: Okay. How did you come up with
19 the two-hour minimum since the contract forces
20 us to pay three hours on a call-out?

21 MR. NAGAMINE: I'm not certain, but I believe the
22 term "minimum" is stated in the -- in the Code.

23 VICE-CHAIR HOKAMA: The Code?

24 MR. NAGAMINE: Yeah.

25 VICE-CHAIR HOKAMA: Was that based on the contract at

1 that time, that we only maybe paid two-hour
2 call-outs?

3 MR. NAGAMINE: No. I don't believe -- well, I don't
4 know the origins of that two-hour minimum.

5 VICE-CHAIR HOKAMA: Okay. You have a problem with us
6 making it so that we -- we match what is the --
7 to match the contract requirements?

8 MR. NAGAMINE: No. I have no problems with that.

9 VICE-CHAIR HOKAMA: Thank you, Chairman.

10 CHAIR PONTANILLA: Thank you.

11 Member Mateo?

12 COUNCILMEMBER MATEO: Chairman, thank you.

13 Would -- would one of your reasons for
14 adding Sunday, weekends, et cetera, or holidays,
15 excuse me, is because your Department does not
16 have enough inspectors to do the job, so, in
17 fact, some of these projects need to be
18 inspected on a Saturday, a Sunday or maybe even
19 on a holiday?

20 MR. NAGAMINE: Well, it's two-fold. First of all,
21 the -- the contractor is requesting the
22 inspections on a weekend, and the second part of
23 that is that our work week for the inspectors is
24 Monday through Friday. And so if the inspector
25 is to accommodate the contractor's request, we

1 would be paying him overtime --

2 COUNCILMEMBER MATEO: So...

3 MR. NAGAMINE: -- for that inspection.

4 COUNCILMEMBER MATEO: So your existing inspectors are
5 able to take care of all the requests without
6 needing to go into the weekend and holidays?

7 MR. NAGAMINE: It's not so much that, it's -- it's
8 just that the contractors aren't requesting
9 inspections over the weekend.

10 COUNCILMEMBER MATEO: Okay. So it has nothing to do
11 with your staffing limitations?

12 MR. NAGAMINE: Well --

13 COUNCILMEMBER MATEO: Because --

14 MR. NAGAMINE: -- I think we're...

15 COUNCILMEMBER MATEO: -- currently two, a plumber and
16 inspectors from my Island --

17 MR. NAGAMINE: Yeah. I think they --

18 COUNCILMEMBER MATEO: -- and they have to come here
19 to work, so we have to do it on Saturdays.

20 MR. NAGAMINE: Yeah.

21 COUNCILMEMBER MATEO: Because they're here Monday
22 through Friday.

23 MR. NAGAMINE: Yeah. Our inspection workload is such
24 that we get to it when we get to it, and it's --
25 I guess it's generally within our contractors'

1 timeframes, so we haven't been getting requests
2 for them to come out special on the weekend.

3 COUNCILMEMBER MATEO: So just -- just for information
4 purposes then, when they come home to Molokai
5 and they -- they're going to be doing
6 inspections on Molokai projects because they
7 work here Monday through Friday, do they get
8 charged this new -- this new rate because it is
9 a Saturday or a Sunday?

10 MR. NAGAMINE: If -- if they got a request to inspect
11 over the weekend?

12 COUNCILMEMBER MATEO: No, to request period, because
13 we don't have inspectors on Molokai.

14 MR. NAGAMINE: That's correct.

15 COUNCILMEMBER MATEO: They're here working.

16 MR. NAGAMINE: Right.

17 COUNCILMEMBER MATEO: So when they go home -- we had
18 this conversation earlier where one of your
19 recommendations was they could inspect Saturday.
20 So if they're going to come home to Molokai and
21 inspect on Saturday, do they get charged this
22 additional fee?

23 MR. NAGAMINE: Yeah. When that --

24 COUNCILMEMBER MATEO: Yeah?

25 MR. NAGAMINE: -- that problem was brought to my

1 attention, we made it a point so that the
2 building inspector would spend one day -- at
3 least one day a week on Molokai, and I believe
4 he spends Monday on Molokai, and the plumbing
5 inspector is there on Fridays. So they're both
6 there at least one day a week.

7 COUNCILMEMBER MATEO: Okay. Well, it's just,
8 Chairman, I have a difficulty in thinking that
9 all projects will be available for inspection
10 always on Mondays. So, you know, I'm worried
11 about the additional costs, especially for the
12 rural communities that do not have that kind of
13 ability to add on additional costs.

14 Thank you, Chair.

15 CHAIR PONTANILLA: Thank you.

16 Member Baisa?

17 COUNCILMEMBER BAISA: Yes. I have some experience as
18 the spouse of an inspector, a former inspector.
19 Is there any differential for nights?

20 MR. NAGAMINE: Yes, I believe there is. I -- I don't
21 know exactly what the differential is, but there
22 is a differential.

23 COUNCILMEMBER BAISA: Is that shown in our fee
24 schedule that we -- how much more we pay for
25 doing installations at night? And much of it is

1 done in -- at night.

2 MR. NAGAMINE: Yeah. Again, if there is a request
3 for inspections during -- outside of the
4 inspector's normal work hours, then the
5 contractor is expected to pay for all those
6 expenses.

7 COUNCILMEMBER BAISA: So then we should have a fairly
8 good idea of what the normal cost is, because
9 we're constantly submitting these requests to
10 contractors -- I mean, requests for payment or
11 reimbursement to contractors?

12 MR. NAGAMINE: No. Off the top of my head, I
13 wouldn't know.

14 COUNCILMEMBER BAISA: Okay. Thank you very much.

15 CHAIR PONTANILLA: So question, so Monday through
16 Friday after eight hours, we pay our guys
17 overtime to do inspections. If a contractor or
18 somebody requests inspections after hour, the
19 contractor pays the County the time that the
20 inspectors spent inspecting the particular
21 project and would cover all of our costs?

22 MR. NAGAMINE: Yeah, it's not just the inspector's
23 time but it's our expenses, because we have to
24 pay the employee overtime and then there's also
25 fringes that need to be paid as well.

1 CHAIR PONTANILLA: So that covers the -- that cost is
2 covered --

3 MR. NAGAMINE: That's correct.

4 CHAIR PONTANILLA: -- after eight hours? Okay.
5 Fine.

6 Member Medeiros?

7 COUNCILMEMBER MEDEIROS: Thank you, Chair.

8 I just want to follow up with my initial
9 question which was also asked by Member Mateo.
10 Say for Hana, do you schedule certain weeks of
11 the month for Hana, or is it upon request by a
12 contractor or homeowner builder?

13 MR. NAGAMINE: It's -- it's basically upon request.
14 When there's work -- when there's something to
15 be inspected out there, then we go out and
16 inspect.

17 COUNCILMEMBER MEDEIROS: Okay. And so how soon can
18 you accommodate a request, how many days, how
19 many weeks before you go out there?

20 MR. NAGAMINE: I think it would vary depending on the
21 discipline, whether it's building, electrical
22 and plumbing. But I would have to get that
23 information for you.

24 COUNCILMEMBER MEDEIROS: And -- and the reason why I
25 say it's difficult for rural areas is that if a

1 contractor is building and needs a plumbing
2 inspection in order to close up a plumbing wall
3 so that they can continue the process of the
4 construction, they're held to wait. And when
5 you involve materials being delivered,
6 subcontractors, then it presents a real
7 difficulty on that contractor or that homeowner
8 builder.

9 So sometimes, the only time they can get
10 the inspection is during the weekend or holiday,
11 and so are we penalizing them because we cannot
12 accommodate them on a weekday?

13 MR. NAGAMINE: I don't know. I'd have to go and
14 check with my supervisors on that whether or not
15 they're putting off work for that reason.

16 COUNCILMEMBER MEDEIROS: So -- so you feel that if
17 somebody in Hana requests an inspection, they
18 pretty much will get it during the weekday?

19 MR. NAGAMINE: That's correct.

20 COUNCILMEMBER MEDEIROS: And it will be within a week
21 or a two weeks?

22 MR. NAGAMINE: Again --

23 COUNCILMEMBER MEDEIROS: Something reasonable?

24 MR. NAGAMINE: -- I'd have to go get back, but
25 presumably, I would think within -- within a

1 week.

2 COUNCILMEMBER MEDEIROS: Okay. Thank you.

3 Thank you, Chair.

4 CHAIR PONTANILLA: Thank you.

5 Mr. Johnson?

6 COUNCILMEMBER JOHNSON: Yes. With regard to

7 Mr. Pablo's comments and kind of an in-depth
8 analysis of all of these, because obviously the
9 ones that we have in front of us are only those
10 that are being switched from the Code over to
11 the Budget Ordinance. There's a whole --

12 CHAIR PONTANILLA: Bunch of them.

13 COUNCILMEMBER JOHNSON: -- bunch, to put it mildly,
14 that are in -- already in effect. About the
15 actual enactment, will we, as a Council, have to
16 wait for the Administration to propose a change,
17 or do we have control over the rates and fees in
18 the Budget Ordinance, or do we have to wait for
19 the Mayor to propose changes once the analysis
20 is done?

21 CHAIR PONTANILLA: Once the analysis is done,
22 according to Corp. Counsel, we have the ability
23 to amend.

24 COUNCILMEMBER JOHNSON: Okay. And Mr. Pablo,
25 because, you know, I realize this is kind of a

1 big task that you have, will you be taking this
2 out to public hearing for comments? Because
3 obviously some of these fees -- just what you're
4 hearing from the Council alone -- are going to
5 impact different people in different ways. Will
6 you be open to taking this out to the public?

7 MR. PABLO: That's an -- that's an idea that we can
8 entertain. Right now what we would like to do
9 is get together with each Department, beginning
10 in June, to go through the pertinent pages that
11 covers that Department. And then we would
12 probably bring this up at the community meetings
13 perhaps in -- in September and October.

14 COUNCILMEMBER JOHNSON: Okay. Thank you.

15 COUNCILMEMBER VICTORINO: Mr. Chair?

16 CHAIR PONTANILLA: Before I call on Member Victorino,
17 the Staff and I have been reviewing the Budget
18 Ordinance, as well as the Rates and Fees
19 Ordinance, and there's a lot of things that need
20 to be amended. For five years, I've been on
21 this Budget Committee, there were very few
22 changes ever made, so we're in the process,
23 along with the Administration, in trying to
24 correct some of the languages, as well as the
25 fees, in both the Budget Ordinance as well as

1 the Rates and Fees Ordinance.

2 So Members, this is a big task and --
3 you know, we just can't do it overnight but
4 we're in the process of doing that. As I say,
5 you know, for the last five years, other than
6 certain fees that has changed, we hasn't -- we
7 haven't changed anything. So it's about time
8 that we take positive action and move forward
9 in -- in updating those fees.

10 Member Victorino?

11 COUNCILMEMBER VICTORINO: Yes, Mr. Chair, and, you
12 know, basically that was my request that we take
13 a look at everything, and you've kind of
14 answered that question.

15 The second thing I wanted to bring up
16 was the fact that whenever we set a minimum, if
17 the minimum is set due to the contractor or
18 whoever the requestee is, then that should be
19 paid by them. I think we should make sure that
20 there's something put in there that if the
21 requestee for the time and date that they're
22 requesting we're unable to fulfill that due to
23 shortage of manpower, lack of ability, that any
24 additional costs not be subject to them.

25 Whether you're talking the outlying Districts,

1 whether you're talking Wailuku, it doesn't make
2 a difference. In business, you eat costs when
3 you can't complete what you're contractually
4 agreed upon, okay?

5 And I think the County government has to
6 start looking at being that type of pro-active
7 business. If we cannot, then we must let them
8 know that we cannot. And if we're the one
9 that's responsible, that we don't put an extra
10 burden on that individual.

11 However, if a contractor or an
12 individual said, "I can only be there Saturday,
13 I can only be there Sunday," then, yeah. Then I
14 don't have no qualms in saying, "Excuse me,
15 Mr. Pontanilla, you're going to pay because
16 that's the only time you can be there." But
17 when it's our responsibility that we cannot
18 fulfill our obligation within a reasonable time,
19 of course -- I'm not saying tomorrow, but if we
20 set a week or ten days, whatever we set, if we
21 can not fulfill it, then I think we, as a -- as
22 a government or as a department should be able
23 to absorb any additional costs.

24 Anything other than that, we should
25 never penalize our outlying districts or any

1 area because of our ineptitude or our inability
2 to fulfill our obligation.

3 Thank you, Mr. Chair.

4 CHAIR PONTANILLA: Thank you.

5 Members, any more comments, questions?

6 COUNCILMEMBER MATEO: Chairman, point of...

7 CHAIR PONTANILLA: Member Mateo followed by Member
8 Hokama.

9 COUNCILMEMBER MATEO: Chairman, thank you very much.

10 I -- I commend you for wanting to make
11 all of the respective changes because changes
12 are just massive, and I think -- I think ignored
13 throughout the number of years. And even though
14 I resent doing another department's or another
15 entity's job, because I think we have enough at
16 this point, I think it has to do with the
17 ability of passing a clean document, a document
18 that is updated.

19 And I -- I think, you know, Mr. Pablo,
20 in his position, is going to have to -- you
21 know, he's new on the -- on the job and like
22 anything else, you know, it does come with its
23 responsibilities new or not. There are
24 challenges here. And for this Council to have
25 received a document like this, it's kind of

1 embarrassing. But nonetheless, it is years
2 accumulated of being ignored.

3 So I commend you and your Staff for
4 wanting to take on this responsibility, and I
5 think I've said too much.

6 CHAIR PONTANILLA: Thank you.

7 Member Hokama?

8 VICE-CHAIR HOKAMA: You know, I just wanted
9 clarification, Chairman. So we are not going to
10 do the revisions at this time --

11 CHAIR PONTANILLA: At this time the...

12 VICE-CHAIR HOKAMA: -- if appropriate?

13 CHAIR PONTANILLA: Go ahead.

14 VICE-CHAIR HOKAMA: And again, Chairman, if -- if
15 it's not appropriate -- if -- if -- well, I
16 would just say fees, whatever we set, is to take
17 care of a specific request for a specific entity
18 or person. Okay. And we all know the impact of
19 the construction industry. Just abutting our --
20 our property, Chairman, Crown Development, okay?
21 They made promises of delivery to purchasers, so
22 they put the pressure on the Departments to take
23 care of inspections, especially when they're
24 falling behind schedule, and promising people,
25 "We're going to deliver your house by tomorrow,"

1 you need one rush inspection, right? Although I
2 don't know how to get away with the certificate
3 of occupancy, because there's no such thing in
4 the law called temporary certificate of
5 occupancy. It's either a CO or you don't have a
6 CO, okay?

7 But those are the top -- some of the
8 factors that the Divisions, and Departments are
9 having trying to respond to by promises and
10 guarantees made by contractors or developers
11 selling those lots and units to the prospective
12 buyers.

13 And then they in turn, right, the
14 potential property buyer has scheduled their
15 loan, the selling of a former asset to offset
16 the cost or -- everything is so tight. Okay.
17 The burden now is on our people to perform
18 during non-standard hours. Okay. That is not
19 supposed to be eaten by the General Fund.
20 Because why is everybody paying for one specific
21 person or company's request? I don't think
22 that's right.

23 CHAIR PONTANILLA: I agree with you, Mr. Hokama. And
24 that's the intentions of this Chair in regards
25 to any inspections that are done on the weekends

1 as well as holiday, that we shouldn't be eating
2 that cost. Whoever is requesting that
3 inspection should be the ones that pay this
4 County to recover our costs.

5 Member Baisa?

6 COUNCILMEMBER BAISA: Chair, I'm kind of new to this
7 game but I do understand cost reimbursement. Is
8 it possible that this rate schedule could say
9 that the County needs to be reimbursed for any
10 costs, extraordinary costs involved? Because
11 it's got to be computed so they can bill the
12 contractor so why can't -- you know, why can't
13 we just say that?

14 CHAIR PONTANILLA: Department?

15 MR. NAGAMINE: It could be. It could be revised
16 to -- to read that way.

17 COUNCILMEMBER BAISA: And it's tailored to each
18 individual situation.

19 CHAIR PONTANILLA: Thank you.

20 Any more comments, questions, Members?

21 If not, I think looking at the time,
22 it's almost noon, and the Chair would call for a
23 recess at this time. We'll return at 1:30.
24 This meeting is in recess. (Gavel.)

25

1 **RECESS:** **11:55 a.m.**

2 **RECONVENE:** **1:35 p.m.**

3 CHAIR PONTANILLA: (Gavel.) The Budget and Finance
4 Committee meeting is reconvened.

5 Thank you, Members, for the lunch break.

6 Again, at this time, I'd like to
7 introduce the Public Works Director, Milton
8 Arakawa, as well as the Division Manager for
9 Wastewater, Mr. David Taylor.

10 Members, this afternoon, we're going to
11 be reviewing -- the first item is the sewer
12 rates.

13 Mr. Arakawa, opening comments?

14 MR. ARAKAWA: Mr. Chair, I assume we're starting on
15 page 28 of the Appendix B and we're --

16 CHAIR PONTANILLA: Yes, we are.

17 MR. ARAKAWA: -- open to any questions.

18 CHAIR PONTANILLA: Okay. Fine.

19 Members, I hope you had a chance to
20 review the sewer rates that is being proposed.
21 And, Mr. Victorino, do you have any questions in
22 regards to the sewer rates?

23 COUNCILMEMBER VICTORINO: Yeah.

24 CHAIR PONTANILLA: Beginning on page 28.

25 COUNCILMEMBER VICTORINO: 28, yeah. Got it. Yeah.

1 Basically, I -- I see that we're looking at a
2 hefty increase which I think all of us -- well,
3 I think the public needs to know. Maybe I
4 understand but maybe other people don't.

5 But let's start out with the -- the
6 meter -- the monthly meter water usage. I think
7 that's one of those things that people ask us
8 all the time and you had a good explanation,
9 Director, so if you would give that explanation
10 to the people so they have an understanding of
11 how that water -- Excuse me. I lost my place
12 now. The monthly meter water usage.

13 MR. TAYLOR: How the wastewater -- how -- how the --
14 how everyone's bill is calculated is a base
15 charge, plus an additive value that's based on
16 how much volume they use.

17 COUNCILMEMBER VICTORINO: Okay.

18 MR. TAYLOR: So the monthly usage is basically the
19 multiplier -- they multiply that by the -- by
20 the number of gallons they use to come up with
21 that addition to the base charge. So those are
22 really the two parts of everyone's sewer fee,
23 whether it's residential or commercial or
24 multi-family. So there are different base
25 charges and different multipliers for volume.

1 COUNCILMEMBER VICTORINO: Because I can see here the
2 biggest change or the biggest percentage of
3 increase, you're going from 225 to 285 are 26,
4 almost 27 percent increase, right? So, you
5 know, I think people need to know up to the
6 9,000 gallons, is that the limit? So if you use
7 10,000, 11,000, 12,000, no difference from that
8 point forward or...

9 MR. TAYLOR: That is correct.

10 COUNCILMEMBER VICTORINO: So when you go -- you're
11 basing it between 1,000 to 9,000, and that's it?

12 MR. TAYLOR: That's correct.

13 COUNCILMEMBER VICTORINO: And so you have the base,
14 which is going up to \$21 from the 18, plus this
15 285 up to the first 9,000 gallons, and that's
16 the max a residential would be charged.

17 MR. TAYLOR: I couldn't have explained it better.

18 Thank you.

19 COUNCILMEMBER VICTORINO: Thank you. Well, I'm glad
20 we've got that one clear, because a lot of
21 people hit us with this question.

22 And then I look down one more is -- so
23 then the maximum family -- a flat fee for a
24 single family or duplex is going to go up to
25 \$42?

1 MR. TAYLOR: That is correct.

2 COUNCILMEMBER VICTORINO: Okay. And that's a 21
3 percent increase. As I see right across the
4 board, you're averaging pretty close to about --
5 for families, condos and other dwellings,
6 approximately 20 percent average across that,
7 right?

8 MR. TAYLOR: That's correct.

9 COUNCILMEMBER VICTORINO: Okay. And I know -- maybe
10 you can -- what would be the real reason -- or
11 what is the reason for this increase? People
12 need to know. What is the real reason? What
13 are we trying to do now so that they understand
14 that this money is being put to good use,
15 please?

16 MR. TAYLOR: The real reason goes back to our
17 original presentation that we gave about three
18 weeks where we focused on the fact that the
19 original wastewater system was paid for almost
20 exclusively, 90 percent, with federal dollars.
21 As that original system has reached the end of
22 its useful life, we have to replace it now
23 with -- with our own money.

24 The wastewater fees we've been paying
25 for the last 30 years in this community have

1 never represented the real cost of owning and
2 operating the system because of the huge federal
3 subsidy. So the rates have been going up
4 because we are trying to make up the difference
5 and actually get to the point where the rates
6 represent the true cost of owning, operating and
7 replacing, you know, this -- this very expensive
8 system.

9 COUNCILMEMBER VICTORINO: So another example of the
10 reduction in federal subsidies that has come
11 back to haunt us; now our users will have to pay
12 out of their own pocket that difference that we
13 no longer get subsidized with?

14 MR. TAYLOR: That's correct.

15 COUNCILMEMBER VICTORINO: Thank you. Again, another
16 example of Federal government cutbacks, but I'll
17 leave -- leave the other questions to my
18 colleagues. I have a few more. If they don't
19 ask them, I'll ask them when they -- when I have
20 a second chance.

