

**COMMITTEE OF THE WHOLE
FY 2012-2013 Departmental Budget Reviews**

M I N U T E S

The FY 2011-2012 Departmental Budget Reviews of the Committee of the Whole of the Council of the County of Kaua'i, was called to order by Jay Furfaro, Chair, at the Council Chambers, 4396 Rice Street, Suite 201, Lihu'e, Kaua'i, on Tuesday, April 3, 2012 at 9:13 a.m., after which the following members answered the call of the roll:

Honorable Tim Bynum
Honorable Dickie Chang
Honorable KipuKai Kualii
Honorable Nadine Nakamura
Honorable Mel Rapozo
Honorable JoAnn A. Yukimura
Honorable Jay Furfaro, Council Chair

Chair Furfaro: Aloha and good morning everyone, in particular Mr. Mayor, your staff, delighted to see you this morning as we begin our Departmental Reviews. For Members of the Council, just let the record reflect all members are present, no need to do a roll call. I would like to share with you our start of the Budget Reviews, and I believe our intent is to give you the floor this morning, Mayor, to make the opening comments. Then we will take some commentary from your staff that is to your right, and then I will actually take a recess and we will be required to take public testimony after that portion. So at what point we will get to the public testimony, it will be close to when we take our first recess. For those in the audience today, we will be doing the overview by the Managing Director, staffing guides and payroll assumptions, the benefit lines under EUTF and ERS. We will have our first unit working on Utilities and Energy Costs by afternoon. Mayor, I believe you will be coming back at 2:30 p.m. or will your staff be doing your office at 2:30 p.m.?

There being no objections, the rules were suspended.

BERNARD P. CARVALHO, JR., Mayor: We have staff coming back.

Chair Furfaro: And then we will end the day for today with the Office of the County Attorney. Each day as we come to a conclusion, we will actually go into recess and based on how long the County Attorney's presentation is today, I will or will not make it over the Kalihiwai Bridge tonight since it closes at 5 p.m., so the pressure is on. On that note, may I welcome you, Mr. Mayor, and to your staff, and I give you the floor.

OVERVIEW:

Mr. Mayor: Okay, Council Chair Furfaro, Vice Chair Yukimura, Members of the County Council, on behalf, of course, myself and our Administrative Team right behind me, Good Morning and Aloha.

Councilmembers: Aloha.

Mr. Mayor: This has been a very busy year for all of us. Much has been accomplished and we have much to be proud of. During my State of the County address, I talked about weathering the storm, and it was a timely theme as we had just gone through some three distinct serious weather events. With all the branches and levels of government working together, along with the support of our local nonprofit agencies, and the resilience and resourcefulness of our community-at-large, we were able to get through the challenges and move forward.

Since I have become Mayor, it seems that the process of budgeting is likewise a challenge of weathering the storm. We have been faced with not just maintaining, but improving services in the face of declining revenues. We have had to be creative, resourceful, and to count on our partners in government and the private sector to create opportunities out of shortfalls. The Council has been our partner, of course, in this effort and continues to be our partner.

Over the past three years we have raised fees and implemented new fees. We had utilized furloughs, dollar-funded dozens of positions, and restructured certain operations in order to save money and, of course, balance the budget. We have deferred equipment purchases, floated bonds, refinanced debt, and created a Reserve Policy in order to save money and balance the budget. In short, we have been conservative in our approach in budgeting, and I am here to tell you today that we are still taking a conservative approach to budgeting.

For me, this year was more challenging than those in the recent past because I feel strongly that we must start to wean ourselves off the temporary cuts, namely the dollar-funding of positions and the deferral of equipment purchases. To put it into a football analogy, we can only go so far with less than a full team on the field, and we can only push our players so far if we have not provided them with the proper equipment and the proper resources. And yes, we are proposing to restore our full team, and yes, we are proposing to equip them properly, and yes, that takes extra dollars. But we are also (inaudible) fiscally conservative in other areas to help absorb that renewed investment. So I would like to provide a broad overview, and I want to keep it moving in that direction, and then we will move it over to our Administrative Team, Gary and Wally and Ernie, to give you the details of all the different parts of our budget delivery.

As for the really big picture, every year we struggle with the challenge of fixed cost increases. The six percent (6%) increase in operating expenses that we proposed for next year have been almost fully attributed to increases in fringe benefits and retirement costs for personnel, debt service, and rising utility and fuel costs. Externally, we know our economy is still struggling, and our revenues continue to decline. The good news is that recent economic indicators for the Visitor Industry are positive, and our Certified Tax Roll is higher than we had anticipated even on March 15. Wally and his team, our team, will discuss the revenues in detail shortly.

Now to kind of zoom and focus back to our budget proposal, I would like to address the dollar-funded positions. Last year we restored a handful of dollar-funded positions. From the beginning of our budget discussions this year, I expressed my intention to restore as many of the remaining dollar-funded positions as possible. I believe it is absolutely essential to do so to close the gap in services and improve our overall service delivery to our internal and external customers, internal and external. Most of these positions have been vacant for two to three years. These are primarily line level positions, and we are proposing to redescribe many of them to better fit the needs of our various agencies today. Changes are mostly lateral or downward allocations. Here are some examples that we will propose to restore: a dollar-funded Police Records Clerk is being renamed an ID technician to better meet the needs of the Kaua'i Police Department. A Senior Clerk position in the Kaua'i Fire Department is being moved to Personnel Services and will be part of the Human Resource reorganization effort, which I will discuss shortly. A dollar-funded Special Projects Officer position from the Finance Administration budget will be re-described to an entry level procurement and specifications specialist, and transferred to the Division of Purchasing. A dollar-funded Grant Specialist Position in Parks & Recreation is being reallocated to a Permit Clerk, for that department to account for additional work that will result from the new park rules, the opening of new Lydgate Campgrounds, and other operational changes in the Department of Parks & Recreation.

Equipment is another area in which we are proposing to reinvest next year. It is as simple as this. Our workers cannot do the job if they do not have the right equipment. So from new police and fire vehicles, to a new forklift and aerial lift truck in Parks & Recreation, to excavators, bushwhackers, and wood chipping machines in Public Works, these purchases are essential in our ability to provide timely services and maintain facilities, and will allow us to reduce overtime by adequately equipping our workforce. The total equipment investment we are proposing is more than \$5 million; however, because we will be using lease agreements to acquire most of these items, the impact to the fiscal 2013 budget will be a little over \$1 million debt service.

Some people will question these increases in manpower and equipment in a financial environment that is unstable. We know that we have to cut costs in other areas in order to accommodate the increased spending in these areas. So I would like to briefly highlight for you where we are focusing on reducing costs, budgeting more conservatively, and increasing productivity. I described for you some of the dollar-funded positions that we are proposing to fund. For most of them, we propose to fund them just eight months next year to account for the recruiting and hiring process. The re-describing of the positions that I have detailed help us to improve efficiency. A prime example is the funding of a working Labor Supervisor currently in Public Works, which we are proposing to transfer to the Transportation Agency as a Mechanic Helper. What we would like to do is centralize small equipment repairs out of the Transportation Baseyard, which will allow the Līhu'e Auto Shop to focus on vehicle maintenance for our aging fleet. Now this change will allow our

Parks, Public Works, Fire, and other agencies to get their equipment back in a more quickly and timely manner because it will not be prioritized behind police and emergency vehicles. Everybody will have the attention that they need. We will also allow our Auto Shop to better service vehicles and extend their life, saving us money in the long run with the new vehicles and the new purchases.

In the area of energy and efficiency sustainability, many, many things have happened, which will save us money next fiscal year and into the future. Photovoltaic retrofits, as you all know, have been completed at the Lihue Civic Center and Kaiakea Fire Station. We are starting procurement for our next project, which will be the Police/Civil Defense/Prosecuting Attorney Complex, and that is moving. Our five electric vehicles have been purchased and are in operation and 10 charging stations are being installed as we speak. The Performance Contract for the Wastewater Division is well underway with a comprehensive plan of action being negotiated with the energy services company as we speak. We expect to complete negotiations sometime in May. We are excited because the aggressive efficiency of renewable components that are proposed, including a possible net zero, 100% energy proposal at one of our facilities, meaning that we could generate enough renewable energy at the facility to power our Wastewater operations 100%, net zero. An invitation for bids for the second Performance Contract for other County facilities is in development, and hopefully will provide us similar opportunities as those we are finding in Wastewater. Our sustainability team has been assembled and is working cooperatively to green our County operations to the greatest extent possible. The team consists, of course, of Manager Glenn Sato, Energy Coordinator Ben Sullivan, and Brian Inouye, who serves as the Energy Facilities Manager. Our sustainability consultant, Ken Stokes, provides guidance and training for us as well. A staff level Green Team has been created and is already working on policies to be implemented in the next few months that will green many aspects of our operation and save money.

We continue to negotiate with unions to provide more flexibility in the use of our manpower so that we can make a notable dent in our overtime costs. We are still in those talks as we speak, but hope that it will result in agreements that will save us up to \$500,000.00 a year in overtime.

We all agreed last year that the County needs greater depth and focus on human resource management. An internal task force has been formed and has been working throughout the year to research and develop a plan for the formation of a true human resources operation within the Department of Personnel Services. This transformation will take place without creating new positions. We are proposing to move personnel, who are performing human resource related functions within various departments, into Personnel Services, and hope to have the transition complete by this fall. Better management of our human resources will provide for a more healthy, productive, and effective, efficient workplace. It will place a greater emphasis on Risk Management, and we project it will create huge savings for us in the future years to come.

In continuing efforts to go paperless, which is already saving us significant dollars, the Purchasing Agency this year has made big strides. The County-designed electronic procurement system now allows for the following online services: Solicitations for Goods, Services, and Construction; Advertisements for Professional Services; Addenda for all Bid Types; Informal and Formal Bid Tabulations; Awards, Notices, and Other Procurement Notices; and Auction Notices and Information. All of the above is in the works as we speak. We have also created an electronic contract execution/distribution process, eliminating the need for multiple copies of large documents, and recently completed the online posting of all Division of Purchasing forms via the County's SharePoint Portal.

In terms of budgeting more conservatively, the following initiatives are either in place or being proposed for next fiscal year. Last year we scrubbed our Capital Improvement Projects (CIP) list to include funding only for projects that we felt would be underway within 18 months. Our personnel, particularly in Public Works and Parks and Recreation, have worked extremely hard to keep the funded projects moving and on track. I am proud to report of more than 100 projects on our approved CIP List, which you will be discussing shortly, more than 80% are either complete, in progress, or will be in procurement by September 2012. This is a tremendous accomplishment because it not only ensures that we will complete infrastructures upgrades in a timely manner, but also keeps the CIP dollars flowing into our economy as quickly as possible. We are not tying up scarce dollars on projects that are not ready to go.

Our Reserve Policy continues to be our safeguard against the unforeseen crisis. Last year we proposed a reserve at the high end of the recommended percentages. This year we are proposing to stay within the percentages recommended by the Government Finance Officers Association, but have reduced the reserve in order to free up dollars for other areas of critical need and to balance the budget.

Another point of discussion in past years is the surplus that exists in our very special fund accounts. Many of you have requested that we utilize those funds prior to subsidizing special funds from the General Fund. This year we decided to spend down the money in each of the special funds before transferring anything from the General Fund. As you know our departments lapse millions of dollars every year. We have taken a hard look at the amount that has been lapsed per department over the last two years and feel it is time to budget more realistically based on the performance. Because of this exercise, we have asked Administrative Departments to reduce their overall budget by roughly 25% of the average amount of funds lapsed for the past two fiscal years. We invite all departments of the County to follow this lead, not just for this year, but as a matter of policy moving forward until we see our spending becoming more realistic year after year.

So this concludes my overall overview. Of course, there will be much more detail to come. Our departments are ready to inform and provide their information to you. I want to emphasize that we are doing our best, our very best to bring our operation back to normalcy and that does involve making investments in areas that have not been funded properly over the years. However, at the same time we are being mindful that costs must be contained, efficiencies must be gained wherever possible, and that sound fiscal management is at the core of everything we do. It will take each and every one of us working together to create the final product which will guide us next year.

We have much experience around this table. I have 27 years of experience in County government, and starting from my way up in the lower levels and all the way up to now. So I feel strongly that I have been there. I understand the operations with County government. We all have our own experiences. It is about time we all come together with our experiences and work together in a better way to manage our government today. And that is the bottom line for all of us. I am hoping that we can move with healthy discussions, looking for some great outcomes as we begin to go and dialogue in all the various departments because be assured they were trying every single way to meet the needs of the people that we serve. It is only working cooperatively between us right here at the table that we can get to that means. So thank you for the time. I would like to turn it over to our fiscal team, our Managing Director Gary Heu and our team here, to go into more details with some of the graphs that we have to kind of give you a better pictorial overview. So thank you for the opportunity.

Council Chair Furfaro: Mayor, thank you very much for the overview, and we will turn it over to Mr. Heu. Staff, were we able to accommodate another microphone for the table? We have one. Gentlemen, I am sorry, you will have to pass it back and forth. Thank you very much, Mr. Mayor. Go right ahead.

GARY K. HEU, Managing Director: Good morning, Chair Furfaro and Councilmembers.

Council Chair Furfaro: Mayor, I understand you are not leaving and that the intent will be to entertain questions after all of the particulars. You gave us an overview, which does not get down to some very identified processes. I am assuming your budget team will and then we will entertain questions.

Mr. Mayor: That is correct. I gave the overview. I will be fielding every single question you folks have.

Council Chair Furfaro: But you will be present.

Mr. Mayor: Yes.

Council Chair Furfaro: Mr. Heu, you have the floor.

Mr. Heu: Thank you very much, Chair. Once again good morning. With me this morning is our Finance Director Wally Rezentos. You folks are all very familiar with Wally. You spent a lot of time with him last week. And then we have our Procurement and Budget Director, Mr. Ernest Barreira. And so first of all I would like to say thank you very much for the accommodations, for setting up the table for us. I think we are going to make good use of it over the

next four to six weeks. The Chair was very accommodating in helping to set this up because we felt like these should really be working sessions where we are having back and forth dialogue as we work our way through the budget.

Anyway, we are happy to be here this morning. It seems like we were just here not that long ago. How quickly the year went by. Some major changes in terms of our staffing. I think one thing that quickly becomes evident is that Alvin Honda is no longer with us after his many decades of dedicated service to this County and in particular to the Finance Department and to the whole budget process. We certainly do miss Alvin's knowledge and experience. However, having said that, I just wanted to take a brief moment to introduce to you the other two members who comprise our Budget Team. We have our Budget Analyst Ann Wooton and then also sitting kind of close to Ann is our newest member to the team Ken Shimonishi. For those of you who have had contact with Princeville Corp. in the past, you will recognize that although he is originally a Westside boy, he spent his past years working up in Princeville in their Finance Department. So again, we are very happy to have Ann and Ken onboard as part of our Budget Team. I want to give real kudos to Ernie and the Budget Team considering the late date in which they parachuted into this process. As you folks know, the way that the County budgets is not necessarily an easy process to understand if you come from the private sector or elsewhere, and the enthusiasm which they engaged themselves in the process is commendable, and we just want to thank them up front.

So to start off with I think we would all acknowledge that if we had an opportunity, maybe, to revamp the whole budget process, we might consider different things. I see Councilmember Bynum nodding his head. I think we go through this every year where we submit a budget to the Council on March 15 because we are so mandated to do per the Charter. However, it is not until later in the process that we get a better view of what our actual revenues are going to look like to bang against the proposed expenses. And that usually comes at about the March 30 date, which was last week Friday when we received our Certified Tax Roll. And then we go through an iterative process between March 30 and our May 8 submittal, in which we are in dialogue with you, Members of the Council, to get to a point where we submit our supplemental budget for your review, consideration, and approval. And so again, I know there are many of you who think, boy, we do not spend enough time together and I can assure you that over the next six weeks the Administration will be here in earnest dialogues with this Council to get us to an approved budget in May that we can all feel good about.

So what we wanted to do is the Mayor gave us the vision, the big picture overview, and so now we would like to start to drill down a little more. And so as we progress through the discussion and move to the right, we will start drilling deeper and deeper into our proposed budget. So if we could, we brought handouts for everybody and will start off with this handout here. Again, this will just give you the biggest view of the budget that we have submitted.

Before I get into a specific discussion on this, I just wanted to give you folks a flavor of what it is that the Budget Team has had to deal with over the past four to eight weeks. When we first took a snapshot of the budget as submitted by the various departments, right out of the gate we were looking at a \$10 million increase over last year's operating budget, and these were pure operational costs. I am not talking about debt service or anything of that nature. The budget guidance that was provided early on in the process this year was that there were to be no new positions and/or no fully funded dollar-positions, and no equipment over a certain amount—I think it was \$20,000.00. All those types of requests were to come external to the budget. So in other words, whatever was put into the system by the departments should not have reflected any new positions, any dollar-funded positions that were going to be proposed to be fully funded or no new equipment over \$20,000.00. So without even considering the external requests from the departments, we were already \$10 million over the old operating budget. When we took into consideration the external additions by our departments. That layered another \$10 million to what we needed to wade through and to get to a submittal on March 15. So right out of the gate we were looking at \$20 million of increased costs that we were going to have to deal with. I am somewhat proud to say that after a lot of discussion between the Budget Team and the various departments, and sometimes long and engaged and heated discussions, that we were able to bring that number down to about \$5.2 million. So out of the total \$20 million, actually it was closer to \$21 million additional costs that were proposed for this coming year, we were able to whittle that down to about \$5.2 million. So, if you look at that chart up there, it may help to better understand what we submitted for this year. So, if you look at the first column, it will show you our current year budget at...and I am just going to talk about that top portion of the budget. I am going to leave out of the discussion for now the Reserve line and the Self-Insurance line. Our Finance Director will get into more detail on those items as we progress through the discussion. You can see that what we are dealing with is what I would call an operating

budget of about \$162 million against our proposed budget of \$172 million. That gives us a positive variance of about \$10.2 million equating to an approximate 6.3% increase over our operating budget. Now, the debt service line, as you can see, increased significantly and again, our Finance Director will get into more detail on what drove that debt service increase and how we are addressing that. So that leaves us with that very top line, which is where I think a lot of your, as Councilmembers, where a lot of your interest resides because that truly is what it takes to operate our various departments. So we are calling it our operating departments' budget. So if you look at the top line, current fiscal year, we are talking about approximately \$157 million to run our various departments. Our proposal this year for the Fiscal Year 2013 is \$162.6 million for an increase of about \$5.2 million and the percent increase is about 3.34%.

