

**COMMITTEE OF THE WHOLE  
DELIBERATION AND PRELIMINARY DECISION-MAKING  
FY 2014-2015 ANNUAL BUDGET**

**MAY 12, 2014**

A Deliberation and Preliminary Decision-Making Meeting on the FY 2014-2015 Annual Budget of the County of Kaua'i was called to order by Jay Furfaro, Chair, Committee of the Whole, on Monday, May 12, 2014, at 9:29 a.m. at the Council Chambers, 4396 Rice Street, Room 201 Līhu'e, Kaua'i, Hawai'i and the presence of the following was noted:

Honorable Tim Bynum  
Honorable Mason K. Chock, Sr.  
Honorable Gary L. Hooser  
Honorable Ross Kagawa  
Honorable Mel Rapozo  
Honorable JoAnn A. Yukimura  
Honorable Jay Furfaro

The meeting proceeded as follows:

Chair Furfaro: *Aloha*, good morning. I would like to welcome all of you to the Deliberation and Preliminary Decision-Making of the County Council on the upcoming Operating Budget. I do want to touch on a few comments before we go forward and at the same time I want to thank everyone and the staff who made this weekend so successful for the 100<sup>th</sup> Anniversary of the building. We had a number of blessings, the food was tasty, the music was excellent, and we had over a hundred and seventy-two (172) people that came for the presentation of the actual history of the building. It was a very successful anniversary. We kept a guest book, so we have something to share with the next 100 years. On that note, I want to say thank you to everyone. Before we begin, I want to remind everybody that I will be making a small introductory presentation and turning the meeting over during the presentation to Mr. Rapozo, the Vice Chair of the Committee of the Whole. I will be giving the Mayor some time to speak as well but today is really the start of decision-making on the Annual Operating and CIP budget for the County of Kaua'i. The second and final reading of the budget will be held in just over two (2) weeks on May 28 but the Council should be able to come up with an understanding of the budget agreement. If not, the Mayor's March 14 budget submittal will go into effect. It is our responsibility as Councilmembers to finalize the budget and negotiate a conclusion that both works for the County of Kaua'i for the people as well as for the Administration. However, due to the changes in the revenue from the Transient Accommodations Tax (TAT) and depending on the Council actions regarding the revenue proposal, the March submittal would not accurately reflect the balances and the budget if we do not reach an agreement.

I do not want to spend July and August with a flood of money bills if we cannot come to an agreement today and that is exactly what will happen. I am saying to all who are here as well as the Council, this is our duty and responsibility to come up with the responsible financial figures for our Operating and have an accurately reflected budget for this County. There are some challenges facing us and I want to be sure that Councilmembers are aware of those items and the different potential scenarios especially when it comes to revenue. I do understand that in the Mayor's presentation we will have a better picture of the trends that were indicated to us as it deals with the allocations. Perhaps Steve will bring us as current as he possibly can but that in fact is the decisions

and presentation that need to be made at the start of the meeting so that you are all well informed as it relates to our retirement system. Again, that is not the perfect timing but that is the timing that we have. They change from a trends analysis to an actual. To the Mayor and Steve, we are anxious to hear your final conclusion on that as it relates to retirement system and our Other Post Employee Benefits (OPEB). Again, I just want to reiterate, it is important that everything we discussed over the next two (2) days; it gives us some realistic numbers that they are in fact obtainable to commitment and dedication for the Operating Divisions here. The proposed cuts, should they exist in the next two (2) days, should also reflect items that are realistic and obtainable. On that note, Mr. Rapozo, I would like to make a presentation on the opening again. I will turn the floor over to you.

Chair Furfaro, the presiding officer, relinquished Chairmanship to Mr. Rapozo.

Mr. Rapozo:

Thank you, Mr. Chair. The floor is yours.

Chair Furfaro: The first one is self explanatory. The first sheet as it relates to Real Property Taxes, I would like to make note that in comparison and comparison, the County has had a reduction in property loss of revenue to the tune of seven point eight million dollars (\$7,800,000) as it relates to comparisons through the period of 2008 and 2013. 2008 as you all know is where we peaked, but at the same time I would like to provide an acknowledgment to the whole Council for the period of 2008 – 2013, we did during that period, cap primary residents owner-occupied property which gave about fifty-one million nine hundred thousand dollars (\$51,900,000) of Real Property Tax relief to the taxpayers over the period of time. Next slide. We also reacted to three (3) Charter Amendments and I want to point out to you again, the Charter Amendments are mandated to us by the voters, these are the items that the Charter Amendments created. A stand-alone Parks and Recreation Department in the 2006 Charter Amendment that also over that period of time has actually increased the expenditures for the County of Kaua'i by about fifty-six million dollars (\$56,000,000). We also by Charter Amendment, prepared by the voters, added the Office of Boards and Commissions in 2006. That added four point eight million dollars (\$4,800,000) in costs through those periods. Finally, the Office of the County Attorney in the Charter Amendment of 2008, which added four point one million dollars (\$4,100,000). As you can look at the last year on the chart there for 2013, you can see those Charter Amendments that mandated changes through our County operation as the corporation of the County of Kaua'i on the yearly averages of those increases.

By action of joint efforts by both the Administration as well as the Council, the Transportation Agency, which draws from the General Fund, extended bus services around the island, and these increases compared to the 2008 budget, added about two million five hundred thousand dollars (\$2,500,000) annually. Next, there were large non-bond fund capital improvement projects that were identified and I have listed those here as they are direct benefits to the community, and added to our assets for projects that were greater than five hundred thousand dollars (\$500,000). This included Cultural Works from the Heiau in Po'ipū to the ongoing projects with Kekaha landfill expansion, Kilauea Bridge, and the Piikoi Building renovations. Next slide. Gentlemen, I think these numbers are pretty small but you can see over this period of time from 2008 the growth, and this is in your worksheets, you can see the growth by the individual Departments across the board for this last six (6) year period. This is for your comparison and it covers all of the general operating Departments. There are some additional explanations as it relates to the Transient Accommodation Tax amounts that we have lobbied for with the State. The losses in the three (3) years... that we agreed to the cap for three (3) years thinking that this year we would get back to our original allocated amount was substantial each year. From seven point five million dollars (\$7,500,000) in year 2012 to ten point four million dollars

(\$10,400,00) in year 2013, and an estimated nine million dollars (\$9,000,000) for 2014. We have well over twenty-seven million dollars (\$27,000,000) of decreases and anticipated revenue and hopefully we need to just continue to lobby for our fair share of these TAT costs.

On Real Property taxes I want to point out to you and it should be known, there had been no changes to the Real Property Taxes between Fiscal Year 2009 – 2012. I want to repeat that with all of the reductions and revenue and the Charter Amendments that added operational functions to the County there has been no real change in Real Property taxes from 2009 – 2012. I want to compliment you because I think that is quite an accomplishment during that period of time. I would also like to point out in Fiscal Year 2013, the Council decreased the homeowners tax class by thirty-five cents (\$0.35) on building and we decreased ninety-five cents (\$0.95) on land and that was in the homestead category which is the primary category for owner-occupied property. We increased only the single-family residential tax class and only on land by ninety cents (\$0.90) and these are for homes that are not owner-occupied or sometimes secondary homes owned by mainland seasonal visitors and rentals. We have in the past year increased the hotel and resort tax by thirty cents (\$0.30) on building and twenty-four cents (\$0.24) on land and that was in 2013. There were no real changes during the period of 2009 and 2012. Again, this is just some history, but we do know at this point that we do have a proposed two dollars (\$2) increase on the hotel and resort categories. A very important piece in FY 2014, we transitioned to a single value tax rate structure. So we no longer calculate the taxes on land and building separately. From 2009 to 2012 there have been no changes in Real Property taxes however the Administration and the Council continued to add projects that were done without raising taxes. I think that is something we do not say enough about. At the same time we gave substantial breaks on property owned by owner-occupants.

As we go to the decision-making schedule, and I want to make sure again that we give the Mayor and Steve appropriate time to comment on their supplemental communication which came to us over the last week and I would allow time for that today. We also agreed to use the Mayor's supplemental budget as a starting point and except all changes between March and May before decision-making begins. I want to make sure I say that again, we are going to operate over the Mayor's supplemental budget as it was submitted this time and the changes that were reflected between the March and the May schedule. Five (5) votes are needed to add and four (4) votes are needed to delete. Pursuant to the Kaua'i County Charter, the Council must pass the budget on final reading on June 7 otherwise the Mayor's initial budget submitted on March 14 goes into effect.

Decision-making schedule. We have to take these into consideration upfront and I want to share that with you because we have to have an understanding at the workshop about these particular revenue opportunities even though they will be voted on later in the week. The revenue areas that are important have discussion and have an understanding of where the votes are going and that is just the way the schedule worked out here; Motor Vehicle Weight Tax, Solid Waste Tipping Fees, the Public Access Open Space Natural Resource Preservation Fund, planning for the TVR certificates, which is a proposal going to the Planning Commission, and Real Property Taxes. I do not plan to revisit all of these particular parts too often today but I want an indication. Yes, Mr. Bynum.

Mr. Bynum: Just a process question. I believe that it is essential that we discuss Real Property Taxes after decision-making on cuts and adds. That is how we can balance the budget at the end. These other ones, I agree, we can deal with upfront but I strongly urge that we save property tax decision-making for after we know what the budget is and what the expenditures are.

Chair Furfaro: JoAnn. See if you have the same question as Mr. Bynum, I will answer it with one answer. Go ahead.

Ms. Yukimura: I just wanted to say that when we come to the Public Access Fund, I will be talking about property tax rates just under necessity. As long as we understand that and I presume that is okay because...

Chair Furfaro: I presume both of you just said exactly what I intend to happen during this decision-making. There are no reservations here. Property taxes, revenues, and so forth – what I am pointing out on the board here is these bills are not in their final reading until Wednesday, but if you make a commitment here to me right now, a *hāna koko lele* if you change your mind because we are going backwards.

Ms. Yukimura: Totally. I understand.

Chair Furfaro: That is what I want you to understand. Because if we do not have an understanding here and we get to Wednesday and your vote is different, this whole budget no can. Tim.

Mr. Bynum: Thank you for the dialogue and we are going to probably have a very different spending picture at the end of decision-making and when we know what the decision-making...what is about expenditures then my position on Real Property Tax will probably change based on that outcome. I just strongly request we save that decision-making for the final. The rest of these revenues, and I agree with you, the commitments we make here we need to be prepared to vote for it when we officially put it on record. But the real deadline decision (inaudible). I am just requesting that one portion of revenue be saved to the end.

Chair Furfaro: Again, all I want to say is we have to have an understanding and then please if you commit to an understanding I expect you to commit your vote accordingly. Mr. Kagawa, did you have a question?

Mr. Kagawa: I just wanted to reiterate what you just said, let us go through the process as we intend with our cuts and adds and if we want to have that discussion about revenues now that we see all the cuts and adds then I guess we can have it. But it may not be set in stone because people do change their minds. They can come up with amendments on Wednesday on Real Property Taxes, but for now, let us just stick to the plan and see how far we get. Hopefully, I would like to see us wrap it up in a day – all of this. But we will see. Thank you.

Chair Furfaro: Mr. Hooser.

Mr. Hooser: I just want to be clear on the process because there are a lot of conversations going. So, we are not going to be asked to vote on tax rates until after we know what the expenditures are, is that correct?

Chair Furfaro: I am going to basically say again through the day we will be asking to have some commitments about the Operating costs, but to get us to start at the beginning I would like to know the status of where I think these bills are going. What I am saying is if we have this kind of idea of where these bills are going but then on Wednesday, we change our vote on them, it is kind of hard and we wasted two (2) days if there are major changes.

Mr. Hooser: I agree with all of them. They are pretty straight forward except the property taxes because there are a lot more moving parts in the property tax discussion than there are on the other bills.

Chair Furfaro: I would agree but I will be very honest with you right now, as I just pointed out for the members that have been on this Council, there is a lot of dialogue that seems to recognize that since 2009 this Council has not raised a lot of taxes since these periods and not understanding what has happened to the TAT until we have a clear picture right now. There are these financial pieces that have changed as to the contribution of what is going into the General Fund. But there is no problem of basically reminding ourselves that maybe it is in the situation that we have to visit some revenues that we have not visited for several years.

Mr. Hooser: If I could respond?

Chair Furfaro: Please, go right ahead.

Mr. Hooser: I agree that at the end of the day there will have to be some revenue increases in the property tax but it is the amount and the various categories and it deserves a robust discussion and we only know what the target is after we do the expenses. I was going to ask you on your presentation, you said between 2009 and 2012 there were no property tax increase.

Chair Furfaro: On certain classifications.

Mr. Hooser: Right. Though you are speaking on rate increases and not net property tax increases to residents because...

Chair Furfaro: Yes, you are correct.

Mr. Hooser: So values did go up and property owners did pay more taxes during those periods.

Chair Furfaro: What I did say Mr. Hooser, and I want to get this straight, the property tax assessments peaked about 2008 and then in fact property values went down no matter what happened with the rates. So, the values went down, the price assessments stayed the same, and in reality, taxes did not go up.

Mr. Hooser: Okay. I wanted to be clear on that.

Chair Furfaro: And that was the first part of my presentation on the net difference of those five (5) is about seven point seven million dollars (\$7,700,000), values going down and rates staying the same. Now we are going the other way where values are finally recovering but our proposal has rates pretty much staying where they are except the hotel and resort.

Mr. Hooser: Thank you for clarifying that because I think it is important.

Mr. Rapozo: Mr. Chair, I am going to ask that you finish your presentation because we are starting to get into the dialogue of the decision-making. Can you finish the presentation and then we can come on back.

Chair Furfaro: I have no problem agreeing with you.

Mr. Rapozo: You only have a page or two left.

Chair Furfaro: I did not want to ignore questions being asked. A couple of pages left here and to reiterate if you indicate to us where your decision-making is going to be on these revenue bills, it would be appropriate that you understand I expect you to be in the same place when we actually vote on the bill. As a reminder not supporting this revenue measures will mean that we will somehow need to identify other funds which really the only part we have would be the real property, and that was the comment that I was not able to complete before the questions and answers (Q&A). I want to say that all in all please consider again the proposed cuts, let them be realistic if you have cuts proposed, and at the same time if you are going to make a commitment about a revenue piece, but to add revenue I would expect that we have your vote during this workshop, and is the same vote that we are looking for when the bill actually comes in front of us. Just in closing again, the Administration will have to deliver some news to us as it deals with the actuarial. Steve had a very important meeting in Honolulu and he has to deliver that news to us. Those are trends if they adjusted the trends downward that would be favorable to us and again as it comes to some answers for some of these other particular parts, I have some worksheets for you – ten cents (\$0.10) on all categories means adding about a million six dollars (\$1,600,000) in revenue, twenty cents (\$0.20) of course then means we are adding three million two dollars (\$3,200,000) in round numbers. That is the amounts across the board on all categories including hotels again. Mr. Rapozo, I am done with my presentation.

Mr. Rapozo: Thank you. Did you want to come back?

Chair Furfaro: Yes. If you can invite up the Mayor and Steve.  
We have a question.

Mr. Rapozo: Mr. Bynum.

Mr. Bynum: I would like an opportunity to make some opening comments and how I am going to approach it and I think it would be very useful to hear from other Councilmembers as well.

Chair Furfaro: It is your call.

Mr. Rapozo: Let us do the...when we come back in session we can do the discussion part. For right now, I would like to stick with the schedule and when we reconvene as a full Council, we can then have that discussion. I do not have a problem with that at all, just that I want to stick to the schedule otherwise we will be here all night. Mr. Chair, I will turn it back over to you at this point.

Mr. Rapozo returned chairmanship to Chair Furfaro.

Chair Furfaro: Welcome Mr. Mayor.

There being no objections, the rules were suspended.

BERNARD P. CARVALHO, JR., Mayor: *Aloha* and good morning.

Chair Furfaro: I am delighted to have you and your staff here as we begin the deliberation period. As promised in our correspondence, I will give you fifteen (15) to twenty (20) minutes or so to make some commentary. I would like to hear from the Finance Director on the outcome on the trends analysis as it relates to the actuals.

Mayor Carvalho: First of all, good morning Chair and members of the Council. *Mahalo* for the opportunity to speak. I appreciate the presentation that you presented Chair on some of the areas that we all talk about numerous times over and over again. Now we are here to look at our supplemental budget and get into the details of it. I wanted to have a chance to just give an overview, and then of course our fiscal, along with Steve and Ernie who will give us in depth information. I also wanted to thank Chair and the Council for a wonderful event this past weekend. I got to attend and it was a really nice celebration – 100 years...very successful. I understand the tours went well. So, that was really good. Anyway, several significant things have happen that influence our decision-making while developing the supplemental proposal and believe me, we have rolled up our sleeves like I said and we are going to try to figure out how to address the issues before us, received and used with our bond rating from Fitch has been downgraded. There were several reasons why this happened but the basic underlying problem is that our revenues and our expenses are just not in line at this time but we foresee us working together and making it better for all of us. And of course our annual operating budget is not sustainable. We are trying to see how we can make it sustainable. Second, our share of the TAT obviously was not restored to the extent that we thought it would be, so that put another big wedge into what we had to do to discuss the issues. This leaves us little room to add new expenses or reduce the proposed revenue enhancements. So more than ever, we feel that the basic premise of our March 15 proposal was prudent and necessary; however, I would like to go over just two (2) major changes and then turn it over to Steve folks to go into the specifics. In our supplemental proposal, we reduced our operating expenses by an additional one million dollars (\$1,000,000) including dollar funding seven (7) positions that are currently vacant. Based on above cuts and recent EUTF estimate cost, the amount we budgeted in the May submittal for employee health benefits will now fully fund our obligations. While you have very tough decisions to make, we stand ready. Our whole cabinet is right behind me ready and willing to answer any questions and concerns you may have. We have gone there, met with you one by one, we have come across to give you information as much as we could, we submitted our budget on May 7 to give you time to look at it as well, and so I am very ready to talk and see how we can move forward. I know you folks have your sessions and information to do but just know that we are ready to assist in any way we can. With that, that gives a brief overview, I will turn it over to Steve to get into the specific areas. Steve.

STEVEN A. HUNT, Director of Finance: Thank you, Mayor. Council Chair, Vice Chair, and members of the Council, Steve Hunt, Director of Finance for the record. The primary goal that we set for ourselves at the Administration was to fully fund our OPEB requirements. At the time we submitted our March submittal, that unfunded balance was about four point five million dollars (\$4,500,000), we were only funding about seventy-three percent (73%) of our obligation. Naturally we were a bit disappointed at the amount of the TAT revenue that was allocated to the Counties during the Legislative session. Kaua'i County had been hoping for an increase of about ten million dollars (\$10,000,000) which would have been removing the collective County's cap of about ninety-three million dollars (\$93,000,000) and restoring it to...currently it is at about a hundred and sixty-five million dollars (\$165,000,000) would have been the total share of which Kaua'i County would have been approximately twenty-three million dollars (\$23,000,000) of that. However, the fallback that we had anticipated was at about seven and a quarter percent (7.25%) of the TAT revenue as opposed to nine and a quarter percent (9.25%) which would still resulted in

about five million dollars (\$5,000,000) in additional revenue for the County of Kaua'i. The primary reason the March 2015 submittal was underfunded, the OPEB, was that it seemed like a reasonable assurance that we would be made whole with the bottom of five million dollars (\$5,000,000) and a ceiling of ten million dollars (\$10,000,000) from the TAT. Again, we were somewhat shocked at the decision to allocate only one point four five million dollars (\$1,450,000) and the Mayor and Councilmember Rapozo was there. I think Councilmember Rapozo and I are probably still have some rug burns on our chin from our jaws dropping so far. But it is what it is. So we had to come back with the continued goal of trying to fund OPEB. The tax increases that have already been proposed, the vehicle weight, solid waste tipping, TVR registration, properties classified as hotel having an increase with the tax rate combined with the underfunding of the Public Access Open Space to make up the four point five million dollars (\$4,500,000) OPEB difference, we really were looking at budget cuts from operations as well as relooking at some fund balances that still were available. In our May 7 submittal this year, the additional net revenue was about eight hundred and fifty-five thousand dollars (\$855,000). Of that, the TAT was one point four five million dollars (\$1,450,000) plus our revised projections on transportation on the bus based on how they are trending currently, added another hundred thousand dollars (\$100,000) but we also realize that in our March submittal we had a million one thirty-eight thousand dollars (\$1,138,000) in the bond subsidy which is a fund balance and we actually did not have that fund balance available. It was anticipated fund balance which is again writing a check that we do not have the funds to cash. Based on the revised estimates we had to draw that down from our revenue projection by six hundred and ninety-five thousand dollars (\$695,000), so the combination of that really gives us only eight hundred and fifty-five thousand dollars (\$855,000) in new revenues between the March submittal and the May submittal. To achieve, again, trying to fully fund our OPEB, we went back to the budget. We looked at unassigned fund balances. There were about a million fifty-four thousand dollars (\$1,054,000) that was transferred from unassigned fund balance to get us closer to budgeting. We did have a reduction of about a hundred and ninety-two thousand dollars (\$192,000) from other fund balances. There were over a million dollars (\$1,000,000) in net reduction from operational expenses. In fact it was closer to one point three four million dollars (\$1,340,000) in cuts but we did have some adds to net out. So, over a million dollars (\$1,000,000) in operational expenditure cuts and the overall result is a budget that is approximately six hundred and sixty-three thousand dollars (\$663,000) higher than our March submittal. But that also includes an additional two point seven two million dollars (\$7,200,000) in OPEB funding. The May submittal as we knew prior to Friday was going to fund nearly ninety percent (90%) of our OPEB obligations still leaving us about one point seven million dollars (\$1,700,000) short. As Chair mentioned I attended a meeting on Friday with the EUTF Administrator and our actuary's from Dallas Texas. We went through each Counties reports looking at the funding that is going to be required. Again, we started funding it in 2007. It is essentially a thirty (30) year mortgage to get us whole to build that endowment that will cover our unfunded liability. Based on several factors which included a lower than anticipated Rx drug costs, continued high levels of Federal subsidy for the medicare part "B" and a strong equities market, the OPEB payment for what we call an Arc both consists of two (2) parts, a pay as you go which covers your current employees plus their portion on the future liability, as well as the current retirees that were funding the unfunded portion. That was reduced based on performance going from about twenty-three percent (23%) of our fringe and salary cost down to twenty point three percent (20.3%). Again, that savings was about a million seven hundred thousand dollars (\$1,700,000) which now brings us to a fully...with the submittal we submit with no changes, we are now based on the actuary report fully funded in OPEB.

I feel that continuing to fully fund OPEB is critical to achieving another objective which is developing an operational budget that is structural balanced and sustainable over

time. In getting into the details of our cuts, the cuts to the operating expenditures, the largest amounts were in vacation payout of about four hundred and fifty-four thousand dollars (\$454,000). About three hundred and seventy-seven thousand dollars (\$377,000) in regular salaries, a hundred and seven thousand dollars (\$107,000) in overtime and about eighty-five thousand dollars (\$85,000) in leased vehicles. These cuts include, as the Mayor mentioned, seven (7) more dollar funded positions since our March 15 submittal bringing the total dollar funded count to nineteen (19) dollar funded positions. Also, six (6) more short funded positions bringing the total of short funded count to eleven (11) positions. Again, speaking about the vacation payout this essentially creates a moratorium because the funding for vacation payout will no longer be a budgeted line item in terms of a specific line item but will actually be funded by the retiring or departing employees annual appropriation for their salaries and benefits. So if they have accumulated vacation or comp-time payout, it will be funded from their positions which mandate you cannot fill that position until you make whole the obligation for vacation payout. Regular overtime was another area that was cut primarily by the Fire Department and I guess as the Director of Finance, I oversee the overall County budget, of course along with the Budget and Purchasing Director Ernie Barreira, and our two (2) superb budget analysts Anne Wooten and Ken Shimonishi, but I also prepare and implement the budget for the Department of Finance. I am aware that an updated vacancy report has been provided to Council for your review and that positions that remain vacant but funded could very well be on the chopping block. Speaking in my capacity as the Department Head and probably for the Department Heads behind me this morning, the goals and objectives that were presented during our April budget presentations are dependent on having adequate staffing. Similarly, providing customer service to the public, answering Council's inquiries, completing scheduled projects, maintaining regular business hours, and keeping overtime to a minimum are all predicated on a level of staffing that is being budgeted currently. If certain positions are not filled, I can assure you that there are pockets of work that simply probably will not get done in FY 2015. This does not include any future work or requirements that may arise from Ordinances that may have yet to be enacted. As you review the Countywide position vacancies, I urge Council to be careful in considering the potential ramifications of these cuts. While I fully understand that increased taxes and fees do not sit well with our constituents, I also feel that we need to adequately fund the costs of government services to avoid these increases. Council within their discretion certainly can reduce the OPEB contributions, raid what is left in our (inaudible) fund balance, dollar fund remaining vacancies, to get a balanced. Budget but it does not provide us a means of getting towards a structurally balanced budget. If we do not position ourselves with rates and fees that are commensurate with our peers, making it more difficult and costly to fund a project such as the lateral expansion of the landfill and the Material Recycling Facility (MRF) and other infrastructure costs, I feel that we will have a very long road ahead of us.

Mayor Carvalho: Also Chair, just using your word, "*a hana koko lele*," I never heard that for a long time but that kind of reminds me of some of the decisions we got to make. I just wanted to be sure that if there are any major types of cuts or decisions that have to be made that you give us a chance to explain the services that could be impacted. I know you know that so thank you for the time.

Chair Furfaro: Thank you. Just a couple questions for you. First of all on OPEB, I want to make sure what I am understanding here, on the March submittal we were funding it seventy-three percent (73%) and we were short four point seven million dollars (\$4,700,000). Then after the submittal that you had given to us, we were still short two point seven million dollars (\$2,700,000) but we were now funding eighty-nine point nine percent (89.9%) and with the recent trends analysis and the Arc

reports, we are going to get that million seven covered so we are going to be one hundred percent (100%) funding again our employee retirement system?

Mr. Hunt: That is correct.

Chair Furfaro: I just wanted to say congratulations. I know it is a Friday going over there and spending time in Honolulu to go through our county personnel but thank you so much. The TAT I want to say, nobody is more disappointed than myself because I thought we had an understanding from the House, but we need to be lobbying every day so we can go forward to make sure that the State understands the importance of our fair share. We have funded on my time an additional seventeen (17) lifeguards for the beaches. We have done a lot of things and need to do even more with public safety which is related to also our visitor responses, and we need to be very constant on that message. Thank you for the current staffing reductions and we do have the May 9 report and I am also proud to say that the Council sacrificed a position as well to get you there with a fulltime position. I am wanting to make sure we clearly understand the vacation payout that you taken off the credit of the payroll liability. You are basically saying to us that when someone is planning to retire and if they got nine hundred and sixty (960) hours in the bank or seven hundred and twenty (720) hours, you are sending them on vacation before the conclusion of their employment and there is no real money left or carryover for cross training that persons replacement?

Mr. Hunt: That would be an accurate statement although it could also work that they could leave with vacation and then we cannot fill with the length that they...

Chair Furfaro: Understood. I want to make sure that there is a little issue with continuity there. What is our current position with our actual reserve?

Mr. Hunt: We have two (2) reserves. The first is the unassigned fund balance.

Chair Furfaro: Yes.

Mr. Hunt: We will be leaving approximately, I believe, it is four hundred and thirteen thousand dollars (\$413,000) in there.

Chair Furfaro: Four hundred and thirteen thousand dollars (\$413,000)?

Mr. Hunt: Correct.

Chair Furfaro: Okay.

Mr. Hunt: And then the committed reserve with the appropriations that are in the current submittal, we will be funding a total of about three point six million dollars (\$3,600,000).

Chair Furfaro: Okay. I want to thank you very much for the very comprehensive review. Let me see if I have other comments from other members. I also want to say with the bond rating we still only heard from Fitch. We have not heard from Standards & Poor in writing in a document, am I correct?

Mr. Hunt: Moody actually did their review in the summer. So, I do not think we are having a secondary review within the year, so there has been no movement. I do not anticipate a movement until the next review potentially. Standards & Poor recently got a questionnaire filled out and there has not been any follow-up but they are certainly aware of the Fitch rating. So whether there is going to be follow-up or a reduction in the rating downgrade is yet to be seen.

Chair Furfaro: And then the last one before I open it up to the other members, I do want to...if there is an incremental increase and we replenish the Open Space Fund, I do want to say that I think that goes towards our bond rating as well because they see this money there for acquisition of land which then leads them to determine that we either have money or we have enlarged our asset holding and that should go to our favor.