21 Thank you, Mr. Chair. Thank you,
22 Mr. Director.

23 CHAIR PONTANILLA: Thank you.

24 Member Molina?

25 COUNCILMEMBER MOLINA: Thank you, Mr. Chairman.

1 Good afternoon, Mr. Taylor. Boy, I
2 don't know how to follow up on that line of
3 questioning from Councilmember Victorino. That
4 was quite -- quite a good interrogation session
5 there because a lot of those questions, you
6 know, I pretty much along -- I was along the
7 same lines with --

8 COUNCILMEMBER VICTORINO: Thank you, Mike.

9 COUNCILMEMBER MOLINA: -- Councilmember Victorino.

10 COUNCILMEMBER VICTORINO: Thank you.

11 COUNCILMEMBER MOLINA: Thank you. You know, so -- so
12 in a nutshell, you're basically justifying the
13 increases based on the lack of funding from the
14 Federal government which has subsidized this
15 program for many, many years. Because, you
16 know, we -- we have to consider not only your --
17 your requests for rate increase, but we're
18 looking at rubbish and water as well.

19 So we -- we have a tough -- we're in a
20 tough position of justifying this to our
21 constituents so, again, because of the lack of
22 federal moneys that was used to subsidize this
23 program, and -- and I guess a good case can be
24 made with what happened on Oahu about a year
25 ago, right?

1 So I -- I think from talking to -- to
2 people on the street, I think they can accept an
3 increase, but for us, it's how much. So, you
4 know, the shock, you know, that some people may
5 experience. So if -- if you could just
6 elaborate a little bit more, what -- what, in
7 your opinion...

8 You know, we're factoring this in with
9 your request for CIPS -- there's like 25 million
10 in CIPs. If we chose not to give you this rate
11 increase that you're requesting, what can you do
12 without, Mr. Taylor? What -- can you just
13 highlight what is the most critical areas that
14 you need a rate increase for?

15 MR. TAYLOR: Thank you, Member Molina. That's a --
16 that's a wide question. I'll try to keep it
17 kind of brief.

18 COUNCILMEMBER MOLINA: Thank you.

19 MR. TAYLOR: What we tried to show over the past few
20 times we've been here in the past few weeks is
21 that what -- our global performance measures,
22 which is how we started our original
23 presentation are reliability of the system, and
24 then expansion of the reclaimed water system,
25 and then expansion of sewer system.

1 We are 100 percent solely focused on the
2 reliability of the system. We already cut
3 everything else out. We're not expanding
4 anything. We're not providing more services.
5 We're not providing better services, so we are
6 totally focused on trying to keep the same level
7 of service that the community is used to.

8 We knew that we were -- when we were
9 putting the budget together, we knew we were
10 looking at a big rate increase, and so to kind
11 of simplify it, to give clarity, that's why we
12 cut everything else out. And so we -- we
13 basically have presented you a budget, which is
14 only trying to provide the same level of service
15 we've always had. There is nothing extra.

16 So when you ask what could we cut, we
17 could cut service. We could -- we could have
18 more sewer spills. We could have more days that
19 we don't meet Federal and -- and State
20 requirements. That's really the only thing we
21 could cut.

22 And if we get to the point of discussion
23 where this rate increase isn't going to be
24 supported by the Council and we're looking for
25 cuts, we're going to have to have a very serious

1 discussion about where is the community willing
2 to have a lower level of service, is there
3 areas, is there -- and essentially, it would
4 basically be where do you want to take more risk
5 of spilling sewage to the environment?

6 So I'm not comfortable recommending
7 anything to be cut. And again, we built this
8 budget to kind of make that statement. It's --
9 it's sort of a minimum reliability budget to
10 provide this level of service that the community
11 expects, and there's really no -- nothing extra
12 in it.

13 COUNCILMEMBER MOLINA: Okay. All righty. And
14 ultimately, we're going to have to make that
15 decision, but for me, it's just we're walking --
16 I guess a -- what's that? Doing a trapeze act,
17 walking the -- the line when we're looking at
18 all of our other requests for rate increases.

19 So, you know, I thank you, Mr. Taylor,
20 for giving us further insight on why the need
21 for, you know, this increase.

22 Thank you, Chairman.

23 CHAIR PONTANILLA: Thank you.

24 Fast question. How does the sewer
25 rates -- how does the water rates affect the

1 sewer rates?

2 MR. TAYLOR: The water rates do not affect the sewer
3 rates. The sewer rates are based upon water
4 usage, so if people use more water, their sewer
5 rates will go up. I suppose you could make a --
6 kind of a connection to say if water rates go up
7 and that gets people to use less water, their
8 sewer rates won't go up as quickly, so there's a
9 loose collection but there is no direct
10 connection in the billing.

11 CHAIR PONTANILLA: Okay. And as far as the rates
12 themselves, increasing the rates, does this --
13 does that pay a direct effect in regards to
14 consent decrees?

15 MR. TAYLOR: The rates aren't dictated in any way by
16 the consent decree, but because so many -- so
17 much of the operation's effort and the CIP
18 projects come from the consent decree, the rates
19 are necessary to generate the revenue to support
20 the consent decree projects. So if we didn't
21 have the rates and didn't have the funding, yes,
22 I think it's very likely that we would have
23 difficulty meeting the consent decree
24 requirements.

25 CHAIR PONTANILLA: Thank you. Member --

1 COUNCILMEMBER MOLINA: Chairman, I'm sorry. Can I
2 request one quick follow-up here?

3 CHAIR PONTANILLA: Sure.

4 COUNCILMEMBER MOLINA: I got Member Medeiros'
5 position -- permission, so thank you. I'm
6 sorry. It just came to mind.

7 Mr. Taylor, you know, recently we had
8 the water rate study telling us that it's
9 recommending that we raise rates for seven
10 consecutive fiscal year for eventual
11 self-sufficiency. What is the position for the
12 Wastewater Division? I mean, is this something
13 that we're looking at to -- for you folks to
14 eventually become self-sufficient, and how much
15 more increases can you foresee this division
16 would need to become self-sufficient?

17 MR. TAYLOR: We did a similar study a number of years
18 ago, and that move to move in the -- I think it
19 was in the -- in the early '90s to become
20 self-sufficient. Before that point, we used to
21 be subsidized by General Fund and property
22 taxes. We've been self-sufficient since the mid
23 '90s. I don't remember the exact time. But
24 this budget the last few years and -- and our
25 current philosophy is that we are planning to

1 remain self-sufficient as we are in the FY-08
2 budget proposal.

3 COUNCILMEMBER MOLINA: Okay. All right. Thank you.

4 Thank you, Chairman.

5 CHAIR PONTANILLA: Thank you.

6 Member Medeiros?

7 COUNCILMEMBER MEDEIROS: Mahalo, Chair.

8 How long have it -- has it been since
9 sewer rates or charges have been connected with
10 water? Because at one time they were
11 independent of each other.

12 MR. TAYLOR: I do not have that information.

13 COUNCILMEMBER MEDEIROS: Okay. Now, there's a
14 monthly base charge, then there's a usage
15 charge. And in the usage charge, because it's
16 connected to water, whatever water goes through
17 your water meter is what affects your sewer
18 rate, your sewer charges; is that correct?

19 MR. TAYLOR: That's correct.

20 COUNCILMEMBER MEDEIROS: Okay. So there's no
21 accommodation made in the rate for when you wash
22 your car, wash your windows, water your lawn or
23 landscaping that doesn't go into the sewer
24 system. Has there been a consideration about
25 that?

1 MR. TAYLOR: Yes, and actually that's factored in.

2 That -- that came out of this -- these rate
3 studies that have been done. For single family,
4 the assumption that's built into the rates is
5 that 55 percent of the water is used for
6 irrigation or other sources that don't go to the
7 sewer. For multi-family, that number is
8 35 percent, and for non-residential, that's
9 20 percent, so that is already factored into the
10 rates.

11 COUNCILMEMBER MEDEIROS: Okay. I'm happy to hear
12 that -- that there was some consideration for
13 that.

14 Explain to me -- it says, "Dwellings not
15 served by County system monthly." What does
16 that mean?

17 MR. TAYLOR: Because we use the water meter readings
18 to add this charge, there are a few places in
19 Maui County that have County sewer but do not
20 have County water: Kaanapali, Lanai, Kualapuu.
21 So we don't have any reading about how much
22 water they're using, so those people just get a
23 flat rate.

24 COUNCILMEMBER MEDEIROS: So they just get a monthly
25 base charge or a flat rate?

1 MR. TAYLOR: That's correct. And as you can see, the
2 monthly base charge is a little higher than the
3 base.

4 COUNCILMEMBER MEDEIROS: Right.

5 MR. TAYLOR: Not quite as high as the max.

6 COUNCILMEMBER MEDEIROS: Right.

7 MR. TAYLOR: So the assumption is that all of those
8 people who have County sewer, but not County
9 water, are using -- I don't remember exactly the
10 number, but say 70 or 80 percent of the max.
11 Somewhere in that range.

12 COUNCILMEMBER MEDEIROS: I see. And -- and explain
13 to me -- because I'm not familiar with this
14 either, Haliimaile per month per dwelling unit.

15 MR. TAYLOR: In Haliimaile, we operate the collection
16 system, which is just a series of gravity lines.

17 COUNCILMEMBER MEDEIROS: Okay.

18 MR. TAYLOR: But Maui Land and Pine still operates
19 the treatment ponds, so that's a special place
20 where the people there are getting some sewer
21 service. You know, we take care of their lines,
22 but we don't run a treatment plant, and so that
23 value was -- was come up with to kind of
24 represent the actual cost of operating that kind
25 of unique --

1 COUNCILMEMBER MEDEIROS: So that's just --

2 MR. TAYLOR: -- system.

3 COUNCILMEMBER MEDEIROS: -- a monthly base charge

4 also?

5 MR. TAYLOR: That's correct.

6 COUNCILMEMBER MEDEIROS: Okay. Okay. Thank you,

7 Mr. Taylor.

8 Thank you, Mr. Chair.

9 CHAIR PONTANILLA: Thank you.

10 Member Johnson?

11 COUNCILMEMBER JOHNSON: I don't really have any

12 questions because I -- I believe that the

13 Department knows what they need at this point,

14 and I think they have justification and a

15 history for doing it, so I'm not going to

16 question their -- their rate increase.

17 CHAIR PONTANILLA: Thank you.

18 Member Baisa?

19 COUNCILMEMBER BAISA: Thank you, Chair.

20 I certainly understand the need for what

21 you need to do, and I think it's very well laid

22 out. And I congratulate you on how well you

23 present your case.

24 Of course, I've heard the complaints,

25 and Member Medeiros asked the question that my

1 husband's golf buddies always say, "You know, we
2 use a lot of our water to water the yard, and
3 why do you have to pay sewer fees on that?" So
4 you've answered that question for me.

5 So I know that it's painful to increase
6 anything, but it's going to be a lot more
7 painful if we wind up like Oahu. So thank you.

8 CHAIR PONTANILLA: Thank you.

9 Member Mateo?

10 COUNCILMEMBER MATEO: Chairman, thank you. Real
11 short and real brief.

12 Considerations of a -- a fee increase is
13 one that I am not -- that I'm not ready to say
14 yes to, and I'll just reiterate my same comments
15 like during the discussion with the Department.
16 Until we realize a master plan that will
17 demonstrate to this community the total picture,
18 instead of just giving us a snapshot, I am not
19 ready to support a fee increase.

20 Thank you.

21 CHAIR PONTANILLA: Thank you.

22 Member Hokama?

23 VICE-CHAIR HOKAMA: Thank you, Chairman.

24 Mr. Taylor, Director Arakawa, Lanai,
25 as -- again as you stated, is one of those

1 special programs that is tied to a private water
2 systems billing, which is Lanai Water Company.
3 And the Members have -- have the basic
4 operational and staffing needs. And even if I
5 was to take a conservative 800 units on Lanai
6 hooked up to our system, you know, we're going
7 to be bringing a lot more money than what we're
8 expending.

9 So you need to help me be able to, one,
10 understand, and then, two, be able to help
11 explain to the Lanai community how this proposed
12 increase of 21 percent is calculated so that for
13 Lanai, which runs a pretty efficient low-cost
14 program, why it's a fair increase for them also,
15 please?

16 MR. TAYLOR: I think the best answer to that is, as a
17 community, Maui County, at least the part of
18 Maui County that's sewerred, I think we look at
19 it as one community, and we all put in an equal
20 amount, and we all get a reasonable level of
21 reliable service. And some years, it's going to
22 be higher than others in other years.

23 In Lanai City, for example, we may find
24 that a major gravity line needs to be replaced,
25 and it may cost \$8 million, and that cost will

1 be shared by everyone in the County, so they
2 won't be expected to be on their own if that
3 happens. And that's the same for all of the
4 sewerred areas.

5 So I would say that that's pretty
6 consistent with the Water Department, with Maui
7 Electric, Verizon, all the utilities really in
8 Maui County, I think, have basically the same
9 philosophy is that we provide a reasonable level
10 of service, especially for health and safety
11 issues, regardless of where you are and exactly
12 what that costs. And I think that's -- that
13 philosophy is really built into these rates.

14 And -- and that's how I would explain
15 it, and that's how I would explain it to the
16 public, that it may be next year or the year
17 after there may be -- may be a huge cost that
18 they will not expect -- that they will not be
19 expected to bear alone.

20 VICE-CHAIR HOKAMA: And -- and I appreciate your
21 comment, and I'm sure from experience what you
22 say is, you know, well supported, Mr. Taylor.
23 So maybe you can help us then understand why
24 those served by a non-County water system, what
25 is the rationale to move just to a monthly rate

1 versus how we calculate everything else, please,
2 which is, you know, by actual usage of per
3 thousand gallons?

4 MR. TAYLOR: It really just comes down to the
5 practicality of the data of water use. We pay
6 the Water Department to do our billing for us,
7 so the Water Department has exact readings of
8 every meter of their customers. So when we have
9 these private companies, Lanai Water Company,
10 Kaanapali Water, we don't have access through
11 our billing to know what those individuals --
12 what their volume was, so we just don't have the
13 water meter data from non-County water utilities
14 to do our calculations, so we -- we're sort of
15 forced to -- to give a flat rate because we
16 don't have any access to their flow -- their use
17 data.

18 VICE-CHAIR HOKAMA: Okay. So we -- we're moving from
19 34.50 to 42 for our community on Lanai. How
20 much water would a Maui household need to use
21 paying the County water rate with your -- with
22 your charges, what would be for Lanai the amount
23 of water that would equal 42 -- I guess, this
24 \$42 charge, are we talking about, like,
25 20,000 gallons a month?

1 MR. TAYLOR: That would be just under 8,000 gallons.

2 Somewhere around -- I'm just interpolating

3 some --

4 VICE-CHAIR HOKAMA: Yeah. Yeah.

5 MR. TAYLOR: -- numbers.

6 VICE-CHAIR HOKAMA: Just give me an estimate.

7 MR. TAYLOR: I'd say around 7,500 gallons a month.

8 VICE-CHAIR HOKAMA: Of water use?

9 MR. TAYLOR: Yes. That would be equivalent -- a Maui
10 single family resident using, say, 8,000 gallons
11 would pay \$43.80, so you can see it's just a
12 little bit less than that.

13 VICE-CHAIR HOKAMA: Okay. A month. Okay. I
14 appreciate that. And again, just so that maybe
15 my fellow Committee Members can appreciate,
16 Lanai, into the '70s, was on a -- like everybody
17 else and for many places, as you can recall, the
18 reason why we separated sewer and water in the
19 past was that majority of the County was on
20 cesspools yet. So there wasn't a system that we
21 have today to -- to do a coordination of
22 billings and whatnot.

23 And so, you know, when we went to sewer,
24 of course, we still had lot of homes on Lanai
25 that still had very good functioning cesspools

1 and, of course, we -- the law made everybody
2 convert, so -- so now, we're doing about \$504 a
3 year just for sewer, and then we're going to add
4 our -- our water bill.

5 Mr. Director, I would ask that you may
6 want, as we implement this things, to consider
7 maybe having Solid Waste and Wastewater go to
8 the various regions of our County and do an
9 informational maybe meeting with our residents,
10 so that we can share this information and get
11 more people knowledgeable of why we're doing
12 certain things and how -- how the County's
13 calculating the costs of future improvements in
14 maintaining a stable and safe program, please.
15 I would appreciate that consideration.

16 MR. ARAKAWA: Okay. It's a point well taken and
17 we'll -- we'll do that.

18 MR. TAYLOR: Thank you, Chairman.

19 CHAIR PONTANILLA: Thank you.

20 Member Molina?

21 COUNCILMEMBER MOLINA: Thank you, Chairman.

22 Mr. Taylor, you're a very popular guy
23 today. Another subject. Something that came to
24 my mind was cesspool and septic tank pumping
25 increases there. In my District, you know,

1 there's several accounts, Upcountry, a lot of
2 cesspools, so I'm sure I'll have some
3 constituents calling about the proposed
4 increases.

5 Can you elaborate a little bit -- I know
6 the County doesn't pump sludge, and I know
7 private companies, they're charging typically
8 what for pumping, is it like -- I would presume
9 much more than the County; am I correct?

10 MR. TAYLOR: I think that private companies, I
11 believe, charge less, and I -- I don't have the
12 data on this, but I think like last year in
13 2006 -- if I recall the numbers, I think the
14 County only pumped around 50 cesspools or septic
15 tanks, and half of those were on Molokai. So
16 all the cesspools and septic tanks on Maui are
17 in East Maui. So in all of East Maui of the
18 hundreds of septic tanks, only around 25 of them
19 were pumped by the County. So I think most
20 people are using the private haulers. I can
21 only imagine that's because they're charging
22 less. I don't have exact information other than
23 this -- this program has been shrinking and
24 shrinking and shrinking, and it -- it's a very
25 small program at this point.

1 COUNCILMEMBER MOLINA: Yeah. I can recall when I
2 first came on the Council, the Public Works
3 Director then, Mr. Goode, had talked about the
4 County phasing out pumping so -- which leads me
5 to ask, so we're charging more basically for
6 doing less than what a private pumper is
7 doing -- is doing?

8 MR. TAYLOR: Our program is a little different than
9 theirs in that -- and I apologize for not
10 knowing this off the top of my head. It comes
11 up so little. Frankly, our accountant just
12 handles it with Highways, and I -- I don't
13 really get involved with this because it's such
14 a small program. And as we said the other day,
15 Highways staff actually does all the work. None
16 of our staff does this. Our accountant just
17 moves the money.

18 So I think that what we do now is we
19 charge a base fee, and that's good, I think, for
20 two pumpings a year, I believe, whereas the
21 private haulers charge per pump.

22 COUNCILMEMBER MOLINA: Right.

23 MR. TAYLOR: So if you need it twice a year, it might
24 be cheaper to use -- to have us do it. And I
25 think we used to pump up to four times a year

1 for that fee, so that's when we were losing --
2 losing a lot of money because we were pumping
3 some of these problem residences four times a
4 year. Once that goes down to two times a year,
5 you either have a problem with your septic tank
6 or you don't. If you don't have a problem,
7 you're not going to need to pump it more than
8 once a year anyway, in which case, a private
9 hauler is probably a better deal for you,
10 because you only pay for that one. You know,
11 with us, we're -- we have a rate assuming that
12 you're going to get both pumpings, so it's
13 probably a little higher. So I think that's
14 probably why.

15 And I apologize. I -- I don't know the
16 ins and outs of this program because we -- we
17 rarely -- I rarely have any interaction with it,
18 but I think that's why it's been phasing out and
19 that's why people have been mostly counting on
20 the private haulers.

21 COUNCILMEMBER BAISA: Okay. All right. Thank you,
22 Mr. Taylor.

23 Thank you, Chairman.

24 CHAIR PONTANILLA: Thank you.

25 Member Medeiros?

1 COUNCILMEMBER MEDEIROS: Thank you, Chair.

2 I just wanted to follow up on one -- a
3 couple questions. First of all, because Hana,
4 we don't have sewer systems, we're on septic
5 tanks or cesspools, how often -- how often does
6 the sewer bill come with the water bill?

7 MR. TAYLOR: The sewer bill only comes if you're
8 hooked up to the County sewer.

9 COUNCILMEMBER MEDEIROS: Right.

10 MR. TAYLOR: So no one in Hana gets a sewer bill.

11 COUNCILMEMBER MEDEIROS: Okay. But say, somebody was
12 hooked up to the County sewer system. How often
13 does that bill come?

14 MR. TAYLOR: Every two months.

15 COUNCILMEMBER MEDEIROS: Every two months. Along
16 with the water bill?

17 MR. TAYLOR: It's actually on the same bill.

18 COUNCILMEMBER MEDEIROS: Same bill.

19 MR. TAYLOR: You just write one check.

20 COUNCILMEMBER MEDEIROS: Okay.

21 MR. TAYLOR: Yeah.

22 COUNCILMEMBER MEDEIROS: Do you know what the
23 rationale was to make the water bill come once
24 every two months? I know originally because the
25 costs were so low, it was just deemed -- just

1 better to send out one bill every two months.

2 But does that affect your billing costs?

3 MR. TAYLOR: To answer your first question why it
4 was, it was like that when I got here, so I
5 don't have any historical information.

6 Obviously it costs less -- you know,
7 there's a certain cost in mailing out and
8 processing a payment, so I think doing it every
9 two months basically drops those costs in half
10 versus once a month, so I'm -- I'm sure it's for
11 a cost efficiency of processing and mailing.

12 COUNCILMEMBER MEDEIROS: And the only reason I bring
13 that up is because costs are escalating, for
14 some families, it's easier to pay a smaller bill
15 once a month than come up with the money to pay
16 a bill, you know, which is double, you know,
17 once every two months.

18 MR. TAYLOR: I don't want to pass the buck, but I
19 will to Mr. Eng when he's here. If Water
20 Department starts billing once a month, then our
21 bills will be wrapped into that. Again, we --
22 we pay them to process all of our billings.

23 COUNCILMEMBER MEDEIROS: Right.

24 MR. TAYLOR: Their accountants break up the money and
25 send it to us, so whatever Water Department is

1 doing with their billings, ours are going to be
2 tapped onto that, so I'm sure that that's
3 something that Mr. Eng would be interested to
4 talk to you about.

