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M I N U T E S
BUDGET AND FINANCE COMMITTEE
Council of the County of Maui
Council Chamber
April 19, 2007

APPROVED:


Committee Chair

1 **CONVENE:** 9:10 a.m.

2

3 **PRESENT:** Councilmember Joseph Pontanilla, Chair
4 Councilmember G. Riki Hokama, Vice-Chair
5 Councilmember Michelle Anderson, Member
6 Councilmember Gladys C. Baisa, Member
7 Councilmember Jo Anne Johnson, Member
8 Councilmember Danny A. Mateo, Member
9 Councilmember Bill Kauakea Medeiros, Member
10 Councilmember Michael J. Molina, Member
11 Councilmember Michael P. Victorino, Member

12

13 **STAFF:** Lance Taguchi, Legislative Analyst
14 Gayle Revels, Legislative Analyst
15 Yvette Bouthillier, Committee Secretary
16
17 Leinaala Kihm, Executive Assistant to
18 Councilmember Bill Kauakea Medeiros

19

20 **ADMIN.:** Frederick Pablo, Budget Director,
21 Office of the Mayor
22 Kalbert L. Young, Director,
23 Department of Finance
24 Scott Teruya, Acting Administrator,
25 Real Property Tax Division,

1 Department of Finance
2 Milton M. Arakawa, Director,
3 Department of Public Works and
4 Environmental Management
5 Tracy Takamine, Chief, Solid Waste
6 Division,
7 Department of Public Works and
8 Environmental Management
9 David Taylor, Chief, Wastewater Reclamation
10 Division,
11 Department of Public Works and
12 Environmental Management
13 Jeffrey K. Eng, Director,
14 Department of Water Supply
15 Eric Yamashige, Deputy Director,
16 Department of Water Supply
17 Holly Perdido, Fiscal Officer,
18 Department of Water Supply
19 Traci Fujita Villarosa, First Deputy
20 Corporation Counsel,
21 Department of the Corporation Counsel
22
23 **OTHERS:** Darla Palmer, Maui OnStage at the Iao
24 Theater
25 John Blumer-Buell

1 Joy Brann, American Ingenuity Alliance
2 Stephen West, American Ingenuity Alliance
3 Ian Chan Hodges, American Ingenuity
4 Alliance
5 Thomas E. Rice, Rice Farms LLC
6 Steve Walker
7 Others (10)
8
9 **PRESS:** Ilima Loomis, The Maui News
10
11 CHAIR PONTANILLA: (Gavel). Good morning, Members.
12 COUNCIL MEMBERS: Good morning.
13 CHAIR PONTANILLA: The Budget and Finance Committee
14 Meeting is now reconvened --
15 COUNCILMEMBER ANDERSON: Feels like it.
16 CHAIR PONTANILLA: -- called to order. At this time, the
17 Chair would like to recognize the Members that are
18 here this morning. We do have Member Anderson,
19 Member Baisa, Member Medeiros.
20 COUNCILMEMBER MEDEIROS: Good morning, Chair.
21 CHAIR PONTANILLA: Member Molina. Good morning. Member
22 Victorino.
23 COUNCILMEMBER VICTORINO: Good morning, Chair.
24 CHAIR PONTANILLA: Good morning. Excused presently are
25 Members Mateo, Johnson, and Member Hokama. Joining

1 us this morning from the Administration, we do have
2 our First Deputy Corporation Counsel, Traci Fujita
3 Villarosa; our Director of Finance, Kalbert Young.
4 And from the Properties Division, we do have
5 Mr. Teruya, and our Director for Budget,
6 Mr. Frederick Pablo. Supporting the Committee this
7 morning, we do have Lance Taguchi, as well as Gayle
8 Revels, our Legislative Analysts, and our Committee
9 Secretary, Yvette Bouthillier.

10 Members, we do have some testifiers this
11 morning, and at this time the Chair would like to
12 remind the members as well as the sitting gallery
13 to turn off your cell phones or put it on silent
14 mode before we start. Thank you.

15 Just a few ground rules in regards to
16 providing public testimony this morning. Each
17 testifier has three minutes to testify, with one
18 minute to conclude, and you will be notified when
19 three minutes is up. And when you come up, if you
20 can provide the name and the organization that you
21 represent.

22 The first testifier this morning, we do have
23 Darla Palmer. Darla?

24 **...BEGIN PUBLIC TESTIMONY...**

25 MS. PALMER: Good morning, Council Members. Good

1 morning, Council Chair. My name is Darla Palmer.
2 I'm consultant to Maui OnStage at the Iao Theater.
3 Look at how far we've come with the Iao Theater
4 over the past few years, and it's because of you
5 and other leaders that really care about this
6 historic treasure. Gone are the days of it raining
7 inside the theater, while rats run under your feet,
8 while you're sitting in a rusty chair. If you
9 haven't been in there recently, I invite you to
10 come on down. It really is something that we can
11 all be proud of.

12 And now with the incredible work of the
13 County Council, the Mayor, the State Legislature
14 making a venue like the Iao Theater really be
15 possible for full redevelopment, it's more
16 important than ever that we air-condition this
17 building.

18 Actual ground breaking of redevelopment of
19 the theater is a ways off. And even with new seats
20 in the upper auditorium, new audiovisual, lighting
21 and concession equipment, many seats remain
22 unfilled and many potential days unrented in the
23 building because of the lack of air-conditioning.
24 It's severely hampering the financial viability of
25 the Iao Theater, and it's stated as the number one

1 reason why we don't get rental clients, or rental
2 clients don't return. And a good example is the
3 "Queen's Story." I know that, you know, many
4 people in this room attended, it was sold out.
5 Beautiful presentation. They had an opportunity to
6 come back, and air-conditioning was stated as the
7 major factor why they didn't return.

8 I'm sorry to be appealing for your help at
9 the -- towards the end of your budget process, but
10 this was something that we thought we had put in
11 place last year with the prior Administration.
12 It's critical to the financial viability of the
13 operation. And, really, as we move forward and all
14 working together on developing this building, we
15 need this to be a viable entity, that people want
16 to continue to come to and appreciate as we build
17 community support while we're developing the
18 building.

19 So, please, please help us and include
20 air-conditioning for the Iao Theater in your
21 2007-2008 budget. Thank you.

22 CHAIR PONTANILLA: Thank you.

23 Members, any questions for the testifier
24 this morning? Member Medeiros followed by
25 Mr. Anderson.

1 COUNCILMEMBER MEDEIROS: Good morning, Ms. Palmer. Thank
2 you for being here. What is the projected cost for
3 the air-conditioning?

4 MS. PALMER: I attached a budget with my testimony, and
5 the budget for the project is 300,000. That
6 includes the equipment, the installation,
7 electrical and structural engineering. There's
8 some assistance with the initial utilities, and
9 maintenance cost, and the operational support, so
10 that we're not just putting this in. We know that
11 we cannot afford to operate to run it and make the
12 business transition to an air-conditioned facility.

13 COUNCILMEMBER MEDEIROS: And I think we inquired with you
14 the last time you made a presentation on that,
15 about does this project include insulation, which
16 would make the air-conditioning more efficient.

17 MS. PALMER: Uh-huh. We do have certain restrictions
18 because it is a historical building, and one of the
19 things we did early on, was research with the
20 Hawaii Theatre on Oahu. There are things that we
21 can do and things that we can't do. It will be a,
22 I'd say on a scale of poor to good, in the
23 mid-range as far as efficiency. The natural
24 ventilation along the side of the building, we're
25 able to close that and seal it, but not remove it.

1 And it's -- it's a pretty typical system that we're
2 putting in, as far as historic theaters go. It's
3 actually already vented in the attic, if you recall
4 the cupolas that are in the ceiling of the theater,
5 so it's kind of really well set up for
6 air-conditioning right now.

7 Later, when the building is fully revamped,
8 we can address more insulation, you know, through
9 acoustical work in the auditorium, but it is a
10 good, viable system to be done now.

11 COUNCILMEMBER MEDEIROS: Okay. Yeah, I know from
12 attending different projects there, and different
13 performances, your group has done a tremendous
14 thing of improving things there; and I agree, that
15 the air-conditioning would be the frosting on the
16 cake, to get things really at a point where people
17 really enjoy being there and groups want to perform
18 there, so thank you for your testimony this
19 morning.

20 MS. PALMER: Thank you.

21 CHAIR PONTANILLA: Thank you. Member Anderson?

22 COUNCILMEMBER ANDERSON: Thank you, Chair.

23 Hi.

24 MS. PALMER: Hi.

25 COUNCILMEMBER ANDERSON: What is the total amount of

1 funding that you guys currently have for renovation
2 of the theater, and from who?

3 MS. PALMER: There was a federal HUD grant that the
4 County had applied for, and early on in my tenure
5 with the theater, we took over -- there was a
6 County match to that. The -- the HUD grant, the
7 federal portion was 200,000, the County match was
8 200,000. The County had initiated some projects,
9 such as painting the exterior of the building.
10 They purchased the roadway behind the theater, to
11 Vineyard Street, from that money, and then we
12 finished up with some smaller projects. The County
13 portion is complete.

14 The federal portion, the -- the remaining
15 200,000, the big chunk of that is going to replace
16 the seats in the upper auditorium. And then there
17 are some other smaller projects, such as, we're
18 incorporating audiovisual capabilities into the
19 theater. There are some public safety issues that
20 we're addressing. The seats are -- when you see
21 them, they look like traditional theater seats, but
22 they will be reusable, so down the road, when the
23 theater is rehabilitated and the full complement of
24 seats are replaced, those seats can be reused.

25 COUNCILMEMBER ANDERSON: Okay. Thank you very much.

1 MS. PALMER: Uh-huh.

2 CHAIR PONTANILLA: Thank you. Member Molina?

3 COUNCILMEMBER MOLINA: Thank you Chair.

4 Good morning, Ms. Palmer.

5 MS. PALMER: Good morning.

6 COUNCILMEMBER MOLINA: Have you or have the board
7 discussed any fund-raising of venues as well, in
8 addition to the request for the 300,000, has there
9 been any discussions for possible fund-raising
10 or -- and I know there's a historic component
11 attached, and you mentioned the federal HUD grant.
12 Has there been any efforts to, I guess, consult
13 with the State or any other entities that could
14 possibly support this need?

15 MS. PALMER: That's -- that's a really good point, and
16 Councilmember Johnson also asked if we went over
17 budget, if we would be willing to do fund-raising
18 for the air-conditioning project, which we would
19 be. And that's a possibility going forward in the
20 future, for future projects, but what has really
21 held the Iao Theater back, is this law that was
22 just enacted that enables nonprofits to improve
23 County facilities. It has been really difficult
24 for us to garner support from foundations, historic
25 tax credits, even private donors because we really

1 didn't have a serious stake in the building. And
2 that would be true of any nonprofit that wanted to
3 participate in developing the Iao Theater. We're
4 on a year-to-year lease, essentially. So if we
5 went to a foundation and said, you know, please
6 give us \$1 million for our capital project, they
7 wouldn't take us seriously.

8 That's all going to change. We -- we -- you
9 know, we have a strategic plan to address that, and
10 we're looking at the whole project is over
11 \$5 million project, which the nonprofit is more
12 than willing to spearhead getting all the funding
13 in for that, and we anticipate that most of that
14 funding will come from outside the community.

15 COUNCILMEMBER MOLINA: Thank you.

16 MS. PALMER: Uh-huh.

17 COUNCILMEMBER MOLINA: Thank you, Chair.

18 CHAIR PONTANILLA: Thank you, Member Molina.

19 Member Victorino?

20 COUNCILMEMBER VICTORINO: Yes. Darla, this money will
21 get at least the A/C in the building, so that the
22 building would stay comfortable. It's not a
23 catchall, end-all situation. We still need a lot
24 of improvements, yeah?

25 MS. PALMER: That's true. The building will be

1 comfortable, and in the future, with the
2 redevelopment, the only part of the system that
3 will probably be reengineered when the auditorium
4 is changed in the future, is some of the venting,
5 and at that time it will improve even more. But
6 with this system, it will be comfortable.

7 COUNCILMEMBER VICTORINO: And so if we were able to get
8 the money for you folks in next year's budget, what
9 is the time frame for installation and completion
10 of this project?

11 MS. PALMER: When we got these estimates in the last
12 quarter of 2006, it was about three months out, to
13 get the equipment in and schedule the work, so it's
14 almost immediate.

15 COUNCILMEMBER VICTORINO: Now, the question I have, and I
16 think that was mentioned earlier, you have a
17 methodology, because we have seen almost all, what
18 you call, construction bids that have come in, have
19 come in after we set the price, it comes in higher.

20 MS. PALMER: Uh-huh.

21 COUNCILMEMBER VICTORINO: And I would venture to guess
22 since it was 2006, it may come a little higher. Do
23 you have some methodology to -- if we give you 300
24 and came out 350 --

25 MS. PALMER: Uh-huh.

1 COUNCILMEMBER VICTORINO: -- do you have some methodology
2 to take care of it?

3 MS. PALMER: We will.

4 COUNCILMEMBER VICTORINO: Yeah.

5 MS. PALMER: I'm comfortable with this figure. I'll give
6 you an example, with the Chair project we're doing
7 right now, the fire marshall made a requirement, we
8 had to specify a different type of chair. We went
9 over budget because we had to change the chair, and
10 we had labor to install the chairs, and the budget,
11 this was paid by a grant, and we couldn't afford
12 the labor anymore, so we are gathering our
13 volunteers to install the chairs and contributing
14 in that way. So, you know, while I'm comfortable
15 with this amount, this amount is going to stick,
16 and we can do this project for this amount.

17 COUNCILMEMBER VICTORINO: You mentioned that the prior
18 Administration had put some money in, and was that
19 in the budget for 2006, Mr. Chair? Do we have
20 anything to verify that you mentioned about money
21 from the prior Administration? Do we know how to
22 retrieve that, Mr. Chair?

23 CHAIR PONTANILLA: Yeah. You do have your 2006 and 2007
24 budget ordinance and probably in your office. You
25 can take a look at that, and it would indicate how

1 much money the past Administration had -- indicate,
2 to provide for the Iao Theater.

3 COUNCILMEMBER VICTORINO: And then I guess the last
4 question I have for you, Mr. Chair, if that wasn't
5 encumbered, that would be lapsed already?

6 CHAIR PONTANILLA: If the money wasn't encumbered, it's
7 gone.

8 COUNCILMEMBER VICTORINO: It's gone, okay. Okay. Well,
9 thank you, Mr. Chair.

10 Thank you, Darla. I appreciate that.

11 MS. PALMER: Thank you.

12 COUNCILMEMBER VICTORINO: I appreciate that. Thank you.

13 CHAIR PONTANILLA: Members, any more questions for the
14 testifier? If not, thank you again for being here.

15 MS. PALMER: Thank you.

16 CHAIR PONTANILLA: The next testifier is John
17 Blumer-Buell. Good morning, John.

18 MR. BLUMER-BUELL: Good morning, Chair Pontanilla and
19 Council Members. My name is John Blumer-Buell from
20 Hana. The first item, I am testifying on behalf of
21 Hui Laulima `O Hana and Lehua Cosma. It's in
22 regards to a Hana Dialysis Center, and it's a
23 request for a long-term lease of County property.

24 Our testimony today is to follow up on our
25 recent request before the County Council Budget and

1 Finance Committee for a long-term lease of County
2 property located at Wakiu/Kawaipapa, Hana, Tax Map
3 Key 1-3-06-4, and we've attached that for you.

4 This parcel was set aside for public
5 purposes by Executive Order 309, signed by
6 Wallace R. Farrington, Governor of the Territory of
7 Hawaii on December 19th, 1927. Attached is a
8 certified copy of that order from the State of
9 Hawaii Department of Accounting and General
10 Services, Archives Division.

11 The Executive Order states, quote, "to be
12 under the control and management of the Board of
13 Supervisors of the County of Maui," end quote. It
14 is our understanding the Maui County Council is the
15 successor to the Board of Supervisors.

16 The Hana Community needs a permanent
17 dialysis site for a dialysis center. The County of
18 Maui Parks Department recently offered a space at
19 the Old Hana School, and mahalo for that offer.
20 However, upon consultation with Dr. Paul Kaiwi,
21 Liberty Dialysis and Hui No Ke Ola Pono, it was
22 determined that the space is not adequate for a
23 four-station dialysis treatment facility. A
24 four-station treatment facility will meet the short
25 and, hopefully, long-term needs of our community.

1 The Hana Community and Hui Laulima `O Hana
2 have tried repeatedly to work with the Hana
3 Health -- with Hana Community Health Center, now
4 Hana Health, to resolve this and other problems.
5 The Board of Hana Health has refused to work with
6 the community to resolve the problems. The
7 Governor's Maui Advisory Committee tried to
8 establish an ongoing and meaningful dialogue
9 between the community and Hana Health. Hana Health
10 flatly refused their suggestion. It is certainly
11 our wish that the Board of Directors of Hana Health
12 will simply reestablish a community membership
13 elected board of directors and work with the rest
14 of the community for the common good, as envisioned
15 in "Ho`o Ku`i Kahi" and State Act 263.

16 However, we need to move ahead now, with
17 aloha, to establish a community dialysis center
18 with a nurturing and loving environment for our
19 valued community members who face this difficult
20 challenge.

21 We humbly request a timely response to our
22 request, as we are trying to accommodate requests
23 by the Office of Hawaiian Affairs and Hui No Ke Ola
24 Pono to get the commitment of a location as soon as
25 possible. There is an April 30th, 2007 deadline

1 regarding some funds that may be available for a
2 Hana Dialysis Center.

3 MS. REVELS: Three minutes.

4 MR. BLUMER-BUELL: We are not certain at this time if
5 that date could be extended. A timely commitment
6 from the County of Maui would help move the
7 situation forward.

8 Mahalo Nui Loa. Signed by Lehua Cosma on
9 behalf of Hui Laulima `O Hana.

10 And briefly, the next item on my own behalf,
11 I've been watching with great interest, the
12 discussion on the unfunded three-quarters to one
13 billion dollars in retirement benefits and health
14 benefits for County employees. I want to point out
15 the Committee for more equitable taxation, for
16 years it showed you how to raise more money for the
17 County, by being more fair with the assessments.
18 So, please take a look at that, from my March 21st
19 submissions. I still think the County should be
20 looking at taking over the East Maui watershed
21 leases. The East Maui wastewater master plan is
22 more than ten years overdue.

23 MS. REVELS: Four minutes.

24 MR. BLUMER-BUELL: And last sentence, I think the
25 County -- and I'd love to talk with Kalbert Young

1 about this -- should be looking at, at least a
2 billion-dollar open space fund. And I think
3 it's -- we're going to have to be looking at
4 floating bonds. It's an idea, and one that, I'll
5 tell you, being on the GPAC, the need for open
6 space and preserving lands and agriculture comes up
7 over, and over, and over. This is not a new idea.

8 In an election a number years ago, the
9 County buying HCNS and spinning off Matson was one
10 of the issues, and it could be done. So I suggest
11 we explore that, along with funding the
12 billion-dollar unfunded debt.

13 CHAIR PONTANILLA: Thank you, John.

14 MR. BLUMER-BUELL: Thank you.

15 CHAIR PONTANILLA: Members, any questions for the
16 testifier? Member Medeiros followed by Member
17 Anderson.

18 COUNCILMEMBER MEDEIROS: Mahalo, Chair.

19 Good morning, John. Thank you for being out
20 here from Hana to testify once again, and thank you
21 for all your knowledge and history, especially on
22 the pursuit to get a Hana Dialysis Center.

23 For the Committee members and for the general
24 public, I think I did ask you once when you testified,
25 if the request to Hana Health, which they are now

1 called, for space for a dialysis center was made, and
2 what was the response to that?

3 MR. BLUMER-BUELL: We had a public meeting in Hana in, I
4 think it was June 2004, with a very good
5 attendance, including Bob Carroll; former
6 Councilman, Kalani English -- Senator English,
7 then-Administrative Assistant Mele Carroll, and a
8 lot of people. That was followed up with a
9 petition, which I have submitted to you already, of
10 about 250 people to Hana Health, asking their board
11 of directors to meet with the community and to --
12 to talk about the dialysis issue. They would not
13 meet. And both the Governor's Maui Advisory
14 Committee and Mayor Arakawa made some effort to get
15 them to work with the community. There has been no
16 meaningful collaboration.

17 COUNCILMEMBER MEDEIROS: Okay. John, do you know what
18 the -- in regards to a dialysis center, what the
19 structural makeup or organization of Hana Health
20 is? Is it nonprofit?

21 MR. BLUMER-BUELL: Historically, the State turned over
22 the old Hana Medical Center to the Hana Community
23 Health Center, which was a community nonprofit, and
24 we, the community, and I was a member, elected the
25 board of directors, that was the intent. And

1 through a legal loophole, they decided to privatize
2 it. That legal loophole is no longer available in
3 state law, and I can tell you that it is a -- it
4 was a betrayal of community trust. So it is now
5 privatized and, you know, they're asking -- they
6 continue to receive hundreds of thousands and
7 millions of dollars in the name of the Hana
8 Community, which simply is not true. They are not
9 a community organization. They are a private
10 nonprofit at this point.

11 COUNCILMEMBER MEDEIROS: Okay, John, you mentioned that
12 there is a deadline in order to commit some funds
13 for the Hana Dialysis Center, and I can tell you
14 that I'm trying to work with the Administration
15 right now, as far as, you know, about the lease of
16 the -- what we call the doctor's house in Wakiu,
17 which you mentioned.

18 My last question, John, on the Hana
19 Dialysis -- and I want to thank Lehua Cosma, and
20 yourself, and the rest of the members of Hui
21 Laulima `O Hana for your tenacious, you know,
22 pursuit of this needed Hana Dialysis Center. We
23 all appreciate your work, and the work of the
24 committee.

25 My final question is, how does Hana Health

1 deny the participation of community members at
2 board of directors meetings?

3 MR. BLUMER-BUELL: They have -- they have denied that
4 since the -- even when it was still under the
5 community, they denied that. And if you go back
6 and look at the "Ho`o Ku`i Kahi," which is the
7 original 40-page report put together by the
8 community, I would say it was practically
9 unanimously agreed to by the community. That
10 called for community participation in the meetings.
11 It called for the posting of minutes all over the
12 Hana district, and it's -- it's well documented
13 that they simply have shut the community out.

14 COUNCILMEMBER MEDEIROS: Okay.

15 MR. BLUMER-BUELL: And, you know, in the long run, we're
16 hoping the situation can resolve itself. As I
17 said, the simplest resolution is simply for the
18 current board to reinstate a community-elected
19 board of directors. That would solve all the
20 problems. I mean, I may not -- after that point,
21 there will be lively discussion about the direction
22 the health center should be taking, but that
23 would -- that's -- it was set up on Democratic
24 principles and if we reinstate those principles,
25 that would solve the problem, it's that simple.

1 COUNCILMEMBER MEDEIROS: Yeah. Okay, John, well, thank
2 you. You know, I will certainly, you know, offer
3 my support, and I'm sure some of the other members
4 on the Committee share that with me, after hearing
5 the testimony in Hana and then other places, so,
6 once again, we want to thank you and Hui Laulima `O
7 Hana for your lead on this, and thanks for your
8 service once again on GPAC. Thank you.

9 MR. BLUMER-BUELL: Okay. I did talk with Lehua Cosma
10 this morning, and she wanted to extend her aloha
11 and mahalo to the Council for all you've done, and
12 in our discussions I wanted to be sure I was
13 speaking accurately. She said that there are three
14 more community members just in the last few weeks
15 that had been identified as needing dialysis, so we
16 will go from four, up to seven, and, you know,
17 we're really meeting a -- seems to be a growing
18 community need, so, mahalo.

19 COUNCILMEMBER MEDEIROS: Okay. Thanks for that updated
20 information.

21 Thank you, Chair.

22 CHAIR PONTANILLA: Member Anderson?

23 COUNCILMEMBER ANDERSON: Thank you, Chair.

24 Good morning, John.

25 MR. BLUMER-BUELL: Good morning.

1 COUNCILMEMBER ANDERSON: First of all, thank you to
2 yourself, Lehua Cosma, and Hui Laulima `O Hana for
3 all the work you guys have done in getting this
4 dialysis problem solved or right on its way to
5 being solved.

6 In regards to the house that the County has,
7 under Executive Order 309, which is the most
8 appropriate place for this dialysis center, given
9 the choices you have in Hana right now, and that's
10 the determination your organization has made; is
11 that correct?

12 MR. BLUMER-BUELL: Yes, and that's been in collaboration
13 with Dr. Paul Kaiwi, who's the M.D. for Hui No Ke
14 Ola Pono in Hana, with Liberty Dialysis and with
15 Hui No Ke Ola Pono, the Hawaiian health care
16 organization. Now, we have been collaborating with
17 them. Hui Laulima `O Hana has been taking the
18 lead, but at the same time we would prefer to be a
19 support group. It's my understanding that Hui No
20 Ke Ola Pono board may be willing to become the
21 primary, the lease may go to them, and that would
22 be supported by Hui Laulima `O Hana.

23 COUNCILMEMBER ANDERSON: So...

24 MR. BLUMER-BUELL: That would be -- we'd be happy just to
25 be a support group.

1 COUNCILMEMBER ANDERSON: Okay. So the 1927 Executive
2 Order, turning this -- setting aside this land for
3 public purposes, it says that the site was set
4 aside for the residents of the County physician in
5 Hana. We no longer have a County physician,
6 correct?

7 MR. BLUMER-BUELL: That's correct, and Bill Medeiros
8 could -- is -- has more historical knowledge of
9 this than I do, but at one point, I think Bill
10 remembers this as a kid, we actually had a County
11 hospital in Hana. It evolved from a County
12 hospital to the Hana Medical Center under the State
13 of Hawaii, and thereafter under the great
14 leadership of Milton Howell for three to four
15 decades. And then the idea to get it to a
16 community on profit was Hana Community Health
17 Center, which I would call a dismal failure at this
18 point, and we're trying to -- you know, we're --
19 the -- we're, you know, trying to reestablish it as
20 a -- I'm sorry, I got off track a little bit.

21 COUNCILMEMBER ANDERSON: It's okay.

22 MR. BLUMER-BUELL: Your question regarding the house and
23 the -- you know, Dr. Howell lived there for
24 decades.

25 COUNCILMEMBER ANDERSON: Right.

1 MR. BLUMER-BUELL: And, so, it was under the State at
2 that point, so my feeling is that the County
3 Council has the discretion to make an
4 interpretation about -- at the top of that
5 declaration is regarding the -- basically, the
6 public good.

7 COUNCILMEMBER ANDERSON: Right. And the fact that it's
8 under the control and management of the Board of
9 Supervisors of the County, which are now County
10 Council Members. Thank you, John.

11 Mr. Chair, didn't we ask for a copy of that
12 lease some time ago?

13 CHAIR PONTANILLA: We probably did.

14 MR. BLUMER-BUELL: I can answer that.

15 COUNCILMEMBER ANDERSON: Okay.

16 MR. BLUMER-BUELL: There is no lease, as far as I know,
17 but it has been on a month-to-month agreement. I
18 don't know if it's in writing. In my March 27th
19 submissions to you this year, we documented that
20 the Hana Health, the Hana Health put forward that
21 they had it on a month-to-month.

22 COUNCILMEMBER ANDERSON: Yeah.

23 MR. BLUMER-BUELL: That was it.

24 COUNCILMEMBER ANDERSON: I recall that was in a letter,
25 but -- but did we ever request a copy of the

1 month-to-month agreement, or lease, or whatever is
2 controlling the management and use of this house?

3 MR. BLUMER-BUELL: I have not seen it. After our meeting
4 in 2004, former Mayor Arakawa and his Executive
5 Assistant, Mele Carroll, agreed to research
6 everything and bring it forward and resolve the
7 problem, and, frankly, they did not do it. So
8 that's why I ended up doing the research I did,
9 because it was never provide -- it was never
10 provided as promised to the community, and I...