Mr. Hunt: On the first part of that question, no, they actually do not look at that as available funding because it is a specific use fund. It cannot be for other obligations. But on the second part, yes, it is an increase to our asset based on the fixed asset side so it does expand the value of our holding as a County.

Chair Furfaro: So it would increase our review of our total assets but they do not look at that account as being cash available?

Mr. Hunt: Correct. It is not a positive influence on our Fund Balance.

Chair Furfaro: Even though it would go towards acquisitions of assets?

Mr. Hunt: Correct.

Chair Furfaro: Okay. Thank you very much. I will go around the table. Mr. Bynum.

Mr. Bynum: Hopefully, we are all going to get five (5) minutes to talk about our approach to the budget.

Chair Furfaro: You are all going to get five (5) minutes.

Mr. Bynum: So, I will just say that Mayor, I have not objected to your spending proposals since you have been Mayor. I think they have been prudent and reasonable. I believe they are, this year, as well. It is always been your approach to revenues that I disagree with, respectfully. This time your priorities about what we do with any additional revenues, I hear very strong priority to fully fund OPEB and pride in that. I hope during this discussion we talk about what the impacts of all of the cuts both short-term and long-term. I will just say that my first look at OPEB, I had the same reaction that everybody else did. I was like, "oh my gosh, if we come to that..." right, but now I feel differently about that and I hope we have some time to discuss some specific questions. The Chair answered one that this new approach to overtime. I understand it from a budgetary position but from an administrative position, or vacation pay, I am sorry, can results in whole positions on hold and no...I thought we were going to try to move to the other way where we can have continuity and training and actually fill positions while the current position is in place for training purposes. This is going for...in terms of being able to efficiently administer the County in the wrong direction I believe. I understand that is part

of the budget proposal now but I hope it does not stay that way. I just wanted to make those comments. You said we needed to charge rates and fees commencing it with our peers. I agree with that but this year is the Mayor's first ever property tax revenue proposal in the entire time that he has been Mayor, I believe that is true. It comes kind of late in the game, Mayor. The public record will demonstrate that revenue proposals to stem the loss of revenue were not forthcoming, right, but I understand that and it is good. That is your position and I think that will be part of the discussion this year. Last thing I want to say is, I will make some comments about the reality and history as the Chair has of how we got in this hole but I want to move forward. That is water under the bridge. We are where we are at now. I want to make sure that when that information is put out, that it is accurate. So I can see me interjecting if people want to rewrite history that is not consistent with the public record and what actually occurred – the CAFR, for instance. Again, I said your spending proposals, I think, since the day you have been Mayor have been really good ones and I will largely support it and I intend to do that this year. Thank you very much.

Chair Furfaro: I want this time for questions. I am going to give you your five (5) minutes for comments. Questions?

Ms. Yukimura: Good morning. Thank you for all your hard work because it has been a hard budget. My question is about your vacation pay policy. It seems very counterproductive especially as Councilmember Bynum has said that we have been looking to smooth the transition between retiring employees and incoming replacements. Then again, Mayor, your priority is consumer service and it is going to affect consumer service when we have these huge gaps in service and availability of County personnel. I am wondering if...what that seems to be doing is pushing the priority of customer service and succession planning to a much lower priority than say OPEB funding or raising taxes. Is that a wise decision? How can you justify that?

Mr. Hunt: Councilmember Yukimura, I think one of the challenges is not necessarily the funding but the structure of civil service. Unless you actually have two (2) positions of the same title available, you need to do the recruitment. You cannot hand select your incumbent. So you would have to be able to have a position available and pay them at the level it is even during the training process. So, that is something that is inherently difficult in civil service to begin with. So, if you have a manager that is retiring, you cannot just look at your staff below you and say, "I am going to select that person as a manager," until the position is available. Even if we had the funding still in there, we still have some challenges just based on how civil service works.

Ms. Yukimura: That is exactly my point. You already have that challenge, why are you making it harder? What are we doing to change the civil service system because we have to keep improving a system if it is outdated and it is not working for better succession and better customer servicing? Who do we not change it?

Mr. Hunt: And that is a much larger question than the County of Kaua'i.

Ms. Yukimura: I know but we are about making the change that makes the difference, right?

Mr. Hunt: Let me first answer your first portion of your question. You talked about the gap between someone who is departing. That is making the assumption that there is a lot of vacation payout left. Some people do decide to use them throughout the year when they are retiring that year so there may not be from the time the

position opens, they may have already taken their vacation or have a smaller payout then it would be at the full seven hundred twenty (720) hours that is allowable.

Ms. Yukimura: What is the percentage of those cases?

Mr. Hunt: I do not have that figure available.

Ms. Yukimura: I do not think that they are common.

Mr. Hunt: But I sign off on a lot of...my Department of Finance employees in terms of their approved vacation right now, the higher ones are definitely not the norm. Most people are using vacations.

Ms. Yukimura: Okay. So, that is going to make it a shorter period, I mean...

Mr. Hunt: To rehire.

Ms. Yukimura: How long of periods will it be? I thought we were trying to close the gap.

Mr. Rapozo: Let me just say that I do not believe there is any impact on the time to refill the position. What it does is it takes the salaries that would normally be in the line item for salaries and would end in the surplus and now you are using it for General Fund expenditures for this current year. I think it has nothing to do with... it does not change the effect of the hiring date. It is the same. The body leaves when the body leaves. In the old system that money, let us say it takes six (6) months to hire someone, we had a budget item for vacation and we had a budget item for fully year funding. That is six (6) months that you did not have a person would go into the surplus. So what they are saying now is that they are transferring that money into a vacation payout line which freezes out that money for us to use. I think it is a fabulous idea. I think it is the right way and it takes away from our surplus at the end of the year but if we were trying to get to accurate budgeting, that is the way to do it. Thank you for thinking that and making that happen but it has no impact on the hiring fund at all.

Ms. Yukimura: Okay, then I stand corrected if that is the case. I am not...

Mr. Rapozo: Well, that is what I was told. I am hoping that is what is happening because that is what I was assured and if it is not, please correct me right now.

ERNIE W. BARREIRA, Budget & Purchasing Director: Good morning. That is correct, sir. Also what should be considered is that we have left over two hundred thousand dollars (\$200,000) within the Department of Personnel Services for this very purpose. So, if we had a critical situation where we needed to fill immediately and had to utilize the money elsewhere to fund the vacation payout, we still have that flexibility within the budget.

Ms. Yukimura: Thank you for explaining that. I was not aware of that. Basically the main impact is decreasing the fund balance at the end of the Fiscal Year? I mean you do not have as much lapsing at the end of the Fiscal Year?

Mr. Hunt: Potentially. Because if you are now using the salaries and fringe to pay off...instead of having two (2) line items, you are using one (1) to pay off that same expenses accrued to the County which then reduces the lapse of funds that would have been in fringe and salaries for that employee when you rehire.

Ms. Yukimura: And there is the case that if there is a huge vacation payout that you would go beyond the period that it takes to recruit. No?

Mr. Barreira: That is possible. The ability to recruit and fill that vacancy could be longer than normal but generally speaking as DPS has made tremendous strides in more expeditiously filling positions and they shown that as evidence this year especially the Police Department. But essentially you could have with large seven hundred and twenty (720) hours plus twenty-one (21) days to be carried over if you retire at the end of the year, the payout could be extensive but once again we have that two hundred somewhat thousand dollars still available to us for those certain situations.

Ms. Yukimura: So it will be your policy then to use that money to ensure that there will not be any additional delay beyond that recruitment time?

Mr. Barreira: One of the things that the Managing Director talked about during her budget presentation is the creation of this Vacancy Review Committee. We are going to diligently commit to this process so that we can conduct analysis about positions that vacate to determine alternatives of what can be done; filling, re-describing, or perhaps making a decision that we can leverage other resources and not have to fill every position. It is about the sustainability. We have been talking about revenue and expenditures. I think that evaluation process will help us determine in what direction we go, but in order to be sustainable we not only need to look at revenue enhancement, we need to look at our cost situation and make prudent decisions where that could be adjusted as well.

Ms. Yukimura: I totally understand that and I think the vacancy review process would be very helpful because if you see the position is very critical to customer servicing that you cannot...the County would not be advised to just let that position stay open for a long time. You could use that two hundred thousand dollars (\$200,000) fund or do whatever it takes to accelerate a quick hiring.

Mayor Carvalho: Let me just say overall, with the Human Resource Department moving in the direction that we are going, the people there are trying their very best to look at it and focus on moving the process quickly in a very efficient and timely manner. I think that is the biggest part there. The commitment, I want to make sure is still there to of course look at the customer service report and we have shown you folks in many different instances where our Departments have brought in new people. We were able to work closely with Human Resources, and we work very hard on getting those recruitments pieces out and moving. So, with this whole new Department structure and the people there, the commitment is there and we are going to keep moving. We have to look at every single way possible and this is just another opportunity for us to look at how to meet the need of this budget.

Ms. Yukimura: Well the expeditious filling of vacant positions has been long awaited and we are really glad to see that happen because it is one of the most important ways you can support all the different Departments in their work. We appreciate that. My other question then is, this issue of keeping an adequate reserve and

also getting a good rating from the Bonding companies, how do you weigh that against a full OPEB? Or is there any real distinction between the two (2)?

Mr. Hunt: There is. I think you have to consider this in all terms because we do as a budget serve multiple masters here. An obligation is much like if you had the choice of paying your rent or in this case an obligation would be a mortgage. If you had a mortgage but then you also have utilities. Your obligation is the mortgage first, because without that you are evicted. So you do not have the funding to pay everything, you have to make those tough decisions which utilities you may not be able to do without. I view OPEB as an obligation – this is something we have to pay. Maintaining fund balances and a good bond rating, credit rating for the bond certainly is a goal that we want to strive to, but it is not an obligation. There are costs associated with not doing that and certainly going from an AA rating to an AA minus is probably going to cost us ten (10) basis points on any new feature leveraging for bond. Is it a deal breaker ten (10) basis points? Not that much relatively but on a large offering it could be in the hundreds of thousands of savings by having a better rating. One, we need to find out first when we are going out for a new bond issuance. We do not want to go out early because right now we will have to show where our repayment sources are going to be. We need revenue to pay for that bond so it is something we want to strive to certainly do before we do another bond issuance. How long it's going to take to build those adequate reserves is in question. Really it is getting to a structurally sound budget where at least not drawing anymore fund balances down first before we can move towards building that reserve.

Ms. Yukimura: Okay. Thank you for a very clear answer. So what you are saying is the issue of reserve is not as pressing or eminent unless we are thinking of floating a bond this year or something that we have time to build our reserve and perhaps what is most important rather than actually building it right now to the sacrifice of other things is a plan that will get us overtime to a good reserve?

Mr. Hunt: I think that is the more critical issue is getting a plan that gets us to building a reserve.

Ms. Yukimura: Right.

Mr. Hunt: Ideally I would like us to have a reserve but I do not think we are going to do that in any one (1) given year.

Ms. Yukimura: Okay.

Mr. Hunt: And if given the choice of sacrificing OPEB to build the reserve, at this point, I view OPEB as the more important obligation because every year we make that payment, we are getting closer and closer to reducing our balance of payments. At some point it is like having a home where you no longer have a mortgage on, and at that point we are going to have funding that is going to be available for a reserve.

Ms. Yukimura: With one exception that is we are part of a bigger fund and if the other parties are not properly funding...

Mr. Hunt: That is actually not correct. On OPEB we have our individual trust fund for OPEB. Kaua'i County is separate and we are actually with the exception of I believe the Department of Water that is actually funded a little bit ahead of us. We are the highest funded ratio of all the Counties.

Ms. Yukimura: Thank you for correcting that. So it is on our pension fund and not OPEB that we are in jeopardy?

Mr. Hunt: Yes.

Ms. Yukimura: Because of other government entities not keeping their obligations.

Mr. Hunt: Correct.

Ms. Yukimura: So OPEB, we are firmly and legally safe?

Mr. Hunt: Yes.

Ms. Yukimura: So that makes more reason to fund it currently?

Mr. Hunt: Yes and just to embellish a little bit on Friday's meeting, one of the questions that I raised because we had our Investments Strategist there as well is that if one (1) County reaches its goal faster than the other Counties, does the investment strategy change? Are we getting out of growth equities and more into stable funds because now that we achieved it, does the County of Kaua'i get treated separately. The reality is no because you still have future retirees coming on and it is always the number that is adjusted. But that was something I raised because they are individual trust funds Kaua'i County is treated as separately. Although they are invested in a pool, the actual accounting of it is separate.

Ms. Yukimura: So we could work for a change to make the pension fund like that too? Because we are so vulnerable based on other jurisdictions lack of funding, I mean that is something that we can look into because we need to protect ourselves.

Chair Furfaro: Excuse me, if I may? We have looked into that before, Steve.

Mr. Hunt: Yes.

Chair Furfaro: We have the documents that says, "they will not pool our pension fund," that is a very big concern. I shared that letter with Wally Rezentes and his response, "I will make sure I will get you a copy of that." Very, very important.

Mayor Carvalho: Chair, I just wanted to say, both sides, we said we made a commitment to fund OPEB and I know we both said that from the beginning, right? And whatever way possible and we found a way and we are going with it.

Ms. Yukimura: Yes, I appreciate that very much. Last question.

Mr. Rapozo: I thought the last one was your last question, JoAnn?

Ms. Yukimura: I did not say that.

Mr. Rapozo: You did and I want to respect everybody's time as well.

Ms. Yukimura: Okay.

Mr. Rapozo: You said that was your last question...is it related in any way?

Ms. Yukimura: Just a question on Moody's...

Mr. Rapozo: Go ahead.

Ms. Yukimura: Is Moody's timing such that it is based on old data that they did not have the current data that Fitch had?

Mr. Hunt: No the CAFR was not released so it was on older data. I think they were prodding as to what our estimates were going to be but the CAFR had not been released at the time we did the Moody survey.

Ms. Yukimura: So it is possible that Moody's...when time comes around for Moody's evaluation that they could downgrade us to...

Mr. Hunt: Correct.

Ms. Yukimura: Thank you.

Mr. Rapozo: Thank you. I think the scenario is like credit reports – Experian...you know you got three (3) credit bureaus. Today you might check your credit bureaus and two might be stellar and one might be bad. It is just a matter of time. Steve, you and I both know that. It is just a matter of time before the other review boards make the same decision. It is what it is and we just got to deal with that reality.

Chair Furfaro: Before I go to Mr. Hooser, I just want to say that I would have appreciated when I asked the question and you went silent without the vacation fund, what would you be doing for training money and you did not answer me on that two hundred thousand dollars (\$200,000) line. But you know what, when I opened the door for you to give us an explanation, welcome, give us the information. Mr. Hooser.

Mr. Hooser: Thank you everyone for being here. I know the budget is important to you. The most important thing we do probably during the course of our work. I am going to follow on the bond rating a little bit and I thank Councilmember Rapozo for using that example of credit report. Part of the discussion is for us to make good decision-making and I think a big part of it is for the public to understand how this decision is made and why we are in this situation where there are property taxes and other fees that will likely go up. So much of this is Greek, if you would, for many people. We talked about bond rating and Fitch and so using it as an example for a credit report, I think, is a good one. If you miss a mortgage payment then it is harder. It costs you more money when you go out to refinance and that is the situation we are in now. In looking at Fitch remarks, one of the drivers they say is, "persistent operating imbalance." I asked this question before and I would like to ask it again just to get it on the record, so what Fitch is saying, one of these bonds rating company is saying, is that we persistently do not have a balanced budget. When was the last time the County of Kaua'i, the Administration presented us with a balanced budget?

Mr. Hunt: Just to answer the question, we present every year a balanced budget, now, structurally balance where you are not drawing down fund balances and reserves to make a whole your balance budget. I believe 2008 or 2009, was the last structurally balanced budget where we had sufficient revenues to cover our expenditures including transfers out to our enterprise accounts which is one of the larger draws.

Mr. Hooser: So 2008 to 2009 and I believe Fitch, our bond rating agency would say that a balance budget is money coming on and operating funds...revenue equals expenses and does not include drawing down fund balances. I think that is the underlying key issue here.

Mr. Hunt: They are looking at stability of revenues and expenditures with maintaining a stable level of fund balance. That would be their definition of structural balance.

Mr. Hooser: So the County of Kaua'i since 2008 or 2009 has every year spent more money than they brought in through traditional revenue like property taxes as opposed to taking money out of your savings?

Mr. Hunt: From operational revenue, that is a correct statement.

Mr. Hooser: And we made up that difference from taking out of our balances.

Mr. Hunt: Which is our savings.

Mr. Hooser: I think is it important for the public to understand that, I really do. We talk about cuts and we talk this foreign language sometimes and I think that it is important that they understand that the County has done this. The Administration and members of the Council will justify that as to why that had to happen. But in fact, the County has spent more money than it has brought in since 2008 or 2009. We have our unassigned balance which is essentially our savings account, is that correct? Just correct me if I am wrong. That it is not dedicated to some other purpose.

Mr. Hunt: Correct. There would be two (2). The other one would be committed reserve as well. Those would be the two (2) that would be more less unassigned balances. They are committed a little more stringent in that there has to be a purpose that is noted whether emergency or the stated purposes for that fund.

Mr. Hooser: So, for emergencies, for example, if we had a hurricane and our economy was broken like it has happened in the past; for emergencies how much do we have now in the savings account that we could spend for emergencies?

Mr. Hunt: In those two (2) accounts, yes, we would have based on the balance as presented in the May submittal, we would have approximately four hundred and thirteen thousand dollars (\$413,000) in unassigned, and we would have approximately three point six million dollars (\$3,600,000) in the committed.

Mr. Hooser: Okay, so the unassigned is four hundred and thirteen thousand dollars (\$413,000), we would have and we could use in a moment notice for emergency.

Mr. Hunt: Correct. That would be moneys that would be made available prior to any lapse funds from the current operational FY 2014 December/January assessable, for the lapse funds that would go into unassigned fund balance.

Mr. Hooser: And approximately in 2008-2009 what was that balance?

Mr. Hunt: In all funds, I believe it was sixty-eight million dollars (\$68,000,000) in all funds.

Mr. Hooser: So unassigned funds...

Mr. Hunt: In terms of unassigned and committed, I do not have those figures readily available.

Mr. Hooser: Would it be ten million dollars (\$10,000,000)?

Mr. Hunt: I would have to research that.

Mr. Hooser: So sixty-eight million dollars (\$68,000,000).

Mr. Hunt: I know the current CAFR says we have thirty-three million dollars (\$33,000,000), but as you know only twelve point seven, eight (12.78) was actually available as unassigned of the thirty-three million dollars (\$33,000,000) in fund balance.

Mr. Hooser: Okay.

Mr. Hunt: The last two (2) years eating at about eleven million dollars (\$11,000,000) a year into our fund balance.

Mr. Hooser: So if we had an emergency today, we would have four hundred and thirteen dollars (\$413,000) to spend on plus we have the three point six million dollars (\$3,600,000)?

Mr. Hunt: Correct.

Mr. Hooser: And you said that is committed fund balance.

Mr. Hunt: Committed reserve which is actually for disasters.

Chair Furfaro: Thank you for finally saying that. The three point six million dollars (\$3,600,000) is committed by policy and ordinance for emergencies.

Mayor Carvalho: Right.

Mr. Hooser: So that is for savings account for emergencies, those two (2) figures right now?

Mr. Hunt: Correct.

Mr. Hooser: One of the reasons I bring this up is because I think there is more reasons to have a fund balance and savings then just the very important reason of our credit ratings, because even four million dollars (\$4,000,000) is not going a long way if we had an extended downturn in our economy. It is just evidenced by the last five (5) years.

Mr. Hunt: Yes.

Mr. Hooser: So we had not had a structurally balanced budget according to Fitch's definition, and according to my definition since 2008-2009, is the budget the Administration is proposing today meet that criteria?

Mr. Hunt: No.

Mr. Hooser: Why not?

Mr. Hunt: You are still drawing fund balance to balance the budget.

Mr. Hooser: Why are you not submitting a balanced budget according to Fitch's definition and my definition? Why are you not balancing income and expenditures?

Mr. Hunt: It would require incredible sacrifices and dramatic rate changes to get to that picture. We are slowly getting there but we are not there today.

Mr. Hooser: And when will you be there?

Mr. Hunt: Future budgets that we are looking at in five (5) year increments at a time, so we are looking to project out where we need to be. And there is also some of the revenue enhancements in terms of potentially even new class classifications that have yet to be delivered, so we are working on that as well. We anticipate having another movement in that direction with potentially additional tax classes coming forward.

Mr. Hooser: Okay, so Fitch in their report also says, "an inability to restore General fund structural balance will likely add further downward rating pressure." So what we are saying is that our credit report is going to continue to get worst in terms of the bond rating, so we are in this downward spiral in terms of our credit rating and bond rating and we do not know when we will have a balanced budget. You said five (5) years?

Mr. Hunt: No, we are looking at a five (5) year period for projecting out what our budget needs are going to be. Incorporated in that we also have to look at some of the six (6) year CIP projects and timing it to the financial needs for those. So as we go forward we will have to know when funds will be available, what types of funds will be needed, and associate the debt service with those funds that are going to be needed. So, we are not just doing an annual budget anymore but more of a budget projection for sustainability. Part of that will include again, additional revenue classifications for taxes, as well as what our needs are going to be.

Mr. Hooser: I think it is important. This is the key element here. We have not had a structurally balanced budget since 2008-2009. We do not have one presented to us today, and so my question is when does the Administration expect to have one? Is it next year? Is it the year after that? Is it four (4) years from now? What is the plan?

Mr. Hunt: I am not prepared to answer that because I do not have all the information as to what the next five (5) years ahead are going to look like.

Mayor Carvalho: I think that question is good for both sides, both of us to understand. We are trying to find all different ways to manage this budget process from 2008 till today.

Mr. Hooser: Right.

Mayor Carvalho: And we share with you all the different ways that we try to be creative, and understand to the people watching that we done as much as we could and touched on very open areas as well. We are getting there. We have a strategy piece in place. We want to look at different areas. I remember in 2008 we were hoping that it would get better. We did what we needed to do and we tried to do what we could. But now we are here with the facts and figures before you and we are just hoping that it gets better.

Mr. Hooser; So, we are hoping that it will get better and I hope that it gets better too. Thank you.

Chair Furfaro: Excuse me just a second here. Can I have that Resolution please? Steve, this is the document here and I want to make sure we all understand. It is easy to forget what happens in the past but you made no reference to this Resolution. This Resolution is about spending down on some of the fund balances but it is also about building a reserve, am I right?

Mr. Hunt: Yes, it is.

Chair Furfaro: Okay. Basically it says that we would be at the point that Mr. Hooser is asking for when we have a reserve of about ten million dollars (\$10,000,000), of which fifty million dollars (\$50,000,000)... fifty percent (50%) of that would be set aside for the emergency account which would be given money accordingly for any kind of emergency. We are not there yet but this is the document that basically says as we move to build a reserve, we would keep fifty percent (50%) of it for operating cash flow and working capital. We will keep twenty-five percent (25%) of it for economic fluctuation and for budget stabilization. We keep fifteen percent (15%) of it for extreme events including disasters, and another ten percent (10%) as it relates to risk management. Is this the policy that we are trying to pursue?

Mr. Hunt: It is very similar. I think the GFOA standards are even a little higher in terms of the revenue. We will probably be looking at about eighteen to twenty million which will be two (2) months of operational expenditures as the goal.

Chair Furfaro: That is the GFOA standard, right?

Mr. Hunt: Right.

Chair Furfaro: And it would be a percentage of our operating budget, right?

Mr. Hunt: Correct.

Chair Furfaro: And it is also right here in this section of past budgets, it has a definition here as to what the current terms are to get us to that place. It is in the Ordinance. I cannot believe that you did not refer back to what is some of the policy grades that we wanted to have. Nadine.

NADINE K. NAKAMURA, Managing Director: I just wanted to follow-up on Councilmember Hooser's comments. During our budget discussion and the Mayor's Office presentation, and you may have been out of the room at that time, but we did talk about the need to develop a five (5) year financial plan for the County. That is something we do not have in place but is something that we believe is necessary to articulate what are some of the needs in the future over the next five (5) years, what are some of the requirements based on collective bargaining, what are some of the assumptions about a rate of growth but also looking at where we need to make the cuts of what are the potential revenue opportunities. I think in the context of the Chair's Resolution and budget provisos, pull it all together so that there is a plan and a clear line of action or intent for the County on how we will balance this budget. It will take structural changes in every category you mentioned. I think we are going to need to collaborate with the Council in order to get a plan that we can all agree upon going into the next budget.

Mr. Hooser: Thank you very much for that further explanation. I appreciate the fact that the Administration understands the value of having a five (5) year plan. It is just very frustrating to be at this point where we are at now with no reserves and no plan. So that is the frustrating from my position, but I am happy to hear that we are going to be working on a five (5) year plan. I would be happy to work on that with all of you. What the Chair brought up about the Resolution, I think is important. The two (2) most important elements it seems like our...the reserves but also to have a balanced budget in the way that our bond rating agencies and I defined it, the income and expenses is equal as can be and those are the two (2) things. I appreciate that we have a plan. I appreciate the commitment that you are making for this. Thank you.

Ms. Nakamura: I just want to add one (1) more part and that is that Chair Furfaro pointed out that certain decisions were made about taxes and whether we were going to tax the public during a recession period. I think the decision was made to minimize those taxes to hopefully come out of the difficult financial times and we were hoping that with the lifting of the TAT, with better economic growth on the island that we would not have to increase the taxes during those hard times. Anyway, I just wanted to put that all in perspective as well.

Chair Furfaro: Again pointing out there is a Resolution which I introduced, and that Resolution was incorporated in the proviso, which is the budget Ordinance. So, you folks should be following those pieces as well. Also, I think that this is very revealing on what happened to us to the TAT because we should have also received... I mean if we had the ten point eight million dollars (\$10,800,000) that we thought we were going to have after we agreed to a three (3) year deferral, we would have a substantial amount of money to address public safety as well as rebuilding the reserve. We do have the policy in the Resolution and we do have the adopting of that policy in the budget proviso. Mr. Bynum, you have the floor.

Mr. Bynum: I said earlier that I was not going to talk about the past unless it was to be corrected. These are facts that are in the CAFR and in the public record. The Council did not adopt a reserve fund when they had the opportunity. Taxes did go up during the entire period almost for resident homeowners, and they went down for everyone else during the recession. That is a fact. Fitch says that this is about erosion about our fund balances. OPEB is a concern, but when I met with the Mayor, I said, "no further erosion in our fund balances," and the submittal had further erosion in fund balances. No new revenue proposals. So you did get the message from some of us that further erosion in the fund balances was the top priority. Fitch has now agreed with us a hundred percent (100%). Those are facts. Currently, if I got this right, the Mayor's proposal if we adopted it would take our fund balances to about three and a half percent (3.50%). When your Administration argued for a fifteen percent to twenty percent (15% - 20%) reserve just a few years ago and when we had the opportunity to put that in place, we did this Resolution instead and this is my memory and this Resolution does not set a policy goal, right? But this is basically taking us to flat broke fund balance.

Chair Furfaro: We need to move on from this. I want you to understand a Resolution is a Resolution. But that policy was put in as a proviso in the budget ordinance. Mr. Kagawa, you have the floor.

Mr. Rapozo: Mr. Chair, I just want to make a point of order before Mr. Kagawa.

Chair Furfaro: Yes.

Mr. Rapozo: If we are going to use this time for discussion or commentary then I would ask the Clerk to run the timer because I do not think it is fair that some members are going around using this opportunity to make comments and philosophical points when it is supposed to be for questions.

Chair Furfaro: I will say it again, Mr. Rapozo, and members, you have a question or you respond to a question, you will get your five (5) minutes. Keep it at that. Mr. Kagawa, you have the floor.

Mr. Kagawa: Just to reiterate, I was hoping that we get done in one (1) day because I think it is a thin budget and you know if we just keep going round and round and do not stick to a plan then we will take more than two (2) days, actually. If we can all focus and work together and try and I think the ultimate objective is that we get through our plus and minus's at some point instead of discussing what our personal beliefs are. First of all, I want to thank you guys for finding the one point seven million dollars (\$1,700,000) or getting the one point seven million dollars (\$1,700,000) of OPEB resolved. I came in feeling happy actually because I heard that this morning and it was great news. It is one point seven million dollars (1,700,000) of cuts that we got before we even started cutting. I want to thank you for that. The vacation payout issue, and even if as Councilmember Yukimura said we do not have a successor coming in immediately, does that provide an opportunity for our County to look at possibly downsizing that area? Because if we are looking at being sustainable and balancing our income and expenses, I mean, it is Human Resources that needs to at some point be more efficient, smaller if possible, unless it means taxing more. Does that provide an opportunity to look at downsizing?

