

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

August 1, 2003

Committee
Report No.

03-68

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Budget and Finance Committee, having met on July 1, 2003, makes reference to County Communication No. 03-103, from the Chair of the Cost of Government Commission, transmitting a document entitled "REPORT OF FINDINGS AND RECOMMENDATIONS FOR COMMISSION YEAR APRIL 1, 2002 TO MARCH 31, 2003" (Report, attached hereto as Exhibit "1").

Your Committee notes that the Report was submitted to the Council pursuant to Subsection 8-15.2(4) of the Charter of the County of Maui (Charter).

Your Committee notes that it previously reported on this matter through Committee Report No. 03-48, which recommended the following: (1) that the County's Vehicle Usage be referred to your Committee of the Whole for further consideration; (2) that the Old Wailuku Post Office Building be referred to your Government Relations Committee for further consideration; and (3) that the Hana Marketplace be referred to your Energy and Economic Development Committee for further consideration. At its meeting of July 8, 2003, the Council adopted Committee Report No. 03-48.

At its meeting, your Committee met with an Executive Assistant to the Mayor; a Deputy Corporation Counsel; and Jack Crow, Chair of the Cost of Government Commission.

Your Committee notes that Mr. Crow spoke as an individual and not as a representative of the Cost of Government Commission (Commission). He provided insight into the Report and explained how the Commission reached its conclusions.

Your Committee received testimony from Buck Joiner, a former member of the Commission, who spoke about some of the items the Commission reviewed. He stated that the Commission considered many areas of concern, but was not successful at finding solutions. However, according to Mr. Joiner, finding

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solutions was not always necessary because asking questions generally resulted in improvements to the area being reviewed.

Mr. Joiner stated that priority should be given to eliminating situations where condominium owners are inaccurately claiming the homeowner exemption. He disagreed with the Department of Finance's estimate that only 1 percent of the homeowner exemptions are in error. He suggested that an annual application for the homeowner exemption should be a requirement, that the penalty for inaccurate information needs to be strengthened, and that enforcement of the real property tax regulations need to be a priority.

Your Committee notes that the Report's format is divided into two sections. The first section is a follow-up on the items in last year's report; the second section addresses new areas. The report includes 12 items in section one and 7 items in section two.

Your Committee reported on the first seven items of section one in Committee Report No. 03-48. Your Committee received an overview of the remaining five items in section one and the seven items in section two entitled "New Matters the Commission Looked Into". The overview is summarized as follows.

Planning Department Operation:

The Commission reviewed the process of obtaining building permits because of one of the Commissioner's experience with the process. Mr. Crow stated that the issue appears to be a lack of organization within the Department. The Commission concluded that the process of obtaining building permits is confusing and time-consuming.

Your Committee noted that homeowners and small businesses are concerned about the length of time it takes to obtain a building permit; however, small businesses do not complain because they fear retribution.

Your Committee discussed referring the matter relating to building permits in the Department of Planning to either your Planning and Land Use Committee or your Energy and Economic Development Committee. Your Committee

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concluded that the economic issues relating to the impacts on small business supported a referral to your Energy and Economic Development Committee.

Grants:

The Commission reviewed two types of grants: (1) Planning Grants; and (2) General Grants.

A review of the Kihei Community Association (KCA) planning grants disclosed that the County files were incomplete. In addition, one grant of \$85,000 was prepaid to the KCA. The KCA justified the prepayment because of payment delays in a prior grant that impeded their planning process. The Planning Director stated that the grants to the KCA produced useful information for planning in the Kihei/Makena area.

Mr. Crow stated that generally, grant files from Federal and State funds are in good shape. The Commission found that in the sample of grants reviewed and through interviews with staff who administer the grants the grant contracts were properly signed, were well-administered, and required either monthly or quarterly reports.

The Commission provided copies of two reports from the Department of Finance regarding the Grants Management Process for review by the Administration and the Council. The first report, entitled "Grants Management Process Overview, January 2000", provides an overview of the grants management process and statistical highlights for Fiscal Year 2000. The second report, entitled "Grants Management Process Recommendations, February 2000", provides recommendations from information gathered in the January Report and the Complete Business Solutions, Inc. (CBSI) Service Efficiency Results Valuation Project (SERV) project. The February Report also included a comparison of the County's grant awards to the Department of Housing and Human Concerns' needs assessment and the Mayor's Economic Summit priorities.

Park Facilities and Cleanup Deposits:

The Commission did not address this item as there were no concerns.