11 COUNCILMEMBER ANDERSON: Well, thank you for this
12 Executive Order, and we'll follow up on that
13 agreement.

14 MR. BLUMER-BUELL: Thank you.

15 CHAIR PONTANILLA: Thank you, Member Anderson. What we
16 can do, as a suggestion, is to forward this letter
17 to the Chair for -- to forward to the proper
18 committee in regards to the board of supervisors
19 being in control of the property.

20 COUNCILMEMBER ANDERSON: Thank you, Chair.

21 CHAIR PONTANILLA: Thank you. Member Baisa.

22 COUNCILMEMBER BAISA: Chair, I have a budgetary question.

23 In an article, John, that is in your packet
24 that you gave us, which is an article from The Maui
25 News, of March 26, talking about the Hana hearing,

1 about the third paragraph down, it says that Lehua
2 "Cosma said on Saturday that she asked the council
3 for funding for operational costs for the dialysis
4 services." I heard something about Hui No Ke Ola
5 Pono, and I understand that the major issue is
6 getting control of the building. But, is there
7 also a companion request for any kind of funding
8 for operations? We need to know that.

9 MR. BLUMER-BUELL: At this point, the -- I don't know the
10 full story on the funding that could be available
11 through OHA. There's apparently an April 30th,
12 perhaps a deadline and that it could be extended.
13 I think that for -- for right now, I don't know
14 of -- until we get the house of the immediate need
15 for improvements, and I can tell you that the Hui
16 Laulima `O Hana will raise money to help with
17 anything that we can. Right now, the fact that
18 your -- your supporting the Hana dialysis situation
19 through the MEO buses is the most important thing.
20 I mean, just imagine if we didn't have that. We
21 could have seven people that would have to provide
22 their own transportation out here.

23 So, my feeling is, we are where we are
24 today. If we can get the house, we'll start moving
25 towards retrofitting that. We will help raise

1 money. We will get whatever permits are required.
2 The community does support it, and it may take a
3 little while, but we'll get there, and the MEOs
4 play an important role, in the meantime.

5 COUNCILMEMBER BAISA: Oh. So you think that there might
6 be substantial renovations or accommodations that
7 have to be made to the facility?

8 MR. BLUMER-BUELL: There -- there could be renovations,
9 but we have a great apprentice program at Hana
10 school. Rick Rutiz and the students have a
11 wonderful carpentry program. They actually
12 volunteered to build a dialysis center at the
13 12-acre site at Hana Health, for no charge. So,
14 you know, when I think -- I -- I can't commit for
15 them, but I would expect the way, based on their
16 history, that they will be in there, wanting to
17 help get this done, and it will save a lot of
18 money.

19 And I can tell you the -- there's a lot of
20 people that are willing to contribute funds. If
21 you -- one of the headline in The Maui News, in
22 2004, after our meeting, well, someone came forward
23 and volunteered a dialysis machine. It was under
24 the headline in The Maui News, and, you know, we
25 couldn't utilize it because of the location, you

1 know.

2 COUNCILMEMBER BAISA: Thank you, John. It sounds like
3 the committee -- the community is certainly in the
4 back of the project, and I know that the Council
5 is, too. This is a very difficult situation for
6 your community, and we all feel the -- you know,
7 the stress and the pain of it. You need not to
8 have those folks traveling that distance.

9 I have one more question, Chair, and then
10 I'll be done.

11 This Hana Health Center, who -- did you say
12 they were a nonprofit?

13 MR. BLUMER-BUELL: They are a private nonprofit at this
14 point, and my understanding is they have a 330
15 federal designation, and, you know, we're -- we're
16 going to be looking into that, because there's a
17 real question about what their -- the services that
18 are providing and what they're trying to do. I
19 mean, we have lost really good primary health care
20 and emergency services in Hana. We had two top
21 physician -- M.D.'s that the community loved. We
22 had six registered nurses, all who lived in Hana.
23 We had a pharmacy. We've lost all of that at this
24 point.

25 COUNCILMEMBER BAISA: Well, the reason I ask is because

1 most nonprofits -- and this probably is a legal
2 question that needs to be asked by a lawyer -- are
3 required to have open meetings and to have
4 published minutes unless it is executive session,
5 which, of course, is very limited in what you can
6 do in executive session. Because of the
7 designation as a private nonprofit receiving all of
8 these tax advantages and eligibility for supports,
9 and subsidies, and grants, and whatever, so how is
10 this allowed to go on?

11 MR. BLUMER-BUELL: I don't know. It certainly is not
12 right, and somehow they've gotten away with it, and
13 with the current proposals that they've -- they're
14 putting forward a 26-to-52-million-dollar health
15 and wellness village, which I think is going to
16 come before the Planning Committee at some point,
17 they just flatly refused to provide any financials
18 at the Hana advisory to the Planning Commission
19 level, and they're asking for 26 to 52 million
20 dollars from the County, State, and the Feds. And
21 this is -- the thing that's -- that's really sad
22 about this, is, this is all in competition with
23 other nonprofits.

24 So it's no -- Bob Carroll was in the
25 newspaper, on that article that I gave you on

1 dialysis. Bob was saying that they've closed it
2 down in terms of public participation. It's --
3 it's not right. The community does feel betrayed
4 over this whole thing, it's really sad.

5 COUNCILMEMBER BAISA: You know, nonprofits are required
6 not only to post our 990's, which are public
7 information, that's our federal -- I mean, our
8 State filing every year as a nonprofit, and also
9 our audits. So there's something strange here.
10 And -- and I want to thank you very much for being
11 here and all the work that you do. Thank you.

12 MR. BLUMER-BUELL: I just want to say -- thank you --
13 that in closing, you know, why Lehua, and myself,
14 and a lot of people in the community, hundreds of
15 people, we care about the people that have to face
16 this dialysis situation. It is tough, at the end
17 of someone's life. And, you know, we've lost a lot
18 of community -- a number of community members have
19 died because they've given up.

20 COUNCILMEMBER BAISA: Thank you very much, John.

21 MR. BLUMER-BUELL: And these are community members, and
22 we love 'em. And that's why we do it, you know.

23 CHAIR PONTANILLA: Thank you, John. Thank you, Member
24 Baisa.

25 Members, any more questions? If not, thank

1 you very much.

2 The Chair would like to recognize the
3 attendance of Member Johnson, as well as Member
4 Mateo. Good morning.

5 The next testifier is Joy Brann. Joy?

6 MS. BRANN: Good morning, Chair Pontanilla. Thank you.

7 CHAIR PONTANILLA: Good morning.

8 MS. BRANN: Good morning, Council Members. I'm here on
9 behalf of the American Ingenuity Alliance, and we
10 are requesting that the County approve our request
11 of \$300,000 to establish our operations of the
12 American Ingenuity Alliance here, on Maui. The
13 last time I spoke with you, there were questions
14 about how the Department of Education would be able
15 to work with us in collaboration to provide extra
16 funds for these school career and technical
17 education programs, such as Maui High School
18 automotive program.

19 I have a letter written by Dennis Dias. He
20 is the head, the coordinator of the career and
21 technical education programs for the Maui District
22 Department of Education, and I'd like to share that
23 letter with you because it does answer some of the
24 questions that were raised the last time I was
25 here:

1 Dear Chairman Pontanilla, Vice-Chair Hokama,
2 and Members of the Council, Aloha. My name is
3 Dennis K. Dias, and I am the Department of
4 Education Career & Technical Maui District
5 Coordinator. I have been a Vocational Teacher in
6 the Maui District for 26 years. I have been a
7 counselor, teacher, and former football coach. I
8 have seen firsthand, the demise of vocational
9 education in our high schools over these 26 years.

10 My new position as Maui District's CTE
11 coordinator allows me to look after new and old CTE
12 teachers. I support the Ingenuity Alliance idea to
13 help with keeping Maui High School's automotive
14 program alive. Its present teacher, Mr. Dennis
15 Ishii, has done a great job over the 30-plus years
16 he has served the community.

17 Mr. Ishii will be retiring in December and
18 will leave a void in this nationally acclaimed
19 program. It is the hope that the DOE might be able
20 to find a qualified teacher as Mr. Ishii retires.
21 It has been a big problem in the state of Hawaii to
22 replace such teachers. I am supporting American
23 Ingenuity Alliance, because they have a plan to
24 help and provide for this need.

25 You, the Council, has an opportunity to help

1 this cause, to help students, and to help the
2 community, to help the DOE. I still consider
3 myself a vocational classroom teacher, and in my
4 book, failure to plan is failure. The AIA has a
5 plan.

6 Mahalo for your time. Dennis K. Dias.

7 CHAIR PONTANILLA: Thank you. Members, any questions for
8 the testifier? Member Molina?

9 COUNCILMEMBER MOLINA: Thank you, Chair.

10 Good morning, Ms. Brann. Thank you for your
11 testimony. You were listed as the project
12 consultant for this, and, you know --

13 MS. BRANN: Uh-huh.

14 COUNCILMEMBER MOLINA: -- I appreciate your efforts. And
15 you've come out before, and I know Mr. Ken Hodges
16 has also come out and lobbied --

17 MS. BRANN: Uh-huh.

18 COUNCILMEMBER MOLINA: -- the Council for this
19 appropriation, and this is a large request that you
20 are asking the County to make a commitment,
21 300,000. Now, to date, we may be -- I don't know
22 if any other Members have received any input or
23 support from the Department of Education, as well
24 as the Board of Education. Have you also gotten
25 some type of commitment made by -- you mentioned

1 here, in your testimony, "Collaboration between the
2 Ingenuity Alliance, Maui Community College and our
3 high school CTE programs." How about Maui
4 Community College, the provost, Ms. Sakamoto, has
5 he endorsed this as well, along with -- okay, Focus
6 Maui Nui, it's also been mentioned here, Maui
7 Economic Development Board. I guess Focus Maui Nui
8 was an offshoot or a program developed by MEDB.

9 MS. BRANN: Yes.

10 COUNCILMEMBER MOLINA: Are you able to provide us some
11 type of support endorsement from them as well?

12 MS. BRANN: We have endorsement that Mr. West will be
13 speaking about, from State -- other State entities
14 that will help clarify that for you. I can't speak
15 to that personally. In terms of Focus Maui Nui, I
16 did my senior practicum with Maui Economic
17 Development Board a couple years ago, and I'm
18 familiar with the -- what we all know about
19 education is that it's very important for our
20 students to be able to get good jobs and stay on
21 Maui, if they choose. So it's really about
22 education and supporting education.

23 Dennis Dias has put us -- he's behind this,
24 and he's willing to help us funnel funds into the
25 schools. The reason Mr. Ishii's program has

1 survived is because he's run it like a business.
2 He's taken in outside work in the community, the
3 students do hands-on real-world projects and they
4 generate income to keep that program vital. So,
5 that's a similar way that we will be working, also.

6 COUNCILMEMBER MOLINA: Well, you know, for me, education
7 is important and it's everybody's responsibility --

8 MS. BRANN: Yes.

9 COUNCILMEMBER MOLINA: -- and if the Council or the
10 County is going to make a commitment towards
11 education, I, for one, would like to see the State
12 make a commitment as well, in terms of funding --

13 MS. BRANN: Yes. In terms of us --

14 COUNCILMEMBER MOLINA: -- because we've been asked by the
15 State to fund a lot of these programs, which is
16 generally their responsibility, so --

17 MS. BRANN: Yes.

18 COUNCILMEMBER MOLINA: -- I need to see some kind of
19 commitment from the State, the DOE --

20 MS. BRANN: Yeah.

21 COUNCILMEMBER MOLINA: -- as well as Maui Community
22 College. That's important, because of the amount
23 that you're asking us to provide.

24 MS. BRANN: The State actually is working on that. Last
25 year, in the Legislature, Lingle did sign the bill

1 that was passed into an act, to allow us -- to
2 allow the DOE to hire noncertified instructors in
3 these programs. That's been one of the barriers,
4 is getting the kinds of people that are capable of
5 teaching the kids and carrying on these traditions,
6 they can't afford to take a pay cut to come back
7 and teach. We want to help assist in that. Not
8 just with County funds, by the way. These funds
9 will be matched, one to one, with other investments
10 that Mr. Hodges will explain to you. And they
11 represent considerable revenue for the County, for
12 these programs, and especially in terms of economic
13 diversification. But it's -- this program can
14 prepare our students for more high-quality paying
15 jobs.

16 Right now, all of us probably have had our
17 cars worked on by Mr. Ishii's former students, I
18 know I have. And Valley Isle Motors employs 13 of
19 his former students. They earn Valley Isle Motors
20 a hundred dollars an hour. We need to be able --
21 we need to be competitive, and it isn't just about
22 the DOE and their money, or the County and our
23 money. It's about all of us coming together to be
24 able to really make something new happen. And this
25 is about innovation. This is about taking a step

1 into something brand new, but that has a lot of
2 support, of national support from a lot of
3 different -- not -- primarily nonprofit
4 organizations, alliances. It's a lot of
5 collaboration and a lot of support. It isn't just
6 the \$300,000 of the County, which I realize is
7 precious and you have to make important decisions
8 about how that money is spent.

9 And I'm here because of my background in
10 education and because of the potential of this
11 project. The -- the matching funds also realize
12 the potential of this project. It's very big, it's
13 bigger than us, but we're living in a global
14 economy that is also presenting us with new
15 challenges that are bigger than we can handle. We
16 need to open ourselves up to that broader support,
17 I feel.

18 COUNCILMEMBER MOLINA: Okay. Thank you.

19 Thank you, Chairman.

20 CHAIR PONTANILLA: Thank you. Members, any more
21 questions for the testifier? Member Johnson.

22 COUNCILMEMBER JOHNSON: Yes, Joy, and thank you for being
23 here. I know that you've submitted other
24 testimony, too, and I did not have an opportunity
25 to meet with you, and I apologize, but I wanted to

1 find out -- many of the other people that are
2 asking for grant money, they've sent a basic budget
3 along, of how that would be expended. Has that
4 been forwarded and attached with any of your other
5 documentation?

6 MS. BRANN: We are currently working with the Mayor's
7 office, with Deidre Tegarden about putting that
8 together, so that is forthcoming.

9 COUNCILMEMBER JOHNSON: Yeah. That -- that would be
10 really helpful because that is one of the grant
11 requirements --

12 MS. BRANN: Okay. Uh-huh.

13 COUNCILMEMBER JOHNSON: -- and measurable outcomes and
14 all the other things.

15 MS. BRANN: Yes. Yes, we are working on that, as we
16 speak.

17 COUNCILMEMBER JOHNSON: Okay. Thank you.

18 CHAIR PONTANILLA: Thank you. Any more questions,
19 Members?

20 Thank you very much, Joy.

21 MS. BRANN: Thank you, Chair Pontanilla.

22 CHAIR PONTANILLA: The next testifier is Stephen West.
23 Stephen?

24 MR. WEST: Aloha, Council Members. My name is Stephen
25 West. I'm the president of American Ingenuity

1 Alliance as about a month now. Just to kind of
2 give you my position on why I got involved, and a
3 big part of it is education, our kids. And in
4 response to your question regarding the State
5 pulling their -- pulling their share, I -- I really
6 don't believe that they are. But I really believe
7 that it's -- it's a responsibility of the community
8 to make sure that these kids go forward and get a
9 higher education. So this company is basically
10 seeking support from various other unions, and we
11 have, for instance, we have a national union that
12 basically employs about 75,000 workers for NASA,
13 they've agreed to match funds for this. And this
14 is all for -- for our local kids.

15 Everything that basically comes out of Maui
16 is going to stay on Maui for this project. We've
17 got support from HSTA, HGEA, Unite Here!, ILWU.
18 They're all in tremendous support of this, this --
19 this concept. And I know it probably makes you a
20 little bit worried because it's new, and whenever
21 something new comes along, you become worried. But
22 I give you my solemn word, that these funds will go
23 towards higher education, securing decent jobs for
24 our working families here on Maui, ensuring that we
25 have a decent agricultural tourism, high technology

1 jobs here, and that we'll move forward into the
2 future and will sustain. Maui will become more
3 self-sufficient, I believe, with this type of a
4 venture.

5 But I know you're very busy today, you have
6 a lot of -- lot of time, so I'm just going to sum
7 up and just basically say, you know, you don't want
8 to have blind faith. But in a sense, we are asking
9 for you to take a leap of faith with us and move
10 forth. And, so, I would respectfully request that
11 you -- if you're not comfortable with the 300,000,
12 let's work something out, because we're really
13 going to make a deep impact on our kids and the
14 future of Maui. Thank you.

15 CHAIR PONTANILLA: Thank you. Members, any questions for
16 the testifier at this time?

17 Thank you again, Steve.

18 MR. WEST: Okay.

19 CHAIR PONTANILLA: The next testifier is Ian Chan Hodges.

20 Ian?

21 MR. HODGES: Good morning, Chair Pontanilla and Members
22 of the Council. My name is Ian Chan Hodges. I'm
23 appearing here on behalf of the American Ingenuity
24 Alliance, and I want to actually thank Steve for
25 agreeing to be part of this. He's the -- as he's

1 mentioned, he's the president of the board.

2 I want to mention really quick, in terms of
3 how Maui is actually working with national groups
4 on this. Steve is the president of the board, but
5 also joining him on the board are going to be
6 national-level labor leaders, inventors. We're
7 going to be having, for example, the -- he invented
8 the MRI, he's going to be involved. The gentleman
9 who is actually probably the primary brains behind
10 the Change To Win Federation will be on the board
11 with Steve. So these -- we'll be having these
12 virtual board meetings, but Steve will actually be
13 running the board meetings from Maui.

14 To answer the questions that were brought up
15 about the educational side of it, the -- the real
16 emphasis here, is, this -- what the American
17 Ingenuity Alliance is doing, is already -- it's
18 already operating nationally. We're already being
19 called on by the national president to answer
20 questions about -- to make comment and answer
21 questions about national intellectual property
22 policy. What we want to do is actually, as we do
23 that, is involve Maui people and Maui students as
24 much as possible.

25 And basically, you know, we met with Dennis

1 Dias, and we were talking to the, you know,
2 different people in the DOE, and as you probably
3 know, because I mentioned this before, there's a
4 bill in the Legislature that's actually in
5 Conference Committee right now, it's almost sure to
6 pass, that basically creates a hybrid first in --
7 first-in-the-nation type of corporation that'll
8 hold intellectual property nationally, in trust, in
9 Hawaii. And the way this corporation is designed
10 is that it has a nonprofit managing member, which
11 is going to be the American Ingenuity Alliance.
12 The President of the Senate and the Speaker of the
13 House picket, but this is the only entity actually
14 out there. And that will be actually operated from
15 Maui.

16 And the -- the idea that we have and what we
17 want to see happen is if these funds are approved,
18 and this sort of sense of urgency here, is, I've
19 been and actually sat in Dennis Ishii's class, and
20 also there's other classes in Maui that are
21 actually nationally ranked, which is pretty
22 amazing, if you think about it. And the level
23 of the -- the intelligence, and sharpness, and sort
24 of knowledge of what's going on in the world of his
25 students is pretty amazing. And if we get these

1 funds, Dennis is graduating in -- I'm sorry,
2 retiring in December, what we want to be able to do
3 is get students in Maui High and other schools
4 actually involved in national policy, issues with
5 automotive industry.

6 We're working right now in the Long Beach,
7 L.A., Long Beach ports, to build a deal with the
8 cleanup. They have just committed to spend 1.8
9 billion dollars and trying to clean up the -- the
10 emissions from diesel engines. One thing we want
11 to be able to do is have -- like Joy was
12 mentioning, the way the program survives, they
13 actually fix cars for their community and they put
14 that money back in the program. We would actually
15 like to be able to have the students there, help
16 work on prototype engines for what's going on in
17 L.A., Long Beach.

18 MS. REVELS: Three minutes.

19 MR. HODGES: And I'll just sum up, right here. Since I
20 spoke before you folks the last, I spoke with a
21 group in Detroit, Michigan, the IP accelerator
22 group, Bootstrap Detroit, which we're actually
23 trying to help redesign and figure out what to do
24 with all the intellectual property they have, as
25 auto industry in Michigan actually is in a sort of

1 virtual collapse. And, basically, they've
2 committed that they would actually like to build
3 a -- utilize Maui High students as virtual interns
4 in their program and figuring out what to do.

5 And the -- the bottom-line thing is -- is,
6 there's an opportunity for Maui High and Maui
7 students and working with the programs that we
8 have, to actually be involved in the national level
9 on working on things that need to happen, and all
10 this stuff, this isn't just new to Maui County
11 Council. It's new to the Legislature. It's a new
12 thing, nationally.

13 MS. REVELS: Four minutes.

14 MR. HODGES: And I ask for your guys' support. Thanks.

15 And I would like to answer questions, so please ask
16 questions.

17 CHAIR PONTANILLA: Thank you. I do have a question.

18 MR. HODGES: Yes.

19 CHAIR PONTANILLA: You point out Maui High School and
20 their automotive program. The rest of the high
21 schools, do you know if they have similar-type
22 programs in the vocational area?

23 MR. HODGES: There are -- yeah, there are various, I
24 mean -- all the high schools have different type of
25 vocational programs. Most of them -- I believe

1 almost all have automotive programs. And, again,
2 it comes back to the whole issue of the instructors
3 trying to -- and that's one of the things we talked
4 to Dennis Dias about, is, part of his job is
5 running around, trying to make sure they have
6 instructors for the following year. And,
7 basically, what -- you know, in answer -- the real
8 simple answer to the question of, you know, the
9 budget and what are these funds being used for, is,
10 they would all basically go into the classroom to
11 supplement the salaries of the instructors, to be
12 able to have them actually be in the classroom, and
13 we'd be working with the -- the curriculum
14 development teams of the different schools, to
15 actually be able to make part of the curriculum
16 that the students are involved on these real-world
17 projects.

18 And just like Dennis Ishii's class, fixes
19 cars for money, that the money you actually
20 develop, we developed a prototype engine for L.A.,
21 Long Beach, to build reduced emissions. The money
22 for that would actually go into the Maui High
23 program. And, you know, to put that in
24 perspective, that would be a pretty substantial
25 amount of money compared to fixing one car.

1 So, there are these programs all over the
2 County. Maui High has the -- pretty much
3 recognized the best automotive program. There's
4 one up in -- at King K. that actually is winning
5 some national awards in science, sort of hands-on
6 science. There's a number of different programs
7 that are -- people working on national level, and
8 you guys actually, I think last week or so,
9 recognized students who actually won a national --
10 national award as well.

11 CHAIR PONTANILLA: Thank you. Member Molina?

12 COUNCILMEMBER MOLINA: Thank you, Chairman.

13 Good morning, Ian, and thank you for your
14 testimony. Can you provide the Committee with the
15 names of the board of directors? Because you are
16 relatively -- I know you came by --

17 MR. HODGES: Uh-huh.

18 COUNCILMEMBER MOLINA: -- last year and is your second
19 time around. Can you provide us a list of the name
20 of the board of directors, and also a budget
21 breakdown? For example, earlier this morning we
22 heard from the -- Ms. Palmer from the Iao
23 Theater --

24 MR. HODGES: Uh-huh.

25 COUNCILMEMBER MOLINA: -- and she provided us the list of

1 board of directors, as well as a budget breakdown
2 of how the -- how their 300,000 will be used --

3 MR. HODGES: Sure.

4 COUNCILMEMBER MOLINA: -- so I would like to request that
5 from you. And one question. Is the AIA currently
6 assisting other schools around the state, or will
7 Maui be the testing ground?

8 MR. HODGES: Maui will be the testing ground.

9 COUNCILMEMBER MOLINA: Okay.

10 MR. HODGES: And if I can just sort add into that, also.

11 We will also be working with, like I mentioned,
12 with different schools actually around the country,
13 Michigan and other places, but Maui, the testing
14 ground, Hawaii will be the focus. And we want to
15 basically get our students involved in these
16 national things that are going on.

17 COUNCILMEMBER MOLINA: Okay. Thank you.

18 MR. HODGES: Thanks for your question.

19 COUNCILMEMBER MOLINA: Thank you, Chair.

20 CHAIR PONTANILLA: Members, any more questions for the
21 testifier?

22 I note on your handout, there is a box that
23 says increasing visitor industry revenue and
24 quality employment opportunities for Maui. Can you
25 expound on that?

1 MR. HODGES: Oh, yes. The -- one of the things that --
2 going back to the automotive industry, and again I
3 want to just make a quick comment that we're not
4 just talking about the automotive industry. This
5 is just one area. Is that as we actually acquire
6 patents, and we're actually in the process of
7 actually negotiating for patents right now and
8 already have had inventors sign on for some
9 significant patents dealing with the diesel
10 combustion phase of diesel engine. And we're also
11 working right now with the United Auto Workers, is
12 actually very close to going on strike, and one of
13 the resolutions might actually be resolving by
14 having the Delphi turn over patents.

15 As we develop and acquire rights to patents,
16 one of the things we're going to be doing,
17 particularly the automotive industry, as you know,
18 you know, one of the major automotive industry is
19 actually Japan and Asia, is, we'll actually be
20 working on bringing together the different players
21 to be able to discuss how to actually utilize
22 patents, and we'll actually be bringing them
23 together, you know, in Maui and in Hawaii,
24 primarily Maui.

25 And what that'll do is Maui would be the

1 center of actually working on these issues in labor
2 disputes for intellectual property and dealing with
3 a lot of these issues. And so bringing executives
4 together on Maui, it gives them reason to actually
5 come here, because this would be the center of it.
6 And so, you know, if you do work in the visitor
7 industry, you know that if someone's on an expense
8 account and is coming for a budget, there's a
9 totally different sort of spinning pattern. And
10 that's kind of -- the visitors bureau has been
11 trying to keep those people for a long time.

12 And you probably are aware of the fact that
13 a lot of different folks have actually got in
14 trouble for going on junkets to Maui, because they
15 say it's just a junket. This would actually give a
16 real reason for people to actually come out here,
17 or actually would bring together the different
18 players in the automotive industry; for example, to
19 build a media or to work out how are these patents
20 actually going to be utilized.

21 CHAIR PONTANILLA: Thank you. Member Medeiros?

22 COUNCILMEMBER MEDEIROS: Mahalo, Chair.

23 Mr. Hodges, I don't know if you did identify
24 it, but what's your position with American
25 Ingenuity?

1 MR. HODGES: My -- my position right now is, I have
2 actually -- I've been sort of serving as the -- the
3 sort of ad hoc kind of director of it, but right
4 now I have no official position. I am actually --
5 have been hired by some national groups, including
6 labor unions, to actually set this up. And I've
7 actually been pushing, so far successfully, to have
8 it be done in Hawaii. And so that's basically what
9 I'm working on. Steve -- you know, the primary
10 policy guys would be the board, and Steve is the
11 president of the board, so...

12 COUNCILMEMBER MEDEIROS: You know, I've always been an
13 advocate for education, whether it was three- and
14 four-year-olds and early childhood or post high
15 school education and everything in between, and,
16 you know, anything with education I would like to
17 support. I think along with Member Molina that
18 comes from that education background, you know, his
19 request would be helpful to us. But, also, would
20 this program -- I know you're using Maui High
21 School as trying to start the program. Would this
22 extend, and I think it was asking to a school like
23 Hana?

24 MR. HODGES: Uh-huh. In fact, one of the things
25 that's -- that's -- that's interesting about this,

1 is, because we're actually dealing with
2 intellectual property, you can actually -- it's
3 very adaptable to rural areas because we're dealing
4 with -- you know, we're dealing with patents, which
5 you can look at any patent there is, actually, on
6 your computer screen. And most of the -- you know,
7 most of the work that I do in this area, I'm
8 spending time actually talking to people around the
9 country. The -- you know, the kind -- the kind of
10 things that people in Hana are doing, I know they
11 have a -- they have a construction program that's
12 actually very successful, and we actually are
13 working with the carpenters union, for example,
14 nationally, on some of this.