Mr. Hunt: In fact there is a Committee now that is looking at all vacancies as they come up. That does provide us a window of opportunity to not only look at the vacancy in terms of its current function but whether it is going to be used in future functions as well. The fact that we do not have to budget vacation payout is a bonus on top of that because we are using the salary and fringe to pay that former person their vacation payout while we are looking at that position to see whether it is still needed in the current structure.

Mr. Kagawa: Because the fact of the matter is a hundred percent (100%) of the people that retire maybe are not model workers, right? I know a lot of times they say, "big loss to the County," that certain person but on the same hand sometimes I hear, "thank you, he is gone," right? I mean that is not a hundred percent (100%) of our managers or even workers are modeled employees, right?

Mr. Hunt: Again, I tend to look at it more on a position basis then a personal basis. But the reality is whether the work can get done with the personnel assigned and needed for that responsibility or whether that responsibility can be redefined in a way that technology can be used and not an individual.

Mr. Kagawa: Exactly. I was thinking that even in the areas of... you may have a position such as a Planner that maybe we have caught up...we had the Planner and we planned it all out and you know at some point the Planner may be able to do the Manager job when it becomes vacant so it does provide opportunities of movement and possibly reducing workforce, right?

Mr. Hunt: Yes.

Mr. Kagawa: That is what I hope we work to because in our budget now that we are proposing, basically if I can summarize it, four point four million dollars (\$4,400,000) will be coming from our visitors and tourist, right, with the real property taxes and the TVR fee?

Mr. Hunt: It is actually quite a bit more than that. We are talking about the increases, the four point three million dollars (\$4,300,000) plus the TVR fee and that is in the increase not the actual revenue. All the property taxes are still much higher if you look at what they are paying as a resort class or a vacation rental.

Mr. Kagawa: Yes, that is what I meant in the increase, yes, and in the increase to the general public if everything passes, we are looking at the vehicle weight tax and the tipping fee. So, there are some increases that will be happening in this FY and that would be two point three million dollars (\$2,300,000), right?

Mr. Hunt: That is about right, I think.

Mr. Kagawa: I just want Councilmembers to be aware that if you want to look at options to increase the visitors and the residents, they are already being asked to help with increases to our County budget. I think the way we have to look at matching our revenues and expenses is actually in areas of cuts and that is proven to be very difficult. That is why we are here and we are still not yet balance right?

Mr. Hunt: Right. Just to add a little bit to...what we would probably more described as a user fee for some of the vehicle weight and tipping fee, that does go into again the strategic plan of how are we going to continue to maintain our road,

paving, knowing we cannot use bond moneys that is R&M. We need to find the funding for that and it is either General Fund which is taxing and then moving it over to cover that or you are having a user fee saying we are going to increase or commit to increasing those sources that can get us moneys to do that specific task.

Mr. Kagawa: Steve, if today I came up with more cuts then adds and I said OPEB is already taken care of, I want to put it into our reserve or savings, is that an option? Is that a good option for us?

Mr. Hunt: It is an option but remember when you are doing the cuts, you have to look at which fund they are being cut from. They may not all be General Fund cuts so when you are looking at reserves specially if you want to cut out money that you want to earmark to put into reserves, make sure you are using the appropriate funds that those cuts are coming from.

Mr. Kagawa: Okay.

Chair Furfaro: And I want to remind us also, Mayor, the next time I give you the brief about fifteen (15) minutes or so, it is intended for you. If you are going to bring your staff up, I want to make sure you know you are subject to questions like this, okay?

Mayor Carvalho: Yes.

Chair Furfaro: Just so we understand if you choose to bring them up, you choose to answer the questions as directed. Mr. Rapozo.

Mr. Rapozo: Total OPEB liability to the County is about fifteen million dollars (\$15,000,000)?

Mr. Hunt: I believe it is reduced to about fifteen million dollars (\$15,000,000) now. It is fourteen point nine, five (14.95) or something like that...

Mr. Rapozo: I know the Mayor talked about the commitment to refund OPEB but I believe that was because of the anticipation of getting the TAT. I guess my question is, and you touched on it earlier, about how important or how you believe that OPEB should be the mortgage or should be treated like the mortgage... but let us just say fifty million dollars (\$50,000,000) for discussion purposes. A ten percent (10%)...because the State requires us to fund how many? How much percent?

Mr. Hunt: Twenty percent (20%) of the "catch-up" payment, if you will. It was redefined as of Friday. I thought it was of the total because how they defined Arc, but actually it is the normalize cost that is not part of it. It is the pay as you go plus the catch-up, and that portion you are allowed to fund twenty percent (20%) of your catch-up payment.

Mr. Rapozo: Okay.

Mr. Hunt: So roughly if you took rough numbers seven and a half million dollars (\$7,500,000), you could only...you could afford to go to twenty percent (20%) of that seven and a half million dollars (\$7,500,000) by law but then you are just deferring that...

Mr. Rapozo: Right, right.

Mr. Hunt: You get behind on your mortgage payment basically is what it is.

Mr. Rapozo: Right. And basically you are just paying the interest.

Mr. Hunt: Not even.

Mr. Rapozo: How damaging...because we are comparing increasing taxes which the public will obviously pay versus deferring payment on OPEB and let us just use a small amount of ten percent (10%) and so forth, saving a million or two here and there. But what is the damage of doing that? I guess my concern is that when you raise the tax, you reset the baseline for the taxpayer, so any future tax increases will be based on a higher baseline, that is just how it works versus total payment or repayment of OPEB next year. Say we went with ten percent (10%), we funded ninety percent (90%), and that would give us one point five million dollars (\$1,500,000) to offset some increases. I know I requested a breakdown of all the hotel properties that would be impacted with the two dollars (\$2) per thousand increase and I am not sure if we got that back but...did we look at what was the range? I asked for the range of the lowest impacted hotel and the highest impacted?

Mr. Hunt: I do not think one completed that assignment.

Mr. Rapozo: Because I think that is information that I need anyway because I think if it is an impractical increase to a property then I think it is counterproductive to the community. I guess my question is, how serious is it to not fund OPEB at a hundred percent (100%), let us just say ninety percent (90%) or eighty-five percent (85%)?

Mr. Hunt: I guess philosophically it comes down to how committed are we to getting to a structurally balanced budget as defined by a rating agency. If we are taking a step backwards saying we are going to take away an obligation and fund less of it and the exchange of that is reducing rate to lower impact, we kind of gotten away from where we need to go. We are taking a step backwards.

Mr. Rapozo: Right but arguably are you not basically saying, we are funding OPEB but to sustain this budget, we are going to have to raise taxes again next year as well and the year after that, right?

Mr. Hunt: If there is not substantial growth in the base, you probably are looking at that and potentially again different rate classes if we carve out potential areas within classes that currently exist that pay more.

Mr. Rapozo: If we reduce OPEB or the contribution to OPEB then the burden falls on the County to repay next year, correct? Because we got to figure out a way on how we are going to catch up.

Mr. Hunt: At some point we are going to have to catch it up, yes.

Mr. Rapozo: And if we just increase the tax then we put the burden on the taxpayer who needs to make up the losses or the difference to balance the budget. So I am not sure what...

Mr. Hunt: OPEB again is a percentage of salaries as well. So as salaries increase, and again it is one of the things that if we start falling behind, the catch-up is going to be even harder because as the continued raises start kicking in the OPEB is a percentage of that.

Mr. Rapozo: I guess this coming FY would be the largest impact in the increases from collective bargaining or is it just going to be the same for the next four (4) years?

Mr. Hunt: I think in Unit 13 they are because of the shredding and the multiple steps but some of the other ones are back and loaded still I think.

Mr. Rapozo: Okay. Thank you.

Chair Furfaro: Go right ahead, Mr. Hooser.

Mr. Hooser: Just a quick follow-up on what Councilmember Rapozo and the OPEB discussion because I think this is really the key to the big part of the whole debate about where we are going the rest of these two (2) days. When I first heard the concept of not funding OPEB, I was shocked. I am sure it was not an easy decision to make.

Mr. Hunt: It was not easy.

Mr. Hooser: However as we look at it and look at all the various challenges we have, it is moving funds around basically, so if we went back for example to the original proposal that was how many million was that?

Mr. Hunt: We added two point seven, two million dollars (\$2,720,000).

Mr. Hooser: So the two point seven million dollars (\$2,720,000) figure if that amount was either put into reserve, then it is like borrowed money but there is no interest we are paying on that, is that correct?

Mr. Hunt: Yes, on the OPEB there is no direct interest that we are paying. It is not an obligation in a sense that there is a percent mortgage on it.

Mr. Hooser: So in theory we could borrow that money from OPEB, put it in the reserves which might make Fitch and the other people more happy and provide us more stability in case of emergency and/or it might decrease the pressure of raising taxes. So that is a component that can be placed...that amount of money in either one of those categories as part of the process, right?

Mr. Hunt: Yes, like I said the only obligation is to pay twenty percent (20%) of the catch-up, so anything above I do not have the direct number but I could calculate that out. But I mean there is a number that you have as an obligation which is probably somewhere in the neighborhood of eleven million dollars (\$11,000,000)

that you would have to pay in (inaudible) is voluntary but again whatever we cut out is just ...we are probably chasing half a million to a million next year on top of whatever we short fund next year.

Mr. Hooser: Right. But in terms of the financial stability from Fitch's perspective, for example, it would seem and correct me if I am wrong that they would look more favorably on those funds being in our reserve then not.

Mr. Hunt: From a just purely reading agency, you are probably correct that they would like to see fund balance over paying your OPEB obligation.

Mr. Hooser: Okay. Thank you, Chair.

Chair Furfaro: I am going to make a short announcement here. We beat this OPEB thing quite a bit and we still have to get to a portion that we have to have a motion on what line item we going to use. I am also surprise that if anything you defer in that liability as their increases go up and it is not paid, that is like interest, Steve, because that increases the amount of what you thought it was at the time if you had paid the liability.

Mayor Carvalho: Right.

Chair Furfaro: Mr. Bynum.

Mr. Bynum: Fitch obviously would be much happier with that decision but they are just one (1) of many factors that we have to determine. They, for instance, are going to love that we take money from Open Space, they do not care about... they much rather have that into... so, that is just one but here is my question...we currently have no liability in this OPEB, right? Because we have been paying all along, correct?

Mr. Hunt: We do not have any back accrued liability. If we are not paying it, we still have a lot of future liability that we are paying.

Mr. Bynum: Right, so every year the County and State has the option of paying their current obligations and they have until the State law obligation to not pay any of the future liabilities, correct?

Mr. Hunt: Correct.

Mr. Bynum: And what did Hawai'i County do?

Mr. Hunt: Hawai'i County did not pay their OPEB and they actually have a similar bond rating as us as a AA minus.

Mr. Bynum: And the State did not pay their OPEB, did they? So they are going to carry huge liabilities, correct, for years to come?

Mr. Hunt: Their liabilities will be extended beyond our liabilities because we are ahead.

Mr. Bynum: So currently we have none of those liabilities if we accrued some for a few years or for one (1) year, what is the real world impact in the short run? Very little, correct?

Mr. Hunt: In the short run, very little. It just adds both to the backend plus the amount that you are going to catch-up in the...

Mr. Bynum: Right, so now if we carry that liability for twenty (20) years, right, and it was like a couple of years say eight to ten million dollars, what would the real world impact be in thirty (30) years?

Mr. Hunt: Again, my concern is if you are carrying that short funded amount for any period of time, every year is growing, not just your percentage. We only have five (5) years to fully fund. It is twenty percent (20%) this year required, forty next, sixty, eighty, and then by the fifth year you have to be at the hundred percent (100%). So the further you get away from the hundred percent (100%) goal, which again is on an increasing slope because it is based on salaries which are tied to collective bargaining, the further you get the more dramatic your steps are going to have to be to raising those funds by the fifth year to be in compliance with State law.

Mr. Bynum: Right. I agree with everything you said, but Kaua'i County carried that liability and I am not suggesting that we will, when we get into a better space we are going to meet that obligation because we always have. But even if we did carry that liability out forever, it would be minor compared to what Hawai'i County is carrying. The State is going to carry and the State now has passed the law that requires those Counties to do what we did all along, correct?

Mr. Hunt: Correct.

Mr. Bynum: And so for all of those reasons if we have to choose between further erosion of fund balance in the short run and using these funds for a couple of three (3) years and then getting back...I mean do a further analysis. I mean, I did not know we were going to get into this now but it is key to this budget. Thank you.

Mayor Carvalho: If I can just add that we submitted our version of a balanced budget, you have that before you. We have gone through the same discussions should we do OPEB or not, and how do we...if we had the TAT, guess what, maybe we would not have to do this. We do not have the TAT so now we have to look at other versions. We are all trying to figure this out and I think the people watching really want to get good direction. We are trying our best to sort through some of these discussions but be assured that we vetted out many scenarios here and I just wanted to be clear on that. I want the people to know that we also had opportunity to speak with each and every one of you to explain to you what we are doing, how we are doing, and what we are looking at. So now I think it is good that we can move to the next step and look into some of the other issues that we need to talk about. I just wanted to say that. Thank you.

Mr. Bynum: I agree Mayor that your budget has seven point seven million dollars (\$7,700,000) in further erosion in fund balance that is your proposal to take us down to almost nothing in real world terms. Thank you.

Mayor Carvalho: Just look at that and we will see what the balance is. We are more than willing to talk.

Mr. Bynum: Thank you.

Chair Furfaro: Anymore questions on bond rating, OPEB, TAT? There are some people here that do not maybe quite understand that fact of the matter is when we allow the State to take our share of the TAT which was a substantial amount and we agreed, okay. Quite frankly if we ever get it back, that is the State's liability to us. That money should be earmarking some kind of building of a reserve. On the flipside, the OPEB is a liability to us and it does grow if we under pay it. Anymore questions on these items? Thank you. Now we are going to have to take a couple motions here and then take a break. I guess really I would like to start by having an understanding and discussion that the motion that I am looking for and I need a vote on it is to start this budget section with an understanding that we are going to work off the May supplemental as a starting point.

Mr. Chock moved to work off of the Mayor's Supplemental Budget Submittal, seconded by Mr. Bynum.

Chair Furfaro: Discussion? Voice vote, please.

The motion to adopt the Mayor's Supplemental Budget Submittal was then put and unanimously carried.

Chair Furfaro: It is agreed to the Administration that is where we are going to start from. We are now going to take a caption break which we are required to do and when we come back we are going back to talk about the revenue bills which was part of my presentation, to have an understanding where those votes might fall. The Administration, you are certainly welcome to stay for that but we need to take a ten (10) minute caption break.

There being no objections, the Committee recessed at 10:52 a.m.

The Committee reconvened at 11:09 a.m., and proceeded as follows:

Chair Furfaro: We are back from our recess. As I made the presentation this is where I want to go. I am looking for a mock vote on the revenue bills only and then we are going to plus and minus's as it relates to reductions first. Again, I am going to the bills that we know are pending for Wednesday and I want to have a mock vote so we know where we are or are not when it comes to revenue. Jade, I am going to ask you to just highlight again the motor vehicle weight tax bill because I would like to get an indication. That indication is...I would just like you to say if you support it or you do not support it. Jade, go ahead.

JADE K. FOUNTAIN-TANIGAWA, Deputy County Clerk: This is the motor vehicle weight tax; did you want to go around the table?

The vote to support Bill No. 2543 Relating to Motor Vehicle Weight Tax carried by a vote of:

FOR SUPPORT:	Bynum, Chock, Kagawa, Yukimura, Furfaro	TOTAL – 5,
AGAINST SUPPORT:	Hooser, Rapozo	TOTAL – 2,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Chair Furfaro: 5:2. Again, I just want to go around the table here and then we are going to give everybody five (5) minutes to talk and then we are going to go into reductions. By our rules, the next is the Solid Waste Tipping Fee.

The vote to support Bill No. 2542 Relating to Integrated Solid Waste Management carried by a vote of:

FOR SUPPORT:	Bynum, Chock, Hooser, Kagawa, Yukimura, Furfaro	TOTAL – 6*,
AGAINST SUPPORT:	Rapozo	TOTAL – 1,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

*(\*Pursuant to Council Rule No. 5(b) of the Rules of the Council of the County of Kaua'i, Councilmember Yukimura is noted as voting silent but shall be recorded as an affirmative for the motion.)*

Chair Furfaro: Now the Public Access, Open Space, and Natural Resources Preservation Fund.

Ms. Tanigawa: This is the current proposal by the Administration...

The vote to support Bill No. 2541 Relating to the Public Access, Open Space, And Natural Resources Preservation Fund failed by a vote of:

FOR SUPPORT:	Kagawa, Rapozo	TOTAL – 2,
AGAINST SUPPORT:	Bynum, Chock, Hooser, Yukimura, Furfaro	TOTAL – 5*,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

*(\*Pursuant to Council Rule No. 5(b) of the Rules of the Council of the County of Kaua'i, Councilmember Chock is noted as voting silent but shall be recorded as an opposition for the motion.)*

Chair Furfaro: So we have 4 no's, 1 silent, and 2 yes's. So that would be a 2:5 vote. The next.

Ms. Tanigawa: Yes, against.

Chair Furfaro: The next one is the Planning Department TVR certificates that are currently at the Planning Commission.

The vote to support an increase to the TVR certificate fees carried by a vote of:

FOR SUPPORT:	Bynum, Chock, Hooser, Kagawa, Rapozo Yukimura, Furfaro	TOTAL – 7,
AGAINST SUPPORT:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Chair Furfaro: 7:0. The real property tax as it is proposed. I am just asking for an indication as proposed.

The vote to support Resolution No. 2014-11 failed by a vote of:

FOR SUPPORT:	Chock, Kagawa	TOTAL – 2,
AGAINST SUPPORT:	Bynum, Hooser, Rapozo, Yukimura, Furfaro	TOTAL – 5,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Chair Furfaro: 2:5 no. Yes, Mr. Hooser.

Mr. Hooser: I want to comment.

Chair Furfaro: I am going to give everybody five (5) minutes around the table.

Mr. Hooser: This is a process comment.

Chair Furfaro: Yes, go ahead.

Mr. Hooser: I understand what we just did was a more or less a straw vote.

Chair Furfaro: Yes.

Mr. Hooser: Okay, I just want to point out and I understand the need for good planning for us to be consistent; however, from the public's perspective, the public is still allowed to engage in these issues up until our final vote. And so the public may or may not be submitting testimony and I think it is important that the public know that we are still listening and that this was not a final vote. This was just an indication of how we are thinking at this particular moment in time.

Chair Furfaro: Yes.

Mr. Hooser: And that when the actual vote is taken, we will take whatever information is given, I will speak for myself, I will take whatever information that has been presented between now and then and make that final decision.

Chair Furfaro: I too believe in the democratic process that is why it is on the schedule for Wednesday, so we can take public testimony and we can get to our final vote. As I announced this was an indication.

Mr. Hooser: Right.

Chair Furfaro: Because we have to have an indication so that we understand where we are going with the plus and minus side.

Mr. Hooser: I understand.

Chair Furfaro: Mr. Bynum.

Mr. Bynum: I appreciate that process that by the end of decision-making, as you mentioned earlier whatever commitments I make at that point will be reflected in the official vote. So whenever that end comes I just want to say I agree with you that commitment will be more solid.

Chair Furfaro: Mr. Kagawa.

Mr. Kagawa: I think because it is such a big amount – four point three million dollars (\$4,300,000) for the Real Property Tax increase to the hotel class, I think this straw vote does not really complete the task. Some members may want amendments that may raise perhaps instead of four point three (4.3), we may raise two point three (2.3) or what have you but I think we need to have an indication as to maybe not specific tax areas where it is going to be plus and minus. But just overall, what kind of ballpark figure the members are looking at from that area. If you are going to cut four million, you better have the cuts of four million because...then you are not really being honest with yourself or with the public. For myself, I do not have four million dollars (\$4,000,000) of cuts which is why I supported the increase but I think all members do have specific increases but just not supporting the four point three million dollars (\$4,300,000) all to the hotel class.

Chair Furfaro: Understood. Well said. Any more dialogue on this straw vote? Mr. Rapozo.

Mr. Rapozo: It is difficult. I am starting off obviously with trying to get through this budget without any increases. I have no idea what other members are proposing as far as adds, and what they are proposing as far as cuts. I am hoping to be enlightened in the next day and a half and if I believe at that point that the revenues (inaudible) is necessary then obviously I will support it but at this point I do not feel that as this body has had the opportunity to have the dialogue amongst ourselves to determine what is actually essential and none essential. I reserve that right for a later time. Thank you.

Chair Furfaro: I certainly recognize that and that is one of the reason we are publicly and openly here at the table for two (2) days to have the dialogue amongst ourselves and to discuss various point of views from the various Councilmembers. On that note, I am now going to allow each of you five (5) minutes of comment time. You will be timed and we will allow you to have some dialogue about overall comments at the starting of and please refer to the May revised budget as it is. Mr. Bynum, I could start with you, if you would like?

Mr. Bynum: Can you give me a one (1) minute warning, please? This is a really difficult budget year as have been all of the ones recently, but this one more than ever. This is the reset year and let me be clear the crisis in our budget is caused almost entirely by the Legislators assault on County finances over the last five (5) years. The Legislature has given the neighbor islands a lot of neglect and fiscal problems. The approach to the budget, it is always about opinions about what priorities are. I am going to tell you that I believe as I said that our Mayor has given us really good revenue...I mean spending proposals ever since he has been the Mayor. I am sorry to see a second round of cuts that eliminates positions that you were counting on because our government in many ways is performing much better than it ever has since I have been involved for fifteen (15) or twenty (20) years and I credit the Mayor with that. I do not have a lot of proposals for cuts, very few, but I know other Councilmembers do and so I am going to be very thoughtful and listen to those proposals and vote accordingly. Review needs to be

balanced. The Mayor, as I mentioned, has not made a property tax proposal in his entire term until this year and it is twenty-three percent (23%) all at once on one (1) category. That is not a balanced approach at revenue and so I am going to be looking at more balanced way to collect revenue. When it comes to adds, we are in a really tight year and so I have very few of those to propose. A few but a very few that I think are critical priorities. At the end of the day though, I am committed to funding the budget at a sustainable budget. My top priority and I communicated this pretty much all along is no further erosion in fund balance. It is fiscally irresponsible to erode our fund balance lower than it is. The big numbers are...you look at the General Fund plus transfers out combined a hundred and twenty-eight million dollars (\$128,000,000). The Mayor's proposal will leave us just with four million dollars (\$4,000,000) in both committed and uncommitted reserve of right around three percent (3%). This Resolution that the Chair said, sets a twenty to twenty-five percent (20% - 25%) standard. GFOA says five to fifteen percent (5% - 15%) and Wally Rezendes argued very strongly for fifteen to twenty percent (15% - 20%) saying that we needed to be on the upper hand of that. To go to three percent (3%) is fiscally irresponsible according to the Government Finance Officers Association. Is that easy to do? No, it is not but it is actually doable and I think we will show that at the end. I am looking at no further erosion in the fund balance as the primary goal which means...let us say that we identify more cuts - say a million more on top of the Mayor's million. Well then our revenue...you know what we need to do to get revenue sustainable but the Mayor's proposal is to take seven point seven million dollars (\$7,700,000) additional from fund balances when they are already at a minimum we should let them go in my opinion. Of course Fitch is going to agree with that. I am glad we had the OPEB discussion that we had today because I believe that will be a part of my proposal, is to use similar savings to what the Mayor suggested. At first I was appalled but when you do the full analysis, it makes sense to use that mechanism for a couple of years and then get back because we have revenue coming. We are in a good revenue picture for the future. I and the Administration will have tax revenue proposals before the Council soon that will impact the next FY.

Ms. Tanigawa: One (1) minute.

Mr. Bynum: Valuations are going up and so our fund picture looks good. If we borrow, and that is a good term from OPEB, for a few years during this critical crunch that was imposed on us by the Legislature, I believe that a logical conclusion will be that it is prudent and that fuller version of fund balances is a big mistake. I respect the Mayor's proposal, since Steve, Ernie, Ken and Anne have come on the Budget Team. We have structurally got the County correct. I got to finish in thirty (30) seconds. This is the reset year. Four thousand (4,000) people under the Mayor's proposal is going to have...local residents are going to have increase property taxes next year. Some of them five, six, seven hundred dollars and more. Five thousand (5,000) are going to have decreases because the reality of the cap is it protected some homeowners at the expense of others but the class went up. We structured at a great place this year, thank you Mayor and the budget team...

Ms. Tanigawa: Five (5) minutes.

Mr. Bynum: ... and this Council for squeezing down the variances and doing all the structural changes that put us in the right structural position. Now, if we get the revenues matching expenditures, Fitch will be happy. I will be happy and I think a lot of other people will to. Thank you very much.

Chair Furfaro: Would anyone want to go next? Okay, I am going down the row, JoAnn...

Ms. Yukimura: Chair, I do not have anything to say at this point but I would like to reserve my five (5) minutes to the closing when we adopt the budget.

Chair Furfaro: I do plan to give everybody another five (5) minutes then.

Ms. Yukimura: Yes but I may need a little bit more than five (5), but I will not take any right now.

Chair Furfaro: She is a none taker, okay, got it.

Mr. Bynum: That is a first.

Chair Furfaro: Can we report that in the (inaudible)... Mr. Hooser, you have the floor.

Mr. Hooser: My comments will be very brief and actually Councilmember Bynum said much of what I wanted to say. I think that it is actually an opportunity for the Council to exert some leadership and I am hopeful that we will pass a budget that does not further deplete our fund balances and actually increases fund balances and is more balanced if not in balanced then has been since 2008/2009. Whether funds coming in and the funds going out – operating funds, revenue and expenses are balanced and I am hopeful and confident that we can between the cuts and the revenue increases, we can come to that conclusion. Again, pass a balanced budget that is sustainably balanced budget and that it begins again to rebuild our fund balances instead of depleting it. Thank you.

Chair Furfaro: Coming around the table here, Mr. Kagawa, I will go to you first.

Mr. Kagawa: We are in this predicament a lot because the failure of the State Legislator to give us more of the TAT like what we used to have. One of the options of not getting that is taxing the hotel even more and it concerns me. It is taxing our biggest producer on the island. It is taxing something that is always been there for the island – has been a strong point of our island and I am worried about the consequences of passing on this tax while we look at it as four point three million dollars (\$4,300,000) it will be spread out, who knows how much it will affect. The prices are one of the main problems of why visitors are choosing other destinations. They say coming to Hawai'i is very expensive. It concerns me however it is tough to see where else do we tax. We are already taxing...well indirectly we are taxing the people with the vehicle weight tax, tipping fees but you know I have some aggressive cuts this year. I think it is our job to get a budget that is sustainable and one that we can support. I am putting the (inaudible) on the management of each individual Department as I make my propose cuts. I will be very frank it will be to the overtime budgets of everyone. I believe overtime can be managed through better management. I think overtime is an area that a lot of the public looks at and says, "what is the reason for overtime?" I think management can deal with overtime the way private sector does. In the private sector when business is struggling, the primary objective is to cut overtime. It is looked at by profitable businesses as a waste of money. We need our management to step up and make the right decisions. We need to see how we can eliminate it. Right now we are just saying if we do not do it then people will suffer and services will suffer, no, with better management you can still accomplish the same level of services by being more efficient in the office, having people cover those periods and those additional work that used to be cause for overtime could be paid for by people working with their

normal hours. I really believe that this can be achieved and if not achieve, like Councilmember Hooser said, there is another option. If overtime cannot be achieved then you can draw from other funds that are lapsing each year. I think the Departments are unwilling to cough up those amounts just for the fear that they will run short but we have seen historically every year that there are balances that are lapsing and we are relying on the Administration to tighten our belts, be more accountable, and try to stick to our budget. I think that is how we finally can cut down on our budget. I think we need to tighten the belt and we have to let managers get more involved in cost savings and cost cutting. I think that can be done. I think that leads us to a better road down the future. It will be very interesting. Having that said I think if my cost cutting measures get approved, the additions I have proposed are much less than the total amount. My plan is to...now that OPEB is paid out, my proposal is to push my reserve balance to the reserve account or savings account, whatever you call it, and when Departments do see mid-year or what have you, they can come up to us and that would be the time when we see how Councilmembers felt about adding more money's back to the overtime or whatever running short in the Fiscal Year. That is my proposal and I am confident that together we can get a sustainable budget going forward and we can work together and make sure that we do not tax our businesses and our citizens anymore than we have to. Hopefully we will have some types of savings at the end of this budget process. Thank you.

Chair Furfaro:

Mr. Rapozo.