So what I would like to do now, again remembering that the \$5.2 million positive variance is where we ended up after we began with an additional \$21 million in cost to consider, is to kind of drill down further on that \$5.2 million variance. What we have is a pie chart here, which shows you the various components that make up that 3.34% positive variance. As you can see, what we would call our Health Fund Contributions make up half of that pie chart. We thought it was important that you visually were able to understand where much of our increased operating costs are coming from. And really when you take our OPEB line item for the County, as well as the Health Fund Contribution line, that constitutes almost 64% of our overall variance for departmental operating costs. That is significant.

Ms. Yukimura: Can you explain for the public what OPEB and EUTF are?

Mr. Heu: Let us see if I can get the acronym. Other Post Employment Benefits and then the Employee Union Trust Fund is EUTF. Combined...we can break those things out. We do have them broken out in line items in the budget; however, both of those...those are components. They are both components of the overall Health Fund Cost for the County, whether it is for retiree medical benefits or for active employees, it is about 64% of that variance that we are discussing today. So you can see really that is a huge chunk of our overall increase, again for departmental operating budgets. In addition, you can see that Utilities is also a major component of our 3.34% variance. Most of those costs can be attributed to increase in the cost of fuel and electricity. And so I believe later this afternoon we are actually having a very specific discussion on Utility and Fuel Usage within the County. I believe that is at 1 o'clock this afternoon. So there will be a lot more detail provided on that.

And then moving down to Salaries, what that represents is the portion of the proposed year for which we intend to fund our fully funded...we are calling it fully funded dollar-funded positions. But in actuality we are not going to fund them for the entire year, understanding that there is a process that we need to go for hiring, and then we also saw that as an opportunity to save some dollars for next fiscal year. The other component of salaries is, even though we have not negotiated any additional increases for wages for collective bargaining, we do still have things such as Step Movements that we have to address per collective bargaining agreements, as well as when positions are reallocated and upward, those also have a cost associated with that. And so all those components come together to show you that Salary line item. Actually, embedded in that Salary line item is an actual decrease in what we are projecting for overtime. So when we get into the more detailed cost, you will be able to see some of those savings that we are projecting for overtime.

Anyway, that is just to give you, again, the big picture in terms of where we started off. If we could refer back to the first slide, thank you. When you do drop down to the bottom line, last year we submitted a budget for current fiscal year for \$185.8 million, that is compared against the proposed budget for \$161.2 million. It shows it as a decrease, but really what we are talking about is the fact that we established a Reserve Fund last year to the tune of \$25.4 million. And then this year we are looking at accessing some of those Reserve Funds to help balance our budget submittal for March 15. I think what has been said over the last few weeks is that the budget that we submit on May 8, based on this iterative process and our discussion with Council, may look different. Some things that right out of the gate that we need to consider is the fact that the Certified Tax Roll, in fact, came in a little higher than anticipated, which is good news for everybody, and I think part of that was the fact that the number of real property tax...I do not want to say challenges. What is the correct word? I am sorry it is just escaping my brain right now, but tax appeals have gone down significantly. Therefore, it allowed us to realize a little bump in what we anticipated to get from our real property tax collection. Additionally, there are some interest revenues that Wally will get into in a little more detail, and those two components may give us a bump of about \$2 million as we start into this process. This is information that we did not necessarily have when we submitted our budget on March 15, so in that respect it is good news. There are obviously many ways that we can apply that

\$2 million, and we look forward to having that discussion with Council. I know there would be those individuals who would say that we should apply it right back to our Reserve. That certainly is something that we are open to having a discussion on. I am sure there are also ways that Councilmembers envision using some of those funds.

So at this point in time...

Mr. Rapozo: Mr. Chair, can I ask a clarification question on that chart?

Council Chair Furfaro: Surely.

Mr. Rapozo: I am a little confused, Gary, on the Reserve line because the way I am reading it is or the way I think it should be is if the 2012 was \$25.3 and fiscal year 2013, should not that number be \$25.3 minus \$10.758, so you get a positive figure on 2013? I am sorry? I mean that is not 142% drop. We dropped it by \$10.7 million. So I am not sure what that is trying to portray, but it definitely skews the number. That 2013 figure should be a positive number. That should be reflective of what is in the budget for the Reserve.

Mr. Heu: You are right. What is left in the budget is actually \$14.6 million. You are correct (inaudible).

Mr. Rapozo: Correct, so that changes all of the numbers on the bottom line. If somebody can fix that and get that on the screen because that is not accurate. That is telling me that we are \$10.7 million short in the Reserve line and that is not the case. We have...as I read it, we have the \$14 million or so.

Mr. Heu: \$14.6, you are correct.

Mr. Rapozo: Maybe we could fix that, Mr. Chair, and get that up.

Council Chair Furfaro: Yes, and I think it is understood in basic math. You have two negative integers, then you add the numbers to get to the \$36. But we have a negative integer, then a positive integer, and so that number should be \$14.

Mr. Heu: In there is \$14. It is \$14.6 million. Thank you for...

Mr. Rapozo: But that changes the entire calculations, so it is very hard to move forward. If we can get that, I am sure... You have that on a spreadsheet available where we can just punch in the numbers?

Mr. Heu: We do not have it here, but certainly we can have it by this afternoon.

Mr. Rapozo: I will do it manually. It is not that big a problem, but I think it just changes the entire scope of that spreadsheet.

Mr. Heu: Chair...

Council Chair Furfaro: Go right ahead.

Mr. Heu: At this point in time, we can continue to drill deeper into the presentation or as you had indicated earlier if you would like to take a break at this point in time and do some public testimony, or we can continue on with Wally and Ernie if you would like.

Council Chair Furfaro: Well, I think if we are able to take a break, is there any chance that we could call over and have a sheet correction here during the break time?

Mr. Heu: Sure, absolutely.

Council Chair Furfaro: Okay, we are going to take a 10-minute break now.

There being no objections, the meeting was recessed at 9:54 a.m.

The meeting was called back to order at 10:12 a.m., and proceeded as follows:

Council Chair Furfaro: Thank you very much. For the Administration, I would like to ask that if we could just fold this presentation because this presentation is about the operating budget, and if we could fold this presentation just at the first line that shows operating departments. I think based on your pie chart that you shared with us earlier, I think what we want to be able to say is of the \$5.2 million in increases, almost 60% of that \$5.263 million is actually associated with the cost of employee benefits. That seems to be the biggest piece of the increase. And I think as we go through the process, again, in all fairness to the Administration, from last year I was indicating that the Reserve Fund should not be reflected as a budget item because it is in fact a reserve just like the Open Space Commission. But what we are looking at is an opportunity to clean up your information a little bit, but for this purpose a budget that is going from \$157 million to \$162 million, an increase of \$5.2 million, which 60% of it is reflecting benefits. Before I recognize any Councilmembers, Wally, could you acknowledge my simple presentation of that first line.

There being no objections, the rules were suspended.

WALLACE G. REZENTES, JR., Finance Director: Yes, that is a fine explanation, sir.

Council Chair Furfaro: Vice Chair Yukimura.

Ms. Yukimura: Just a question about process. I thought the Mayor was going to be here so we can ask him some questions. Is he gone now? And if he is right outside and wants to go, is it possible to ask him some questions first before he leaves?

Council Chair Furfaro: While we are waiting for the Mayor, Gary, we are going to focus on this first line going forward, and obviously we will have later discussions about replenishments dealing with our choices as it comes to the Reserve and how to replenish it, so thank you. Mayor, thank you for coming back in. We are just going to be focusing on this first line here for now, which shows the biggest part of the increase as being attached with budget benefits for the staff, about 60% of that, and Vice Chair Yukimura had a question, but she did not want to pose the question until you were back in the room. Vice Chair, you have the floor.

Ms. Yukimura: Actually, Chair, I have a series of questions based on the Mayor's presentation, and I think other Councilmembers may have some too.

Council Chair Furfaro: We will get to there, if you can hold on there.

Ms. Yukimura: That was my question about procedure. I just was not sure whether the Mayor was going to stay.

Council Chair Furfaro: I will say it again. The Mayor agreed to stay. We will get through the big three presentation over here, and then we will be open for questions, and the Mayor has indicated he will be staying for this portion.

Ms. Yukimura: Okay, thank you.

Council Chair Furfaro: I guess from Mr. Heu, we are going to you, Wally? Or are we going to Ernie?

Mr. Rezentes: Actually, we are going to move to Ernie right now, and then I will be third batter...fourth batter.

ERNEST BARREIRA, Budget & Purchasing Director: Honorable Chair Furfaro, Vice Chair Yukimura...

Council Chair Furfaro: Before you go any further, you know the fourth batter is usually the clean-up hitter. You are supposed to put it out of the park.

Mr. Barreira: Members of the Council, good morning, Ernie Barreira, Budget & Purchasing Director. I would like to thank you for the opportunity to present this morning in order to initiate vital discussions in terms of our fiscal 2013 budget process. It is very clear to me that in terms of the budget, the legislative and executive branches clearly share the same ultimate goal and objective. That is to deliver and execute a budget that will meet the public service needs and best interests of our people. With regard to the budget, we also agree that it is incumbent upon

all of us to ensure that we exercise the highest standards of accountability and integrity in the expenditure of our public funds. I am honored to be a part of this critical process and look forward to our collaborative and cooperation as we embark upon Fiscal Year 2013 Operating Budget for the County of Kaua'i.

The overall strategy to submitting a balanced budget, as required by law, relied upon a multi-faceted approach that factored in a number of critical elements in terms of meeting the demands for public service and in proposing the expenditure of public funds, given the current economic challenges and limitations. I would like to share with you some of the strategies and deliberations that we explored.

The Budget Team conducted a comprehensive evaluation of all CIP projects based on certain assumptions to include: (a) the likelihood of these projects moving effectively and showing measureable progress over the next 18-month period based on plans and proposals, as well as resources required for the project; (b) the importance of the project in terms of essential public services; (c) the speed with which vitally needed capital funds could be infused into the economy in order to proactively impact jobs and investment; (d) and analysis to ensure that only funds needed to advance the project in its current planning or construction state would be allocated accordingly. This is to avoid fully funding projects from design through construction without accurately assessing the time that will be involved for the various phases of these projects. In short, CIP funds were allocated to projects in terms of actual funds needed to achieve completion based on the planning initiatives. This enabled a strategy of CIP funding reallocations to other projects based on this analysis. There have been measureable and substantial movements in CIP projects in terms of the growth in professional services and formal procurement by 56% over the past two fiscal years. This shows evidence of design and construction activities respectively, and that the public is enjoying a reasonable return on its investment.

We developed and pursued a lapse factor of 25% that the Mayor touched on with regard to our Fiscal Year 2013 budget reduction for all departments based on an analysis of the amount of funds lapsed by each County department over the past two fiscal years. This strategy was twofold: to ensure that departments and agencies were provided with the resources needed to meet their mission, while at the same time being careful to take into account past lapses and adjusting these budget appropriations accordingly. Support for the acquisition of \$5.5 million in new equipment for departments in order to enhance productivity placed needed resources into the hands of our workers, positively impact overtime costs which have occurred as a result of excessive manpower being allocated in place of the absence of needed equipment, and to substantially improve the delivery of services to the public in terms of increased responsiveness and completion of needed tasks.

We have continued to utilize lease financing to minimize the immediate cost to the County in terms of debt service outlined by our Mayor of \$1.1 million for Fiscal Year 2013 as opposed to having to expend the entire \$5.5 million out of the purchase for this next fiscal year.

We have made a very strong and significant commitment and vision to reinvent the budget review, preparation, execution, and management processes to ensure a higher level of effectiveness and accountability. The key elements in this process will involve collaboration between all branches of government to ensure that we share our vision and desired outcomes. Involvement of our shareholders will be essential as well. This revised process will need to be more responsive and focused on performance, measurement, and accountability. The Administration has shown its commitment to this initiative as evidenced by the creation of a new Budget Division without any increased cost to the County and the hiring of a professional consultant to assist us in the process of review and reinvention.

I thank you for the opportunity to share a few components of our budget strategy for Fiscal Year 2013 and look forward to our continued efforts in partnership over the next several months in delivering an effective and meaningful budget for our people. Thank you, Mr. Chair.

Council Chair Furfaro: Mr. Rezentes, will you be...

Mr. Rezentes: Yes, thank you, Councilmembers, for this opportunity. I wanted to also echo what the Managing Director Gary Heu said about our Budget Team. It is a newly formed team this year and I am very happy that they are fully engaged and working towards filling a gap that...with Alvin Honda's departure, I think all of you know Alvin had, I believe, over 40 years of government service and knew County operations very well. I think with this team,

everyone has their different abilities that they bring to the table, different qualities, and I think it is going to be a positive step for the County to have engaged the team that we have, and I think you will see that as we move forward throughout the years.

To touch a little more deeply on some of the specific budgetary numbers, we did receive our Certified Tax Roll last week Friday, and I apologize in advance, I believe last week or the last couple of weeks I have touched on a lot of things that I am going to touch on again today. It seems like last week and the prior week's discussions, all had budget overlays to them, so I apologize in advance if I am repeating myself in some of these instances.

The Certified Tax Roll for the County in Fiscal Year 2013 as based on this past Friday is \$78,338,499, and compared to the current year Fiscal 2012 Certified Tax Roll of \$79,287,121, we have nearly a \$1 million reduction, which represents approximately 1.2%. As described over the last couple of weeks, we are going to begin to engage in the reviews of our tax rate structure based on the individual tax categories that we have, and we will be making a recommendation to this body as part of our May 8 submittal. I believe that in the course between now and May 8, we are intending to engage the County Council in discourse along those lines, and we are always open to have discussions with you leading up to our May 8 submittal.

One of the tenets that we followed in creating the March 15 budget is a push to utilize the available fund balances within the Enterprise Funds and Special Funds. And in our individual meetings with you folks, we also mentioned that the intent is to rely as least as possible on the General Fund and ensure that there is spend down in all the respective Special and Enterprise Funds, especially those that rely on the General Fund for funding on an annual basis. One point that is very important to make here is that we are able to rely on the fund balances in these funds for Fiscal 2013. In Fiscal 2014, we are not going to be able to rely as heavily because we have spent down the funds. We would have spent down the funds in 2013. So again, that...I am repeating myself here, but that is an important point to note leading into the Fiscal 2014 budget a year from now.

The reduction in the Reserve Fund from \$25.382 million to \$14.63 million, nearly a \$10.8 million decrease is a concern as well, and I think we have mentioned that in your individual meetings. We want to look at, over time, reestablishing the Reserve Fund to appropriate levels and we definitely would like to work with the County Council towards that end. One of the things I have mentioned beyond the Reserve Fund, what we did to balance the Fiscal 2013 budget was to utilize General Fund CIP money and move that back to the General Fund to the tune of \$3.72 million. So the Reserve Fund combined with movement of General Fund CIP to General Fund Operating is a significant amount of money that is not a recurring source to tap into in future years. So those two aspects, the spend down of the Special Funds and Enterprise Funds, as well as the non-recurring sources of revenue from the Reserve and the General Fund CIP, will be ongoing challenges in upcoming budgets.

Another item that is beyond our control, it is at the State level, and I believe in your discussions with Wes Machida from the ERS, the ERS Administrator who came about a couple of months ago, I think he mentioned a piece of legislation that the ERS Board was proposing, and it is still ongoing, and that is Senate Bill No. 2750, which is the anti-spiking legislation, that is making its way through on O'ahu at the Capitol. I am intending to have some discussion soon with Wes, as well as some of my counterparts. Some of the concerns raised by that anti-spiking legislation is its effects on the Counties, namely the result of overtime in areas of police and fire. What the ERS is trying to do here is to recoup some of the added cost exposures as a result of the high three salary levels that is attributable to increases in overtime in the three-year period. When the Retirement System has to do recalculations on future retirement benefits for say an employee that had an average high three level of \$60,000 and in their last three years it is now \$90,000, that has a dramatic impact on future benefit payouts to that individual. What the ERS is trying to do is say to each employer you now pay for that difference, that increase. Some of the employers have come to the table and said, hey, what if we cannot afford to pay it in one lump sum or in one fiscal year? Is there a way to temper that increase in cost over so many years? And that is the kind of discussion that is ongoing right now at the legislature. And I just wanted to bring this to the topic here because we do not know the outcome of that legislation, and it could have budgetary impacts for us in the future, again especially in the areas for our SHOPO and HFFA employees.

Another area that is ongoing and an increased challenge as a result of our economic conditions is the Real Property Tax Collections. The Finance Department will touch a little bit more on this in our budget presentation, but the collection of real property taxes has been an increased

challenge over the last couple of years, and credit goes to our Real Property Collection staff, who is working through this period. Of note is that as of March 31, 2012, the County's delinquency rate stood at 5.43% or \$4.75 million. Of this \$4.75 million, \$2.56 million is attributable to the current fiscal year delinquency and \$2.19 million is attributable to prior fiscal year delinquencies. When we compare year-over-year fiscal year number or percentage, for fiscal 2010, 2011, and 2012, the trend is increasing. In 2010 the delinquency rate was 3.78%, in 2011 it was 4.02%, and in fiscal year ending 2012 it was 5.43%. So that is an ongoing challenge, and we hope to improve. I know there is a scheduled foreclosure sale within the next couple of months to help reduce the delinquency, but that again is an ongoing challenge for us going into the future.