15 So there's a lot of things in terms of
16 looking at technology, they can improve safety on
17 the job sites, different kind of technology to
18 actually be able to put it in place, on the job
19 site. And one of the roles that we see for the
20 students would be to -- like you have at a
21 graduate-level program, would basically be able
22 to -- we'd be providing grants to the schools to
23 research certain specific things. So Maui High
24 students will be working in Detroit on solving
25 their problems. Hana students could actually be

1 working, you know, with the -- with the national
2 carpenters union actually on figuring out different
3 things. So, to answer your question, yes.

4 COUNCILMEMBER MEDEIROS: Yes, it does answer my question.

5 And my final question, and it may be more of a
6 comment than a question, is that I agree with
7 Mr. Dias in his letter, that we are seeing the
8 demise of vocational education, which I'd like to
9 see come back, because not all our students want to
10 be doctors, lawyers, architects, or council
11 members, and -- and, you know, mechanics make more
12 than council members. So that may be a better
13 direction, but, yeah, thank you for looking into,
14 you know, reestablishing vocational education on
15 Maui. Thank you.

16 MR. HODGES: If I can make one final comment, which is
17 about vocational education, is that a lot of times
18 when we talk about high tech, everybody is talking
19 about biotech or things like that. Some of the --
20 some of the major problems that we actually need to
21 solve in this country, actually, the skills that
22 auto mechanics and people in Dennis Ishii's class,
23 that are actually working on, we need to actually
24 solve those problems. We need to figure out how to
25 have cars not emit so much -- you know, the

1 greenhouse gases, all that kind of stuff.

2 And basically, you know, the work that I do
3 sort of engages with labor unions and industrial
4 unions, is we actually are losing, in this country,
5 people who know how to actually work on things,
6 physically. And one of the things, we were talking
7 to these people in Detroit, is they're actually
8 very happy to hear of such a successful program in
9 Maui because they're losing their programs, because
10 their schools are based on a tax based that's
11 locally, and when the businesses shut down, their
12 schools are in turmoil. And so they're actually
13 saying, eh, we actually could work in partnership
14 with Maui High on solving the problem in Detroit.

15 And it is -- is comes down to the fact that
16 vocational education sort of is the stepchild. But
17 if you look at what the students are actually
18 learning, they actually know a lot of high-tech
19 stuff, I mean, those students are really sharp, and
20 I actually look forward to working with them
21 because they can really be helpful.

22 COUNCILMEMBER MEDEIROS: Thank you, Mr. Hodges.

23 MR. HODGES: Thank you.

24 COUNCILMEMBER MEDEIROS: Thank you, Chair.

25 CHAIR PONTANILLA: Thank you, Member Medeiros.

1 Member Victorino?

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

3 Ian?

4 MR. HODGES: Yes.

5 COUNCILMEMBER VICTORINO: You mentioned earlier that
6 you're working with Deidre Tegarden from Economic
7 Opportunities, right? Have you approached anybody
8 else like, for example, the Maui Economic
9 Development Board, or Lokahi Pacific, or some of
10 these other agencies who are very in tune to these
11 kinds of business opportunities? And I think, you
12 know, in myself personally, I love the idea what
13 you've done. I think you've come up with a good
14 plan. You've gotta put it down in writing, and as
15 I mentioned to you, unless we have numbers, it's
16 difficult to work with, but have you approached
17 MEDB and some of these other groups?

18 MR. HODGES: We have talked with MEDB. I talked with --
19 I had a pretty long conversation right after
20 this -- the opening of the Business Action Center
21 the Governor was at, with a guy who works with
22 MEDB -- I mean, I know most people work there,
23 but -- and actually talked with him about, for
24 example, some of -- he actually came out of a paper
25 industry background, and we talked about the, you

1 know, the intellectual property and things we could
2 actually work together for Maui, dealing with some
3 of the stuff.

4 I actually had a talk with the Business
5 Development Center out at the Tech Park, David,
6 last night, and we were talking about the -- how
7 this can actually fit into the things that they are
8 working on, in terms of raising venture capital,
9 private funds.

10 And if I can sort of add to that, is that
11 there are ways we can actually work with MEDB. One
12 of the things that -- for example, this is what I
13 was talking to David about, last night, is one of
14 the things they're always looking for, as you
15 probably have heard, is they're always looking for
16 venture capital and private capital. One of the
17 advantages of this entity, of the fact that
18 Steve -- Steve West will be serving on the board
19 with Tom Woodruff, who's a senior guy at SEIU and
20 Change to Win, is the fact that we have access to
21 pension fund trustees from national pension funds,
22 and, in fact, tomorrow I have a conversation with
23 the Vice-Chair of the Investment Committee for
24 the -- for CalPERS.

25 And so one of the things we can actually do

1 is work -- not only work with MEDB and learn from
2 what they're doing, but actually help them in terms
3 of what they're doing, because we can help bring in
4 various sorts of capital, we can help connect them
5 with inventors. Once we actually find people who
6 maybe want to do more research, you know, we may
7 need space in the Tech Park. So all those
8 conversations are ongoing.

9 And I think -- I mean, the potential is,
10 what we're trying to do is bring a lot of these
11 pieces together, and what I'm trying to do
12 personally is convince these people, nationally,
13 who want this thing to move forward, regardless, is
14 convince them that Hawaii and Maui are places they
15 could do it. And so that's -- we do want to work
16 with all those different people.

17 COUNCILMEMBER VICTORINO: Well, Ian, I thank you for
18 that, for that update, and I think it's very
19 important when we put out money from this County,
20 that we see the -- not only the results that will
21 come forward, but the potential for our citizens to
22 continue to grow, whether they are young people or,
23 like Mr. Medeiros said, postgraduate, it doesn't
24 make difference, but that that money is going to be
25 invested so that we, here in Maui County, and our

1 people be able to benefit from it, and I think
2 that's very important. And I'd like to see the
3 State somehow get more involved in these things
4 because I think the overall scope of things, looks
5 like the State would benefit much more directly
6 than Maui County.

7 So, I'd like to see, like I've been
8 mentioning earlier, whether it's Department of
9 Education, Department of Economic Opportunities, it
10 doesn't make difference in my mind, but the State
11 put out some money and help you and help this
12 program along, because I think they'd benefit even
13 more vastly than the County of Maui. But thank
14 you, Ian, for all your work, and I really do
15 appreciate it.

16 MR. HODGES: Thank you.

17 CHAIR PONTANILLA: Thank you. Members, any more
18 questions for the testifier? Member Anderson?

19 COUNCILMEMBER ANDERSON: Thank you, Chair. Ian, just
20 real quickly.

21 MR. HODGES: Sure.

22 COUNCILMEMBER ANDERSON: Anything short of 300,000?

23 MR. HODGES: That -- that, we can definitely -- I think
24 we can definitely do anything short of 300,000.
25 Whatever -- the basic purpose of this, is that this

1 stuff is actually moving forward, the stuff I
2 mentioned with the automotive stuff, the stuff with
3 the -- with the ports. And going back to what
4 Councilmember Victorino was saying, too, is, the
5 State actually is support of this. The reality is,
6 what we're trying to do here with this sort of
7 sense of urgency is, we do have this nationally
8 ranked program where the person behind it is
9 retiring in December. One of the primaries we're
10 working on is the automotive field, so we could
11 actually -- we could actually utilize certainly
12 less money than that and be able to work with
13 Dennis Ishii, and build and work with his program
14 and actually make it. What we're trying to do is
15 get -- get money in place, so we can keep that
16 going, so we don't have to actually rebuild it, go
17 back and rebuild it later, because that's a lot
18 more difficult.

19 COUNCILMEMBER ANDERSON: Is he forced to retire?

20 MR. HODGES: He's -- he is choosing to retire, I mean --
21 he's actually stayed on -- I believe he stayed on
22 longer than he needs to. I mean, he wants to
23 see -- this is his -- this is his sort of --

24 COUNCILMEMBER ANDERSON: Is -- is MCC contributing any
25 money at all, to this program?

1 MR. HODGES: No.

2 COUNCILMEMBER ANDERSON: Or DOE?

3 MR. HODGES: No, but if I can -- if I can make one
4 comment about the whole situation to the State, one
5 of the -- I've had a -- I have another call -- make
6 another call today, and I met with Governor
7 Lingle's policy people, Linda Smith and the people
8 had thought about this, is that probably the
9 primary mover of this whole bill in the Legislature
10 is Marcus Oshiro, who is now Chair of the Finance
11 Committee. In terms of actually getting State
12 support for this long term, that's not necessarily
13 going to be a big problem.

14 The problem is, right now, you've probably
15 seen in the papers, that -- is that we have to
16 actually -- there's some relationship issues
17 between the Governor and the Legislature over
18 different things, and the fact of the matter is,
19 the Governor, however much the State appropriates,
20 it's up to the Governor to release it, and -- and
21 we are in conversations with the Governor's office.
22 And when -- and -- you know, to be really frank
23 about it, there is major union involved in this,
24 and some of the Governor's people don't feel
25 comfortable with that. And so that's -- that's

1 kind of what we're working through. But as far as
2 the Legislature is concerned, you know, there's
3 definitely support.

4 COUNCILMEMBER ANDERSON: But if you got, you know,
5 150,000 instead of 300-, would that allow your
6 program to go forward?

7 MR. HODGES: Yes.

8 COUNCILMEMBER ANDERSON: Thank you.

9 CHAIR PONTANILLA: Thank you. Just a quick question. If
10 we were to provide funds to MEDB, can you work with
11 them in regards to this grant money, as a
12 follow-through?

13 MR. HODGES: Could we work -- you mean if the money that
14 MEDB is requesting 500,000 or something?

15 CHAIR PONTANILLA: Yeah, in addition we'll provide 'em
16 whatever.

17 MR. HODGES: Well, I wouldn't want to sort of say
18 something that would kind of -- I mean, I'm sure
19 they have plans for what they're asking you for. I
20 would be certainly be willing to work with them. I
21 think the -- the -- our objective with this, is to
22 actually get this money into the classroom. I
23 mean, basically, you know, to answer the question
24 about what's the budget? The budget is, all the
25 money goes in the classroom except for maybe little

1 bit of administrative costs, to go keep these
2 programs actually running and also engage them, you
3 know, with these national programs of what's going
4 on. So, we're certainly willing to work with them,
5 MEDB, definitely.

6 CHAIR PONTANILLA: Fine. Thank you.

7 MR. HODGES: But I don't want to -- I don't want to sort
8 of state what they should use their funds for.

9 CHAIR PONTANILLA: Thank you. Members, any more
10 questions? If not, thank you very much.

11 MR. HODGES: Thank you so much.

12 CHAIR PONTANILLA: Members, the next testifier this
13 morning is Thomas E. Rice. Thomas?

14 MR. RICE: Good morning, Council Members and Council
15 Chair. The issue that I'm coming to you with,
16 today, has regard to the proposed rate increases
17 for the water. I -- I have a farm in Kula, it's
18 Rice Farms. We live up, off of Koheo Road, and
19 there's a lot of other farms and small, you know,
20 agricultural businesses in our area, and lots of us
21 are not in agricultural zone land, we're in rural
22 zone lands, but it's an old area and there are
23 many, many small family farms and people who grow
24 cows and stuff like that.

25 My issue has to do with, I kind of fell

1 through the cracks with the Department of Water
2 Supply, with being able to qualify for ag water
3 rates, I agree that it's a good thing that you guys
4 are going to get more money for high users of water
5 because it'll probably promote a little bit more
6 responsibility with regards to the use of that
7 resource. I mean, it is a very finite resource.
8 However, it would be nice if some of the rulings
9 and rules regarding the issuance of ag rates were
10 perhaps amended, so that, you know, there would be
11 more opportunities created for people, such as
12 myself, and I know other people who are in the same
13 boat, and we're looking to get into doing small
14 family farms or growing flowers on their property
15 to supplement their income, and the water will be a
16 primary issue, you know, because things are drying
17 out, it's not as much rain as we used to have in
18 the old days and, you know, that's an issue.

19 I appreciate your time. I know you're all
20 very busy and you have a lot to deal with, but I
21 think this is an issue that will affect a lot of
22 other people here, on Maui, and being a small kind
23 of a rural community, primarily, you know, in Haiku
24 and a lot of areas, and, you know, I don't really
25 know what else to say, other than hopefully

1 something can be done to create maybe a broader
2 range of different rate, you know, within the rate
3 structure or maybe better enforcement of those who
4 do have ag rates and who really do not qualify for
5 ag rates, stuff like that.

6 Anyway, thank you for your time, and I
7 appreciate you taking a look at my issue, and I
8 feel that it probably will pertain to many other
9 people within the County as well. You know,
10 sustainable agriculture is -- is something that not
11 too many people want to get involved in nowadays
12 because there's not a lot of money in it, but the
13 whole idea of it being that it is sustainable, so,
14 you know, I could work and provide food for my
15 family, my family's friends and possibly, you know,
16 give my family's children and my children, you
17 know, something else to look at, other than being
18 able to go to college and get a huge degree and
19 then, you know, not be able to come back to the
20 islands, it's like, hey, we can grow vegetables,
21 you know, and...

22 MS. REVELS: Three minutes.

23 MR. RICE: ...take it to the local market, and, you know,
24 something else. Anyway, thank you very much.

25 CHAIR PONTANILLA: Thank you. Members, any questions for

1 the testifier? Member Anderson?

2 COUNCILMEMBER ANDERSON: Thank you, Chair.

3 Mr. Rice, thank you very much for coming
4 down today and for providing us with this written
5 history about the situation.

6 And, Members, turn to the page with the
7 pictures. It's just a breath of fresh air to look
8 at that picture, isn't it?

9 MR. RICE: Not a very good photographer.

10 COUNCILMEMBER ANDERSON: So, Mr. Rice, you're just the
11 kind of person that we are desperately trying to
12 support in Maui County, someone who's taking land
13 and putting diversified agriculture on it, and
14 actually producing a sustainable crop, and I
15 haven't had a chance to read all of this, but it
16 appears that you're attempting to do organic
17 farming, also.

18 MR. RICE: Correct.

19 COUNCILMEMBER ANDERSON: Which is fabulous. So your
20 property is zoned rural, and on the real property
21 tax assessment you're being assessed as an
22 agricultural use.

23 MR. RICE: Correct.

24 COUNCILMEMBER ANDERSON: Correct? But you cannot get ag
25 water rates because you're not zoned ag.

1 MR. RICE: Correct.

2 COUNCILMEMBER ANDERSON: And, so, therein lies the
3 problem. And I don't know that it's something that
4 we can address during budget, but we most certainly
5 can address it in the Water Resources Committee to
6 find a way to actually give you the benefit of
7 agricultural water rates because you are actually
8 doing agriculture. And I think that's just a
9 matter of changing the regulations that we
10 currently have for the Department of Water Supply.
11 So, thank you very much.

12 And just one other question I wanted to ask.
13 The total number of acreage that you have, how much
14 of it is actually in cultivation?

15 MR. RICE: We are over 75 percent in cultivation. We
16 have -- our property is almost eight acres, it's
17 just under eight acres. And my mother lives on the
18 property and I also live on the property, but
19 75 percent or more of the property is cultivated.
20 The parts that aren't cultivated are either where
21 our home sit or there's a big gulch that runs down
22 one side of the property, but it also has been
23 cultivated for years, I know for a fact, from the
24 early '20s.

25 COUNCILMEMBER ANDERSON: And so all of your water is from

1 the Department of Water Supply's system?

2 MR. RICE: Yes, it is, currently.

3 COUNCILMEMBER ANDERSON: And, so, do you -- can you give
4 us kind of an average? I know, you know, it
5 probably comes and goes with the rain, but can you
6 give us an average of the amount of water you need
7 to use to keep this 75 percent in cultivation?

8 MR. RICE: The -- the range that I came up with, was
9 based on being under full cultivation of crops, and
10 my estimate was somewhere in the area of about 140-
11 to 180,000 gallons per month. So, you know, that's
12 a substantial amount of water, you know, but
13 obviously, as you said, it is variable based on if
14 we have a lot of rain or stuff like that.

15 COUNCILMEMBER ANDERSON: Right.

16 MR. RICE: For instance, my last bill that I just got
17 yesterday was for 86,000 gallons.

18 COUNCILMEMBER ANDERSON: For...(inaudible)...months?

19 MR. RICE: For one month. And, you know, that we did
20 have a lot of rain last month, and I am growing
21 only cover crops at this point, so, they don't
22 require as much water.

23 COUNCILMEMBER ANDERSON: Thank you very much, Mr. Rice.

24 CHAIR PONTANILLA: Thank you. Member Baisa.

25 COUNCILMEMBER BAISA: Good morning, Mr. Rice, and it's a

1 pleasure to meet you at last. When I first heard
2 about your situation, you know, I'm the Kula
3 representative, and so because I live up there and
4 I have members of my family who know where your
5 farm is, we took a drive-by because I wanted to see
6 myself. You know, there's nothing like being to
7 talk about -- being able to talk about something
8 that you've seen, and it's a beautiful, beautiful
9 farm, and it definitely is a farm, and Member
10 Anderson explained the situation we're in.

11 I discussed this with the Water Director
12 when he was here in Council the other day, and he's
13 very committed to working with us to try to find a
14 solution to this, because, you know, a person who
15 is doing what you're doing, certainly should
16 qualify for agricultural rates, and I wish you all
17 the luck, and we'll support you the best we can.

18 Thank you very much for taking the time. I
19 know you should probably be at home, working, but
20 it's important that people like you step forward
21 because it may not only help you, but it may help
22 others, and ag is so important to Maui. Thank you.

23 MR. RICE: Thank you very much.

24 CHAIR PONTANILLA: Thank you, Member Baisa. Member
25 Molina followed by Member Johnson.

1 COUNCILMEMBER MOLINA: Thank you, Chairman.

2 Good morning, Mr. Rice, and thank you for
3 coming down. It's always appreciated when we hear
4 from the farmers. So, farming, this is your
5 full-time occupation?

6 MR. RICE: No. I'm actually hoping to eventually move
7 into farming full-time. Primarily so I can be
8 around the property more and be able to help my
9 mom, she's getting older. But it was also -- it's
10 something that my father and I had been talking
11 about for years, and since he passed away, we
12 didn't think about it, and then just recently I,
13 you know, started wanting to get more involved with
14 it. I'm actually full-time employed by TMC General
15 Contracting as a carpenter and hoping to get out of
16 that, because I'm tired of building big houses for
17 people who really don't care who we are, you know.

18 COUNCILMEMBER ANDERSON: Right on.

19 COUNCILMEMBER MOLINA: And just to get clarifications, so
20 you -- you had applied, I guess, to get ag water
21 rates, and was denied and was not given a specific
22 reason?

23 MR. RICE: Correct.

24 COUNCILMEMBER MOLINA: Okay.

25 MR. RICE: Correct.

1 COUNCILMEMBER MOLINA: And have you made your case before
2 the Water Board?

3 MR. RICE: I have not, and unfortunately, the fellow who
4 was farming our property before is on the Board of
5 Water Supply, and so I have a sneaky feeling I may
6 have difficulties there.

7 COUNCILMEMBER MOLINA: Oh, I see. Okay.

8 MR. RICE: As you know, everything is very political and
9 very network, so, I don't really fit in with that.

10 COUNCILMEMBER MOLINA: Okay. All right. Well, thank you
11 for your input, and hopefully, you know, some
12 resolution can be found to your situation. Thank
13 you.

14 Thank you, Chairman.

15 CHAIR PONTANILLA: Member Johnson?

16 COUNCILMEMBER JOHNSON: Yes, Mr. Rice, and thanks very
17 much because I know farming is -- it's a rewarding
18 job, but not always financially rewarding.

19 One of the things that I wonder if you've
20 explored with the farm bureau or other entities, is
21 placing the portion of the property that's under
22 cultivation, filing an agricultural easement, which
23 would basically strip that portion of your property
24 from all development potential. It would lower
25 your -- your land taxes, and it would also, in

1 perpetuity, hopefully give you a potential, if we
2 changed our ordinance to get ag water rates, have
3 you considered doing that?

4 MR. RICE: We have considered possibly going after a
5 zoning change or something, but we decided that in
6 the event that I should fall ill or my mother
7 should fall really, you know, ill, it may be
8 detrimental to our being able to, you know, come up
9 with enough money to pay for bills that would be
10 hospital bills or whatever, you know, or care home
11 or, you know, things happen and you can never tell.
12 So I would hate to dedicate the property
13 indefinitely to something that may, you know,
14 damage our ability to get a reasonable financial
15 amount of money out of it.

16 COUNCILMEMBER JOHNSON: Yeah. And this would not be
17 rezoning. It's filing an agricultural easement,
18 which, as long as you have the property, you would
19 not be able to develop on that property any homes,
20 but it's basically an easement that would not, you
21 know, be doing anything with regard to the zoning.

22 MR. RICE: Hm, I hadn't heard anything about that.

23 COUNCILMEMBER JOHNSON: Yeah. It is possible. And
24 actually, if you go on American Farmland Trust Web
25 site --

1 MR. RICE: Uh-huh.

2 COUNCILMEMBER JOHNSON: -- you will be able to get
3 additional information about easements.

4 MR. RICE: Hm.

5 COUNCILMEMBER JOHNSON: Okay. Thank you.

6 CHAIR PONTANILLA: Thank you, Member Johnson.

7 Member Medeiros?

8 COUNCILMEMBER MEDEIROS: Mahalo, Chair.

9 Thank you, Mr. Rice, for being here. Is
10 non-potable ag water available up in your area?

11 MR. RICE: No, it is not.

12 COUNCILMEMBER MEDEIROS: No, it's not. Okay. And I know
13 your concern was brought to us by Member Baisa, who
14 talked about farmers on rural land, and, you know,
15 not having the same opportunities as ag water
16 rates, so we know, you know, how it affects you.
17 And I think between Member Baisa and Member
18 Anderson, they're probably going to pursue this in
19 Member Anderson's committee, so that'll maybe be
20 helpful. So thank you for being here this morning.

21 MR. RICE: Thank you.

22 CHAIR PONTANILLA: Thank you. Member Anderson, you had a
23 question?

24 COUNCILMEMBER ANDERSON: No. I was just going to say
25 what Councilmember Medeiros said. We'll bring this

1 up in my committee and address it immediately after
2 budget.

3 MR. RICE: Okay.

4 COUNCILMEMBER ANDERSON: Thank you.

5 CHAIR PONTANILLA: Thank you. Thank you for being here.

6 COUNCILMEMBER VICTORINO: Mr. Chair?

7 CHAIR PONTANILLA: Thank you very much. Wait. Member
8 Victorino?

9 COUNCILMEMBER VICTORINO: Yeah. Besides us taking action
10 on this, Mr. Rice, I still would recommend you
11 taking this before the Water Board. I personally
12 believe that no one entity or one person should
13 have any political power over a -- what I call
14 volunteer group, okay?

15 Secondly, I know the people on this board
16 because I served with many of them, and I think
17 they're very level-headed, responsible citizens and
18 would be very interested in looking at your case.
19 I think you should take that approach, while we do
20 the other parts, I -- I do not want to hear and I
21 do not like when people say it's a political thing.
22 No one person makes it political. It's our
23 community, it's our responsibility, and that board
24 is made up of a lot of good, responsible citizens.
25 So I recommend you go and get a letter of

1 appeal to them, request a hearing, so that they can
2 look at your case and maybe resolve it, while we do
3 what we need to do on our end, okay? I think that
4 is very, very important. And I apologize that you
5 feel this way. I think that's not a good feeling
6 to ever have. However, if that's the way you feel
7 that that person would be, I know that person, I
8 don't think he would be, I think you have a good
9 chance, so, please, take that step. And I think
10 that's an immediate step that would really resolve
11 the problem more quickly, and we could do what we
12 need from our end. Thank you.

13 Thank you, Mr. Chair.

14 CHAIR PONTANILLA: Thank you, Mr. Victorino.

15 Thank you for being here.

16 MR. RICE: Thank you.

17 CHAIR PONTANILLA: Members, the last person to testify,
18 that signed up to testify before the meeting is
19 Steve Walker.

20 MR. WALKER: Good morning, Councilman Pontanilla and
21 Council Members. My name is Steve Walker, and I'm
22 here to testify in support of the Maui Office of
23 the National Kidney Foundation of Hawaii. Because
24 there are three programs to stop kidney disease and
25 failure, and how they help people on dialysis are

1 critically important to all of us here, who live on
2 Maui.

3 I know what a shock it can be and a hardship
4 it can be on the whole family when a loved one
5 learns they have kidney failure. It happened to my
6 family, it happened to my father, and he was on
7 dialysis for over six years until he recently
8 passed away. It's important to get detection
9 early. It's a silent and it's a deadly disease.
10 By the time you notice the symptoms, your kidneys
11 are already badly damaged and have already failed.

12 The Maui Chronic Kidney Disease Prevention
13 Intervention and Dialysis Patient Support Services
14 Program is helping stop this disease while there's
15 still hope. There are studies that support that
16 one in every seven Maui residents have it and don't
17 know it. This program provides free kidney
18 screenings to the public all-year long. It also
19 offers workshops for people who are high risk or
20 find out they have it already, and it provides
21 support services and emergency grants to local
22 kidney dialysis patients.

23 I don't know if you're aware of this, but
24 Hawaii, and that includes Maui, is a 30 percent
25 higher-risk category in kidney failure just by

1 virtue of the demographics of our State. It
2 affects Hawaiians, and it affects Hispanics, and
3 people of these genders.

4 So, the National Kidney Foundation's program
5 has already been recommended by both the County
6 Department of Housing and Human Concerns and by
7 Mayor Tavares to be funded with a line-item grant
8 for Fiscal Year 2008. I really hope and pray that
9 you'll support this excellent and much needed
10 program, too. Thank you.

11 CHAIR PONTANILLA: Thank you. Members, any questions for
12 the testifier? Member Medeiros, followed by Member
13 Johnson --

14 COUNCILMEMBER MEDEIROS: Mahalo, Chair.

15 CHAIR PONTANILLA: -- followed by Member Anderson.

16 COUNCILMEMBER MEDEIROS: Thank you, Mr. Walker, for being
17 here. Would your testimony be available to submit
18 to this body?

19 MR. WALKER: If you want to make copies, you're welcome
20 to.

21 COUNCILMEMBER MEDEIROS: Certainly. So you could submit
22 it to...

23 MR. WALKER: That was my little scratch-notes on things I
24 did want to say.

25 COUNCILMEMBER MEDEIROS: Okay. And, you know, it's for

1 some reason very timely that you come up and
2 testify after we're talking about dialysis in Hana,
3 and so we know how important it is, in the program
4 you're involved with. So, certainly for me, I will
5 be as supportive as I can for your organization and
6 for what you are doing to have this available for
7 people, especially early detection is important,
8 and we want to do that. But thank you for your
9 testimony this morning, and if you can make it
10 available, we'd appreciate it. Thank you.

11 MR. WALKER: Be my pleasure. Thank you.

12 COUNCILMEMBER MEDEIROS: Thank you, Chair.

13 CHAIR PONTANILLA: Thank you, Member Medeiros.

14 Member Johnson.

15 COUNCILMEMBER JOHNSON: Yes. Thanks so much for being
16 here. Because we've been getting requests for
17 grants and whatnot, we have sort of shifted
18 direction to now where we're asking for the
19 breakdown, we're asking of just about every entity
20 that receives money from the County, so, I have not
21 seen, and if I missed it, I apologize, but do you
22 have or does the Kidney Foundation have the
23 breakdown of what their operating budget is?

24 MR. WALKER: I'm sure they do, and I believe Sally Barron
25 has come before this body previously and provided

1 that information. However, I will get with her and
2 present your question and make sure that that
3 information is provided to the Council. I will
4 also say it was a line item last year, and so
5 basically she's asking and the foundation is asking
6 to have it continued to be funded, because it is
7 providing a good service to this community.