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Procurement Process:

The Commission reviewed the procurement process relating to “no bid” professional service contracts. The review was initiated because a large number of firms that have professional service contracts with the County had contributed to former Mayor Apana’s election campaign. The Commission found that, although the method of qualifying, evaluating and selecting the contractors meets the requirements of State law, it appeared that the process could be manipulated. State law provides that professional service contracts may be selected through a process that includes the preparation of a list, at the beginning of the fiscal year, of qualified firms to provide certain County services. During the fiscal year when services are required, a screening committee evaluates the firms on the list and their ability to provide the services. The screening committee recommends the top three firms to the director. The Commission was concerned that the screening committee may be comprised of the same people who served on the committee that prepared the list of qualified firms. Mr. Crow informed your Committee that the new Commission is not planning an additional review of this item.

Your Committee notes that concerns regarding campaign contributions would come under the purview of the State Campaign Spending Commission.

Your Committee requested that the Commission consider reviewing construction contracts and the use of change orders.

Your Committee recommended that your Government Relations Committee further consider this matter.

Council Services Budget:

Mr. Crow stated that the Commission reviewed the Office of Council Services’ budget with the Director of Council Services because of a significant increase in the office’s budget over a two-year period. He stated that the Director’s explanation appeared to be reasonable and that no further analysis was performed.

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Risk Management:

The Commission reviewed the John Mullen and Company's contract for third-party administration of the workers' compensation program and four reports from the Risk Manager. Mr. Crow stated that in response to the Commission's recommendation, a Risk Control Specialist was recently hired, and additional measures for improvement would be cost effective.

Parks Department:

The Commission expressed concern regarding the \$80,000 cost to sod the War Memorial Stadium and the maintenance of playground equipment. Although explanations received were vague and inconclusive, the Commission decided that no further review was needed.

Write-off of County Receivables:

The Commission reviewed the County's plans to write-off a \$462,000 shortfall from the Maui Economic Concerns of the Community for the transitional housing project, Hale Makana O Waiale, and additional write-offs of \$200,000 per year for a total of \$3 million. The Commission concluded that this type of problem emphasizes the care the Administration and the Council must take before agreeing to provide financial support for projects.

Your Committee notes that the situation resulted from actions taken by the Administration in 1998.

Boundless Playground:

The Commission expressed concerns regarding the cost of the Boundless Playground, which was estimated at \$1.4 million: \$300,000 from the Weinberg Foundation and \$800,000 from County funds. Mr. Crow stated that the Department of Parks and Recreation made a presentation on the project and the Commission recommended that the project should not proceed.

Your Committee requested the Commission to provide a more detailed rationale for the conclusion.

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County Service Center:

The Commission requested information regarding the cost of the County Service Center. The Commission was provided with very little information regarding the estimated costs and, therefore, hypothesized that the original cost was grossly underestimated.

Your Committee noted that the Council had reviewed the County Service Center more than once.

Kalana O Maui Repairs:

The Commission requested the status of the repairs to the building. Mr. Crow stated that the Commission has briefly reviewed the engineering report, which disclosed several issues.

Your Committee notes that the building's basic structure was sound, but that it suffered from poor maintenance. Some of the issues relate to problems with the chillers, the roof leaks, and some exposed and expanding rebars.

Administration Transition Costs:

The Commission recommended that the County budget should include at least two weeks of transition costs during the election year.

Your Committee voted to recommend referral of the matter relating to the Planning Department Operation to your Energy and Economic Development Committee for further consideration, referral of the matter relating to Grants to your Housing and Human Services Committee for further consideration, and referral of the matter relating to the Procurement Process to your Government Relations Committee for further consideration.

Your Budget and Finance Committee RECOMMENDS the following:

1. That the matter relating to the Planning Department Operation (as it relates to the Cost of Government Commission's Report) be REFERRED to your Energy and Economic Development Committee for further consideration;

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2. That the matter relating to Grants (as it relates to the Cost of Government Commission's Report) be REFERRED to your Housing and Human Services Committee for further consideration;
3. That the matter relating to the Procurement Process (as it relates to the Cost of Government Commission's Report) be REFERRED to your Government Relations Committee for further consideration;
and
4. That County Communication No. 03-103 be FILED.

Adoption of this report is respectfully requested.

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G. RIKI HOKAMA **Chair**

DANNY A. MATEO **Member**

WAYNE K. NISHIKI **Vice-Chair**

MICHAEL J. MOLINA **Member**

ROBERT CARROLL **Member**

JOSEPH PONTANILLA **Member**

JO ANNE JOHNSON **Member**

CHARMAINE TAVARES **Member**

DAIN P. KANE **Member**