You have also seen the increase in the County's overall debt service requirements. Debt service will continue to be at the levels that we are budgeting for the foreseeable future. There is, as a result of our 2010 bond issue, and I think Gary had mentioned it a little earlier, there is an interest subsidy that the Federal government will pay us annually as a result of the 2010 BABs and RZEBD bond float that we did for \$120 million spread between us and Water. So that moneys will be part of our budget going forward, but ultimately our debt service levels will be in the \$8-\$9 million range for the foreseeable future. We do continue to look at opportunities to refinance debt when appropriate. Usually we look at the cost of issuance compared to the cash flow improvements, and we are hoping the market stays right now in the area that it is or improves a little bit because we are going to be engaged in the next couple of months on a refinance, and I believe the treasurer had reported that to you recently, and we are hoping in the June timeframe to have a successful refinance and lower our debt service in the neighborhood of approximately \$100,000 or so a year. Again, that is predicated on the market conditions.

Basically those are the points that I wanted to raise that, again, have impacts, some statistics on taxes, revenues, future cost exposures that are in our control, not in our control, and things that we are working in the future in trying to get a better handle on moving forward into 2013 and 2014.

Council Chair Furfaro: Thank you very much for the presentation so far, and I want to just query a few things, and then I will go on to my colleagues. First and foremost, I think we all need to realize that budget strategies are made up of certain assumptions and forecasts, as well as the County is on a cash accounting system, so we do not always get a clear snapshot because there are several moving pieces. I think it is safe on the assumptions so far that you have presented to us as you will be using \$10.7 million of the reserve to balance the budget. It is also understood so far that with the Tax Roll, we are about \$1 million ahead of where you estimated us to be for revenue. But I also want to point out, and I am going to just not look for an answer to this question, but I do want to pass out to everyone here at the Council...you have a \$12.3 million amount in your summary sheet as the startup from other savings, and my question is are we going to get there, and I do not need the answer today, but if I put this piece up on the screen, you can see where my concern is on getting to that \$12 million. I have pointed out that for six months in the year, actually we are about \$4.5 million ahead of ourselves in under spent money from the big five accounts: Solid Waste, Golf, and so forth. I shared this during the tax discussion. We have savings in actual budgeted payroll for six months of \$1.5 million, and we have benefits savings calculated at about 67% as a million bucks. So for six months of this year, we are about halfway to that \$12 million mark. Because we are on a cash accounting system, I am not sure how much emphasis has gone on on where the additional savings are. You have said to us that the instruction to the department heads was to reduce any unspent money over the last two years by 25%. That obviously has not been taken into consideration here. These assumptions here are based on General Fund Salaries where we have actual salaries of \$25.6 million against a budget of \$27.1 million. So that is how I got the \$1.5 million. And then I calculated the benefits that were on the sheet at \$18 million and actually we are running about \$17.3 million. So that is where the other million comes from. The question I have here is, is this a trend we are going to see that continues for the rest of this budget year? And I would like to ask, no answer now, if the HR department, when we get to the HR later on, Gary, if they could show us the percentage of benefits associated to the raw payroll. Is it 67%? I have heard various things. I heard 72, I had 80, I heard 80.2, and some of that might be reflected in what you have indicated are the new projected costs associated with us. But making certain assumptions here and looking at the reforecast, I think these are things that we should actually know about when we get to the payroll account.

Also, are you going to be presenting us something that shows us what you are projecting the lapse to be, in other words unspent money that you are going to reduce in the budget going forward, and is that coming from some payroll positions and so forth? It is not real clear as we go this first blush. I guess also I saw and we just cut that sheet in half, but I heard Wally mention it, are we to

assume that the additional debt service of \$9.7 million that grew from \$4.8 million, is it our intent, I know I heard later in the year to go to the Bond Counsel, but it is our assumption that we will be refinancing all debt that the County has or if you can just give us some clarification going forward on what that \$9.7 would mean.

I would also like, so we can start using the term, what are internal customers and how do we define external customers? Obviously some of them are your department heads that certainly have certain staffing needs, but I would like to get a written definition of an internal and external customer.

I know as we go forward, we expanded the budget time this year, but there has been some discussion about revamping the budget process, and we look forward to dialogue on how we begin thinking through that track.

Again I mentioned the benefit cost as it relates to a percentage of payroll, and are there impacts, since I have heard it twice from two different presenters today, the decrease in overtime as some of the results that we are going to get because PT&E, the Payroll Taxes & Benefits, are also calculated on overtime that sometimes pumps up our percentages. So if we are on a mission to control that overtime, we feel we can do it, we should also see the impact in savings there.

So, again, this was the overview. This is just a picture of some of the things I would certainly like to share with you when we get to CIP, when we get to the Human Resources Department. Be prepared for these types of questions.

On that note, Vice Chair, I will give you the floor. And may I also announce that you also will be leaving us a little bit this afternoon, which is certainly understood. So I do have your letter of departure. You have the floor.

Ms. Yukimura: Thank you, Chair. I am going to address my questions to the Mayor knowing that perhaps he is not going to be answering all of them, and some of them may be even answered during the budget session. I just first of all wanted to commend you and your team, Mayor, for some significant progress that I see in the budget process, and I find it encouraging that these various initiatives are being taken. For example your action to address sustainability, I think, is highly commendable, and I look forward to the proposals coming forth. I am glad to see that the County will try to walk the talk, and I hope that the sustainability efforts will also address public policies that impact the whole island, such as the solar water heating issue. I appreciate that we are trying to achieve much tighter budgeting. The Council has long been concerned about this, especially our Budget Chair Councilmember Bynum and our Chair, and I think all of us. So to see some efforts going into addressing these various surpluses, whether they are in Special Funds or in individual budgets, is, I think, moving us to better budgeting. I really appreciate the efforts that have been achieved in our Procurement Office as an example of what we need to do elsewhere in terms of moving towards more paperless functioning, and I also appreciate the efforts to streamline and increase the analysis of CIP Projects so that we are moving them out faster, and we are making sure that they really are our top priorities, that we are making the best use of our CIP moneys and getting the best return on investment. So these are my questions and issues, and I think like the Chair, I am just going to list them, and then you can choose to answer whatever you want to answer today and maybe some of the answers will come through the budgetary process.

In terms of departmental performance and use of budgets, I am very concerned about supervisory and management quality because I think that is really the best insurance to proper and optimal use of budgetary moneys, whether it is the Public Works Department, Parks Department, it is the quality of our managers and supervisors. And I think that can have some of the biggest impacts on proper use of money. So I would like to know how that is being addressed.

I am wondering whether there is anybody from the Council Services that is included on your Green Team because I think we need to be part of that. Just the other day I think Palmer was asking, after Dr. Jackson's presentation, where is your recycling; he was holding his recycling things in his hand, and he was downstairs saying, where are our receptacles.

I commend the direction you are taking on the HR Department. I think it is long overdue, but I do not think the Council really has been briefed on it, and I would appreciate a briefing on that. You say the transition is to be completed by the fall, and I really feel uninformed about it. I also wondered what additional costs are involved, and maybe you have included that in the budget. So I look forward to seeing about that.

When the Council made the decision, and I was on the Council many years ago, to acquire the shopping center across the street, which is now forming many of our offices, I think in a very cost-effective way and also in a Smart Growth way. I think it is very functional that people just have to walk from their offices to the County Council or back toward the Administration, so I think that was a good decision. I am concerned that we are using a lot of that space for storage, and we are having some of our offices rented outside. So I want to know how we are addressing the storage issue because it does not seem like the highest and best use of space to use what could be used for office space for storage.

I also was extremely discouraged and upset that I do not see any money in the CIP budget for a MRF, and that was promised in the last briefing from your Solid Waste Division. I was astounded to see zero or a dollar. So I would like an explanation of that. Better yet, I would like to see how the MRF is included in the budget and we will move ahead on it. The MRF is not just about increasing recycling and reuse, it is about increasing the life of the Kekaha Landfill, which is a crisis situation. So hopefully there is a good explanation for that, and we are actually going to be moving ahead.

I do not know how we can fund the 'Ele'ele Housing Project without a Housing Strategic Plan that shows that that is the best place to put our housing moneys and energies and efforts. And your Housing Agency has told me they do not have a strategic plan, and I think it is the cart before the horse to embark on a huge project that we have never done before. We have never built a housing project from scratch in a single-family place in a place that has been told to us at our Smart Growth conferences is not a Smart Growth project because it is not located where we need it, near the jobs and near our population bases, where the jobs are. So I do not understand any of this at all. Steven Covey had a phrase about spending a lot of effort, time, and money climbing the ladder only to find that it is on the wrong wall, and I have a feeling that this 'Ele'ele Project is such a project, especially if it diverts our efforts from other lower hanging fruit of projects in areas where we need the housing.

It was very interesting in our previous discussions last week where we talked about 80% of base pay as being the percentage for fringe and benefits, and I think in the public sector it is closer toward 50%. And I think we had some discussion with the Salary Commission when they were before us recently. I am asking why that is so and what are the leverage factors for changing that if it is not an appropriate figure? If the private sector and other places are doing it and keeping satisfied employees with a 50% plus figure, why is our public figure 80%, and how are we going to sustain that?

And then I want to know how you are tying budget to the goals and performance, and hopefully that is going to come out.

My last question is how are we looking at our Special Funds in terms of finding more sustainable ways for these funds? I believe there are some public municipal golf courses, and I have not had a chance to research it, that are actually closer to breaking even than we are. We are right now what this proposed subsidy for our golf course this year is \$700,000+ and it has been like that for the last five years at least, but it was not always like that. And what are the issues here? And even our Road Fund, what is the more sustainable way of dealing with our Road Fund because we cannot...it does not seem like a really good process to keep subsidizing it by the General Fund. And we also know we need to sustain our repairs and maintenance because we do not want to become like Honolulu, where the roads are so bad that the cost is coming not in terms of taxpayer money but in terms of personal income to fix cars, and that is what is happening. So, how are we going to address that issue into the future about having a sustainable Highway Fund and indeed a sustainable Bus Fund because those are the two modes of land transportation that we need to know how we are going to sustain and indeed for our Bus Fund how we are going to grow it because we have to grow it, especially with the cost of gas going up. People need other alternatives to the private car, even as we keep our roads sound for private car travel.

Those are my questions and if you have some quick answers right now for some of them, that would be wonderful. Otherwise, if you can let us know that they will be addressed later in the game, we would like to know that. Thank you.

Council Chair Furfaro: Just before we go any further, so it seems as I raised the PT&E concerns, we can get to that when we have Personnel here. But it would be really nice to be able to compare the private sector is at 52-55%, as Vice Chair Yukimura pointed out, but it is the

same question that I raised. I do have one answer for the Vice Chair's questions. Thank you very much for inviting a member from our team to be part of your Green Team and Eddie Topenio has been recently assigned that task.

Ms. Yukimura: Wonderful.

Council Chair Furfaro: So we do have a Council staff member who will in fact be part of the Mayor's Green Team. I think Mr. Bynum...

Ms. Yukimura: Were there some answers...

Council Chair Furfaro: Oh, I did not...

Mr. Mayor: (Inaudible) just overall. We have assembled a great team of men and women who represent our Administration. All have different levels of expertise. All have different ways of managing their different operations and are being evaluated, really, whether it be through the department head level or working hand-in-hand with myself. I am talking the top supervisors now that work directly within the departments. And so I work closely with the department heads to assure that the management levels are moving in a direction that is going to help the departments, of course, achieve their goals and objectives. If there is need for any type of training or any type of follow-up or support, we will talk about it. And again, everybody has different strengths. Some can deliver the message, some can do more internal reviews and have the expertise in different fields and areas, so I choose to manage that way and evaluate accordingly. And if there is anything that needs to be looked at and addressed, then I will address it, and that is how we have been managing it, and if there is any opportunity for discussion there, but be assured that whether it be through the department head, the deputy, or others within that particular structure, that if there is any need to address it, then I will.

Ms. Yukimura: May I just...

Council Chair Furfaro: Go right ahead.

Ms. Yukimura: I think one of our concerns is whether qualified people are being hired, and another concern is that it is not just the top management. It is about middle management and supervisory, what kind of training and accountabilities are there on that and hiring practices and promotional practices that ensure the highest quality of performance.

Mr. Mayor: Which leads into our whole Human Resource restructuring and looking at how we evaluate, how we hire, how we look at and seek applicants that really fit the positions that are open, and looking at opportunities in all areas, and we are sitting here and telling you folks let us work it to get to a place where we can achieve the best employees for the County at any level. And sometimes it is difficult, but at the same time if there is any type of training opportunities, I believe, with this whole reforming and restructuring that this opportunity will come about. So that is where I am with that.

The Green Team...I just want to touch some of these areas. The Green Team we have already talked about.

HR, I forget the question, but just overall that there is a movement there, and I know you will be having your presentation very shortly. We have been talking about the specifics. I know Chair and I have talked about it as well and all of us. So if you can hold off on that one until that full presentation is delivered to you folks.

We have an office space...you want to talk about one?

Mr. Heu: Regarding the Space Planning for the Civic Center, as you recall a few years ago we commissioned a study for the County to take a look at our immediate and immediate future needs. And so the first component of that has recently been completed, which was the new Fire Headquarters in the Pi'ikoi Building. And so what happened is, if you recall, we had actually budgeted about \$2 million in the CIP for storage. So we were looking at some sort of off-campus facility to deal with our storage requirements, and that was either going to be to lease space or perhaps to purchase a location and erect a structure purely for storage purposes. That was prior to the Big Save space becoming available. You are right that currently there are areas within Pi'ikoi and Moikeha being used for storage. They were being used for those purposes until such time

as we could move ahead with the build out of Pi'ikoi. So now with the availability of the Big Save location, it really starts to...it has had a big impact on our plans, and so we are taking a look within the overall Civic Center Complex, what areas are appropriate for storage as well as office space. So the availability of the Big Save space has had us go back and relook at our plans for how we are going to do the build out of Pi'ikoi. So first thing is first, there was found to be asbestos in the old Big Save location, and so we have a contract being put out right now to go ahead and to mitigate and clean up the asbestos. That is the first step. While that is taking place, we do have some preliminary plans, revision of plans on how we intend to use that Big Save space for additional office space, as well as maybe taking a look at shifting what was planned to be office space for our storage needs. We also have the Honsador location and that is another opportunity for us to deal with some of our longer term storage requirements. I think there are some things that you may want us to keep closer to you from an operational standpoint and there are some longer term storage requirements that would appropriately allow for those things to be off-campus. So right now, again, we are in the planning stage. The plan was to move ahead with certain portions of the Pi'ikoi build out. I think the next in line was we had our Environmental Services as well as Planning. Planning is really in need of additional space. We just brought on three additional people yesterday started with our Planning Department, and we have them in a temporary location in the Pi'ikoi Building. So we definitely are going to move forward as quickly as possible with that. But again, some of the initial plans that we had had to be revamped and relooked at based on the availability of Big Save.

Ms. Yukimura: So...

Council Chair Furfaro: Go right ahead, Vice Chair.

Ms. Yukimura: Thank you. There is a mezzanine, is there not in the Pi'ikoi Building?

Mr. Heu: Yes, that is the portion that has been used in large part for the Fire build out.

Ms. Yukimura: So that is used up pretty much.

Mr. Heu: Yes.

Ms. Yukimura: Okay. When I am talking about storage, I am not just talking about an alternative place to put it in. I am wondering if you have explored a different form of the documents or whatever that we have to store?

Mr. Heu: Absolutely.

Ms. Yukimura: I mean are we looking at reduction...I mean with the IT technology and of course you have to weigh the cost, but that is the interface, right, with how we are filing, how we are...I am not familiar with the nature of the storage. I am assuming it is mainly files, and I may be mistaken. But I just want to say that conceptually it is not just about moving the stuff to another place. It is about whether we are able to reduce the volume of storage.

Mr. Heu: The Document Imaging initiative continues, yes.

Ms. Yukimura: Okay, and I hope it is not with the mistake that we made.

Council Chair Furfaro: We did not make that mistake.

Ms. Yukimura: We did not make that mistake. Thank you, I was just going to correct myself.

Council Chair Furfaro: Okay, let us be very careful. The bid did not go out with the catalog indexes, which are missing.

Ms. Yukimura: I mean that was, in my mind, an outrageous design mistake or procurement scoping or whatever it was. But it was requiring two actions instead of one because you did not have the categorization set up, so we had to copy all of it as I understand it and then we have to re-sort it and put it in the proper categories. Anyway, it was not the highest standard of performance. And so in handling the storage from an IT standpoint, I hope that those issues are going to be addressed.

Council Chair Furfaro: Just to assure you, I have met with IT on the need to now, since we have all of our records duplicated now in a file format, we need to get feedback from them on the cost to do Phase 2, which was the indexing and labeling, and that is on its way.

Ms. Yukimura: Thank you. So the last thing about storage, what is the Honsador location?

Mr. Chang: Kaua'i Lagoons.

Ms. Yukimura: Oh, okay, it is that structure. All right. Thank you very much for that answer. Is there...

Mr. Mayor: I wanted to just touch a little bit on the MRF and just talk directly to you, all of us here. Can we just agree that there is a need for a MRF, okay. You can smile and laugh all you want, Councilmember, but I am just telling you we all agree. Hold off, hold off. Let me speak, let speak. I am speaking. We all agree there is a need for a MRF. Now between Vice Chair Yukimura and I, where we disagree is do we need it today or do we need to really do a feasibility study and make sure that the type...there are various types of MRFs and we all agree. Now, right now as we speak we have a team in place, our Solid Waste Team, which includes Mr. John Harder, who is working on a feasibility study. I am awaiting the results. My directive to our team was to help me understand what is the need, what type of MRF do we need, when do we need it, what are the timelines so we can make a better decision on when and why. I never said we would not entertain it. I think it is needed, we all agree, but I think we disagree on the timing. And I am leaving that to the discussion when the Solid Waste Team comes forward with all the details of this particular discussion. I just wanted to say my piece, Councilmember Yukimura.