8 COUNCILMEMBER JOHNSON: Yeah. And I would really
9 appreciate that, because in all the documentation
10 that I've seen, I -- I did not see that, you know,
11 the total breakdown of the budget, so we're just
12 now asking it of everyone. Thank you.

13 MR. WALKER: I will be sure that it's sent today.

14 COUNCILMEMBER JOHNSON: Thank you.

15 CHAIR PONTANILLA: Thank you. Members, any more
16 questions? I see none.

17 Thank you, Mr. Walker, for being here.

18 MR. WALKER: Thank you. Good day.

19 CHAIR PONTANILLA: Members, Mr. Walker was the last
20 person that signed up for testimony this morning.
21 Is there anyone else that would like to provide
22 public testimony that hasn't signed up? This is
23 your opportunity.

24 Seeing none, the Chair, with no objections,
25 would like to close public testimony.

1 COUNCIL MEMBERS: No objection.

2 **...END OF PUBLIC TESTIMONY...**

3 CHAIR PONTANILLA: Thank you very much. Members, right
4 now, it is 10:40. We're going to take a 15-minute
5 morning recess and we'll reconvene at 10:55. This
6 meeting is in recess. (Gavel).

7 **RECESS: 10:40 a.m.**

8 **RECONVENE: 11:05 a.m.**

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

10 CHAIR PONTANILLA: (Gavel). The Budget and Finance
11 Committee meeting is now reconvened. Thank you,
12 Members, for that extra long break.

13 Members, again, this morning we do have our
14 Director of Finance, Mr. Kalbert Young, this
15 morning, and he's going to be providing the
16 Committee with the information in regards to the
17 certified real property tax revenues. At this time
18 the Chair would like to call on Mr. Young.

19 MR. YOUNG: Good morning, Mr. Chair. Good morning,
20 Members.

21 COUNCIL MEMBERS: Good morning.

22 MR. YOUNG: Pursuant to Maui County Code, Chapter 3.48,
23 the real property tax certification for all parcels
24 within the County of Maui is due to be -- to be
25 filed at the Clerk's Office on April 19th, and to

1 report that the real property tax certified rolls
2 were filed to the Clerk's Office yesterday evening,
3 April 18th.

4 For the presentation today, I provided you
5 with excerpts of the summary from the certified
6 rolls. This -- this handout duplicates that which
7 was provided in your packet of material from the
8 Clerk's Office, specifically the transmittal
9 document from the Mayor's office, with my signature
10 and the supporting documents behind it. The
11 material that I provide you this morning is this
12 graph and the subsequent pages.

13 The certified rolls have a net taxable value
14 of real property for your basis of revenue
15 projections at \$41,167,719,501. This is the
16 assessed valuation. This represents an increase in
17 certified valuation from Fiscal Year '07, in which
18 the certified valuation was thirty-seven billion
19 one hundred twenty thousand -- I'm sorry, one
20 hundred twenty million five hundred eighty thousand
21 three hundred seventy-six.

22 The effect of circuit breaker applications
23 that have been filed for the upcoming Fiscal Year,
24 at the Mayor's proposed rate for homeowners, would
25 result in a deduction of certified -- I'm sorry,

1 deduction in real property tax revenue of about
2 1.2 million. At the current rate of -- at the
3 current proposed rate, as the Mayor has submitted
4 for real property taxes, applied against the
5 assessed valuation, real property tax revenue would
6 be \$200,163,280, and this would be before the
7 effect of circuit breaker deductions.

8 The excerpts from the summary of
9 certification provides, by classification, the
10 breakout of value for each classification by its
11 building and land on each of those classifications,
12 as well as the proposed tax rate that's in the
13 Mayor's proposed budget, and then the corresponding
14 projected revenue for each classification.

15 At this time I'd like to move to the second
16 handout which I provided for you, which is the pie
17 chart/graph handout. And what this presentation
18 is, is -- is taking from the summary of the
19 certified rolls. What the Real Property Tax
20 Division has done is presented this graphically, by
21 geographic region, so the different community
22 districts. Bear in mind, this is -- those
23 districts as defined for real property tax map
24 purposes and not -- they're not electoral
25 districts, they're not community districts that may

1 be defined in the Maui County Code.

2 And the very top page shows the overall
3 breakdown of assessed values and revenues for each
4 property classification. I would like to point out
5 that there is a discrepancy. In the quick time
6 that it takes to produce this, because
7 certification was only provided last evening, there
8 is a small discrepancy, and that is in the
9 "Homeowner" line for the Fiscal Year 2007 Estimated
10 Levy. What is presented here on this page is
11 22,927,016, that amount is actually estimated off
12 of the certified value at the last certification
13 that we had. But since the last certification, the
14 Council upped the homeowners exemption, so that
15 actually went to reduce the overall levy, the
16 actual levy collected, and actually, that amount is
17 more closer to 17,978,000. And without that
18 correction, if you look across to the FY 2008
19 Estimated Levy for Homeowners, you'll see that the
20 revenue collection in that class is actually like
21 20 percent less. That's not -- that's not true,
22 based on what the Mayor evaluated her proposal be.
23 It's not true, based on what is actually to be
24 collected.

25 The next sheet and the following sheets

1 after that, I believe, are the evaluations that the
2 Members would find most interesting in telling.
3 They are the presentation of assessed values and
4 revenues by the community districts or the tax map
5 districts. And if you just go to the next page
6 after the first one, which I labeled as 1b, you'll
7 see that -- I'll just quickly go through this.
8 West Maui, for instance, has assessed values,
9 that's the pie chart on the left, has assessed
10 values of 13 -- what is this, 13 billion --
11 billion -- sorry. 13 billion, which represents
12 32 percent of the total assessed valuation in
13 the -- in the County. And that translates, in
14 terms of the revenue, based on the Mayor's proposed
15 tax rates, West Maui will contribute 77 million in
16 terms of real property tax, and that represents
17 38 percent of the overall real property tax
18 collection, so that's how you understand these pie
19 charts. And they're done for each of the Districts
20 as presented. I won't read through each of the
21 Districts, Mr. Chair.

22 The subsequent charts and pages after that,
23 give the Members a breakdown for each of those
24 Districts, the breakdown by property
25 classifications in each of those Districts. What

1 is not presented here and that the Members should
2 be aware, is that the taxable, the net taxable
3 value does not include those valuations that are
4 under appeal for those Districts. So this is just
5 purely just to show you what is the total taxable
6 value for each of those classifications by
7 District.

8 And so, for example, the slide numbered 2,
9 it's actually page 3, but it's number 2, for Hana
10 District, you'll see that the pie chart on the
11 left, for estimated assessed value, the majority,
12 64 percent or 205 million of all property value
13 in -- in Hana is agricultural. And from a revenue
14 standpoint, the FY 2008 Estimated Levy for Hana is
15 1.33 million, that's the real property tax revenue
16 generated from Hana, at the Mayor's proposed rate,
17 and agricultural accounts for a .85 million or
18 850,000 of that contribution. That's how to
19 interpret the pie charts and the graphs for all the
20 subsequent Districts.

21 So that's a quick summary of what
22 certification has produced. There's a lot of data
23 that the Members, I know, have to look through. I
24 hope that these summaries make it a little bit
25 easier to go through, and when the Members evaluate

1 the proposed tax rates, that it would assist them
2 in developing their philosophy on the different
3 classifications.

4 With me here, today, is also Mr. Scott
5 Teruya, the Assistant Administrator from the Real
6 Property Tax Division. Mr. Teruya and I are both
7 available to answer any questions regarding the
8 certification process. Thank you, Mr. Chair.

9 CHAIR PONTANILLA: Thank you. Members, any questions,
10 starting off with Member Victorino, if you have
11 any?

12 COUNCILMEMBER VICTORINO: No. There's -- there's a lot
13 to go through, so at this time I don't have any
14 questions.

15 CHAIR PONTANILLA: Thank you. Member Hokama?

16 VICE-CHAIR HOKAMA: Chairman, first, I want to thank the
17 Department, both the Director and Mr. Teruya. I
18 consider this very useful information that you've
19 provided, specifically by the Districts also. So I
20 think all the Members can see what categories is
21 their revenue generators. And, you know, while we
22 make a lot of comments about the Hotel/Resort
23 category, I would take note in the summary,
24 Members, the valuation is 24 percent of the total,
25 and yet we assess them 36 percent of the revenues

1 to generate.

2 One thing that I would ask you, just
3 specifically on the Lanai one, please, Director,
4 just so I can have an understanding regarding class
5 counts, so let's just go to the Hotel/Resort on
6 page 4, please. When you say the '07 class count
7 was 16, and for this year's budget consideration it
8 moved to 53, which is a 231 percent increase, can
9 you help explain this to me, so I can utilize this
10 information to the best, please? And then also if
11 I need to explain this back home.

12 MR. YOUNG: Certainly, Mr. Hokama. That -- I believe
13 that would be a technical question that Mr. Teruya
14 is probably more well equipped to answer.

15 VICE-CHAIR HOKAMA: Thank you.

16 MR. TERUYA: Member Hokama, the 231 percent increase in
17 the Hotel/Resort category could be a result of
18 condominiums being transferred into that category.
19 In other words, anything that's under the
20 condominium property regime is by actual use.
21 Therefore, it could be where properties dropped out
22 of apartment and went into hotel, they went into
23 short-term rental, so that number could be a little
24 misleading because not actually hotels but
25 properties that are classified as hotels.

1 VICE-CHAIR HOKAMA: Well, we haven't rezoned anything
2 since project district time, so how would --
3 through a State Statute, a use of a property
4 regime, which would never come before us, that they
5 could make -- through the use of a property regime,
6 it can impact this category?

7 MR. YOUNG: Mr. Hokama, Maui County Code for
8 condominiumized property specifies that the tax
9 rate is based on actual use for condominiumized
10 property. So, in the instance where -- if there
11 are any properties that are condominiums, the
12 owners are required to submit their use for the
13 property, and if that use went from anything other
14 than short term to short term, you're going to see
15 an increase in the change.

16 So, as Mr. Teruya point out, I would -- if I
17 was looking at this, I would suspect that you're
18 seeing an increase in short-term rental of
19 condominiumized property on Lanai, and this is
20 being reflected because in the ordinance, it's
21 being applied at the hotel rate, the highest and
22 best use at the hotel rate.

23 VICE-CHAIR HOKAMA: Okay. Just -- just for
24 clarification, please, this would still need to be
25 in the appropriate zoning category? No? I know we

1 talked a little about it yesterday, but just so
2 we're very clear, this can be in this category, but
3 it could be -- it could not be in the proper hotel
4 zone classification?

5 MR. TERUYA: Correct. Let me give you an example,
6 Mr. Hokama. In Wailea, Wailea Ekahi is a -- is on
7 apartment zone. It was built prior to a specific
8 year, that they were grandfathered that they could
9 continue the use. So, even though you have the --
10 do not have the zoning, it may allow for the use.

11 VICE-CHAIR HOKAMA: And it would include this old --
12 land use category we used, like Planned Development
13 category, would that be one of those areas that --
14 it's the Puamana -- it's like Puamana in West Maui,
15 it's under the Planned Development category of
16 zoning.

17 MR. TERUYA: I'm not aware of the planned development,
18 but I can follow up on your specific inquiry on the
19 hotel class increase.

20 VICE-CHAIR HOKAMA: Okay. I thank you very much,
21 Department. Again, I appreciate the amount of work
22 you've put into this for the Committee.

23 Chairman, thank you.

24 CHAIR PONTANILLA: Thank you. Member Molina?

25 COUNCILMEMBER MOLINA: Thank you very much, Mr. Chairman,

1 and thank you Director Young and Mr. Teruya for all
2 of your hard work.

3 Just one question. If you are able to
4 provide the answer today; if not, you know, it can
5 wait. Can you provide the Committee an estimate
6 for Fiscal Year '08, as to how much revenue would
7 be generated if the hotel, slash, resort in
8 timeshare rates were kept constant at the Fiscal
9 Year '07 levels, if that could be provided?

10 MR. YOUNG: Certainly, Mr. Molina. Actually, Mr. Teruya
11 can do the calculation quickly. For the Members'
12 benefit, though, I know you'll be deliberating
13 amongst yourselves in terms of your budget
14 proposals. Just for your folks' knowledge to do
15 this calculation at your leisure, you simply take
16 the net taxable value, and that's in that column,
17 and you divide it by a thousand, and then you just
18 multiply by the time rate -- by the tax rate. So
19 whatever the value is in there, you divide it by a
20 thousand, multiply it by the tax rate, that gives
21 you the -- that gives you the -- the revenue for
22 that category.

23 COUNCILMEMBER MOLINA: I'm going to take the easy way
24 out, so I'll ask Mr. Teruya.

25 MR. YOUNG: Mr. Teruya can provide you the response for

1 your particular question.

2 COUNCILMEMBER MOLINA: Thank you.

3 MR. TERUYA: Okay. Member Molina, leaving the Time Share
4 classification, at the current tax rate of \$14, it
5 will be a difference of \$1,264,058. Leaving the
6 Hotel classification at \$8.20, it would be a
7 difference of 8,813,104, for a total increase of
8 10,077,162, and that would come over and bring the
9 total to \$210,240,443 before -- before deducting
10 the Circuit Breaker application.

11 COUNCILMEMBER MOLINA: Okay. Thank you very much,
12 Mr. Teruya.

13 And, Chairman, just one more question.

14 CHAIR PONTANILLA: Sure.

15 COUNCILMEMBER MOLINA: Has the Department made any
16 adjustments in, you know -- I guess there has been
17 so much talk about the assessments and how it's
18 done. Any comments to that? You've pretty much
19 used the same procedures as you have in previous
20 fiscal years.

21 MR. TERUYA: Yes, this is correct.

22 COUNCILMEMBER MOLINA: Okay. All-righty. Thank you.

23 CHAIR PONTANILLA: Thank you. And, Members, earlier we
24 passed out a worksheet that left the -- the
25 value -- not the valuate -- the tax rates for your

1 use, of utilize the -- it's almost like this, here,
2 but on the tax rate, we left it blank, so that if
3 you want to play with numbers, you can go ahead and
4 do it. So, you do have it in your packet
5 somewhere.

6 MR. TAGUCHI: Chair Pontanilla?

7 CHAIR PONTANILLA: Mr. Taguchi?

8 MR. TAGUCHI: The worksheet was distributed to your
9 office via electronic e-mail because it is an Excel
10 spreadsheet, which automatically calculates
11 increases and taxes at various rates.

12 CHAIR PONTANILLA: So you can utilize that particular
13 program.

14 Member Medeiros, questions?

15 COUNCILMEMBER MEDEIROS: Mahalo, Chair.

16 Thank you, Director Young and Mr. Teruya.
17 The way you have put this information together is
18 very helpful and very useful. I just want to go to
19 Hana, which would be on your page 2, and when we
20 say "Net Taxable Value" across from "Homeowners,"
21 which is the last column, has the home exemptions
22 been already adjusted for that amount?

23 MR. YOUNG: Mr. Medeiros, yes, but they have been
24 adjusted at the current level, which is 300,000.

25 COUNCILMEMBER MEDEIROS: Right.

1 MR. YOUNG: Yeah.

2 COUNCILMEMBER MEDEIROS: Okay. Okay, that's helpful to
3 know that.

4 Otherwise, that's all I have, Chair. Thank
5 you.

6 CHAIR PONTANILLA: Thank you. Member Johnson?

7 COUNCILMEMBER JOHNSON: Yes. Thanks again, because I
8 look forward to this information every year, and I
9 keep forgetting, we never get it until the
10 certification, so, thank you for doing that.

11 The question I have on West Maui, and I
12 guess it's, you know, applicable to anyone,
13 whenever you see a minus in terms of the
14 designation where the count is going down in class
15 count; for example, in timeshare, it went down by
16 4, does that mean that possibly they're utilizing
17 those timeshare rooms as hotel accommodations, and
18 that would be the reason for the reclassification?

19 MR. TERUYA: Yes, that would be correct.

20 COUNCILMEMBER JOHNSON: Okay.

21 MR. TERUYA: In the event that they do amend their
22 agreement, that they're not going to -- maybe they
23 might just take it out of timeshare and put it into
24 either apartment, or maybe the owners are going to
25 use it for their own residence, those would be

1 indications of coming out of a class, yeah.

2 COUNCILMEMBER JOHNSON: Yeah, and I think that would be
3 really tough to do in timeshare. They'd have to
4 have a lot of money to pay that whole annual amount
5 under timeshare. But I know that there is a
6 management company that does handle those
7 particular functions, so I think, for the most
8 part, that probably is why it's going to Hotel.

9 With regard to -- I guess it would be just
10 the total revenues, I think West Maui is 38 percent
11 of the total revenues from real property tax in
12 the -- I guess overall scheme of things. Will that
13 be altered at all? Because I can't tell, you know,
14 where -- because we generate so much revenue in the
15 Hotel classification, are any of the hotels
16 appealing? Because I just don't know if that's
17 going to impact, dramatically, our rate or not. Or
18 our revenues, as 38 percent.

19 MR. YOUNG: Ms. Johnson, I don't know and Mr. Teruya
20 doesn't know if any of the hotels have applied or
21 appealed any portion of their values. They could
22 have. We don't know, right now sitting here. But
23 if there were any appeals that were filed timely,
24 it would affect the taxable value, because this
25 calculation takes into account the total number of

1 appeals and reduces the appealed value by
2 50 percent to reduce the overall levy. This is a
3 way to estimate what is going to be the
4 certified -- or the -- the actual taxable levy.
5 That would affect, if -- if there was an appeal
6 filed. However, this chart, by breakdown, that
7 I've presented to you, doesn't have that
8 calculation in, as the appeal, so we wouldn't be
9 able to respond to that.

10 I would tell you that for West Maui, like
11 for South Maui, because the large lion's share of
12 revenue generated by both of those Districts come
13 from hotel properties, there would definitely be --
14 and anything you do or happens to those two
15 classifications, Timeshare and Hotels, will
16 dramatically affect the overall ratios for revenue
17 generated by those Districts.

18 COUNCILMEMBER JOHNSON: I really appreciate that, because
19 I know that on December 31st, we had at least one
20 hotel that was operational, fully, which would be
21 the Ritz Carlton, but now because it's going to be
22 closing or at least a portion of it will be closing
23 for their substantial renovations, I'm just
24 wondering in terms of the overall revenue
25 generation plus any appeals in this category, I'm a

1 little concerned because there is such a large
2 potential for a big swing of income, and do you
3 know overall, well, I guess just by looking in the
4 Hotel/Resort, that would be a total of how many
5 properties? Or you do it by -- oh, so it's -- so
6 it's by room count. Because you have 4,502, and I
7 can say for sure we don't have 4,502 resorts. So,
8 it would be by room count?

9 MR. YOUNG: No. Again, this -- the class counts, as
10 Mr. Teruya pointed out, could be the effect of
11 short-term condominiumized property.

12 COUNCILMEMBER JOHNSON: Oh, okay.

13 MR. YOUNG: In this classification.

14 COUNCILMEMBER JOHNSON: Okay. So it may not all be due,
15 then, strictly to our resort facility?

16 MR. YOUNG: To our traditional -- yeah.

17 COUNCILMEMBER JOHNSON: Okay.

18 MR. YOUNG: Resort, brick-and-mortar hotel. And I would
19 also point out, you mentioned the Ritz Carlton
20 migrating some of its property out of the hotel
21 class, in the tax year for Fiscal Year '08. The
22 good example is the Bay Hotel, also on the same
23 property.

24 COUNCILMEMBER JOHNSON: Uh-huh.

25 MR. YOUNG: Because in the prior certification, the Bay

1 Hotel was still open --

2 COUNCILMEMBER JOHNSON: Right.

3 MR. YOUNG: -- and operating as a hotel. During the
4 course of the last year, though, that hotel has
5 been demolished --

6 COUNCILMEMBER JOHNSON: Uh-huh.

7 MR. YOUNG: -- and is no longer in service. So, on
8 December 31st, for this certification, you would
9 see a reduction in both value and utility of that
10 property, and that's going to be reflected here.

11 COUNCILMEMBER JOHNSON: Right. And so I guess what I'm
12 looking at is, in that particular situation, that's
13 already been reflected here, so let me ask you a
14 question, then, with what you just stated. Because
15 that hotel was completely demolished, that's not
16 going to be the case with the Ritz Carlton, but
17 there will be, I believe, possibly a change in
18 classification, that's what I'm not certain of. So
19 how do you -- during the period of renovation, when
20 those rooms are actually or the -- let's say
21 50 percent of the hotel not even in service, how do
22 you value that? Do you value it with no revenue or
23 no, I guess, use during that period of time, you
24 suspend it? Or do you value it at what it
25 currently is, and then continue it until such time

1 that the rooms are reopen?

2 MR. TERUYA: Ms. Johnson, the values of properties are as
3 of December 31st, January 1st of the year. Like
4 the Renaissance Hotel?

5 COUNCILMEMBER JOHNSON: Uh-huh.

6 MR. TERUYA: As of January 1st, it was still there. If
7 you demolish it on January 2nd, your assessment
8 will be as of January 1st.

9 COUNCILMEMBER JOHNSON: Okay.

10 MR. TERUYA: Yeah.

11 COUNCILMEMBER JOHNSON: So it's not going to affect,
12 then, regardless of what they do with their
13 renovation, until next December 31st, when the
14 actual product comes on line, and then we see what
15 the use is, and then it would be put in the
16 appropriate category?

17 MR. YOUNG: Right. If some of the -- if, on January 1,
18 the Ritz Carlton, by example, was fully
19 operational, there was no change or anything, their
20 value is in here as full operational. But in the
21 course of the Calendar Year 2007, they -- you know,
22 there's some utility that's diminished, they close
23 rooms or they knock down a portion, but the hotel
24 is still operational for the most part, the value
25 will be either reduced or revised to reflect the

1 lesser utility. And then when the hotel is opened
2 or converted into, let's say it's going to be a
3 fractional share or a proportionate share,
4 timeshare arrangement, that would also, again, be
5 reflected in new value in subsequent years.

6 COUNCILMEMBER JOHNSON: Okay, but when you say revised,
7 it won't be revised in the middle of the year.

8 MR. YOUNG: No.

9 COUNCILMEMBER JOHNSON: It would be only revised on
10 December 31st, so if all of the renovations are
11 completed by December 31st and the hotel is, you
12 know, fully operational, it's assessed at whatever
13 those combined uses are, at that point in time?

14 MR. YOUNG: That is correct.

15 COUNCILMEMBER JOHNSON: Okay.

16 MR. YOUNG: Yes.

17 COUNCILMEMBER JOHNSON: Thank you very much.

18 CHAIR PONTANILLA: Thank you, Member Johnson.

19 Member Baisa?

20 COUNCILMEMBER BAISA: Yeah. I'd really like more time to
21 study the figures, but I really appreciate the
22 completeness of what we have before us, but just
23 one question. In the Homeowner classification, if
24 we go with the proposed rate, it looks like we
25 would lose about \$6 million of revenue, 6-3-9-2.

1 If we were instead to consider an additional
2 homeowner exemption, say, of a hundred thousand,
3 what would that do?

4 MR. YOUNG: Ms. Baisa, I'm sorry, I don't see the
5 calculation. At the Mayor's proposed rate of
6 1.85 --

7 COUNCILMEMBER BAISA: Yeah.

8 MR. YOUNG: -- the Fiscal Year 2007 Estimated Levy is --
9 was -- is actually incorrectly stated as
10 22,000,927.

11 COUNCILMEMBER BAISA: Okay.

12 MR. YOUNG: It's actually 17,978,000.

13 COUNCILMEMBER BAISA: Okay.

14 MR. YOUNG: So...

15 COUNCILMEMBER BAISA: So how much would we lose if we do
16 the rate reduction in the Homeowner category that's
17 proposed?

18 MR. YOUNG: As proposed, the rate reduction would only
19 result -- it would actually result in an increase
20 in revenue collection of about 200,000.

21 COUNCILMEMBER BAISA: So if we gave the reduction that's
22 proposed, we would gain 200,000?

23 MR. YOUNG: Yes, in the Homeowners classification.

24 COUNCILMEMBER BAISA: In that classification. And
25 although we're reducing the rate, we're still

1 realizing more money?

2 MR. YOUNG: Correct. Well -- yeah.

3 COUNCILMEMBER BAISA: And that is, of course, the result
4 of probably assessed -- higher assessed valuations
5 or more property, or whatever it is?

6 MR. YOUNG: And -- and added inventory.

7 COUNCILMEMBER BAISA: Right.

8 MR. YOUNG: Because in the Homeowners classification,
9 there's -- you have the highest parcel count
10 increase.

11 COUNCILMEMBER BAISA: Right. I can understand that.
12 Okay. So we really would not lose much by doing
13 that for the homeowners?

14 MR. YOUNG: Yes. And that is the concept that the Mayor
15 employed for all of the classifications, to keep
16 the revenue flat, and that is reflected here in the
17 Homeowners.

18 COUNCILMEMBER BAISA: Then there's the other part of the
19 question, which is, if we were to consider an
20 additional homeowners exemption of a hundred
21 thousand dollars additional, what would we then
22 be -- be out?

23 MR. YOUNG: Yes. That is a calculation that cannot --
24 that I cannot give you right now, and it would
25 be -- it would involve a lot of computer

1 examination. And the reason for that is because
2 the homeowners exemption right now, at 300,000,
3 encompasses a fair amount of properties and parcels
4 in the County. Meaning, there's a number of
5 parcels in the County that are not valued more than
6 300,000. You know, condominiumized properties that
7 are owner/occupant; for instance, I'll just throw
8 out, Iao Parkside, their value may not be 300,000.
9 So when you give a homeowners exemption to 300, you
10 essentially eliminated all tax on those properties.

11 COUNCILMEMBER BAISA: Uh-huh.

12 MR. YOUNG: So, if we file a suit, if you raise it from
13 300 to 400, you cast a bigger net. And the way
14 properties are valued -- the way the properties are
15 valued anywhere in the country, if you go from 300
16 to 400, although that's only a 33 percent increase,
17 you're casting a bigger net, because it increases
18 proportionately. So 400,000, if you think about
19 it, will -- you know, you may be grabbing some
20 single-family home. So I couldn't tell you just by
21 looking at these or just by a quick calculation,
22 what would be the effect of -- of the revenue.

23 So, for example, the 22,900 -- I'm sorry,
24 the 22,927,000 that's presented here on this sheet,
25 represents the levy that was based when the

1 homeowners exemption was 200,000.

2 COUNCILMEMBER BAISA: Right.

3 MR. YOUNG: When you increased it to 300,000, the actual
4 what we ended up collecting, the 17,978,000 --

5 COUNCILMEMBER BAISA: Yeah.

6 MR. YOUNG: -- that actually is the effect of what
7 happened in Fiscal Year '07, by increasing the
8 homeowners exemption by a hundred thousand dollars.
9 It was like another -- 5 million --

10 COUNCILMEMBER BAISA: About 5 mill.

11 MR. YOUNG: -- reduction. Yeah. So...

12 COUNCILMEMBER BAISA: So we could...

13 MR. YOUNG: But I couldn't tell you that if you raised it
14 from 300 to 400, would it be 5 million again, or
15 would it be more than 5 million or less than
16 5 million? I -- I couldn't tell you that.

17 COUNCILMEMBER BAISA: Well, you know, I -- I understand
18 that you probably have to calculate, but I'm trying
19 to think of options.

20 MR. YOUNG: Yes.

21 COUNCILMEMBER BAISA: And, of course, I'll get back on my
22 one-string banjo, and that is, we gotta do
23 something about assessments, and I'm not going to
24 belabor that here. That's for another day. Thank
25 you.

1 CHAIR PONTANILLA: Thank you. Member Anderson?

2 COUNCILMEMBER ANDERSON: Thank you, Chair.

3 I just want to follow up, first, on some
4 more clarity regarding hotels that have been
5 demolished. In your response to Ms. Johnson, you
6 didn't break down whether or not -- you didn't
7 break down between building and property value, so,
8 you know, if the building's been demolished, does
9 the property value stay the same?