5 COUNCILMEMBER MEDEIROS: Okay. That's all I have.

6 Thanks, Mr. Taylor.

7 Thank you, Chair.

8 CHAIR PONTANILLA: Thank you.

9 COUNCILMEMBER VICTORINO: Mr. Chair?

10 CHAIR PONTANILLA: Members, any more questions?

11 Member Victorino?

12 COUNCILMEMBER VICTORINO: Okay. Continuing on -- on
13 the Appendix B, the second page under the
14 proposed rate changes for commercial, hotels,
15 industrial, U.S. government, religion, State,
16 County, you know, those -- that section there,
17 actually, what I was most interested in is the
18 area of State -- and -- and I got a kick out of
19 the County because I guess we charge ourselves
20 and that's okay. I understand. Somebody's got
21 to pay bills, right?

22 But the State, since we've been
23 discussing how tremendously important the State
24 has been as far as giving us all these unfunded
25 mandates, is there a rationale why we would keep

1 their rates same as anybody else? I mean, no
2 offense, but I'm getting to the point, ain't I?

3 MR. TAYLOR: Yes, there is.

4 COUNCILMEMBER VICTORINO: Yeah. Okay. Tell me what
5 the rationale is then.

6 MR. TAYLOR: There is a Federal law, U.S. EPA 40
7 CFR 35.929 --

8 COUNCILMEMBER VICTORINO: Okay.

9 MR. TAYLOR: -- which basically says that every
10 customer class in local sewer billing has to pay
11 their equitable share of operation, maintenance
12 and repair costs to run the sewer system. So
13 essentially, what we've done with our rates is
14 we've taken user classes --

15 COUNCILMEMBER VICTORINO: Okay.

16 MR. TAYLOR: -- and done chemical testing on their
17 sewage.

18 COUNCILMEMBER VICTORINO: Okay.

19 MR. TAYLOR: Based on the strength of their sewage,
20 how much water versus how much solids are in it,
21 the rates are mathematically calculated to kind
22 of spread the cost to who's generating the most
23 solid waste component of the wastewater.

24 COUNCILMEMBER VICTORINO: I know you're being
25 diplomatic, but go ahead.

1 MR. TAYLOR: Yeah. I don't think I'm allowed to say
2 the word doo-doo in Council, so....

3 COUNCILMEMBER VICTORINO: That's okay.

4 MR. TAYLOR: So basically whoever's generating more
5 solid waste is paying more, and -- and that's
6 really the basis for -- for our rates.

7 COUNCILMEMBER VICTORINO: Okay. No, I -- whatever
8 the word you use, but I find it really very
9 strange that, you know, you get State and you
10 get religions all in the same category, but I
11 guess there is ways, methodology that you come
12 up with that?

13 MR. TAYLOR: It basically means that that's just kind
14 of people who are meeting in places and using
15 the bathroom. It's not like a hotel. It's not
16 a restaurant. It's not an industrial facility.
17 So basically the -- the waste component by
18 volume is kind of similar in all those
19 locations, and that's -- that's basically why
20 they're the same.

21 COUNCILMEMBER VICTORINO: Okay. Well, that's --
22 that's good, and -- and another just in a
23 closing comment to -- to answer Mr. --
24 Councilmember Medeiros' questions, the reason
25 for the bimonthly was done many years ago by the

1 Board of Water Supply because of the fact that
2 then the bills were fairly small and there was
3 no sewer. And we've kept it this way all these
4 years, and now the cost prohibiting is not only
5 for the fact of mailing and paperwork and all
6 that, it is also the ability for the Department
7 to make meter readings. There are tremendous
8 amount of meters throughout the County that have
9 to be read, so if we went to a monthly system,
10 it would be extremely difficult to hit all the
11 areas every month. But bimonthly, they have
12 enough time to get meter readers throughout the
13 County of Maui that -- and that's what the
14 reason for that, and that's the way it's been
15 for -- and probably will be for a while, because
16 too expensive to change that at this point.

17 Thank you.

18 CHAIR PONTANILLA: Thank you, Member Victorino.

19 Member Mateo?

20 COUNCILMEMBER MATEO: Chairman, thank you.

21 Can you tell me what the actual cost for
22 your cesspool and septic pumping is?

23 MR. TAYLOR: I -- I didn't bring it with me. It was
24 in -- it was in the B Account in our Admin
25 Program, and if I recall, it was -- it was

1 something like 10 or \$20,000 total for the whole
2 year. It was a really small amount.

3 COUNCILMEMBER MATEO: Okay. Do you know what it
4 actually costs to actually pump per cesspool?
5 Because it's not -- it's not \$456 to pump a
6 cesspool, so what is the -- the cost of it?

7 MR. TAYLOR: No, I believe that that is the cost.
8 That is the charge.

9 COUNCILMEMBER MATEO: Oh, that is our cost to pump it
10 out?

11 MR. TAYLOR: That's -- that's what we charge. Oh,
12 our actual cost?

13 COUNCILMEMBER MATEO: Yeah.

14 MR. TAYLOR: Is higher than that. Cesspool pumping
15 has always been subsidized by general sewer
16 rates. That -- that program has never been
17 self-sufficient. It's always been subsidized.

18 COUNCILMEMBER MATEO: Okay. So...

19 MR. TAYLOR: So our actual cost is more than that.

20 COUNCILMEMBER MATEO: Okay. So the private pumper is
21 not charging less than what we're -- we're
22 charging then?

23 MR. TAYLOR: I believe he is charging --

24 COUNCILMEMBER MATEO: He is?

25 MR. TAYLOR: -- more.

1 COUNCILMEMBER MATEO: And the intent...

2 MR. TAYLOR: Or less. I'm sorry, less.

3 COUNCILMEMBER MATEO: Then the intent then is for the
4 County to actually get out of the business of
5 pumping?

6 MR. TAYLOR: I believe that's been the intent of the
7 County for a number of years is to kind of phase
8 it out and -- and get out of it.

9 COUNCILMEMBER MATEO: Okay. And is there -- is there
10 a timeframe between us getting out of the
11 business -- because at this particular point, as
12 you -- as you recognized, the areas with the
13 larger number of accounts are the outlying
14 rural areas and these are the older homes with
15 the older residents. So, you know, how do
16 you -- how do you look at the timetable in us
17 eliminating service?

18 MR. TAYLOR: As I said, we only pumped, I think,
19 around 50 last year and, again, half were
20 actually on -- on Molokai. I think what's
21 holding us up from really phasing it out is the
22 fact that -- probably that Molokai is so small,
23 there's only one pumper. And I think we're
24 uncomfortable, from a public health standpoint,
25 dropping our service when if that guy goes out

1 of business, those people have nowhere to go.
2 So I think until Molokai has at least two
3 private companies that each have a truck, I -- I
4 don't really -- I don't see how we could really
5 completely discontinue this program when -- when
6 we would leave people out there with no options.

7 COUNCILMEMBER MATEO: Thank you.

8 CHAIR PONTANILLA: Thank you.

9 Any more questions, Members?

10 Member Medeiros?

11 COUNCILMEMBER MEDEIROS: Yeah. Thank you, Chair.

12 Just some information. I know in Hana
13 if -- if -- Mr. Taylor, the Highways still pumps
14 Hana, right, the cesspools and septic tanks?

15 MR. TAYLOR: Again, if -- if people ask for County
16 service --

17 COUNCILMEMBER MEDEIROS: Right.

18 MR. TAYLOR: -- that is the Highways guys.

19 COUNCILMEMBER MEDEIROS: And you were responding to
20 Member Mateo's question about phasing out the
21 County portion. I know in Hana it's hard to
22 phase out, because Hana doesn't have any sewer
23 system for the truck to dump into when they pump
24 out a cesspool, so they got to truck it all the
25 way out this side and dump it in a system here.

1 So for private contractors, they don't
2 like going to Hana because that minimizing their
3 profit or even doesn't -- you know, they have to
4 charge so high to do that. So I think for areas
5 like Hana where there's absolutely no sewer
6 system to dump into, that it's going to be
7 really hard to phase that out.

8 MR. TAYLOR: And thank you, Member Medeiros, and I
9 think I would agree without -- even without
10 data, I would feel pretty confidential by saying
11 that the reason the County hasn't completely
12 gotten rid of this system is because of Molokai
13 and Hana, you know, and possibly, you know,
14 maybe around the West side also where, again,
15 the private companies are going to charge so
16 much to drive all the way out there to make a
17 three-hour trip, you know, to charge \$200 that
18 that's probably where the 25 cesspools on the
19 Island are that we're providing service to.

20 COUNCILMEMBER MEDEIROS: Thank you, Mr. Taylor.

21 Thank you, Mr. Chair.

22 CHAIR PONTANILLA: Thank you.

23 Mr. Taylor, how many -- how many pieces
24 of equipment do we have to -- to do the pumping
25 here on Maui, and do we have enough account to

1 keep the guy going every day?

2 MR. TAYLOR: That's a question I don't know the
3 answer to because the Highways Division actually
4 has the drivers and the trucks. They're not
5 within our Division. So I -- I don't know the
6 answer to that.

7 Again, really what we do here is we just
8 take care of the billing and transfer the money.
9 Our staff doesn't have any involvement in this,
10 and it's the Highways staff that does it, so
11 I -- I don't what they're staffing or what their
12 equipment is.

13 CHAIR PONTANILLA: Thank you.

14 Director, do you know?

15 MR. ARAKAWA: Not off hand, Mr. Chair, but we can get
16 back to you in writing on that.

17 CHAIR PONTANILLA: No, just give me a call, yeah.

18 Thank you.

19 Members, any more questions in regards
20 to the sewer rates? Mr. Hokama?

21 VICE-CHAIR HOKAMA: Chairman, are -- are you taking
22 questions also regarding sewer charges and
23 reclaimed water service, or you just -- you want
24 to just stay with the --

25 CHAIR PONTANILLA: The sewer rates.

1 VICE-CHAIR HOKAMA: The sewer rates at this time?

2 CHAIR PONTANILLA: Yeah.

3 VICE-CHAIR HOKAMA: Okay. Thank you. I'll wait for
4 an appropriate time, Chairman. Thank you.

5 CHAIR PONTANILLA: Okay. Thank you.

6 Members, any more questions in regards
7 to -- to the sewer rates?

8 Okay. Mr. Hokama, your question?

9 VICE-CHAIR HOKAMA: Under Reclaimed Water Service,
10 Mr. Taylor, can you just tell us what is the
11 difference or what -- how the Division defines
12 major agriculture versus agriculture regarding
13 the rates, please?

14 MR. TAYLOR: Yeah. Thank you, Chairman Hokama. In
15 the Reclaimed Water Ordinance, major agriculture
16 has a definition, and it basically is that
17 places that use more than three million gallons
18 of reclaimed water per day or that have more
19 than 400 acres served. So that would be
20 considered major and anything less than that is
21 really minor. So really, the three million
22 gallons a day, then you're major. If you're
23 less than that, you're -- you're just
24 agriculture.

25 VICE-CHAIR HOKAMA: So, for example -- and I'm not

1 too sure if they get agriculture rate, I'm just
2 assuming that in South Maui, the Elleair Golf
3 Course, which utilizes some of our reclaimed
4 water, would just have the agricultural rates
5 instead and take maybe a million gallons a day?

6 MR. TAYLOR: Actually, at this time we have no major
7 agricultural rate users. We don't have a single
8 one, so everyone is either agricultural,
9 general, or there are some special contracts
10 with users that happened before this system and
11 there's also a whole -- a whole -- a whole
12 methodology for deferred costs. Like if they
13 have a brackish water well and they're using our
14 water, they only have to pay their deferred
15 cost, so -- so there are some special -- special
16 rates for people who don't fit into these, but
17 we have no major agricultural users.

18 VICE-CHAIR HOKAMA: I was just going to ask if it's
19 been considered by the Division or Department
20 that it would -- might consider a more
21 appropriate rate, so that it can assist you in
22 paying for extending or expanding the
23 distribution system of the reclaimed water.

24 MR. TAYLOR: Right now -- just to kind of give you a
25 sense of where these numbers are, currently,

1 reclaimed water fees pay only 18 percent of
2 providing that service. That includes the debt
3 service on the systems. So 82 percent of the
4 reclaimed water system is paid for by sewer rate
5 users, not the reclaimed water users.

6 To move towards -- if just overnight
7 tonight, you know, we switched that and just
8 said that reclaimed water users are going to pay
9 the full cost, those rates would go up to \$2.08
10 per 1,000 gallons. They'd be more than...

11 VICE-CHAIR HOKAMA: Agricultural?

12 MR. TAYLOR: More than -- more than potable water
13 rates.

14 VICE-CHAIR HOKAMA: Right.

15 MR. TAYLOR: So I just want to give a sense of -- to
16 raise the rates -- to raise the reclaimed water
17 fees to where they would actually fund
18 distribution system expansion would be more than
19 what people pay for potable water in Maui
20 County. I -- I just want to kind of give that
21 kind of sense of scale so -- so you understand
22 that.

23 VICE-CHAIR HOKAMA: No, and the Committee appreciates
24 that, Mr. Taylor. I'm asking if the Division
25 has -- and I'm not asking for a movement to the

1 full 100 percent cost.

2 Now, let's say we make people aware that
3 if we're charging you, let's say, currently the
4 proposed 25 cents per 1,000, but we explain that
5 we're going to double it to 50 cents and half of
6 what you pay goes into a fund that either helps
7 maintain or expand distribution so that
8 hopefully all reclaimed water can be reused
9 in -- in Maui County, and we explain it that
10 way, it -- you know, we might have new potential
11 user that will say, "I don't have a problem
12 paying more because it helps me now be able to
13 expand certain activities, whether it be for
14 parks use or, let's say, across your plant, we
15 have the Hale Mahaolu South Maui Project. They
16 might say makes sense, because then it comes to
17 me, I can use it for landscape irrigation and
18 save potable water for drinking purposes only."

19 And -- and I just ask, is that part of
20 the review and Division's thought process of how
21 to maybe help us maximize use of reclaimed
22 water?

23 MR. TAYLOR: Absolutely. And, in fact, you know, the
24 reason I have these numbers kind of here is
25 because we developed a number of different

1 scenarios about whether we expand the system and
2 how we would shift cost and possibly what if --
3 you know, even Water Department helped pay for
4 things. And what we really see from crunching
5 through all the numbers is that the capital
6 costs to expand the distribution and treatment
7 systems to really expand the volume of reclaimed
8 water above the 22 percent where it is now, it
9 would either raise reclaimed water fees, you
10 know, doubling, tripling, you know, it might be
11 five or ten times what they are to really
12 generate enough capital to really do this, or
13 they're going to have to be subsidized by
14 another source, whether it be General Fund,
15 water rates, sewer rates. It's -- it's just
16 sort of this order of magnitude higher than
17 where the rates are right now.

18 VICE-CHAIR HOKAMA: Just so that we can be clear, I
19 -- I thought I had heard, if my memory serves me
20 right, and I can admit I get some memory lapses
21 now and then like everybody else, that you
22 mentioned that contractors come to the plant for
23 dust control purposes. How is that calculated
24 and what -- what fee structure or rate does the
25 Division use for those type of uses?

1 MR. TAYLOR: They pay under that fee called all
2 others, which is 97 cents per 1,000.

3 VICE-CHAIR HOKAMA: Per 1,000 gallons?

4 MR. TAYLOR: Yeah.

5 VICE-CHAIR HOKAMA: If they come with that
6 10,000-gallon truck, you'll charge them what,
7 9.70 whatever plus?

8 MR. TAYLOR: The reality of that is the trucks are
9 2,000 gallons and the cost for the County to
10 process a payment is more than \$2. I mean,
11 frankly, if you asked me, I think we should just
12 give it away for free because it costs more to
13 process the check --

14 VICE-CHAIR HOKAMA: Right.

15 MR. TAYLOR: -- than we're collecting, so it's --
16 it's not -- it's not a money-maker and -- and
17 it's -- it probably costs more to do the
18 paperwork than it does to -- than we're
19 collecting.

20 VICE-CHAIR HOKAMA: What if you just gave them a
21 weekly charge or something, just...

22 MR. TAYLOR: That's what they do, they get a monthly
23 charge.

24 VICE-CHAIR HOKAMA: A monthly charge.

25 MR. TAYLOR: If they use water for a month, then they

1 get a bill, but it's -- it's very small dollar
2 values is the point I'm making. It really
3 doesn't make a big -- it doesn't make a big
4 splash in the revenue.

5 VICE-CHAIR HOKAMA: Okay. And again, I'm just trying
6 to have information so that we can go back to
7 the various districts and communities and
8 explain why things are being asked for
9 increases.

10 For those that may not understand, you
11 need to help us understand suspended solids,
12 Mr. Taylor, especially those four-pounders.

13 MR. TAYLOR: Suspended solids is basically -- I mean,
14 here's my water bottle. It's how dirty the
15 water looks. It's -- it's how much stuff you
16 can see floating in there. So the higher that
17 number is, the dirtier the water looks. That's
18 what that terms means.

19 VICE-CHAIR HOKAMA: That part I understand, but I'm
20 trying to relate that to -- to the cost of the
21 surcharge, please. So what -- what are we
22 paying for -- for you to do, better treatment,
23 more treatment, to bring it back to certain
24 levels that either Health Department or EPA is
25 requiring the County? You know, just so --

1 because, you know, you're moving things forward
2 and someone who's paying is going to say, "I'm
3 going to pay \$1,000 because I've got over four
4 pounds of suspended solids in 1,000 gallons or
5 what-not."

6 MR. TAYLOR: First of all, I should mention that I
7 talked to people who have been there even longer
8 than me, and I started with Wastewater in '92.
9 In our whole Division's memory, this was only
10 used once. Only one person ever, and it was --
11 it was when the cannery had some really bad
12 water they had to get rid at one time in the
13 last 20 years, they fell into this category.

14 So, first of all, it's something that is
15 unlikely to ever, ever happen, so there's
16 probably almost no one to explain it to. But
17 basically the treatment plant, if clean water is
18 running through the treatment plant, we don't
19 really have to do anything. And the dirtier
20 that water is, the more our costs are, both
21 personnel-wise, electricity, equipment to
22 actually clean that water.

23 And so even though we bill by the
24 gallon, it's almost like we should by billing by
25 the pound. It's -- it's really the -- the

1 amount of solid material that comes into the
2 system that really costs us money, not the
3 water.

4 So we try to use averages and, you know,
5 obviously we can't weigh everybody, but that's
6 what this whole BOD and TS -- total suspended
7 solids numbers are. They're trying to kind of
8 grab this factor of how dirty is the water and
9 how much does it cost for us to clean it.

10 VICE-CHAIR HOKAMA: Okay. But this is what is in
11 that enters the plant, not what is going through
12 the pipes, right, Mr. Taylor, what ends up at
13 the plant, the condition of the effluent?

14 MR. TAYLOR: It's really the same. Whatever is going
15 through the pipe is what enters the plant, so
16 it's -- it's basically the same.

17 VICE-CHAIR HOKAMA: Okay. And you know, this may be
18 a crazy question for most of us, but on Lanai in
19 rural areas, you know, occasionally we get --
20 we've had experiences of our deer ending up in
21 our ponds drowned. Is that considered a
22 suspended solid? And, you know, a deer is about
23 125 pounds, so I'm just curious, how...

24 MR. TAYLOR: I suppose if we could get the deer into
25 a Petri dish to -- to weigh it, but I think we

1 would just sort of remove that and take that to
2 the landfill.

3 VICE-CHAIR HOKAMA: Thank you, Mr. Taylor.

4 CHAIR PONTANILLA: Members, any more questions on
5 page 29 as well as 30?

6 If not, thank you very much, Mr. Taylor,
7 for being here.

8 At this time, the Chair would like to go
9 into solid waste rates.

10 VICE-CHAIR HOKAMA: Recess, call short recess?

11 CHAIR PONTANILLA: Okay. The Chair would call for a
12 short recess, maybe about -- report back at
13 2:30, and then we're going into solid waste.
14 This meeting is in recess. (Gavel.)

15 **RECESS: 2:23 p.m.**

16 **RECONVENE: 2:33 p.m.**

17 CHAIR PONTANILLA: (Gavel.) Thank you, Members, for
18 that short break. The Budget and Finance
19 Committee meeting is now reconvened.

20 We left off completing the wastewater
21 rates, sewer rates. And at this time, we're
22 going to go into the solid waste rates.

23 And Director, comments?

24 MR. ARAKAWA: Mr. Chair, with me, I have Tracy
25 Takamine from our Solid Waste Division, and
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1 we're open to questions that the Committee may
2 have.

3 CHAIR PONTANILLA: Thank you.

4 Members, page 31 as well as 32.

5 Member Victorino, questions?

6 COUNCILMEMBER VICTORINO: So we're doing solid waste,
7 right?

8 CHAIR PONTANILLA: Solid waste.

9 COUNCILMEMBER VICTORINO: Okay. Again, I guess the
10 first one that comes to mind, and even though
11 it's inconsequential, it's the second one, unit
12 charge per pound of separated recycled items. I
13 guess we've been charging nothing. Now we're
14 going to charge one cents. How do you come up
15 with 185.7 percent increase?

16 MR. TAKAMINE: When you convert that to the cost per
17 ton --

18 COUNCILMEMBER VICTORINO: Oh, is that how you do it?

19 MR. TAKAMINE: -- we're looking at \$7 -- yeah, it's
20 broken down this way per pound, but when you
21 look at it, it's per ton. So converting that to
22 cost per ton, it used to be \$7 per ton for green
23 waste. We're going to \$20 per ton for green
24 waste. And basically, we're increasing that
25 to -- to come sort of in line with the average,

1 the national average out there, which is, I
2 think, in the \$30 per ton range for green waste.

3 You're right. When you look at that
4 8.0035, it's actually, you know, \$7 per ton, but
5 that's basically nothing, you know, when we're
6 charging for green waste cost.

7 COUNCILMEMBER VICTORINO: Right. Right. Okay. So
8 these figures here are based up to the unit
9 charge per pound on clean cooking oil, that's
10 all per ton then; is that -- is that correct in
11 how you -- how I'm supposed to read this?

12 MR. TAKAMINE: When you -- yeah. Correct. When you
13 want to read it and when we look at, and when we
14 charge, it's all per ton, per ton basis, so you
15 convert to that to per ton.