Ms. Yukimura: Mayor, we have an Integrated Solid Waste Management Plan which we passed at least four years ago.

Mr. Mayor: Okay.

Ms. Yukimura: And the MRF was a first-year project to do the feasibility study the first year and begin to...

Mr. Mayor: And when I came into office, there were many different tracks happening all at once, and I had to look at which could we actually do realistically, which projects within that plan we had to wait on and do a good study on like you always say, do the study, and now we are in that process. So I think the timing of what we are talking about is on the table right now. And I do not disagree with you, but I am telling you that when our team comes forward, I am just speaking right now, they will be able to detail out how and what has been happening, and why it is not being addressed according to what you are saying.

Ms. Yukimura: Mr. Mayor.

Mr. Mayor: Yes.

Ms. Yukimura: Last budget session we were told that during the year between last budget and this budget we would get progress on the MRF and that it would be not necessarily at the landfill and a few months ago they said that the MRF would be included in this budget.

Mr. Mayor: Okay.

Ms. Yukimura: And I do not see it.

Mr. Mayor: And my response to you.

Ms. Yukimura: And this has been year after year after year of delay when we could be using this to divert the solid waste from the landfill and extend the life of the landfill. We are not following our plans. This is unbelievable to me.

Mr. Mayor: Okay, thank you.

Council Chair Furfaro: I am going to end that conversation right there. Mayor, I just want to remind you that we put two days on the side for this subject. We have 2 o'clock on Friday, April 13 and we have a continuation in Public Works on Monday, the 16th.

Mr. Mayor: Okay, thank you.

Council Chair Furfaro: Let us be prepared for some of the specifics then.

Mr. Mayor: I just wanted to make one last mention.

Council Chair Furfaro: You have five more Councilmembers to go.

Mr. Mayor: So just the goals and objectives, hopefully it answers a lot of the other questions, but I am happy that we were able to follow through on your, Chair Furfaro, request that our departments assemble their information packets which includes their goals and objectives, and all of their information, pie charts, everything that you need on the day we start deliberations and talk story, and all of it has been submitted for your review and your reading pleasure, and it is all in summary form, per your request, and I am happy that our department heads and our fiscal team were able to put the numbers together so you have an opportunity to review this information before we actually go into the details. And that has been given to you and you have that for your purview, and I just wanted to touch because that we Councilmembers' question, I think, on goals and objectives. I am kind of tying it into that whole discussion. And so I am done. Thank you.

Council Chair Furfaro: And my compliments on submitting that. I have not read all of the material, but I will have some time at the Kalihiwai Bridge tonight on the way home.

Mr. Rezendes: I have a question, I guess just a clarification for Councilmember Yukimura. You had mentioned in your discussion points the need to be sustainable in the Golf Fund, Highway, Transportation, Bus. So that I am clear, you are looking at being sustainable from both a renewable perspective or financial and renewable perspective?

Ms. Yukimura: Thanks for that question. I meant mainly in financial terms, financial sustainability.

Mr. Rezendes: Okay.

Ms. Yukimura: Yes, thank you. I trust we are going to try to make it also environmentally sustainable.

Mr. Rezendes: Sometimes you can kill two birds with one stone, really.

Ms. Yukimura: Well actually to the extent that we are making the Bus System both sustainable and growable, that is very much aligned with environmental sustainability too. Thank you.

Council Chair Furfaro: Thank you. It is tough to buy into financial sustainability when we are transferring almost \$20 million to make this year, but that is a goal. I am going to follow our seniority here which takes us to Finance Chair, Mr. Bynum, then we are going to Mr. Rapozo, then we are going to go to Mr. Chang, then we are going to go to Councilmember Nakamura, and then we will end with Councilmember Kualii. Mr. Bynum, you have the floor, and again, general overview type things and what you anticipate them to get back in the various departments.

Mr. Bynum: Good morning, Mayor. Thanks for being here.

Mr. Mayor: Good morning, Councilmember Bynum.

Mr. Bynum: Thanks for the presentation. I am not going to go down my whole laundry list of things I am concerned about. That will come up over the next few weeks. But I am going to highlight some big ones and ask a few specific questions that I would appreciate an answer to today. Let me start with saying that I appreciate your budget. I said in the media today that I support the overall gist of the message, which is we have taken austerity measures, we have made cuts, we have held off on positions, we have held off during this difficult economic time, and

that it is time to start addressing the services that have, to some extent, deteriorated. And so overall I support your approach to the budget. I think it is time to hire some of these positions that we have held vacant, and we will get into the details as we get into it. I also very much appreciate that you are addressing a concern that I have put out over the last few years that we not hold funds, especially receiving funds, in our Solid Waste, Wastewater. I am glad that we are in agreement that going forward we are not going to do that. I think that is very significant.

I also appreciate that you are looking at the variances because I think a lot of confusion has happened among our employees and the general public of not understanding that what we budget is not what we actually do, that there is a large variance between our stated intention and what we actually do. And tightening that, I think, is a goal and you have adopted that goal. I appreciate that. I would note that those are not savings, though. In your budget message you said we are going to save money that way. You are just telling your departments do not build in money you know you are not going to spend, right? So that is a good thing and it would beg the question of you saying look at your variances and reduce the money you did not spend by 25%, why not 75%? But it is a step in the right direction. I appreciate that.

You said in your statement, you acknowledged that we have raised fees in the last few years and I want to ask four questions, they each have two parts, and I would appreciate an answer from you, Mayor. The first one is do you acknowledge that in the last three years resident homeowners have paid more than \$4 million in increased property tax and fees?

Mr. Mayor: So you are going to ask me that question?

Mr. Bynum: Yes, do you acknowledge that that is a fact? That in the last three years...you said our revenues have decreased. I agree they have. But in the last three years resident homeowners have paid more than a \$4 million increase in property taxes and fees. Do you acknowledge that?

Mr. Mayor: Okay. Yes. So what do you...

Mr. Bynum: And you also acknowledge that tax classes other than residents have had substantial decrease in taxes?

Mr. Mayor: Overall, overall.

Mr. Bynum: Do you acknowledge that?

Mr. Mayor: Mm-hm.

Mr. Bynum: Okay, so that is part I of question 1. Is that okay with you? It is okay that residents are paying increases while everyone else is getting decreases?

Mr. Mayor: I think we have gone over this over and over again.

Mr. Bynum: I have never heard an answer, and right now you are in a public forum...

Mr. Mayor: Our team has come before you and talked...we have even talked numerous hours with you, Councilmember Bynum, on this particular issue.

Mr. Bynum: And I have never heard an answer.

Mr. Mayor: We have gone over and over...

Mr. Bynum: Is it okay with you that over the last three years while we are having decreased revenues that those decreased revenues have gone to non-residents while at the same time residents have paid increases. Is that okay?

Mr. Rezendes: I think we have discussed...

Mr. Bynum: I would like the Mayor to answer the question, Wally. It is a fair question, Mayor. You just acknowledged that residents have...

Mr. Rezendes: You are only painting a part of the picture. What about the entire term of the benefit period?

Mr. Mayor: We have gone through this discussion numerous times.

Mr. Rezendes: Not the last three years, the entire term of the program? And I believe...

Mr. Bynum: Wally, even after that discussion, I am a Councilmember here, I am the Finance Chair, I deserve to have my questions answered. I have asked you this question in private a dozen times.

Mr. Mayor: And I have answered your question in all kinds of ways and you choose not to respond.

Mr. Bynum: You acknowledge that residents are paying increases and that everyone else is paying a decrease. Why?

Council Chair Furfaro: We can take a recess if you would like, Mayor?

Mr. Bynum: I do not need a recess. I have the floor.

Council Chair Furfaro: Well no, that is fair and reasonable. He has a team here. That is not unreasonable. Why do we not take a 10-minute recess?

There being no objections, the meeting was recessed at 11:14 a.m.

The meeting was called back to order at 11:34 a.m., and proceeded as follows:

Council Chair Furfaro: We have returned from recess. You have the floor.
Mr. Bynum.

There being no objections, the rules were suspended.

Mr. Bynum: So Mayor, Mr. Rezendes just before we went on break said well what about the longer term. I have said repeatedly here on the Council floor, during the run up of home values as home values increased, the non-resident tax category has paid big tax increases, right. But then the economy turned and since the economy has turned, the resident homeowners, you just acknowledged, over the last three years have paid increases while the other seven tax categories have paid decreases. Why is that?

Mr. Mayor: Well for me, Councilmember Bynum, first of all I surround myself with great knowledgeable people who can help me with the numbers and all that stuff. I want to make clear that is why we are here as a team and we try to field questions accordingly. Right, Chair, I mean that is what we do. But I will answer the question for you. Number one, as far as tax relief, of course, if we all could at this table offer tax relief for our people, wonderful. But based on the budget that we have before you and the numbers I have to work with, it is right in front of you. The timing right now, and I agree with the Councilmembers who agreed, that the timing right now is not the right time, and I have told you this numerous times based upon our numerous discussions. I disagree with some of your numbers, Councilmember Bynum. I...hold off, this is my turn. The numbers that I have that is being given to me by our team, which includes you too because there were many discussion that we have had, hours of discussions that our team has offered you to help us understand where we need to be regarding tax relief. I totally, we all, I would love to give tax relief to people of this wonderful island of Kaua'i, but you know what? At this particular time, we do not have the resources, and we are trying to figure it out right now. And the 5-2 vote that was on the table, that is what it is. I am supportive; we are working it; I agree we need tax relief, Councilmember Bynum, but not at this particular time. We will have lengthy discussions with our Finance Team, Real Property, and all of that in our next coming budget session, Council Chair, and I would like to save that until that time. That is my statement for now because there are many discrepancies, as far as I am concerned, and we would like to make sure we get the right number in place. And I am more than happy, again, to offer the services of our people to work directly with you so we can come to a number that we can all agree upon. But until that time is done, I agree with the Council. You...the Council is the one who has to make the decision eventually on real property tax relief, the Council. I am willing to work it. That is all I am saying. Thank you

for the time. I look forward to our Finance Team coming forth with the numbers and the information that is going to help you, along with the people who are watching this discussion, to understand the need and the situation we are in right now with the budget that we have, and that is my statement. That is all I am going to say. I refer now to any question to our Finance Team or I would prefer, Council Chair, that we wait until our Finance discussion where we can get in-depth information. Thank you very much.

Mr. Bynum: Well Mayor, you will not answer my other questions?

Mr. Mayor: I have answered the question, Mr. Bynum, and that is it.

Mr. Bynum: So you will not answer my other questions?

Mr. Mayor: I have answered the question which you had posed to me. I am questioning you now. I disagree with your numbers and we will hold off. That is it.

Mr. Bynum: Mr. Chair, I have the floor. I would like to...

Council Chair Furfaro: You do not have the floor right now. I am going to pose a question to the Mayor's team. Mr. Bynum, there is plenty of time to review this on April 17. Wally, I want to expand the working period on April 17. Instead of starting Revenue Forecasting, Real Property Taxes, and Other Fees, could we start, if I am able to clear this, could we start at 8:30 a.m. and go to 12:30 p.m. on that date, Tuesday, April 17?

Mr. Rezendes: Sure, that is possible.

Council Chair Furfaro: Okay.

Mr. Bynum: Council Chair?

Council Chair Furfaro: Yes, let me finish instructing the staff, Mr. Bynum. Jade, would you make a note of that for me right now and see if we can expand that to a four-hour session. Now you have the floor, Mr. Bynum.

Mr. Bynum: Just let the record reflect that the Mayor has left the room and also I want to say that I have been talking about these tax issues for two years. I presented these figures which I got from the Finance Department. In 2008 was when the change happened, and I put these figures out. I have met with the Finance Department repeatedly on the Council floor. I have said if you object to any of these figures, tell me now. So in 2008 everybody paid a certain tax bill. If you look at the three years since then, and see if taxes would have stayed static in 2008, what is the change over a three-year period. And the change is that resident homeowners have paid more than \$3.1 million increases than if their tax bills would have stayed the same as 2008. And in the same period, the non-resident taxpayers have had substantial decreases. I am not objecting to those decreases because they deserve to have a reduction in their taxes, but resident homeowners deserve to have a reduction as well.

My other questions, if the Mayor would have been courteous enough to answer them and be held accountable to the Council like his Department Heads are willing to be, was the Mayor has submitted a proposal for this year, the fourth year, and he has told us that there will be close to a \$2 million reduction in revenues. I wanted to ask him who is going to pay less taxes as a result of your proposal for this year because everyone sitting at that table knows the answer. It is those seven non-resident tax categories. And even though we increased the low-income exemption this year, which will help people that are having a problem and that is a good thing I supported that the Mayor put forward. The resident tax class will have little or no benefit of this reduction of taxes, probably a slight increase, maybe a slight decrease, but the savings is going to go to non-resident tax classes.

The last question I would have asked him is does he acknowledge that there are taxpayers that are paying say \$700 and the exact same valued home somewhere else is paying \$1200 or \$1500 or \$1700, that there are huge inequities that exist only in the resident homeowners class because every other class pays assessed value times rate, and each taxpayer in those classes is treated equitably.

Council Chair Furfaro: Since the Mayor here...

Mr. Bynum: I am almost done.

Council Chair Furfaro: I understand, but you posed that question to the Mayor and I just want to make note he is not here. That is a question you said you would have.

Mr. Bynum: And my last question would have been does the Administration intend to give us different rates in May? And if they do, why do they not own it when they submit their budget? So, the Mayor got really angry because I asked him these question. I think these are fair questions. And what I get in response is a blank stare.

Council Chair Furfaro: Let us see if Mr. Rezendes can pose any answers to that question. Mr. Rezendes, you have the floor.

Mr. Rezendes: Yes, the last question that Councilmember Bynum proposed, the bottom line is that we presented a balanced budget on March 15. We presented real property tax rates that allowed us to balance the budget on March 15. We did everything that we were supposed to do to balance the budget, present rates, etcetera, for the March 15 submittal. I have said many times in the last couple of weeks that once we receive the Certified Tax Roll data, we will be looking at rate scenarios that could change based on the Certified Tax Roll numbers. It is my opinion, and I believe the opinion of the County Attorney, that we are in the right to...we have the ability, the Administration has the ability to propose rate changes in the May 8 submittal for the Council to review. And I have said that we are going to be studying various rate scenarios over the next weeks. We are open to having discussions with Councilmembers along those lines leading up to May. And that is, again, our intention.

Council Chair Furfaro: I am going to let Mr. Bynum have the floor again. He indicated to me this will be his last question directed to you folks. So, Mr. Bynum, you have the floor.

Mr. Bynum: So I hear that answer, Wally, that you may submit different rates in May. Is that correct?

Mr. Rezendes: For about the 10th time, yes.

Mr. Bynum: I just want to say that when you submit rates in May, you had more than enough information to make a proposal in your first budget submittal about any rate changes. You know that what you propose will mean further decreases for non-resident tax categories. And when you present in May, you will give us that proposal on a Friday afternoon, and then dump this whole question into the laps of the Council, so you do not have to own it because suddenly the decision maker is the Council. I think if you were going to make rate change proposals, it should have come with your submittal in March. I do not think it is appropriate for the Administration to tactically use the May submittal to not be held accountable to your positions until the last minute. That is my statement and I think that is one of the fundamental flaws with our budget process, that your submittal comes with almost no time to do analysis or to do follow-up. We are going to spend the next 2-1/2 weeks talking about the submittal you gave us in March. You should own that submittal, including the tax rates that you just gave us.

Council Chair Furfaro: On that note, I am going to move over to Mr. Rapozo. But before I recognize him, I want to make sure I summarize. I have extended the period on revenues and tax base for a two-hour session on Tuesday, April 17. I want to make sure that we know that we are going to either talk about is there a need for additional relief via the higher exemptions or as Mr. Bynum has just raised, a review of the tax rates considering the current financial conditions of the County. I also want to make sure that if the discussion is focused on what the Administration can propose, if they do so propose, and not bring up a whole discussion at this point regarding the tax rates. I personally believe that if we tinker with exemptions, we are just going to create other disparities. But I am going to leave it at that, and we are in agreement that we are going to have a longer session on April 17. That is agreed, Administration?

Mr. Rezendes: Yes.

Council Chair Furfaro: Thank you. On that note, Mr. Rapozo, you have the floor.

Mr. Rapozo: Thank you. I just have a couple of questions. It is philosophical questions, it is policy questions, it is not...I do not think today was intended to go into specifics because we have five weeks to do that. So I am going to limit it to just some overall questions, Wally.

(1) We have to be careful with this year's budget because we have next year's budget to deal with next year. Have we looked at the impact to next year with the various...we are increasing some positions, that is fixed cost, that is obviously going to grow next year. There is a Reserve Fund restoration. The Resolution that we passed says we will have a reserve in a range of 20-25% of the previous year's actuals. If I do the math correctly with my iPhone calculator, our current reserve will be at 7%. So that is well below the resolution we just passed, too, in December of 2011. It also states that if in fact the funds from the Reserve Funds are utilized that it shall be replenished within a year. So that is pretty much what I am looking at. As we move forward, we have to deal with next year's budget. How are we planning and have we even thought about it, how are we planning on doing the Reserve Fund restoration, which will be probably about \$11 million? Also, Wally, as you mentioned this year, you folks...and I think rightfully so and I fully support it, is the spending down of the Surplus Funds and the Special Funds. Last year to balance the budget we used \$3.1 million in Special Funds paid out. This year we are spending \$12.9 million, so about \$10 million there that we are spending down, right, to balance the budget. So we will not have that next year, and I think you made that pretty clear in your statement. So we will not have that \$10 million. So that is \$10 million Reserve Fund possibly another \$10 or \$11 million, that is \$20 million out of the chute that we have to make up, and that is why...you know tax relief, I have to agree with the Mayor. How in the heck are we going to try to offer some tax relief now? But have we thought about that? That is the question. Have we thought about that going forward? How are we going to address that shortfall next year?