10 MR. YOUNG: Well, the -- you wanna speak?

11 COUNCILMEMBER ANDERSON: I mean, I'm assuming that when
12 the building is demolished, the valuation for the
13 building disappears.

14 MR. YOUNG: Correct.

15 COUNCILMEMBER ANDERSON: But does the valuation, the
16 assessed valuation of the property stay the same?

17 MR. YOUNG: Yeah, at certification; right, because
18 certification only occurs on December 31st. If
19 there was a property like, say, the Bay Hotel, on
20 December 31st, 2005, was -- it was fully in use.
21 It was a hotel, it was functioning as a hotel. The
22 certified value of that included building and land
23 as a fully functional hotel. But during the course
24 of Calendar Year 2006, it was demolished. And so
25 on December 31st, 2006, there was no building, but

1 there was a -- you know, the land.

2 Obviously, the building value has been
3 diminished, so there's no building value. The land
4 value would still be reflective of utility use,
5 highest and best use, which is, you know, capable
6 to be developed as a hotel, so that value would
7 still be largely intact.

8 COUNCILMEMBER ANDERSON: Okay. That's what I wanted to
9 know. The property value does not change, just
10 because the building is no longer there or in use?

11 MR. YOUNG: The land value does not necessarily change.

12 COUNCILMEMBER ANDERSON: Right.

13 MR. YOUNG: It doesn't necessarily get diminished. It's
14 because it's still highest and best use.

15 COUNCILMEMBER ANDERSON: Right.

16 MR. YOUNG: Yeah.

17 COUNCILMEMBER ANDERSON: And so that would hold true,
18 also, if they are just reconfiguring the building
19 for timeshare use or condominium, or whatever,
20 the -- the land value stays the same?

21 MR. YOUNG: Yes, because currently there's no
22 distinction -- there's no zoning distinction
23 between timeshare or hotel, so the -- the highest
24 and best use is still the hotel use, yeah? So...

25 COUNCILMEMBER ANDERSON: And so let me carry that just

1 one step further, Mr. Young. Let's say the -- the
2 conversion is completed and all these units have
3 been sold. And the value, does that -- once they
4 have all been sold, then that increases, I'm
5 assuming, increases the value of the building, but
6 also, in turn, increases the value of the property;
7 is that correct assumption? Based on the sales of
8 all the condominiums.

9 MR. YOUNG: Yeah, you know, I'm not -- I don't believe
10 that the nature of sales, just because the units
11 have been sold in any way, increased the value.
12 It's just -- it's the nature of the comparable
13 value, yeah, the construction, the replacement, the
14 comparable values. So, you know, just because
15 you -- say, you have a timeshare property where 50
16 units are sold for a million dollars apiece,
17 wouldn't necessarily change the value, whether if
18 they had 50 units and only one of them sold. The
19 value would still be the same for tax purposes.

20 COUNCILMEMBER ANDERSON: Right, right, right. But I'm --
21 I'm addressing a specific instance where it was
22 previously hotel, and now it's been totally
23 converted to timeshare, and all those timeshare
24 units or condominium units have been sold off. So
25 you're looking at a whole different use, in one

1 fell swoop. And it seems to me that the increase
2 in value on the property would be reflected not
3 just in the building but in the land values, too.
4 Because when you buy a condominium, you're not just
5 buying the building; you're buying a piece of the
6 property that sits on.

7 MR. YOUNG: Except that timeshare properties like hotel
8 properties are valued at the replacement cost,
9 so -- or the cost to build, you know, that's
10 actually their -- the market, is the comparable.
11 It's not based on how much each timeshare
12 fractional unit sells for, it doesn't affect the
13 overall value. It's purely based on the
14 replacement and the comparable costs for that
15 physical structure.

16 COUNCILMEMBER ANDERSON: That seems to be an unfair
17 application of the law, because that's not the way
18 we treat residential properties. You see it's not
19 equitable? Residential properties, we don't tax
20 them on the replacement value. We tax them on the
21 fair market value.

22 MR. YOUNG: And that would be considered the comparable,
23 and that's what hotel and timeshares are also
24 calculated on, is on the comparable. It's the --
25 if you have two hotels sitting next to each other,

1 and if one is going to sell for more, I mean, that
2 affects the comparable, because that's going to be
3 what their -- you know, the comparable or the
4 replacement is included in that. It's the same
5 way -- it is the same way for a residential or all
6 other like properties. It's not based on the
7 timeshare -- like a timeshare, you have 50 units.
8 And...

9 COUNCILMEMBER ANDERSON: So, in other words, the value of
10 the land would never increase appreciably until the
11 property, as a whole, sold?

12 MR. YOUNG: It may -- well, the -- the value of the
13 property, building or land, could change, increase
14 or decrease, due to transactions not of that
15 property, right? It could be surrounding. So, you
16 know, you may have situations, and I believe there
17 have been in the past where properties have
18 decreased in value because sales, comparable sales
19 in that area due to the market may have been less
20 than what they were, you know, previously, yeah.

21 COUNCILMEMBER ANDERSON: Okay. I'm going to leave that
22 alone for now, but I have one other question,
23 Mr. Chair, and it's basically regarding assessed
24 valuation.

25 If you have a piece of property that has a

1 house and an ohana unit on it, and somebody uses
2 the condominium property regime to sell the ohana
3 unit to a separate person, who then uses that as
4 their primary residence, even though it's still
5 under one TMK number, is it -- is it likely or --
6 or is it possible that both homes on this one
7 property could get homeowners exemption?

8 MR. YOUNG: Well, they both would -- under that scenario,
9 they would -- they would get the homeowners
10 exemption, if that was the scenario as presented.
11 However, to be clear, once that property is
12 condominiumized, there's actually two tax numbers.

13 COUNCILMEMBER ANDERSON: They create another TMK?

14 MR. YOUNG: Yeah.

15 COUNCILMEMBER ANDERSON: And so then you bill each
16 property as if it was a separate --

17 MR. YOUNG: Right.

18 COUNCILMEMBER ANDERSON: -- property?

19 MR. YOUNG: So each...

20 COUNCILMEMBER ANDERSON: Even though it hasn't been
21 subdivided?

22 MR. YOUNG: Yeah. Well, each tax map number can only
23 have one homeowners exemption, so that's why
24 that -- your -- the scenario as you proposed works,
25 yeah? Because they each will have one homeowners

1 exemption. It's just that due to the
2 condominiumized or that ohana unit, you're actually
3 allowed to have an owner/occupant there, yeah.

4 COUNCILMEMBER ANDERSON: And just one other question. Is
5 it a requirement of any kind to have proof of
6 residence in order to get the homeowners exemption?
7 I know we talked about this in the past, but I
8 can't really remember what your -- what your
9 criteria is. I mean, if someone claims it, you
10 just give it to him, regardless of where the tax
11 bill is sent?

12 MR. YOUNG: Essentially, Ms. Anderson, the County Code
13 does have penalties for, you know, not -- you know,
14 for the certifying wrong, and you are required to
15 certify truthfulness when you file for the
16 homeowners exception. There are some provisions
17 that the Division can use to verify, but under the
18 Maui County Code there's not -- it's not solidified
19 as to what that type of proof of residency is.

20 COUNCILMEMBER ANDERSON: So if you're sending a tax bill
21 to someone who doesn't live in the County, it
22 doesn't trigger anything for you guys to look at
23 whether or not the homeowners exception is really
24 valid?

25 MR. YOUNG: Not trigger in the sense where it's

1 systemized, automatically flags out, but that type
2 of situation I know the Division has looked at, in
3 the past, because that would be a curiosity, right,
4 obviously, yeah? If you're a homeowner and your
5 mailing address is not the home, that is the
6 curiosity, and that is when the Division, as I
7 mentioned, there are certain components where the
8 Division can pursue. That's one of those items
9 that would make it curious the Division would be
10 compelled to look a little bit closer to that.

11 COUNCILMEMBER ANDERSON: Yeah, but that's what I'm asking
12 you, is there some mechanism involved to peak
13 somebody's curiosity? You got hundreds of bills.
14 What triggers that ability to look at it? You
15 know, the computer doesn't give you a red flag when
16 you're sending a bill out of state, on a homeowners
17 exemption?

18 MR. TERUYA: No, it doesn't.

19 COUNCILMEMBER ANDERSON: Is there some way you can build
20 that into the system?

21 MR. TERUYA: We do it manually.

22 COUNCILMEMBER ANDERSON: You do it manually?

23 MR. TERUYA: Hm. And lot of the responses is, "The tax
24 bill is going to my accountant."

25 COUNCILMEMBER ANDERSON: Yeah. That lives out of state.

1 MR. TERUYA: Hm.

2 COUNCILMEMBER ANDERSON: So, is there some way that you
3 could red flag that in your system, so that it --
4 that...

5 MR. TERUYA: We're always trying to refine and do these
6 things. It's just -- it's very, very difficult to
7 do compliance.

8 COUNCILMEMBER ANDERSON: No, I'm just asking if there's
9 some way that you can flag that.

10 MR. TERUYA: Currently, no.

11 VICE-CHAIR HOKAMA: Chairman, point of information,
12 please.

13 CHAIR PONTANILLA: Mr. Hokama.

14 VICE-CHAIR HOKAMA: I believe at this session, I think
15 the Council has supported legislation proposed that
16 would allow the Counties to share information with
17 the State Department of Taxation. While we would
18 have to redact certain things, that would be one
19 way for us to verify that the person is filing a
20 residential State tax form, whereby he would have
21 to claim Hawaii residency, and that would be one
22 way they could possibly assist the Division in the
23 future. I am not aware of the current status, but
24 it's something that we've been discussing with our
25 Legislators at the capital.

1 CHAIR PONTANILLA: Thank you. Member Anderson?

2 COUNCILMEMBER ANDERSON: Yeah. Thank you, Chair. And
3 thank you, Chair Hokama.

4 You know, what I'm trying to get at, is that
5 as these assessed valuations climb ever higher
6 every year, it seems to me that we need to be
7 working up -- which affect our residential
8 community, seems to me that we need to be working
9 at the other end, to tie up all these loopholes
10 that -- that people who don't even live here, are
11 taking advantage of, that further burden, the
12 working residents and the retirees of our community
13 that built this community. So, I'm just trying to
14 find a way. I mean, you know, we've -- we've
15 brought to your attention in the past, many lands
16 that are not in active ag, that are getting ag
17 rates, paying peanuts, you know, for property that,
18 you know, is being land banked for a higher and
19 better use. And it just seems like we need to be
20 catching those.

21 And I'm just going to say it because, you
22 know, it's the elephant in the room. These are
23 lands owned by the largest landowners on this
24 County, who certainly can afford to pay their fair
25 share of taxes. But nobody is doing anything,

1 doesn't appear, that anybody is doing anything
2 about rectifying this, so I'm just wondering if you
3 can report to us any changes that you've made,
4 based on some of those properties that were brought
5 to your attention during budget last year. As you
6 recall, Mr. -- Mr. Young, properties that are
7 getting ag rates, yet they've been sold off for
8 commercial purposes.

9 MR. YOUNG: My recollection is that last year, the parcel
10 in question was the Pukalani Triangle, the Maui
11 Land and Pine one in Pukalani. As a result,
12 actually prior to that discussion, as I told the
13 Committee, that issue was referred to the Real
14 Property Tax Division, and they were already at the
15 time under way, in examining it. I believe that
16 issue has since been resolved. So there are
17 corrections.

18 And, you know, as stated before, if there
19 are these seeming discrepancies, I mean, the point
20 of contact is to the Division. The public can
21 always call the Division. Because, Mr. Teruya
22 won't say it, but a large part is the compliance
23 issue that is very difficult for the Division
24 because they don't have the current resources, they
25 don't have the personnel to do it, so, you know,

1 informing them goes a long way to help them in that
2 regards.

3 COUNCILMEMBER ANDERSON: Okay. Thank you, Chair.

4 CHAIR PONTANILLA: Thank you, Member Anderson.

5 Member Mateo?

6 COUNCILMEMBER MATEO: Chairman, I guess the questions had
7 already been asked. However, I'd like to share
8 with the Department my appreciation in breaking it
9 down this way for us. For looking at the Molokai
10 District, this provides a real rude awakening
11 for -- for me, Chairman. I can take a look at
12 several areas where we experienced declines. For
13 example, in apartment and in homeownership, and yet
14 we still explode in the commercial area by almost
15 65 percent. This provides an interesting view for
16 me because even with the proposed reduced real
17 property tax rates, we are continuing to grow in
18 our contributions to the County coffers as well, so
19 it does provide a very interesting perspective for
20 me, and I thank you very much.

21 CHAIR PONTANILLA: Thank you, Member Mateo.

22 Mr. Victorino?

23 COUNCILMEMBER VICTORINO: I was going to wait till you --
24 you want to ask a question first? Because...

25 CHAIR PONTANILLA: Just go ahead.

1 COUNCILMEMBER VICTORINO: Okay. Thank you, sir.

2 I find it very interesting, going to the
3 Wailuku-Kahului District, that I see under Hotel
4 and Resorts, then I go to the count number, the
5 class count, I see a 50 count change, you know,
6 increase, and I'm trying to, in my mind, relate to
7 where we got more resorts in the central part of
8 Maui. I know homes, I understand that, and maybe
9 some apartments. But hotel and resort, if
10 anything, we've had less because Maui Seaside is
11 gone, and some others. Where did these come from,
12 and where are they?

13 CHAIR PONTANILLA: Department?

14 MR. YOUNG: Well, again, this change, you have to
15 understand, also includes condominiumized
16 short-term use property, yeah, that's going to get
17 classed in this category, Hotel/Resort, that's one.

18 The other thing is, you know, we --
19 Mr. Teruya and I can't say right now if this
20 Wailuku/Kahului District, if that -- how far that
21 extends into the Maalaea area, because Maalaea also
22 is inclusive of some of the numbers for West Maui
23 as well. I'm sorry.

24 COUNCILMEMBER VICTORINO: No. South Maui, yeah?

25 MR. YOUNG: South -- South Maui. Yeah, for South Maui.

1 Yeah, so that could also be the effect there, as
2 well.

3 COUNCILMEMBER VICTORINO: Well, even if you go Maalaea, I
4 don't recall any major change in Maalaea either, as
5 far as changes, condominiums, additions, I don't
6 remember seeing anything down there.

7 MR. YOUNG: When you -- when you have a
8 condominiumized --

9 COUNCILMEMBER VICTORINO: Right.

10 MR. YOUNG: -- property --

11 COUNCILMEMBER VICTORINO: Yeah.

12 MR. YOUNG: -- and that property is either sold or
13 annually is surveyed for its use, Maui County Code
14 requires that for properties that are
15 condominiumized, the use must be declared by the
16 owner to either be owner/occupant, that would be
17 homeowner; long-term rental, which is like an
18 apartment; or short-term rental. If it's deemed
19 short-term rental, then it's bulked up to the
20 highest and best use, which is Hotel/Resort
21 category.

22 So if you have condominiumized -- any
23 property that is declared condominiumized, if it is for
24 anything -- any use other than owner/occupancy,
25 long-term rental, it is going to be in this -- it's

1 going to be considered short-term rental, and it will
2 be in this Hotel/Resort category.

3 COUNCILMEMBER VICTORINO: So, would that be inclusive of,
4 say, someone has had a home and now changes it into
5 room rentals, you know, now they've got instead of,
6 you know -- like a bed and breakfast, or something
7 of that nature, would that fall in this category?

8 MR. YOUNG: Not if it's --

9 COUNCILMEMBER VICTORINO: No?

10 MR. YOUNG: If it's not condominiumized --

11 COUNCILMEMBER VICTORINO: Okay.

12 MR. YOUNG: -- it will not -- you know, it wouldn't be
13 under this scenario of the survey and fall into
14 this category.

15 COUNCILMEMBER VICTORINO: I just find it strange that,
16 you know, I can see apartment is less 27, so maybe
17 some of that inventory was changed over, but, you
18 know, I find it really strange that there's not a
19 lot of change in the central area when it came to
20 what I would consider resort. Now, you've got a
21 definition that maybe I'm missing in this whole
22 equation, but when it comes to apartments, I can
23 see maybe half of that was changed over, because
24 there's a minus 27 on that count, and a 50, so,
25 maybe there, but, I just found it strange that that

1 would be a substantial, you know, 29 percent change
2 in that area, of all areas, you know. The rest I
3 could understand, but that was one that I find it
4 strange.

5 Maybe I'll ask -- you know, send you a
6 letter and ask more specifically, Mr. Teruya, how
7 this is coming about, because I just find it little
8 odd to -- to fathom these changes in Central Maui,
9 yeah?

10 MR. TERUYA: Yeah. And maybe what we can do is, the 222
11 count, we can identify the units and get more
12 specific.

13 COUNCILMEMBER VICTORINO: I'd appreciate that. Thank
14 you.

15 Thank you, Mr. Chair.

16 CHAIR PONTANILLA: Thank you, Mr. Victorino.

17 Just one question from me. By the way,
18 thank you for the certified numbers. How do you
19 consider a care home, like Roselani? They're
20 totally exempt?

21 MR. TERUYA: Chair Pontanilla, I'm not too you sure about
22 how Roselani, whether it's a condominium -- I'm
23 pretty sure it's an apartment complex. They would
24 qualify for the exemption, meaning what is stated
25 in the ordinance, but offhand I couldn't tell you.

1 CHAIR PONTANILLA: Okay. Fine. Thank you.

2 Members, at this time I'm going to let go
3 the --

4 VICE-CHAIR HOKAMA: Chairman, just one question for
5 Department, please.

6 CHAIR PONTANILLA: Fine. Mr. Hokama?

7 VICE-CHAIR HOKAMA: We may not be able to do it this
8 year, even if we wanted to, Gentlemen, but, you
9 know, the Big Island, our sister County has --
10 they've gone the route of different rates for land
11 and building in a category. And I don't know if
12 Kauai does it. But, you know, Maui's practice has
13 been one rate, building, and the same rate is land.
14 Is that something that you could -- you think might
15 be able to help us provide little bit more equity
16 in our tax bills?

17 You know, because let's say if I had a
18 \$200,000 house on a hundred thousand dollar piece
19 of land, and we will say the building rate is \$10
20 per thousand, you know, my tax bill for just the
21 house would be \$2,000. But a guy had decided to
22 build the million-dollar house is going to pay
23 \$10,000, which is fair to me, then have the land
24 take all the skewing, and the complaints is on
25 land -- on land. But let's say the land is even

1 and the house is different, so, should we adjust
2 the rates on the house? Or the building, I should
3 say the building.

4 MR. YOUNG: Yeah, it is true, Mr. Hokama, that the
5 majority of assessed valuation for any property is
6 going to be in the land, nearly without exception.
7 And the Maui County Code currently does allow for
8 this Council to establish tax rates by either
9 building improvements or land. What is presented
10 on the one handout is the breakdown for each
11 classification by building and land, and if the
12 Members would want to propose the rates on that
13 basis, you could use that handout for that means of
14 calculation.

15 I don't think at this time, though, the
16 Department or the Administration is prepared to
17 offer any possible points to, I guess, to address
18 the particular concerns that you -- that you
19 mentioned. But if the body did philosophically
20 want to say place less of a tax burden on the
21 taxpayers by reducing their land tax, but holding
22 on the building value, the handout that I prepared
23 would allow you to do that examination for your
24 proposals.

25 VICE-CHAIR HOKAMA: Uh-huh. And, again, yesterday we

1 talked about, you know, one way that I think, you
2 know -- Ms. Anderson was not able to join us
3 yesterday, but -- you know, we had talked about
4 modifying the zoning ordinances as a way that might
5 be able to -- be one of the ways, I should say,
6 that can address her concern about those that file
7 for benefits in real property, that don't really
8 deserve those benefits?

9 MR. YOUNG: Uh-huh. Yes.

10 VICE-CHAIR HOKAMA: And let's just be upfront. We know
11 it exists, okay? We got abusers out there. And
12 they're just hoping we don't track them down and
13 punish them. But, you know, the time is coming
14 whereby the burden on the other, people who are
15 paying more than their fair share, you know, we
16 need to balance off.

17 MR. YOUNG: Uh-huh.

18 VICE-CHAIR HOKAMA: You know, one way, I think, we might
19 want to -- again, I have been tossing this a few
20 years, even during the days of Wayne Nishiki, but,
21 you know, maybe for like agriculture and maybe
22 conservation, maybe we should -- I don't know what
23 your thoughts are, but I don't have a -- I was
24 thinking maybe one way we can approach is this: We
25 really tax 'em high. And yet, we create exemptions

1 or an adjustment whereby if they can come in and
2 prove that they're really doing active ag, they
3 qualify, and then the rate gets adjusted to a
4 really low rate. But if you cannot justify the
5 active agriculture, you're going to pay a really,
6 really high rate. Because those that really doing
7 what they say they're doing, will qualify and get
8 the benefit. Those that abuse it and cannot
9 justify it, is going to then pay their fair share.

10 Because this is going to be a pocketbook
11 issue, people, and the real farmer has no problem
12 to prove he's a real farmer, okay? So they can
13 justify and qualify for that reduction, or
14 exemptions, or whatever we have that we want to do
15 to benefit and protect true agriculturists, okay?
16 But those that are on the so-called "gentleman
17 farms" that -- I think as one example was one horse
18 on ten acres and they want the ag rate and all of
19 these benefits, if they cannot prove that they're
20 getting income or a reasonable portion of their
21 total revenue, it comes -- it's derived from that
22 agricultural use, then I would say we should maybe
23 put 'em in the improved residential and tax 'em at
24 a higher rate and make them pay -- well, maybe
25 that's not even good enough because agriculture

1 versus residential is not too off. We might need
2 to create a new PITT code.

3 MR. YOUNG: Well, Mr. Hokama, I would just add, though,
4 to that. The -- I believe there was an
5 agricultural committee that was established a year
6 or two ago that struggled with a lot of the issues
7 that you bring up. And Real Property Tax Division
8 was involved on that committee and struggled in
9 terms of the practicality of defining what is
10 agriculture, because this one horse/ten acres
11 concept or one goat for, you know, one acre, I
12 guess to some people it might be considered ag, to
13 others it's not, and the definition is what Real
14 Property Tax Division really needs to define or
15 needs to be defined so that the Division can apply
16 it in practice, and that is still missing or
17 lacking.

18 I would also point out that what you must
19 realize is that for valuation purposes, the value
20 of a piece of property, say, one acre, that is
21 zoned agriculture. The value will be significantly
22 less, significantly less than any other type of
23 classification. So although the rate, the tax rate
24 for agriculture is seemingly high, \$4.15 as
25 proposed, you know, higher than, say, homeowner,

1 although it is seemingly high, one acre of
2 agricultural valued property would be, say \$35,000,
3 but that same one-acre property, if it's
4 residential, would be, you know -- could be a
5 million, or 600,000, or half a million.

6 So the overall -- the initial assessed
7 valuation will be different, and that is applied to
8 the tax rate. So that's what, you know, we must
9 understand, that you could bump up the tax rate for
10 agriculture or you could lower it, but their
11 initial valuation will still be low because of the
12 value that's placed on that particular zoning for
13 parcel.

14 MR. TERUYA: Relation to...

15 MR. YOUNG: Yeah.

16 VICE-CHAIR HOKAMA: Okay. Corp. Counsel, can we -- you
17 know, if we really wanted to protect a true ag
18 families and property owners, could we create a
19 rate whereby for those that truly qualify for the
20 agriculture rate, receive it? And can we structure
21 homeowners to be everything but homes on ag lands?
22 Because we could then make the adjustment through
23 the ag rate, to take care of the ag person, and
24 homeowners will be on other properties excluding
25 ag.

1 Because I'm tired of accessory agricultural
2 uses being non-agricultural uses.

3 MS. VILLAROSA: Well, I guess the first thing to consider
4 is that there are two -- two things that we're
5 talking about, when you deal with agriculture.
6 There's the ag assessment and then there's the ag
7 rate. The same thing applies with the homeowners.
8 So you could have a situation where -- and you can
9 even have situations, I believe, where properties
10 are partitioned. You know, part of the property is
11 assessed as a residential property and part of it
12 is assessed as an ag property. So I guess
13 there's -- there's different ways of handling, you
14 know, or to address the situation that you're
15 talking about. The County could create -- or could
16 define, I guess, homeowner to exclude ag, I think
17 that's what you were saying. But...

18 MR. TERUYA: Just a comment, Member Hokama. Kauai
19 County -- well, actually the Big Island, the Big
20 Island, if you have received any agriculture rate,
21 you are not allowed in the homeowner class. In
22 Kauai County, if any portion of your property,
23 meaning your ohana is rented, you cannot get a
24 homeowner class, I believe. Every County
25 administers a little different, but in your

1 situation, it would be similar to the Big Island.
2 If you receive any ag, you're not allowed in the
3 homeowner class.

4 I think their interpretation, as in the
5 ordinance, it says exclusively, meaning the entire
6 property must be used for homeowner purposes
7 exclusively. So if you're doing anything else,
8 meaning renting or doing ag, it's not exclusive.
9 That was their interpretation.

10 VICE-CHAIR HOKAMA: Thank you, Mr. Teruya.

11 Chairman, thank you. I think this is food
12 for thought for the Committee. Thank you.

13 CHAIR PONTANILLA: Thank you.

14 COUNCILMEMBER VICTORINO: Mr. Chair?

15 CHAIR PONTANILLA: Member Victorino?

16 COUNCILMEMBER VICTORINO: And it's a totally different
17 subject. Thank you very much, and I support Chair
18 Hokama's thoughts. I think it's time we look at
19 those things more carefully. But I go back to
20 timeshare, and I hate to hop on something, but I go
21 back to timeshare. I have a question that I have
22 not gotten an answer, and maybe because I've never
23 asked it the right way, but, timeshares are taxed
24 like a condominium?

25 MR. TERUYA: If they are -- gone through the condominium

1 process, they're assessed like a condominium.

2 COUNCILMEMBER VICTORINO: Assessed like a condominium?

3 MR. TERUYA: Tax is a little bit different from
4 assessment.

5 COUNCILMEMBER VICTORINO: Okay, okay. Correction. Then
6 I stand corrected. They're assessed like a
7 condominium?

8 MR. TERUYA: Correct.

9 COUNCILMEMBER VICTORINO: So, I have this timeshare,
10 right? Assessed at \$1 million, okay, times
11 whatever rate the timeshare is, okay? Now, that
12 bill is sent to everybody? Is it divided by the
13 total number of owners? How is the bill then
14 transmitted? Because if I own a condo, right? You
15 send me the bill, whether I'm a homeowner,
16 secondary owner, whatever. What about timeshare,
17 how does that work?

18 MR. TERUYA: If the entire project is like Kana- -- in
19 Kaanapali or Kapalua, they have one, it doesn't go
20 to the individual owners; it goes to the management
21 company.

22 COUNCILMEMBER VICTORINO: So -- and then the management
23 company then divides it up, I guess, to the various
24 owners?

25 MR. TERUYA: Yeah, I couldn't tell you. I don't know

1 specifically.

2 COUNCILMEMBER VICTORINO: And the reason I'm asking this
3 question is because we've gotten letters, e-mails
4 saying my rate went up 400 percent. My question
5 is, if you're paying \$25 and it went up 400
6 percent, to a hundred and twenty-five, a hundred
7 dollars, or whatever, I'm not too excited about
8 that problem. But that's why I'm trying to
9 ascertain, how, then, is it -- my assessed value,
10 then you set the rate, then how do they pay for it?
11 Because we're getting these e-mails and questions.

12 MR. YOUNG: Each timeshare management company handles it
13 a little bit differently or could handle it
14 differently, but the timeshare owner --

15 COUNCILMEMBER VICTORINO: Uh-huh.

16 MR. YOUNG: -- pays a monthly maintenance charge. That
17 is consistent for all timeshare owners.

18 COUNCILMEMBER VICTORINO: Okay.

19 MR. YOUNG: And your real property tax, just like
20 everyone, if you have a mortgage, your real
21 property tax is prorated during the course of the
22 year, and it's reflected in that monthly
23 maintenance charge. So when the County bills a
24 timeshare management company, they simply pass on
25 that charge, you know, prorated formula, to all

1 their timeshare owners in their monthly
2 maintenance.