16 COUNCILMEMBER VICTORINO: Per ton. Okay. And then
17 on the refuse collection fee monthly, we're
18 going from 12 to \$16. This is for all refuse
19 pick up no matter if we're automated or what?

20 MR. TAKAMINE: That's correct, for all residential
21 refuse pick up.

22 COUNCILMEMBER VICTORINO: No matter if we're
23 automated or not?

24 MR. TAKAMINE: Yes.

25 COUNCILMEMBER VICTORINO: Okay. Single family.

1 MR. TAKAMINE: Single family.

2 COUNCILMEMBER VICTORINO: Single family?

3 MR. TAKAMINE: Correct. We do not do commercial --
4 multi-family or condos.

5 COUNCILMEMBER VICTORINO: And the last question, and
6 I'm -- I'm familiar with this tipping fee
7 because I remember the fail for the recycling
8 tipping fee, that's -- again, is that based by
9 per ton? You're going from \$4 a ton to \$10 a
10 ton, is that what you're doing on that recycling
11 surcharge tipping fee?

12 MR. TAKAMINE: That recycling surcharge tipping fee
13 is applied to all commercial accounts. It's --
14 it's basically to fund the recycle program or
15 diversion program to divert materials out of the
16 landfills. So for every commercial charge per
17 ton, this surcharge is added to it.

18 COUNCILMEMBER VICTORINO: Okay. So a commercial
19 truck drives in with a full load, whatever it
20 might be, let's say 10 tons. What is the cost
21 and then -- then this is added on top of that?

22 MR. TAKAMINE: Correct. So you -- you've got a
23 commercial truck comes in. I forget how many
24 you say, but whatever his -- his tonnage is --
25 we're recommending, by the way, for this year to

1 go from, I guess, \$47 -- it's currently \$47 per
2 ton. The proposal is to go to \$60 per ton.

3 COUNCILMEMBER VICTORINO: Right.

4 MR. TAKAMINE: In addition to that, he pays the
5 recycle surcharge, which recommended right now
6 to go from 4 to \$10 per ton. So his total
7 charge would be \$60 -- I mean, \$70.

8 COUNCILMEMBER VICTORINO: \$70. So 10 tons, that's
9 \$700?

10 MR. TAKAMINE: Right.

11 COUNCILMEMBER VICTORINO: Okay. And that would be
12 commercial -- commercial rates?

13 MR. TAKAMINE: Commercial, yes.

14 COUNCILMEMBER VICTORINO: What about those who drop
15 down at the landfill who bring down refuse, it's
16 still going to be free? You know, the --

17 MR. TAKAMINE: The drop-off residential bins?

18 COUNCILMEMBER VICTORINO: -- drop-off, yeah.

19 MR. TAKAMINE: Free, yes.

20 COUNCILMEMBER VICTORINO: Still free?

21 MR. TAKAMINE: Still free.

22 COUNCILMEMBER VICTORINO: Okay. Okay. I have a
23 couple other questions, but I'll yield to my
24 other colleagues to give them an opportunity.

25 Thank you, Mr. Chair.

1 Thank you, Mr. Director.

2 CHAIR PONTANILLA: Thank you.

3 Member Molina?

4 COUNCILMEMBER MOLINA: Thank you, Chairman.

5 Good afternoon, Mr. Takamine. You know,
6 the -- I guess, it's inevitable, things have to
7 increase as far as services go. The question
8 we'll probably get from a lot of our citizens is
9 why \$4 and not maybe a \$1 increase, and along
10 with the fact that I guess parts of -- I guess
11 Central Maui gets two pickups and other areas
12 get only one, but yet, everybody going to -- you
13 know, pay into this increase. Can you give
14 comments?

15 MR. TAKAMINE: To answer that, I guess, second
16 part of -- part of your question, some areas get
17 one pickup versus two. Are you referring to
18 automated versus manual pickups?

19 COUNCILMEMBER MOLINA: Yeah. I'm just curious now,
20 is that why the automation, they have to pick up
21 twice and the non-automated, they only get
22 picked up once?

23 MR. TAKAMINE: The -- the reason that I understand it
24 that it was started that way is that when you --
25 when you add up the volume in manual pickups,

1 you're allowed six 32-gallon cans. When we went
2 to the automated program of one can, it's a
3 96-gallon can. So you get the same volume, and
4 I guess to be fair, you get two pickups a week,
5 which allows you to get the same volume as a one
6 pickup per week manual route.

7 COUNCILMEMBER MOLINA: Yeah. I've always wondered
8 about that because you end up spending more
9 making two trips, yeah, I mean, you know, in
10 terms of gas cost for the truck and everything,
11 so I was just sort of wondering how that was,
12 you know, thought out. But anyway, okay. You
13 answered my question on that, so...

14 MR. TAKAMINE: That was the first -- the second
15 half --

16 COUNCILMEMBER MOLINA: Yeah.

17 MR. TAKAMINE: -- of the question.

18 COUNCILMEMBER MOLINA: So the next half is like why,
19 you know, \$4 --

20 MR. TAKAMINE: Right.

21 COUNCILMEMBER MOLINA: -- versus, say, \$1 or \$2 more?

22 MR. TAKAMINE: \$4 actually doesn't cover the entire
23 cost, and if we want to look at the -- something
24 like cost recovery of what it actually costs to
25 operate, we should be charging a residential

1 customer close to \$300 a year and -- and not the
2 192 that's going to be with the \$16 rate. So
3 even with the \$4 increase which, by the way, was
4 just an arbitrary amount just to -- you know, we
5 couldn't jump to the -- the \$299, which I would
6 like to get to cover all costs, but basically
7 for right now, it's, I guess, like a step
8 increase based on -- on what we know that we
9 have to eventually reach, which is close to \$300
10 per year.

11 Our Integrated Solid Waste Management
12 Plan will also look at the cost of us doing
13 business and recommend some kind of a cost
14 breakdown and -- and what the true costs are
15 actually based on some kind of model that
16 they're going to develop.

17 COUNCILMEMBER MOLINA: Okay. Thank you.

18 And like I shared with Mr. Taylor
19 earlier, as Council Members, we have to consider
20 not only your proposed rate increase but also,
21 you know, Wastewater and Water as well, so
22 it's -- it's a tight rope we're walking. And
23 this, to say we have to balance the -- the need
24 for rate increases versus, you know, the
25 concerns our residents will express about, you

1 know, the impact on their pocket books, so thank
2 you.

3 Thank you, Chairman.

4 MR. ARAKAWA: May I also add one -- one point to --
5 to Councilmember Molina's question? There was
6 an issue regarding the Island of Lanai because
7 there, they have basically one cart and only
8 once-a-week pickup whereas in the automated
9 areas here on Maui, there's one cart and
10 twice-a-week pickup, and yet they pay the same
11 fees.

12 So we'd actually proposed that for the
13 Island of Lanai that there would be an \$8 per
14 refuse collection unit per month charge for a
15 single 96-gallon cart with once-a-week service.
16 So basically they're paying for -- they get half
17 the service, they pay half the fee.

18 If a Lanai resident wants to get the
19 second cart, he can basically open up a second
20 account and basically pay the same amount as a
21 Maui resident. He would receive two carts with
22 once-a-week pickup. So that would be our
23 proposal to the Committee for consideration.

24 COUNCILMEMBER MOLINA: Okay. Thank you,
25 Mr. Director.

1 Thank you, Chairman.

2 CHAIR PONTANILLA: Thank you.

3 Member Medeiros?

4 COUNCILMEMBER MEDEIROS: Mahalo, Chair.

5 Yeah. Just following up on that,
6 because I don't know the history of why was
7 Lanai just one pickup? Is that what they
8 wanted?

9 MR. ARAKAWA: Lanai, as I understand it, was the
10 original automated route, and they have had that
11 service for about the past, oh, I'd say nine,
12 ten years or so. And so the automated service
13 here on Maui came after that. And when the Maui
14 service occurred, as Mr. Takamine mentioned,
15 there was an issue of transition between the
16 automated service and the traditional manual
17 routes that we have.

18 So the decision was made at that time
19 that we would go to twice-a-week pickup
20 automated service here on Maui to give our
21 customers the same potential volume of pickup
22 for the same price, so that was the reason for
23 the inequity in the charges. So basically,
24 we're trying to remedy that with this amendment.

25 COUNCILMEMBER MEDEIROS: So why -- why wasn't Lanai

1 upgraded to two pickups since Maui went to two
2 pickups?

3 MR. ARAKAWA: For a variety of reasons. Actually,
4 the twice-a-week automated pickup here, we kind
5 of view it as more of an interim situation that
6 would probably need to be addressed when
7 curbside recycling comes about. So once that
8 occurs, then hopefully we can make everything --
9 you know, the service more uniform within the
10 County, but at this point, it's more of a
11 transitional thing to try to be as equitable as
12 possible between the manual and the -- the
13 automated.

14 Since Lanai was the first, you know, the
15 terms were different at the time, so we're just
16 trying to remedy that at least now to -- as far
17 as the rates and try to at least make the rates
18 equitable with, you know, the service that
19 they're -- they're being provided.

20 COUNCILMEMBER MEDEIROS: Okay. And I was going to
21 ask, which was already asked by Member Molina
22 about how the \$4, you know, increase was figured
23 out. And you -- you answered that. It's kind
24 of arbitrary. How do we stand with the other
25 Counties, as far as our rates?

1 MR. TAKAMINE: Sorry. I don't know the comparison in
2 between the rates. I know that Honolulu has it
3 under their property taxes so everybody
4 basically pays for it, everybody gets service.
5 The Big Island, they do not have residential
6 refuse pickup service. Everybody drives it down
7 to the transfer stations, so their cost is a
8 little bit -- you know, it's built into a
9 different type of system. And Kauai, I know
10 they have similar to ours. They're not
11 automated, and -- and I'm not familiar with
12 their costs.

13 COUNCILMEMBER MEDEIROS: Okay. Well, thank you for
14 that information, because we're just trying to
15 get a grip on this that lots of our rates and
16 fees, you know, are proposed to go up, and we
17 heard now during public hearings about how this
18 will impact -- as a collective amount of
19 increases on families, a lot of families that I
20 think Member Baisa brought it up are on fixed
21 incomes, and be difficulty for them. So we're
22 just trying to see, you know, the reality of
23 these rate proposals. But certainly, you know,
24 we've got to pick up the trash.

25 I would just ask this, as part of the

1 rationale about increasing the rate -- rates for
2 solid waste for refuse collection pickups, in
3 that did the Division or Department ever
4 consider including it, like City and County of
5 Honolulu, in real property tax or some other tax
6 for the reason that in Maui County, it gives a
7 resident an -- an option whether they want to
8 get an account or not. And as we raise things
9 up and if we lose some accounts, we know that
10 that stuff's going to end up on the roadways and
11 in cane fields.

12 So was there a consideration about rates
13 that we would think about including it so that
14 everybody would have to have it?

15 MR. ARAKAWA: Councilmember Medeiros, this whole
16 issue about whether or not we should provide
17 universal collection or basically having the
18 property tax fund refuse collection versus doing
19 a straight fee for service or some hybrid
20 system, this whole issue is being discussed as
21 part of our Integrated Solid Waste Management
22 Plan update now. So once that's done, all of
23 those findings will be presented to -- to the
24 Council, and hopefully approved by the Council,
25 and all of the various alternatives will be

1 reviewed and discussed. And hopefully we can
2 come to some conclusion so that everyone is on
3 the same page as far as what we'll be doing as a
4 community.

5 COUNCILMEMBER MEDEIROS: Okay. Well, thank you for
6 that information and for that update.

7 So do you think that would be a good
8 idea, to wait until that Master Plan or
9 Integrated Master Plan is completed before we
10 decide on really what's needed and how much we
11 should increase it?

12 MR. ARAKAWA: Well, that's a good question about
13 whether or not we -- we should be raising rates
14 or -- I know this question came up with a lot of
15 our capital improvements within the Solid Waste
16 Division, but I mean, from our standpoint, these
17 are current needs that really need to be
18 addressed right now, and that's why we're asking
19 for these capital improvements. That's why
20 we're asking for the staff to basically address
21 current deficiencies within the Department,
22 current needs that basically we need to address
23 today.

24 If it's not done in this Fiscal Year, it
25 means being put off for another year, and, you

1 know -- you know the whole issue with deferred
2 maintenance. It gets deferred. Problems get
3 bigger, and so we just feel that we need to
4 address this now.

5 COUNCILMEMBER MEDEIROS: Okay. Thank you for your
6 responses on that.

7 Thank you, Chair.

8 CHAIR PONTANILLA: Thank you.

9 Member Johnson?

10 COUNCILMEMBER JOHNSON: Yes, Milton, with the
11 increase, of course, any time the fees go up,
12 there's people trying to escape paying them, by
13 whatever means they can. So my question would
14 be that particularly with -- I go to like, for
15 example, the Olowalu Recycling Center, and no
16 commercial haulers are supposed to be dumping
17 whatever they're dumping there. And for me as
18 an individual, I try to just do my own small
19 household goods. I don't do it for my whole
20 condominium.

21 But there are other entities that I have
22 been told by a number of people, and it's
23 difficult to catch them, but particularly guys
24 doing reconstruction projects where they gut and
25 they have subcontractors that perhaps have

1 unmarked trucks. Sometimes even -- I call them
2 gypsy gardeners. They're coming in and redoing,
3 and they're dumping it all. And by rights,
4 they're commercial.

5 So what are we, if anything, going to be
6 able to do to prevent, once again, the public
7 having to pay more for what is really a
8 commercial activity, but it's basically trying
9 to get in under the radar?

10 MR. TAKAMINE: Yes, I know what you're talking about.
11 We're -- we're encountering that on a -- you
12 know, basically on a daily basis and, as you
13 said, it's very hard to control. We also have
14 that at our EKO composting facility where
15 commercial haulers are supposed to bring in, go
16 over the scale and pay, and we're finding
17 that -- or the current time, EKO doesn't have an
18 attendant there. You do -- you know, just the
19 hiring, people just don't want to work, I guess,
20 at that pay rate, maybe. But anyway, it doesn't
21 have an attendant so we -- we know that
22 commercial guys are going there and dumping
23 green waste, too, without being charged.

24 So I am looking at -- and by the way,
25 Olowalu is run by a contractor, a contract with

1 Maui Disposal, and they do have a full-time
2 attendant there. And he sees these individuals
3 coming through, but he doesn't have any, I
4 guess, authority to stop anybody. If they're
5 coming in with a non-commercial license plate
6 truck, there's no way he can challenge them.
7 But I am looking at the -- possibly coming up
8 with -- and I don't know if it's going to have
9 to be an ordinance or just an internal
10 Department policy where if he sees a truck come
11 in, say two times in one day or three times in
12 one day, that we will stop him, get his
13 information down, driver's license, and then
14 probably, you know, we could -- we could
15 challenge him and say, "We want to come out and
16 inspect your property and what you're"...

17 You know, most of them claim, they claim
18 that, "Oh, I'm just cleaning my property," you
19 know, so we -- we might go and -- and do a spot
20 check. I don't know if I have the legal right
21 to do that. I need to check with Corp. Counsel,
22 but that's one of the solutions we came up with
23 for Olowalu.

24 For like EKO, I just talked to my
25 landfill supervisor is to station one of our

1 attendants out there one day and see who comes
2 through, and -- and invalidate each guy that's
3 coming through as a commercial hauler and -- and
4 see if he's got his weigh tickets. If he
5 doesn't have a weigh ticket, then we start
6 writing letters directly to the company and --
7 and give them either one warning or suspend
8 their permit or we'll pull their permit --
9 application entirely. Again, that's going to
10 impact, you know, some businesses or employment.
11 You know, it's going to have a negative effect,
12 but unless we start, you know, bringing down the
13 hammer on some of these individuals, you know,
14 it's going to continue to occur.

15 So those are some of the solutions that
16 we're looking at doing to try to control those
17 illegal dumping activities.

18 COUNCILMEMBER JOHNSON: Yeah. I really appreciate
19 that, because I know the gentleman at -- he --
20 he does his log religiously, you know, at the
21 Olowalu site, so if -- if you were to see the
22 same license plate number coming through. But
23 these guys are so smart that what they do is if
24 they have several subs, they'll just say, "Oh,
25 can you take this in your private" -- you know,

1 and so they go out and it beats paying, you
2 know, the higher fees or whatever.

3 The other thing I wanted to ask is
4 because a lot of times it's all about
5 enforcement, and the difficulty is really in
6 tracking who's doing this, because sometimes you
7 would spend more money trying to track these
8 guys down than it would really be worth it, so
9 they know that that's the -- you know, that's
10 the likelihood.

11 What if we were to put some type of a
12 really hefty fine for commercial haulers or
13 people affiliated with commercial haulers? It's
14 just like when you get these guys dumping toxic
15 waste, you know, going out in unmarked trucks,
16 and it wasn't maybe the company that had the
17 marking on it, but they're giving it to
18 subcontractors, or they're giving it to the
19 little guys because they figure, hey, nobody is
20 going to catch them. But what if we could track
21 it back and either put in a hefty fine or just
22 say, you know, "If you get busted, we're not
23 giving you any more contracts with the County of
24 Maui?"

25 Is there anything that we can do to make

1 the downside really unattractive so they'll stop
2 doing this?

3 MR. TAKAMINE: We -- we could look at that. I could
4 get with to Corp. Counsel on that. I don't know
5 about limiting or -- or stopping the contractor
6 from doing work with the County, but maybe look
7 at the possibility of leveling fines against
8 versus pulling their application -- account.
9 Because like I say, if I pull their account, you
10 know, there might be three or four people
11 working for this company and now might be out of
12 a job because they can't, you know, come to the
13 landfill, unless they start jumping outside the
14 road.

15 COUNCILMEMBER JOHNSON: Yeah.

16 MR. TAKAMINE: That's the most drastic thing to do is
17 to -- to close their account.

18 COUNCILMEMBER JOHNSON: Yeah. And I -- I know this
19 really -- you know, it's -- I guess it's related
20 to solid waste, but you bring up the abandoned
21 vehicles. One of the, you know, situations,
22 whether it's white goods or waste, whatever is
23 being dumped, a lot of these vehicles or things,
24 you know, giant appliances, there's no way
25 you're going to get that in a small car, and

1 some of these vehicles don't even have wheels on
2 them.

3 So I was told by at least maybe half a
4 dozen people that they suspicion -- you know,
5 and they pretty much know, but they don't want
6 to say, they don't want to come forward or
7 testify, that they know that it is towing
8 companies that are bringing these vehicles out
9 and dumping them.

10 Now, my question is, if it's a towing
11 company that has a contract with the County of
12 Maui, I'm not sure if that would be the case,
13 but where's the downside for these guys?
14 Because obviously, you know, if there's no risk,
15 if they're not going to have any punishment, if
16 they're not going to get a cancellation of any
17 contract with the County or there's no severe
18 punishment, then they're just going to continue
19 to do it. So do you have any solution, or is it
20 the same as the previous query?

21 MR. TAKAMINE: Well, in reference to the abandoned
22 vehicles, we only have two major contractors
23 that we work with. And I'm pretty confident
24 that they're not the ones doing that because
25 they're the ones that we're going to send back

1 to pick it up, but you make a good point.

2 You know, that's probably what's
3 happening is somebody with either some kind of
4 heavy equipment, tow truck, whatever is -- is
5 depositing the vehicles on the side of the road
6 and -- but there is a law, you know, there's a
7 litter law, so the problem is catching them.
8 And I believe -- I think the Police Department
9 did prosecute somebody that they actually caught
10 in Lahaina, I believe it was.

11 But if the public sees something
12 happening and they report it to the Police
13 Department and take down the -- the license
14 number or the description of the truck, they can
15 be prosecuted for -- for, I guess it's a big --
16 it's a litter violation of some sort.

17 COUNCILMEMBER JOHNSON: If -- and I don't know if we
18 have the authority, and Corporation Counsel can
19 perhaps answer this, but if somebody is engaging
20 in what is an illegal activity and they're using
21 their own property to commit an illegal act, can
22 the County seize or put a lien on that property?

23 MS. VILLAROSA: Mr. Chair, are you referring to like
24 the...

25 COUNCILMEMBER JOHNSON: Let's say a tow truck --

1 MS. VILLAROSA: Tow truck?

2 COUNCILMEMBER JOHNSON: -- one of these big shiny new
3 ones.

4 MS. VILLAROSA: Well, I mean it's an enforcement
5 action, you know, as -- as was mentioned, and we
6 would have to work with the Prosecuting
7 Attorney's Office because they're the ones that
8 will take these people to court. But I don't
9 know about putting a lien on their property like
10 on a -- on the truck or anything like that.
11 They can be ordered to stop by the court -- to
12 stop doing this activity.

13 COUNCILMEMBER JOHNSON: Well, my whole thought is in
14 any instance when you have property that is, I
15 guess, utilized in the commission of an illegal
16 act, is there something in our ordinances or is
17 there something that we could put in that would
18 give us that right? Because until they know
19 that their big fancy truck is at risk, they may
20 still continue to do what they're doing.

21 MS. VILLAROSA: Well, I think that maybe that
22 question might have to get -- be posed to the
23 prosecutors. I'm not aware of how those laws
24 work. I know that in -- in -- when criminal
25 acts are being committed, that oftentimes, the

1 Police will seize property of the criminals, but
2 I'm -- I'm just not familiar enough with
3 criminal law to know how that works and what
4 laws need -- I don't know if that requires a
5 change to State law or if the County Code can
6 just accommodate that, but it would probably be
7 something that we'd have to work with the
8 Prosecutor's Office on.

9 COUNCILMEMBER JOHNSON: Yeah. I would really
10 appreciate that, Mr. Chair, because I believe
11 that one of the things that was changed was one
12 of the regulations that now makes -- I believe
13 it is some type of felony, and that was the way
14 that we were actually putting teeth into the
15 ordinance.