Mr. Rezendes: I think about it often, and I think that is one of the reasons why we need to look at the Real Property Tax Rates scenarios going forward in May, as well as in Fiscal Year 2014. There may be a need to look at operationally methods in which we do not spend down on budgetary amounts, but to be quite honest with you, I think when Council does the analysis on the budget, when we do analysis on the budget, the fact of the matter is our inability to quickly hire employees, the movements that we made in years past to dollar fund positions, all had a financial positive impact on the budget. And sad to say that our inability to quickly hire employees has provided this County's taxpayers with funds that had helped us to even build the fund balances in various accounts. It helped us to actually have a Reserve Fund. There are municipalities out there and I am sure when you engage your counterparts at HSAC and nationally at NACo, a lot of municipalities over the last three, four, five years have eroded their Reserve Funds down to zero because they felt they did not want to pass on increases in taxes, fees, etcetera, in a time when the economy was not strong enough. They did not want to pass it on, and there is only so much you can go until you hit the point where you do not have a reserve or you do not have fund balances available. And that is part of the analysis that we need to look at beyond even 2013, but 2014 and 2015 when we make these types of decisions. We need to get on a path where we are looking at revenue measures to increase fees, increase measures to increase taxes or whatever, and also at the same time look at expenditures and making sure that we are spending down on what we need to spend down, conserving on what we need to conserve. I do not have all the answers, to be quite honest with you today, but it is something that we are developing and it is something that we need to do in the coming months for Fiscal 2013, as well as 2014 and 2015.

Mr. Rapozo: I guess you answered it. You have been looking at it. I think we all have to look at a longer range. It is not just this year's budget we have to deal with because that next Council, whoever it will be and your team is going to have to figure out a way...how we are going to make ends meet next year. And I think we have to keep that very close in our minds and not just try to get through this budget so we can pay the bills and then next year come up, ha, ha, people, now we get to bump your taxes because we cannot afford it anymore. And then Mr. Chair, just the last question. I know you touched on it earlier about the debt service because there is a significant increase. Are we planning to borrow more money with this refinance or is...

Mr. Rezendes: No, no, we are not.

Mr. Rapozo: Okay, I will limit those questions because I know the other Councilmembers have questions as well, so I will save the rest until we get into those specifics. Thank you.

Council Chair Furfaro: Mr. Chang, you have some questions that maybe have been surfaced?

Mr. Chang: I will just ask one quick question for now. So when we decided, as you were preparing the budget, you folks cut 25% right off the board with all the department heads. Is that correct?

Mr. Barreira: Councilmember Chang, if I may clarify. The 25% cut was actually 25% of the calculated lapsed average for each department. So it was a highly customized figure based on actual numbers. So it is not 25% of the full appropriation. It was 25% of that calculated average of the surplus lapsed for each department, and it was not applied uniformly because there were a couple of exceptions, for example as you know what we had talked about in the budget message was if you had attained 10% or \$50,000.00 in terms of meeting that lapse requirement, then we would apply the 25% reduction of the average lapse in that particular department. We had a situation where our Elderly Agency met the calculated requirements, but we exempted them from that reduction because it would have meant a significant impact upon their operation. So we did exercise some discretion in terms of that. I think Vice Chair Yukimura or Councilmember Bynum might have made reference to perhaps 25% was not enough. Obviously, I come from a different type of budget process in my 25 years at the State level, where essentially we always were allocated a shortfall because we always ran surpluses in terms of payroll and related costs. When you do not fill positions, you run that surplus. A budget is a science of approximations. The best we can do is approximate what we need, but many times we cannot meet the exact numbers. It is not an exact science.

Mr. Chang: So did we have individual discussions with the department heads to let them know in time what was coming down and what was the analogy for the department, and so in the long run, would it help or hurt? Have we identified what departments it will help or hurt?

Mr. Barreira: Yes, we did meet with all the departments in terms of our entire analysis with regard to what kind of multi-faceted approaches we were going to take in terms of our budget reduction, and in terms of meeting the balanced budget requirement during our March submission. So we did have those discussions, and we were able to give them the exact dollar figures that would be impacted with regard to the reduction. We do not feel it is going to result in an inability for any department to meet its goals and objectives because in terms of a 25% reduction, in an approximated surplus average over two years, it leaves a 75% cushion, which we believe is still workable in terms of giving the department heads discretion to transfer money appropriately if necessary to meet their operational needs.

Mr. Heu: Yes, the only thing I was going to add, Councilmember Chang, is that while we set the target, we left it to the individual departments/agencies to identify where that 25% reduction was going to come from.

Mr. Chang: Okay, I understand. Chairman, thank you.

Council Chair Furfaro: Okay. Mr. Heu, I am going to give the floor to Councilwoman Nakamura, but I just want to get one clarity on the 25% lapse. Did it include operating costs and payroll for these departments?

Mr. Heu: It was a total.

Council Chair Furfaro: It was a total, right. Okay, thank you very much. Councilmember Nakamura, you have the floor. To the two gentlemen in the back, after Mr. Kualii has his turn, I will entertain some testimony from the public.

Ms. Nakamura: Thank you very much for your presentation this morning, and I just wanted to add a few comments. Just one that I am really glad to see the purchasing of equipment and the centralization of maintenance. I think those are really two very good approaches to management and the budget because we heard too often about workers who could not do their work or had to work overtime because they did not have the equipment and had to borrow it from another department, and therefore, could only use it on the weekend, and therefore, incurred overtime. So thank you very much for moving in that direction.

I also wanted to thank you for moving on the creation of a Human Resources Department, and I look forward to discussions on sort of the details of how that gets implemented.

I think using the lapse approach, looking at lapsed funds from previous budgets and really trying to make the budget more accountable is very commendable as well. I think the concern that I had was all the opportunity costs that we have been missing out on because the moneys were not spent over the years. The great things we could have done with the funds had we budgeted more stringently. So thank you for doing that.

A couple of things that I am hoping that we will really take a close look at in this budget process and one is adequate succession planning so that the government does not come to a standstill because a very knowledgeable person has left the County but has not adequately trained his or her successor. So I am hoping that we will fund in that direction and I want to take a real good look at the delinquencies and how we can try to...because it is substantial numbers that we are looking at again, so how do we look at previous year delinquencies? Do we write them off? And what can we anticipate to gain, what are the strategies that we can put in place to minimize delinquencies in the future. And just really looking at this whole asset management function for the County because we have some pretty incredible physical assets and how are we really using them wisely. So thank you, again, for your presentation this morning.

Council Chair Furfaro: Thank you, Councilmember Nakamura. And I presume we will have an opportunity when we get the HR presentation to talk about continuity and success planning then. So please take that message back. That is going to be something that is going to come up with the Council at that time. Councilmember Kualii.

Mr. Kualii: Thank you, Mr. Chair. Aloha and mahalo, Gary, Wally, and Ernie. I would start by saying thank you to the Mayor, the Administration, and all of you for the hard work that you are putting in and will be over the next several weeks as we work together to complete this budget. I, too, like the rest of the Councilmembers, appreciate the direction we are going in and making the process better.

I would ask, because I know when the Mayor gave his opening remarks, as well as some of you, that you were reading off of written statements, if you would be kind enough to provide that in writing as well, so I can go back over it.

And then I think the Mayor talked about it and Councilmembers have addressed questions, and you said a little more, but about this 25% average fund relapse, and I think, Ernie, you called it a matter of policy moving forward. So if there is a written policy on that that was submitted to all the department heads asking them to prepare their budgets, taking that policy into consideration, maybe you could also provide a copy of that policy. That would help me a lot.

And then along that, I think a Councilmember said why not 75%. In my notes when I was first hearing you talk about it, why not 50%. So I kind of want to have an idea of how it is working, how you are proposing it to work, and what kind of dollars in the budget it represents, so some total amount. I am assuming it is going to be some million, two million, three million, some amount that is helping us get to filling that gap of the shortfall. And so if you could also provide some examples of the types of actual cuts that the departments are making. Because I know like there are dollar-funded positions. Some of them the Mayor talked about getting up to a level to provide the services so these dollar-funded positions are being funded. But there are other dollar-funded positions that are still sitting there, and I am just wondering if there is not consideration of a policy that also addresses that because the potential for that position sitting there to be filled at some point in the future is more easily done, more likely to happen because they are there. So like Councilmember Rapozo was talking about, we have to think about this year's budget process, but the following years as well. So what is happening with that as far as are we getting to where we need to be by filling the dollar-funded positions that are being proposed to be filled in this budget. And the remaining dollar-funded positions, if some of them have been there for maybe two budget cycles, would it not be prudent to eliminate that because it is sitting there potentially to be filled, but if it has not been filled for a couple of years, why would we leave them there because we can already see the writing on the wall on what this budget cycle is going to be like as far as the shortfalls and clearly next budget cycle's too because I think like Councilmember Rapozo also said is that when we fill these dollar-funded positions, now we have a larger base of salary requirements going forward. That was the whole thing I was thinking about too with the home exemptions is that once we gave those kind of additional relief, we would have to figure out to pay for it this year, but next year we would be in the same boat, having to figure out where these additional revenues would come from.

Maybe the last point, because we are kind of slipping into there, as I have heard, maybe it was you Wally, maybe others, in the last few months in the discussions over the home exemptions and all that we were considering, you talked about the rates and yes, we have this Roll now and based on that when the May submittal comes, the rates could be different. I thought I heard more than once you use the phrase “revenue neutral,” and so I think that if the Administration is actually going to provide us or propose/recommend rates in May that actually brings us to “revenue neutral” based on what we need based on this budget that in fact that could address Councilmember Bynum’s concern about one group, the homesteaders paying more because of the way assessed values went and the rates were not touched and all the other classes are paying less because they had deductions, again based on assessed value. So to me the idea of “revenue neutral” means you would propose rates that would not allow all the other categories to continue to pay less than they did the year before, and then do the opposite for the homestead classification, where they are not paying more than they paid the year before, so “revenue neutral.”

And those are the things I have and you can answer now or we can get it later.

Mr. Rezendes: Councilmember Kualii, relating to revenue neutral, I can understand there may be different interpretations of what revenue neutral means. In some people’s understanding of revenue neutral means that if say \$80 million is the total revenue for a given tax year or for real property tax revenues is \$80 million, say. You would develop a rate, a tax rate scenario that would bring you to that number. So say fiscal year 2012 we collected \$80 million in real property tax revenue. We would build, based on the Certified Tax Roll, a tax rate structure to take us to that \$80 million. Some people have called revenue neutral they are going to go revenue neutral based on an average of the last two or three, say, fiscal year cycles, and the revenue neutral is to that point. Again, I do not think...you cannot look in Webster’s Dictionary and really define it. Everyone has, I think, a little different interpretation.

Mr. Kualii: Just to be clear so when I was thinking about Councilmember Bynum’s concerns about the different categories, you were talking about the total, not necessarily about how it would break down between the different categories.

Mr. Rezendes: Right, the total amount of taxation, yes.

Mr. Kualii: But obviously after you present your recommended rates to the Council, even though the time would be short, we can consider that or we can consider maybe what other people would think as revenue neutral.

Mr. Rezendes: Yes, absolutely.

Mr. Barreira: Councilmember Kualii, if I could answer a couple of your questions, in terms of a policy with regard to the 25% practice that was pursued this year, it was more actually a strategy this year. My personal bias, having managed budgets for a lot of years, is that I would like a more firm policy approach and that is something that we are going to have to take up at the Administrative level. The department heads were quite receptive when we addressed this because they understood the implications of this year’s budget with our fourth consecutive year of revenue reduction in terms of real property taxes. So they understood the charge and they were cooperative. Because in terms of avoiding micromanaging the budgets, we did defer to them to determine, based on their own knowledge of their operational needs, where the 25% reduction should come from, and it varied. I can give you a synopsis if that is your request, sir, in terms of which department allocated a different set of reductions in terms of their operating budget. Am I to understand that is what you would like, sir?

Mr. Kualii: That’s good.

Mr. Barreira: Very good.

Council Chair Furfaro: Mr. Heu, did you want one more response?

Mr. Heu: Yes, just a couple of things. Number one, relative to the exercise on the 25% reduction to the annualized or the average two-year lapse, I think one thing that we needed to help departments with this year, it was a new thing, because with the establishment of a formalized reserve...when you think about it in terms of how we budgeted over the years, it really is a paradigm shift. In years and decades gone by, we really relied heavily upon

that Unappropriated Surplus to provide for the balancing of the subsequent year budget and really acting as an informal type of reserve. Now that we have formalized a reserve, I think that over time we are able to do further analysis and really drill down on where those surpluses exist and how we can appropriately reduce them without putting any given department in a really tenuous position in terms of shortfall. So that is number one, just that whole paradigm shift for all of us as we look at budgeting in this new environment where we have an established reserve.

The other thing that I was going to say because of the number of people that mentioned it, and it is the whole proposed development of the Human Resources Department. My understanding, Chair, is that we will in fact be doing a presentation and having discussion on that as part of the Department of Personnel Services review to take place next week Thursday. At first I was going to ask for perhaps some additional time on that Thursday because of the amount of discussion. It looks like we would be managing during that review, but actually it looks like you start at 1:30 p.m. and you have it pretty much blocked off for the rest of the afternoon, so that should probably be sufficient time to address all the various concerns that have come up today. Part of that discussion, as we discussed earlier this morning, Chair, is going to be a discussion on the various positions, whether they are contractual, grant funded. To Councilmember Kualii's question about the various dollar-funded positions, we were having a discussion yesterday and I think it was Wally who said all dollar-funded positions are not created equally, which is true, because there are certain dollar-funded positions that will remain dollar-funded simply because those positions will be funded out of a grant or they will be funded out of a CIP project, a capital project. So there will always be a rationale for maintaining a certain level of dollar-funded positions to accommodate those external sources of funding. But we definitely hear your message relative to general funded dollar-funded positions if in fact there is no current need and/or whether it be through re-description of the position or in its original form, then should we look at the possibility of that position going away until such time as there may become a need in the future when we could come to Council to actually justify an additional position. So I think those are points well taken, and we will definitely get into more discussion on specific positions, carrying costs, I think Councilmember Rapozo identified whether we had done an analysis of the carrying costs, not just for this budget year, but for future years, and what is the impact. And so we will be prepared to have those discussions when we have the overall DPS/Human Resources discussion next week Thursday.

Council Chair Furfaro: Yes, I did reserve half a day for that discussion, so we will go right to 4:30 p.m. Before I go to some public testimony as we are coming up on your time here, I did want to share with you and I am going to pass out to you, and this is more directed towards Ernie, if this can be evaluated before that meeting with the HR and the Personnel Department. It seems as we started the year and I said to you earlier that we are using \$10.7 from the Reserve. I am a proponent of a much bigger reserve. I think you know that because the resolution that Mr. Rapozo read from was in fact the resolution that I introduced, but we do not have an ordinance yet. I want to say that in trying to get to the \$12 million on the FIFO account, the first in money and the first out money, I only got halfway, but how I got there halfway, Ernie, and I would like you to take a look at is this payroll summary here is basically from the payroll ledger that indicates that we under spent by \$1.5 million. But when I asked the question about the lapse of funds, I am hearing that you folks might have been using \$300,000 of this lapsed payroll, and so I want to caution you because for a two-month period, that is \$700,000.00 of unused payroll. Twenty percent of \$1.5 million times the last two quarters of the year. I want to make sure that you folks are not double counting what your savings would be to get you to the \$12 million. And then to support that, I have done a worksheet that indicates of the 14 dollar-funded positions and the 4 new positions, without any real knowledge of what you are recruiting and how you are paying for those particulars, I am indicating that you have tied up \$529,000.00 in new payroll in a 12-month period. But I am reading in the budget narrative you are only planning to do that for about eight months. So please study these sheets a little bit because I do think we have a little bit of a reach, and then if I can point out, Gary, to you, up at the top of the worksheet that I did, because we added a \$358,000.00 of payroll taxes and benefits, I am showing Social Security Benefits at 7.6%, Health Fund at 10%, Retirement Contribution is 15.5%, OPEB 34%, which gets me only to about 67%. So when we get to the Personnel process, hopefully we can tighten up those percentages a little bit, and again, today's discussion was also tied to having some understanding about new staffing and payroll costs. So I just want to leave those sheets with you for now. The Members have them. If you could help us there, I would certainly appreciate it. But now I would like to see if there is testimony from the public, and we are going to see a few of you folks at 1:30 p.m. because we are going to go into Energy and Utilities, so thank you very much.

Mr. Heu:

Thank you.

Council Chair Furfaro: On that note, are there members from the public that would like to come up? Go ahead, Glenn. Ken, are you going to speak as well? I tell you what. We have 13 minutes here. I will give you both 6 minutes because I see no one else in the audience wanting to speak.

GLENN MICKENS: Thank you, Jay. For the record Glenn Mickens. I have to agree with Mel on this reserve, about this \$25 million and the \$10 million. You have a positive and a negative. This math I learned was you subtract one from the other to get a number. Wally tried to explain; there is some other way he did it. Maybe it is like the New Math they tried in schools many years ago. I never did figure that out. I think they abandoned it.

Council Chair Furfaro: Just for your benefit right now, they will have another opportunity to present that, Glenn. The line we are most concerned with is the Operating Budget. It is the top line.

Mr. Mickens: Right, okay. But again, you come up with at \$36 million deficit there and...

Council Chair Furfaro: We are going to get that cleaned up.

Mr. Mickens: I got you. Okay, Jay, thank you. I find it interesting that the Administration continues to throw out confusing numbers when the budget for Fiscal Year 2013 is being proposed. The Administration says that the Operating Budget for Fiscal Year 2013 totals \$161+ million represents a \$24.6 million or 14% reduction from the current fiscal year. But then they say that the current fiscal year budget of \$185.9 million includes a \$25.4 million Reserve Fund, which is no longer a component of the Operating Budget for Fiscal Year 2013, and thus the large variance. Paragraph 2, which I think should have been the lead paragraph, says the County's actual proposed Fiscal Year Operating Budget expenses total \$172.7 million compared to \$162.5 million for the current fiscal year, a \$10 million increase. Tell the people the way it is, not the way they propose it to be.