3 So the question really is, is if this bill
4 that the maintenance company provides to their
5 owners, if it's itemized out, the change, you know,
6 what -- what their individual maintenance, monthly
7 maintenance includes, and if it's real property tax
8 or if it's insurance, if it's maintenance or common
9 area maintenance, whatever, that would vary from
10 company to company, so I couldn't tell you if it's
11 standard. But what is standard is that real
12 property tax is applied, prorated formula, across
13 for -- you know, across throughout the year, on a
14 monthly basis.

15 COUNCILMEMBER VICTORINO: Well, thank you. I think that
16 helps me, and I hopefully helps people out there in
17 the public to understand when these timeshare
18 owners come back to us and say they're getting 400
19 and 500 percent increases, that it's really deemed
20 by the management company based upon. And they
21 should be asking -- if I'm a wise business owner of
22 a timeshare, I'd be asking the questions, like what
23 specifically goes to timeshare -- I mean, excuse
24 me, to taxes, et cetera, et cetera, et cetera, so
25 that, you know, what is your maintenance, water,

1 whatever other uses, so that I'd be fairly treated.

2 So, I'm glad you brought that up because no
3 one has been able to present when I ask these
4 timeshare owners, "Can I see a tax bill?" they
5 don't have one. So, now that makes it clear to me,
6 why they don't have one.

7 MR. YOUNG: Yes.

8 COUNCILMEMBER VICTORINO: And that their estimation is
9 based on their maintenance fee and nothing else.

10 Basically, at least as the best you could tell us.

11 MR. YOUNG: Well, to be clear, what I'm saying is, I --
12 I -- in all fairness to the timeshare owners --

13 COUNCILMEMBER VICTORINO: Uh-huh.

14 MR. YOUNG: -- I cannot say that if they know what is
15 their overall real property tax bill --

16 COUNCILMEMBER VICTORINO: Uh-huh.

17 MR. YOUNG: -- based on what they received from their
18 maintenance company. It could, you know, if -- I
19 don't know if they -- if I asked them what is your
20 real property tax for your particular unit, if they
21 could say that, because it may not be presented to
22 them that way. So that's what I'm saying, to be
23 clear.

24 COUNCILMEMBER VICTORINO: And thank you, Mr. Young,
25 because exactly what I'm trying to lead to, is,

1 they maybe need to go back and find out
2 specifically what all these increases are, and not
3 basically come back to us and say, "Hey, you're
4 raising our rates by 400 percent," because that may
5 not be true. Get your facts and then show us the
6 fact, so that we realistically know what you're
7 saying to us is to be true. Because when I get my
8 homeowners, I get my homeowners, I know exactly
9 what I'm being assessed. But you're saying, in
10 this case, they really don't know.

11 MR. YOUNG: They may not know, yeah.

12 COUNCILMEMBER VICTORINO: Oh, they may not know.

13 MR. YOUNG: Yeah.

14 COUNCILMEMBER VICTORINO: I correct myself. I'm sorry.

15 MR. YOUNG: Yeah.

16 COUNCILMEMBER VICTORINO: I'm sorry. I'm sorry. They
17 may not know.

18 MR. YOUNG: Yes.

19 COUNCILMEMBER VICTORINO: Okay. Thank you, Mr. Young.
20 Thank you, Mr. Chair.

21 CHAIR PONTANILLA: Thank you, Mr. Victorino.

22 Members, if you have any more questions
23 regarding the tax rates, if you can contact the
24 Director individually to answer your questions.

25 Members, we do have the water rates, the

1 solid waste rates, as well as the sewer rates.
2 Because some Members weren't sure how the rates
3 would affect the revenues, that we asked the
4 Department heads to come forward and try to answer
5 some of the questions that you folks may have. So
6 at this time the Chair recognizes the time. We
7 will reconvene this meeting at 1:30.

8 COUNCILMEMBER ANDERSON: Chair?

9 CHAIR PONTANILLA: Yes.

10 COUNCILMEMBER ANDERSON: Could I just make one quick
11 comment, since we're on this subject, before we
12 recess for lunch? Real quick comment?

13 I think -- you know, I'm looking at a
14 property tax assessment for a vacant lot in Maui
15 Meadows, and its land value is \$736,600, and it's
16 being assessed at agricultural rates, which I
17 cannot understand, property class, agriculture.
18 All of Maui Meadows is rural.

19 MR. TERUYA: Rural is agriculture.

20 COUNCILMEMBER ANDERSON: Also the same as agriculture?

21 MR. TERUYA: Yeah.

22 COUNCILMEMBER ANDERSON: Okay.

23 What I think, Mr. Chairman, in all this
24 discussion we're having about agriculture, is that
25 we need to -- and I'm hoping that we're going to

1 attempt this in the Water Resources Committee, as
2 we develop a definition for agriculture, in
3 adopting our rules, but I think maybe we need to
4 look at this in a comprehensive way, so that what
5 property -- Real Property uses to determine whether
6 or not a land is -- qualifies for ag use, what the
7 Planning Department uses to determine whether or
8 not they can, you know, build a home under ag use,
9 and what the Water Department uses to determine
10 whether or not someone gets ag rates. Those --
11 those definitions all have to be in concert, and
12 right now they're all hodgepodge.

13 CHAIR PONTANILLA: Uh-huh.

14 COUNCILMEMBER ANDERSON: So, to me, that's a task that
15 this body has, and we need to tackle it immediately
16 because there's too much inconsistency.

17 CHAIR PONTANILLA: Thank you. And I think Mr. Hokama --

18 COUNCILMEMBER ANDERSON: Thank you, Chair.

19 CHAIR PONTANILLA: -- alluded to that very same question
20 yesterday. So, this meeting is adjourned and --

21 COUNCILMEMBER MOLINA: Chairman? Chairman? I'm sorry.
22 Can we request a 1:45 reconvening, if possible, no
23 objections?

24 CHAIR PONTANILLA: 1:45. We will reconvene at 1:45.

25 COUNCILMEMBER JOHNSON: Recess. You said adjourned.

1 CHAIR PONTANILLA: I said reconvened. Okay, we will
2 recess till 1:45.

3 COUNCILMEMBER JOHNSON: Thank you, Chair.

4 CHAIR PONTANILLA: And we'll go over the sewer rates,
5 water rates, as well as the solid waste fees, so
6 this meeting is in recess. (Gavel).

7 **RECESS: 12:18 p.m.**

8 **RECONVENE: 1:57 p.m.**

9 CHAIR PONTANILLA: (Gavel). The Budget and Finance
10 Committee meeting is now reconvened. Members,
11 thank you for that lunch break. This afternoon we
12 do have with us, Dave Taylor, the Division Manager
13 for the wastewater area, and we're going to take
14 the sewer rates first.

15 Members, if you do have any questions,
16 starting off with Mr. Victorino.

17 COUNCILMEMBER ANDERSON: Can you give us a handout
18 reference or a page reference?

19 CHAIR PONTANILLA: You can turn to page 28.

20 COUNCILMEMBER VICTORINO: Page 28. Thank you.

21 COUNCILMEMBER ANDERSON: Of the ordinance?

22 COUNCILMEMBER VICTORINO: Which one we on?

23 COUNCILMEMBER MOLINA: Appendix B.

24 COUNCILMEMBER VICTORINO: Oh, Appendix B again.

25 COUNCILMEMBER MOLINA: Yeah.

1 COUNCILMEMBER VICTORINO: Oh. Sorry.

2 CHAIR PONTANILLA: Appendix B.

3 COUNCILMEMBER VICTORINO: 28.

4 CHAIR PONTANILLA: Mem- --

5 COUNCILMEMBER VICTORINO: Okay. Sorry, sorry, sorry.

6 CHAIR PONTANILLA: You're ready? Member Molina?

7 COUNCILMEMBER MOLINA: From the discussions we had the
8 other day, my questions have been answered.

9 CHAIR PONTANILLA: Okay. Thank you.

10 COUNCILMEMBER MOLINA: Thank you.

11 CHAIR PONTANILLA: Member Medeiros?

12 COUNCILMEMBER MEDEIROS: Yeah. Likewise, I don't have
13 any questions at this time. I pretty much had it
14 answered already. Thank you.

15 CHAIR PONTANILLA: Thank you. Member Johnson?

16 COUNCILMEMBER JOHNSON: I don't have any.

17 CHAIR PONTANILLA: Member Baisa?

18 COUNCILMEMBER BAISA: No questions.

19 CHAIR PONTANILLA: Member Anderson?

20 COUNCILMEMBER ANDERSON: I'll yield.

21 CHAIR PONTANILLA: Thank you. Member Mateo?

22 COUNCILMEMBER MATEO: Chairman, thank you. It's right
23 after lunch, I need the direction. Questions just
24 for the Department or questions based on...

25 CHAIR PONTANILLA: Questions in regards to what would

1 happen if we raised --

2 COUNCILMEMBER MATEO: Thank you. I got it.

3 CHAIR PONTANILLA: -- raised the rates, or what would
4 happen if we lowered the rates.

5 COUNCILMEMBER MATEO: Thank you. Mr. Taylor?

6 CHAIR PONTANILLA: And the implication on the net
7 revenues.

8 COUNCILMEMBER MATEO: Thank you very much, Chairman, for
9 helping set the direction for me.

10 So, Mr. Taylor, my question -- my question
11 to you would be, if we left the '07 rates as it is
12 now, and not include the projected increase for
13 that you are proposing for -- that has been
14 proposed for '08, can you tell me what kind of
15 reduction in revenues that would mean to the
16 Department?

17 MR. TAYLOR: I'm not sure if I have all of those numbers.
18 I -- I don't have the exact -- I don't have the
19 exact numbers.

20 COUNCILMEMBER MATEO: Can you give -- for right now,
21 could you give me a ballpark and then try to get
22 the exact numbers?

23 MR. TAYLOR: The -- the rate increase averages at around
24 20 percent, and our revenues are around
25 \$30 million. So, you know, basically, 20 percent

1 of \$30 million.

2 COUNCILMEMBER MATEO: Thank you. That's all I need for
3 now.

4 CHAIR PONTANILLA: Thank you. Member Victorino.

5 COUNCILMEMBER VICTORINO: No. I think that pretty much
6 answered the only question I had, if we stayed the
7 same, what the percentage was. Thank you very
8 much.

9 CHAIR PONTANILLA: Okay, fine. Member Anderson?

10 COUNCILMEMBER ANDERSON: Yeah. I would like to know what
11 the rate would be. This is a little harder and
12 you're going to have to calculate for us,
13 Mr. Taylor. If we left the residential rates the
14 same -- but with -- with the increases for
15 nonresidential rates?

16 MR. TAYLOR: Thank you, Member Anderson. Not only can I
17 not do that here; I'm not sure that that really
18 fits in with -- with Federal law. Something we
19 went over yesterday was that there is a Federal law
20 that says we have to have equitable wastewater
21 rates that cover our operations, maintenance, and
22 replacement costs, and how the wastewater rates are
23 calculated is, different user classes have
24 basically been, their wastewater has been tested
25 for the -- what we call the strength of the

1 wastewater, how dirty it is. And part of the rate
2 model that we use, divides up the costs by
3 classification based on how -- how dirty their
4 wastewater is.

5 So it's really inappropriate for us to sort
6 of arbitrarily shift that. It's really based on
7 equity and equitable distribution across all users,
8 so that would really be kind of a major and
9 probably inappropriate change for us to make.

10 COUNCILMEMBER ANDERSON: Well, I'd just like to see
11 the -- the users who have benefited from the
12 economic boom, and because of that, are probably
13 using more of the service.

14 MR. TAYLOR: In that case, what we do, the reason the
15 rates are set up the way they are, is, there is a
16 base charge plus a multiplier for how much water
17 they use. So the more water they use, the more
18 they pay. And that is really the methodology to
19 try to address that concern.

20 COUNCILMEMBER ANDERSON: So basically you're telling us,
21 we don't have any flexibility. Either we go, and
22 these rates are all calculated using the formula
23 that -- that you guys have already derived based
24 on --

25 MR. TAYLOR: That's correct. Basically, what we do is we

1 take the end number and essentially throw it into
2 this computer program, which has the assumptions
3 built in, of wastewater strength and these kind of
4 things, and all these numbers kind of pop out. And
5 if you -- the only way to change it, is to change
6 the end result, and then all of the numbers change.
7 We don't tweak any of the individual numbers,
8 again, because it would violate the core
9 assumptions of equitable distribution.

10 COUNCILMEMBER ANDERSON: And that's by public utility law
11 or some kind of law, or is it just policy?

12 MR. TAYLOR: That's actually by Federal law. It's called
13 US EPA 40 CFR 35.929.

14 COUNCILMEMBER ANDERSON: Oh, okay. I remember hearing
15 that yesterday, in my haze. So, that's CFR 40.

16 So, we've got 20 percent. And you're
17 telling us that if we multiply 20 percent,
18 30 million by 20 percent will get what the increase
19 is...

20 MR. TAYLOR: That's in the ballpark. And obviously...

21 COUNCILMEMBER ANDERSON: Ballpark?

22 MR. TAYLOR: That's in the ballpark of \$6 million, and
23 that's -- I think that's a good ballpark number.

24 COUNCILMEMBER ANDERSON: And, so, we could also do the
25 same thing if we were to reduce these rates to

1 10 percent.

2 MR. TAYLOR: That's correct. It gets a little more
3 complicated because of the debt service, but I
4 think just in your -- in your mind-set, every
5 percent is basically, you know, \$310,000 or so.

6 COUNCILMEMBER ANDERSON: Right.

7 MR. TAYLOR: So -- so it's somewhere around there, yeah.

8 COUNCILMEMBER ANDERSON: Thank you, Mr. Taylor.

9 Thank you, Chair.

10 CHAIR PONTANILLA: Thank you, Member Anderson.

11 Members, any more questions?

12 Thank you, again, for being here.

13 At this time, the Chair would like to bring
14 forward the Water Department. Again, Members, the
15 Water Department is here this afternoon to provide
16 you with some information because of the questions
17 that you are asking in regards to reducing rates,
18 and what the effect on -- would be on their capital
19 improvement projects, as well as revenues. This
20 afternoon we do have the Director, Mr. Jeff Eng,
21 along with his Deputy, Mr. Eric Yamashige, as well
22 as their Fiscal Officer, Holly --

23 MR. ENG: Perdido.

24 CHAIR PONTANILLA: Perdido. Got it.

25 COUNCILMEMBER VICTORINO: No worry. We get 'em.

1 CHAIR PONTANILLA: Thank you. Member Victorino,
2 questions?

3 COUNCILMEMBER VICTORINO: Yes.

4 Director, did you -- were you able to -- if
5 we made no changes in the residential class, left
6 the other class and made the changes, or leave the
7 residential class alone, right; in other words, no
8 increase in the residential class, with this
9 rate -- rate increases in the general class, and
10 the same as far as agriculture, were you able to
11 calculate how much different revenue would be
12 brought in, as far as that was concerned? Because
13 I think we thought we had talked about something
14 like that?

15 MR. ENG: Yes, Member Victorino. If I can get
16 clarification, I believe, if I understand you
17 correctly, we would do away with the single-family
18 rate.

19 COUNCILMEMBER VICTORINO: No. We keep the single-family
20 rate, the way it is right now. No change.

21 MR. ENG: Okay.

22 COUNCILMEMBER VICTORINO: Right? And the other general
23 rate that we put down, and the agriculture rate,
24 we'd adopt that. Do you have the same problem as
25 sewer, that Federal mandate says you gotta be

1 equitable, equal and not make any -- if you make
2 change, you gotta make your change, all the way
3 around, the same?

4 MR. ENG: No. We can be pretty flexible.

5 COUNCILMEMBER VICTORINO: Okay.

6 MR. ENG: As far as how we develop rates for different
7 classes.

8 COUNCILMEMBER VICTORINO: So, do we have an idea how much
9 we've collected -- we would have collected if we
10 talking the '06-'07 rate structure right now, for
11 just the residential, single-family residential?
12 We don't make any changes, we keep that the same.

13 MR. ENG: One moment, please.

14 COUNCILMEMBER VICTORINO: Sure.

15 CHAIR PONTANILLA: Members, page 39 on your sheets.

16 COUNCILMEMBER VICTORINO: Yeah, page 39.

17 MR. ENG: Member Victorino, you know, this is a fairly
18 complex computer model that our consultants use,
19 and it's not available to us at this time. They
20 are trying to transmit it to us.

21 COUNCILMEMBER VICTORINO: Okay.

22 MR. ENG: I think it's fairly sizable, so there is some
23 difficulties.

24 Based on our existing single-family rates,
25 and also, furthermore, based on 2008 Fiscal Year

1 assumptions, let's say for water sales, it looks
2 like it would be around \$17.6 million of revenue
3 from the single-family class customer.

4 COUNCILMEMBER VICTORINO: That we would lose, that we
5 would not be able to obtain? Or that would be the
6 total we'd get?

7 MR. ENG: Yeah. If you want to keep it at the same
8 rates, yes, it would be around \$17.6 million from
9 the single-family class.

10 COUNCILMEMBER VICTORINO: Okay. How much difference
11 would that be, compared to what we originally
12 analyzed, your rate?

13 MR. ENG: I don't believe we have that broken out at the
14 new rates per class. I was trying to find that, in
15 fact, yesterday. I don't have that available. I
16 would have to have our consultants determine that
17 for us.

18 COUNCILMEMBER VICTORINO: I think that's something that
19 some of us are very in tuned to, and we'd like to
20 see what that difference would be. And because of
21 all the CIP projects that you have put forth and
22 the necessary improvements, if we had some kind of
23 general assumption that if we left it the same for
24 one more year, that we could get this much done,
25 and then next year we look at whatever else needs

1 to be done, you know, that might be something
2 that -- I understand the model, and I was there for
3 the inception and the working on this model. But I
4 think that's something that we really like to see,
5 and I think I asked you yesterday, and if you can
6 somehow get that from the consultant, so that we'd
7 have something to really compare, I think that's
8 important.

9 And the other thing is, and, Members,
10 another thing that I was -- I had -- last night had
11 a premonition, and it was a good premonition, gang.
12 Jo Anne -- Ms. Johnson said that we could make
13 bills by estimating the bill, and then on the
14 second, when they do the reading on the second
15 bill, actually charge them. Well, I take it one
16 step back, and actually do it the way we are doing
17 it. Do the billing the way we do it, and make a
18 two-pay plan. In other words, you pay half, and
19 next month you pay the other half. That way, you
20 always have an actual realistic bill. So if your
21 bill is a hundred dollars, you pay \$50 this month,
22 you pay \$50 next month. And I was told by the
23 Department, there are a bunch of people that do
24 that anyhow, that send only so much in for this
25 month and pay so much for next month.

1 So, you know when we were talking about
2 monthly bills, and I was concerned about the
3 tremendous increase in a readers or processing by
4 the Department? This would be eliminating almost
5 any extra expense. The only extra expense would be
6 actually on the amount of income that comes in, we
7 may lose a little interest and all that, on that
8 income level, and the amount of operating money
9 that would be available at any given time. But
10 that would be so small, that it would have to be
11 some major, major problem that would force us into
12 a problem area.

13 So, I think that's something that I'd like
14 us to, you know, look into, because, again, it
15 would be so small, it's just changing the billing
16 from one pay to actually two pay, you know. And I
17 think we agree that many people would still
18 probably pay the one pay because it's simple and
19 they don't have to remember. But that would answer
20 Councilmember Medeiros, and Baisa, and some of the
21 other ones who are saying the bills getting too
22 big, let's somehow see if we can make it smaller
23 and more reasonable on a fixed income. So, if we
24 could look at that, I think that would be another
25 way of solving the problem, and we don't have to

1 estimate. We'll actually have actual figures, and
2 that way, the public would be able to pay
3 consistently every month.

4 MR. ENG: Yeah, that's something we can consider also.

5 COUNCILMEMBER VICTORINO: Yeah. Okay. Thank you
6 Mr. Eng. Thank you, Mr. Chair.

7 CHAIR PONTANILLA: Thank you. Before I go to Mr. Hokama,
8 I have maybe two questions. In regards to the
9 power, the 90 cents? When you talked to us, you
10 said that the electricity cost is a big factor in
11 the rate increase. In the previous rates, what was
12 the average for power, I guess, per -- if you added
13 from zero to 10,000 gallons?

14 MR. ENG: Chairman Pontanilla, I think earlier, actually,
15 when they were looking at the rates, these new
16 rates, I think they were originally looking at 85
17 cents per thousand gallons, which approximated
18 probably the electricity cost. When we finalized
19 these rates, previous month, we used 90 cents per
20 thousand gallons, for electricity, but in reality,
21 we're finding it is a dollar per thousand gallons,
22 as we speak. So it's kind of a moving target. But
23 I would say like probably in last year's fees, it
24 was probably around the 85 cents per thousand
25 gallons.

1 CHAIR PONTANILLA: Thank you. And the other question
2 that I have is in regards to your capital program,
3 how would this, you know, affect your capital
4 program if we were to go to the existing rate
5 today?

6 MR. ENG: If I may have that clarified, Chairman
7 Pontanilla, that means keeping the existing rates?

8 CHAIR PONTANILLA: Exactly.

9 MR. ENG: No increases? Well, it would be fairly
10 disastrous for our Department, in that, you know,
11 we were planning to use \$3 million for replacement
12 capital improvement projects, much needed
13 replacement projects. We do know that of the total
14 6.7 million, over \$2 million is for anticipated
15 increase of electricity costs, so we need at least
16 \$2 million dollars just to pay -- continue to pay
17 the electricity bills. And as Ms. Perdido pointed
18 out couple weeks ago, you know, we're facing
19 additional increases in salaries, employee
20 benefits, interdepartmental charges such as
21 insurance. So having a rate increase, whatsoever,
22 would be disastrous.

23 CHAIR PONTANILLA: Okay. Fine. So your Department don't
24 receive any general funds, then?

25 MR. ENG: No.

1 CHAIR PONTANILLA: To run the program?

2 MR. ENG: We've been self-sufficient, financially, and I
3 think our plan is continue to do so, unless out of
4 your generosity, you know, you would like to
5 subsidize us.

6 CHAIR PONTANILLA: Okay. Thank you. I thought I'd bring
7 it out to point out the various differences, if we
8 should go along with the old rates, that we gotta
9 make sure that, you know, in our mind-set, they are
10 self-sufficient. So, Members, with that, Member
11 Hokama?

12 VICE-CHAIR HOKAMA: No questions.

13 CHAIR PONTANILLA: Thank you. Member Molina?

14 COUNCILMEMBER MOLINA: I'm fine.

15 CHAIR PONTANILLA: Thank you. Member Medeiros?

16 COUNCILMEMBER MEDEIROS: I just have one question, Chair.

17 Mr. Eng, you know, you're on page 39; is
18 that correct? Okay. And I'm not sure if you have
19 this handout. I think yesterday you didn't have
20 it, right?

21 MR. ENG: No, I have it right -- actually, he's...

22 COUNCILMEMBER MEDEIROS: Okay. Explain to me, on page 3
23 of 3, which shows your water rates, and the title
24 at the top is Fiscal Year 2008, Proposed Budget,
25 okay? Now, the first column shows Fiscal Year

1 2007, then it has Consumption under it. Then the
2 next column shows Fiscal Year 2008, then it has
3 Power under it. So, the proposed new rate change
4 is what; 65 cents or 90 cents?

5 MR. ENG: Yeah, that -- that's quite confusing, those
6 labels for those columns.

7 COUNCILMEMBER MEDEIROS: And then it shows percent
8 change, but shows a dollar amount. It doesn't show
9 a percent. So I'm kind of confused on how you
10 titled the --

11 MR. ENG: Yeah. Again, those columns apparently are
12 mislabeled on top, or at least they don't apply to,
13 you know, where the water rates are shown --

14 COUNCILMEMBER MEDEIROS: Right.

15 MR. ENG: -- near the top.

16 COUNCILMEMBER MEDEIROS: Okay, so it's 65 cents, the 2007
17 rate, the current rate? Is that the current rate?

18 MR. ENG: Yes, it is our current rate.

19 COUNCILMEMBER MEDEIROS: Okay. And the proposed new rate
20 is 90 cents? No?

21 MR. ENG: No. It's going to be -- we're keeping at that
22 level of consumption, zero to 10,000 gallons, for a
23 bimonthly period.

24 COUNCILMEMBER MEDEIROS: Okay.

25 MR. ENG: At the same. We're not -- we're not changing

1 that.

2 COUNCILMEMBER MEDEIROS: Okay. And so the Power, is the
3 power charge?

4 MR. ENG: Yeah, we just broke that out, so people have a
5 better understanding. So maybe in the future, if
6 operating expenses can be stabilized, then we may
7 only have to adjust the electricity break only.

8 COUNCILMEMBER MEDEIROS: The power?

9 MR. ENG: Yes.

10 COUNCILMEMBER MEDEIROS: The power charge?

11 MR. ENG: Uh-huh.

12 COUNCILMEMBER MEDEIROS: Okay. So the total is \$1.55?

13 MR. ENG: That's correct.

14 COUNCILMEMBER MEDEIROS: I see. Okay. Now I kind of
15 understand it a little bit better.

16 MR. ENG: But getting back to those labels, they should
17 apply, if you go down just before -- just above the
18 monthly charge per size of meter?

19 COUNCILMEMBER MEDEIROS: Okay.

20 MR. ENG: Then that would be applicable, those labels.

21 COUNCILMEMBER MEDEIROS: Oh, I see. Okay, then those
22 would apply. Okay. Thank you, Mr. Eng.

23 MR. ENG: You're welcome.

24 COUNCILMEMBER MEDEIROS: Thank you, Chair.

25 CHAIR PONTANILLA: Thank you, Member Medeiros.

1 Member Johnson?

2 COUNCILMEMBER JOHNSON: Yes. Jeff, the only question I
3 have is still the same one that I had, which was, I
4 believe, if we went instead of an 18 percent
5 increase, if we went to the 12 percent, and I'm not
6 sure because, from what I gather, you're still
7 waiting for information from your consultant on the
8 program?

9 MR. ENG: Yes, Member Johnson. As I indicated yesterday,
10 it is something we will give strong consideration.
11 We're basically going to have to look at our CIP
12 projects and some of the priorities of those.
13 That's probably the only area that we can make any
14 adjustments to.

15 COUNCILMEMBER JOHNSON: Okay. Thank you.

16 CHAIR PONTANILLA: Thank you. Member Baisa?

17 COUNCILMEMBER BAISA: No additional questions.

18 CHAIR PONTANILLA: Thank you. Member Anderson?

19 COUNCILMEMBER ANDERSON: Thank you, Chair.

20 Good afternoon.

21 MR. ENG: Hi.

22 COUNCILMEMBER ANDERSON: Director Eng, you know, I know
23 we threw a lot of questions at you, over the last
24 several weeks, and -- so I'm not going to scold you
25 for not answering them all, even though some of the

1 questions would help, some of the answers would
2 help in our deliberations over this rate. So I'm
3 going to try to squeeze some of that information
4 out of you today.

5 How -- how much water does a typical hotel
6 use?

7 MR. ENG: You know, that can vary widely. In my
8 experiences in Kaanapali, it was, really, all over
9 the map, but there was really a direct correlation
10 with the amount of land area which correlated to
11 the amount of landscaping. So you could see like
12 those properties, and Member Johnson would be
13 familiar with them, such as, let's say a condo like
14 Kaanapali Royal? You know, they had kind of
15 minimum landscaping, and their -- let's say they go
16 by per room, average consumption is fairly low,
17 versus if you went to, let's say the Royal Lahaina
18 Resort or the Hyatt Regency, they have a lot of
19 landscape, landscaping, so their average
20 consumption per room was very high. So it's
21 somewhat all over the map.