Mr. Rapozo: I think Councilmembers bring up some valid points. Ross talked about the reason we are in the position is because of the State's failure to adequately fund TAT and you know we can cry over spilt milk all we want but at the end of the day it is what it is. Unfortunately we got dealt that rotten hand. The newspaper came out with a "County hits the jackpot" the other day, big eighty million dollars (\$80,000,000) CIP and everybody was like "hurray, thank you very much." When you do a closer analysis of the projects, thirteen (13) of those projects were already funded in the prior year that were never released and never completed. There are eleven (11) new projects in the CIP budget and I thank the Legislature for that but it is almost like...I hope it is not like a pacifier like we are going to take your TAT because I do think we are entitled to that TAT money and because of that we are forced to take some drastic measures. It is almost like *déjà vu*, it seems like we have had these discussions year after year. The difference is that every year the passes we just have less money and less reserve. In FY 2012-2013 I voted against the budget and a lot of people said, "Mel, you soured grapes, you loss the Mayor's election, you just...no matter what you just..." that is not true. I am not a financial guy like Steve and Ross and all these accountants but I am a business man that could see what was coming down the pipe. I saw it coming because I knew we just could not sustain that. I was assured that there were different mechanisms in place and strategies that we could use. TAT was always one of those things that we felt that we would never get taken away but it did and now we are in a bind and I really do not know how we get out of. I honestly cannot sit here today and tell you, "if we do this, we will achieve that." I cannot see that because of collective bargaining, rising costs, and property values...we do not know. Somebody sells a twelve million dollars (\$12,000,000) home in the North Shore and the real estate people sends out the press release saying, "the boom is coming back" because it skews the numbers because they sold one (1) or two (2) big properties and yet how many of the properties here are heading to foreclosure? How many of the people are facing short-selling their homes or losing their homes because they just cannot make ends meet? That is the reality. If you read the Pacific Business News it is quite telling how many bankruptcies and foreclosures right in our own backyard. I think we need to pay attention to those kinds of...those are real as far as I am concern, those are the real indicators. Not the press releases from First

Hawaiian Bank Economist and Bank of Hawai'i Economist – you know they all want to paint a better picture but when you look at the people that are losing their homes, getting sued, cannot pay their credit card bills and that is the business I am in with serving these poor people. That is the true indicator. Not the stuff that we read in some of the publications out there. Back in 2008-2009 prior to that my business was very successful; I had a lot of clients. We did extremely well with six (6) employees at one (1) time and then the economy started to turn. What happened? I had to start letting people go. I had to start laying people off. I was down to my last employee which was the lifeline for my business was my receptionist/secretary/investigator/server she was doing it all because she had to and then I can never forget the day I had to call her and say, “we cannot anymore. I am sorry we do not have the revenue.” I had to move my office to a cheaper location, cut services, and most importantly I had to cut expenses. The things I was subscribed to, the services that I could buy off of the internet to make my work easier, I could not afford it anymore. The publications of newspapers, certain publications that I use on a weekly basis to make my job easier, I could not afford it anymore. I had to let it go. I think my message to my colleagues is that as we go through this next two (2) days, that is what we have to start looking at. What are essential and what are none essential? What can we do without and what can we not do without? That is why I voted against any of the increases because I think there is a way we can get through this by reducing some of the none essential services. At that point if we are absolute ground zero there is no more places to cut then we look at the revenue enhancements but to start off with revenue enhancements and then try to...I am having a difficult time with that. I just look at the budget and I am not going to use my time to go over some of the positions that I believe are none essential but there are positions. I would venture to say in Council Services there are some positions that we may not need and in every Department. I think we can do more with less and I think we just got to figure out how we can do that. Is that five (5) minutes? Okay. So, I look forward to a very colorful animated two (2) days, thank you.

Chair Furfaro:

Mr. Chock.

Mr. Chock: I will keep it really simple and short here. I am really excited because it is not only my first time going through budget and this process here but I am learning so much in it. It has been said that in the face of adversity is when leadership and leaders emerge and especially when you do not have too many options. The opportunity there for a small wind would be that we look towards stronger collaboration and look for some agreements, shared agreements and that is what I am excited about. Maybe a reset, is what I heard someone say, for us to get a little bit closer together and have a plan. The outcome here for me is balancing this budget but also the beginning of us seeking opportunities to restructuring that five (5) year business plan that I am looking at. That is where my money is and that is what I want to focus on. I have had my meetings with the Director of Finance and everyone else regarding the budget and so this is how I am moving into these two (2) days, it will be to support the revenue enhancements as you seen us in our mock vote here. I want to support. I think there is a need and I think we need to step up to it. Including the property taxes that were mentioned, I know that they are up in the air and I am looking to see what kind of options we have in (inaudible) and we are spreading it amongst other classes. I fully support the vacation pay that was talked about earlier and how we would restructure that out of one (1) account. My only request would be that we look at how it is we are incentivizing to decrease those hours of vacation pay within our individual Departments so that we do not even have to get to that point of that payout. I think that is what I would like to see and I know some Departments, they require that they use this time and also in terms of the customer service or balancing it, it would be important that we offer that vacation time so that we do not use traction of how it is we are conducting our business. The other area that I am interested in hearing about is from

Councilmember Yukimura's suggestions that she will be presenting and how they might be directly connected to the Open Space, something that I think we are all agree that is very important arena to look at. In terms of expenditures, I am open. I am not proposing a whole bunch of cuts here but as Councilmember Kagawa is suggesting in overtime, I am...I would look at that intently as well as other areas that are prudent, effective, but do not take the ability to serve the community because I have seen a lot of us go after Departments and say, "this is not working," but if we are cutting their legs off from them, it would be difficult for them to do that job. The balance of that would be that...yes, we want to build capacity and competency so there are obvious areas that we can do some cuts as Councilmember Rapozo said. I will be looking at that more intently. The priority would be to fund OPEB fund reserves balance, any additional funds in Open Space. I think that is it. Thank you, Chair.

Chair Furfaro: So the year starts out headlines, "State of Hawai'i reforecast revenue eight hundred and twenty-two million dollars (\$822,000,000) additional revenue..." that was in February. Then we come along and it is April and we get this revised statement of, "oh, it is not eight hundred twenty-two million dollars (\$822,000,000), it is only six hundred thirteen million dollars (\$613,000,000)." We still kept our hopes up for the TAT and the fact of the matter is that I submitted testimony in a Bill to see if they could at least reinstate our inspectors in the Ag Department, five hundred and ten thousand dollars (\$510,000) and we read the Garden Island headlines and it is like, okay, we are going to move forward on this and take good care of it – we did not get any new Ag inspectors. Unbelievable. It is getting tougher and tougher to do business especially when the new revenues are being found and they are just being used to fund shortfalls from the past. I am sure that some of the money that the State had used was also to catch-up on their delinquency of OPEB. Remember that they are delinquent; we are not. More importantly here, one of the things I want to make sure you all understand is that in the new general, finance, and accounting systems next time around when we do our CAFR, they are going to require us to list the unfunded liabilities. So, if you decide that this new plan that the Administration has given to us that maybe we can play with some of that money and so forth. Also, it is good for you to know that you are going to have to identify that liability that you created for yourself and that is not going to be excepted well on the Big Island. That is not going to be excepted well in the State. And then also I want to let you know that where we are at with our TAT, the fact of the matter is that they are going to revisit it in two (2) years, and when that gets disclosed on their CAFR, I have to tell you that I am very concerned about the future of the TAT and us ever finding ourselves getting our fair share to do it. I just want to put that out on the radar screen to you to understand what some of those liability requirements are. Now, along the ratings of bond rating and so forth, I think it is important that we look at this OPEB funding and from the standpoint. I do believe that part of it anyway, and Steve confirmed, will affect us in our future borrowing part. I think thinking that if we do get any *kōkua* on the TAT, it in fact will find us in a situation where we can help to build our reserves – if that relief comes. I also want to say that I am a little disappointed here. I help create the building report and we still have not gotten a report for nine (9) months and if I was able to go to a document to indicate what kind of building activities was happening on this island, especially since we were convinced to split the tax rate on land from the building rate, I do not have anything that I can look at and say, "we have accomplished an increase of four million dollars (\$4,000,000) in assets in building and if I put some formula that is there, I would know what we are growing in the way of revenue." We need to get back on track with that. That is not part of today's formula. Some of the other things we all got our fingers crossed, you know, Coco Palms get rebuilt, Coco Palms will add some tax base for us, and we are all waiting for our next upgrade report on what is happening there.

As it relates to operating goals, I think we got to ask the Administration to hold our...along with what Councilmember Kagawa is saying on the overtime. The fact of the matter we have to remember the difference on the overtime...

Ms. Tanigawa: One (1) minute.

Chair Furfaro: ...is only the premium pay. But it is premium pay that we already are staffing for and so we need to make sure that if we talk about overtime, we understand that it is necessary at times. When it is not necessary, it should not be used. Also, we talk about all the things happening with the Green Action here. Well, I will be proposing in one (1) of my cuts, a cut of a hundred and eighty-six thousand (186,000) kilowatt hours because there is no energy reductions in the budget here. Yes, it may only be a hundred thousand dollars (\$100,000) but it is a goal and if we do not have goals in our budget, we cannot hold people accountable. So, I will be proposing some reduction overall especially on the good news that we hear from KIUC and the changing of light fixtures for our roadways. I mean, we should be experiencing some revisiting on that. That is my last minute here. In the visitor industry I have to tell you, watch what is going on, please. Kua'i will not see a share in the Asian market, the Thai market, the Philippine market. In fact these are flights Hawaiian Airlines is either reduced or canceled. These were recent routes they have gotten approved. I think that is easily could be overstated. Watch the market as it comes through. In 2008, the market dropped all the way to eleven thousand (11,000) and it is back up to sixteen, five (16,500) and when it comes to travel people like the islands in the U.S. and the North American continent because it is under U.S. law, it is under U.S. dollars and in fact that is an area that touches on our public safety. I want to share with you a little bit of the good news but we also have to push to the Administration on some of these items and expect some savings reducing overtime, and managing energy. That is what we set up these teams for. On that note, I am really able to start the dialogue and I want to thank everybody if we can be real focused, we can do this in two (2) days easily. Thank you very much. Now, to the staff, I guess I want to go around the table first time and we have an indication on these revenue Bills on where we are at. I want to go around the table first time entertaining one at a time if anybody has something to suggest in a way of savings, first. Does anyone want to go first? Mr. Kagawa, I will give you the floor.

Mr. Kagawa: One of my easiest cuts that I made was the Health Fund reduction. What I am proposing is a five percent (5%) cut to the Health Fund reduction. It will save us three hundred and twelve thousand four hundred and nine dollars (\$312,409). Basically the way they budget is they add five percent (5%) to the actuals of the previous year and we are just...we are going to be budgeting with actuals and like I said there is always a little fat in any budget. If you come upon a case where your health fund is more than the actuals of the prior year then you can use it from other accounts in your budget. That would be my first cut. Thank you.

Chair Furfaro: Questions for Mr. Kagawa? Discussion?

Mr. Hooser: I had a question, Chair.

Chair Furfaro: Go right ahead.

Mr. Hooser: I like the general direction but how is this different from the OPEB?

Mr. Kagawa: It is for the current employees on our payroll.

- Ms. Yukimura: Is that not OPEB?
- Mr. Rapozo: OPEB is post-employment for the retirees.
- Ms. Yukimura: Okay.
- Mr. Hooser: OPEB is obligation for retirees and this is for active and this is based on actuals, okay.
- Mr. Kagawa: Well the budgeted amounts that we see in our budgets is five percent (5%) that is added to the actuals of the prior year. So, the actuals of this year...
- Mr. Hooser: So, you are taking that out?
- Mr. Kagawa: Yes, we are taking out the fat, basically.
- Mr. Hooser: Okay.
- Mr. Kagawa: And we are saying that you budget with your prior years amount hoping that it will not go up significant.
- Mr. Hooser: Okay.
- Mr. Kagawa: It raises three hundred and twelve thousand dollars (\$312,000) of projected moneys, I guess, and keeping it with actuals.
- Mr. Hooser: If I could follow-up, Chair?
- Chair Furfaro: Go right ahead.
- Mr. Hooser: So you are saying that the Mayor's budget proposes to increase it by five percent (5%) and your proposal is to keep it flat?
- Mr. Kagawa: Yes.
- Mr. Hooser: Based on last year? And then similar to your discussion on the overtime, if in fact they run short, they can appropriate from other parts in the budget to do that.
- Mr. Kagawa: Yes.
- Mr. Hooser: Okay. Great. Thank you.
- Mr. Kagawa: You are welcome.
- Chair Furfaro: Mr. Bynum, you have a question.
- Mr. Bynum: Just a question to the Administration.
- Chair Furfaro: Ernie, could you come up, please?

There being no objections, the rules were suspended.

Mr. Bynum: This is part of union contact, right? Can we do this? Are these funds not contractually obligated?

Mr. Hunt: The Health Fund is where the medical premium co-pays that the County pays for medical insurance for current employees comes from. It is very difficult to estimate because each employee could either rely on insurance from their spouse, take a single party plan, a two-party plan, family plan, so we try to use the historical to come up with where we anticipate that fund going. The other component to that is the actual premiums that are changed year to year when HMSA, Kaiser, all the providers present what those premiums are. The recent round of collective bargaining use either a seventy-five/twenty-five (75/25) or eighty/twenty (80/20) plan to establish what the County pays based on each of those types of plans. It is a fixed amount but what we do not know...and it has increased based on the new rates that were set in the new collective bargaining but what we do not know is what each employee will choose as a plan. That is somewhat a guesstimation process. If a new employee comes in and the person who left was on a single party plan and they come in with a family plan, it costs the County more. If they come in and do not elect it because their spouse has a better program, it costs us less. Again, it is somewhat of a guessing game in terms of what that amount is going to be.

Mr. Bynum: I do not want this to happen over and over again where we have big discussion. I mean, I am very interested in all of these proposals...what is the Administrations take on it? It is like, oh, we can live with this or this is going to kill us and here is why and try to get some answers to those questions because I announced that I want to support your budget if there are cuts proposed here that are going to cause grief and make the difficulties that the Chair talked about last year where we are constantly moving funds around and there is no flexibility then I am not going to support it. I need guidance from you about what is acceptable, and what is something we can work with. Like in this case, your short answer is no, it is not contractually obligated. We are estimating future costs.

Mr. Hunt: Well it is contractually obligated once the employee chooses the plan, we have to pay the fixed dollar amount associated with that.

Mr. Bynum: Right. So, this amount was based on your...

Mr. Hunt: On the last round of collective bargaining. They established the rates by each of the plans and each of the providers what that fixed amount will be.

Mr. Bynum: Well it is not an arbitrary number.

Mr. Hunt: No, it is not.

Mr. Bynum: It is a number based on years of experience.

Mr. Hunt: And it did increase. In fact some of the premiums now have gone up even higher than...I think the highest was twenty-two percent (22%) but our amount that we pay is fixed. I do not know what the actual increase was.

Mr. Bynum: Thank you.

Mr. Barreira: Just one (1) item Councilmember Bynum, we also with the new collective bargaining agreement, we are at sixty/forty (60/40) again as opposed to fifty/fifty (50/50).

Mr. Bynum: I am well aware of that. That why I raised the question – is this money we absolutely have to spend and you are saying most likely we will.

Mr. Hunt: I believe that the five percent (5%) increase that Councilmember Kagawa is referring to is a conservative number conservatively low, I do not know if we have a lot of fat to burn on that.

Mr. Bynum: Thank you very much.

Chair Furfaro: Do we have two and a half percent (2.5%)?

Mr. Hunt: Again, it is an estimate till we know what our actual base employees will be for FY 2015.

Chair Furfaro: Was this estimate made on all positions being filled?

Mr. Hunt: Yes.

Chair Furfaro: Okay so you just shared with us the importance also that if these are vacancies, we did not account for the savings in those vacancies. Do you get my point?

Mr. Hunt: Right, the funded vacancy would be accounted for and the dollar funded, I believe we reduced based on the total fridge that is associated with health being one of that, I believe.

Chair Furfaro: Okay, there is a difference between “I believe” and “we did.” Did you reduce this for all the dollar funded positions based on their actual salary and earnings, and the PT&E benefits associated with it?

Mr. Hunt: I am going to leave it with Ernie to confirm but I cannot one hundred percent (100%) confirm without discussing with Budget Analysts.

Chair Furfaro: Let us see if Ernie has a response. Are you getting us a response?

Mr. Barreira: Working on it.

Chair Furfaro: Okay, I am going to turn the floor over to Mr. Kagawa then.

Mr. Kagawa: Historically the Health Fund account based their amounts on employees selecting family plans, right?

Mr. Hunt: It is actually based on actuals.

Mr. Kagawa: Now, it is based on actuals but historically it was based on family plans?

Mr. Hunt: Historically.

Mr. Kagawa: Now we are using actuals and we are adding five percent (5%) just as a buffer, right?

Mr. Hunt: I believe the increase includes both the collective bargaining increase as well as what we anticipate the current pool of employees and their current plans plus again those vacant positions with some assumptions about what they would elect as a plan.

Mr. Kagawa: We do not know whether that five percent (5%) is needed or not, right? Of course from a budgetary standpoint your answer would seem safer if you said you need it but it is a legitimate based on actuals, right?

Mr. Hunt: Again the only caution is in prior budgets we were not doing actual to actual. We are in a current FY 2014 that would have better data when it closes but we do not have that figure or even estimated if we are going to be lapsing this year. If we were lapsing this year then I would feel a lot more comfortable saying, "yes, there is some fat," but without FY 2014 numbers where we are on actuals, I am a little concerned about making assumptions that we are going to have lapse again.

Mr. Kagawa: Thank you.

Mr. Barreira: Chair Furfaro, when I get the response I will route it to your support staff, if that is okay sir?

Chair Furfaro: I would also like to know if this range could also be looked at a reasonable two and a half percent (2.5%) in other words taking the three, twelve, four, zero, nine (312,409) that is here and looking at one, fifty-six, two, zero, four (156,204) – half of that.

Mr. Barreira: Chair, I will do that. I do have a response that it was based on actuals and if the position was vacant then that would have been in fact excluded. It would not have been in the budget. In fact the time that the budget is put together, the position was vacant. Dollar funded – excuse me.

Chair Furfaro: Which plan they took and use to calculate these benefits were based on who selected the actual plans?

Mr. Barreira: It was based on the actual expenses of the previous year, yes sir.

Chair Furfaro: We will look into that number.

Mr. Barreira: Two point five (2.5).

Chair Furfaro: But we will put it on the side for now.

Mr. Barreira: Very good sir.

Chair Furfaro: JoAnn, you have the floor.

Ms. Yukimura: I am sorry, I did not get clear on whether vacant positions were included or not.

Mr. Barreira: They were not included if the positions were vacant.

Ms. Yukimura: Okay so no money attributed to vacant positions were included in this five percent (5%)?

Mr. Barreira: And as Steve had pointed out the concern there that scenario may change in the future FY 2015 – that position could be filled.

Ms. Yukimura: Okay. Thank you.

Mr. Barreira: But I will get an analysis on the two point five percent (2.5%).

Chair Furfaro: Based on the information you gave us, so when the fat going forward if that is not the case that these positions were not counted and someone comes to us and wants to activate a dollar funded position, you are going to then show us... say a fifty-two thousand dollars (\$52,000) along with a twenty-six thousand dollars (\$26,000) benefit package, you are going to be asking us to be funding a seventy-eight thousand dollars (\$78,000) position? Because you do not have the PT&E included.

Mr. Hunt: Correct. When it is a dollar fund the fringe and apparently the health is part of that has been removed from that calculation.

Chair Furfaro: Okay, let us make a footnote for that, Jade, that we are starting after July 1. Further discussion? Mr. Hooser.

Mr. Hooser: I want to speak generally in support of Councilmember Kagawa's suggestion. I think reality is that we have to find the money somewhere and it is through tax increases or cuts. In my opinion the least disruptive we can be to the Administration, the better. So we are not taking away people. We are cutting in an area or proposing to cut in an area that would have very little disruption and leave the Administration still the option of looking within its existing finances – it is the whole tough love thing. It forces them to operate more efficiently to come up with the money internally. I think the nature of these types of cuts are the very cuts that we should be looking for, again, because they are least disruptive to the process. Thank you.

Chair Furfaro: Okay. Mr. Bynum.

Mr. Bynum: So we do not need to have this discussion again, we do not know what the final outcome is going to be but your proposal is to have four hundred thousand dollars (\$400,000) unassigned fund balance so should your estimates that you say are conservative...you will have to come back with a money bill and the only place to get that money is that four hundred thousand dollars (\$400,000), am I correct?

Mr. Hunt: That would be correct unless I am interrupting also Councilmember Hooser's statement that you are going to have find it within your operating budget elsewhere first.

Mr. Bynum: Okay.

Mr. Hunt: Closer to the end of the FY we still do not have adequate funding then we are going to have to be here asking for funding.

Mr. Bynum: I just want to be clear for this and other similar types of cuts – I am not going to support them because...in other years I would. When your proposal is to leave us with a fund balance that two or three of these bad predictions can gobble it up. What are we going to do mid-year if we do not have fund balance and we have a critical emergency need? What are we going to do?

Mr. Hunt: Will not have many.

Mr. Bynum: Will not have any other option than to borrow money. Can we borrow money short-term for emergencies? The Charter allows us to do that but I do not know if we ever done it.

Chair Furfaro: It is never a good plan to borrow money to pay operating bills.

Mr. Bynum: Normally I would...in this tight fiscal situation I would support these kind of...what I consider maneuvers to save money short-term hopefully and that is okay when you got a fund balance to back stock you but we are not perhaps. I do not want to have this dialogue every time a similar cut comes up like this so I just want to say it now but I am not going to support this cut or similar ones. In other years I would. Thank you.

Chair Furfaro: Okay. Now, what I would like to do is the Administration is going to actually give us information – I would like to vote on this item and at the same time if we can have some better information after lunch time, I would appreciate it. I think there should be some reach in this. I will not support the five percent (5%). I might support two and a half percent (2.5%) but I want to hold my comments until you are able to get back some information after lunch. If this vote fails at the five percent (5%) as Mr. Kagawa is saying and I get the information after lunch, I will be prepared to support him on the two and a half percent (2.5%) item. That is where I am at. I do not want to have a lot more dialogue on this suggestion unless the introducer would like to have some time?

Mr. Kagawa: No.

Chair Furfaro: Go ahead, you have the floor.

Mr. Kagawa: Can we vote?

Chair Furfaro: We can vote but we are voting on the five percent (5%). I do not know where you are at with the vote but I plan after lunch to come back with the two and a half (2.5%).

Mr. Kagawa: Do you need a motion?

Chair Furfaro: Yes, we would need a motion.

Mr. Kagawa moved to reduce General, Highway, Solid Waste, Sewer, and Golf Fund Health Fund contributions by five percent (5%), seconded by Mr. Hooser.

Chair Furfaro: Further discussion? If not, I guess I should do a roll call.

The motion to reduce General, Highway, Solid Waste, Sewer, and Golf Fund Health Fund contributions by five percent (5%) was then put, and carried by the following vote:

FOR REDUCTION:	Hooser, Kagawa, Rapozo, Yukimura	TOTAL – 4,
AGAINST REDUCTION:	Bynum, Chock, Furfaro	TOTAL – 3,
EXCUSED & NOT VOTING:	None	TOTAL – 0.

Ms. Tanigawa: 4:3 motion passes.

Chair Furfaro: It passes.

Mr. Kagawa: Thank you.

Chair Furfaro: I still want the information because I was prepared to support it at two and a half (2.5) but it would be good for us to have something for us to measure there. Okay to the staff, 4:3 at this point. Reductions, next one please. Does anyone have one to introduce?

Mr. Rapozo: Mr. Chair, are you going to have that thing on the...

Chair Furfaro: Yes, they are going to do it right now. They are working on it.

Mr. Rapozo: Okay.

Chair Furfaro: It is on the screen and they are working on it. I think it is just warming up. Okay, next one.

Mr. Kagawa: My second cut is proposing to dollar fund the new Deputy County Attorney position – the six (6) month position. The reason I am dollar funding is because I want to give the County Attorney the option of taking moneys out of his Special Counsel account and using that to hire the person that would allow Mauna Kea or Steve Hall to do litigation full-time. I have heard it from the County Attorney that having that litigation position open...positions filled by Mauna Kea and Steve Hall will reduce the amount of moneys needed for outside Counsel. I am saying, if that works then why do you not just take that money in the amount of seventy-two thousand two hundred and twenty-five dollars (\$72,225) and take that out of your Special Counsel account and you can go ahead and hire that position. When we see how it works in next year's budget if I am still here, I would be more incline to maybe even add another on that. Thank you.

Chair Furfaro: Mr. Rapozo and then Mr. Hooser.

Mr. Rapozo: I just want my colleagues to know that I also have a proposal but mine is a little bit different. It is to remove the position altogether. I think over the last year or so, I think we all share the concern with the accountability of the

Office of the County Attorney. I do not believe that in fact adding one more position, one more Attorney creates a litigation team. I just do not believe that. I have been around attorney's long enough to know that if you are going to have a litigation team, it is a team. It comes with a package and just simply one more attorney is not going to do that. It is not going to meet the goals and objectives that I believe was presented to us. I will not be supporting the dollar funded. I want my colleagues again to understand that if they agree with me then they can vote your support on the removal of the position. I think it is based on accountability. I think a good manager in that office can make that office run more efficient. I want to give that a shot first before we just keep rewarding, in my opinion is the bad behavior with more positions. I am going to be support very few of the new positions proposed by the Administration this year and this is one of the positions that I simply cannot support. Thank you.

Mr. Hooser: I had to actually look at my own proposal which is real similar to what was brought up earlier and initially I was thinking that Councilmember Kagawa is right on. I looked at my proposal and it is also to delete and not to dollar fund. I would support the deletion and then let the County Attorney's Office prove itself and then come back and ask later. Thank you.

Mr. Bynum: There has been a lot of discussion about accountability of the County Attorney's Office lately on Council that I have not been able to participate in. There is also the accountability of the Council's decisions and how it impacts this issue. For all the controversy of the County Attorney, we avoid looking at the successes of that team over the last couple of years. I am not going to support cutting this.

Ms. Yukimura: I like the creativity of Councilmember Kagawa's suggestion. I was just wondering why we would not just reduce...transfer the money from the Special Counsel accounts and just fund the Deputy County Attorney?

Mr. Kagawa: I just figured that dollar funding it means that we support it but the money would have to come at your discretion and if you want to fill it, you can go ahead and take it out of the Special Counsel account as you told us that the Special Counsel need would go down if we can have Mauna Kea or Steve Hall to do the position. I am confident in those two (2) and that is why I am choosing to dollar fund it. We can have that County Attorney come in...the new County Attorney come in and pick up some of the work that they are working on and free them up totally to work on litigation. But I think us funding it and taking it out of Special Counsel would not be giving Al the direction. This way, he can do basically what he wants with the Special Counsel money.

Ms. Yukimura: The actual amount needed for this year was over a million, I think, right? I am trying to remember.

Chair Furfaro: Let me recap, I think it would help with the discussion. Two (2) years ago the County Attorney's Office operated on a million dollars budget and that was for Special Counsel. After one (1) year, they reduced it to seven, fifty (\$750,000) against some of our recommendations but that is what they submitted and that is what they have to live with. Then last year they reduced it to five hundred and twenty-eight (\$528,000). We recently and I want to thank Mr. Hooser for voting silent on that but we recently gave them another half a million so it bought up their whole budget to one million twenty-eight thousand dollars (\$1,028,000) for this year. You will see in contrary to what Walter Lewis letter implied this weekend, I do not know how he knows that I am disgruntled with the County Attorney's Office or lack the faith in it but he says that in his article but the reality is that there is basically, I did the math real quick, there is only three

hundred and twenty-six dollars (\$326,000) left in that account. He now has a system that he reports back to us where his pending is. Ten (10) of those nineteen (19) accounts he has hit the sixty-five percent (65%) spending criteria already. That is why we had ten (10) Executive Sessions on Wednesday. I am say to you right now whether you give them that Attorney or not, reality is that we should have known in cases and he will be alright, there will be nothing to carryover. I hope that helps you understand.

Ms. Yukimura: It does and so I am seeing that in the Special Counsel in the Supplemental Budget, it shows six hundred fifty thousand dollars (\$650,000) which is already a big drop from the two (2) previous years. Given that we do not have very big reserves, I think I will have to vote against this proposal to cut out. I think there is a great potential to reduce Special Counsel costs both through a litigation team or a focus anyway on litigation from the inside and also by better management of Special Counsel. I think by the reduced amount already we are asking for some of that kind of efficiency and I would like to give the litigation focus a chance so I guess I am not going to vote for it. Thank you.

Chair Furfaro:

Mr. Hooser, you have the floor.