16 So if that's an option, if this is what
17 we're going to have to do to stop people from
18 littering or abusing their privilege of, you
19 know, dumping at our landfills, then I say, you
20 know what? It won't take too long and people
21 will get the message.

22 CHAIR PONTANILLA: Thank you, Member Johnson.

23 Member Baisa?

24 COUNCILMEMBER BAISA: No.

25 CHAIR PONTANILLA: Member Hokama?

1 VICE-CHAIR HOKAMA: Thank you, Chair.

2 CHAIR PONTANILLA: I was just going to call you
3 Member Anderson, by the way.

4 COUNCILMEMBER VICTORINO: You caught him, eh?

5 VICE-CHAIR HOKAMA: I don't know if you're insulting
6 the lady.

7 CHAIR PONTANILLA: No, I'm just looking at the sign.

8 VICE-CHAIR HOKAMA: Well, thank you, Chairman. Yeah,
9 I came by to keep the Vice Chairman company for
10 a few minutes.

11 You know, just -- just a quick comment
12 on -- on what -- the short discussion that
13 you've been allowing, Chairman. You know, maybe
14 we need to take a lesson from Retired Judge
15 Mossman. And, you know, if we have those type
16 of violators, we can work with Akaku or work
17 with Maui News, plaster their face on the media
18 and in the air, and put down, "Violator costing
19 taxpayers so much more money," as a deterrent.
20 It's not going to cost us much more. It's going
21 to be a public service announcement.

22 But anyway, back to the rates,
23 Mr. Takamine, just help us understand, you know,
24 I have a good understanding what is a grease
25 trap cooking oil component. What is clean

1 cooking oil, so as I can have a good
2 understanding, please?

3 MR. TAKAMINE: The difference between the two, the
4 grease trap waste contaminated cooking oil,
5 which is \$85 per ton, which basically we're not
6 changing this year, that is the grease that
7 comes out of the grease traps. Are you familiar
8 with the grease traps?

9 VICE-CHAIR HOKAMA: Yes. Yes. Yes. Okay.

10 MR. TAKAMINE: So basically, it's a contaminated
11 grease. It's -- it's gone through maybe a
12 kitchen sink, so it has food debris on it, and
13 they pump that out.

14 VICE-CHAIR HOKAMA: Okay.

15 MR. TAKAMINE: Whereas the clean cooking oil is the
16 fat frier grease, so you're talking about the
17 clean grease that they do -- maybe they cook
18 French fries in. And they keep that from going
19 into the grease trap, so there's no
20 contamination. It's strictly 100 percent
21 grease.

22 VICE-CHAIR HOKAMA: Okay. Okay. And I'm just
23 curious how you came up with your rate
24 adjustments for these type of things, because
25 we're looking at cents and, you know, for -- for

1 other areas, we're looking at dollars. So maybe
2 if you can give us some comment on the
3 Division's approach to -- to the rates, please?

4 MR. TAKAMINE: Again, I think when you're -- when
5 you're looking at that, how it's written in the
6 ordinance, yeah, it's like .0275 cents per
7 pound, but --

8 VICE-CHAIR HOKAMA: Right.

9 MR. TAKAMINE: -- we're looking at -- at a cost per
10 ton, so, like I said, we convert it to -- to
11 dollars per ton. So when you're looking dollars
12 per ton, the increase, for example, for tipping
13 fees will go from \$47 per ton to 60.

14 VICE-CHAIR HOKAMA: Okay. So -- so actually to be
15 fair, this -- like for the clean cooking oil,
16 you went up from 2 cents to 3 cents, but we
17 should look at it times 1,000 since -- no,
18 2,000, right?

19 MR. TAKAMINE: Right.

20 VICE-CHAIR HOKAMA: So it's got...

21 MR. TAKAMINE: So it's going up from \$43 per ton to
22 \$55 per ton.

23 VICE-CHAIR HOKAMA: Okay. And is part of this to
24 help offset a transfer to Wastewater for
25 processing also or -- I'm trying -- I'm trying

1 to recall how we're doing these transfers
2 between the two Divisions please, Mr. Takamine?

3 MR. TAKAMINE: Wastewater actually transfers 1. --
4 \$1.32 million to us each year to cover their
5 cost of processing their sludge, sludge
6 co-compose.

7 VICE-CHAIR HOKAMA: Okay. Okay.

8 MR. TAKAMINE: But that cost is not -- not in this
9 cost. These costs are for fats, oils and
10 grease. And if we get sludge from, say,
11 Pukalani or these private treatment plants that
12 bring sludge to us for disposal to the
13 co-compost.

14 VICE-CHAIR HOKAMA: Okay. And -- and then that's --
15 that's what we would call the -- the inter
16 charges or the transfer of charges, right, from
17 one Division to another?

18 MR. TAKAMINE: That's correct.

19 VICE-CHAIR HOKAMA: Thank you very much,
20 Mr. Chairman.

21 CHAIR PONTANILLA: Thank you, Mr. Hokama.

22 Member Mateo?

23 COUNCILMEMBER MATEO: Chairman, thank you very much.

24 The refuse collection fee, another fee
25 that I, again, have a lot of reservations in --

1 in supporting. I -- I think the Integrated
2 Solid Waste Plan as questions asked by Member
3 Medeiros makes a lot of sense in us waiting
4 until this solid -- this Integrated Solid Waste
5 Plan is actually completed.

6 The Department indicated that this plan
7 will provide us with the true costs. It will
8 provide us with the true costs of doing
9 business. It was also indicated that the \$4
10 potential increase in this collection fee was an
11 arbitrary number. Anybody can do this.

12 So I think we should wait for the
13 Integrated Solid Waste Plan. It will give the
14 Department another year to actually make use of
15 this plan. This is the whole purpose and the
16 intent of it, to allow the Department the solid
17 foundation in justifying your operational costs
18 and your costs of doing business that we all
19 need to share with.

20 So my two cents worth. I think this is
21 premature at this point. Thank you.

22 CHAIR PONTANILLA: Thank you, Member Mateo.

23 MR. TAKAMINE: Council Chair, can I -- can I respond
24 to that?

25 CHAIR PONTANILLA: Sure.

1 MR. TAKAMINE: Let me clarify. When I said true
2 costs and -- and arbitrary, we know what the
3 true costs are. We know what the actual
4 costs -- costs are. We have that cost broken
5 down by each section, by Diversion Section,
6 Collection System Section, Landfill Operation,
7 so we know the actual cost.

8 I guess when I say true cost, I meant
9 they're going to really look at the -- get down
10 and break it down more than we do in terms of
11 how much it costs us to maintain our vehicles,
12 how much it costs us to have personnel on
13 overtime. I mean, they do this, and we pay them
14 big bucks and they have models to do this. We
15 don't have models, but we can -- we get the
16 actual cost. We get -- we have all that
17 available.

18 And when I said that we picked an
19 arbitrary number, what I meant was in terms of
20 how much to increase it this year. I mean,
21 if -- if you want to pay -- or we want to
22 recover and have us self-sufficient, for
23 example, like Wastewater, we can tell you
24 exactly how much the costs for each section
25 would need to go up. And -- and I mentioned one

1 of them was residential. It should be \$299.
2 When I say arbitrary, we -- we didn't say we
3 want to come in for \$299 this year. We -- we
4 assumed, "Okay. Let's try 4." You know, it's
5 less of an impact to people, but eventually, if
6 we want to have this Division paying for itself,
7 then we'd have to charge \$299. When -- when
8 should that happen, this year, ten years from
9 now? Do it in 10-year increments? That's what
10 the plan will tell us, how to better utilize --
11 or how to better impact the public and what
12 it -- what it's going to cost. And they're
13 going to look at inflation, they're going to
14 look at the MRF, the recycling direction,
15 Vehicle Equipment Replacement Program. We asked
16 them to look at when -- when all our vehicles
17 need to be replaced, when heavy equipment needs
18 to be replaced.

19 So they'll build all that in there and
20 give us a more realistic, I guess, rate increase
21 structure that we can come to you and say,
22 "Okay. Based on all these factors, here's our
23 recommendation for the next 20 years or 10
24 years," and they -- they might recommend that we
25 increase the rates by 10, 15 percent on an

1 annual basis to get to a certain point or they
2 might say, "Yeah, let's go with a \$299 increase
3 next year."

4 That's -- that's what I meant by when
5 I -- when I said arbitrary \$4. It's not meaning
6 that we just grab \$4 out there and said, "Let's
7 just increase it," but we -- we didn't want to
8 impact the community as hard, so we -- we picked
9 \$4 as a -- I guess like a -- we thought it would
10 be not as hard to take versus asking us to
11 increase to \$299 this year.

12 COUNCILMEMBER MATEO: Well, thank you very much for
13 the explanation, and obviously, 200-somewhat
14 dollars, that's going to happen, period, yeah.

15 And secondly, if -- if your -- the
16 intent of the plan was to do exactly what you're
17 saying, to give you a better handle on how to do
18 your job efficiently and effectively -- and just
19 to add to it just so we're all clear, your
20 current Department's budget was not based on
21 efficiency, it was based on what you need now.
22 Thank you.

23 CHAIR PONTANILLA: Thank you, Member Mateo. I have
24 the same sentiment as you in regards to the
25 Integrated Solid Waste Plan that's being done

1 right now. You know, evidently, the Department
2 has said that approximately \$300 is the actual
3 cost -- actual cost to have trash pickup for our
4 resident, but similar to the water rate
5 increase, they did a plan and the Council at the
6 time chose to have the increase in phases. And
7 in -- in this regard, you know, with the
8 Integrated Solid Waste Plan, it would provide us
9 with some efficiencies, you know, because
10 they'll be looking at the manpower requirements,
11 the equipment that we have, how we do the work.
12 And once we get that plan, that solid plan that
13 can tell us how much it's -- it's going to cost
14 for us to run a solid waste program, then at
15 that time maybe we should take a look at phasing
16 in the cost. So that's my two cents on that.

17 The question that I have for the
18 Director in regards to what was mentioned for
19 Lanai, one week -- once a week pickup at half
20 the cost, if we're going to do that, Director,
21 are you going to provide the Committee with the
22 proper language for the rates and fees appendix,
23 as well as the proposed bill to amend the Maui
24 County Code section?

25 MR. ARAKAWA: Mr. Chair, I can do that.

1 CHAIR PONTANILLA: Thank you.

2 And the other thing that I would request
3 from you is the SMA loss in Solid Waste
4 revenues, if any. It's going to have some loss
5 because we're going from 100 -- 144 to \$72 a
6 year.

7 MR. ARAKAWA: Okay. We can do that.

8 CHAIR PONTANILLA: Thank you.

9 Members, any more questions in regards
10 to Solid -- Solid Waste rates and fees?

11 At this time, the Chair would like to
12 thank the Department for being here this
13 afternoon to discuss the solid waste rates as
14 well as the sewer rates. And again, thank you
15 very much, Director Arakawa and Division Chief
16 Takamine.

17 Members, the next item on the agenda
18 will be the green fees for the golf course.

19 Okay. We're going to be looking at
20 page 37.

21 Can you give it to Yvette?

22 Members, the Chair is going to call for
23 a short recess, maybe about three, four minutes.
24 The meeting is in recess. (Gavel.)

25

1 **RECESS:** **3:08 p.m.**

2 **RECONVENE:** **3:16 p.m.**

3 CHAIR PONTANILLA: (Gavel.) The Budget and Finance
4 Committee meeting is now back in session.

5 Members, this afternoon, we do have the
6 Parks and Recreation Director -- Director here,
7 Ms. Horcajo as well as the Golf Superintendent,
8 Mr. Ron Kubo.

9 Director, comments?

10 MS. HORCAJO: Thank you, Council Chairman Pontanilla.

11 The Department has prepared a handout
12 for you with three pages, and I'll just briefly
13 go over this handout. And this is a proposed --
14 I'll call it a pilot project because basically
15 we're looking at increasing our revenues by
16 trying to increase the rounds of play at the
17 golf course. And again, we wanted to look at
18 this to see if it would work or not, and so we
19 are definitely asking for you to consider this
20 request.

21 The first page of your handout is
22 page 37, which is the proposed increase, which
23 indicates a new category, which we're calling
24 twilight, which is play after 3:00 p.m., and it
25 would be a nine-hole rate. So in the evening,

1 it would get our residents and folks who work
2 all day, we're looking at trying to get those
3 folks out to play, and looking at this as an
4 idea to see if it will work or not.

5 So the weekday rate, as indicated on
6 this page 37, is to change the current rate of
7 \$8 for residents with cards to \$10 for the daily
8 rate and \$5 for the twilight rate. The retirees
9 with resident cards would remain at \$3. The
10 non-resident Maui County rate, which would be
11 the State of Hawaii residents, non-Maui County,
12 has changed from \$20 to the daily rate of 25,
13 and the twilight fee rate of 12. And the
14 non-resident rate daily would change from \$40 to
15 45 for the day and 25 for twilight. Then, the
16 weekend rates and holidays are listed below, but
17 I just wanted to go through one category with
18 you.

19 On the next page, just provided for you
20 a brief overview beginning in -- just to show
21 you the fees. To give you a little bit of
22 history, since 1997, it -- it shows the
23 increases, which have been very minimal to
24 today, and -- and shows the rate increase there
25 of 2008. So they're broken down by category,

1 but this just gives you a little bit of history
2 of where we've been.

3 And then the next page, yeah, just
4 provided for you a brief comparison of the
5 revenues collected for a nine-month period, and
6 it's the same nine-month period for 2006 as
7 2007, and that's July 1st through March 31st, to
8 let you know the revenues collected to date.

9 So that's the information provided for
10 you. And if you have any questions, myself and
11 Ron Kubo are here. Thank you.

12 CHAIR PONTANILLA: Thank you.

13 Members, I know you just had this
14 handout. I'll just give you a minute to review.

15 Member Victorino, questions?

16 COUNCILMEMBER VICTORINO: Yeah. I find it very
17 curious to find retirees -- going down to
18 retirees on the last page, yeah. Retirees
19 weekday, what a drop, almost \$3,000 drop.

20 Is there any reason our retirees are not
21 using during the weekdays? I mean, I thought
22 that was very popular with our retirees.

23 MR. KUBO: It is, but in the last five years, we've
24 been losing a lot of retirees, both because a
25 lot of them passed away.

1 COUNCILMEMBER VICTORINO: Okay.

2 MR. KUBO: And a lot of them can't golf any more.

3 COUNCILMEMBER VICTORINO: And you don't have newer
4 ones coming in?

5 MR. KUBO: We do, but as far as their -- the amount
6 of play, I'm not sure why.

7 COUNCILMEMBER VICTORINO: Okay. Because I notice
8 the -- the amounts haven't changed and, you
9 know, I see that. And then the non-Maui County
10 resident weekend and weekdays, I see, again, a
11 substantial drop. Just less coming out there?
12 Because our rates are, compared to any of the
13 other golf courses around this Island --

14 MR. KUBO: Yeah. Well --

15 COUNCILMEMBER VICTORINO: -- very reasonable.

16 MR. KUBO: -- non-Maui County residents are either
17 the outer Island Hawaii residents.

18 COUNCILMEMBER VICTORINO: Right.

19 MR. KUBO: Or also the snow birds that live here part
20 of the time. And according to the PGA, the last
21 five years, there has been a 17 percent drop in
22 rounds over the -- the whole country. And
23 that's attributed mostly to higher rates and
24 more courses.

25 COUNCILMEMBER VICTORINO: Interesting. Being that

1 this is the only municipal golf course in the
2 entire County, right, or do we have any more any
3 place else in the County?

4 MR. KUBO: No.

5 COUNCILMEMBER VICTORINO: This is the only one?

6 MR. KUBO: This is the only one, yes.

7 COUNCILMEMBER VICTORINO: Because I know Molokai and
8 Lanai didn't have one, so I was thinking where
9 else, yeah. I find it interesting that these
10 drops and -- and that you fall -- see that kind
11 of falling yet on the tourist side. And I can
12 understand why, because when you go down to some
13 of the other courses and you've got to pay the
14 tourist rates, boy, I can understand why people
15 play less golf.

16 MR. KUBO: Right. But our -- our revenues' still
17 higher than it was last year --

18 COUNCILMEMBER VICTORINO: So the --

19 MR. KUBO: -- for the...

20 COUNCILMEMBER VICTORINO: -- Mainland, the tourists
21 is kind of helping making up that -- that
22 difference, yeah, along with the resident
23 weekday and weekends?

24 MR. KUBO: Right. Yeah.

25 COUNCILMEMBER VICTORINO: They're making up that

1 difference. Okay. Because all the rest seems
2 to be dropped.

3 Why is students dropping? And again,
4 what less -- I thought golf was getting real
5 popular, you know, Tiger and all these young
6 people that kind of were attracted to golf.
7 Now, I'm -- I'm seeing numbers that are totally
8 different.

9 MR. KUBO: Well, we see -- we still have a lot of
10 students and a lot of junior golfers. But as
11 far as why it dropped, that's like over \$1,000
12 drop, but I'm not sure what -- what the reason
13 for that is.

14 MS. HORCAJO: We're hoping that this -- perhaps this
15 new twilight idea or twilight rate will get
16 folks like us out after 4:00, after 3:00. And
17 we'll be retiring soon so -- we're just looking
18 at it as an idea; therefore getting, you know,
19 more players on the course.

20 COUNCILMEMBER VICTORINO: And the twilight, you know,
21 many of the major golf courses in the resort
22 areas have that twilight, and -- and it's very
23 popular with the locals because you pay much
24 less, yeah.

25 But no, I'm just surprised with the

1 decrease in numbers. You know, even though your
2 income is up overall, it's still down when you
3 look at the key areas or the key components for
4 which this golf course is designed for, our
5 local residents, our retirees, our students.
6 You know, these are the people that I hope would
7 make the most use of this, and yet I see a
8 decline, understanding why the seniors, you
9 know, because of their passing and inability to
10 play, but the rest of the categories don't make
11 a lot of sense in my mind, but thank you. I
12 appreciate.

13 Thank you, Mr. Chair.

14 CHAIR PONTANILLA: Thank you.

15 Member Molina?

16 COUNCILMEMBER MOLINA: Thank you, Mr. Chairman.

17 Good afternoon, Director Horcajo and
18 Mr. Kubo. You know, in looking at the daily
19 rate for weekends and holidays, as well as the
20 daily rate for the weekdays, maybe I'm missing
21 something here, but it seems to me the increase
22 is being placed more on the shoulders of the
23 Maui resident -- there seems to be a higher
24 increase for the Maui resident and less of an
25 increase for the non-Maui, Hawaii State

1 residents with ID as well as the non-residents.

2 So, I guess, on the surface it seems
3 unfair. And I know from your opening
4 presentation, I know what, I guess, you're
5 trying to achieve, trying something different,
6 but, you know, personally for me, I'd rather see
7 the increases put on the shoulders of the
8 non-Maui Hawaii residents and the non-residents
9 rather than, you know, our folks who live here.
10 To me, the golf course should be prioritized
11 first -- or the usage of it to those who live
12 here, so that's my comment on that.

13 As far as the twilight, do you have a
14 lot of demand for the twi -- or how much demand
15 do you have for the twilight rates and, you
16 know, what percentage of golfers at this point
17 do you believe, you know, like playing in the
18 twilight hours?

19 MR. KUBO: Most of the golfers that come out in the
20 afternoon are -- are locals that -- and
21 students. Locals that get through work, you
22 know, early, 1:00 or 2:00 and come out and golf.

23 But the percentage, we -- we normally
24 run on the average about 33 rounds after 3:00.
25 And possibly, the max would be from 3:00 to 5:00

1 would be about 64 rounds.

2 COUNCILMEMBER MOLINA: Okay. So...

3 MR. KUBO: So you're utilizing about half. The --
4 the initial reason why the other courses went to
5 do twilight was to get players, get golfers to
6 come out in the afternoon, which most of the
7 resort courses were slow in the afternoon.

8 COUNCILMEMBER MOLINA: I see. Okay. So if -- if you
9 expect your twilight numbers to increase, your
10 daily rate, I guess your whatever, afternoon
11 people, you expect those numbers to be, I guess,
12 go down, I guess, or increase? What kind of
13 impact -- I guess what kind of cause and effect
14 do you believe it will have?

15 MR. KUBO: Well, it's kind of hard to say, but you
16 might have more rounds in the afternoon but it
17 might take away rounds from in the early
18 afternoon.

19 COUNCILMEMBER MOLINA: I see.

20 MR. KUBO: So you might lose some revenue.

21 COUNCILMEMBER MOLINA: Okay. I appreciate you folks,
22 you know, trying something different, that's
23 good. But, you know, with regards to my earlier
24 comment, I would hope that we can shift the
25 increase more towards the non-Maui resident and

1 the -- you know, those folks if at all possible.

2 MR. KUBO: I think we do -- the rates for the
3 non-residents, like for the weekday, is from
4 40 -- 40 to 45 and the weekend from 45 to 60,
5 that's a 15, \$15 jump.

6 COUNCILMEMBER MOLINA: Yeah. See, I was looking at
7 the weekends and holidays, because when you look
8 at residents with ID, \$8 to \$12, 50 percent
9 jump, and non-Maui, you have a 20 percent jump,
10 you know, 25 to \$30. So I guess I was speaking
11 more in terms of percentage-wise, so I would
12 rather see the percentage increase on, you know,
13 the non-Maui folks rather than the guys -- the
14 people who live here and use the golf course.
15 So just my comments. Thank you.

16 MS. HORCAJO: Thank you.

17 COUNCILMEMBER MOLINA: Thank you.

18 CHAIR PONTANILLA: Thank you, Member Molina.

19 Member Medeiros?

20 COUNCILMEMBER MEDEIROS: Mahalo, Chair.

21 Yeah. You know, I'm not a golfer, so
22 some of the questions may not be so germane, but
23 anyway, the -- I'm assuming that we don't have a
24 senior's rate, it's -- it's in the retirees'
25 rate; is that right?