22 I think per our standards, we use something
23 like -- Deputy Director Yamashige, is it
24 450 gallons per day, for a hotel room?

25 I think it's around that order, around 450.

1 I think like multifamily, like a condo would be
2 around 5-, 6-, 560 gallons per day, per room. But,
3 you know, you have to go on a case-by-case basis.

4 COUNCILMEMBER ANDERSON: Yeah. And that was one of the
5 questions I asked, is that you provide the number
6 of hotels that the County supplies water to, and
7 the amount of water that they consume per month.

8 MR. ENG: And we are working on that question.

9 Unfortunately, our customer database doesn't really
10 identify the customer class, so we almost have to
11 go manually in, determine what hotels we served,
12 and actually then go into our records, our billing
13 records. So it's a little bit laborious, but...

14 COUNCILMEMBER ANDERSON: How -- how do you keep your
15 billing records? I mean, if you had a TMK of a
16 property, could you look that up in your billing
17 records to see?

18 MR. ENG: Let me check with Ms. Perdido.

19 MS. PERDIDO: Currently, not all of our 33,000 accounts
20 have TMKs. The Planning Division is working --
21 we're trying to get a one-to-one matchup, but we
22 currently do not have all -- you know, all
23 properties have TMKs.

24 COUNCILMEMBER ANDERSON: Certainly every hotel has a TMK.
25 You mean, you just don't have it entered into your

1 billing system?

2 MS. PERDIDO: Correct.

3 COUNCILMEMBER ANDERSON: So then how do you reference?

4 Is it by address?

5 MS. PERDIDO: Yeah. Each premise has an account number.

6 And I was trying to do some research on this, on
7 the hotel question, and I even called a few areas,
8 the visitor bureau, the hotel association, to see
9 if they had a list of just hotels in Maui County,
10 and I couldn't get a list from even them to help me
11 out, you know, and then try to look up hotels in
12 our customer database. It's...

13 COUNCILMEMBER ANDERSON: It's unbelievable, is what it
14 is.

15 MS. PERDIDO: It is.

16 COUNCILMEMBER ANDERSON: And as a matter of fact, our
17 M.I.S. system has the ability to query hotel-zoned
18 properties, and in a matter of minutes, you could
19 have a printout of every property zoned hotel in
20 this County. And -- and using that, you could then
21 go to your billing records and find out what their
22 usage is. And, to me, if you're asking us to
23 increase the rates of our residential users, then
24 we should certainly be sharing that burden with the
25 people who use most of our water on a daily basis,

1 and that's the hotels.

2 You know, as I said before, under general
3 rate, your -- your proposal, your tiered proposal
4 is exactly the same as a single-family rates until
5 you get over 30,000 gallons, and then the rate
6 stays at \$3.40 per thousand gallon. Yet, for the
7 residential users, anybody that uses over a hundred
8 thousand gallons per month -- rather, bimonthly, is
9 charged \$4.20 per thousand gallon. So, you're
10 putting this increase on the backs of our residents
11 and not equally sharing it with the hotels, and I'm
12 not comfortable doing that. I think we need to
13 share the pain.

14 And, especially, when I see hotels with
15 their sprinklers on, watering during the rain, and
16 when it's not raining, I see water running down the
17 road, and, to me, they are -- they're the water
18 hogs, and yet they're not in this scenario at all.

19 So, my question to you is, how much more
20 revenue could be realized if we increased, under
21 general rates, for hotels only?

22 Now, I recognize that -- Members, on the
23 April 17th response from the Mayor's office --
24 actually, it's from the Budget Director, is
25 attached the April 17th response from the

1 Department of Water Supply, April 17th, DWS,
2 Attachment No. 1 is a response to a breakdown of
3 the consumption level, rather than number of
4 consumers at each consumption level. And you'll
5 note that under General Use, the majority of the
6 users are in that third block, which is the higher
7 consumption level, 65 percent.

8 And under Single-Family -- and -- and I'm
9 using the existing rate structure because the
10 proposed rate structure breaks things down
11 differently, but it's more consistent if you look
12 at the existing rate structure because the
13 breakdown is more equal between the two classes.
14 So if you look at the third block for
15 Single-Family, that's 46 percent of the consumers.

16 So, if you've got 2,000 consumers at the
17 higher consumption rate, under the General Use
18 class of consumers, then it would be, I think,
19 pretty fair to assume that the hotels are all going
20 to be in that third block, and how many hotels do
21 we have? Ten? I mean, it's not that many
22 properties. So it would be fairly easy to
23 extrapolate the hotels out of that third block, and
24 that would give us an idea of how many business
25 consumers other than hotels are using that large

1 amount of water.

2 And, yeah, let's look at them for next year
3 because, you know, we gotta carefully consider the
4 impact it may have on a business that we're not
5 even aware who they are, how they're using it, and
6 all that. But we certainly are aware of hotels,
7 and we know how to use the water. And, so, it
8 seems to me that if you could give us a breakdown
9 of the hotels, you know. I'm not asking you to do
10 any in-depth study. I'm just asking you to look at
11 your billing figures for the last, you know --
12 however many months, I mean.

13 You know, on every single water bill, it
14 gives you a running total. So it's not like I'm
15 asking you to do any kind of in-death stuff. Just
16 give us the bills. Give us a copy of the bills to
17 all the hotels, so we can see what their level of
18 consumption is. And then you can tell us if -- if
19 we charged the hotels \$4.20 or even \$5.20 for every
20 thousand gallons they use, above -- and I'll be --
21 I'll be conservative and fair, and say anything
22 above a thousand gallons for a bimonthly period,
23 just like we're doing for the residents, and then
24 tell us what the revenue would be, if we did that.

25 You know, Mr. Chair, we've been in this huge

1 economic boom, and reminds me of the Mamas and
2 Papas song. Everyone is getting fat but Mama Cass,
3 and Mama Cass are all of our working residents.
4 And everybody else, their pockets are bulging,
5 including the hotels, who are experiencing
6 unprecedented occupancy rates, unprecedented room
7 rates, the highest in the State. And not to single
8 them out, but they're easy to single out because,
9 you know, they are our biggest economic engine.
10 And they are, I think fair to assume, our biggest
11 water consumer.

12 And so we need to know what that is,
13 Mr. Director, in order for us to make a fair,
14 equitable, and informed decision. And -- and I'm
15 telling you, it's a matter of a click of a cursor
16 for M.I.S. to pick out all the hotel-zoned
17 properties. It's not a big deal.

18 MR. ENG: Mr. Chair, if I may offer some comments?

19 CHAIR PONTANILLA: Yeah. Go ahead.

20 MR. ENG: Thank you.

21 As I have indicated in earlier meetings,
22 I've always been supportive of developing a new
23 hotel class and developing the appropriate rates.
24 I realize in this rate development study, just
25 identifying and creating a new class, the

1 single-family, which we knew that we had some
2 opportunities to create some conservation at the
3 higher consumption levels, it is still somewhat of
4 a test, you know. We didn't want to leap in to
5 develop all the categories that we all can think
6 of, from multifamily, to timeshare, to whatever you
7 want to do, we can do in the future, but we didn't
8 want to take on a whole lot, in this first year,
9 from breaking out just one general rate class.

10 So I support, you know, your thoughts and
11 ideas, and I think you've heard it from me, too. I
12 just felt that at this point, you know, we didn't
13 consider it, and I'd like to have, you know, as
14 good analysis of these classes before leaping into
15 it, especially at such a late date, prior to the
16 approvals of the '08 Fiscal Year budget.

17 I'm supportive of it, fully, and I think
18 maybe next year at this time we will be looking at
19 different classes and we'll have an opportunity to
20 even have a better understanding of the impactions,
21 too. Because we don't want to harm, you know, lot
22 of the commercial type of operations, the
23 mama/papa, the people in our community who just
24 self-employed, trying to get by, who might be using
25 a lot of water, you know. So, not that we're being

1 arbitrary, but I want to really avoid that at this
2 time, and do a good, good analysis of who is
3 included in this customer class and new classes.
4 And if you would consider just holding off for a
5 year, I just have a better comfort level that we
6 have a better understanding of -- of the customers
7 included in a new class.

8 COUNCILMEMBER ANDERSON: Director Eng, I'm not asking for
9 a breakdown of -- of the customer class that might
10 be included under general rates. I already made
11 that clear, that I think that that does need fair
12 study. I'm asking about hotels, and hotels only.
13 And if we've only got ten-plus properties, it's not
14 that difficult of a question, for you to get us the
15 information.

16 And, you know, with all due respect, I
17 believe it's this body that has the authority to
18 set a new class and to set the rates for that
19 class. And, so, it's within our purview in this
20 budget to do that. And if you're asking us to
21 raise the rates for our residents, then give us the
22 information to raise the rates for the hotels and
23 let's see what it is.

24 I mean, I don't -- you know, they're the
25 ones that are gaining all these profits from the

1 boom, the economic boom. And our residents, who
2 are on fixed incomes or, you know, working jobs
3 where they don't get anything but a cost-of-living
4 increase, which, by the way, doesn't meet the
5 cost-of-living increase. Some people, Director
6 Eng, only have a hundred dollars every paycheck or
7 maybe every month, in discretionary money. They're
8 living paycheck to paycheck. And I know that the
9 lower users are not going to see a huge increase.

10 But, as I said, you know, we allowed
11 people -- oops -- we allowed people to build in
12 arid areas. We gave them the zoning. We gave them
13 the water to landscape their property in arid
14 areas. And -- and I don't see a whole lot of
15 equity when you're punishing people who need to use
16 additional water to keep their landscaping alive,
17 when people in other areas of the County don't need
18 to use a greater amount of water, because they live
19 in Haiku, or in Kula, or someplace where nature
20 takes care of their landscaping. So I'm just
21 trying to get some equity here, and, you know,
22 you're asking us to take a big leap, and so help us
23 out.

24 MR. ENG: Mr. Chair, if I may comment?

25 CHAIR PONTANILLA: Mr. Eng.

1 MR. ENG: Yeah, we'll get some data for you by Monday, on
2 the hotels and consumption.

3 COUNCILMEMBER ANDERSON: All you have to do is give us a
4 bill. Give us the copy of the bill.

5 MR. ENG: Well, we can -- we can -- we can get it.
6 Maybe -- I'd like to get an average consumption
7 maybe going back 12 months, so, better seasonal
8 fluctuations are leveled out.

9 COUNCILMEMBER ANDERSON: But, Director Eng, that -- every
10 water bill has 12 months' --

11 MR. ENG: Yeah.

12 COUNCILMEMBER ANDERSON: -- consumption on the bill, so
13 we can average that out.

14 MR. ENG: Certainly.

15 On your other comment regarding the
16 single-family homes in the arid areas, you know,
17 these rates are not penalizing them whatsoever. I
18 always make reference to Kaanapali, because that's
19 what I was familiar with. It's an arid area,
20 similar to Wailea. The average customer, again as
21 I've indicated, is 50,000 gallons per month, and
22 that's average. So if that was median, that means
23 half of those customers in that block population
24 are below 50 and there's a whole half above 50.
25 But I've seen very reasonable levels of landscaping

1 and irrigation in Kaanapali, at 25,000 gallons a
2 month, and I was wondering -- and they're doing
3 fine. They're not complaining about their
4 landscaping.

5 So what we're really doing is we're causing
6 those guys using 50,000 gallons a month, to
7 conserve. And I know, by just going through the
8 neighborhoods in Kaanapali, that 25,000 gallons is
9 more than enough for really a nice level of
10 landscaping. So, we're not picking on any people,
11 you know, but we are just trying to encourage
12 conservation, and if they feel they may be picked
13 on, they can just lower their consumption.

14 CHAIR PONTANILLA: Thank you, Mr. Eng.

15 COUNCILMEMBER ANDERSON: Well, I live in Maui Meadows,
16 and my neighbors all use, the minimum, is a hundred
17 thousand gallons every two-month period, and that
18 averages out to about 24- -- 2400 gallons per day.
19 And -- and they are doing -- they are conserving.
20 These are my neighbors, so I see what they do every
21 day. They don't water when it rains. They water,
22 you know, late at night or early in the morning,
23 and none of them have tropical landscaping, you
24 know. They have nice landscaping, but they're not,
25 you know, yards full of ginger and -- and that kind

1 of thing that take a lot of water, so -- I'm just
2 going from what I know.

3 And many of those people are on fixed
4 incomes, even though they have nice homes, they
5 have been there for 25 years. So they're not out,
6 working like us, and they may not have an extra
7 \$150 a month for water. And that's water only, not
8 including the sewage. And that's what I calculated
9 the increase to be, for those people using that
10 level of consumption.

11 CHAIR PONTANILLA: Thank you.

12 COUNCILMEMBER ANDERSON: Thank you, Chair.

13 CHAIR PONTANILLA: And -- yeah, Mr. Eng, if you can get
14 that information in regards to the hotel?

15 MR. ENG: We will.

16 CHAIR PONTANILLA: Thank you. Members, any more
17 questions for the Water Department at this time?

18 Member Johnson.

19 COUNCILMEMBER JOHNSON: Because, Jeff, a lot of the water
20 usage, particularly in Kaanapali area, is from
21 reclaimed water, I was looking, that's not in your
22 Department, right?

23 MR. ENG: No.

24 COUNCILMEMBER JOHNSON: Because a lot of the landscaping
25 water that is used for all of their, you know, lush

1 landscape...

2 MR. ENG: You're right. In the resort and golf course,
3 the golf courses in Kaanapali and the resort common
4 areas use R-1 water from the County.

5 COUNCILMEMBER JOHNSON: Yeah. But that is under the
6 sewage, sewer fund. Or is that under you?

7 MR. ENG: Yes. No, it's under Dave Taylor's department.

8 COUNCILMEMBER JOHNSON: Yeah.

9 MR. ENG: Yeah.

10 COUNCILMEMBER JOHNSON: And, so, I noticed that there was
11 no proposed -- well, a little bit for reclaimed
12 water. Like I think it goes from per thousand
13 gallons from -- well, that's for ag, 12 cents, and
14 it used to be 10, and then per thousand gallons
15 for -- it just says ag -- I guess not major --
16 minor ag, it would be going through 20 cents to
17 25 cents, but then rate per thousand gallons for
18 all other users is 97 cents.

19 Now, I realize that that's not within your
20 purview, but if you looked at the usage of
21 landscape water, just as, you know, a function of
22 if any department and basically conservation, would
23 you say that even though I know it's not in your
24 control, is the reclaimed water, should that rate
25 go from 97 cents to a higher rate?

1 MR. ENG: You know, I don't know the basis for how that
2 rate was determined. You know, reclaimed water is
3 really two processes in wastewater. One is the
4 normal wastewater treatment, and then they do a
5 further treatment of filtration, and disinfection,
6 and additional equipment, and additional pumping,
7 too, to pump it to the point where it's going to be
8 utilized. So, 97 cents per thousand gallons, to
9 me, sounds relatively low, given just the power
10 requirements to treat and pump it.

11 COUNCILMEMBER JOHNSON: Yeah. And perhaps, Mr. Chair, if
12 we could -- just even if we posed that question to
13 Mr. Taylor, that is something that I just assumed
14 the potable water was within his department and
15 that's what these guys were using.

16 CHAIR PONTANILLA: No, it's not.

17 COUNCILMEMBER JOHNSON: No? It's the reclaimed water
18 which is largely used in the golf course and
19 landscape, so...

20 CHAIR PONTANILLA: Right, from wastewater.

21 COUNCILMEMBER JOHNSON: Okay. Thank you very much.

22 CHAIR PONTANILLA: Thank you. Mr. Eng, thank you very
23 much for being here.

24 COUNCILMEMBER MATEO: Chairman, may I?

25 CHAIR PONTANILLA: Mr. Mateo.

1 COUNCILMEMBER MATEO: Thank you. Just to follow up,
2 Mr. Eng, two questions that you already responded
3 to, just for my clarification. With no increase,
4 yeah -- is the decrease in revenues that
5 \$17 million that you referenced?

6 MR. ENG: No. That \$17 million, I think, was reference
7 to the single-family -- amount of revenues from
8 single-family customers at current rates.

9 COUNCILMEMBER MATEO: Okay. Thank you. And then the
10 last one, Mr. Eng, following up on Ms. Johnson's
11 earlier question to you, if you were -- if you were
12 capped at a 12 percent increase, what would the
13 reduction in your revenues be? Your response at
14 that time was, it will have a direct impact on your
15 CIPs. Is there or do you know what that revenue
16 loss would be, at 12 percent?

17 MR. ENG: Yeah, that would be roughly -- I believe that's
18 like \$2 million.

19 COUNCILMEMBER MATEO: Okay. Thank you.

20 MR. ENG: Well, \$2 million, yeah, less of additional
21 revenue.

22 COUNCILMEMBER MATEO: Thank you.

23 CHAIR PONTANILLA: Thank you. Member Hokama?

24 VICE-CHAIR HOKAMA: Chairman, I just want to verify one
25 thing, because I've been trying to make

1 calculations of what's happening to the Maui bills,
2 so I also compare it to what's going to happen on
3 Lanai.

4 But my understanding from the existing to
5 the proposed, Mr. Eng, single-family resident, such
6 as yourself, and you say just you and your wife,
7 you average 10,000 gallons a month, your bill is --
8 your monthly increase is just about, what? That's
9 50 cents, right? Because the only difference is in
10 the metered charge.

11 MR. ENG: You know, you're absolutely right. Well...

12 VICE-CHAIR HOKAMA: Because as I understand, the current
13 rate --

14 MR. ENG: Yes.

15 VICE-CHAIR HOKAMA: -- for the first 10,000 gallons
16 currently is 155.

17 MR. ENG: Yes. So, for bimonthly, if 10,000, then that's
18 kind of like my wife and my situation. She was
19 kind of joking, that we're really at around 10,000
20 gallons bimonthly, the two of us, so, our bill will
21 go up 50 cents bimonthly -- I mean, 50 cents per
22 month.

23 VICE-CHAIR HOKAMA: Dollar per billing, which is a per
24 month, right?

25 MR. ENG: Dollar per billing, 50 cents per month or

1 dollar per...

2 VICE-CHAIR HOKAMA: Yeah. So if -- as long as you're not
3 the water hog, and you're not the single-family
4 that is -- and you're a single-family that has
5 reasonable uses of 10,000 gallons, average, a
6 month, the water bill we're going to get from you
7 every two months would be a dollar increase for
8 that household?

9 MR. ENG: If you're like the -- a single-family using
10 15,000 gallons per month, again, your increase is
11 going to be roughly 3-and-a-half-percent increase?

12 VICE-CHAIR HOKAMA: Uh-huh.

13 MR. ENG: So, again, I figured it out the other day, it's
14 like 9.2 per day.

15 VICE-CHAIR HOKAMA: Right.

16 MR. ENG: So, again, the low consumer and the average
17 single-family consumer, you know, shouldn't --
18 again, as you can see, will not be impacted very
19 much.

20 VICE-CHAIR HOKAMA: Okay. And, Chairman, you know,
21 I just want the Committee to know that the increase
22 is not geared against the prudent single-family
23 consumer, the way I understand the proposals of
24 rate adjustments. The County is going after the
25 water hogs.

1 MR. ENG: Uh-huh.

2 VICE-CHAIR HOKAMA: Okay? Where they will see a big
3 difference on the bill from the Department, will be
4 in sewer. Monthly increase will go from about
5 \$38.25 to \$46.65 a month. That's the big jump
6 they're going to see in that Water Department
7 billing, is the sewer component.

8 But I -- I just wanted to make one comment,
9 Chairman, if you allow me, because I had this
10 re-verified, I wanted to make sure because I was
11 concerned yesterday, if the Members look at their
12 rate and fees schedule, sewer is capped at 9,000
13 gallons per month. So even if you use 20,000
14 gallons of water, your sewer bill will still be
15 capped at the maximum, 9,000-gallon mark. So, the
16 County is making the adjustment for the home
17 gardener and the landscape irrigation; that all of
18 the other uses is not calculated into the sewer
19 bill. It is capped at 9,000 gallons. Thank you,
20 Chairman.

21 CHAIR PONTANILLA: Thank you, Mr. Hokama.

22 Members, any more questions? Member
23 Anderson?

24 COUNCILMEMBER ANDERSON: Yeah. You know, I don't think
25 if you consumed more than 15,000 gallons a month,

1 that you're necessarily wasting water and not
2 conserving. We have -- you know, stands to reason
3 that if you're on a small lot with not a lot of
4 landscaping, your uses are going to be -- or your
5 needs are going to be a lot less than someone who's
6 on a half-acre. And, you know, I think it's an
7 unfair assumption to say that the large water users
8 are not conserving. And so when you say average
9 user, what is the definition of average?

10 Because when I look at the breakdown of
11 consumption levels, per customer, out of the 29,293
12 customers in the single-family class, only 5700 of
13 them are in that first block, and that means people
14 using less than 10,000 gallons bimonthly, which
15 means they're only using 5,000 gallons a month.
16 5,000 gallons a month. If you'll bear with me.
17 That's 166 gallons a day. That's not a lot of
18 water. If you have to shower every day and -- I
19 mean -- maybe some people conserve by not showering
20 every day, but 166 gallons a day is austere.

21 So, of that first block, there's only 57
22 consumers that use 10,000 gallons or less,
23 bimonthly. In the second block, we have almost
24 10,000 consumers using between 10- and
25 30,000 gallons. So -- and then in the third block,

1 we've got 13,000 people. 13,600. In fact, the
2 biggest percentage of our users, Members,
3 46 percent of the customers in single-family use --
4 are consumers in the third block, using between
5 30,000 and a hundred thousand gallons, bimonthly.

6 So I don't know where you get the term --
7 how you're defining average, because average, to
8 me -- I mean, there's all kinds of criteria you
9 could use to qualify somebody is average, but when
10 you look at these three blocks of consumption level
11 and you look at the number of consumers that are
12 using at that consumption level, to me, the average
13 user is using at the third block, because that's
14 where most of the users are. So, I think we need
15 to be careful about how we label people and users.

16 CHAIR PONTANILLA: Thank you. My only comment is that
17 when you look at the totals, you know, some of 'em
18 do rent out their properties, some of 'em do have
19 ohanas, some of 'em do rent out single rooms. So,
20 there's a lot of factors that need to be --

21 COUNCILMEMBER ANDERSON: Right.

22 CHAIR PONTANILLA: -- considered.

23 COUNCILMEMBER ANDERSON: Right.

24 CHAIR PONTANILLA: Okay. At this time...

25 COUNCILMEMBER ANDERSON: Like a lot with a house and

1 ohana is going to use more water than a lot with
2 one house.

3 CHAIR PONTANILLA: Oh, yeah, definitely.

4 COUNCILMEMBER ANDERSON: And, so, are we going to punish
5 them because they have an ohana unit?

6 CHAIR PONTANILLA: Again, thank you, Mr. Eng --

7 MR. ENG: Thank you.

8 CHAIR PONTANILLA: -- Holly Perdido, as well as Eric
9 Yamashige for being here.

10 Members, at this time we'll take up the
11 solid waste area.

12 Members, continuing on, in regards to rates,
13 we do have the Solid Waste Division. We do have
14 Director Arakawa, as well as the Division Chief,
15 Mr. Takamine, to provide you with answers to the
16 questions that you folks have regarding the rates
17 and the revenues, that if we should reduce rates.

18 Member Victorino, questions?

19 COUNCILMEMBER VICTORINO: I think the only question I had
20 was -- and -- and I'm not sure if they could answer
21 that today or provide us a little more information,
22 is on our standard rate, we're going from 12 to 16
23 dollars, and I agree with most of my Members,
24 that's kind of a stiff jump. Especially since we
25 have had -- you know, your plan is not in place

1 yet. We haven't been really been able to ascertain
2 in what direction this Department is going. Yet, I
3 appreciate all the things you guys are trying to
4 do, but when we ask the public for increases,
5 especially that substantial, you know, we gotta
6 have really a plan of action, and I think my
7 colleague, Mateo, said it most eloquently, until we
8 get a real plan, he doesn't feel anything is
9 justified.

10 I'll step half a step back on that one, in
11 saying I'll give you something small to make sure
12 that you can keep adequately funded, but give me a
13 plan or give the public a plan so which we can
14 follow, and that way, we'll know whatever increases
15 we okay, that we say yes to, the public will
16 understand what we're trying to achieve, what
17 you're trying to achieve without our assistance.
18 So, if we went from 12 to 14, is there a means of
19 saying this is how much more revenue and how much
20 less revenue you would -- you would ascertain from
21 that?

22 CHAIR PONTANILLA: Department...

23 COUNCILMEMBER VICTORINO: Takamine, yeah.

24 MR. TAKAMINE: I'm sorry, what was the exact question?

25 COUNCILMEMBER VICTORINO: Exact question was, if you go

1 from 12 to 14 dollars, how much revenue would you
2 not be able to obtain, since you were going from 12
3 to 16?

4 MR. TAKAMINE: We would -- if we went from 12 to 16, we
5 would be generating \$1.14 million additional for
6 refuse collection service.

7 COUNCILMEMBER VICTORINO: Divide that in half. If I went
8 from 12 to 14, right? So what was the figure
9 again, 1. what?

10 MR. TAKAMINE: 1.104 million.

11 COUNCILMEMBER VICTORINO: 1.104 million.

12 MR. TAKAMINE: That we will be generating, by going from
13 12 -- well, 12 to 16, excuse me.

14 COUNCILMEMBER VICTORINO: Yeah.

15 MR. TAKAMINE: That will be 12 to 16. That's what we're
16 recommending, right, 12 to 16?

17 COUNCILMEMBER VICTORINO: Yes.

18 MR. TAKAMINE: Okay. If you want to go from 12 to 14,
19 half of that.

20 COUNCILMEMBER VICTORINO: Okay. Thank you. That's all I
21 wanted to ask.

22 CHAIR PONTANILLA: Thank you. Member Hokama, questions?

23 COUNCILMEMBER VICTORINO: Thank you.

24 VICE-CHAIR HOKAMA: No.

25 CHAIR PONTANILLA: Member Molina?

1 COUNCILMEMBER MOLINA: No.

2 CHAIR PONTANILLA: Member Medeiros?

3 COUNCILMEMBER MEDEIROS: Yes. On the proposed increase,
4 I'm trying to also justify it, and I'm not real
5 agreeable to the total increase, but as we go more
6 into automation, doesn't the -- doesn't that reduce
7 our cost for refuse collection, or is this fee to
8 also fund landfills, and so forth?

9 MR. TAKAMINE: If we're talking the \$16 --

10 COUNCILMEMBER MEDEIROS: Uh-huh.

11 MR. TAKAMINE: -- refuse collection --

12 COUNCILMEMBER MEDEIROS: Yes.

13 MR. TAKAMINE: -- fee, I think I mentioned it before and
14 I just want to clarify again because when
15 Councilmember Victorino mentions we want to have a
16 plan to utilize this rate increase or justify this
17 rate increase, this rate increase is not -- is not
18 covering any additional services or any type of new
19 plan that we want to implement. We're saying that
20 we need this rate increase just to cover our
21 basic -- basic cost of operating the refuse
22 collection section, and even with the rate of going
23 from 12 to 16, it -- it doesn't come close to
24 covering the actual costs.

25 As I mentioned the other day, or was it

1 yesterday, the actual cost would really -- really
2 just to cover the basic functions that we're doing
3 now, not expanding any services, would be double
4 that cost, would be going from 12 to 24 dollars per
5 month.

6 COUNCILMEMBER MEDEIROS: Okay.

7 MR. TAKAMINE: And the cost that I'm talking about now is
8 just to cover the refuse collection section in
9 terms of manpower, overtime, maintenance,
10 equipment, fuel. So it doesn't cover anything to
11 do with the landfill, it doesn't cover anything to
12 do with my diversion section or my administration
13 section.