Mr. Hooser: I would like to say that if we hear the same information and come to different conclusions and that is kind of what happened here because another reason not to fund it, I think, is because their entire budget is short-funded. They are going to spend over a million dollars in their budget or six hundred and fifty and there is only four hundred in their...so they are already way too short so I would say we take out this additional money – the seventy-two thousand dollars (\$72,000) or eliminate the position. Thank you.

Mr. Rapozo: I just asked Mr. Kagawa if we could go with my proposal first and see how that does before we go to his at the time of the motion. I do want to say that this Council and prior Councils has offered very strong recommendations to the County Attorney's Office over the last many years, going back to the six-five percent (65%) threshold going back to the form of how to assess the case that we wanted to see this assessment form. The fact that we wanted to be briefed more often and I guess the frustration is none of those were acted upon by the County Attorney – none. Until it was becoming publicly known that this Council was getting really frustrated with this County Attorney, all of a sudden we have ten (10) Executive Sessions now. My point is, let us try the accountability mode first. Let us try to hold him accountable to that Office before we start rewarding him with more positions. This Council at any time can create a position for that Office if they want or feel they need to but I am saying let us try the avenues that we have been asking for years, let him implement that, and see where we go. I would guess, in fact, I am almost positive that if in fact what we have asked for the last several years are implemented, the costs to run that Office will drop. I believe that in all my heart and I think to give more positions, that is not how you hold Offices accountable. So, I would seek your support on my proposal. Thank you.

Chair Furfaro: Anybody else have anything to share? Again, I was just referencing this comment made in Sunday's paper that, "the Chairman has no confidence," I do not know where that came from but here is the reality folks, he put in the Special Counsel because he reduced his Special Counsel fund by two hundred thousand dollars (\$200,000). I would just caution you and you saw those in my notes going about, if you do not go with the additional Attorney the know that we should put money back in the Special Counsel because if not, we are going to be reliving the same thing that we are living

right now. Mr. Kagawa, did you yield to letting us vote on Mr. Rapozo's item first? Okay, Mr. Rapozo, I will give you the floor.

Mr. Rapozo moved to remove funding for the New Deputy County Attorney for the Litigation Team (6-Month Funding), seconded by Mr. Hooser.

Mr. Rapozo: That is only six (6) months so if you put this in, that becomes pretty close to a hundred and fifty thousand dollars (\$150,000) expenditure going forward.

Chair Furfaro: This is Mr. Rapozo's piece?

Mr. Rapozo: Yes.

Chair Furfaro: Further discussion? If not, roll call vote.

The motion to remove funding for the New Deputy County Attorney for the Litigation Team (6-Month Funding), was then put and failed by the following vote:

FOR REMOVAL:	Hooser, Kagawa, Rapozo	TOTAL – 3,
AGAINST REMOVAL:	Bynum, Chock, Yukimura, Furfaro	TOTAL – 4,
EXCUSED & NOT VOTING:	None	TOTAL – 0.

Chair Furfaro: 4:3.

Ms. Fountain-Tanigawa: It does not pass.

Chair Furfaro: I guess we will go to Mr. Kagawa's piece now.

Mr. Kagawa moved to Dollar Fund New Deputy County Attorney for the Litigation Team (6-Month Funding), seconded by Mr. Hooser.

Chair Furfaro: Further dialogue, Mr. Kagawa, I will give you the floor? No? Roll call vote, please.

The motion to Dollar Fund New Deputy County Attorney for the Litigation Team (6-Month Funding), was then put and carried by the following vote:

FOR MOTION:	Chock, Hooser, Kagawa, Rapozo	TOTAL – 4,
AGAINST MOTION:	Bynum, Yukimura, Furfaro	TOTAL – 3,
EXCUSED & NOT VOTING:	None	TOTAL – 0.

Ms. Fountain-Tanigawa: 4:3, motion passes.

Chair Furfaro: Councilmember Kagawa's piece passes. Staff, can you put the appropriate number on the board. Do we have any new cuts? Mr. Kagawa.

Mr. Kagawa: I am going for the hat-trick – I got two for two so far. Thank you, members. My last one is the toughest one because I know it will be hard to bite but again this falls in line exactly with my colleague Councilmember Hooser said at some point we must do and we must tighten the belts of each Department and the management has the ability, I believe, with the amounts that has been lapsing each year in each Department. If they do not want to give up the cuts then we as the Council need to be

the strong ones and tighten the belts ourselves. This will be an overtime reduction of twenty percent (20%) to every overtime line item saving the County eight hundred and ninety-nine thousand four hundred forty-one dollars (\$899,441). Can I make a short comment, Mr. Chair?

Chair Furfaro:

Yes.

Mr. Kagawa: When I look at the direction of the County in the next four (4) years or so especially...I am not picking out any Department but just looking at Police and Fire the operations, salaries are thirteen million dollars (\$13,000,000) in the Police Department and two million dollars (\$2,000,000) overtime for those operations of Police. The Fire Department, they came under the Cost Control Commission because it came up as a concern – eight point eight million dollars (\$8,800,000) operations in salaries and overtime, if you add up regular overtime of seven hundred thousand dollars (\$700,000), you add the rank for rank of eight hundred and fifty-nine thousand (\$859,000), you add the premium pay of four hundred and fifty-eight thousand dollars (\$458,000), for eight point eight million dollars (\$8,800,000) of normal salaries, over two million dollars overtime pay. I am just looking forward now. These are when the lowest paid salaries of each Department is at fifty-five thousand dollars (\$55,000) approximately. In three (3) years the lowest paid Police Office and Fire man will be up to seventy-one thousand dollars (\$71,000). If we do not start controlling overtime now, it will break the camel's back. I am very afraid for the future of our island and our status and how the regular middle class and poor person will be able to afford surviving on this island. I urge Councilmembers, this is the year that we can take that strong stance for the future and I believe management can do it. It is always been...they have been trying but they have not been trying hard enough in scrutinizing approvals of overtime. Again, I believe it will not impact the services that are out there. I think tough choices need to be made and if it cannot be made, I believe there is fat. If I just talk about Police and Fire, those are the two (2) largest budgets in the County if you say that everybody has fat, the largest budgets will have the most fat. This certainly goes for every account in the County and I think it is all about *kōkua*, Mr. Chair, and everybody needs to *kōkua* including our own overtime budget. Thank you.

Mr. Bynum: I do not know where to start with this...but let me start with Police and Fire. I have been here a long time and the Police and Fire have come here and have given us very detailed analysis of their overtime. These Departments use overtime structurally to run at the most efficiency. I will not be supporting this by any way shape or form. I think if we vote for this without calling the Police Chief and Fire Chief up here and asking them what impact this will have and have us remind them in their Departments overtime is used structurally for efficiencies, the Police Department has to use overtime because they have to serve the public and they have not been able to be fully staffed until recently. This is just untenable this kind of twenty percent (20%) across the board, in my opinion. Thank you.

Ms. Yukimura: I appreciate Councilmember Kagawa's look at these issues but I am deeply concerned about the small Departments that are doing a huge work on behalf of the public – Transportation used all of its overtime, it is part of the bus system as it works and I think they are already struggling with a small budget that is very, very lean. So to cut twenty percent (20%) across the board, to me, is untenable with the small Departments. I look at Housing too and they are struggling just to survive in terms of their positions, their federal funding is being cut, it is down to the bone and I do not think we can do that to them. It would be really hurting their operations and the people that they serve. I would be open to a more focused kind of cut but not across the board.

Mr. Kagawa: Can I respond?

Chair Furfaro: Sure.

Mr. Kagawa: We are ignoring the fact that we always hear that there is a lot of money that are lapsing each year in every Department, so your comments fine however you are assuming that every Department is spending every dollar and that is not happening. That has never happened. We are always lapsing money and Transportation is not a small budget. It is a big budget. Just like every other Department that is being asked, I think, if you remember what I said earlier, all of my savings will go into our savings or reserve account and if there is a need mid-year, they can come before the Council and we can put it right back so that those that are seriously effecting services and what have you will have that savings. This is a way to tighten the belt and we will have that savings. If we do not make any cuts, we will not have any savings and we will not be able to give anything upon emergency. I just think it is a big step. It is a tough step but we are certainly elected to do. We need to serve the general public and we need to try to do what we can to control our spending going forward. Thank you.

Mr. Hooser: Again, I support Councilmember Kagawa's initiative on this and it does not eliminate or prevent these services from being provided. It just holds the Departments far more accountable and it makes it far more difficult for the money to be spent. As they move forward and if the reality of their budgets are as such that they absolutely have to have more funds for more overtime, they cannot live within their budget then they come back and they justify that request to the Council. It makes everybody work much harder to spend the money. It is not so easy just to go run through their budgets. I believe this is the budget year, if any year, that we need to tighten up the process as much as we can. Again, if there are legitimate needs, come before the Council or work within your own budgets but if need be come before the Council and ask for additional funds but it will definitely increase accountability, increase efficiency, and help us balance the budget. Thank you.

Mr. Rapozo: If Mr. Kagawa was asking for the eight hundred and ninety-nine thousand dollars (\$899,000) to build the sports complex or a project that he would like to see done then I can tell you that I would not support this but right now there is really no incentive or pressure for any Department to really scrutinize overtime. Last week here I asked Solid Waste if they had changed the schedule which had been an issue for a couple budgets now of the green waste hauling, if they had changed the schedule of the hauling to move it from a weekend to a weekday – that they had the overlap. The acknowledgment I got or the response I got from Solid Waste was that they did not. Until the well is dry, nothing is going to change. The behavior is not going to change. That is one (1) area that could drastically cut overtime. I share the concerns of the public safety and the fact that the Police and Fire rely a lot on their overtime but I also believe that forcing all Departments to be more accountable, to actually sit down and figure out a way in their staff meetings how we can cut overtime, nothing is going to change. Until that happens, nothing is going to change. We just look at it as a given and we got to work around this and do not worry about it because the taxpayers will pay. We will just raise the taxes to meet these demands of expenditures when we are not, I do not think we are doing our fair share. We are not sharing with the public saying that we are cutting and we are asking you to help out. I will feel more comfortable when we asking the taxpayers to step up when we, ourselves are stepping up and not just cutting dollar funding positions or moving money from one account to another. I am talking about real cuts. I would definitely agree with Mr. Kagawa that these funds need to go into the emergency fund/surplus fund so that it is available should the Department, regardless of which Department it is, can justify the need

for more overtime that we will have it available. I think the exercise need to get started and I think this is the year to do it. I am going to support the proposal. Thank you.

Chair Furfaro: I want to caution all of you and I want you to know that I said this purposely this morning. I am talking to right now with several years of management experience. I know we got to propose cuts but I have to tell you that these cuts need to be realistic and they need to be documented in a sense the those people managing those areas need to have a chance to tell us what kind of goals they can set and so forth. That is where we should deliver the message. We should not do this by force and just saying that is what it is, so I would like to postpone the on this until after lunch, and then after lunch have the Police and Fire Chiefs here. Also, if you read my notes, I already tapped the Fire Department in my comments and they followed through, am I correct Steve, and I just need a shake of the head.

Ms. Yukimura: Yes.

Chair Furfaro: So it is not necessarily something across the board and that was based on the fact that we had this very unfair overtime handed to us in the rank for rank that they have been working on. I would hope that you would allow me to take this item after we have the Police Chief and Fire Chief here just to hear from them. Is that acceptable? Okay, we are going to do that and we are...did you want to comment?

Mr. Bynum: JoAnn brought up another Department where overtime is not a luxury, it is part of the structure of the Department, I believe, so I definitely encourage us to do that. I need we need to hear from the Police and Fire but I do not think they can function with this cut as intended. My final point is that this budget happens in the context of years of structural change. This Council that I am very proud of because we addressed this variance issue very assertively and the Administration responded. We have tightened up all of those places very considerably to the point where some of these cuts, I said no can...I do not see how these Departments could function if we took this out. They would be coming back here for certain. It is not, maybe they will come back and we even talked about hope today, "I hope this..." we cannot talk about "hope," we have to do something we know will work next year.

Chair Furfaro: So, if you folks do not mind, Mr. Rapozo, you have the floor real quick.

Mr. Rapozo: I know it is coming up on lunch, so I just wanted to try to get one that we could probably do relatively quickly.

Chair Furfaro: I think it is lunch time now. Again my comments here is from a standpoint of being a senior manager, I have read operating budgets since (inaudible) and I think if we are going to hold a reduction like this to these Department Heads, it would be good to hear from them. Also, in my earlier go about, I did make a reduction in the Fire Department, so I am not sure if it can be across the board but I appreciate what you are doing here Mr. Kagawa, please do not get me wrong but I would like to hear from these two (2) public safety Department Heads. We will recess for lunch on this note. We will be back at 1:30 p.m.

There being no objections, the Committee recessed at 12:31 p.m.

The Committee was called back to order at 1:37 p.m., and proceeded as follows:

Chair Furfaro: We are back from lunch and we will continue on our decision-making process here. I see Nadine just explained to me that the Department Heads here were here for the opening comments but they were scheduled to be back as we go into decision-making process. I just want to point out that I had only asked for the Police Chief and the Fire Chief. Coming back from lunch, we had an item that was proposed on the floor. We do not have a seconded and it deals with overtime. The proposal on overtime was to reduce overtime by twenty percent (20%). Before we go any further, I want to get some clarification and I do not care if it is from Steve or Ernie, but I would like to get one (1) of you. I would like to get a definition of something. Could one (1) of you come up to the table?

There being no objections, the rules were suspended.

Chair Furfaro: In the hotel and resort business we define overtime as an issue that deals with call-backs for filling in vacancies, additional staffing requirements because changes in the house count or the forecast of the restaurant and so forth, and other particular overtime is often referenced as premium pay. Premium pay is pay that is given for contractual agreements – holidays, mandated requirements to fill in for supervisors that are off and so forth. We have overtime here defined as any one and a half times of pay regardless of it being in a contract or not, you do not...there is no differential in the line item or the terminology. So, when we say overtime, it is all overtime including that is in the bargaining unit agreements, can you help us understand before I give the floor to Mr. Kagawa?

Mr. Barreira: This came up during the budget deliberations and hearing earlier this year. All overtime for County and State employees are all driven by that which is defined in our collective bargaining unit agreements.

Chair Furfaro: But what I am saying is if you have an bargaining agreement that specifies who needs to be used or who is called back when there is a filling for a vacancy, some of those are done by contract and that is not referred to as premium pay or is referred to as premium pay? Then there are other demands that occur that are pure overtime for operational issues but here it is one line item.

Mr. Barreira: This issues with respect to premium pay, I would like to get you an accurate information so when we are pursuing other business, I am going to ask Human Resources (HR) to speak to that issue and get you through Council staff a specific answer in terms of premium pay. I can tell you that in terms of overtime Chair when you talked about a specific order, that also especially in the UPW and all unions are defined by seniority.

Chair Furfaro: That I understand but there is no definition when we have a bill being introduced to reduce overtime by twenty percent (20%) across the board, you are basically telling me that there is no way that I can decipher which are by contract, transfers, and so forth versus operational issues. You cannot define that to me. You do not have two (2) separate line items in the budget.

Mr. Barreira: I will get you a response to answer your question, sir.

The meeting was called back to order, and proceeded as follows:

Chair Furfaro: Okay. That is the best we can do for now. I want to keep the questions limited because we do not have a second on this motion yet. I would like to get a seconded before we go any further.

Mr. Hooser: I actually did not hear the motion but I am prepared to second.

Mr. Kagawa moved to Reduce Overtime by 20% (General Fund, Highway Fund, Solid Waste Fund, Sewer Fund, and Golf Fund), seconded by Mr. Hooser.

Chair Furfaro: Now I will take discussion.

Mr. Kagawa: I think you called the Police Department and the Fire Department here to come and tell us by cutting twenty percent (20%), what are going to lose? Let me tell you what my justification for saying that we do have money in there as Councilmember Hooser said to move around within the Department. I am looking at page 34 of the CAFR, you all have that. In FY 2013 the Police Department lapsed nine hundred and one thousand dollars (\$901,000), the Fire Department lapsed one point six million dollars (\$1,600,000). That is money that was in the budget that was not spent. For the Police Department, they have the most to lose. They have two million dollars (\$2,000,000) in their overtime budget – twenty percent (20%) of two million dollars (\$2,000,000) is four hundred thousand (\$400,000). For the Fire Department, their overtime budget only has about seven hundred thousand dollars (\$700,000) in there because I do not believe the overtime cut will affect premium and rank for rank because that is all contractual obligated. But seven hundred thousand dollars (\$700,000) take twenty percent (20%) is a hundred and forty thousand dollars (\$140,000) so the Police Department is the one that will be most affected but they have like I said if you look at the last lapsed amount in the CAFR, I believe that they may have enough money in there and like I said the reason that we are going to try and reduce overtime County-wide and we will have those money in fund balance so that if the need arises and they do not have money that are extra or lapsing, they can come back to the Council, and they can have exactly what they asked for in the budget or even more if the need arises. At some point we need to tighten the belt across the board in the County and there is money that is lapsing. I can look at every Department, almost and they have it but as Steve pointed out we are getting closer to actuals. The lapsing amounts are reducing. Those are the two (2) big ones. For example, Transportation only lapsed ninety-one thousand dollars (\$91,000) that is not a lot of play and they are pretty close to actual. Like I said it is a fair... “across the board means every Department giving up something.” What are we achieving? We are achieving a savings instead of achieving zero or just a balanced budget where we have no savings. I feel like this is a way to go to achieving our chances for bond rating and I do not know really what is the big fuss because I believe that it can be done it you just look at page 34 of the CAFR. Thank you.

Chair Furfaro: Just for clarification so we all know especially you in the audience; that is the carryover of the whole Department. That is the carryover of the pay roll line. That is for the whole Department.

Mr. Bynum: Like I said I have been here for a while. We have been discussing and scrubbing overtime for a number of years, the variances that Councilmember Kagawa talks about have been reduced substantially over the last few years with collaborative work between the Administration and the Council. We have already a tight budget. I believe Fire just cut overtime recently. I believe not overtime is created equal. Sometimes overtime used judiciously saves money and is structural and in some Departments like Police and Fire, I think it is structural to their operations. I do not

believe that some of these Departments...and that is my question, can operate with this big of a cut – four hundred thousand dollars (\$400,000) additional from the Police Department right now. They are counting on this. They already scrubbed and we dealt with the variances and the positions. This budget is happened in a context of a lot of work that brought us to this point. I really want to hear from those Departments in particular but there may be others where overtime is not a bad thing. It is something that is part of the structure of the Department and necessary. I do not support this kind of very large cut without thoughtful consideration of its impact on each Department. Thank you.

Mr. Hooser: Chair, if the Department Head is going to speak, I will listen to them first and then speak.

Chair Furfaro: Fair enough. We will likely hear from the Police Chief and the Fire Chief first from public safety to talk in terms of the budgeted overtime.

There being no objections, the rules were suspended.

DARRYL D. PERRY, Chief of Police: Good afternoon. With respect to the economic situation...I really appreciate having the time to explain... in terms of the CAFR the nine hundred and so thousand dollars, I would have to look at each line item but in regarding to overtime, again, you have to realize that we are filling all of our positions. We did use the three (3) year actuals and came out with a baseline number and of that we cut another two hundred and fifty thousand dollars (\$250,000). In terms of our assessment of our needs, we felt that we are as low as we can go. Now the CAFR indicates that there is about nine hundred thousand dollars that we returned and those were based on the status of the Department from last year and equipment purposes that we were not able to make. But these situations are going to be changed in the very near future not to mention the collective bargaining agreements that were reached recently. Those are financial liabilities...well I should not call it liabilities...obligations that we need to honor because it is collective bargaining. In terms of our overtime expenditures, there are aside from personnel changes and the TA and the rest, there also unanticipated events that take place. These are the anticipated events that we cannot predict and that is why we use our actuals. For example, recent hostage situation in Kilauea, recent traffic fatalities, the GMO of course we all know about that, and the amount of money that we spent there, tsunami warnings...I am cautiously saying that these events will continue to escalate. In Civil Defense, we continue to check what is happening in the world and the areas such as South America and our other neighbors and there is an increase of number of earthquakes that have been going on. Now, we have not received any tsunami alerts yet but it is only a matter of time. These are events that are unanticipated that will cause overtime for our officers to respond. Deputy, is there anything else you would like to say?

MICHAEL M. CONTRADES, Deputy Chief of Police: Good afternoon. I just wanted to add and reiterate what the Chief said. The outlook this year is going to be a little different than in the past. We are very close to filling all those vacancies. I think you got the report and current status of each position. We will not have unexpended salaries to rely on anymore. I listened earlier about how the plan was to utilize peoples positions that retire and utilize the money that was in that position to pay for vacation payouts and whatnot, that is going to be another area where we will not be able to tap into if we needed the funds. I think another thing that needs to be recognized is that because of the raises, we are going to be paying higher overtime rates when people make overtime. We have done a tremendous amount to reduce overtime as much as we can. We are going to continue to keep clamps on it and watch it very closely but as the Chief said there will be things that occur that we cannot anticipate. We did budget as close to reality as possible. We were

using and we think it is a great idea with the three (3) year averages and like the Chief mentioned, we budgeted based on our three (3) year average and then reduced another two hundred fifty thousand dollars (\$250,000) from that. And so another four hundred thousand dollars (\$400,000) will be a tough hit for us to take. Our alternative is that we are going to have to look at different ways to reduce overtime which includes services. So at some point we may have to make difficult decisions that we prefer of course not to make. We have tried this past year very, very hard to reduce that amount of overtime.

Chair Furfaro: As to the two (2) gentlemen the same question I am going to ask the Chief, as it relates to the CAFR and it relates to your total budget versus what is perceived as the payroll. For the whole Department this year you have a budget of twenty-eight million nine (\$28,900,000). When the CAFR was concluded in June 2013, your Department spent twenty-five one, so those are actuals against your new forecast. The difference is two million seven, what are the substantial differences in your Department starting first with the payroll increases that happen through bargaining unit? We are all thinking there is nine hundred thousand dollars left over but when you compare with actual ending last year to what is in the books now, you have to add back in some of the big costs and I am going to be asking the Fire Department the same thing. There is a perception there is nine hundred thousand dollars worth of wiggle room but in reality there is two point eight million dollars difference. How much of that is in bargaining unit agreement?

Chief Perry:  
but I can get it for you.

Chair, I do have that information for you today

Chair Furfaro: Okay, we need to have that. You need to know the difference between the 2013 actual, we do not have an ending for 2014 but there have been a lot of things happening from the CAFR till now. Pretty much that nine hundred thousand is not available whether it is coming from the payroll line or not, that is not what your operating budget is reflecting. I would think that the Administration, Finance, and the Budget people are prepared to answer that question for me, Ernie? Okay? I am asking you right now we have a CAFR of twenty-five million one in FY 2013, we have a budget now of twenty-eight nine, the difference is three million eight, how much of that is payroll, new leases, operating costs for utilities and so forth. That is the only way we can make a true comparison. Gentlemen, if you can help them with that, I would appreciate it. Questions for the Police Department? No. Thank you. Can we have Fire up?

ROBERT F. WESTERMAN, Fire Chief: Good afternoon.

JOHN T. BLALOCK, Deputy Fire Chief: Good afternoon.

Chair Furfaro: Gentlemen, same question comparing the FY 2013 CAFR ending and the new FY 2015 budget. Your CAFR went from twenty-one million nine to twenty-five nine with a difference of almost four million dollars (\$4,000,000). How much of that in two (2) years is bargaining unit agreements, new equipment, and other operating cost as it relates to especially with the fire houses, energy increases and cost associated with the new equipment, do you folks know?

Chief Westerman: We can get that for you, Chair, but I can tell you that ninety percent (90%) of that was negotiated in the new bargaining unit because we actually reduced our operating funds by almost five hundred thousand dollars.

Chair Furfaro: So, Chief, you are following my question here.

Chief Westerman: Yes, sir.

Chair Furfaro: Because you cannot take the 2013 CAFR and in between two (2) years you have had bargaining unit increases, utility changes, and equipment additions and say that is going to be a carryover.

Chief Westerman: Yes, sir.

Chair Furfaro: So same question I have for you folks is the same question I have for Police. Go ahead, JoAnn.

Ms. Yukimura: Chief, you said that ninety percent (90%) of that four million difference in this year's budget versus next year budget is due to collective bargaining increases?

Chief Westerman: Yes, and I can get you the exact figures on that. I am speaking off the top of my head but I know what I budgeted I did not budget any increases that I absolutely did not have to.

Ms. Yukimura: Yes, okay.

Chair Furfaro: Was she just sweater to ask the question so you will get it back to her or will tend to get it back to me?

Chief Westerman: Yes, sir. I am sorry.

Chair Furfaro: Oh thank you. Just thought I would get that clarified.

Chief Westerman: Sorry, Councilmember, I will get that answer back to the Chair.

Ms. Yukimura: I understand that is what you were going to do. In other words you actually reduced your operating, you said, by five million to try to stay within the budgetary guidelines?

Chief Westerman: No. I did not say that I reduced my operating budget by five million. I reduced my operating budget, if I remember right, by about five hundred thousand.

Ms. Yukimura: Five hundred thousand dollars (\$500,000), okay, thank you for the correction. Thank you for the recent cuts in your overtime that have already been made in the supplemental, right?

Chief Westerman: Yes, and we appreciate the Administration coming to us and saying, "where is it that you can cut," instead of taking a broad slash of twenty percent (20%) off anything.

Ms. Yukimura: Right.

Chief Westerman: This is a good example, I agree there is seven hundred thousand dollars in overtime, if we just talk the overtime section of the operating

budget but in that category are two (2) different categories, one is overtime and that is for when people who do not show up and we got to pay for it or we are doing fires and we got people... that is only seventy-seven thousand dollars (\$77,000). The other six hundred and eighty thousand dollars (\$680,000) in that line item is for holiday pay. Now we did reduce that by some already because holiday pay even though it is negotiated needs to be paid, they do not all take holiday the same way. Some guys might actually take the day off, some firefighters might actually take the day off and take their holiday pay, other may work it and we will have to pay them overtime for working the holiday. The majority do that. Again, that is one of those line items that is a best guess. We could budget a little either way and we already reduced some of that early estimates. The other line items and it is kind of the same in each of the Divisions except for Admin – for the most part. It is only the BC's but the rest of us on the forty (40) hour week we take the time off the same way with training and prevention. Ocean Safety and operations which are two (2) biggest budget items, they have to work the holiday.

Ms. Yukimura: Thank you for having that breakdown. That is very helpful.

Chair Furfaro: Mr. Bynum.

Mr. Bynum: Would it be accurate to say over the years you presented us pretty tight budgets and had maybe the least amount of variance of any Department, would that be accurate?

Chief Westerman: Well we tried to and I agree there are years that we lapsed more money than others and in those years, a good example, three (3) CAFRs before that we lapse ninety-three thousand dollars (\$93,000). At twenty-two million dollars budget, believe me that my cheeks were tight as we were coming up the end of the year because if I would have over spent, we would have really been in a predicament. The next year we plus up something's and did not cut down some others so we lapsed a little more. In the last one also as we were moving through and brining on the full cost of the safer – the fifteen (15) safer and that is kind of why our budget line items have changed. What might seem drastically too is we have finally brought the full cost of the fifteen (15) safer firefighters. So, that incrementally has increased our budget over the last five (5) years.

Mr. Bynum: I think you are kind of making my point that not all overtime is created equal. We had a cut earlier today that was five percent (5%) of the health fund contribution. Five percent (5%) I do not think that is a wise kind of thing to do but in this instance it is twenty percent (20%) of overtime when you just said that the vast majority is just about a circumstance you meet to the Fire Department that you do not take holiday's off – the firefighters do not anyway. Thank you.

Mr. Kagawa: I am just looking at this CAFR page 34 and it shows that for FY ending June 30, 2013 you lapsed one point six million.

Chief Westerman: Yes, sir.

Mr. Kagawa: Which was by far the largest in any Department in the County. Would it be fair to say that in that year you did not do such a good job in projecting your budget? You actually asked for one point six million more than you needed.

Chief Westerman: I guess you can make that assumption.

Mr. Kagawa: Is there a particular reason why that happened?

Chief Westerman: No, I thought as we went through the budget process and actually we cut back significantly as we went through the budget process that that is what we would need to expend through the year. Again, a lot of things that happened in the budget; how much overtime we used, shortage of Water Safety Officers, shortage of Firefighters, salary items that...and I look at it this way, I did a very good job of not spending my entire budget because I did not use personnel and took a risk on any one (1) day versus another and did not use overtime or salary for a particular day. Now, I agree that is significant and a lot of it was OPEB. OPEB was one of those ones we guessed at through the years and we try to fund it as much as we possibly can but I do not want to misspeak for Finance but we budget for twenty-four or twenty-five percent (25%) and we ended up... the actuary only charges us twenty-two or twenty-three percent (23%) and on an eighteen million dollars worth of salaries, that is pretty huge.