Some people in the Kōloa Camp are being evicted from their homes. They have been in them for 50 or 60 years. Why does not the Administration budget emergency funds to help Grove Farm fast track their 12 acres into residential zoning and leave those residents living on the 12 acres they are now on. That way Grove Farm could build their 50 units on the rezoned land, but leave the Kōloa Camp as it is.

In your bullet point number 8 on page 3, you state that upgrade to Po'ipū and Lydgate Beach Parks bathroom facilities are underway in an effort to set the standard for World Class beach parks on Kaua'i. Does this Administration have any idea what a World Class beach park or recreation area is like? Look at our hotels and their golf courses. These are the World Class areas. Simply building better bathrooms...and when the last bill was passed, the added restrooms were removed from the bill for larger groups of campers, so where are those "underway" facilities? This will not make a World Class Park. An irrigation system to keep the lawns green when there is no rain; have enough laborers there and their own equipment to keep the park manicured; cleaning Morgan Pond, as you have seen in the papers, after rains to allow locals and visitors to use it in one day, not in weeks; having a beach cleaning machine to keep our beaches manicured like Waikīkī and all the California beaches. I have raised these questions for many years with no response. Adding restrooms would only be like putting lights in Vidinha Stadium Baseball Park. It would not make it a World Class or a first class park. It needs standard sized dugouts and enclosed fences around the outfield, dressing rooms facilities for home and visiting clubs, a good food stand, people who know how to properly maintain a good facility, and a proper press box and a proper bull pen.

I will skip over a couple of these. Of the \$18 million funded positions, how many of these are for the labor in the trenches and how much is for the white collar workers? I tried to find that out, maybe I... I tried and looked through that budget thing; it would take a CPA or somebody to be able to analyze that thing. It is way above my pay grade.

Council Chair Furfaro: Did you say you pay grade, way above your pay grade?

Mr. Mickens: Pardon, yes, way above my pay grade.

Council Chair Furfaro: Oh, okay.

Mr. Mickens: Not yours. From all of my research, I found out that when Larry Teves was in charge of our roads, we had a total of 51 laborers in our baseyard to cover an area from Puhi to pass Anahola. Today we have 19. This is the research I have gotten talking to some of the guys in the trenches. We desperately need more labor and proper equipment for these workers to make Kaua'i truly the Garden Island.

I see nothing in this budget to open more cane haul roads to alleviate traffic. Was not the closing of Kapa'a Bypass in our latest storm proof that Kūhiō Highway became a parking lot with no alternative roads to use? And was not Kūhiō Highway being cut by the Ka Loko Dam break even more reason to get more cane hauls roads and Jay's point now that they are going to close Kalihiwai Bridge for a certain length of time? To me it is just added proof that we have to have more roads on this island to traverse getting from Point A to Point B. All these proposed projects, but again nothing for alternate roads to travel on, not only for alleviating traffic but for emergency means of traveling our island as with hurricanes, tsunamis, fire, or even accidents on one highway (inaudible) this island. Anyway, I know that you said, Jay, that we are going to have further things on Public Works and Parks and Recreation. I will keep some of this for that particular testimony.

But I do appreciate you guys sitting here for hours and hours going through these things, quizzing...I was highly disappointed in hearing the Mayor walked out of the place when I thought Tim was asking some very pertinent questions. I thought it was easily answered, but I was disappointed in the Mayor leaving. Anyway, thank you very much, Jay.

Council Chair Furfaro: You know what I am going to do, I am going to give you a copy of what I just gave Finance, and please note I stamped it. It is the same piece that Councilmembers got, but it tries to reconcile those 18 positions that are going through there.

Mr. Mickens: Good.

Council Chair Furfaro: And again, it has some estimated PT&E with it, but since you asked the question and I have done the schedule, please notice it is stamped "draft."

Mr. Mickens: Okay. When Mel went around the island going over all these things, I remember the people asking those relevant questions about how many guys do we need. In some of the places we are way undermanned.

Council Chair Furfaro: I will give one for Ken, too, because I am sure he is going to ask the same question.

Mr. Mickens: Thank you, Jay.

Council Chair Furfaro: Thank you. Mr. Taylor, you have the floor.

KEN TAYLOR: Chair and Members of the Council, my name is Ken Taylor. I would like to thank the Mayor and his team for their presentation this morning. I would like to congratulate your team for asking some tough questions. I think their time was well spent. My concerns is I see this budget and I have not had a chance to read through the whole budget, but looking at some of it, it is business as usual. And unfortunately, it is not sustainable. We have to start making some changes and we can either wait until they are forced upon us or we can start working gradually while we have some time. And I think it is time that we take a better look at our budget and what we are talking about doing here on-island so that we can be sustainable. I would like to read for you a little bit from an article written by a lady Gail Tverberg. She says we live in a world with a very limited solution to our sustainable problems. I often hear the view if we would just get off fossil fuel, then our society would be sustainable or if the price of oil would just go high enough, then renewables would become economic and the economy would be sustainable. Unfortunately our problems with sustainability began a long time before fossil fuels came around and the views above represent an incomplete understanding of our predicament. When fossil fuels became available, they were a solution to another sustainable problem, rapid deforestation and difficulties in feeding the population at the time. Getting rid of fossil fuels will likely lead to a very rapid deforestation, and many people dying of lack of water or food. If getting off fossil fuels is a solution to our predicament, it is one with a very bad side effect. It goes on, but I will not read anymore of that. But we need, on this island, to spend more time and effort making sure that we have the two necessities of life: food and water. We have the potential, but we are not addressing

the problem. And I think that it is time that we start looking more closely at these problems. We can do without electricity. Yes, it will not be a pleasant situation compared to today, but we could do without electricity if we have food and water. We cannot do without either one of those.

You have heard this one before, but I want to read it again because I think it is very important with what you are dealing with and I am only reading these because I think, as you move through the budget process, you should keep it in mind at all times. This is from Paul Hawkins, "We have an economy that tells us that it is cheaper to destroy earth in real time rather than renew, restore, and sustain it. You can print money to bail out a bank, but you cannot print life to bail out the planet. At present we are stealing the future, selling it to the present, and calling it gross domestic product. We can just as easily have an economy that is based on healing the future instead of stealing it. We can either create assets for the future or take the assets of the future. One is called restoration, the other is exploitation. And whenever we exploit the earth, we exploit the people and cause untold suffering. Working for the earth is not a way to get rich; it is a way to be rich."

And I just hope that as you move through these budget hearings that you will think about these things and hopefully...I can leave copies of this for you to reread completely. But we have to change the way we do business and the way we think. We know we see a little bit of blurb in the paper recently that tourism is up, the economy is coming back. Well, I will tell you it is a very short period that this is going to be an uptake because we cannot sustain consumption that we have been using for the last 50 years, and until we get a grip on the reality of consumption the way we have been doing things, it is not sustainable. It is not about me and you folks, it is about the young people of this community that really is concerning to me. We are cheating them out of a life that will be worth living. Thank you.

Council Chair Furfaro: Ken, my staff did give you a copy of the spreadsheet. Again, I just want to reiterate that it was just a draft by myself. It was not compared with anything. And secondly at 1:30 p.m. when we come back, we will be going through Energy and Utilities. I will provide anyone who wants to speak again, three minutes during that time. So if you are back, I just want to let you know you will have an opportunity to speak at the end of that too.

Mr. Taylor: Thank you.

Council Chair Furfaro: On that note, it is 12:30 p.m. and we are going to go into a recess until 1:30 p.m.

The budget review was recessed at 12:33 p.m.

The departmental budget reviews reconvened on April 3, 2012 at 1:37 p.m., and proceeded as follows:

Councilmember Bynum (present at 2 p.m.)
Councilmember Rapozo (present at 2:18 p.m.)

Excused: Councilmember Yukimura

UTILITY/ENERGY COSTS:

Chair Furfaro: Aloha everyone. We have now returned from our recess and I also want to make note that Council Vice Chair Yukimura will be absent from today's session, but for the Members, I submitted 11 questions from the Vice Chair to the Energy Team, and I have asked them, as I communicated back on February 10, 2012 to the Administration, we are hoping for a 48-hour turnaround on the questions. So on that note, Glenn, do you want to bring over your team or do you want to bring them all up? We have three chairs. So I understand that the two of you, you and Ben, will go through the PowerPoint, and then we will have Brian in reserve, then we will have Ernie backing up Brian? So you have a whole team here. The rules are suspended, Glenn, you may start with your opening narrative and then we can go into your PowerPoint.

There being no objections, the rules were suspended.

GLENN SATO, Sustainability Manager: Good afternoon, Council Chair and Councilmembers. I just wanted to...

Chair Furfaro: Excuse me, Glenn, for the record I want to confirm that you did get three copies of the questions from Vice Chair Yukimura? You do have them?

Mr. Sato: Yes, I do. For the record, Glenn Sato, Sustainability Manager for the County of Kaua'i. With me is Ben Sullivan, Energy Coordinator, and also sitting in the gallery is Brian Inouye, the Building Officer and Facility Energy Specialist and also recently Certified Energy Manager.

Chair Furfaro: That is great.

Mr. Sato: I just want to go through the PowerPoint. The slides are numbered on the top middle section for ease of questions after the presentation. But if we can just go through the presentation and hold the questions until the end that would probably...

Chair Furfaro: That will be our plan. At your request, we will hold questions until the end.

Mr. Sato: This first slide is basically to give you a perspective of kilowatt hours used in the last fiscal year. Fiscal year 2009-2010, if you notice, it is almost 20,000,000 kilowatt hours, 19.972. When you compare that with fiscal year July 2010 to June 2011, you can see that the kilowatt hour usage has dropped, but the dollar amount that we paid for the electricity has increased, and that is basically due to the price of oil. Whenever oil prices increase, our utility bills go up correspondingly. We are in that phase right now when you look at the gas prices as you pass gasoline stations. When you see our prices getting close to \$4.75 or \$4.80 per gallon, you know that our utility fuel costs are also going up.

This is basically a breakdown of how Economic Development tracks electrical use data. Public Works Wastewater facilities, Public Works Building Division facilities, Parks & Recreation, Water Department, Streetlights, and there is an Other category where a lot of the smaller accounts are aggregated.

This graph here basically is just a visual presentation on...you can just see that Water is the largest electrical use in the County. It is roughly 38%. Next is Wastewater, approximately 23%. Building Division is approximately 17%, and Building Division facilities, they cover the Police/Prosecutor/Civil Defense Complex; they cover Civic Center, Historic County Building, the building we are in right now, Annex I next door; and there is a description as we get farther down the slides. So you have the smaller users, Streetlights is about 10%, Parks around 6%, and the Fire, Police, and Others, you can estimate at just about 2% or so.

So as I mentioned, this breakdown and data is via the KIUC record keeping system. We have roughly 300 County accounts that are being billed at any given time. And this is pretty much what the KIUC printout looks like. It gives the account number, and the account number, the first long list of numbers there, it is all the same for every County account. It is the subaccount number 321 and 326, those are specific to the respective facilities. So 3190 Kapule Highway, that is the Līhu'e Wastewater Treatment Plant, that is account number 321. And if you look at the "A" that is right below that, the rate heading, "A" means that account is Active. Under the rate category, "5P1" basically says that it is on a P-schedule, and the facility code is just Economic Development's coding system so we know that everything under Code Q is a Wastewater Account. It gives you the months in the fiscal year, the kilowatt hours used per month, the billed dollar equivalent, and the dollar amount is the billed amount, so it includes anything from customer charges to kilowatt hour usage, etcetera. Next is KVARH, KW, and then Power Factor. The Power Factor comes in only on the really large, large facilities.

Going to the list of facilities, Public Works Wastewater Facilities, you have four wastewater facilities: Wailua, Līhu'e, 'Ele'ele, and Waimea. We also track all of the supporting facilities, such as pump stations, booster stations. These stations with any type of meter have their own accounts.

Public Works Building Division, as I mentioned before, they pay the bills for the Police, Prosecuting Attorney, Civil Defense facility on Kaana Street. They also cover the bills for Līhu'e Civic Center, Historic County Building and Annex I, and also the portables that are being used by Convention Hall.

Department of Parks & Recreation covers anything from athletic fields, tennis courts, pavilions, our two swimming pools at Kapa'a and Waimea, any park facilities such as Lydgate, Spouting Horn, all the gymnasiums, the neighborhood centers, the stadiums, the War Memorial Convention Hall, and the Wailua Golf Course.

Department of Water, this includes their operations and office and lab facility. It includes all their wells, their pumping stations, storage tanks. This does not include the Līhu'e Surface Water System, as I was advised the County purchases the water and it is all inclusive of any other charges.

Fire Department, we have their Administrative Offices. They were on Akahi Street. We have those numbers from their rental on Akahi Street. They recently moved to the Pi'ikoi Building, so their use at Pi'ikoi will be lumped in with the Pi'ikoi Building meter. Waimea Fire and Police facility, Hanapēpē Fire Station, Kalāheo, Kōloa, Līhu'e and Keālia is the Kaiakea Fire Station.

Police Department, they cover Hanalei Police and Fire, and various tower sites for communications.

Streetlights, as I mentioned, this is roughly about 10% of what we use in terms of kilowatt hours. As of February 2012, KIUC's count is that we have 2,902 total County streetlights. And by streetlights, these include the streetlights that you see along the roadways. It also includes traffic signals and warning flashers. The streetlights are unmetered. So basically the County is being charged by a predetermined stipulated use and approved PUC rate schedule. Traffic signals and warning flashers are metered, so those are billed according to use. The majority of our streetlights are 100 watt high pressure sodium. They have some 150 watt and 250 watt streetlights at the intersections.

The "Other" category includes Public Works baseyard, Solid Waste, Civil Defense, the Auditor's office rental, Housing, and also Transportation. And as I mentioned, this is just Economic Development's way of keeping track of our usage.

Just moving on I just wanted to just talk about or mention some of the recent energy efficiency projects that we have implemented.

In 2010 we did the WorkWise Office where we installed LED replacements for the T-8 fluorescent lights. So we are trying out the LEDs there. The windows have been tinted. They also have daylight sensors.

In 2009-2010, the Fire Department replaced 7 of their inefficient refrigerators.

Civic Center in 2010, we also replaced some T-8 fluorescents with linear LEDs. This was a pilot. What we did was there were some security lights that were on 24/7, all the time, primarily

over the doorways and major entrances. So we purchased some really emerging technology LED lights and replaced them. And so far we have been going on probably year three, so early 2010/2011, so it is over two years now, and we have not had any failures at all, and they have been working well. It is a matter of waiting for the price of the technology to really come down.

We worked with the Fire Station high bay lights. Those were T-12s, and we changed them to T-8s. That was done in 2011.

2011 also saw some installing additional air handler controls at the Līhu'e Civic Center. We also did the window tinting in 2011. This project was actually...it was a hurricane hardening project, but the side benefit was that it came with tinting that basically cut the heat gain into the building, so it helps the air conditioning unit.

We also had a hand in this building right here, the Historic County Building renovation project.

The Parks Department is going through a sports field lighting retrofit. It is part of the Shearwater Agreement. I will report on that a little down the line in terms of what has been completed and what still needs to be done. That update was provided by the Parks Department.

And we are also testing LED and induction lights at the Līhu'e Civic Center parking lot. So if you are around this area nighttime, try driving on the north side of the parking area, the Civic Center parking lot, and you will see the distinct differences in the lights.

This is the Parks lighting retrofit. As reported by Parks, they have completed Vidinha Stadium – the football, soccer and track fields. They have completed Hanapēpē Stadium – the football and soccer field; Peter Rayno Park; Līhu'e Tennis Park; Isenberg Park; Kapa'a New Town Park – the football field. Still to be completed is the Kapa'a New Town Park – the softball, soccer, tennis, basketball, and roller hockey areas. Still to be completed also includes Waioli Town Park, the Hanapepe Stadium tennis area, Wailua Houselots Park, Waimea Canyon Park, Kōloa Park, Kekaha Park, Kalawai Park, Wailua Homesteads Park, Waimea tennis courts, the Vidinha Stadium parking lot, Anahola Village Park, Vidinha Stadium baseball field, and Kīlauea Park.

Chair Furfaro: Excuse me, just on that note so we are all square, to be completed in the near future? By the end of this year? Is this list prioritized by which it is going to be...

Mr. Sato: It is not a prioritized list. I would defer to the Parks Department in terms of the schedule of completion.

Chair Furfaro: Very good, I will keep that question for them.

Mr. Sato: Some of the Efficiency Projects that are ongoing or we are working on right now is our Wastewater Energy Savings Performance Contract. We are in the Investment Grade Audit phase. Ben will highlight the details right after this. We are working on a Building Division/Parks Department Energy Savings Performance Contract. We are working to develop a draft RFP, so that is being worked on right now, and we are also looking at the Energy Management System, and how we can possibly upgrade the entire system. We are doing our due diligence and research phase right now too.

This is the Wastewater Energy Savings Performance Contract, so I would like to turn it over to Ben right now, and he can walk you through what is happening.

BEN SULLIVAN, Energy Coordinator: Thank you Councilmembers. We are very excited to be...

Chair Furfaro: Ben, you have to introduce yourself.

Mr. Sullivan: I am sorry, Ben Sullivan, Energy Coordinator, for the record, and we are very excited to be in the middle of negotiations actually on this Wastewater Energy Savings Performance Contract. There has been a lot of work done already. Glenn and the office got the initial invitation for proposals out quite a long time ago, and selected a contractor, and they already turned in their Investment Grade Audit, and we have been putting a lot of review into that, and just heavily into negotiations. Just for review, the contract is done by an Energy Savings

Company, who comes in and analyzes all the systems at these Wastewater facilities and studies them for energy saving retrofits. So there are all kinds of equipment at all these facilities, obviously, and they propose renovations based on energy savings, which is not the typical path, but one that yields considerable energy savings as you do these capital improvements. The scope of the project is just the three facilities as you see up on the screen. Waimea, who was obviously in the middle of a different process, and so that was omitted from this contract.