14 COUNCILMEMBER MEDEIROS: Okay. And that's why my
15 question was, as we go more into automation, that
16 should be reducing the cost of operations because
17 that's less manpower. You're picking up 4,000
18 accounts, is it per week, as opposed to 1750 with
19 the manual crew? Isn't that the pickup that's the
20 difference now? One automated truck and pickup?

21 MR. TAKAMINE: One automated truck is 1,000, 1,000
22 accounts.

23 COUNCILMEMBER MEDEIROS: Per -- per what?

24 MR. TAKAMINE: Per -- per -- per route.

25 COUNCILMEMBER MEDEIROS: Per day?

1 MR. TAKAMINE: Per day.

2 COUNCILMEMBER MEDEIROS: Okay. So that's 5,000 a week?

3 MR. TAKAMINE: No.

4 COUNCILMEMBER MEDEIROS: No?

5 MR. TAKAMINE: That's 4,000 a week.

6 COUNCILMEMBER MEDEIROS: Okay. So they only pick up four
7 times?

8 MR. TAKAMINE: Yeah, automated -- automated refuse, they
9 work a longer day.

10 COUNCILMEMBER MEDEIROS: Okay.

11 MR. TAKAMINE: To 1,000 picks, they --

12 COUNCILMEMBER MEDEIROS: Okay.

13 MR. TAKAMINE: -- they work mostly -- probably about
14 ten-hour day, so they work a four-hour --

15 COUNCILMEMBER MEDEIROS: Right.

16 MR. TAKAMINE: -- four-day week.

17 COUNCILMEMBER MEDEIROS: So that automated truck, four
18 days a week, is picking up 4,000 accounts. A
19 manual truck, meaning there's two guys behind one
20 driver, picks up 1750 accounts per week, that's
21 quite a difference in reducing costs --

22 MR. TAKAMINE: Uh-huh, uh-huh.

23 COUNCILMEMBER MEDEIROS: -- you know. And -- so, we're
24 just trying to justify, you know, the jump. It's
25 not to say that you don't have those expenses. We

1 understand that you do have the expenses to
2 operate. I'm just trying to see how we can
3 minimize the increase that we're considering, and I
4 just wanted to know if that numbers were correct,
5 that we -- we do reduce a lot of the operations
6 because of the automated system. And...

7 MR. TAKAMINE: That's correct. It will reduce the -- I
8 guess the number of -- actually, increase the
9 number of counts per truck.

10 COUNCILMEMBER MEDEIROS: Right.

11 MR. TAKAMINE: But the issues we have, working out right
12 now with UPW is, we won't lose manpower. I won't
13 lose the manpower.

14 COUNCILMEMBER MEDEIROS: Right.

15 MR. TAKAMINE: So my cost for manpower won't change when
16 we go to automation, because by agreement with the
17 UPW, I cannot transfer any of my refuse collection
18 staff to another department, nor can I even move it
19 out of my refuse collection to my landfill within
20 my own division. They required me to keep it in
21 the refuse section.

22 COUNCILMEMBER MEDEIROS: Right.

23 MR. TAKAMINE: So, manpower-wise, you will not see a
24 decrease. We need to come up with some new,
25 probably like a white goods collection crew, but

1 some -- some new duties --

2 COUNCILMEMBER MEDEIROS: Right.

3 MR. TAKAMINE: -- or functions for these freed-up
4 individuals.

5 COUNCILMEMBER MEDEIROS: But -- but with attrition, you
6 can reduce manpower, because as they retire, you
7 don't have to replace those positions; is that
8 correct?

9 MR. TAKAMINE: I guess it would depend on if -- if by
10 agreement with the UPW, we came up with a, say,
11 appliance crew section, staff with my five people,
12 and as attrition goes, I have to replace them, or
13 else I won't be able to perform that function, so,
14 you know, I don't know how that would work, to tell
15 you the truth --

16 COUNCILMEMBER MEDEIROS: Okay.

17 MR. TAKAMINE: -- and if we can try and get, you know,
18 that out by attrition or not.

19 COUNCILMEMBER MEDEIROS: Okay. Thank you for that
20 information.

21 Thank you, Chair.

22 CHAIR PONTANILLA: Thank you. Member Johnson?

23 COUNCILMEMBER JOHNSON: Yes. And, you know, forgive me
24 because I always get confused about, you know, your
25 tipping fees. One of the things and I guess the

1 rationale would be that when you look at tipping
2 fees, any fee increase, of course, should be a bad
3 thing, but there is a reason for increasing the
4 tipping fees; is that correct? Because many times
5 I've heard people in the recycling community talk
6 about, you know, you need to increase your tipping
7 fee, so, can you explain?

8 MR. TAKAMINE: When you say tipping fees, what you're
9 referencing is commercial accounts.

10 COUNCILMEMBER JOHNSON: Okay.

11 MR. TAKAMINE: In the break-even point or the point where
12 it's paying for itself in terms of landfill
13 operation, they're almost there. We estimate that
14 for a commercial tipping fee, would be \$62 a ton.
15 We're now at, with this current recommendation, at
16 60. I've been here a short time, but from what
17 I've noticed even last year, the commercial sector
18 always gets the increase in the fees, like they had
19 last year, last year we really didn't have a -- we
20 came in for recommended rate increase, but I guess
21 the Administration last year determined that only
22 commercial fees would be increased and the Council
23 approved a -- I think it was a \$4 increase in
24 commercial tipping fees.

25 That gets passed on to the commercial --

1 their account holders, which are businesses, and a
2 lot of condos and multifamily homes, because we
3 don't pick those up, so most of them hire
4 commercial -- yeah -- operators. So when you
5 increase the tipping fee, that's getting -- I
6 assume is getting directly passed on to the -- to
7 the businesses and the multifamily residents.

8 COUNCILMEMBER JOHNSON: Okay, and that's -- that's the
9 one now, that's under recycling surcharge?

10 MR. TAKAMINE: No. The -- the tipping fee has a base
11 rate, and we're recommending it go from 47 to 60.
12 That surcharge you're talking about is going to go
13 from 4 to 10. That is applied on top of the \$60.

14 COUNCILMEMBER JOHNSON: Okay. Okay. Because I know that
15 we're looking -- I'm just looking on page 2 of 3.
16 So where would the other ones be, or are they not
17 here? Are they just in another -- because I'm
18 looking at the handout.

19 CHAIR PONTANILLA: It's in here. The thing is that when
20 you look at unit charge per pound, .03?

21 COUNCILMEMBER JOHNSON: Oh, okay.

22 CHAIR PONTANILLA: So you gotta multiply that by 2,000
23 pounds. So, tipping fee per ton.

24 COUNCILMEMBER JOHNSON: Okay. I see what you're -- all
25 right. So all of those would be within that

1 category. So that's what's producing those \$67 or
2 whatever you're talking about? I'm looking under
3 solid waste rates. And that's on Appendix B, page
4 2 of 3. I just want to make sure I'm looking in
5 the right spot. Because I'm looking at, you know,
6 what you're speaking about, Mr. Chair.

7 CHAIR PONTANILLA: Yeah.

8 COUNCILMEMBER JOHNSON: That's the one. So what you have
9 to do is multiply it times 2,000 pounds per ton?

10 CHAIR PONTANILLA: Exactly. Yeah.

11 COUNCILMEMBER JOHNSON: Okay. And is that what you're
12 speaking about, Mr. Takamine?

13 MR. TAKAMINE: Okay, yeah, I'm looking at that now.

14 Yeah. Those rates -- right, those are the rates.

15 COUNCILMEMBER JOHNSON: Okay. Yeah, because, you know...

16 MR. TAKAMINE: The first one is the commercial rates,
17 when you -- when you convert that to pounds.

18 Dollars per ton.

19 COUNCILMEMBER JOHNSON: Okay. Because you were speaking
20 a different language than Mr. Pontanilla was, so I
21 understand what you're saying. Okay.

22 CHAIR PONTANILLA: It used to show \$40 a ton.

23 COUNCILMEMBER JOHNSON: Okay.

24 CHAIR PONTANILLA: And they converted per pound.

25 COUNCILMEMBER JOHNSON: So it looks like less, but it's

1 really more. I don't know. It's just a way of
2 expressing it, right? Okay, now I understand what
3 you're saying, so, that's -- that's fine and, you
4 know, we're all willing to pay our fair share.
5 Thank you.

6 CHAIR PONTANILLA: Thank you. Member Baisa?

7 COUNCILMEMBER BAISA: No additional questions.

8 CHAIR PONTANILLA: Member Anderson?

9 COUNCILMEMBER ANDERSON: No questions, thank you.

10 CHAIR PONTANILLA: Member Mateo?

11 COUNCILMEMBER MATEO: Chairman, thank you.

12 Mr. Takamine, I -- if we left it flat or
13 same as '07, the difference or the reduction in
14 revenues, was that that 1.1 million that you -- you
15 talked -- you mentioned earlier?

16 MR. TAKAMINE: That would just be for the --

17 COUNCILMEMBER MATEO: Just for the --

18 MR. TAKAMINE: -- residential...

19 COUNCILMEMBER MATEO: -- residential trash collection?

20 MR. TAKAMINE: That's correct.

21 COUNCILMEMBER MATEO: 1.1...

22 MR. TAKAMINE: 1.104 million.

23 COUNCILMEMBER MATEO: Okay. Thank you. And the -- what
24 is the tonnage received at the landfill?

25 MR. TAKAMINE: Total tonnage?

1 COUNCILMEMBER MATEO: Total tonnage.

2 MR. TAKAMINE: The annual average at the Central Maui
3 landfill is 192,000 tons.

4 COUNCILMEMBER MATEO: Okay. And this 192,000 tons, the
5 revenue calculated is based on receiving this
6 192,000 tons? Is that how you calculated the
7 increase?

8 MR. TAKAMINE: For -- actually, for the residential...

9 COUNCILMEMBER MATEO: Well, this would be both
10 residential and your -- your tipping fees.

11 MR. TAKAMINE: Right. If you add everything together --

12 COUNCILMEMBER MATEO: Yeah.

13 MR. TAKAMINE: -- that's -- that's a total tonnage you're
14 looking at.

15 COUNCILMEMBER MATEO: Yeah.

16 MR. TAKAMINE: Correct.

17 COUNCILMEMBER MATEO: So your projected increase in these
18 rates is based on receiving this tonnage daily, at
19 the landfill?

20 MR. TAKAMINE: That's basically correct. Like out of
21 that 192,000, commercial accounts for 120,272 tons
22 per year, in residential is 42,264 tons per year.

23 COUNCILMEMBER MATEO: Okay. So the calculation was based
24 on the receipt of those tonnage coming, coming in?

25 MR. TAKAMINE: That's correct.

1 COUNCILMEMBER MATEO: Thank you. Thank you, Chairman.

2 CHAIR PONTANILLA: Thank you. Member Molina?

3 COUNCILMEMBER MOLINA: Thank you, Chair.

4 One quick question for you, Mr. Takamine.

5 Memory serves me correct, the last increase went
6 from \$6 to 12, yeah? Is that accurate? Because I
7 remember my -- my...

8 MR. TAKAMINE: That's what I understand.

9 COUNCILMEMBER MOLINA: And that was done about, maybe
10 about two, three years ago; do you recall?

11 MR. TAKAMINE: Might have been even longer than that.

12 COUNCILMEMBER MOLINA: Longer than that?

13 CHAIR PONTANILLA: 2004.

14 COUNCILMEMBER MOLINA: 2004? Oh, okay.

15 And so from our last meeting, you said it's
16 roughly \$300 a year per, I guess account, yeah, to
17 pay for rubbish and --

18 MR. TAKAMINE: Right. Correct, for full -- for full --
19 to get full reimbursement --

20 COUNCILMEMBER MOLINA: Okay.

21 MR. TAKAMINE: -- of cost.

22 COUNCILMEMBER MOLINA: And so the County -- well, the
23 consumer pays about -- well, is it 12 bucks a
24 month? So \$144 of that estimated 300 a year, and
25 now with this rate increase, the consumer will now

1 pay about 192 of that \$300.

2 MR. TAKAMINE: That's correct.

3 COUNCILMEMBER MOLINA: Okay. Thank you.

4 CHAIR PONTANILLA: Thank you. Members, any more
5 questions for the solid waste area?

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

8 Lance, do we have anything else?

9 Members, anyone else that you want to bring
10 in, for rates? Sure?

11 COUNCILMEMBER JOHNSON: Mr. Chair?

12 CHAIR PONTANILLA: Member Johnson.

13 COUNCILMEMBER JOHNSON: The only question I had was
14 still -- and if I can, you know, at some point --
15 and this would be on page 30 of revenues rates fees
16 and assessments, when I asked about the reclaimed
17 water, because I'm looking at just, you know, the
18 bare rate, it's 10 cents for ag, for the first per
19 thousand gallons, and then I guess that's for major
20 ag, then it's 20 cents per thousand gallons, I am
21 assuming for, you know, the non-large users, and
22 then 97 cents per thousand gallons for all other
23 users. My question would be, because when I'm
24 comparing the water rates, there's a power charge
25 of 90 cents. Is there a distribution charge, is

1 there a similar power charge in this one?

2 MR. TAKAMINE: Okay, we have Mr. Taylor here.

3 MR. TAYLOR: Yes, Member Johnson, there isn't a power
4 charge, and, in fact, the reuse water rates only
5 cover about 20 percent of the actual cost to
6 operate the reuse water systems, so there's really
7 no point adding a power rate, when the entire reuse
8 program is 80 percent subsidized by sewer rate
9 users. So we're still far from having the whole
10 program be self-sufficient anyway. So it's -- it's
11 a number, I wouldn't call it arbitrary, but it's --
12 the whole rates are so low, anyway, that it doesn't
13 even cover the costs.

14 COUNCILMEMBER JOHNSON: And that's kind of my point, when
15 I'm looking at the water rates and I'm looking at
16 also the revenues, I don't mind for agriculture
17 subsidizing that, you know, as, you know, sewer
18 rate payer, I don't mind that. But where I have a
19 problem is that for golf courses, other commercial
20 activities on the use of reclaimed water, it's at
21 97 cents. If your power charge is at 90 cents,
22 then their actual cost is 7 cents per thousand
23 gallons. That's the way I'm interpreting it.

24 MR. TAYLOR: I think we have to kind of step back. The
25 entire reclaimed water program basically came out

1 of fear of the community that nutrients from
2 injection wells were doing harm to the environment.
3 The system -- the whole program didn't come from a
4 resource-driven, let's pay for this water and get
5 this water. The whole program was built around
6 this concept that we have to find an alternate use,
7 an alternate disposal method rather than injection
8 wells. So from the very beginning, there was not a
9 concept that the reclaimed water system should be
10 self-sufficient, from a funding standpoint.

11 Now that most of the community has accepted
12 that there isn't any kind of major environmental
13 issues with injection wells, reuse water has sort
14 of shifted to a -- to a resource issue, but the
15 costs are much larger than -- than that basically
16 would have led to a resource-driven infrastructure.

17 COUNCILMEMBER JOHNSON: Uh-huh.

18 MR. TAYLOR: So we're still kind of in that mode where we
19 started it because of a disposal issue. The costs
20 are what they are, and now we're -- the rates
21 reflect that. So, I think that's the best
22 explanation I can give. We're still going to be
23 subsidizing reclaimed water operating system from
24 the general sewer fees for some time to come,
25 probably.

1 COUNCILMEMBER JOHNSON: Yeah, and that's my point, is
2 that if we're moving away from that model because
3 of the scarcity of water, and, of course, in West
4 Maui, particularly we have a real shortage in terms
5 of our potable, so if the alternative is for these
6 hotels or visitor amenities, you know, they're not
7 going to stop using reclaimed water because -- I
8 mean, they're just not going to do that. So I'm
9 looking at the point that Ms. Anderson was trying
10 to make earlier, is that if the rate payers are
11 actually subsidizing, you know, these costs, how is
12 that fair?

13 So my philosophy would be, if we are
14 subsidizing that, for the visitor industry or any
15 large golf courses, I know that we have the
16 County -- you know, it's not really County, it's
17 State-owned golf course now, at Kaanapali. So my
18 thought would be, why are we not looking or do you
19 recommend, I mean, to at least get us going in a
20 better direction to have a greater increase at
21 least in that last category, because there is no
22 increase at all. The rate per thousand gallons for
23 all other users, it's at 97 cents, and if you're
24 saying that we're losing substantially, that's on
25 page 30 of the -- the revenues rates and fees,

1 Appendix B.

2 MR. TAYLOR: I think maybe to provide a clarity, I can
3 give you a couple of numbers that might help. In
4 Fiscal Year 2008, we're expecting that the cost to
5 operate the reclaimed water system, including debt
6 service on infrastructure, is about \$1.7 million.

7 COUNCILMEMBER JOHNSON: Uh-huh.

8 MR. TAYLOR: The revenue from the rates, the existing
9 rates you're looking at, the proposed rates, will
10 be about \$340,000. In order to have rates that
11 come up with the entire \$1.7 million, those rates
12 you're looking at, which are currently -- 10 cents,
13 22 cents, and 97 cents for the three categories --

14 COUNCILMEMBER JOHNSON: Uh-huh.

15 MR. TAYLOR: -- those would all have to go up to \$2.08
16 cents per thousand gallons. So just to give you a
17 sense, that's how much we would need to make the
18 difference between the 340,000 that we're
19 collecting and the 1.7 million that this -- that
20 the -- that the program costs to operate.

21 So however, you know, the Council feels that
22 should be distributed through rates and fees, as
23 long as it comes up to \$1.7 million, you know, we
24 can -- we can operate this system. So that's sort
25 of the bottom line.

1 COUNCILMEMBER JOHNSON: Okay. But any increase would
2 help to give you additional operating revenues that
3 you wouldn't have to get from the sur-users to
4 subsidize the program?

5 MR. TAYLOR: That is correct. And then we would just
6 have to explain to the reuse water users why their
7 rate went up from, you know, 79 cents -- or 97
8 cents --

9 COUNCILMEMBER JOHNSON: 97 cents.

10 MR. TAYLOR: -- to \$2.08, and that would be more than
11 they paid for their water bill, so that would be
12 kind of a tough thing to expect.

13 COUNCILMEMBER JOHNSON: I would not say to go to \$2.08
14 until such point as our regular rates in potable
15 water, and I think we're looking at a low rate of a
16 dollar -- is it \$1.55?

17 MR. TAYLOR: -- -55, yeah.

18 COUNCILMEMBER JOHNSON: So, I mean, to me, I'd say even
19 if I did it at \$1.50 or a \$1.30 cents, anything in
20 that final category would at least, it would still
21 be below potable, but...

22 MR. TAYLOR: And the reason we didn't recommend that this
23 year, because we did a -- we did an internal
24 numerical analysis of all of those different
25 options.

1 COUNCILMEMBER JOHNSON: Uh-huh.

2 MR. TAYLOR: And what we came up with, is that the
3 current proposed rates you're looking at, show that
4 3.8 percent of the average person's wastewater bill
5 will go to supplement reclaimed water. So we kind
6 of looked at this from "Are we trying to do the
7 right thing?" standpoint, and saying for everybody
8 who writes a check, 3.8 percent of that goes to
9 have some of -- to have 22 percent of their water
10 being not going to injection wells. And we thought
11 that the people would generally agree that, you
12 know, paying 4 percent higher bill, to know that
13 22 percent of the wastewater from the County is not
14 going to injection wells and it is being reused, we
15 thought that was sort of a reasonable percentage
16 that most people would back, and that's why we
17 didn't propose jacking the rates up to \$2.08. We
18 felt that that was a big increase, and that the
19 overall percentage of bills was relatively small.

20 But if the Council feels differently, again,
21 as long as the numbers balance and we can make up
22 that, you know, the entire \$1.4 million, it's --
23 you know, it still balances the books.

24 COUNCILMEMBER JOHNSON: Yeah. And I'm not -- I'm not
25 looking at making up the differential. I'm just

1 looking at instead of it being 3.8 percent of
2 everybody's, you know, sewer bill, I'm just saying,
3 well, maybe 2 percent.

4 So, that's my philosophy, Mr. Chair. So
5 I -- this would be one area that I would ask the
6 Members to consider, to increase the rates, on
7 page 30.

8 CHAIR PONTANILLA: Thank you, Member Johnson.

9 Members, any more questions for --
10 Mr. Mateo?

11 COUNCILMEMBER MATEO: Chairman, thank you.

12 Mr. Taylor, real briefly, then, percentages
13 of reduction in the requested rate increase, yeah?
14 Is there any kind of a formula that you'd look at,
15 by saying if we approved 2 percent of your request,
16 how does that impact your CIP -- your ability to
17 complete or deal with your CIP needs?

18 MR. TAYLOR: It -- it's not that simple because most of
19 the CIP is through debt service and SRF loans, so
20 I -- I can't give a straight -- it's not a straight
21 percentage because it's amortized over 20 years,
22 and it's assuming these rates will be consistent
23 for a long time to keep paying that debt service,
24 so I don't have that number.

25 One thing I can tell you, is that there are

1 a number of projects that are CIP cash, and they're
2 CIP cash because we've looked at the actual
3 projects and realized they're not even going to
4 last 10 years. So, we have a significant amount of
5 money in CIP cash projects that we didn't think it
6 was appropriate to take 20-year bonds on things
7 that aren't going to last that long. And that's
8 really the big reason that our rates have jumped so
9 much, is this CIP cash, for this equipment and big
10 infrastructure that isn't going to last a long
11 time.

12 So if we had a rate decrease, we'd probably
13 be forced to either cut that stuff, which would
14 have immediate impacts on those projects, or we'd
15 have to borrow money and move them to bond and
16 basically take 20-year loans for things that are
17 only going to last for 8.

18 So I think those would be the repercussions,
19 which is why, again as I explained yesterday, we
20 feel sort of -- that as a Division, we're sort of
21 painted into a corner with this budget, that
22 they're really isn't much we feel we can cut
23 without making noticeable major decreases in the
24 overall system reliability.

25 COUNCILMEMBER MATEO: Thank you.

1 Thank you, Chairman.

2 CHAIR PONTANILLA: Thank you. Member Anderson?

3 COUNCILMEMBER ANDERSON: Yeah. Just a refresher real
4 quick, Mr. Taylor. Did you say it was in 1997,
5 that your Division became self-sufficient, or
6 attempted?

7 MR. TAYLOR: I don't -- I don't recall. I know there was
8 a -- there was a movement in the late '90s to move
9 us from being subsidized with General Fund to
10 self-sufficiency, and there was a series of rate
11 increases to do that. When it actually became
12 self-sufficient might have even been in the early
13 2000's or the late '90s, but it's...

14 COUNCILMEMBER ANDERSON: Okay. Previous to that, General
15 Fund was supporting your Division?

16 MR. TAYLOR: That's correct.

17 COUNCILMEMBER ANDERSON: Okay. So, my next question is
18 to Director Arakawa. Has your Department made any
19 attempt in the last year to collect any deferred
20 maintenance payments, deferred maintenance
21 agreements? I'll tell you what the connection is.

22 MR. ARAKAWA: I'm sorry, I'm not familiar with any
23 deferred maintenance.

24 COUNCILMEMBER ANDERSON: Deferred roadway improvement
25 agreements. Deferral agreements for roadway

1 improvements. When a subdivision is done with
2 three lots or less, your Division, your Department
3 signs deferral agreements with the landowners that
4 says you don't have to improve the roadway, and
5 when we come in and improve it, because the idea
6 being that you don't want spot improvements; you
7 want the whole roadway improved at once, to County
8 standards. So when you guys go in and improve the
9 roadway, you're supposed to be able to go back and
10 collect from these landowners their fair share,
11 their pro rata share.

12 And, so, have you -- have you moved -- I
13 mean, we've got millions of dollars, Mr. Chairman,
14 in uncollected deferred improvement agreements --
15 deferral agreements, whatever they're called -- and
16 that's General Fund money.

17 So I'm just wondering if your Department has
18 done anything in trying to collect those or trying
19 to ascertain those that are outstanding.

20 MR. ARAKAWA: Councilmember Anderson, the deferral
21 agreements you refer to, are for subdivisions of
22 three lots or less, basically, these are deferral
23 agreements for frontage improvements that are
24 required as subdivision applicants come in.
25 Basically, subdivision of four lots or more are

1 required to put in these frontage improvements.
2 The Code allows for this deferral, and, basically,
3 our policy has been, well, if there's going to be a
4 roadway improvement project along that section of
5 road along which there's a deferral agreement,
6 we'll collect on the deferral agreement.

7 But, so far we have not collected on these
8 agreements. I guess the first one that would come
9 up, would be the lower Honoapiilani Road, Phase 4,
10 in Lahaina, which we're currently working on trying
11 to basically obtain the land rights too. But
12 basically there's -- as I mentioned, there's a bill
13 for an ordinance, which we submitted, to make it
14 clear that -- to change the Code to basically
15 delete this deferral agreement option whereby all
16 subdivisions now would be required to put in their
17 frontage improvements, whether it's three lots or
18 less, or four lots or more.

19 So, I mean, basically we are going to be
20 making an effort to collect these monies from the
21 deferral agreements, but they cannot be used for
22 other things like for sewer. They're basically
23 going to be collected to be put in and we're going
24 to use it for the frontage improvements of that
25 subdivision lot.

1 COUNCILMEMBER ANDERSON: The roadway improvements. Well,
2 I hope so, because whether it's used in General
3 Fund or for a specific purpose, it freeze up money
4 in other areas to be used for other things, so...

5 That and any pro rata share agreements that
6 haven't been collected on, I think it's time for
7 us, Mr. Chair, to look into that, because, you
8 know, we're -- we're getting tight. And so it's
9 time not to be generous with those people who are
10 developing our County and not paying for their
11 improved improvements. Thank you, Chair.

12 CHAIR PONTANILLA: Thank you. Members, just for your
13 information, tomorrow your proposals are due to the
14 Staff, by 4:30. And over the weekend, I, along
15 with Staff, will be working on all of your
16 proposals to come out with a Chairman's proposal
17 for distribution on Monday. So if you need any
18 help in regards to your preparations, you know, you
19 can either call myself or Staff to help you out.
20 Again, the -- you do have some spreadsheets for
21 Exhibit 1, as well as the real property tax revenue
22 worksheet, so utilize those tools to do your
23 budget.

24 So, Members, at this time I would like to
25 thank the Director of Public Works and Environment

1 Management, Mr. Arakawa, as well as Division Chief
2 Dave Taylor for being here this afternoon, in
3 regards to your questions and they providing your
4 answers. But if you do have more questions, if you
5 can contact the Department individually, so that
6 they can help you in regards to this year's budget.

7 So, Members, with that, I'd like to thank
8 the Administration as well as Staff, and you,
9 Members, for being attentive the whole four, five
10 weeks that we were going through this. It's coming
11 to the end. Next week, again, we do our
12 decision-making. That's going to take some time,
13 also.

14 Mr. Taguchi, for Friday, other than turning
15 in the budget proposals, there's no meeting, as I
16 see on the calendar.

17 MR. TAGUCHI: Chair Pontanilla, on Friday there is a
18 Council meeting, but there is no other meeting for
19 the Budget and Finance Committee.

20 CHAIR PONTANILLA: Thank you. I was referring to the
21 Budget and Finance Committee meeting.

22 So, again, Members, thank you, and this
23 meeting is adjourned. (Gavel).

24 **ADJOURN: 3:30 p.m.**

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C E R T I F I C A T E

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

I, Elsie Terada, Certified Shorthand Reporter for the State of Hawaii, hereby certify that the proceedings were taken down by me in machine shorthand and was thereafter reduced to typewritten form under my supervision; that the foregoing represents to the best of my ability, a true and correct transcript of the proceedings had in the foregoing matter.

I further certify that I am not attorney for any of the parties hereto, nor in any way concerned with the cause.

DATED this 14th day of May, 2007, in Honolulu, Hawaii.



ELSIE TERADA, CSR NO. 437
Notary Public, State of Hawaii
My Commission Expires: 4-07-2010