Mr. Kagawa: I appreciate that, Chief because I know some manager, the Department Heads will make it a point to spend all of their money whether they need it or not just to show a small variance.

Chief Westerman: Right.

Mr. Kagawa: And by showing a large variance that means you pretty much...you bought what was necessary and you did not overspend in areas that you did not need to. I am not saying that it is a bad thing to lapse a lot of money. What I am saying is in doing our cuts this year, I just thought of it as a fair way to tighten everybody's belt and this is where you could take some of those moneys if you are short a hundred and forty thousand after I make my cut, if you are short even two hundred thousand, you could take it from other accounts which you may foresee as being more than needed, more than the actuals are going to end up and do whatever you need to do as a manager and provide the same services that you would be providing anyway. I think every budget has some that lapse and I am saying that there is a little room for everybody but it is just our way on the Council of trying to set a tone where managers will try and get that overtime numbers down. I do feel that although, I know some points it is inevitable that we need to spend overtime whether it be two million a year or what have you but I am just afraid for the future. How long can we continue to increase overtime and just say, "we cannot do anything about it?" I am troubled that if we do not at least try to do as much as we can internally that we are heading for a very dark future. That is all my reasons. It is not to pick on any Manager or Department. I think it is trying to do a good thing actually in trying to make sure that we set a better tone going forward because we are not at the point where we have that big savings anymore.

Mr. Rapozo: Chief, I just went through the budget real quick and basically what I saw from each Division, I am showing a non-contractual overtime amount of about two hundred and five thousand. Does that sound right?

Chief Westerman: I would say that sounds about right. That would include some...you must have gotten a good chunk of that out of prevention also?

Mr. Rapozo: Yes.

Chief Westerman: And we use that for our education program but yes, that (inaudible).

Mr. Rapozo: Anything that was not contract mandated I just put it on. I think the training section or prevention section was somewhere like ten thousand or something like that.

Chief Westerman: Yes.

Mr. Rapozo: It was very small.

Chief Westerman: With recruit class.

Mr. Rapozo: But we actually have control over that is not required by contract is about two hundred grand. I am not sure what number our staff used when they calculated the General Fund overtime, I am not sure how they allocated if it was total because obviously we cannot touch the collective bargaining required for Fire and Police on overtime, I mean holiday, night differential, all of these things that get premium pay. Obviously we cannot touch that. I did not do the Police Department because it is a much larger budget to go through but I would assume it is similar that majority of the overtime goes towards the contract mandates. My question is as you sit here today and you plot out your trends for the remainder of this FY what is your anticipated lapse or what will your anticipated lapse be without any rush to spend? Let us just say if you stay on track as you are right now, borrowing any natural disasters or anything like that, what do you anticipate your lapse or your...

Chief Westerman: On the current year that we are in right now?

Mr. Rapozo: Yes. Because I think that is the point that Mr. Kagawa is trying to make using the CAFR numbers.

Chief Westerman: Right.

Mr. Rapozo: And sometimes the CAFR numbers can be deceiving as well because there are some funds that were approved for the current budget that had not been encumbered and for whatever reason we talked about the Police car, eighteen (18) months they get a Police car delivered. I would assume that there is some of that in there but it is very difficult to tell. But using the real numbers today...

Chief Westerman: I must apologize I can give you that exact amount only I do not have that document with me right now. I carry it with me on a daily basis and I track where our spending is going but if I remember the last time I looked at it, we are right now on track for turning over five hundred and twenty thousand dollars (\$520,000).

Mr. Rapozo: Lapsing about five hundred twenty thousand?

Chief Westerman: Lapsing about five hundred twenty thousand dollars (\$520,000) but again since we are not near the end of the year, we have salaries now that we did not have in the past and so we are going to start slowing that trend down because now we have the full hires on, their overtime will go down, and a lot of other things will affect that but right now if I remember the last time I looked at it a couple days ago, it was about five hundred and twenty thousand dollars (\$520,000).

Mr. Rapozo: I do not need to Chief to come up but if you can provide that to us as well, what you anticipated... what did you just call it?

Mr. Blalock: Lapse.

Mr. Rapozo: No, you called it something else. Turn back or turn in...whatever you not going spend. I would appreciate that if we could get that at some point today, maybe staff can go run over there and see if they have it.

Chair Furfaro: So to the two (2) Chiefs, I hope you guys understood the differences I was pointing out in comparing the CAFR and I think Mr. Rapozo summed it up very well too because there is money you may have gotten towards the end of the year in 2013 that did not actually be tapped when the CAFR closed. Also, you have a situation here where you have... I think you probably with your own accounting people have a better number then us because we only have until the end of February in front of us to know what those lapses would be. Here is the other problem; we do not have all the data entry people here that can categorize every line item we have here for overtime. We do not know how much is premium by contract, how many is overtime for call back sick, but yet it is provided to us but it is not categorized for us. I still want you do the exercise I asked along with Finance. I want you to take the numbers that I read to you as it relates to 2013 CAFR, all the bargaining unit increase that you had, you had new electric equipment that came onboard to the fire houses, all of those things. So, that is where you can explain the variances especially for this line item which was overtime. I will close by asking you because I think Mr. Kagawa is on to something but let me ask you, on pure overtime, what if you felt the amendment was asking for a five percent (5%) reduction in your overtime, how do you feel about that?

Chief Westerman: Again Chair it depends on which line items you want to classify as overtime.

Chair Furfaro: We are going to do operating overtime.

Chief Westerman: Just on operating overtime.

Chair Furfaro: Yes.

Chief Westerman: The five percent (5%) is fine.

Chair Furfaro: Okay. Questions? Mr. Bynum.

Mr. Bynum: Two hundred thousand dollars (\$200,000) is contractually and we want to cut that one forty, what is that going to do? And if five percent (5%) of two hundred...what is five percent of that?

Chief Westerman: Ten thousand dollars (\$10,000).

Mr. Bynum: That is a big difference between that and a hundred and forty.

Chief Westerman: Yes.

Mr. Bynum: And if all you have is sixty thousand for the whole year, are you going to make it through the year realistically?

Chief Westerman: Well we will just have to transfer funds from somewhere else, watch what we are doing, and transfer funds. We do that in our routine basis now so as we run ourselves short somewhere, we transfer funds somewhere else. The difference again being that we can only move salary to salary items and so we are just talking salary items here.

Mr. Bynum: Okay. Thank you.

Chair Furfaro: In all fairness you could at least attempt to reach five percent (5%) if Mr. Kagawa came back with another offer here?

Chief Westerman: Yes, sir.

Chair Furfaro: It is reasonable reach.

Chief Westerman: Yes.

Chair Furfaro: Anymore questions for the Fire Department? Ernie, did you want to add anything before we move on? Okay. I will call the meeting back to order.

The meeting was called back to order, and proceeded as follows:

Chair Furfaro: Mr. Kagawa, we would take a vote here and whatever the outcome is if it does not pass, would you consider reintroducing at five percent (5%)?

Mr. Kagawa: Five percent (5%) is better than zero. At least it is...we are not tightening our belt four notches, we will be tightening it one (1) notch.

Chair Furfaro: And I appreciate what you are attempting to do in your motion.

Mr. Hooser: Chair, I appreciate the discussion and from Police and Fire especially and Councilmember Kagawa for making this all happen in terms of the conversation and discussion that we are having today. It is important to put this in a context and we did that a little bit in the beginning of the meeting but I think it is important to remind the public and ourselves that we have four hundred thousand dollars (\$400,000) in unrestricted funds in the budget leftover. We just had our bonds downgraded...our bond rating downgraded and we really are in very, very bad shape. Someone say could easily be in bankruptcy if something bad happen in terms of an economic downfall other kind of disaster so we have to remember that and remember that we cannot just have taxpayers picking up the dime on everything. There are people out there on fixed incomes, businesses are struggling, and to them just like it is difficult for the Police and Fire to make their budgets work with overtime, it is very difficult for many people in the community to make their budgets work as well. I think we should tighten this belt just as tight as we can and I would much rather see a ten percent (10%) reduction and just go halfway on Councilmembers proposal and again if we get to the last three quarters of the next year and they are having trouble, they can come in and validate to show legitimately where that money was spend and the condition of the budget, they can ask for additional funds. At the end of the day the taxpayers will have to make up the difference and when we have to rebuild our surpluses and we have to have in my opinion a

sustainable budget and it is our responsibility to do so and I think this is a good step in the right direction. I would encourage people to think about ten percent (10%). Thank you.

Ms. Yukimura: Yes, I still have my concerns about the small Departments. I think they are much more impacted by what seems to be like small cuts and I would be willing to consider five percent (5%) to the larger Departments but I am not clear yet that smaller Departments can really handle it. If they have to come back again, if that becomes a given, that does not help either – just the time and effort and paperwork to come back. That does not make sense either. If it is a more “if’y” question about whether that is going to happen, I can see the value of that but not to just make extra work and extra time to come back. It does not make sense to me.

Mr. Rapozo: I would ask Mr. Kagawa to hold off on the vote right now. I am concerned because we are talking about two (2) different numbers. We are talking about mandatory overtime which we have no control of and then we have the...as you call it the operating overtime which is for the day to day unexpected – people that call in sick or whatever and you got to call in sick. We are talking about two (2) different numbers and it is significant. Twenty percent (20%) of the total number that Mr. Kagawa proposed versus five percent (5%) is substantial but what I would like to see as described the fire none required overtime is two hundred five thousand dollars (\$205,000), that is what I would call a discretionary overtime where the Chief actually has the discretion and the ability to control through shift changes, through certain different things that he could use within his power and authority to correct the excessive use overtime. I guess what I am asking is that we have staff and with the help of the Administration separate those numbers and I think this only applies, I would assume it would only applies to Solid Waste, I would guess. Solid Waste might have some...because they work on holiday's right? I think that even extends to that Department as well but what are the true numbers that we are talking about that I would call the discretionary overtime and if Scott could work with the Administration and get that numbers. I think then we can make up a more educated and informed decision on how much we believe can be reduced. I appreciate the Fire Chief saying five percent (5%) would be okay but I mean I would kind of like for all of us be on the same page as what are we really talking about. What number are we really talking about? If Mr. Kagawa does not mind, I would ask if we hold off on that. I do not know how long it would take to get those numbers. That would be my request Mr. Chair.

Chair Furfaro: To the big Departments – Chief, Fire, Public Works, I am going to ask you to provide my staff with that number as I showed you in this document. It is not broken down that we have an understanding. Now we understand that we are dealing with two hundred five thousand dollars (\$205,000) for the Fire Department and at five percent (5%) it is a savings of ten thousand two fifty dollars (\$10,250) but I am asking those big Departments on the operating overtime to give those numbers to my staff so we can revisit this. So we are all on the same page, okay. Mr. Bynum, you wanted the floor?

Mr. Bynum: Every budget happens in the context of this FY and this one more than ever because we have eliminated the cap, we have so many moving parts, and we have no revenue proposals from the Administration for this entire economic downturn. The kind of cuts we are talking about now, I think, if we are going to entertain them at all the Chair is moving in the right direction what is discretionary and what is a small percentage of that where you can move around but we have been through this. This Council with the Administration for the last four (4) to five (5) budgets has looked at the overtime at length. We had lengthy discussions with the Fire and Police Chief about overtime and their efforts. We are in this structure we are in now...we always make a

commitment to public safety, number 1, five hundred and seventy thousand dollars (\$570,000) cut in overtime proposed to public safety. If that is not a (inaudible) on the commitment to public safety, I do not know what is. I am a former civil servant, and I worked as a mid-level County Manager for many years. We have been through this process. There is not twenty percent (20%) of overall in there. I am not going to support anything that is this kind of thing that does not honor all of the work that this body has done and the Administration has done. It does not make sense. Mr. Rapozo said make a thoughtful consideration, well you need data and information to do that. I am making a very thoughtful consideration in the context of my role on this Council that we have scrubbed these budgets of these things. There is not big twenty percent (20%) moves in these budgets that makes sense for the County and efficient running of the government and honoring the work of all of our wonderful civil servants. We are doing a better job than ever since I have been on the Council. I am not going to support it. Now, if we get down to where we actually know the discretionary spending and it is going to be a small percentage like the Chair is suggesting, I might be open to that but even that it is not going to be significant enough savings for us to do this. That is the last time that I am going to say this and I am just going to vote from now on.

Chair Furfaro: Well first of all I appreciate the public safety people coming over as well as we are looking for the number from Public Works. Again, I want to say that this is my constant theme here, if we had proposals on reducing operation costs which I think we have complete jurisdiction over to look at these things, my comments have always been to make sure that the proposed cuts are realistic and obtainable and we are still digging to find the kind of information we need to come to those right conclusions. On that note, I am actually going to take a ten (10) minute break because we are required to have a tape change and we might as well take our first break of this afternoon right now. We are on a ten (10) minute recess.

There being no objections, the Committee recessed at 2:24 p.m.

The Committee reconvened at 2:38 p.m., and proceeded as follows:

Chair Furfaro: The Decision-Making is called back to order. I wanted to get some clarification on the earlier business today. I do plan to leave at 4:30 p.m. today because I have my beautiful bride at home of forty-one (41) years and today is our anniversary. Thank you very much. We do want to close, but to do that, I want to get some clarification on the straw poll one more time as it relates to the hotel resort tax that is proposed.

Ms. Fountain-Tanigawa: Chair, you are going to retake the vote on the Real Property Tax...

Chair Furfaro: The straw poll, yes.

Ms. Fountain-Tanigawa: This would be to approve the two dollars (\$2) as proposed by the Administration on the Hotel and Resort class...

Chair Furfaro: As submitted in their Budget.

Ms. Yukimura: Mr. Chair?

Chair Furfaro: Yes?

Ms. Yukimura: I am thinking that it is not a vote on that if you are voting on all of the resolution. People may be voting against it not because they are against the hotel room tax, but because they want to amend other pieces of it.

Chair Furfaro: That is where the confusion is. You will get five (5) minutes tomorrow if you want to get room tax proposals, but to start our sheet, we need to have an indication of who will support... you may want to introduce something for more, but who is going to support what they originally submitted without it... right now, we are standing at four million nine hundred and something thousand dollars short and I will not be able to go home and open some sparkling wine and things of that nature with my wife this evening.

Ms. Yukimura: Chair, it is really great that your anniversary comes at the time of Budget.

Chair Furfaro: I will not be able to use that as an excuse of why I did not get home.

Ms. Yukimura: I think what you want is a vote on the hotel rate increase.

Chair Furfaro: That is what she is going to do, as it stands right now.

Ms. Yukimura: Okay.

Chair Furfaro: That will substantially change where we are at. If you want to introduce something that adds the next time around, we are open to that. I will you the time or another five (5) minutes tomorrow to talk about tax rates and so forth. Right now, before the day ends, I want to make sure we understand where we are at. Mr. Hooser.

Mr. Hooser: Earlier, I voted no because I want to look at the whole property tax offering. What do we have... like half a dozen or whatever categories—the rate... if we are talking about the rate, it depends on what the other rates are.

Chair Furfaro: I understand that.

Mr. Hooser: I understand for the record that in order to close the gap at the end of the day, property taxes will need to be increased and I understand that the hotel sector will be carrying a significant portion of that in my opinion.

Chair Furfaro: As proposed by the Mayor, yes.

Mr. Hooser: Right. I have a difficult time saying “yes” or “no” and that is why I said “no” before because I am not happy with that package, so I do not want to support that package. I anticipate... I can say “no” again, but just for the record so you know, that is where I am coming from.

Chair Furfaro: I have gone through a day here that talks about people being responsible and so forth. I am very responsible—I want you to know that. I just want to make sure we all clearly understand what it takes because there seems to be some confusion on this. Your vote is your vote; my vote is my vote. I want to make sure we

understand that what deficit is as it stands right now. That is what I want to get clarified. JoAnn.

Ms. Yukimura: I actually feel the same way Councilmember Hooser does and I would like to say that I am going to vote for this for the hotel room tax at this time as an indication that I am committed to providing that amount of money that it will provide the exact allocation amongst the tax rates may change a bit, but I would not vote to reduce the proposed increase unless I had something else to make up those moneys.

Chair Furfaro: Okay. Wear your deep pockets when you come in because we may be reaching, but I understand what you are saying. Mr. Hooser.

Mr. Hooser: Just a brief follow-up. I do not want to over speak my time, but there are other factors also that there is the OPEB discussion that we kind of talked about. I think five (5) minutes may not be enough, quite frankly, in terms of a proper proposal on property taxes. It might take a little bit more. I will just ask for your discretion with that.

Chair Furfaro: What would you think is fair and reasonable? I want to handle it with equity for everybody.

Mr. Hooser: Right.

Chair Furfaro: How much time for each Councilmember?

Mr. Hooser: I do have a property tax proposal, but I imagine that others who have spoken are going to have more, so maybe ten (10) minutes might be sufficient. I do not imagine that all of us are going to want ten (10) minutes to do it, but I would think that perhaps ten (10) minutes might be sufficient.

Chair Furfaro: Okay.

Mr. Hooser: Thank you.

Chair Furfaro: JoAnn, I am going to go to Mr. Bynum first because he had his hand up. Mr. Bynum.

Mr. Bynum: Just for the record, this is the second time we took this vote today. This is a straw poll. I voted "no." I feel the same way as Councilmember Hooser. I know the resort sector is going to have to contribute, but I do not believe that hitting just one... just think hotels and not vacation rentals for instance... they are both from the resort sector is a balanced approach. I am voting "no." I will definitely have proposals that give sufficient revenue to fund our government. Thank you.

Chair Furfaro: I will not even bother to revisit the straw poll based on what the three (3) of you said. We are four million nine hundred thousand dollars (\$4,900,000) short, right? Is that it in round numbers? I cannot see the screen. Mr. Kagawa.

Mr. Kagawa: I think what I would like to see is a vote on not who we are taxing, but I think Councilmembers may have other proposals to raise the money. I would like to see a vote on raising real property taxes in general to get to the four point three million dollars (\$4,300,000). I think that is a worthwhile vote. I think we are in

disagreement as how to get there. I am the most reluctant to vote on that. As I said earlier, the worst thing is to bite the hand that is feeding you and this is what this proposal does. It is taxing our main thrust of our economy, the hotel industry, but I am going along with the Administration on this. I do not want to tax our residents anymore because we are already taxing them in other ways. I would like to see a vote to see if we can close that four point three million dollars (\$4,300,000) because like I said, if you do not vote for the revenue proposal, then where is your cuts? So far, our proposed cuts and looks like my cuts are going down... well, one of my cuts is going down. Thank you.

Chair Furfaro:

Mr. Rapozo.

Mr. Rapozo: I would just say, Mr. Chair, that we can continue with the proposed cuts. Hopefully we can finish everyone's proposed cuts today, and then we have a better understanding of where we need to be. I think we are putting the cart before the horse, talking tax revenue when we still have a bunch of cuts that we have not even talked about yet.

Chair Furfaro: Okay. I want to make sure it is not the cart before the horse. We voted on the May submittal from the Mayor. In the May submittal from the Mayor is the property tax from the hotels. When we went around and voted on that in particular, it is just an item that is showing us four point nine million dollars (\$4,900,000). If you kind of want to know where everybody thinks they are at right now, I will tell you where I think I am at. I have no problem with the two dollars (\$2) on the resorts. In fact, to build a reserve, I have no problem on ten cents (\$0.10) for everybody else because they will benefit from having the Open Space thing completely funded. That is ten cents (\$0.10). That also gives us credibility in the bond market, but I am not going to have anymore dialogue about that. We are going to end the day and it is going to be negative. That is all I wanted to find out if we all understood. We are going to leave the day. I am going to run and get some (inaudible) and it is going to be negative, whatever that number is at that point. End of story. You can propose your taxes across the board or reductions, but the goal is for a balanced budget. I do not think the two dollars (\$2) as proposed from the Mayor is something that the resorts cannot live with. Anyway, let us go back to where we were. We will leave it at what clarity there is here if there is any clarity. It is like a pasta dish where the noodles are all over the place, but everybody knows how serious that category is. Jade, where are we at now when we took the break?

Ms. Fountain-Tanigawa:

So we are not going to redo the tax vote?

Chair Furfaro:

No. We did it. We will stay with that straw poll only showing the four point plus negative.

Ms. Fountain-Tanigawa:

Okay. We are still on the twenty percent (20%) overtime issue as proposed by Councilmember Kagawa.

Chair Furfaro:

Okay. Has the different departments submitted a number over here? Not yet? Okay. I am going to defer Mr. Kagawa's motion for now. We will move onto a next cut. Does anybody else have a next cut?

Mr. Rapozo:

I have another one if you do not mind.

Chair Furfaro:

Go ahead.

Mr. Rapozo moved to reduce the Tourism Kaua'i Visitor's Bureau - Consumer Promotion for the Kaua'i Marathon by fifty thousand dollars (\$50,000), seconded by Mr. Kagawa.

Chair Furfaro: Thank you.

Mr. Rapozo: That is self-explanatory, Mr. Chair. I think we have beaten this horse several times over the years. We had commitments from the Kaua'i Marathon. I believe we fulfilled them. In fact, we went one (1) year beyond the commitment. I think at some point, what I talked about earlier, what is essential and non-essential... this definitely falls into the category of "non-essential." Thank you.

Chair Furfaro: Okay. Let me just get a minute. I am going to pull mine out. I have the same proposal. JoAnn.

Ms. Yukimura: I have that cut as well, but it is proposed as a way to fund what I feel is a very important initiative. I just want to make that known now if now is the time to speak about that initiative, I would like to do that.

Chair Furfaro: You can do that as well because I had hoped that half of that money would go to support something for culture and the arts.

Ms. Yukimura: Great minds think alike.

Mr. Rapozo: Mr. Chair, if I may.

Chair Furfaro: We are not on the additions right now.

Mr. Rapozo: Thank you.

Ms. Yukimura: Okay. I will reserve it, but I just want you to know that in voting to cut it, I have a proposal.

Mr. Rapozo: I want you to know that I am voting to cut it to save the increase in taxes from the public. That is why I am cutting. I do not have any adds.

Chair Furfaro: The item on the agenda right now is the cuts. You can speak for me later on the additions.

Ms. Yukimura: I wanted to explain my vote on the cut just so it would be fully...

Chair Furfaro: I will give you a moment, but we are not going to go into dialogue about adding right now.

Ms. Yukimura: Thank you.

Mr. Rapozo called for the question, seconded by Mr. Kagawa.

Chair Furfaro: Okay. The question is to reduce the Kaua'i Marathon in its fifth year and removing that money towards a savings.

Ms. Yukimura: May I say one thing before we vote?

Chair Furfaro: Go ahead.

Ms. Yukimura: I am a strong supporter of the Kaua'i Marathon. I think it is a wonderful event. I have supported it in the past, but I believe that the Council had an agreement that we would fund it for three (3) years. In fact, I believe the commitment from the promoters from it, as well as Economic Development, was that it would then develop its own sustainable sources of funding. I believe that we need to use our Economic Development budget, especially in these tight times, to seed, not to subsidize. We want to get programs on their feet or to get something very good completed. We cannot, as much as possible, continue to support something ongoing when there are so many other needs and sectors of our economy that we have to promote and encourage. I feel like we have fulfilled our commitment to the Kaua'i Marathon and we did not only three (3) years, but we did a fourth year beyond our original commitment. That is why I am voting to remove it from the budget.

Chair Furfaro: Okay. Any further dialogue? I want to make a comment as well. When we do a promotion like that, and this is for Economic Development— we need to have a point in time where these things are sustainable in themselves to continue to use tax money to subsidize them over a period of time is not what the plan should be. The original plan was for three (3) years. We have gone four (4), as both JoAnn and Mel have pointed out, and I will be supporting this as well. Any further dialogue? If not, I am going to just call for a voice vote.

The motion to reduce the Tourism Kaua'i Visitor's Bureau - Consumer Promotion for the Kaua'i Marathon by fifty thousand dollars (\$50,000) was then put, and unanimously carried.

Chair Furfaro: Okay, that is done. 7:0. Any additional cuts? We can continue with you, Councilmember Rapozo.

Mr. Rapozo: I proposed this last year as well. It did not pass. I do not expect it to pass again, but again, it goes back to the theory of what is essential and what is not. The airport greetings, fifty thousand dollars (\$50,000)— that is another fifty thousand dollars (\$50,000). Many say that is vital and that is important and if we do not have that, then people will not come; people will not get an experience. Although I agree to some extent, I think at some point, the County has to start pulling back the non-essential spending and get the industry themselves... as I spoke about the other day with the tech center, at some point, the people that are using the resources to generate revenue— the State and the hotels that benefit from this, they need to come in and start contributing as well.

Mr. Rapozo moved to remove the fifty thousand dollars (\$50,000) from the airport greetings tourism budget, seconded by Mr. Kagawa.

Chair Furfaro: JoAnn, you have the floor, followed by Mr. Bynum.

Ms. Yukimura: I wonder if the Council would be willing to consider an amendment. I understand Councilmember Rapozo's point. During our budget hearings, I suggested that we propose to the Airports Division of the State that we do a one-to-one match, so we keep twenty-five thousand dollars (\$25,000) in, but on the condition

that the Airport come forward to do their part to support what is essentially an airport function because I think it is wonderful to have music there and to feature our musicians. I have been in several other international airports where this happens in a very beautiful way. It has the effect of promoting our musicians, promoting Hawaiian music, and creating a very pleasant environment in the airport. I really think that the Airport needs to rise to the occasion. I was going to approach the Manager about this, but have not had the time. We can still structure it in our budget just as a match, so the twenty-five thousand dollars (\$25,000) does not get expended unless the Airport steps forward. I would like to throw that out as an idea.

Chair Furfaro:

Mr. Bynum.

Mr. Bynum: Last year's proposal was to cut the fifty thousand dollars (\$50,000). I do not remember how it happened, but it was twenty-five thousand dollars (\$25,000). It is back in there at fifty thousand dollars (\$50,000). Of all the cuts we have made in ten (10) years, this one bugs me the most. It really does. I feel pretty emotional about it. This is a long tradition on Kaua'i. Our musicians are the most giving group of people. They do millions of things in our community almost always *pro bono*. I wanted to have a list of the musicians, just their first names, that are doing the airport greetings over the year. Is this essential County service? No. But in a one hundred forty million dollar (\$140,000,000)— to take out fifty thousand dollars (\$50,000) for this long, Hawai'i tradition that supports these musicians, they are so giving in our community and makes Kaua'i special. I would like to increase this to one hundred thousand dollars (\$100,000), but fifty thousand dollars (\$50,000) is what we have had. It works. I cannot support cutting this.

Mr. Hooser: I would like to propose a blend of the ideas that have been discussed. I have a proposal also for a cut around twenty-four thousand dollars (\$24,000) from the Consumer Promotions Grant from KEDB. I was hoping to shift that money to Agriculture. That cut combined with a twenty-five thousand dollar (\$25,000) cut to the airport greeting program, the net amount would be around fifty thousand dollars (\$50,000). I think that would be a suggestion I would like to make, to make this cut twenty-five thousand dollars (\$25,000) and then I would propose an additional cut to just around twenty-four thousand dollars (\$24,000) so the net would be real similar. Thank you.

Chair Furfaro: I am not going to hold anybody back from initiating their proposed cuts, but right now, Mr. Rapozo's item is on the floor with a second. Mr. Chock.

Mr. Chock: I just have a point of clarification. Mr. Hooser, where is that twenty-four thousand dollars (\$24,000) that you were suggesting?

Mr. Hooser: It says twenty-three thousand nine hundred twenty-five dollars (\$23,925), just under twenty-four thousand dollars (\$24,000), and it is out of the Tourism / Kaua'i Visitor's Bureau Consumer Promotion Grant. They get existing at two hundred seventy-five thousand dollars (\$275,000) is in the budget, so this takes out twenty-three thousand nine hundred twenty-five dollars (\$23,925) out of that. As a footnote, the entire Visitor Industry in the Economic Development budget gets six hundred ninety thousand dollars (\$690,000), so they get a pretty healthy chunk of money, six hundred ninety thousand dollars (\$690,000) that we are discussing here. Again, it is not about adds, but Agriculture for example gets three hundred twenty-three thousand dollars (\$323,000) versus almost seven hundred thousand dollars (\$700,000) for tourism.

Mr. Chock: I am open to the amendment that Councilmember Yukimura has on the table.

Chair Furfaro: Okay. Mr. Kagawa.