This is a slide that shows some of the proposed recommended energy savings measures, and there are things in there that you may or may not have interest in. I know, Council Chair, that you have some background in this. So things like rotary drum thickeners and lighting retrofits, power quality management, the aeration blowers—this is Ed Tschupp's area, and he has worked very closely with the contractors to make sure that these are going to meet their needs and also going to operate appropriately. But there is going to be some very significant energy savings as a result.

Here again, is the ECM Savings Summary Table. So you are seeing on the left the measures broken down by plant, and then on the right side of the slide there, you can see the annual savings qualified for each measure, and these are estimated savings. It is important to note that there are a lot of operability variance in terms of what the weather might be like or what the influence condition is, and how much volume there is and things like that. But the Energy Savings Company does the best job they can. In this case Chevron Energy Solutions is doing the best job they can to estimate that, and as we negotiate the contract, we get into the fine points of these estimates as well. So there you are seeing the total of the estimated savings for the ECMs from this project, and that is a little over a million kilowatt hours, so 5% of the overall County energy use, in this case almost 25% of Wastewater's use annually. So we are very happy with that result and we look forward to being able to implement the project.

There are some additional notes in here that are worth paying attention to. The tax exempt lease purchases, one of the financing mechanisms, I think we have covered everything on that slide.

Another very significant component of these projects is the opportunity to put in PV at two of the three facilities. The proposal, as it exists today, includes options with the possibility of putting in PV both in Lihu'e and 'Ele'ele. In Wailua, we are unable to because of land constraints out at the plant. But both in Lihu'e and 'Ele'ele we feel like we have some land area and some load that we can match up with that, and we are working with KIUC to see if those systems are going to go forward, and then we will be negotiating with the energy savings company again to execute those projects.

I think Glenn already mentioned this, but next in the cue as far as energy savings performance contracts is to look at all the public works and parks facilities, and take it through the same process. Where we are now in that is we are just developing the invitations for proposals and as background for the Council, it is an invitation as opposed to a request because it is a list that is prequalified through DAGS. So DAGS basically prequalifies a limited list of ESCos. I think there are about six of them on the list. And the invitation goes out to all six, they return the proposals, and then the County will review those proposals, and choose the one that is most favorable to the community.

Mr. Chang: Mr. Chair.

Chair Furfaro: Go ahead.

Mr. Chang: Excuse me, when you use your acronyms like DAGS, for the viewers, can we just let them know what the...

Mr. Sullivan: I would be happy to, yes, thank you, good point.

(Mr. Bynum was noted present.)

Mr. Chang: Thank you.

Mr. Sullivan: So DAGS...

Chair Furfaro: For some of us too, huh, Dickie?

Mr. Chang: I did not want to admit that I did not know what he was talking about.

Chair Furfaro: I will join on. If you can expand on the acronyms, it would be appreciated.

Mr. Sullivan: The State Department of Accounting and General Services is DAGS and if there are other acronyms, I would be happy to pick up on them. I might say ESPC a lot, which is Energy Savings Performance Contract, and then ESCo is Energy Savings Company basically. But please catch me, I have a bad habit of using some acronyms.

Mr. Chang: And when you get there, you can repeat it again.

Mr. Sullivan: All right.

Mr. Chang: Thank you.

Mr. Sullivan: We are hoping to see at least a 10-20% savings out of this next one as well. And that is to say 10-20% savings on the total usage of those facilities, which in this case is a little over 20% of all of the County's energy use. So if you include Public Works Buildings, as well as Parks facilities, that ends up being, as you see in the top bullet there, 4.6 million kilowatt hours in this last fiscal, so significant savings opportunities.

When we do this we have to be careful and look at what has already been done because some of those...if we have done recent retrofits, as you can see again on the slide, they will have an impact on our ability to really get deep savings out of the contract. But we are still very positive about the potential.

Now this I am going to hand back over to Glenn to take it from here. Thank you.

Mr. Sato: Glenn Sato, Sustainability Manager, again. This slide basically shows what we have done in the past in terms of renewable projects. We have put in some PV streetlights at the Kaua'i Resource Center. That was in 2000. We have also helped the Water Department in 2001 add PV (photovoltaic) power to their SCADA system. These were installed at six water tank sites.

Mr. Chang: SCADA?

Mr. Sato: Sensory Control and Data Acquisition System, so basically it is a remote wireless...it collects data from the remote locations. The Lihu'e Civic Center Pi'ikoi Building PV system went in in 2011, and we just completed the Kaiakea Fire Station ground mounted PV system earlier this year.

I just wanted to point out the Lihu'e Civic Center System, we have a monitoring system that provides real time performance. It provides the public with the ability to dial into it via the Internet, and they can see actual performance data. It is a deck monitoring system, and it provides PV system production, building demand. It gives you net consumption. It also gives you weather information and environmental information. And this is just a screen shot of what it shows. If you look at that graph on the right side, the blue line shows you the solar kilowatt hour production. That is the PV system. The brown line is the demand meter. It shows you what the facility is using in terms of power, and the net consumption meter is that third line. I have to tell you that we are having some glitches in the monitoring system, so we have a technician coming out this weekend, in fact, to go over both, the Lihu'e Civic Center and the Kaiakea Fire Station monitoring systems.

This is just a shot of the PV panels on the Pi'ikoi Building. That is the only picture I had. That is a great shot.

The Kaiakea Fire Station, same thing, real time performance can be seen at that location. It provides the same type of information as the Civic Center System.

Screen shot of what we can see via that deck monitoring system.

This is a shot of the ground mounted panels. If you go pass that area, it is a beautiful station, and the PV system only makes it more special.

We have some renewable energy projects that are either ongoing or upcoming. As I mentioned, Wastewater, we are looking at Līhu'e and 'Ele'ele photovoltaic power systems, estimated at roughly 700 kilowatts. We are looking at going through a Power Purchase Agreement for that.

The Police/Prosecuting Attorney/Civil Defense facility, that was going through a design-build County pay for the system type procurement, but right now we are looking at the feasibility of going also with a Power Purchase Agreement and seeing which one would be more beneficial to the County.

The third project is a project that I have been working on for quite a while now. It is the Kekaha Landfill Methane Project. If you look at the consultant report, the first consultant report that we generated estimated that there was enough gas to provide 1.6 megawatts of power. The Navy did a Confirmation Study and that Confirmation Study actually said that there was a 3 megawatt potential for that. So they actually almost doubled, almost doubled the estimated power that could be generated. And we are looking at...it is a County landfill, so it is County gas. But we are looking at either Navy or KIUC to come up and build a facility. So it will be a partnership. Hopefully we can do a three-way partnership that benefits the three major partners, basically the County, Navy, and KIUC. So that is still in the discussion stages right now.

Chair Furfaro: Glenn, may I ask when that study on the potential was done, did we then assume also that there is no contamination of any of the potential methane? Did the study go that far?

Mr. Sato: Yes, we did actually three gas quality tests on the methane, and the test results basically came in that it is your typical methane found in landfills. There was not any high levels of corrosives in the gas, so in terms of power production, that is really good news for the equipment to be used.

Chair Furfaro: Great news, thank you.

Mr. Sato: Some of the additional Energy Efficiency Initiatives that we are working on...as I mentioned, we are trying to improve the Energy Management System software and monitoring capabilities. We have our facilities energy expert/our certified Energy Manager Brian Inouye that will work with the facilities' staff as we implement the Energy Savings Performance Contract. With three of us on the team right now, we will be closely able to monitor the energy savings performance measures that are implemented just to make sure that we are meeting the M&V protocols.

With additional help, we want to get into more pilot programs to look at new products that are coming on the market, and that is basically when I mentioned the Civic Center parking lot and testing out LED and Induction Lighting, that is where we are going on that.

And we want to partner with KIUC to develop any cost share initiatives. We have been taking advantage of KIUC's Demand Side Management Program, and we have qualified for quite a bit of rebates, so we want to continue that effort.

Ben and I are also working in two active energy-related dockets via the Public Utilities Commission. The first docket 2010-0037 looks at energy efficiency portfolio standards. That started just last month, March 2012. I am participating in docket 2011-0206 on reliability standards for renewable energy, and we have very spirited discussions going on right now with the various parties to this docket.

Just to put it up there so everyone can see, the Energy and Sustainability Team includes myself. I started in this position September 2011. Ben Sullivan, Energy Coordinator, started his position December 2011. Brian Inouye, Building Officer and Facility Energy Specialist, his position was reallocated October 2011. Although we are...especially myself and Brian, we have been longtime County employees joining up with newcomer Ben Sullivan. We have just started, but we are actually continuing a lot of the programs, so we feel that we have a good headstart.

The Expanded Roles of the County Energy Team: As I mentioned a lot of this before, but we want to look at more efficiency and renewable projects. We need better participation in these PUC dockets because a lot of these dockets set the stage for what happens in the future or what can be accomplished in the future. We want to expand our grant application and energy tracking potential.

Some grant opportunities have come our way, and we have...with the three-man team, we have had the ability to respond faster. We want to be able to do measurement and verification of the energy savings recommendations to make sure that we are achieving what the energy savings company has promised. The fifth bullet, the ability to better track and respond to energy-related legislation, this is really coming to the forefront this session. We had one bill, House Bill No. 2121 that prohibited State and County and Federal agencies from entering into Power Purchase Agreements, and we vigorously opposed it. It passed from the House to the Senate, and then all of a sudden it disappeared. So it requires a lot of help in terms of tracking, what happens to the bill. It disappeared, but we are not certain that it is totally gone, so we have to really make sure that we are working with our lobbyist and with our Administration team in terms of making sure that it does not pass.

Chair Furfaro: Maybe the Green Lantern had something to do with it. It is off the radar screen?

Mr. Sato: The bill that contained the anti-PPA provision was gutted on the Senate side and replaced with a totally different bill. But then my understanding is that gutted version can resurrect itself...

Chair Furfaro: Anytime.

Mr. Sato: Yes. So that is why we really need to make sure we are tracking it closely. The second to the last bullet is we need to have better knowledge of new products and especially software that is coming on the market. That involves a lot of legwork, a lot of interacting with vendors, with our partners in the other counties, and with our counterparts on the State Energy Office level. We want to expand our participation in statewide energy and sustainability initiatives.

Chair Furfaro: Glenn, do you have a bill number for that because our Ashley might be able to track it for us as well.

Mr. Sato: It is House Bill 2121, House Draft 2, Senate Draft 1. But Senate Draft 1 changed the bill totally. It went from anti-PPA to a net energy metering bill, which we actually support.

Chair Furfaro: Ashley, you got that? Thank you. Thank you, Glenn.

Mr. Sato: This is just a list of some of the partnerships and cooperative agreements that we have forged along the way. It is not all extensive and complete, but it just gives you an idea of who we are working with. I know Vice Chair Yukimura mentioned this in one of her questions, but we have started a staff level Green Team. It was formed in January 2012. We had our first meeting February 9. We meet once a month, and our initial focus areas, the group decided that we want to look at air conditioning thermostat control program, a County ride sharing promotion program, disposables to reusables campaign, and a paper reduction campaign. Going on the last two, disposables to reusables is trying to encourage County offices to get rid of the Styrofoam, the paper plates, the plastic forks. If you have to use glassware, plastic ware, we all have sinks, so if we can all wash our dishes and reuse it that way. The paper reduction campaign is double-sided copying, copying only when necessary, trying to do more electronic transmission of data instead of hard copies. So we are making progress on those four areas. These are the members of the staff level Green Team. We tried to kind of spread out and have representation from different offices and agencies. The Mayor asked me at one time if there was a limit to the Green Team, and I said no. This is what we are starting with. Anybody that wants to join the Green Team and can get supervisor's permission, we meet every second Thursday in Pi'ikoi B. So every month we have this meeting. As we generate interest, if more people want to join us, that is fine. If the entire County wants to become a part of the Green Team, then we know we are there, we have been very successful. I just want to mention Allison Fraley from the Solid Waste Division, Jeremy Lee from Transportation, of course Brian Inouye from Building Division, Eddie Topenio from Council Services, Faith Shiramizu...she was with Water, but she just transferred to Public Works, so we are going to have to contact Water and try to get another representative who might be interested in joining our team. Shelley Teraoka from Housing, of course Ben Sullivan from Economic Development, Mary Daubert from the Mayor's Office, Lea Kaiaokamalie from Planning, and then myself. Basically, that is it. Open for questions.

(Mr. Rapozo was noted present.)

Chair Furfaro: Thank you and your team for a very nice presentation, and I just want to get a little clarity on a few items here before we open up to comments. On your KIUC actual invoices, there are two, in particular...

Mr. Sato: Are you referring to page 6, the example.

Chair Furfaro: It is page 6 on your samples. Tell us a little bit about the Power Factors.

Mr. Sato: I will defer to Ben on that.

Chair Furfaro: Okay, Ben, we have Power Factors that go from a low of 93 to what seems to be 99% across the line in the Wailua Plant.

Mr. Sullivan: So Power Factor takes a little bit of getting to know. I am sure you are familiar, Council Chair, but the variable is basically when you have inductive loads, they consume some of the resources of the grid, and so KIUC will measure that and they will charge in the large power category for lower power factors. The variance for power factor in large power is $\pm 5\%$ from the original bill. So it is not an enormous variable relative to other things, but it is important to watch. But that is pretty much...

Chair Furfaro: So I guess we are watching the Wailua Plant.

Mr. Sullivan: Yes, as a matter of fact, that is well within compliance. There is no penalty for the power factor you see in there. It has to be...I am not going to say because I do not recall exactly, but the tariffs are available at KIUC, and they state the required power factors before you actually start paying a penalty.

Chair Furfaro: You are pretty satisfied with Wastewater there.

Mr. Sato: Chair? I think I can clarify, make it kind of more simple.

Chair Furfaro: Sure.

Mr. Sato: KIUC's large user rate schedule, Schedule P, basically says that the average power factor of 85% is like your zero point. If you go below 85%, you get penalized one-half of 1% that is going to be added to your kilowatt hour usage for each 1% of average power factor below that 85%.

Chair Furfaro: Or they take you to a different schedule, right?

Mr. Sato: That is really complicated. 85 is zero. You can go 5% below and get penalized 5% or you can go 5% above and get credited 5%. So when we are hitting 95%, 96%, we are good.

Chair Furfaro: 99% at Wailua, you are pretty happy.

Mr. Sato: Yes.

Chair Furfaro: I just wanted to explain that particular piece. Did we come across anybody below 85?

Mr. Sato: We have some facilities like that. In fact, the Civic Center, what we are looking at right now is our power factor went down for Pi'ikoi when we put the PV system on. So we have to look at that and that might be part of the scope of work for the second performance contract.

Chair Furfaro: Okay, that sounds reasonable for fine tuning, I guess. The Kapa'a and Waimea Swimming Pools, when it comes to their operation in Parks & Recreation, any issues there that you know of at the two pools?

Mr. Sato: Right now, not that I know of.

Chair Furfaro: Okay, moving right along on your presentation, which was an excellent one, when we measure Housing as a department, how many of our projects actually have common area utility meters for associations, walkways, common areas? Do we know?

Mr. Sato: If I recall, it was just basically Pa'anau and...

Chair Furfaro: Kalepa?

Mr. Sato: Yes.

Chair Furfaro: So they have a...

Mr. Sato: Right and for some reason, they have...you can ask them for clarification, but on some of the bills, they come and go, but they have actually it looks like dwelling units where they are picking up the bill for a period of time, and I am not sure if those are in transition to be sold or what.

Chair Furfaro: Okay, so we can send that question over some clarity, and I will help you restructure that if need be. The Fire Department's seven refrigerators – it is my understanding within the Fire and Police Department, they are the only two departments that are actually allowed food service refrigeration and so forth. Do you know what the replacement factors have been on these refrigerators.

Mr. Sato: No, I do not.

Chair Furfaro: Do you, by any chance?

Mr. Sullivan: No, I do not, Council Chair.

Chair Furfaro: That might be worth looking into. And when it comes to this Historic County Building, did we get the transition with the contractor who was using power versus our use of power now. Did we get a cut over time? Are we all happy that the contractor is paying, what the contractor is doing, and...

Mr. Sato: Yes, I do not have the specifics on that. I believe that is Doug Haigh. I am not sure if...

Chair Furfaro: Maybe Brian can help on that because I understand the first month of operation we had a pretty large bill, but they were also doing work in the building. Brian, could you look into that?

BRIAN INOUYE, Building Officer and Facility Energy Specialist, Certified Energy Manager: Yes, that is correct. I will check with the (inaudible).

Chair Furfaro: These are the questions on timing. We will check with the Parks Department as you suggested, Glenn, and then when it comes to the Wastewater area, the de-energizer of the chlorine contract and the tank mixer, do we know when that is happening? We are trying to get rid of the chlorine process.

Mr. Sullivan: That was de-energized quite a while ago actually. It is no longer being...the motor is no longer being run.

Chair Furfaro: Thank you. And the aeration blowers in 'Ele'ele, have they been upgraded?

Mr. Sullivan: That is a good question for Ed. In general, the ECMs that are listed with Chevron have not been performed yet because those are all capital projects that would be after we negotiate the contract and they proceed, but there are some projects that he may be working on ongoing.

Chair Furfaro: Is that a shared cost savings with Standard Oil? How do we justify their participation?

Mr. Sullivan: The way that the Energy Savings Performance Contract is structured is that the ESCo performs an Investment Grade Audit, and they propose all these energy savings measures, and they are reviewed by the County, and obviously once that contractor is selected, they get in, and the Investment Grade Audit, we review that, and then we select the measures we want to go forward with. And the capital improvements are paid by the energy savings (inaudible). So that is the mechanism through which...

Chair Furfaro: So there is no shared savings plan with the contractor?

Mr. Sullivan: No, there is no shared savings, no.