1 MR. KUBO: Senior rate is the same as the retiree
2 rate.

3 COUNCILMEMBER MEDEIROS: Okay. And what is
4 considered a senior?

5 MR. KUBO: It's age 60.

6 COUNCILMEMBER MEDEIROS: Okay. So if somebody
7 retires younger than that, they still get that
8 rate?

9 MR. KUBO: No, you have to be 60 and over.

10 COUNCILMEMBER MEDEIROS: Oh, so it's not a retiree
11 rate?

12 MR. KUBO: No.

13 COUNCILMEMBER MEDEIROS: So it should be called the
14 senior rate?

15 MR. KUBO: Right.

16 COUNCILMEMBER MEDEIROS: Okay. You plan on changing
17 that? Because we have people that retire at 48,
18 you know, in that Police, Fire, Sewer. So
19 it's -- it's kind of deceptive that you say it's
20 a retiree rate and if somebody goes there that's
21 retired, they don't get that rate. So it's
22 really for seniors?

23 MS. HORCAJO: That's correct.

24 COUNCILMEMBER MEDEIROS: 60 and up.

25 MS. HORCAJO: We will definitely --

1 COUNCILMEMBER MEDEIROS: Okay.

2 MS. HORCAJO: -- review our wording here.

3 COUNCILMEMBER MEDEIROS: Okay. Thank you. And then

4 I also have to agree with Member Molina that,
5 you know, golfers already feel that, you know,
6 they have to pay a fee to play a sport whereas
7 other sports don't pay a fee, such as tennis,
8 basketball, baseball, you know. So they feel
9 the crunch, and I know that it takes more to
10 take care of a golf course than a softball
11 field, and so we do -- we do need some fees
12 to -- to help you operate the golf course.

13 So if we're going to this -- do you have
14 a twilight schedule now, or you don't?

15 MS. HORCAJO: No, we don't. This, again, is looking
16 at something that we could try, a pilot project
17 for a year. If we see that it's not working,
18 then we'll be coming back to you to review that
19 rate.

20 COUNCILMEMBER MEDEIROS: Okay. So is that -- is my
21 understanding correct then, if you don't have a
22 twilight schedule now, that there's nobody that
23 tees off from 3:00 on?

24 MR. KUBO: Yes, we do. We tee off all day from 7:00
25 in the morning to 5:00 at night. We close at

1 5:00.

2 COUNCILMEMBER MEDEIROS: Okay. So this twilight rate
3 would give people an opportunity to tee off from
4 3:00 on, but have a twilight rate to pay,
5 instead of the regular rate?

6 MR. KUBO: Yes.

7 COUNCILMEMBER MEDEIROS: Okay. Oh, I think that's
8 very encouraging for people that golf,
9 especially workers and, like you say, students
10 that would come after school. So I think that
11 would -- you know, I would be in support of
12 that. I think that's -- that's a good change to
13 consider.

14 Thank you, Department.

15 Thank you, Chair.

16 CHAIR PONTANILLA: Thank you.

17 Member Johnson?

18 COUNCILMEMBER JOHNSON: Thanks so much for looking at
19 this. Because I know that we had the issue of
20 the golf fees go into Committee when I was Parks
21 and Economic Development Committee Chair, I know
22 that we wanted to give it a little bit of time
23 to see if it was workable.

24 So the general question to you is, do
25 you believe that the rate changes that we had

1 last time in any way detrimentally affected the
2 play at your course and your -- your operating
3 funds in a negative way or if they impacted in a
4 positive way, I'd like to know.

5 MR. KUBO: I don't think -- I don't think it affected
6 it negatively, the rate, the increase that we
7 had in 2005. For the most part, I think because
8 there was a reduction in -- in the amount of
9 play for several different reasons, because
10 there's more courses and there is a drop in --
11 in golf play.

12 COUNCILMEMBER JOHNSON: Just in general?

13 MR. KUBO: Yeah.

14 COUNCILMEMBER JOHNSON: But not directly attributable
15 to any kind of a rate change?

16 MR. KUBO: No.

17 COUNCILMEMBER JOHNSON: Okay. Great. I'm really
18 glad to know that, and perhaps that item can be
19 filed.

20 Thank you.

21 CHAIR PONTANILLA: Thank you.

22 Member Hokama?

23 VICE-CHAIR HOKAMA: Chairman, it would have been
24 helpful if the Division and the Department can
25 get us rounds like category per year. If their

1 goal is to increase rounds, then I would say
2 that would be one component of information
3 that's definitely -- that's missing from what is
4 being presented.

5 How did you come with the 3:00 proposal
6 for twilight time when we're aware that other
7 courses start at 12:00, some start at 1:00?
8 What made you pick 3:00 as the starting time for
9 twilight for Waiehu, please?

10 MR. KUBO: Well, I think the idea was that -- to have
11 actually a nine-hole rate and not really call
12 it -- not really a twilight rate.

13 VICE-CHAIR HOKAMA: Okay. I understand that,
14 Mr. Kubo. Because normally and, again, you
15 know, we may need to share our experiences since
16 I think Mr. Pontanilla and I would be considered
17 golfers or those that try and hack a ball into a
18 little green hole.

19 Twilight on most other courses is if you
20 can fit the whole round, you're allowed to do so
21 at the discount rate. And of course everybody
22 knows that the time of day changes when you can
23 finish due to the season of the year, so we know
24 that December the sun sets earlier, so twilight
25 is a shorter time to -- to accomplish the whole

1 round versus the summer months.

2 I think it might be more -- would it
3 really impact if we just had a nine-hole rate
4 and regardless of time if they just wanted to
5 play nine holes, whether it be at 10:00 in the
6 morning or 3:00 in the afternoon?

7 MR. KUBO: Yes, it would impact -- impact it
8 negatively, because we would -- we would lose
9 revenue that way. Because when you have a
10 foursome going out for nine holes, they're
11 not -- they're just going to go nine holes in
12 the front and the nine -- the back nine is going
13 to be -- you're going to have a lot of space in
14 between where you're losing revenue.

15 MS. HORCAJO: Mr. --

16 VICE-CHAIR HOKAMA: So the twilight is for -- you can
17 start off either number one or number 10 at 3:00
18 depending on the pace of play?

19 MR. KUBO: No, just the number -- teeing off on
20 number one.

21 VICE-CHAIR HOKAMA: Okay. You know, part of -- I can
22 tell you, Members, part of the reason of changes
23 in rounds at courses is, of course, the quality
24 of the course and the experience. So of course,
25 you know, if we were at Augusta National, which

1 hosts a major tournament called the Masters, you
2 know, you want to play, you're going to pay in
3 the hundreds of dollars. You want to play at
4 Pebble Beach, you're going to pay in the
5 hundreds of dollars. But the experience and the
6 condition of the course, people will feel they
7 have value. Okay.

8 And, you know, one of the things that we
9 need to work on at Waiehu is consistency of
10 value. You know, we made tremendous progress in
11 the greens, and I don't know what happened,
12 Mr. Kubo, but the last tournament I played, the
13 greens weren't at the level that I mean, I would
14 say it was maybe a year earlier. And I don't
15 know what's happening, whether it's the need for
16 you to have resources for you to resod or -- or
17 take care of irrigation under the surface. I
18 mean, you know, I understand there's many
19 factors you've got to deal with.

20 MR. KUBO: Well, the problem is with the greens at
21 Waiehu, it's over 50 years old. And you know,
22 as far as the turf grass, you need to change it
23 at least every 15 years.

24 VICE-CHAIR HOKAMA: I can appreciate the situation
25 you need to work with as well as though I think

1 we might need to assist this program, Chairman,
2 by maybe putting some resources in. They may
3 need some -- a little General Fund support to
4 maybe either have the USGA or the Aloha Section
5 PGA maybe come and give us a third party
6 assessment and recommendations of how to improve
7 the course, and whether or not the staffing is
8 appropriate, and what we should expect at
9 certain staffing levels, because I know many...

10 You know, Honolulu, we've got courses
11 that deal with less staffing than we have for
12 Waiehu. And I know of resort courses, but then,
13 again, it's a resort, that has more staffing
14 than Waiehu.

15 So I think we're going to need to decide
16 what is we want to provide, the consistency and
17 then provide the revenue stream and resources so
18 that the Parks Department and Mr. Kubo can then
19 hit those marks for us.

20 But again, right now, I think the
21 concern is value and he has a lot more
22 competition than he had 10, 20 years ago.
23 There's new courses. Everybody wants to play a
24 new course. Once you do the Mercedes, there's a
25 big drive to play Kapalua in professional

1 tournament conditions. You know, people want
2 that experience and they're willing to pay big
3 money, Chairman.

4 So there's a lot of factors that is
5 impacting our course, but I would say that maybe
6 to assist the Department, we -- we might want to
7 look at an assessment, as well as how to retain
8 the level of what they call the slope and the
9 par and everything else, what makes sense for
10 Waiehu. And that way, we can provide the
11 program -- appropriate resources and then
12 accordingly adjust the fee structure to take
13 care of that.

14 But if it's just an increase of rounds,
15 Director, obviously lowering the rates increases
16 rounds. Especially if you make it free, then
17 you've got plenty of rounds, but it doesn't
18 serve the program, okay?

19 So -- so again, I would just say it's
20 worthy for us to consider, Mr. Chairman. And
21 one thing I would ask, though, is this -- again,
22 just so everyone is aware, this is only to play
23 golf, this is not -- you know, people need to
24 understand, this is not regarding a cart.

25 MR. KUBO: Right.

1 VICE-CHAIR HOKAMA: This is a walking rate?

2 MR. KUBO: Yes, it is.

3 VICE-CHAIR HOKAMA: Does it need to be reviewed by
4 the -- by this Committee if you -- you want to
5 generate a lot of revs and you want the rounds
6 go up, courses have eliminated walking, certain
7 courses. And -- and that's the kind of things
8 that you might need to give us recommendations.
9 If the key is just to raise money and maximize
10 rounds, then maybe we need to consider
11 eliminating walking.

12 MR. KUBO: But my contention is we don't want to
13 maximize rounds, we want to maximize the
14 revenue, because the more rounds you get, the
15 more your cost of maintenance.

16 VICE-CHAIR HOKAMA: Yeah, that's understood.

17 MR. KUBO: And as far as having an assessment, I do
18 have one from the USGA.

19 VICE-CHAIR HOKAMA: When was it done, please,
20 Mr. Kubo?

21 MR. KUBO: Pardon?

22 VICE-CHAIR HOKAMA: When was it done?

23 MR. KUBO: Last year.

24 VICE-CHAIR HOKAMA: Do you have the ability to share
25 that information with us, please?

1 MR. KUBO: Sure.

2 VICE-CHAIR HOKAMA: Yeah. That would be appreciated.

3 What is your -- I don't know if you have
4 the information, but what is your round count
5 per year, 100,000 rounds a year?

6 MR. KUBO: Not 100,000. Last fiscal year, we ended
7 with 88,000.

8 VICE-CHAIR HOKAMA: Okay. Okay. Because I remember
9 when Castle and Cooke still owned Mililani, we
10 were -- we were in the hundred plus thousand
11 rounds a year, Chairman. Of course, you had to
12 have a good staff, grounds staff, you needed,
13 you know, the resource and equipment to maintain
14 when you're doing over 100,000 rounds, but
15 it's -- it's possible. If that's where we want
16 to go, it's possible, Chairman.

17 Thank you.

18 CHAIR PONTANILLA: Thank you.

19 Member Mateo?

20 COUNCILMEMBER MATEO: Chairman, thank you much. I'm
21 just like Mr. Medeiros, I, too, am not a golfer.
22 As a matter of fact, we see more of each other
23 on the Makahiki fields than we do on the golf
24 course, so, you know, I -- I thank the
25 Department for being creative enough in looking

1 at new means of generating greater income for
2 us. And I can admittedly say at this point that
3 these are sets of fees that I can support.

4 Thank you.

5 CHAIR PONTANILLA: Thank you.

6 Mr. Hokama, I'm just like you, I agree
7 that in order for us to make good sound
8 decisions, we need to look at rounds, like the
9 different category.

10 As you know, two years ago, I, along
11 with Mayor Tavares and Mr. Hokama, created the
12 last rate increase. And part of our study was
13 to talk to individuals -- individual golfers,
14 not only golfers on the County of Maui
15 employees, but also retirees and people out in
16 the public. And we came to a determination that
17 was fairly comfortable for all of the people
18 that we spoke with. And these are local
19 resident golfers. And by interacting with
20 the -- the local people, you come out with the
21 fees that you have today.

22 If you could have the number of rounds
23 by the different categories that you show, then
24 we can make a better assessment as far as what
25 fees we should be looking at. And I'm happy to

1 see that, you know, the revenues -- the revenues
2 has increased over the years, so we must have
3 done something right.

4 MR. KUBO: I have the figures for -- for the number
5 of rounds for each category if you want.

6 CHAIR PONTANILLA: Yeah, if we can have that
7 information.

8 MR. KUBO: For the resident...

9 VICE-CHAIR HOKAMA: Mr. Kubo, if...

10 CHAIR PONTANILLA: If you can have it -- probably
11 send it to us and we can make the determination.

12 VICE-CHAIR HOKAMA: And then Chairman, if -- if
13 Mr. Kubo has access to some of the historics, at
14 least maybe a three-year history so we can see
15 if there is any -- it's hard. Five years would
16 be easier, but he has three to five years worth
17 of rounds information, then we can maybe track
18 if there is a pattern that's consistent in the
19 usage of the course.

20 CHAIR PONTANILLA: Yes. Based on two years ago, I
21 think Mr. Kubo had provided us with that. So to
22 include -- well, you can include '06 and '07 in
23 that particular count that you have.

24 MR. KUBO: Okay. I can do that.

25 CHAIR PONTANILLA: Thank you.

1 Member Molina?

2 COUNCILMEMBER MOLINA: Thank you, Chairman.

3 You know, just for my own curiosity for
4 those of us who are non-golf experts -- you
5 know, the way I golf, I should be banned in my
6 few attempts at it. Even with this proposed
7 rate increase, I presume we're still the lowest
8 in terms of rates here on Maui?

9 MR. KUBO: Yes.

10 COUNCILMEMBER MOLINA: Okay.

11 MR. KUBO: Not only on Maui, I think within the
12 State.

13 COUNCILMEMBER MOLINA: Within the State?

14 MR. KUBO: Oh, yeah.

15 COUNCILMEMBER MOLINA: Wow. So this is quite a
16 bargain, yeah. And you know, I'm not even going
17 to ask what the Kaanapalis and the Kapaluas and
18 Makenas charge. So the -- the next, I guess,
19 highest in terms of rates to the County would
20 be -- do you know off hand what golf course or
21 golf courses, and what would they charge, you
22 know, compared to what we're...

23 MR. KUBO: On Maui?

24 COUNCILMEMBER MOLINA: Yeah. Spreckelsville maybe?

25 MR. KUBO: It would be Pukalani.

1 COUNCILMEMBER MOLINA: Pukalani?

2 MR. KUBO: Yeah.

3 COUNCILMEMBER MOLINA: Okay. And -- and even with
4 this rate increase, it's still way lower than
5 Pukalani?

6 MR. KUBO: Yes. Yeah.

7 COUNCILMEMBER MOLINA: Wow. Thank you.

8 Thank you, Chair.

9 CHAIR PONTANILLA: Yeah, thank you for that
10 information.

11 The other thing that I'd like to comment
12 on is that on your non-res, when you look at
13 golf courses, a good example Maui Lani, 2:00,
14 \$20, non-res, here we are \$25, non-res. Guess
15 where they're going? So...

16 COUNCILMEMBER VICTORINO: Mr. Chair?

17 CHAIR PONTANILLA: Member Victorino?

18 COUNCILMEMBER VICTORINO: Yeah, I'd be curious to
19 know, as you mentioned earlier, 88,000 rounds.

20 MR. KUBO: 88,500.

21 COUNCILMEMBER VICTORINO: For 2006 year? Yeah, 2006
22 year, okay.

23 MR. KUBO: Fiscal Year, yeah.

24 COUNCILMEMBER VICTORINO: Fiscal Year. That's
25 July...

1 MR. KUBO: Five -- 2005, 2006.

2 COUNCILMEMBER VICTORINO: Yeah, July 1 to June 30th.

3 Yeah, that's how you guys do it. Being also
4 a -- literally called a hacker because Good
5 Fellow trucks have to follow me around the
6 course. That's why I know maintenance would be
7 really hard. That's why I don't want to go to
8 our -- our course. I'd rather go to the private
9 courses and damage that. No hurt you guys too
10 much, yeah?

11 But realistically, if we were to lower,
12 you know -- and -- and I guess the question I
13 have is lower the daily rate for the holiday
14 because I saw that was kind of like the biggest
15 jump of all of them, 50 percent, and I agree
16 with my -- my colleagues, even though I don't
17 golf very much, that going from \$8 to \$12 for
18 our local residents with ID, kind of like a big
19 jump.

20 If we were to bring that back down to
21 \$10, like we have the regular and keep that the
22 only one not changed, would that have a profound
23 effect as far as the amount of rounds that they
24 play on the weekend? Do you have that
25 breakdown, for that holiday weekend resident?

1 MR. KUBO: For the weekend?

2 COUNCILMEMBER VICTORINO: Give me an idea, please.

3 MR. KUBO: It's 15,000.

4 COUNCILMEMBER VICTORINO: So 15,000 times \$2, that's
5 about \$30,000 less in revenue. Okay. I think
6 with all the other increases, you guys still do
7 very well. And I can kind of consider that, you
8 know.

9 So anyhow, just my -- my thought on that
10 matter because, again, I agree with my
11 colleagues. I want to protect Mauians because
12 that's our only course and -- as far as a
13 municipal golf course. And going to the other
14 ones is very expensive. You know, I'm very
15 fortunate somebody pay, I play. If I had to
16 pay, I would never waste my money. Sorry.

17 Thank you very much, Mr. Chair.

18 CHAIR PONTANILLA: Thank you.

19 Member Medeiros?

20 COUNCILMEMBER MEDEIROS: Mahalo, Chair. I just want
21 to follow up on some questions that came to
22 mind.

23 First of all, the rate that you show for
24 green fees for daily rates, right, your -- your
25 twilight rate is just half of that, it's -- it's

1 not a lower rate, because they're playing only
2 nine rounds but it's just half of your daily
3 rate. So you never considered making it attract
4 where it would be a dollar less or something,
5 you decided just to half the daily rate?

6 MS. HORCAJO: We did have an opportunity to try and
7 play with the numbers a little bit, and again,
8 we decided this was just a pilot so suggestions
9 are appreciated, and we are just -- we are
10 looking at this as a proposal.

11 COUNCILMEMBER MEDEIROS: Okay. My next question
12 having to do with the twilight rate is if it's a
13 really big success and you have a lot of golfers
14 going out for that time of the day, does that
15 affect your resources as far as personnel in
16 rescheduling people and having enough people?

17 MR. KUBO: No, it doesn't.

18 COUNCILMEMBER MEDEIROS: It doesn't. Okay. My last
19 question is have you taken into consideration
20 the rates when July 1st comes and the Superferry
21 comes here, and people can come off the
22 Superferry with their vehicles and golf clubs,
23 how that may impact your golf course and how
24 that may impact our local residents? Was that
25 taken into consideration as far as your non-Maui

1 Hawaii residents?

2 MR. KUBO: I don't believe we did, no.

3 COUNCILMEMBER MEDEIROS: I -- I would suggest that,
4 you know, we look at that, because I think
5 you're going to see a huge impact, especially
6 when we heard from you that we probably are the
7 lowest rates in the State. And when people come
8 from other Islands and golf is their sport,
9 they're certainly going to want to come here and
10 golf and they're going straight to your golf
11 course. So we should be looking at non-Maui
12 Hawaii residents as far as a different rate,
13 especially on weekends. Okay. Thank you.

14 Thank you, Chair.

15 CHAIR PONTANILLA: Thank you, Member Medeiros.

16 Members, any more questions in
17 regards -- regards to green fees?

18 If not, Mr. Kubo, if you could provide
19 us with that information as far as the number of
20 rounds by category that was requested?

21 Appreciate it.

22 MR. KUBO: Yes, I will, Mr. Chairman.

23 CHAIR PONTANILLA: And the -- the other thing would
24 be that the USGA or --

25 MS. HORCAJO: PGA assessment.

1 CHAIR PONTANILLA: -- the PGA assessment?

2 MR. KUBO: USGA.

3 CHAIR PONTANILLA: Yeah. Thank you.

4 MS. HORCAJO: Sorry.

5 VICE-CHAIR HOKAMA: Chairman?

6 CHAIR PONTANILLA: Member Hokama?

7 VICE-CHAIR HOKAMA: One thing I would ask the

8 Committee to keep in mind also is that while the
9 golf site is trying to increase rounds, which I
10 commend, if it is their success, then there's
11 two areas that we benefit also. It is through
12 our concession for the pro shop as well as the
13 concession for the food and beverage because if
14 there's no golfers out there, those two
15 components, which we derive revenue from, gets
16 impacted also. So if there's negative things
17 happening on the course, you can find the
18 correlation that impacts negatively the two
19 concessions.

20 So, you know, I want you folks -- I just
21 bring that forward and ask that you take that
22 into consideration when we start making
23 adjustments, if may not only impact the golf
24 component at Waiehu.

25 Thank you, Mr. Chairman.

1 CHAIR PONTANILLA: Thank you.

2 And my final comment is directed to --
3 if you could take a look at the building there.
4 I -- I think we can do something much better in
5 the future in regards to the clubhouse itself.
6 Thank you.

7 At this time, the Chair would like to
8 thank the Director as well as the Golf
9 Superintendent for being here this afternoon.
10 Thank you very much.

11 MR. KUBO: Thank you.

12 CHAIR PONTANILLA: Okay. The next item on the agenda
13 this afternoon is the water rates, so we'll take
14 a couple minutes, maybe about five minutes, so
15 this meeting is in recess. (Gavel.)