Mr. Kagawa: Thank you, Chair. This is one of the items when I look at the State, last year, they had a surplus of eight hundred million dollars (\$800,000,000) or something and six hundred million dollars (\$600,000,000) went to the Hawai'i Tourism Authority (HTA). Much of the six hundred million dollars (\$6,000,000) was spent on developing new markets in the orient like China and Korea to develop new markets. If this is such an important item, maybe new Senate Vice President Kouchi can fill that gap of fifty thousand dollars (\$50,000). I realize that the budget process... there is no reward for being on the short end of the vote. I can count. I would be willing to support Councilmember Hooser's amendment. We will get the same net result. I will make a motion to amend if...

Chair Furfaro: Let me recognize the introducer of the amendment. Mr. Rapozo.

Mr. Rapozo: Mr. Chair, I would just ask that we vote as is and when it fails... I think it is just cleaner that way. I just want to say that this Council, this County, funds the Economic Development Office under tourism also one hundred thousand dollars (\$100,000) for special programs and special projects. If the State wants this, have them apply for a grant. I guess I am just getting frustrating sitting here about how broke we are, yet we even entertain something like this. When we start looking at "what do we really need to do this year..." We know we are going to raise taxes. I would not want my taxes to go up because we are funding something that we keep saying is the State's responsibility. Let us stop funding and let the State pick up the ball. It just makes sense. That is responsible. I like it to. I can tell you. When I go to Los Angeles International Airport (LAX), I get greeted with people begging me for money. Does that stop me from going to LAX? No. I have to go to LAX. I have been to Korea and Japan, but I was never entertained by any Korean and Japanese entertainers in those terminals. I do not know where you went, JoAnn, but I am sure it exists. I have been through airports throughout this Country and I have not been serenaded by the culture. I have not. I still go back. This is not ordinary times, I guess is my point. These are times where we are telling the people, "We are going to raise your taxes. We are going to raise your fees." At the same time, we think this is so important that we are going to keep it in. I would ask that we take the vote on this, Mr. Chair, and if anyone else has proposals, that is fine.

Chair Furfaro: Okay. I will be intending to follow through on voting on Mr. Rapozo's proposal, and then you can introduce options later. Mr. Bynum, you have the floor.

Mr. Bynum: The County of Kaua'i decided to do this. We said we want to do this because we are Kaua'i. We are special. We want to treat visitors differently. It just happens to happen in a State airport. It is a tradition in this County that we have had for many years. It supports the musicians who support our community and are nonprofits in so many ways. The KEDB funds— I do not support cutting either. They have demonstrated repeatedly that they give us value for every dollar we spend and promote Kaua'i as a visitor destination. The hotels can handle a little bit more. It is not going to impact their employment. It is a small part of their overall budget. KEDB— we give them twenty-five thousand dollars (\$25,000) and they turn it into more visitors every time. I do not support these cuts to KEDB or especially the airport greeters.

Chair Furfaro: Is there any further dialogue? JoAnn.

Ms. Yukimura: I do not see the airport greeting as the means for having a visitor whether to come or not; I see it as creating the ambiance for this island of welcoming them and exposing our musicians, giving our musicians some exposure and getting money into the economy directly to our people.

Chair Furfaro: Okay. On that note, I am going to call for the vote. Let us do a roll call vote, please.

Ms. Fountain-Tanigawa: This is a roll call vote to reduce fifty thousand dollars (\$50,000) for airport greetings.

The motion to reduce fifty thousand dollars (\$50,000) from the airport greetings tourism budget was then put, and failed by the following vote:

FOR REDUCTION:	Kagawa, Rapozo	TOTAL – 2,
AGAINST REDUCTION:	Bynum, Chock, Hooser, Yukimura, Furfaro	TOTAL – 5,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Chair Furfaro: Mr. Hooser, I will give you the floor.

Mr. Hooser: I would like to introduce a cut. Staff can pass out the cuts. I spoke about it earlier. We will talk about the adds when the adds come, but the intent is to support Agriculture with this amount. Twenty-three thousand nine hundred twenty-five dollars (\$23,925) from the Tourism / KEDB Consumer Promotion Grant. This is a relatively modest cut, I believe that the emphasis given on the budget on tourism is significant and deserved to large extent, but we need to support Agriculture to a greater extent and I will be talking about that during the adds. I will make a motion to do that.

Mr. Hooser moved to reduce twenty-three thousand nine hundred twenty-five dollars (\$23,925) from the Tourism / KEDB Consumer Promotion Grant, seconded by Ms. Yukimura.

Chair Furfaro: Discussion on the floor, please. JoAnn, do you want the floor?

Ms. Yukimura: Yes. Is this what is called an MCI program?

Mr. Hooser: No, it is not.

Ms. Yukimura: Okay. I do not want to cut that, but a generalized cut... I guess I need to look at the itemization.

Chair Furfaro: Okay. Mr. Bynum.

Mr. Bynum: I just want to clarify one thing. This is from the same line item that we just cut the marathon from, right? This is an additional cut for the same line item?

Ms. Yukimura: Yes.

Mr. Bynum: I already said that I am not going to support those cuts because I have lobbied for years with the Mayor to give KEDB a sustainable budget for Kaua'i based promotions like Maui has two million dollars (\$2,000,000) to three million dollars (\$3,000,000). This year, I thought his budget proposal was modest for them and I want to support it. Thank you.

Chair Furfaro: Further discussion? I will do a roll call vote on this one, please.

The motion to reduce twenty-three thousand nine hundred twenty-five dollars (\$23,925) from the Tourism / KEDB Consumer Promotion Grant was then put, and carried by the following vote:

FOR REDUCTION:	Chock, Hooser, Kagawa	TOTAL - 3,
AGAINST REDUCTION:	Bynum, Rapozo, Yukimura, Furfaro	TOTAL - 4,
EXCUSED & NOT VOTING:	None	TOTAL - 0,
RECUSED & NOT VOTING:	None	TOTAL - 0.

Chair Furfaro: The motion fails. Let us go to additional cuts still. Mr. Kagawa, you have an item.

Mr. Kagawa: Yes. I have a cut from all of the Miscellaneous Funds Account regarding travel. The total cut, if Staff could pass around, would be three hundred forty-four thousand nine hundred fifty-nine dollars (\$344,959) and it will reduce our travel to the 2013 actual cost levels. I believe we are in tough times. I believe that I have seen the travel budgets grow more and more. I believe that if the travel is really important, it could be used from other funds within their account. This is just another means of tightening our belts and trying to deal with decreasing expenditures to meet our goal of having sustainable budgets.

Mr. Kagawa moved to reduce the miscellaneous travel budget accounts in various funds budget by three hundred forty-four thousand nine hundred fifty-nine dollars (\$344,959), seconded by Mr. Hooser.

Chair Furfaro: Mr. Kagawa, may I ask what this percentage of the reduction is?

Mr. Kagawa: I believe we are going from our... we are reducing it to our 2013 actual amounts.

Chair Furfaro: Considering all things equal, we do not have a number in here for the County Council. I think if we are going to reduce the Administration, we should reduce the County Council.

Mr. Kagawa: We are.

Chair Furfaro: Where is it?

Mr. Kagawa: We are reducing it all. Every General Fund Account for Travel would be reduced.

Chair Furfaro: Is it in there?

Mr. Kagawa: Yes, Sir.

Chair Furfaro: Does everybody have a backside like I do? Thank you, Scott, for pointing it out for me. Everything is fair and equal there.

Mr. Kagawa: Yes.

Chair Furfaro: Do I have a second?

Ms. Yukimura: Yes.

Chair Furfaro: Okay. Go ahead, JoAnn.

Ms. Yukimura: I am looking at the small departments again. Are you interpreting in terms of Housing? The proposed cut is what?

Mr. Kagawa: If I can answer, Mr. Chair. The Housing will go from five thousand nine hundred ninety dollars (\$5,990) to three thousand nine hundred thirty-eight dollars (\$3,938). Like I said, if they need to spend five thousand nine hundred ninety dollars (\$5,990), they can look for two thousand dollars (\$2,000) within their budget that they can foresee that maybe actually I guess over-budgeted.

Ms. Yukimura: Can I get some Staff help here? What is the one we are cutting? In Transportation, what is the cut?

Mr. Kagawa: Transportation does not really have travel budgets in their General Fund Account. They have only eight hundred fifty-six dollars (\$856) and they will go down to three hundred thirteen dollars (\$313), so maybe one (1) person can fly to O'ahu.

Mr. Rapozo: One-way.

Chair Furfaro: I have paddles in my office.

Ms. Yukimura: I just want to say that during this past Legislative Session, Housing and the Administration, and myself as Housing Committee Chair, had to lobby strenuously against the effort of Department of Hawaiian Homelands (DHHL) to take Housing Credits and we got in at the last minute, but what they chided us for was to not come. Even though we had submitted testimony at every Committee Meeting, they said, "Why were you not there?" This is a critical thing that would have affected their budget tremendously. I am sorry. I cannot vote to cut any more from a department that is already bleeding.

Mr. Kagawa: Can I ask you a question?

Ms. Yukimura: Yes.

Mr. Kagawa: In 2013, were we not lobbying the Legislature?

Ms. Yukimura: Yes. But the three hundred dollars (\$300) to five hundred dollars (\$500)... one or two trips really make a difference.

Mr. Kagawa: Like I said, that five hundred dollars (\$500)—they can look for it within their budget and as I told you last time, Transportation lapsed ninety-one thousand dollars (\$91,000) in the last budget and perhaps five hundred dollars (\$500) can be taken out of their future lapse amount.

Ms. Yukimura: That is not true. I was talking about Housing. Even in Transportation, I guess we would have to analyze what caused that balance, but ninety-one thousand dollars (\$91,000) out of five million dollar (\$5,000,000) or six million dollar (\$6,000,000) budget was not much and it could have been positions that were vacant because of transitions and so forth. They are still on a very tight budget. I am sorry.

Mr. Kagawa: If I can respond. I am trying to find a fair way to let every department feel the pain of this budget. The taxpayers out there are feeling the biggest pain and they are asking us to try and tighten up. To take out a single department and say that you are not going to be hit by my cut is really being prejudiced, so let us vote it up or down.

Ms. Yukimura: Right. I agree with you. I think you are making valiant attempts. I am not trying to denigrate that. I do want to say that not every department feels the same kind of pain. Some are so tightly budgeted that every bit affects them. That is one of the disadvantages of across the board cuts.

Chair Furfaro: Mr. Bynum.

Mr. Bynum: I just have a question. Ross, is the proposal to go department by department back to their 2013 allocations?

Mr. Kagawa: Yes.

Mr. Bynum: Okay. I have been clear on not being really supportive of these kinds of cuts, but this in particular because there has been so many changes since 2013. Those departments have different personnel and personnel have moved around. They have different needs. The Administration has given us an overtime budget based on each departments' needs, which may be very different than 2013. Thank you.

Chair Furfaro: Mr. Kagawa, I have my own amendment that goes forward and across the board, just reduces travel by ten percent (10%), which is an amount of about seventy-nine thousand dollars (\$79,000) altogether. That includes the Council and so forth. I will not be supporting yours, although I appreciate it. I think one of the things you realize too is that our travel year is not over here and our travel budget has changed substantially because it is an election year too. We have accounts that include going over Elections and so forth as well. I just want to let you know that I am very appreciative of what you are doing, but I will be proposing the seventy-eight thousand dollar (\$78,000) reductions at ten percent (10%) for all the travel departments.

Mr. Kagawa: I want to just say that I am really making our Office feel the biggest pain because if this passes, Councilmembers will be hurting themselves the most.

Chair Furfaro: Yes.

Mr. Kagawa: I think that is leading by example and saying that instead of going to everything that we think can help, we will be selective and go to the real high priority events that we think we can help the County. It is just a way of leading by example. Thank you.

Chair Furfaro: Again, I appreciate what you are attempting to do. This year, our travel budget is not finished and I think Ricky traveled three times this week alone for Elections with the changes coming up. Mr. Bynum.

Mr. Bynum: It is election year and 2013 was not. You are comparing apples and oranges. If we are going to cut at this, I suggest that we do it as a percentage from the Mayor's Budget because they made that thoughtful analysis from each department.

Chair Furfaro: Okay, there is not more discussion. Again, I want to say that I plan to vote in reduction in travel, but I have my own amendment to introduce which is a percentage and will be circulating that soon. I want to call for a roll call vote.

Ms. Fountain-Tanigawa: Okay. This is a roll call vote on Councilmember Kagawa's proposal to reduce travel to the 2013 levels.

The motion reduce the miscellaneous travel budget accounts in various funds budget by three hundred forty-four thousand nine hundred fifty-nine dollars (\$344,959), was then put, and carried by the following vote:

FOR REDUCTION:	Chock, Hooser, Kagawa, Rapozo,	TOTAL - 4,
AGAINST REDUCTION:	Bynum, Yukimura, Furfaro	TOTAL - 3,
EXCUSED & NOT VOTING:	None	TOTAL - 0,
RECUSED & NOT VOTING:	None	TOTAL - 0.

Chair Furfaro: I do not plan to introduce my amendment since it passed. I want to remind all of you that the Council will take a very substantial hit here. Please understand that when I reject your travel for future years, but you will be allocated your appropriate amount. That will be the fact of the matter. Go ahead and put that full amount up on the board right now. Scott, please scratch my amendment.

Mr. Rapozo: Mr. Chair?

Chair Furfaro: Go ahead.

Mr. Rapozo: I know this probably is going to cause a lot of dialogue, but I think we can save the philosophical disagreements because I think this could in fact take a lot of time, which is not the intent. This is regarding the funding for the Enforcement Specialist for Ordinance No. 960 for salary, fringe, and all related office costs. This is one hundred twelve thousand six hundred fifteen dollars (\$112,615). This is supposedly for the Enforcement Office to enact or enforce Ordinance No. 960. As I stated, this law is in limbo in court. This law is one that the County has disagreed with. Some of us were saying that it was going to cost money to have this bill but, I think for what is required of this Ordinance, as I read the Ordinance...

Chair Furfaro: You will get a briefing this Wednesday from our attorneys as to those particulars. I also believe that there is an attempt by the Administration to demonstrate to you what that particular scope and job description would be for this individual on the enforcement portion. If they have not caught up to you yet...

Mr. Rapozo: In fact, I have spoken with Nadine, the Managing Director.

Chair Furfaro: Okay. Those were the answers to the questions.

Mr. Rapozo: Again, I understand, agree, and believe that this County is mandated and obligated to enforce the Ordinance as it was passed. I do not have a problem with that because that is the law. My problem is that based on what the law requires this County to do, I believe we can do it with the existing resources. I believe we can do it with existing Inspectors that we already have on Staff. To go out and retain or hire a brand new person— I think it is not necessary at this time. I understand that there is a temporary... an eighty-nine (89) day contact position that was already hired for this to put the structure together, but this is not a very difficult Ordinance to enforce based on how it is written today... as Ordinance No. 960 is written. I do not believe that we need to go out and hire a brand new person to do what is required. I would ask and highly recommend that the Administration look within... whether it is the Planning Department or Economic Development utilizing the existing Agricultural Specialist that is in there. I believe we have the resources in-house right now to accomplish the enforcement of that Ordinance.

Mr. Rapozo moved to remove the funding for the Enforcement Specialist for Ordinance No. 960 for salary, fringe, and all related office costs with a total of one hundred twelve thousand six hundred fifteen dollars (\$112,615), seconded by Mr. Kagawa.

Chair Furfaro: I just want to remind all of you, as I did at the very beginning, I put in a request for the State to reinstate the positions that they cut back during the Lingle Administration. We had narrative from the State and from the Governor's Office that they were going to do just that during budget time and they did nothing. We got no new Inspectors. Mr. Hooser, you have the floor, followed by Mr. Bynum.

Mr. Hooser: I appreciate the discussion actually. I had similar thoughts, however did not want to take away the resources of the Administration. I do not want to give any excuses or reasons why it is not being enforced, if that in fact happens in the future. So I hesitated to offer budget reductions. I believe it does take some resources to enforce it. When I first heard there was a full-time position, I thought that was overkill myself and thought that there were different ways to do it for a significant amount of less money or if we were going to fund a full-time position like this, have the person do half of his or her responsibilities of the enforcement and the other half be some agricultural related support position. I want to make it clear that as a result of the actions of implementing or passing Bill No. 2491, there is an additional fifty-five thousand dollars (\$55,000) per year coming in from tax revenue from these companies that would not have happened without this. For what it is worth, that helps subsidize this cost. These were property taxes that were not being paid. As we dug into it, they are now paying these taxes and I want to say that it is fifty-seven thousand dollars (\$57,000) a year or slightly less than that. Perhaps, almost half of this amount is being funded from those property taxes that were not being paid. Honestly, I hesitate or cannot support cutting the full amount. I want to be able to give the Administration the tools they need to do proper enforcement. I

do not believe that it deserves this much money a year for a full-time position, so perhaps half of it... I might find acceptable, but not to remove the full amount. I want to make sure the Administration has the resources and I do not want it to be used where we cut the budget, so therefore it is not being enforced and that kind of thing. I want to give them the tools they need. Thank you.

Chair Furfaro:

Mr. Bynum.

Mr. Bynum: I just want to say that during the discussion for this Ordinance... and I believe the way it is in its current form, that the enforcement issues are not going to be monumental. However, since we settled on the Ordinance, the Administration has been very diligent in responding to their responsibilities to enforce it. We have had meetings. It will be emergent, I am sure, but it is much better to be cautious and have enough staffing. The Ordinance put it in the Office of Economic Development (OED). There are some advantages for it being there and OED has other enforcement issues. I hope that this position is generic and if you find that the needs are not that great, they can be used in other enforcement areas in OED like the farmers market and other things. That would be my only input. I think the Administration has not given us... they have not said, "Oh my goodness, this is so awful that it is going to cost us millions." Their response has been prudent and appropriate and part of it is this position and I am going to support it.

Chair Furfaro: Okay. Anybody else wants to speak before I recognize Mr. Hooser again? Mr. Rapozo.

Mr. Rapozo: Thank you, Mr. Chair. Again, in this budget includes twenty-five thousand dollars (\$25,000) for a Consultant. I have trouble with that. I think Mr. Hooser made a good point. Is this a full-time position? The difference between a full-time position including OPEB and the Consultant and all of that is one hundred twelve thousand dollars (\$112,000) versus a part-time employee. I cannot imagine that it would take forty (40) hours a week to enforce the Ordinance. It just will not. Again, that is the difference because now you add on the additional fringes, which takes it from a fifty thousand dollar (\$50,000) position... fifty thousand dollars (\$50,000) a year including the consulting expense to one hundred twelve thousand dollars (\$112,000). I just cannot support that. Again, I would like to see the vote on this, but Mr. Hooser would introduce an amendment for part-time so we alleviate the benefits. Remember, employees are the gifts that keep on giving. I understand it is a temporary position in the budget, but I cannot imagine it being taken away. It would have to remain. Especially now as this thing goes through court, I do not think it is wise to bring in a full-time employee at this point. I think a part-time employee without the benefits would be sufficient. Thank you.

Chair Furfaro:

JoAnn, you have the floor.

Ms. Yukimura: I feel that the Administration has been very diligent in trying to anticipate what it is going to take to enforce this. Even though the Mayor was not in support of the Bill itself, he and his Administration have taken on the responsibility of trying to responsibly enforce it. I feel like there has been a lot of detail thinking about it. Not all of this is... it is not possible to predict everything to complete accuracy because we are threading new ground, but to want to put in place machinery that will responsibly enforce Ordinance No. 960 is something for us to be grateful for. I believe the Consultant Services are in case there needs to be contested cases. It is not an automatic expenditure. It was something that was put there in anticipation of some possible appeals. I think we need to view that as something that may not be fully

expended. I think if we want to go part-time, we need to discuss this with the Administration before just cutting it out. I certainly am not in favor of just eliminating the position. I think this discussion is worthwhile in terms of us being real clear what we are trying to do here and what it is going to take.

Chair Furfaro:

Mr. Bynum.

Mr. Bynum: I just want to stick with this idea of enforcement for a minute because I learned so much about enforcement from Councilmember Rapozo from the time I have been on this Council. It has been a frequent topic of his initiatives, many of which I have supported. We need to get it started and do it right. Councilmember Hooser just said that lack of enforcement on tax ordinances... when we looked into it, we got fifty-five thousand dollars (\$55,000). I will tell you that lack of enforcement of other tax ordinances is going to show a huge potential increase in revenue coming up shortly. We have (inaudible) ordinances that we do not enforce. If we did, we would save energy and thousands of dollars in Solid Waste. We have a sign ordinance that is enforced only by complaint and it causes all kinds of tension in the business community. When we do not get enforcement right, we pay dire consequences. I agree with the premise that I do not believe this law, as currently written, is going to be that cumbersome. That is why I am talking about more generic enforcement so we can address some of these other issues that we find. Let us not start off from the beginning of not having the proper tools in place. Thank you.

Chair Furfaro:

Mr. Hooser.

Mr. Hooser: I started the conversation following up on Councilmember Rapozo's thought and agreeing basically with him that my first impression was likewise that it is not that complicated and should not take that much work; therefore, we may not need this much money. Because of the sensitive nature of the topic, it is new, and the Administration is stepping up, I will support the full amount, but I would hope that the Administration will report to us promptly as how these funds are being spent and would consider shifting or adding on to the responsibilities of this, whoever the person is, to provide a support role in agriculture. I do think that we need to do a lot more than what we are doing with agriculture and this perhaps can be a person that could evolve into that position where you do enforcement, but you also maybe provide other services. Because of the nature of the Ordinance and the sensitivity and amount of energy that has gone into it, so far, I do not think we should err on the side of shorting it at the Administrative level. I will be supporting the full amount that is in the budget. Thank you.

Chair Furfaro:

Anymore?

Mr. Rapozo:

I call for the question.

Chair Furfaro: Fine, but may I have the privilege of speaking? I want to tell you folks that from the briefing that I received, I think there is a lot to this position that we need to recognize. We are either going to bake bread with all the ingredients in it or we are not going to bake bread. If you are not going to fund this fully, then your recipe does not work. There is a lot to this piece and we owe it to ourselves to deliver a fully baked loaf of bread when we address this. May I have roll call vote, please?

Ms. Fountain-Tanigawa: This is a roll call to remove the funding for the Enforcement Specialist as proposed by Councilmember Rapozo.

The motion to remove the funding for the Enforcement Specialist for Ordinance No. 960 for salary, fringe, and all related office costs with a total of one hundred twelve thousand six hundred fifteen dollars (\$112,615) was then put, and failed by the following vote:

FOR REDUCTION:	Kagawa, Rapozo	TOTAL – 2,
AGAINST REDUCTION:	Bynum, Chock, Hooser, Yukimura, Furfaro	TOTAL – 5,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Chair Furfaro: We are still on the area for items that are going to be reduced. Do you have one? Mr. Bynum has one. You have the floor.

Mr. Bynum: I think I maybe only have one. I lost the paper already but it is in the Mayor's Office, Facilitator for Host Community Benefits (HCB). Let me say why. Like I said, public record has a history of everybody's position on Host Community Benefits. The record will support that I supported establishing Host Community Benefits. I supported expanding it. I supported putting in the funds and tying them to the tipping fees, so there was a formula. I supported making sure they got interest on the funds that were put because that was request from the community. I did not support this Facilitator position because our contribution to Host Community Benefits this year is one million two hundred thousand dollars (\$1,200,000). We have sacred cows, and this is one of them. Politically, it is a sacred cow, as is the Open Space Fund, but we can consider asking for one million (\$1,000,000) contribution. We did not ask Host Community Benefits for any contribution in this one million two hundred thousand dollars (\$1,200,000) that we send them roughly this year. They wanted to not even pay any administrative costs, not even one (1) penny, so we put an additional body in to facilitate their meetings. I think that those administrative costs for any funds that ever went are reasonable to come out of that fund. I think it is sixty thousand dollars (\$60,000) plus benefits. I do not know what the total amount is. It is a contract, right? I fully expect that contract will continue. They have access to one million five hundred thousand dollars (\$1,500,000). I do not know what their current balance is. We have one million nine hundred thousand dollars (\$1,900,000). I think they can take the Facilitator out of that.

Mr. Bynum moved to remove funding for the Host Community Benefits (HCB) facilitator from the Office of the Mayor in the amount of \$60,000, seconded by Ms. Yukimura.

Chair Furfaro: Mr. Rapozo, you have the floor.

Mr. Rapozo: Thank you, Mr. Chair. I have been following this for several years and as far as I understand it, those funds cannot be used for the Consultant. That is just the way that is drafted and it is crafted, so the only way for the funding is through the General Fund. I will tell you... I think many of us who have participated in the Host Community Benefit meetings over the years will tell you that I think a lot of progress was made with this Facilitator. I have seen it develop with my own eyes. I have seen the whole tone of that body change with this Facilitator. I was there from when we had the mainland Facilitator. I do not know where he came from. He had no local knowledge or no cultural knowledge and that was a mess. Then we had another Facilitator and that did not work too well. This one here... I believe it was a competitive bid, if I am not mistaken. It went out for everyone to apply. This person won it. Number one, I believe we need the Facilitator; no doubt about it. That group will not function

without a trained Facilitator. Number two, it cannot be funded by the HCB moneys, so we need to fund it with the County funds. I will not be supporting this. Thank you.

Chair Furfaro: Okay. Other dialogue? Mr. Bynum.

Mr. Bynum: I am just making it clear that I am not making any judgment about the Facilitator or the need for a Facilitator. I agree with Councilmember Rapozo that that has helped the process. We certainly did not want our Solid Waste and the Mayor's Administrative people facilitating like they did at one time. That was above and beyond. I do not know that that is the case. I have not heard about a restriction about how we can spend those funds. If that is the case, I will modify this to take sixty thousand dollars (\$60,000) of the one million nine hundred thousand dollars (\$1,900,000) or one million one hundred ninety thousand four hundred seventy-nine dollars (\$1,190,479). If there is a restriction from us taking sixty thousand dollars (\$60,000) from there, then I would like somebody to tell me where that restriction comes from, then I will modify it. I think it is important to... it probably stupid and it is not going to... if there is no votes for it, then I will just drop it. "Do not touch that sacred cow. Go ahead and hit Open Space." Anyway, can somebody from the Administration answer that question?

Chair Furfaro: Is someone coming up?

There being no objections, the rules were suspended.

Mr. Barreira: Good morning, Chair. We are working to see if there is any restriction. We are not aware offhand that a restriction exists. The current funding is in the General Fund CIP. You are correct, Mr. Rapozo, that this fund is in the General Fund as well. We are researching and hopefully can get an answer to you shortly, Sir.

Mr. Bynum: Mr. Chair, I think I have a pretty clear view from when JoAnn says for discussion purposes only. I do not want to belabor this. If there is no support for this, I will just drop it and we can move on.

Chair Furfaro: Okay. Mr. Rapozo.

Mr. Rapozo: I believe that it was a decision... the action was made by the HCB themselves that they would not utilize the HCB funds, that in fact, aside from the Administrative costs, that all the funds for that will be specifically used for the projects and the grants.

BETH TOKIOKA, Director of Communications: Yes. Basically, we do not spend that money unless it is upon recommendation of the Citizens' Advisory Committee (CAC). If this money was eliminated, there would be no guarantee that the CAC would agree to appropriate the money for a Facilitator. I believe there is about a little over three hundred thousand dollars (\$300,000) right now that is liquid in that account and the rest is tied up with various grants that were approved. There are in the process of doing another round of grants. They have about three hundred thousand dollars (\$300,000) and some change to spend and they have grant proposals that are double the amount. I have every expectation that they will grant out all of those... all the funds that are currently liquid.

Chair Furfaro: Thank you. Beth, I want to take a moment to thank you. JoAnn, Mr. Hooser, and I were out on the west side this week and I had an opportunity to talk to some west side people about this project and so forth and they had

high praise for the progress that is being made and I guess for the lack of a better word, "the waitlist" and that people were going to benefit from that. I was flabbergasted by the number of people who had qualified for their years and ownership of a home out on the west side and I think the Facilitator had a lot to do with the successes they are experiencing right now. That would not have been possible without me also thanking you. I was very pleased with the feedback that I got.

Ms. Tokioka: Thank you. Yes. She has done an incredible job of getting that process well-established and the Committee moving together very well. We are in a really, really good place. As it has been stated, I do not think it could move forward as it is without having a Facilitator. The person who is under the contract has done a fantastic job.

Chair Furfaro: Thank you, Beth. Mr. Bynum.

Mr. Bynum: Thank you, Beth. I think the CAC could fund this Facilitator and they have three hundred thousand dollars (\$300,000) of liquid funds. I know how great this is going down there. I am sure that the facilitator has a lot to do with it but it is not about that. It is about the funding and...so they could do that...they could allocate that?

Ms. Tokioka: Yes, they could. There is no guarantee that they would actually agree to do that but...and if not then...

Mr. Bynum: No, they were clear. They came here and said, "no, we want every single penny to go to our projects, we want you to find the facilitator," and we agreed. I did not personally because I thought that was real stretch and I still do. Like I said if there is no support for it then we will just move on. But I know how important this is that is why I am not proposing taking anything from the principle, sort to speak.

Chair Furfaro: Thank you to the Administration. We had a motion and second for discussion but I did hear the introducer indicate that he is prepared to withdraw. Any further discussion before Mr. Bynum withdraws his piece? No? Okay.

Mr. Bynum withdrew his motion to remove funding for the Host Community Benefits (HCB) facilitator from the Office of the Mayor in the amount of \$60,000, Ms. Yukimura withdrew the second.

Mr. Bynum: Thank you for the dialogue.

Chair Furfaro: Any additional reductions to be introduced? I have a couple myself but I will let you folks go first.

Mr. Rapozo: One last one.

Chair Furfaro: I am never going to catch up with you and Councilmember Kagawa.

Mr. Rapozo: Well, I mean it is either cuts or increase revenue and I think we are just trying to do our best to try to cut as much as we can.

Chair Furfaro: Mine was reduced by two (2) because you guys duplicated what I had. Go ahead.

Mr. Rapozo: I will just make the motion, this would be to reduce the OPEB by ten percent (10%) to fund OPEB at ninety percent (90%) which would generate a...basically it is a loan. We are borrowing against OPEB for one million four hundred thirty-six thousand and two hundred forty-three dollars (\$1,436,243).

Mr. Rapozo moved to Reduce OPEB by ten percent (10%) in all Funds except Liquor and Misc. Housing Funds, seconded by Ms. Yukimura.

Chair Furfaro: I just feel compelled to share with you what I shared earlier that the GFOA will in future start to earmark in our CAFR the amounts that were short if you so plan to go there. It will actually show that in our financial as being a unfunded liability under the new standard accounting system. So, I said what I needed to say. I will not be supporting this now that we finally got back up to a hundred but for those exact reasons. Mr. Rapozo.

Mr. Rapozo: I do want to remind my colleagues that with the recent visit to Honolulu and the actuarial that we found out that we had over paid OPEB by...what was the number?

Chair Furfaro: It is one point seven million.

Mr. Rapozo: That happens every year. We go to Honolulu and we... so we can very well based on...depends what happens in the next year with retirees but we could very well be over paying OPEB. Although it just maybe an overfund today, it could be like what happened this year – an overfunding. This could do the correction on the amount. Again, it is a temporary thing and I am expecting we will have the same results and we will find out that we were on track with our payments. This does infuse another one point four million back into the budget at what I believe a very low risk or low liability – ten percent (10%). If you just look at all the projects in our budget if we had to find one point four million next year, I think it would not be a problem. I hate doing this because it is like kicking a can down the road but...

Chair Furfaro: That is what it is.

Mr. Rapozo: It is and that is what we are all doing. We are kicking this can down the road in all areas of this budget unless we stop the bleeding – we cut. I do not think anyone has proposed cutting any warm bodies but until we do that, we are just kicking the can down the road because the cost just continues. This infuses one point four, three, six back into the budget and I would ask for your support. Thank you.

Chair Furfaro: JoAnn, you had your hand up first and then Mr. Bynum.

Ms. Yukimura: Just a question, Councilmember Rapozo, so I understand this clearly. Cut OPEB by one point four million and put it in the reserve, is that your proposal?

Mr. Rapozo: No, it just reduces the deficit.

Chair Furfaro: We are looking for a pot of money.

- Mr. Rapozo: Right.
- Chair Furfaro: Where they go will come from the revenue cycle.
- Mr. Rapozo: I have not decided to allocate...we are only doing cuts. I am not doing adds but since you talked about your add, I am contemplating getting a helicopter for the Council so we can go to Honolulu for a lot less.
- Chair Furfaro: Great way to carry our travel expenses.
- Mr. Rapozo: A nice one.
- Ms. Yukimura: Actually under these circumstances that is not even funny.
- Mr. Rapozo: This is just a cut. Basically we are chasing money. We are chasing a deficit that we got to bring down. This decreases the deficit by one point four million.
- Ms. Yukimura: I see.
- Chair Furfaro: Are you finished, JoAnn?
- Ms. Yukimura: I am just wanting to say, I guess, that if it would go to the reserve and strengthen our financial standing with the bond companies, that would be one thing but just cutting is not good because as you said yourself it is kicking the can down the road.
- Mr. Rapozo: May I respond to that?
- Chair Furfaro: You may respond since you are the introducer.
- Mr. Rapozo: As long as you do not spend the one point four, six million, JoAnn, it will go into the reserve. I do not have a use for it. I do not have any adds, so for me that is where it is going to go. I am getting really concerned because it seems like only Ross, and I, and the Chair maybe, have put in cuts. So to balance this budget, I do not know where else to...
- Ms. Yukimura: Well the other use for it is to offset some of the revenue proposals.
- Mr. Rapozo: That is what this does.
- Chair Furfaro: That is what it does by going in the pot.
- Ms. Yukimura: But it does not go to the reserve then...
- Mr. Bynum: We decide that later.
- Ms. Yukimura: I know we decide that later.
- Mr. Bynum: This is about cuts.

Ms. Yukimura: I am just sharing my thought process which is part of what underlies my vote. Thank you.

Chair Furfaro: That only reinforces why I wanted to have a straw poll so that we understand what we are chasing versus what we are building. Mr. Bynum has the floor.

Mr. Bynum: Sticking to just the cut portion of this...I am not going to repeat the earlier OPEB discussion. The Mayor proposed initially four point four million from this source and then said well I was hoping to put it back when we get the TAT, we did not get the TAT and the Mayor is not going to source anymore in his proposal. This is a long way of saying I support Councilmembers. I am going to vote for this and we may choose to do even more because you are right, this is a cut, it is kicking the can down the road, that is true but that is opposed to taking cuts the is going to impact services and employees next year. Thank you.

Mr. Hooser: I also am supporting this but in the context of the entire package also. I share Councilmember Yukimura's desire that at the end of the day to have these cuts result in a larger fund balance at the end. So not to offset tax increases necessarily, it could offset some of them but it is going to take a combination. At the end of the day I would like to see our fund balances increase and then we have a sustainable budget. This is a tool that takes us down that path. Hopefully, we can go all the way down the path and we do not stop when it comes to the revenue side but I do support this and I want to thank Councilmember Rapozo for putting it forward. Just to clarify that there is no stronger supporter at this table for Councilmember Kagawa's tax cuts then Councilmember Hooser. He offered all the cuts that I was going to make. I really want to commend Councilmember Kagawa for taking the initiative on those cuts and I know he is not quite done. He is still looking at one or at least it is hanging up there. Thank you.

Chair Furfaro: We will refer to you as the "dynamic duo" then?

Mr. Hooser: That is right.

Chair Furfaro: Very good. Mr. Kagawa.

Mr. Kagawa: I was very hesitant about supporting this but when you, yourself need support of fellow colleagues and a colleague comes up with a brave measure...that is not going to get a lot of praise but it is going to put the County in the better position, I believe us having some kind of reserve in the end and the larger the better is going to put us in a better position. We do not know what the true amount of the underfunding is going to be at the end because as Steve found out today, sometimes we are in better shape than we actually thought we were when the actual results come out. I will be supporting this as well in this tough budget. Thank you.

Chair Furfaro: Further discussion? Okay. I will not be supporting this. I want to give thanks to the Administration for going and spending time with the actuarian that brought us back to being able to fully fund the OPEB. I think that we are in a better position than really taking this contingency, this is a contingency right now because it does not end the liability, it just defers it. So talking about merits of courage and so forth, I do want to pass around a few at the table but I believe this should be more of a last resort thing then to defer OPEB. May I have a roll call on Mr. Rapozo's motion.

The motion to Reduce OPEB by ten percent (10%) in all Funds except Liquor and Misc. Housing Funds, was then put and carried by the following vote:

FOR REDUCTION:	Bynum, Hooser, Kagawa, Rapozo, Yukimura	TOTAL – 5*,
AGAINST REDUCTION:	Chock, Furfaro	TOTAL – 2,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

*(\*Pursuant to Council Rule No. 5(b) of the Rules of the Council of the County of Kaua'i, Councilmember Yukimura is noted as voting silent but shall be recorded as an affirmative for the motion.)*

Chair Furfaro: We have 4 yes, 2 no, and 1 silent with Yukimura which will go to the positive. That passes. I do want to remind everybody anticipate the line item in the next CAFR that indicates that liability stands. Moving to additional cuts, does anybody have anymore? I know you guys touched on two (2) of mine, if not, I will be glad to start introducing a few. Can we start with the energy piece please?

We are hearing some good things about the Green Team. We even had Ben tell us that we should shoot for a goal of maybe three percent (3%) in managing our energy reductions. I am circulating one that talks about reducing kilowatt hours and then the kilowatt hours are converted into actual dollars. A two percent (2%) reduction on nine million two hundred and sixty thousand kilowatts is a hundred and eighty-five thousand kilowatt hours. A hundred and eighty-five thousand kilowatt hours at forty-eight cents would save us over all Departments; General Fund, Highway, Solid Waste, Sewer, and Golf would save us eighty-eight thousand dollars. I think that is a reasonable reach. I think we have to have some goal setting here. Again, as you remember Ben Sullivan felt that moving forward we could reach for three percent (3%) and this is two percent (2%) and also hopefully we could see something happen with the streetlight changes that have been launched but KIUC. That would be my motion.

Chair Furfaro moved to Reduce Electricity of two percent (2%) across General Fund, Highway Fund, Solid Waste, Sewer Fund, and Golf Fund, seconded by Mr. Kagawa.

Chair Furfaro: Further discussion? Seeing none. Roll call.

The motion to Reduce Electricity of two percent (2%) across General Fund, Highway Fund, Solid Waste, Sewer Fund, and Golf Fund, was then put and carried by the following vote:

FOR REDUCTION:	Bynum, Chock, Hooser, Kagawa, Rapozo, Yukimura, Furfaro	TOTAL – 7,
AGAINST REDUCTION:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Chair Furfaro: The next one is...and I do not want to get it confused with a revenue forecasting because this adds income without adding expenses and the next one I would like to pass around is about the number 9 booth at Spouting Horn which is reflected in the budget as being vacant. I am indicating that even if it went out to fill the last one because it is the least desirable, it should be able to add twenty-four

thousand dollars (\$24,000) in rent. That is only sixty-six percent (66%) of what the current rates are but I do want to send a message to Economic Development and the Administration that we should not have a booth that sits empty in the forecast.

Ms. Yukimura moved to Account for filing vacant Spouting Horn Concession and increase amount in Parks & Recreation Improvement Fund, seconded by Mr. Kagawa.

Chair Furfaro: Again, it is not the full amount that I am putting there but it is a necessity to add this revenue.

Mr. Rapozo: So, Mr. Chair, this is not a cut?

Chair Furfaro: No. This is adding thirty thousand dollars worth of rent with no additional expenses.

Mr. Rapozo: Yes, okay.

Chair Furfaro: So, it adds revenue. It becomes positive on the savings. Further discussion? I think I said twenty-four but it is thirty for a reduction. Roll call.

The motion to Account for filing vacant Spouting Horn Concession and increase amount in Parks & Recreation Improvement Fund, was then put and carried by the following vote:

FOR REDUCTION:	Bynum, Chock, Hooser, Kagawa, Rapozo, Yukimura, Furfaro	TOTAL – 7,
AGAINST REDUCTION:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Chair Furfaro: Could I take a short recess to get my pieces in order?

There being no objections, the Committee recessed at 3:58 p.m.

The Committee reconvened at 4:10 p.m., and proceeded as follows:

Chair Furfaro: We are back from the break. Thank you for allowing that time. I just have two more items. Under the duplication, we found that the Building Fund for the public restroom facilities— there was about forty thousand dollars (\$40,000) in duplicate design fees. I want to share with you that I would like to get some acknowledgement that that duplicate could be earmarked in CIP for the purposes of Parks designing expanded skateboard facilities. That was the duplicate that we found on the two (2) parks for design element only. I would like to get some acknowledgement on that. If somebody would make the motion for me, I would appreciate it.

Ms. Yukimura moved to cut the duplicate amount of forty thousand dollars (\$40,000) for the comfort station design in the Bond Fund - CIP and apply it to design of an Islandwide Skateboard park, seconded by Mr. Chock.

Chair Furfaro: Further discussion?

Ms. Yukimura: Chair, is it your intention that it focuses on a particular park in a particular area?

Chair Furfaro: I am just basically saying that at this point, we will leave it to the Parks Department, but the money would be available that way because this was designed money for building.

Ms. Yukimura: Okay. I am in support of this. The way I understand the basic approach is that there is going to be an effort to redesign and reconstruct the skateboard park in Kapa'a as sort of the main skateboard park, and then we are looking at smaller designs in other communities, which I support. I recently spoke to people in Waimea and Kekaha who want to see a park there and previously have been working with the kids in Lihu'e. I am just saying that we need sort of an overall plan and I see two different kinds of parks; one, a major place where major tournaments can be held if there is such a thing, and then smaller neighborhood parks, which would be less elaborate skateboard parks but still serve a need for kids on a daily basis. I am hoping that the Parks Department will give some direction in plan. I know they are working with the private sector and...

Chair Furfaro: We know what you are referring to... the world famous...

Ms. Yukimura: What is his name?

Chair Furfaro: Way.

Ms. Yukimura: Yes, Dan Way. Thank you. It would be great to bring that kind of public/private partnership to it, but we need some kind of a plan and I hope that is forthcoming soon because the kids have been waiting for a long, long time. Some of them have already graduated from high school and gone off to college.

Chair Furfaro: Mr. Hooser.

Mr. Hooser: I have more of a process question. Are we going to be doing ads now?

Chair Furfaro: No, we are not doing ads. We have an item that I sent over to them that said, "What happened to the forty thousand dollars (\$40,000) in design?" It is in the CIP Budget, so it is also part of the CIP Budget. I am really just talking about the CIP Budget right now. If you folks would want to prefer to it for another day, that is fine with me. I just want to point out that it is there. Right now, it is sitting there in the process. It is CIP money that needs to stay in CIP. We can scratch that for another day.

Mr. Hooser: No, I am just trying to figure out what the process is. Are we doing CIP and Operating separate or it does not matter?

Chair Furfaro: However you guys want to do it. We can just drop the topic for now.

Mr. Hooser: I do not want to rain on your parade though. You are the Chair.

Chair Furfaro: At least last time I checked I was, but if you have a difficult time with the process, this can wait another day.

Mr. Hooser: I am just asking the question, Chair.

Chair Furfaro: Okay. Mr. Rapozo.

Mr. Rapozo: Thank you. I had a similar question. The Bond Fund CIP— I am assuming we can make amendments to that here. Does it have to go through the...

Chair Furfaro: Actually, I think this is where the discussion should be. Since we only have another fifteen (15) minutes for today, maybe we should take that up tomorrow.

Mr. Rapozo: Obviously, I would support the removal of the forty thousand dollars (\$40,000) because I thought that was supposed to be done by the Administration. We had that agreement that they would...

Chair Furfaro: I thought we had that agreement, but it did not show up.

Mr. Rapozo: I do support the forty thousand dollar (\$40,000) removal. I am not ready to support the add, simply because I want to hear what everything else is on the table by other Councilmembers as well, and then prioritize that as we go forward. I guess I would prefer seeing the reduction and vote on that today, and then do the add when we get to the adds tomorrow, if that is not a problem.

Chair Furfaro: I have no problem with that. We can vote on that. Like other things, I too, would like to have my share of contributions on cuts, but I would also like to have my share of comments tomorrow for adds. That can wait for tomorrow. Are we all in agreement that the adjustment should be made on the design fee of forty thousand dollars (\$40,000)?

Ms. Yukimura: Yes. As the maker of the motion, I will accept this friendly amendment to just make it a motion to cut the forty thousand dollars (\$40,000) from the comfort station improvements.

Ms. Yukimura moved to cut the forty thousand dollars (\$40,000) from the Comfort Station Improvements in the Bond Fund - CIP, seconded by Mr. Kagawa.

Chair Furfaro: Thank you so much. May I have a roll call please on cutting the duplication?

The motion to cut the forty thousand dollars (\$40,000) from the Comfort Station Improvements in the Bond Fund – CIP was then put, and carried by the following vote:

FOR MOTION:	Bynum, Chock, Hooser, Kagawa, Rapozo, Yukimura, Furfaro	TOTAL – 7,
AGAINST MOTION:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,

RECUSED & NOT VOTING: None

TOTAL - 0.

Chair Furfaro: Thank you. We will save that when we look for other items, but the forty thousand dollars (\$40,000) is floating in the CIP Budget. The last item I have... I think Mr. Chock has one before we end the day as well, but after looking at the forecasted improvements and the golf course without changing rates, which is a separate item in a different meeting, I believe that the golf course revenue can grow in a twelve (12) month period by about eighty thousand dollars (\$80,000). Again, this is added revenue without adding any expenses and that is based on my projections. It does not take rates; this is just a reflection of adding additional paid rounds for one (1) year.

Mr. Bynum moved for the addition revenue of eighty thousand dollars (\$80,000) to the Golf Fund for additional paid rounds for one (1) year, seconded by Ms. Yukimura.

Chair Furfaro: Is there any further discussion? If not, roll call vote, please.

Ms. Fountain-Tanigawa: Eighty thousand dollars (\$80,000) to the Golf Fund.

The motion for the addition revenue of eighty thousand dollars (\$80,000) to the Golf Fund for additional paid rounds for one (1) year was then put, and carried by the following vote:

FOR REDUCTION:	Bynum, Chock, Hooser, Kagawa, Rapozo, Yukimura, Furfaro	TOTAL - 7,
AGAINST REDUCTION:	None	TOTAL - 0,
EXCUSED & NOT VOTING:	None	TOTAL - 0,
RECUSED & NOT VOTING:	None	TOTAL - 0.

Chair Furfaro: Just as a preview, I added about one hundred ninety thousand dollars (\$190,000) of cuts and tomorrow, I only have thirty-seven thousand dollars (\$37,000) of additions. I contributed one hundred fifty thousand dollars (\$150,000) to the cuts. Mr. Kagawa, you have the floor.

Mr. Kagawa: I was just wondering as to when we would be ready to address the overtime cuts that I proposed in a vote. I think the Staff was not clear on the direction. We wanted to make sure that the percentage taken was not out of contract-obligated items in the Police or Fire, and that it just dealt with the normal overtime. I do not know if Staff is ready today with those cuts or not, so maybe we can perhaps address them first thing tomorrow.

Chair Furfaro: No, let us ask the question because I asked them earlier if they were ready and did not indicate that they were, but let us ask them now. Are they ready? Did you get numbers from the Administration on Mr. Kagawa's... no? You did not? When can we expect that?

Mr. Kagawa: Chair, it looks like twenty (20) is kind of out of the question, so maybe we can get two estimates; one at ten percent (10%) and one at five percent (5%).

Chair Furfaro: Okay. Ernie, the question is from the introducer, Mr. Kagawa on the overtime, when are we going to see a number for ten percent (10%) and a number for five percent (5%) reducing operational overtime?

Mr. Barreira: Chair, once again, my understanding was that there was some discussion about Countywide and there was discussion about large departments. Are we now looking at Countywide?

Chair Furfaro: I asked for Fire, Police, and Public Works at five percent (5%). The others should be reported to us as well, but at the five percent (5%) and at the ten percent (10%).

Mr. Barreira: Very good. I provided the Analysts here two of the three larger departments. There are some issues that are more complex with Public Works that I will work out and get to the Council. We will give the numbers that you are requesting, but it will most likely have to be tomorrow, Sir.

Chair Furfaro: Can you give us an idea of when we can have our orange juice on this in the morning? Is it late? Is it early?

Mr. Barreira: We will shoot for opening session so that you can work on that.

Chair Furfaro: Does that satisfy you, Mr. Kagawa?

Mr. Kagawa: Yes. I think if workers have to go overtime, I could perhaps wait until after lunch. I think we have had a lot of cuts. We can go into the adds maybe in the morning, unless we have further cuts. Certainly, I would like to have a vote on just that generally, I think we should look at having managers get deeper into their overtime issues and any cut I think will force them to do that.

Chair Furfaro: Okay. We will hope to get that before lunch. Let us shoot for 12:00 p.m.

Mr. Barreira: Chair, may I make one minor request? While we have heard from the Police Department and the Fire Department in terms of the overtime implications, I think it would be fair to hear from Public Works because I cannot speak accurately to the impacts of the various overtime challenges. That would be my request, Sir.

Chair Furfaro: Have you had that discussion with them? If you did not hear what I said on the floor, I will send an E-mail. I said Police, Fire, and Public Works—the three big ones. They should start working on it. Will you have something for us by 12:00 p.m.?

Mr. Barreira: Yes, Sir. I guess I am not being clear. Forgive me. The Council has heard from the Police and the Fire Department about the implications of overtime. My suggestion is that the Public Works be allowed to speak to that issue as well.

Chair Furfaro: Maybe you did not hear it from me. I said Fire, Public Works, and Police. If you could give my Staff that number. Have you given them that number?

Mr. Barreira: I have given Police and Fire, yes.

Chair Furfaro: Okay. You are due for Public Works and then the rest of the County for the smaller departments, but I want to see them as separate numbers.

Mr. Barreira: Five percent (5%) and twenty percent (20%)... sorry, five percent (5%) and ten percent (10%).

Chair Furfaro: Yes. The twenty percent (20%) is off the table to the credit of Mr. Kagawa.

Mr. Barreira: Five percent (5%) and ten percent (10%). Very good.

Chair Furfaro: Mr. Bynum.

Mr. Bynum: I am just a little confused. I kind of liked where Councilmember Rapozo was going with this discussion earlier about what is contractually obligated and what is not. Like in Police, like Fire, it was two hundred thousand (200,000) that was "discretionary" was the word I think we used and the proposals to cut one forty thousand (140,000) of that. It is different in every department. Are we doing an analysis of that? What is discretionary versus what is contractually obligated? The Chair was coming from five percent (5%) to ten percent (10%) of discretionary versus five (5) or ten (10) across the board.

Chair Furfaro: That is where I believe we are at, right?

Mr. Barreira: Yes.

Chair Furfaro: Ten percent (10%) on the discretionary overtime and five percent (5%) on the discretionary overtime, especially from those three big departments.

Mr. Bynum: Okay. Thank you for the clarification.

Chair Furfaro: Mr. Chock has an item.

Mr. Chock: I have a small item from the Office of the County Auditor. Earlier in the year, we had a discussion on an agreement made upon an independent computer network. This is a small amount moving into the next fiscal period. It does not seem necessary looking at a cut of twelve thousand dollars (\$12,000).

Mr. Chock moved to reduce the Computer and Accessories line item for the "Independent Compute Network and Telephone System" in the amount of twelve thousand dollars (\$12,000) seconded by Mr. Kagawa.

Chair Furfaro: Discussion?

Mr. Kagawa: Councilmember Chock, if you can kind of reiterate... the County of the Auditor was asked about if this would be implemented and the answer was not in this fiscal?

Mr. Chock: The discussion that appeared earlier on the Council floor was about whether or not he would have an independent network or an internal network, which the cost was attributed to. Going forward, the agreement is that it be internal, instead of with our IT.

Mr. Kagawa: Thank you.

Chair Furfaro: Further discussion? Mr. Rapozo.

Mr. Rapozo: That was agreed upon by the Auditor himself? The last discussion we had, the meeting with you and myself downstairs, it appeared that the agreement from the Administration was that they were going to pursue this independent network.

Mr. Chock: IT and Steve was a part of that conversation. They all met. We were briefed on it prior to us.

Mr. Rapozo: The Auditor was part of that discussion?

Mr. Chock: That is correct.

Mr. Rapozo: And he was okay with it?

Mr. Chock: Yes.

Mr. Rapozo: Okay. Thank you.

Chair Furfaro: Okay. We are going to need to vote on that item. May I get a roll call, please?

The motion to reduce the Computer and Accessories line item for the "Independent Compute Network and Telephone System" in the amount of twelve thousand dollars (\$12,000) was then put, and carried by the following vote:

FOR REDUCTION:	Bynum, Chock, Hooser, Kagawa, Rapozo, Yukimura, Furfaro	TOTAL - 7,
AGAINST REDUCTION:	None	TOTAL - 0,
EXCUSED & NOT VOTING:	None	TOTAL - 0,
RECUSED & NOT VOTING:	None	TOTAL - 0.

Chair Furfaro: Thank you very much. I have a couple of announcements here for you folks as we go forward. I want to acknowledge that tomorrow, Mr. Kagawa has agreed after we talked about our travel pieces and I indicated again that the Council travel budget was subject to the cuts, but I want to point out again that 2014 is an Election year, so they need to go back and look at the cost as it deals with our Staff dealing with the State Office and running the Election. I believe he will be introducing an amendment to that. Can I say that is correct, Mr. Kagawa?

Mr. Kagawa: Yes.

Chair Furfaro: Okay. JoAnn, do you have a question? Go ahead.

Ms. Yukimura: I have a proposed revenue increase, so should I do that tomorrow?

Chair Furfaro: This is how I am going to do it. If you have proposals on revenues in the beginning, I am going to give everybody who wants to speak ten (10) minutes to talk about items that may have come to their attention after our first day here and that might be a good time for you to make your presentation.

Ms. Yukimura: It would be a motion too, right?

Chair Furfaro: Yes.

Ms. Yukimura: Very good.

Chair Furfaro: A presentation and a motion. I will give everybody ten (10) minutes tomorrow. Is that acceptable?

Ms. Yukimura: Yes. As long as I have some time because this is in the same light of the revenue proposal.

Chair Furfaro: We will do that tomorrow morning in the beginning. Mr. Hooser.

Mr. Hooser: I had a question on the CIP, but it may relate to the Operating Budget. Is this the time to bring it up? I notice that the CIP Manager is here.

Chair Furfaro: Yes. It might be a good time to bring it up so that they are aware of the discussion tomorrow.

Mr. Hooser: Okay.

Chair Furfaro: Do you want the CIP Manager up?

Mr. Hooser: Yes.

Chair Furfaro: Keith.

Mr. Hooser: The answer to the question will tell me whether I have work to do tonight on this. Thank you. In looking at the first page of this that you gave us, it says, "General Fund – Kamala Bridge, Stream Erosion." If I am reading it correctly, the proposed Budget Ordinance has a total of one hundred two thousand nine hundred twenty-nine dollars (\$102,929) in General Funds as opposed to Bond Funds. Is that correct?

There being no objections, the rules were suspended.

Mr. Suga: Can you repeat that one more time, please?

Mr. Hooser: Okay. The breakdown that I have here, it looks like the proposed Budget Ordinance has one hundred two thousand nine hundred twenty-nine dollars (\$102,929) in General Funds, I think. I can show you this. This shows that

one hundred two thousand nine hundred twenty-nine dollars (\$102,929) of General Funds are being used for these Capital Improvement Projects.

Mr. Suga: That is correct.

Mr. Hooser: My question is if we were able to locate other Capital Improvement Projects that were being funded by Bond Funds— could those Bond Funds supplant this one hundred two thousand dollars (\$102,000) and then this one hundred two thousand dollars (\$102,000) go back into the General Fund?

Mr. Suga: Yes.

Mr. Hooser: Okay. My final question is— it is for the Administration in general. If we were looking for a bond funded project that we can shave one hundred two thousand dollars (\$102,000) off of, would you have any suggestions for what that might be? You can tell me tomorrow if you would like to think about that.

Mr. Suga: Sure. I would like to have some time.

Mr. Hooser: Okay. Do you understand where I am trying to go?

Mr. Suga: Yes.

Mr. Hooser: That would achieve a savings to the General Fund of one hundred two thousand dollars (\$102,000) if we were to do that. Thank you. In the morning, you can talk perhaps?

Mr. Suga: Sure.

Mr. Hooser: Okay. Thank you.

Chair Furfaro: Please be familiar with those conditions, Keith, as it relates to moving Bond Fund moneys for projects that need to qualify as Bond Projects.

Mr. Suga: Yes, Sir.

Chair Furfaro: Thank you. Are there any more questions for today? It is my desire to be finished tomorrow at 4:30 p.m. It is my desire to remind you that Wednesday, we have revenue votes during the Council. Also, I want to point out again that on Wednesday, we will be starting the Council by going into a number of Executive Sessions as it relates to those ten updates. Now that they are using our new forms, we will get updates on our financial status of a number of the lawsuits. Until tomorrow at 9:00 a.m., may I say a big *mahalo* to everyone. We are recessed for today.

There being no objections, the meeting was called back to order, and proceeded as follows:

There being no objections, the Departmental Budget Decision-Making was recessed at 4:32 p.m.