16 **RECESS: 3:54 p.m.**

17 **RECONVENE: 4:03 p.m.**

18 CHAIR PONTANILLA: (Gavel.) The Budget and Finance
19 Committee meeting is now reconvened.

20 Members, the last Department -- the last
21 Department to come to this Committee in regards
22 to rates, water rates, is the Department of
23 Water Supply. And with us today, we do have the
24 Director, Mr. Jeff Eng, and his Deputy Director
25 as well as his Fiscal Officer.

1 And Jeff, if you -- if you could
2 introduce your team members at this time?

3 MR. ENG: Thank you, Chairman Pontanilla, and good
4 afternoon, Committee Members. I'm here with my
5 Fiscal Officer, Ms. Holly Perdido, and Deputy
6 Director Eric Yamashige. And we're prepared to
7 respond to any of your questions regarding our
8 rates and fees.

9 CHAIR PONTANILLA: Thank you.

10 Members, at the last meeting we had with
11 the Department of Water Supply, it was
12 determined at the time that it would have been
13 good to have both Water and Sewer the same day,
14 so we've gone through the sewer rates and now
15 with -- we are continuing on the water rates.

16 Member Victorino, questions?

17 COUNCILMEMBER VICTORINO: Thank you Chair.

18 Okay. Do you feel, first of all, that
19 these proposed rates, which will impact many of
20 our citizens, will be an effective means of
21 dealing with, a, CIP, b, with the overall
22 increase in utility costs, and I guess, c, the
23 overall maintenance of our water system
24 throughout the County of Maui? Three questions
25 and you need to give me the answers, because the

1 people want to know that.

2 MR. ENG: Thank you, Member Victorino.

3 Yes, I do think that the new rates, as
4 we have had them designed and have presented to
5 you, will address the issues that we are facing.
6 Again, this additional revenue, about a third of
7 it, will provide for our additional anticipated
8 electricity expenses. We do have \$3 million of
9 it that we will be transferring to fund CIP
10 replacement projects.

11 And -- and why we believe that using
12 revenues for CIP is advantageous for the
13 taxpayers and the rate payers is because
14 basically it eliminates our need to go out and
15 do additional bonding, bond funding. And again,
16 the remaining amounts of our revenue will be for
17 the other Department overhead expenses,
18 salaries, benefits, insurance premiums.

19 So yes, I think they're appropriate to
20 address our revenue needs in -- and also, it
21 will also allow us to continue to address our --
22 our day-to-day repair maintenance program. And
23 so I think it is a real satisfactory, but
24 somewhat conservative rate structure, but I do
25 believe it is appropriate.

1 COUNCILMEMBER VICTORINO: Okay. I'll yield to my --
2 my colleagues and I'll let them have
3 opportunities and then if I have -- I have a few
4 more questions. If they're not asked, then I'll
5 ask them at the end, Mr. Chair. Thank you.

6 CHAIR PONTANILLA: Thank you.

7 And Members, we're on page 39, 40 and
8 41. Member Molina?

9 COUNCILMEMBER MOLINA: Yeah. Thank you,
10 Mr. Chairman.

11 And I think -- Mr. Director, I think
12 some of our questions were answered when we were
13 discussing the report recently so I don't have
14 too much questions today, but I do have at least
15 one.

16 If you could help refresh my memory on
17 this, what percentage again of the anticipated
18 revenues with this rate increase would be
19 utilized for water development, just finding a
20 new source, or was this just more catered
21 towards improving infrastructure?

22 MR. ENG: Yeah, the additional revenue would just go
23 toward replacement --

24 COUNCILMEMBER MOLINA: Replacement.

25 MR. ENG: -- CIP projects, so anything toward

1 expanding the project is basically through our
2 Water System Development Fee Fund.

3 COUNCILMEMBER MOLINA: Okay. And I think that's the
4 thing we're going to have to convince our
5 constituents as to, you know, I'm sure we will
6 get questioned a lot as to -- you know, if we do
7 support an increase of this size, I think that's
8 something that, you know, we'll have to try and
9 convince our constituents to be supportive of.

10 And one other quick question, the -- on
11 your monthly charge for your meters, the
12 increase there for the five inch -- five-eighth
13 inch and a three-quarter inch. The five-eighth
14 inch, that's a typical size meter that would be
15 used for your house?

16 MR. ENG: Yes, for residential meters, yes.

17 COUNCILMEMBER MOLINA: The lower -- the people who
18 use less water. Now, those with the one inch
19 and above, your -- your big users, those will be
20 like what, your hotels, your...

21 MR. ENG: Yes, Member Molina. Typically, residential
22 would be your five-eighths, maybe
23 three-quarters, some of the older homes have
24 even one inch. But when you're looking at one
25 inch, inch and a half, even two inch, it's

1 primarily commercial in nature.

2 Then, when you get into the multi-family
3 and hotels, you'll see basically the four inch
4 and greater size meters.

5 COUNCILMEMBER MOLINA: Okay. Yeah. I guess for me
6 it's just -- I -- I would prefer to see the
7 increases placed more on the bigger water users
8 than rather our residents, so that's -- for me,
9 I would like to see some adjustment in that
10 area. So -- because if we're going to hit our
11 residents with a rate increase, at the very
12 least, we could provide some relief in terms of
13 the monthly charge.

14 MR. ENG: And Member Molina, you're correct. That's
15 generally what you would see. You would see the
16 larger meters taking the larger increase in the
17 standby charge.

18 COUNCILMEMBER MOLINA: And the way I see this
19 proposal here in terms of just the rate
20 increase, it's more to -- I guess, aimed at the
21 larger water users, so the more water you use,
22 the more you have to pay for.

23 MR. ENG: Yeah, the larger water users will be
24 affected by that, the amount of consumption they
25 have.

1 COUNCILMEMBER MOLINA: Which I hope will lead towards
2 promoting conservation.

3 MR. ENG: Yes.

4 COUNCILMEMBER MOLINA: Thank you, Mr. Director.
5 Thank you, Chair.

6 CHAIR PONTANILLA: Thank you, Member Molina.
7 Member Medeiros?

8 COUNCILMEMBER MEDEIROS: Mahalo, Chair.

9 Mr. Eng, yeah, I, like Member Molina,
10 pretty -- pretty surely got most of my
11 information when we discussed the study and your
12 explanations of the rates, and I, too, would
13 like to see the minimum impact on our
14 residential population as far as rates and
15 charges.

16 And the reason I say that is we're
17 looking at a lot of rates and fee increases, and
18 the cumulative effect on our middle class, the
19 working families, we heard a lot from public
20 hearings about, you know, they being impacted
21 hard because of the cumulative effect of all
22 these rates and fees. So I -- I would say I
23 understand the reason for the increase as far as
24 so that we can replace some of the older
25 infrastructure and -- and provide the kind of

1 level of service you want to provide, which
2 comes with keeping the infrastructure in the
3 best condition we can.

4 So I won't have any questions for you
5 except that, you know, I understand the process
6 you're going through in order to reach the rates
7 that you have listed here, but thank you for
8 that information.

9 MR. ENG: You're welcome.

10 COUNCILMEMBER MEDEIROS: Thank you, Chair.

11 CHAIR PONTANILLA: Thank you, Member Medeiros.

12 MR. ENG: Mr. Chair?

13 CHAIR PONTANILLA: Okay.

14 MR. ENG: If I may add something on behalf of
15 Mr. Medeiros? I just wanted to reiterate is
16 that the way the rates were designed, they do
17 protect the average single family customer as
18 well as the low income, fixed income low water
19 user type of customer, too. So even though
20 we're looking at an overall 18 percent increase,
21 you know, their increase is roughly in the three
22 to five percent.

23 COUNCILMEMBER MEDEIROS: Right.

24 MR. ENG: So we've done all we could to -- to protect
25 them from any impacts.

1 COUNCILMEMBER MEDEIROS: Yeah. Thank you for that.

2 MR. ENG: You're welcome.

3 CHAIR PONTANILLA: Member Johnson?

4 COUNCILMEMBER JOHNSON: Yes, Jeffrey, thanks so much
5 for bearing with us. Because there's been a lot
6 of talk about, you know, it's not just your
7 fees, it's all of the fees, you know, and I
8 guess if you look at the cumulative impacts of
9 our rates and fees Countywide, plus the rise in
10 assessments, I guess my concern is always that
11 can we ask that of many of the people who really
12 have no ability to increase their income to a
13 level that they would be able to afford this.

14 So if we were to go not with the full 18
15 but look at 12 percent as a rate increase, which
16 is what we've had, you know, for the last
17 several years, do you believe that that would
18 still enable you to move forward with most of
19 your critical CIP projects, and then even if
20 it's adjustments within -- you know, let's say
21 if we're conserving in one area by making a rate
22 adjustment of, let's say, 12 percent, would
23 there be areas that you would recommend that we
24 could adjust other items, you know, metering
25 items, different things within the budget that

1 might produce that additional revenue that you
2 would need to move forward?

3 MR. ENG: Member Johnson, you know, we share your
4 concern about the impacts to the community, and
5 we have been looking at ways in which we could
6 modify our rate increase and yet still be able
7 to address all the needs of our Department.
8 Because one thing I wouldn't want us to take
9 steps backwards. We've been going in that
10 direction for quite a while. Yet, I do
11 understand all the various fee impacts and other
12 things that the community members are facing.

13 But we can look at some -- some moderate
14 decreases to our rate requests. We'll probably
15 have to modify some of our CIP, take another
16 look at basically CIP replacement projects, take
17 a close look at those, maybe even look at some
18 alternative ways of funding those projects. But
19 we can be open to -- to your needs too, but I'll
20 defend the basic needs of our Department,
21 obviously.

22 COUNCILMEMBER JOHNSON: And -- and I don't dispute
23 that you need the increase. That's not an issue
24 at all. And I think for me, just as one Member
25 of the Council, it's looking at a fee that is

1 palatable and -- and really realistic, I guess,
2 to the majority of our citizens.

3 I agree with my fellow Council Members
4 who have stated that the smallest, I guess,
5 income recipients are the ones that are the most
6 vulnerable, and so it's very difficult for them,
7 particularly if they're living on a fixed
8 income, where are they going to go? Their
9 pension amount is only so much, and with
10 assessment rising, even the circuit-breaker in
11 some cases is not helping everyone.

12 So if you could take a look at that --
13 what I'm looking at personally myself would
14 be -- my comfort level would probably be with no
15 more than 12 percent as -- whatever the income
16 produced from that amount would be, that's just
17 me as one person, but that's where I'm looking
18 at it. So that, to me, it's -- it's a rate that
19 the majority of people can live with, I believe.
20 And even if you say it's not 12 percent across
21 the board, where would you recommend? You know,
22 if we're to bump in one area, decrease in
23 another area, where would you suggest that that
24 be to at least come up with some of those rates?

25 MR. ENG: Okay. Well, definitely we'll consider your

1 requests, and if we do make any adjustments to
2 the rates, we'll probably keep the same concept
3 in that we do want to protect the average single
4 family residential customer and -- and the fixed
5 income customer.

6 COUNCILMEMBER JOHNSON: Okay. Thank you very much.

7 MR. ENG: You're welcome.

8 COUNCILMEMBER JOHNSON: I really appreciate it.

9 CHAIR PONTANILLA: Thank you, Member Johnson.

10 Member Hokama?

11 VICE-CHAIR HOKAMA: Mr. Director, what would you
12 say -- I know this is hard, but what would you
13 say an average household of two adults, two --
14 two children uses on -- in an average month,
15 10,000 gallons or...

16 MR. ENG: Yeah, basically 10, 15,000 gallons per
17 month for a typical family of four doing the
18 normal things, normal -- normal amount of
19 landscape irrigation, something like that.

20 VICE-CHAIR HOKAMA: You know, your baths and, you
21 know, wash your dishes, your laundry --

22 MR. ENG: Yeah.

23 VICE-CHAIR HOKAMA: -- some yard requirements. You
24 would say about 10,000 gallons a month?

25 MR. ENG: Maybe even more toward 15,000 gallons per

1 month.

2 VICE-CHAIR HOKAMA: Okay. Because I was just
3 calculating since, you know, Mr. Taylor gave
4 us -- like, for Lanai with sewers, 7,500 gallons
5 a month...

6 First, let me ask you this one question,
7 on your water rates -- and you made me nervous.
8 Of course, we understand, but when you say per
9 gallon zero to 10,000, it's 155, I was going
10 like whoa. But we understand this is for -- per
11 1,000 gallons. You know, if we use Mr. Taylor's
12 7,500 over a two-month period with sewer, I'm
13 going to pay about \$124. That's going to be my
14 new two-month bill, so about 60, \$62 a month for
15 sewer and water on Maui with about 7,500 gallons
16 of use a month.

17 So my -- my thing is on your rates, is
18 that zero to 10,000 the monthly rate, or is that
19 zero to 10,000 gallons on a bimonthly rate, that
20 155?

21 MR. ENG: It's -- it's on the cumulative bimonthly
22 quantity. In other words, let's say you're
23 using 30,000 gallons over two months, okay, so
24 your entire bill is based on 30,000 gallons.
25 The first 10,000 gallons would be at that first

1 tier, and then the remaining 20,000 gallons --

2 VICE-CHAIR HOKAMA: Is going to be...

3 MR. ENG: -- would be the second tier.

4 VICE-CHAIR HOKAMA: Okay. Okay. So that's for the
5 two-month period though, right?

6 MR. ENG: That's correct.

7 VICE-CHAIR HOKAMA: Okay. And charge -- have you had
8 discussions with your sister Divisions, and I'm
9 talking about like Wastewater, in that because,
10 you know, we get a consolidated bill for water
11 and sewer on Maui how that is to be perceived by
12 our users because, you know, both sides are
13 asking for increases, and all of a sudden from
14 one amount that they've been paying for a period
15 of time, they're going to get this, you know --
16 for you -- for water to say well, it's
17 12 percent we think -- or, I'm sorry. That was
18 Ms. Johnson's number.

19 COUNCILMEMBER MATEO: 18.

20 VICE-CHAIR HOKAMA: Okay. 18, but that's -- that's
21 the overall. We know that for a single family,
22 it's a little ...

23 MR. ENG: Yeah, three to five percent.

24 VICE-CHAIR HOKAMA: Yeah, three to five percent,
25 okay, so we would say taken by itself, it sounds

1 reasonable. Then we come with sewer's proposal,
2 and their single family monthly base charge
3 16 percent plus usage, another 26 percent
4 increase. Now, you consolidate those two
5 with -- that has three components, water use,
6 base charge usage charge, and then you have
7 power adjustment, utility adjustment.

8 You know, I can understand the kind of
9 calls I'm anticipating I will be getting,
10 Mr. Director, because on one bill, they're going
11 to see hits on four components at one time. And
12 we understand, you know, this is what's
13 happening to everyone, but I had wondered
14 whether or not your sister Departments in the
15 Budget Office looked in a way of how to present
16 it to our community in a more palatable and -- I
17 don't even know how to state it. A way that
18 they can receive it with saying it makes sense
19 what the increase I'm paying. But when you add
20 in all this little components, all of a sudden,
21 it's like, "Wow, you're really charging me a
22 whole lot more than I can take at one point in
23 time." And whether or not it's reality or not,
24 I know we're going to get the calls. I'm
25 telling you, we are going to get phone calls and

1 mass communications of, "How can you do this to
2 us?" and what-not.

3 So I'm just asking again, if you have
4 any comments for us of whether or not this was
5 discussed regarding over all impacts?

6 MR. ENG: Member Hokama, we didn't have an
7 opportunity to discuss with Wastewater their
8 increase. We were aware, even back in January,
9 that they were looking at a rate increase. We
10 had concerns, the same ones that you're
11 expressing, is the impact to the customers and
12 how they're going to feel about it.

13 And our Department basically feels now
14 we've got to do a heck of a good job of
15 educating them what it's all about. And, for
16 example, yesterday morning, I was invited to a
17 local radio station and I was able to give a
18 little brief discussion. And after that, I
19 realized, you know, that could be pretty
20 effective getting out there as often as we can,
21 getting something out in the newspaper.

22 And I guess because the process of how
23 we increase rates, you know, in the public
24 sector, you know, if you're regulated by the
25 PUC, you have a public hearing and people come

1 out and go after you. And -- and here really
2 sought the process here. You know, if you guys
3 go in after us, you're representing your
4 constituents. But for the average Joe who's
5 working all day long, he doesn't have the
6 opportunity. You know, he doesn't really know
7 what's happening until that rate has -- has gone
8 into effect.

9 So I realize and we realize that we have
10 to do a better job of selling it, you know.
11 Again, it's too early maybe in the game for us
12 to go out publicly, because you folks haven't
13 made your decisions yet. But -- but I know once
14 we get the same pretty much where it's going to
15 be, I know we have to be pretty aggressive in --
16 in getting the explanation out and being
17 available to -- to take calls and answer
18 questions, and we'll willing to do so.

19 VICE-CHAIR HOKAMA: Has there ever been a discussion
20 between you and Wastewater about -- so that we
21 can consider whether we need to do it by
22 legislation or not that says okay, 10,000
23 gallons this house. We know that some of it is
24 utilized for just property gardening or -- or
25 landscaping, so it would be reasonable to say

1 2,000 of the 10,000 -- and again, I'm making
2 example. I have no basis of these numbers.
3 2,000 is basic yard maintenance, general
4 gardening, you know, save money by -- instead of
5 buying vegetables, you grow vegetables, your
6 onions and what-not. So that sewer can only
7 then assess 8,000 out of the \$10,000 water
8 billing charge because we're assuming only 8,000
9 is really going into the sewers and 2,000 is
10 going over real property of -- of the homeowner.

11 Is that something that you folks have
12 discussed in the past or have at least
13 contemplated to see how we can make, if any,
14 appropriate adjustments on how we assess and
15 charge our people?

16 MR. ENG: Well, in the case of Wastewater, I'm not
17 really totally familiar with how they develop
18 their rates, but whether or not they base their
19 rate and fee on a percentage of the total amount
20 of water or the -- the full amount, they still
21 are trying to recover their entire --

22 VICE-CHAIR HOKAMA: Costs.

23 MR. ENG: -- revenue requirements, so -- and that's
24 really what they're looking at and that's what
25 we're looking at to in order to stay and remain

1 self-sufficient financially. So we can
2 manipulate numbers, but in the end, you know,
3 someone has to pay so we can meet our revenue
4 requirements.

5 VICE-CHAIR HOKAMA: And I understand the paper and
6 pencil magic you can do, as long as you've got
7 an eraser, we can make anything work out. I
8 understand that, Director Eng.

9 But I think what we're trying to come
10 across is that we understand what the homeowner
11 user is dealing with, and -- and just by this
12 fact that, let's say, the County recognizes yes,
13 not everything we meter of water goes into the
14 sewer, and yes, okay, we'll grant you X percent
15 goes over -- but therefore, I guess, you know,
16 we're going to adjust what we can really charge
17 you for.

18 It may become more palatable because of
19 our recognition of the situation that they deal
20 with day-to-day, instead of coming up with, "We
21 metered 10,000 so we're going to charge you
22 10,000. I don't care what you tell me 5,000 was
23 for your grass and garden, I don't care."

24 But -- but having us be able to say we
25 recognize that factor and we've adjusted

1 accordingly, so even if we have to raise the
2 rate for the 8,000, the fact we've recognized
3 the situation of the homeowner may be a way of
4 having them more responsive to how we adjust
5 rates, because we've accepted the situation that
6 they have to live with, and that's what we know
7 to be true.

8 Thank you, Chairman.

9 CHAIR PONTANILLA: Thank you, Mr. Hokama.

10 Member Mateo?

11 COUNCILMEMBER MATEO: Chairman, thank you.

12 I think -- I think Chairman Hokama quite
13 eloquently explained the -- the sentiments of
14 the constituents that we hear from. This
15 cumulative effect has a major impact on them.
16 The Department knows that. We -- and we know it
17 as well.

18 The realty is, you know, I fully
19 understand the need to continue to take care of
20 our faulty systems, pipelines and storage
21 capacities. This is something that was told to
22 us in the -- in the '90s by a study that we paid
23 for. Never did nothing with it, but we paid for
24 it. So now, from years of virtual neglect, we
25 now have to face the reality that somebody now

1 has to pay for its cost.

2 My position as stated earlier, increases
3 at this point for me is not something that I
4 support, and I have stated my need to see this
5 Department provide us with a master plan to tell
6 us exactly what the plans are in addressing all
7 of the multiple needs that we need to take care
8 of our system.

9 Cumulatively, in '06, there was a
10 12 percent increase; in '07, a 12 percent
11 increase; and in '08, an 18 percent increase.
12 We are looking at a cumulative 42 percent
13 increase that our residents had to pay.

14 And part of the difficulty is when you
15 take a look at the first 24 percent increase,
16 there's nothing visible we can look at and say
17 the Department has done something constructive,
18 because it's mostly internal operational needs.

19 So when you look at 42 percent increase,
20 Mr. Director, and expect to go out to our
21 communities and say, "We need this," it's a hard
22 sell. It's a hard sell for us and going to be a
23 hard sell for you.

24 So I think I'm going to stand on my own
25 position at this point. And until I am

1 convinced that we need to do it right now today
2 in order to effectuate the need for 2000 -- for
3 Fiscal Year '08, I need to be convinced because
4 for me, develop the master plan, show us the
5 direction, show us the vehicles we need, and
6 then we can start to talk story about how to
7 initiate continued percentage increases, but for
8 now, I will stand on my position. Thank you.

9 CHAIR PONTANILLA: Thank you, Member Mateo.

10 Member Medeiros?

11 COUNCILMEMBER MEDEIROS: Mahalo, Chair. I just
12 wanted to, once again, follow up on some things
13 that I have mentioned or was mentioned by
14 colleagues.

15 First of all, we asked Wastewater
16 because their billing comes from you, and I
17 asked Wastewater what would be the chances of
18 doing a monthly bill instead of, you know, every
19 two months you get a bill. And the reason I
20 mentioned that is because we're talking about
21 rate increases, the impact after two months is
22 going to be like sticker shock for some people.

23 And, you know, I may be dating myself,
24 but a long time ago, our electric bills came
25 once every two months and then it got so

1 expensive they divided -- decided to make it
2 monthly bills. I think we're at the point where
3 we have to give our residents, especially our
4 people on fixed income, our seniors, our
5 retirees, those with no retirements that live on
6 social security, disables that live on disabled
7 insurance, you know, this kind of impact, the
8 unemployed, it's going to hit them hard.

9 And what are the chances of us doing a
10 monthly billing? Not that it's going to change
11 the amount they're going to pay in two months,
12 but it certainly softens it where they can
13 budget their self to pay it once a month instead
14 of a big sum in two months. What are our
15 chances of doing that? And Wastewater didn't
16 have any problem with that because you do all
17 their billing.

18 MR. ENG: Member Medeiros, you know, it probably
19 would be feasible to -- to bill monthly. Of
20 course, we would be reading meters monthly and
21 we do indeed read about 33,000 meters per month,
22 so it would be really -- we would have to look
23 at the costs and benefits. You know, you have
24 stated some of the benefits to the consumers and
25 the rate payers, but we would have to look at

1 maybe having to staff up in personnel.

2 But it -- it's -- it is feasible, it's
3 just that I think it's been bimonthly for who
4 knows how long. But it's something that we can
5 consider if -- if it would relieve, you know,
6 the rate payers of some of this big -- big bill
7 impact.

8 COUNCILMEMBER MEDEIROS: Yeah, especially now that
9 we're talking about all the different rates and
10 fees increases that this is going to be a
11 cumulative, you know, impact that it's going to
12 really shock a lot of people.

13 As far as doing a monthly bill, I know
14 you mentioned about reading meters, but with
15 your new technology of computers and reading
16 them, it certainly wasn't like the old days of
17 walking up to every meter, opening the cap,
18 looking down, writing down numbers. You know,
19 that -- those days are gone, you know. I mean
20 they walk in the vicinity of the meter now and
21 they get the reading without even having to
22 open up things.

23 So I think there's a possibility of
24 doing that, and I think we need to consider
25 possibly doing that and see what the impacts

1 would be on your Department if we were thinking
2 of doing something like that. But I think we
3 serve our taxpayers and our citizens well at
4 least to have looked into it and -- and to try
5 to help them out in their budgets at home.

6 Thank you.

7 MR. ENG: Thank you.

8 COUNCILMEMBER MEDEIROS: Thank you.

9 CHAIR PONTANILLA: Thank you, Member Medeiros.

10 Member Johnson?

11 COUNCILMEMBER JOHNSON: Yes, Jeff, I think rather
12 than going out and increasing your personnel
13 costs by reading, you approximate one month, you
14 know, so that your -- your workload is not as
15 great, but what you do is on the reading that's
16 the actual, you make up the difference. So that
17 what you're doing is you're getting all the
18 revenues that you're due, but the one month is
19 just simply an approximation, maybe based on
20 previous years' usage or previous couple months.
21 That way you don't increase your personnel
22 duties. You're just sending out a...

23 MR. ENG: Yeah, that might even work, particularly in
24 those areas that have a real consistent customer
25 base. It wouldn't work so much in -- there's a

1 true very transient in nature type of customer
2 but yeah, that is something to consider, yes.

3 COUNCILMEMBER JOHNSON: But at least that way, you
4 know, maybe for your commercial customers you --
5 you don't want to do. You know, maybe they can
6 better absorb it. But I think that it would be
7 workable because that way at least it would give
8 them -- maybe on the second reading, they'd be
9 making up the difference. It might be a little
10 bit more, it might be a little bit less. But at
11 least that way I agree with Member Medeiros,
12 it's -- it's something that I think people are
13 so attuned to budgeting monthly. And even just
14 saving up the money, you know, and when they get
15 this, it's going to be --

16 MR. ENG: Yeah. That could --

17 COUNCILMEMBER JOHNSON: -- a double-whammy, so...

18 MR. ENG: -- really be a budgeting --

19 COUNCILMEMBER JOHNSON: Yeah.

20 MR. ENG: -- for a lot of people.

21 COUNCILMEMBER JOHNSON: Postage-wise, I don't know.

22 I mean, that would be an additional expense, but
23 add in then what you would -- what it would cost
24 to generate the billing, because if it's just a
25 question of, you know, punching in an average

1 rate and then doing the actuals, I personally
2 think that might be easier.

3 MR. ENG: Yeah.

4 COUNCILMEMBER JOHNSON: Thank you.

5 MR. ENG: Thank you.

6 CHAIR PONTANILLA: Thank you.

7 Member Hokama?

8 VICE-CHAIR HOKAMA: Chairman, for some clarification
9 to the -- for the Director, please.

10 Director Eng, I'm -- again, I am looking
11 at the handout provided by the Budget Office,
12 so, you know, forgive me if I'm not
13 understanding this correctly, but on page 3
14 of 3, I'm looking at water rates. Under single
15 family, you have a category of -- of over
16 100,000 gallons for single-family customers.
17 But -- and it goes up to 420, so, you know,
18 again, you use -- more water use and you go over
19 a certain numbers or caps, you pay more.

20 Then we go general customers. You go
21 just to over 30,000 and you stop there. Is that
22 correct, there is no category --

23 MR. ENG: Yes.

24 VICE-CHAIR HOKAMA: -- after the -- like over 100,000
25 gallons or something?

1 MR. ENG: Yes, Member Hokama. For the single family
2 customer, that fourth tier is for over 100,000
3 gallons per two-month period. And, you know,
4 there are a number of single family customers
5 and that's a lot of water.

6 VICE-CHAIR HOKAMA: Yes.

7 MR. ENG: These type of residents are really
8 irrigating like crazy. Typical what I
9 experience in Kaanapali. And there really isn't
10 any need to irrigate at that level, even if you
11 have a highly landscaped yard, that's real
12 excessive, but it's -- it's not uncommon,
13 because 100,000 gallons over two months was my
14 average Kaanapali residential customer. You
15 know, so totally excess.

16 In regard to the general consumers or
17 general rate class --

18 VICE-CHAIR HOKAMA: Right.

19 MR. ENG: -- because right now that could include a
20 lot of commercial and maybe the small mama-papa
21 operations, we're not really quite certain. We
22 didn't want to penalize them because they may
23 not have a ways to -- to conserve. Maybe their
24 business needs may be 120,000 gallons every
25 two-month period. So until we have a better

1 idea exactly of -- of more specific -- specifics
2 of that class, we didn't want to penalize
3 anyone.

4 VICE-CHAIR HOKAMA: So let's take a hotel with large
5 landscaped areas, and you and I both know
6 they're going to use more than 30,000 gallons.
7 I mean, it's -- it's just a requirement of the
8 properties' needs. You know, we understand
9 that. We don't make another tier knowing that
10 they're using that much potable water for
11 irrigation?

12 MR. ENG: Member Hokama, I recall Ann Hainosh, our
13 consultant, when she analyzed the general rate
14 class, it was hard to identify those large
15 consumers. Like down the road, I personally
16 would like to see a separate hotel class and
17 maybe have fairly aggressive tiers of rates
18 because those large consumers, even though --
19 if they even are trying to conserve, they do
20 tax our water system, and we do have to develop
21 a lot of our system to accommodate their
22 needs.

23 So I personally have always felt that,
24 you know, they can afford it. Plus at -- and
25 really when you look at their average hotel room

1 rates too, even any kind of increase is -- is
2 really nominal. It's pennies per day per room,
3 you know, so...

4 So I think, you know, this new single
5 family class was somewhat -- you know, something
6 for us to -- to look at, understand better as we
7 later on developed additional rate categories.
8 But I think in the -- in the future, probably
9 hotels would be a class we would want to break
10 out.

11 VICE-CHAIR HOKAMA: Okay. And -- and just so we
12 understand what category and how the County is,
13 do we have golf courses as -- on your client
14 list, users' list?

15 MR. ENG: I would have to ask my Staff, please.

16 Member Hokama, we'll check on that. I
17 know that question came up last week if we were
18 serving Waiehu, and I know there's certain
19 amount of potable for the clubhouse.

20 VICE-CHAIR HOKAMA: I know Waiehu has wells.

21 MR. ENG: Okay. Do they have...

22 VICE-CHAIR HOKAMA: They have wells that service the
23 general irrigation only. I believe two wells,
24 if I can really recall accurately. Again, but
25 we're talking, you know, Eddie Tam, Mayor

1 Carvalho days. I mean, we're -- we're going way
2 back in County -- County's history, so...

3 But, you know, whether it be Elleair in
4 Kihei or, you know, I -- I would be curious. I
5 mean, if every golf course on this Island has a
6 private water source, non-potable water.

7 MR. ENG: Yeah, Member Hokama, I think like Elleair,
8 that's the Kihei R-1 water, I believe.

9 VICE-CHAIR HOKAMA: Right.

10 MR. ENG: I think most of the golf courses do have
11 their -- their own water source. I'm not
12 familiar with any that are taking DWS potable
13 water.

14 VICE-CHAIR HOKAMA: So again, if you could just check
15 on that and then even if they use a private
16 water source at this time, Mr. Director, do they
17 still pay the County a meter charge?

18 MR. ENG: No, they do not. They'd only pay it if
19 they were part of our system.

20 VICE-CHAIR HOKAMA: Okay. So if you're paying, let's
21 say, to a private water entity, whether it be --
22 I don't know what's Brewers' entity called now,
23 Wailuku Ag Business, whatever it be, are those
24 numbers and usages reported to you, your
25 Department and the State Water Commission so we

1 at least know what's being...

2 MR. ENG: They should be reporting that to the USGS,
3 any type of well. As far -- but again, as far
4 as any revenue we get from them, there is none,
5 except if they're paying -- if they're a
6 regulated utility, they would be paying the
7 County the -- what the public service company
8 taxes.

9 VICE-CHAIR HOKAMA: Okay. Thank you very much,
10 Director.

11 Thank you, Chairman.

12 COUNCILMEMBER VICTORINO: Mr. Chair?

13 CHAIR PONTANILLA: Member Victorino?

14 COUNCILMEMBER VICTORINO: Yes. I have a couple of
15 questions and a couple of statements now that
16 everybody's asked their questions.

17 One question I do have, this golf course
18 up here, I was led to believe uses our water,
19 this Kamehameha whatever, the golf courses up
20 here? Do you know if that's a fact or not?

21 MR. ENG: I believe they have their own wells.

22 COUNCILMEMBER VICTORINO: They have own their own
23 wells, too.

24 MR. ENG: Uh-huh.

25 COUNCILMEMBER VICTORINO: Because -- because they

1 were taking water originally from Wailuku Ag,
2 which was now the Wailuku Water Company,
3 which -- if I'm correct going through that
4 scenario, the water is coming from us. That's
5 where the water was coming from Wailuku Ag
6 because Wailuku Ag closed them down because they
7 weren't paying their bill. So I'd like you to
8 check into that --

9 MR. ENG: Yes, I will.

10 COUNCILMEMBER VICTORINO: -- and get back to us.

11 MR. ENG: You're absolutely correct. There is was an
12 instant in which...

13 COUNCILMEMBER VICTORINO: Yeah. So I would like you
14 to get back to us.

15 MR. ENG: Sure.

16 COUNCILMEMBER VICTORINO: I think I disagree with
17 that last statement.

18 MR. ENG: Yeah. Yeah.

19 COUNCILMEMBER VICTORINO: You know, I don't know if
20 the other golf courses, like, you know, South
21 Maui, West Maui, Kaanapali, Kapalua, I cannot
22 answer those. And I think pretty much those are
23 on wells or their own water sources, but I think
24 this one was not, okay? So I'd be curious
25 to...

1 MR. ENG: You know what? I think I have heard that
2 story, too.

3 COUNCILMEMBER VICTORINO: Yes. Okay.

4 MR. ENG: We'll -- we'll confirm that.

5 COUNCILMEMBER VICTORINO: Yeah, please, and let us
6 know, because we'd like to know that.

7 Secondly, you did mention that going to
8 a monthly billing is possible. Okay. What are
9 you doing estimates like the repo asked or
10 whatever that's possible, and I think that's
11 great, but I'd like to make sure that you report
12 back to us before you -- you know, we go into
13 anything like that.

14 What the definitive costs for
15 processing, the labor that's involved with the
16 processing, and as well as the postage that will
17 be needed, okay? Because the people need to
18 know that. Because my colleagues say that's
19 easier when you split it in half, and I agree
20 with you 100 percent, I agree with my colleagues
21 makes it easier for people to pay monthly, but
22 they've got to understand there is a related
23 cost that will be involved in that and that they
24 should know that up front because that's
25 important.

1 Now, that could add -- add up over a
2 year time, so another 12, 15, 20 bucks depending
3 processing costs, you know just like I just
4 said, right?

5 The other part of this equation is we
6 are hit with many rate increases as they've
7 talked about today, you know, and I think the
8 regular everyday working person is the one
9 that's most adversely affected. What I'd like
10 to see, and I don't know if this is possible,
11 Mr. Chair, and if -- if a letter could go out,
12 is you have three different groups that are
13 looking for rate increases: Water and Sewer and
14 Refuse, right? Those are the two big ones right
15 now, right, ladies and gentlemen; is that -- I'm
16 correct. So if -- huh?

17 COUNCILMEMBER _____: Golf.

18 COUNCILMEMBER VICTORINO: Forget golf. Come on,
19 guys. I don't count that as an increase.
20 That's a luxury. That's a -- that's an amenity.
21 That is not a necessity, okay, and I'll leave it
22 at that.

23 But what I'm asking is this, if we don't
24 go on a monthly billing system for these -- for
25 that and the other one, then if we could go what

1 I call in consecutive months so that one month
2 you're paying Water and Sewer, the next month
3 you pay Refuse or whatever, so that we break all
4 these up.

5 Now, some people pay them yearly. I
6 know there's people that can afford that, but
7 that's -- a lot of people can't. They pay six
8 months, whatever we can make it more convenient
9 for them. Look at some alternatives. Also,
10 giving those people an opportunity, especially
11 the fixed income citizens, so that they can have
12 like I say better pay -- better payment
13 schedules, so I think that is really, really
14 important, okay? So I'd like you guys to look
15 into that, and we need to know -- and I'd like
16 the public to know what the cost involved.

17 And finally, as far as the rates, my
18 colleague said 12 two years ago, 12 last year,
19 and 18 this year. Well, I looked back four
20 years prior to that, there was not a rate
21 increase and then five percent before that. We
22 let things happen in this County, okay?
23 Somebody's got to pay the Piper. I don't want
24 to see that happen to anybody in this State, in
25 this County, but we got to realize that

1 somebody's got to pay the price.

2 Now, I agree with my colleague Mateo
3 that you guys need to have a plan, a plan that
4 can show us the direction that you're going.
5 Same thing with Wastewater. Same thing with
6 Refuse. All of them have to have that. That is
7 so important right now because people need to
8 know where we're going. You guys need to tell
9 us where we're going.

10 But I really state the fact that when
11 you say 42 percent in the last three years, it's
12 really a misnomer because of the fact that we
13 had four years of no rate increase, which if we
14 had done it correctly, had we had done a good
15 plan, had we been more akamai, in other words,
16 we would have never come to this point. And
17 that's a sad chronology on how we operate, okay?
18 And I take responsibility because I'm part of
19 the citizenship of this County.

20 So -- but that's my comment in that
21 area, that I understand the rate increases, but
22 we also got to look. If you go ten years, we're
23 still way less than a lot of other parts of this
24 County, and I don't want to see us like Oahu,
25 like again today, two water main breaks. Every

1 week, there's three, four water main breaks,
2 sewer problems. We don't need to wait that
3 long. We need to catch it before we get to that
4 point.

5 So I just want the people of Maui County
6 to know that we all agree. We don't want to
7 make them pay more. We wish we never had to
8 rate -- increase anybody's rate, but we're stuck
9 between a rock and a hard place.

10 MR. ENG: Member Victorino, if I may make a comment,
11 because you shouldn't take blame for these rate
12 increases in the past two years and this current
13 one, nor should we, in that there were, indeed,
14 12 percent increases the previous two years, but
15 of those increases, we looked and -- and the
16 impacts of where that money went, 55 percent of
17 the revenue increases went to electricity.

18 And the part of the reason why is if you
19 go back four years there wasn't a rate increase
20 is because back then, electricity costs were
21 pretty stable. We really got hit in the past
22 three years. I mean, all of us just look at our
23 household electricity bill. I've always had a
24 pretty nominal electricity bill, but I notice
25 from three years ago, it's -- it's twice as

1 high, and it's basically just my wife and I at
2 home.

3 So it's not your fault. It's no one's
4 fault. You know, it is what it is really in
5 this case. And again, we're looking at about a
6 third of our revenue -- requested revenues in
7 this rate increase for electricity. And we hope
8 it stays that low.

9 CHAIR PONTANILLA: Thank you. Thank you, Mr. Eng.

10 Just a comment from the Chair -- for
11 Members that want more information from the
12 Department, once we adjourn this meeting, the
13 Chair is open to have Members contact the
14 Departments individually for more answers.

15 In regards to the different tiers as
16 being proposed, you know, I kind of agree with
17 the study that, yeah, whoever's the biggest
18 users should be the ones that should be paying
19 the most. Again, when we look back three, four
20 years ago, when we decided to have rate
21 increases in the water rates, as Council
22 Members, you know, we all agreed rather than go
23 one big 36 percent, we said that we were going
24 to take it in increments three years 12 percent
25 each year to make it more easy, as we say, for

1 our citizens, citizen here in Maui County.

2 As we move forward to this new rate
3 increase that is being proposed, again, you
4 know, it would be up to this body to -- to
5 decide what we want to do. So, Members, next
6 week, you know, we have a hard task before us in
7 regards to what percentage should we provide for
8 the new water rates that will be comfortable to
9 our citizens in Maui County.

10 So Members, before we adjourn this
11 meeting, unless Members have any more questions
12 at this time, the Chair would like to call a
13 10-minute recess and we'll reconvene at five. I
14 need to confer with staff at this time. Recess.
15 (Gavel.)

16 **RECESS: 4:50 p.m.**

17 **RECONVENE: 5:00 p.m.**

18 CHAIR PONTANILLA: (Gavel.) Members, thank you for
19 that short recess. The Budget and Finance
20 Committee meeting is now reconvened.

21 Members, any more questions for the
22 Department at this time?

23 If not, the Chair would like to thank
24 Mr. Eng, Holly Perido.

25 MR. ENG: Perdido.

1 CHAIR PONTANILLA: I hope I pronounced it right.

2 MR. ENG: Perdido.

3 CHAIR PONTANILLA: Perdido.

4 MR. ENG: Perdido.

5 CHAIR PONTANILLA: Okay. Fine. Thank you. And Eric
6 Yamashige for being here.

7 Members, Mr -- Mr. Lance Taguchi will be
8 giving us some information regards to what's
9 going to happen tomorrow, so Lance.

10 MR. TAGUCHI: Members, tomorrow, we have on schedule
11 Real Property Tax Certification and Revenues.
12 The purpose of the meeting is to, one, receive
13 the certification, and the second part of it is
14 to help Members in their proposals, because
15 depending upon whether Members will be reducing
16 or increasing the proposed rate changes, it's
17 going to have impact onto revenues.

18 Because of the complex nature of how the
19 Department calculates that revenue, it will be
20 beneficial if Members have ideas on the amount
21 of their either reduction of an increase or to
22 increase the proposed rates. If you have an
23 idea, we can communicate it to the Departments
24 at this meeting, so that they can go back and
25 provide us better estimates on the effect of any

1 rate change to the proposed rates in terms of
2 the revenue reduction or revenue increase. This
3 will all help us in terms of in our
4 decision-making process, because we'll know --
5 we'll have a better estimate of the amount of
6 appropriations to either reduce or increase.

7 CHAIR PONTANILLA: That's it? Okay. Members, if
8 there's no comments or...

9 VICE-CHAIR HOKAMA: Chairman?

10 CHAIR PONTANILLA: Member Hokama?

11 VICE-CHAIR HOKAMA: I would ask that the Staff be
12 prepared to assist the Members. I think one
13 area that we should assist the Members is that
14 when we make adjustments particularly -- well,
15 for me, you know, it's not going to make that
16 much difference, because I'm in a -- in cutting
17 mode.

18 But if you're going to cut and add, I
19 think we -- we need to assist our Members that
20 if you cut General Fund, you can add General
21 Fund. If you're cutting in special revenues or
22 enterprise, then if you plan to use that cut
23 money for another consideration that you feel
24 worthy, it needs to be in that revenue category.
25 So if you're cutting something from Highways,

1 you cannot use that for a Sewer thing, you can't
2 use that for Golf Course, it has to be related
3 to the funding source.

4 So I would just ask that the Staff be
5 able to assist, and again, Chairman, unless we
6 know where the savings are in the three
7 categories of General Fund, Special Revenues and
8 Enterprise, you know, some of the Departments'
9 going to have to live with our decisions because
10 we're going to make estimations in the smartest
11 calculations on what we perceive to be where the
12 savings are.

13 So unless the Budget Office can help us,
14 they're going to have to live with the decisions
15 we make. Thank you.

16 CHAIR PONTANILLA: Thank you, Mr. Hokama.

17 Members, any more comments?

18 So Members, we'll start again tomorrow
19 at 9:00 and, as Mr. Taguchi had mentioned,
20 Members, if you can come prepared in regards to
21 the changes that you want to make in regards to
22 the budget that we are deliberating at this
23 time.

24 So with that, Members, have a good
25 night's sleep and we'll see you tomorrow

1 morning. This meeting is adjourned. (Gavel.)

2 **ACTION: DEFER pending further discussion.**

3 **ADJOURN: 5:05 p.m.**

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REPORTER'S CERTIFICATE

I, Mary Anne Young, a Certified Shorthand Reporter, do hereby certify:

That the foregoing proceedings were reported by me stenographically and were transcribed through computerized transcription under my direction; and the foregoing is a true and correct record of the testimony and proceedings taken at that time.

IN WITNESS WHEREOF, I have subscribed my hand
This 7th day of May, 2007.



MARY ANNE YOUNG, CSR NO. 12799