Chair Furfaro: We get all of the savings.

Mr. Sullivan: They are being paid to perform the work. That work is a broader scope than maybe would typically be done through standard procurement because they are getting all the Wastewater facilities at one time and they are doing multiple projects. So it is a very streamline procurement method, and it allows the work to be done more expeditiously.

Chair Furfaro: When we get into the Wastewater Treatment Plants, I think my next question you answered, just them. I want you to know in the picture I am standing behind the Mayor, that is why you do not see me. The Trane system...maybe this is a question for Brian. I have, especially when it comes to Police/Prosecutor/Civil Defense Office, I am not pleased with the temperature we are running that chill water system at. I think it is way too low for what the building can be designed, and I think the Trane service contract failed us to some degree over there. Do you know if they have been able to make a new evaluation for us on what chill water temperature they recommend in writing so we do not get condensation?

Mr. Inouye: Trane actually is only the company that did the control system. The actual...

Chair Furfaro: That is the main system.

Mr. Inouye: Yes, but the actual set points were actually designed by the mechanical engineer that did the building on the design build project.

Chair Furfaro: Have we gotten some feedback from them because they are running those chill water temperatures 6-7 degrees lower than what I would run them in a 300-room hotel.

Mr. Inouye: Brian Inouye, Building Division. We have not gone back to the Deign-Build team yet. That is something that we probably can look at or we are looking at possibly doing that with the new contract coming up on the Energy Management side. So basically Trane is following the directions of the mechanical engineer as far as the set points that were put into the system.

Chair Furfaro: I understand. So we are basically saying to Trane, you are following the design, so you are correct. And I have to tell you, I have not had the greatest exposure with them in my many years of having energy management systems in place. They could make a recommendation, I think, to us that we could then discuss with the engineering group.

Mr. Inouye: Okay, that is a good suggestion. I can talk to them.

Chair Furfaro: Ask them for recommendations. Is Trane here in this Historic Building?

Mr. Inouye: They did the controls also here, yes.

Chair Furfaro: I am somewhat familiar on how to set those chill water temperatures and these are still too cold here. So if you could follow those too because I think they would help us greatly in the Police/Civil Defense Building, as well as this building, when it comes to the set of the chill water temperatures.

On another note, Eddie says he is very enthusiastic about being part of your Green Team, but he is going to get a note from Vice Chair Yukimura, where are recycling buckets? So thank you

very much. Brian, thank you for those, but I think there are some potential savings there on these chill water sets.

Mr. Inouye: We will take a look at that definitely.

Chair Furfaro: Thank you very much. Mr. Bynum, then Mr. Chang.

Mr. Bynum: Really a couple quick questions. Is our lobbyist helping you track Bill SD 2121 and are you aware that we have a County lobbyist?

Mr. Sato: Yes, we have been working with Scott Matsuura.

Mr. Bynum: And are you familiar with the Building Code exemptions bill and are you tracking that?

Mr. Sato: I am familiar with the bill. We are tracking it in terms of where it is at right now.

Mr. Bynum: So there are a number of bills at the Legislature this year that imposing the Legislature's will, potentially, on the County's operations, right? You are aware of that?

Mr. Sato: Yes, it is always a hard thing: homerule, unfunded mandates.

Mr. Bynum: These are homerule issues. We adopted an energy efficiency building code and the legislature is trying to say, no, we are going to...we can pre-empt that. Homerule is an important issue for us. We should be able to control our own destiny on Kaua'i. But you have answered my question, just are you aware of these bills because I think it is really important. It is as you said, the legislature can do things that we cannot do. We cannot gut and replace in the last minute. We cannot call a hearing with 10 hours notice, right. So thank you for the presentation.

Chair Furfaro: Mr. Chang.

Mr. Chang: Thank you, Chairman, thank you, gentlemen. Can you give me an update, maybe when was the last time, referring to page no. 32—thank you for numbering the pages—that we had with the Navy in regards to the Kekaha Landfill potential methane update.

Mr. Sato: In terms of communicating with them?

Mr. Chang: Like what is their status?

Mr. Sato: Right now I spoke to this gentleman named Kendall Kam, he is with the Pearl Harbor Naval Office. This is really...it is really difficult to understand, but in terms of the Navy, they view themselves as going through a procurement process. So right now it is on the Navy's side being discussed with their chain of command. We need to wait for that chain of command to provide...we have asked basically a question, are you interested in developing this project. There is a methodology where they can actually work with the local utility to develop the project, and partner with the County because we are the owner of the landfill and the gas. In order for them to clear getting to that point of working with the utility, it needs to clear their legal and administrative hurdles, and that is what we are waiting for right now.

Mr. Chang: And that was kind of like my understanding. I was hoping I could get Captain Mongiello on the agenda soon, but Wednesday is not a good day for him. I was going to also ask you, can you monitor the power that is used like at Moikeha, Pi'ikoi, Prosecutor? Can we monitor everybody, how we are using different energy? In other words, would there be a separate bill for this building? Or could there be a separate...

Mr. Sato: If there is a meter connected to a facility, we can monitor it. What is really difficult is say, Civic Center, Pi'ikoi Building, with one meter to monitor and say oh, how much is Elderly Affairs using and Housing and the Fire Department because we do not have that capability. It is on one meter. It is on one common facility.

Mr. Chang: So you know if this building has one meter?

Mr. Sato: Yes.

Mr. Chang: So we could monitor our own energy use here.

Mr. Sato: Yes.

Mr. Chang: Okay. Did you want to say something, Ben?

Mr. Sullivan: I was just going to add to what Glenn said. If you look on page 18, there was reference to energy management system upgrades, which is something we are very, very interested in. So we are pursuing that with a lot of vigor. There is a lot of new offerings on the market in terms of software platforms. As you all probably well know, the cost of monitoring energy and submetering and things like that has come down substantially, so we are very ambitious about changing that system, but it is a very big and involved process. So it is going to take some time.

Mr. Chang: And for us because this place has been kind of retrofitted in many ways, it would be nice to look back at what we used to, perhaps, spend and how on a month-to-month basis we can personally try to better our...lower our rates. And lastly, what I was going to ask you is, with the new photovoltaics that is going to be coming up... A while back when the Kurt Bosshards or the hospital, the airport was doing their photovoltaics, just as an example, if a plate or what have you costs \$5 then, it costs a dollar now. So that is going to be down the line, a tremendous amount of savings for us. My point is like say for example Kaiākea, when we are doing photovoltaic projects like...are we...is there like specs to see what kind of maybe corrodes or rusts? You know like in the mountain you do not have the onshore winds and stuff like that because I know the Fire Department on the inside because the onshore winds are coming in, so I am just concerned about a different product as far as the metals or the steel or what have you that is in consideration when we decide what we want to do.

Mr. Sato: I can tell you this. We had a special meeting with Solar World, the module manufacturer, they happened to be on-island. So Doug Haigh called them in to a meeting with all his inspectors, and they talked about the corrosion problem and basically asked the module manufacturer if their product could stand up to the harsh marine environment, especially out in Kaiākea, and they actually went out there, they looked at the...so they knew what they were looking at, the proximity to the ocean, the ocean breeze and everything. And they pretty much stood by their product. So we actually have a letter of guarantee or a letter of endorsement of their product.

Mr. Chang: Great, that is good news. Okay, thank you, Chairman.

Chair Furfaro: Mr. KipuKai.

Mr. Kualī'i: Thank you, Mr. Chair. Aloha and mahalo for all of you being here and for the work that you do. On page 4, you gave the breakdown of the kilowatt hours, and you noted that water was the highest, the largest electrical use for the County. I caught all the percentages, but I missed that one. Did you say it is 40%?

Mr. Sato: In this comparison, it is for Fiscal Year 2010-2011. It is roughly 38%.

Mr. Kualī'i: 38%. Another one I missed was Parks.

Mr. Sato: Parks is about 6%.

Mr. Kualī'i: 6%. So in most of these different areas like Public Works – Wastewater, Public Works – Building, you had slides later that sort of gave a little bit of a breakdown, the different facilities or what have you. But for the first one, which is the largest, what...how does that breakdown? It is actually just the County's use of water in all facilities?

Mr. Sato: No, this is...it is actually shown on slide 10. Whatever is under the Department of Water is their operational cost and what they are using in terms of electricity. And that includes their office building, their operations complex, and also their lab facility that is in the back. It includes all the wells. Most of Kaua'i's water is from deep wells, so

they need a lot of pumping and a lot of electricity. Our only surface water system is actually the Līhu'e Surface Water Treatment Plant that is with Grove Farm.

Mr. Kualī'i: So that water is the Department of Water.

Mr. Sato: Yes.

Mr. Kualī'i: And so it is actually the use of water by the citizens.

Mr. Sato: Yes, this PowerPoint, the entire PowerPoint was just put together to show you County operations, and what we are spending in terms of money for electricity, and what we are actually doing to try to improve our efficiency, cut our kilowatt hours. There is not much that we can do in terms of the price because that pretty much goes up and down with the price of oil. And right now, unfortunately, we are in an upturn. I looked at January and then April, and the cost in January to what we are paying in April for residential, I think it was about a 13% increase, and for our large commercial, like our Līhu'e Civic Center, it is 15%. So in four months we've gone up 15%. And you can see that we you pass the service stations. The price per gallon of unleaded has jumped up quite a bit in the last 2 or 3 weeks.

Chair Furfaro: But that is typical every year.

Mr. Sato: Yes.

Chair Furfaro: Okay, I mean it is important for us to understand. You get to peak around the July weekend and it takes you through August.

Mr. Sato: And then you have some world events that might spike it even more like that August, I think it 2008 where it hit the high.

Chair Furfaro: Sure.

Mr. Kualī'i: I just...in thinking about water and how the pumping of water is the biggest use of electricity. I am just thinking if we measured the different uses of water that the County uses, not just the citizens use, but the County as our operations, and thought about conserving and moving in a direction the same way we are doing for electricity, to save, to be more efficient, to conserve, to cut back with electricity. We should be doing that with water because that in turn helps with electricity. And I just think in order for us to do that going forward, we have to be measuring it, measuring what the County uses in the different buildings for plumbing, what we put out in the public for whatever public consumption, for our grounds, so it is showing up just as electrical use by these different pieces, the Parks piece, the Public Works Building piece, but it would be interesting to see our water usage by the County, measured in different ways, the same way we are looking at electricity.

Mr. Sato: You know, as we develop our energy management system and create a better database, that would be part of the...on the wish list is to be able to track water usage in that type of detail. When we do our Energy Savings Performance Contract, if you noticed on the Wastewater recommendations, some of the recommendations cover water savings, and in terms of the scope of work, the scope of work will actually give pretty much free range to the energy service company to look at not only electricity use, but water savings, and any other savings that...it could be an operational change that results in water savings, and they can make that type of recommendation also. It does not necessarily have to be like a hardware or a pump and motor change.

Mr. Kualī'i: My last point on that, too, is that because with the educational part about conservation and everything, so different places within the County we can be talking about that, but if the County itself, as an entity, is leading the way by showing "and this is what we are doing." First we have to measure it, then we have to put programs in place that will be sustainable. We have to overcome this mindset that Kaua'i is the wettest spot on the earth. We have all our rivers, and all that. Yes, we have a lot of water, but we are paying for water, and we are using oil to pump and to distribute that water. So how are we shifting away from the kind of water we have to get with burning oil and then the other kinds of water? Our new parks and our new development of Parks and Ag Parks should be located next to streams and rivers, and we should be focusing on utilizing groundwater for the County as well as much as possible and kind of leading the

way as an example to our citizens for their residential yards, for farmers, whatever. It is just the point about water.

On the ground mounted panels at Kaiākea, why are they ground mounted and not mounted on the building? What is the difference?

Mr. Sato: We hired a design engineer to look at the potential on the roof. There was not enough space. The amount of roof space facing south was not available for any good size system. Because that parcel had a...it is a large footprint and there was land available, the decision was to put a ground mounted system, and it is easier to maintain.

Mr. Kualii'i: And then that is kind of what you said too about the Wastewater facilities, that two out of the three you were looking at PV, but the Wailua there was not enough land there.

Mr. Sato: Yes. Wailua's footprint is too small, plus you have all those really tall, I think, ironwood trees around that facility, but the footprint itself is too small for any sizeable system.

Mr. Kualii'i: The Wailua facility is pretty small too. Is it our smallest facility?

Mr. Sato: I believe in terms of what it is processing, yes, it is.

Mr. Kualii'i: So that is over there by Coco Palms.

Mr. Sato: It is right by Lydgate.

Mr. Kualii'i: Oh, by Lydgate?

Mr. Sato: Yes.

Mr. Kualii'i: Okay. So there is adjacent lands, though, not County land.

Mr. Sato: Yes, it is Hawaiian Homes.

Mr. Kualii'i: There is Hawaiian Home Lands.

Mr. Sato: Yes, right.

Mr. Kualii'i: And Hawaiian Homes has agreements with KIUC for their power station there. So it is a potential, I suppose.

Mr. Sullivan: I think you are absolutely right, and we were definitely interested because it is a large load and the possibility of renewable energy at the site. We did not see it as feasible for this contract because this contract has to move forward. And so therefore, because of the lack of availability of County land, we decided that it was not worth pursuing in this effort, but certainly something we are going to continue to look at.

Mr. Kualii'i: This is the last thing, I missed a couple of the acronyms. What was M&V?

Mr. Sato: Measurement & Verification. So basically when you install or put in an energy efficiency measure, you want to be able to measure the results of your work to make sure that it is working properly and you are achieving the savings.

Mr. Kualii'i: And ECMs?

Mr. Sato: Energy Conservation Measures.

Mr. Kualii'i: Okay, that is it. Thank you, Chair. Thank you.

Chair Furfaro: In five minutes, we have to change the tape. Mr. Rapozo.

Mr. Rapozo: Thank you. I just have one question, and it is about that power factor. You said we get penalized if we drop. So if we install a PV system on one of our County facilities and we save electricity because we are using the sun, they charge us an extra penalty for that? Is that what you said?

Mr. Sato: No. We are trying to figure out why the power factor at Pi'ikoi dropped. I guess the bottom line is if you drop below 85% power factor, then you start to incur a penalty. If you go above 85% power factor, you actually can realize a gain. What I can do is I can leave this tariff schedule that...it is technical. I think if you have an electrical engineer that you can run this by...

Mr. Rapozo: Is there is a lay person's reason for the power factor to drop?

Mr. Sullivan: I think...Brian may have some insight into this, but we do not know exactly what happened with the power factor and there is not a direct correlation to PV per se, so it is not...you do not put in a PV system and your power factor goes down. That is not a correlation.

Mr. Rapozo: So what drops a power factor?

Mr. Sullivan: Well, if you have more inductive loads, like more motors running constantly. That would bring your power factor down, would be one example, but I would be hard pressed to give you a lot more because, again, it is not...I am not an engineer either.

Mr. Rapozo: Well, it is kind of scary if we are getting penalized and we do not know why. I would assume...does the audit show that, these power audits that we are running?

Mr. Sato: We are not doing the audit yet on the Lihu'e Civic Center. Right now we have a technician from the monitoring system for the monitoring system company coming over. So we want to correct that first to get really good readings on what the PV system is producing. The drop in power factor, we are talking to KIUC to try to figure out if it is actually related to the PV system or if it is something else, mechanically.

Mr. Rapozo: How long has the power factor for Pi'ikoi been at 85 or been that low?

Mr. Sato: I do not really know what the current power factor is, but we just looked at the...when we looked at the PV system and we tried to see if there was a correlation with the monitoring system reporting accurately in terms of what the production was, we realized that the power factor had dropped. But we are not really sure how long...if it just happened when we looked at the readings...

Mr. Rapozo: Does not the bill show you very month?

Mr. Sato: Oh no, that bill that is up there is actually taken from a past fiscal year. It is just a cut sheet showing how...

Mr. Rapozo: Try go back to that sheet. That is page...

Mr. Sato: That cut sheet is only for wastewater. It is actually the Wastewater facility.

Mr. Rapozo: Right, but I am assuming that Pi'ikoi has one of these, right?

Mr. Sato: Right.

Mr. Rapozo: Okay, so if you looked at the Pi'ikoi Building account and you went power factor...I mean it is pretty easy by this chart to say when we started with the 85 or the very low reading. It breaks it down by month, July, August, September, October, November. Just by looking at this sheet for Pi'ikoi, one would know right away when it dropped to 85 and it was at the time...

Chair Furfaro: On that note, he is waving at me now.

Mr. Rapozo: Okay, no problem.

Chair Furfaro: We have to do a tape change. You got that question? That allows you a few moments to locate your pages.

There being no objections, the meeting was recessed at 2:52 p.m.

The meeting was called back to order at 2:56 p.m., and proceeded as follows:

There being no objections, the rules were suspended.

Chair Furfaro: We are back on. Mr. Rapozo. Gentlemen, do you want to take a shot on the comparison of demand versus actual...the factor, and then how the factor is calculated at a 0.5% for every point you fall below 85% utilization? Do you want to... Do you want to come back with a written answer?

Mr. Sato: Councilmember Rapozo, that sheet right there reflects last fiscal's billing information for the Pi'ikoi Building. If you look on the left subaccount 354, that is the meter before the PV system was installed. When you look down below, it says 433. That is the new meter after the PV system was installed. So when you look at the power factor, we were in the 88-89 range, so we were in the bonus range or the plus.

Chair Furfaro: Safe.

Mr. Sato: Yes. After we put the PV system in, we noticed that the power factor had dropped to 83 and that is what we are trying to get a handle on. We have a concern that it could be related to the PV system. We are not really sure. This type of information, we get it every fiscal or every calendar year. We do not have the ability...we have been working with KIUC to try to give us monthly information.

Chair Furfaro: But they should be able to answer you, Glenn, on the power factor versus the demand factor. We kind of discussed it at the break what those are. So let us send them a question about the demand factor versus the power factor, and provide Mr. Rapozo with that formula because it sure looks like it exists. I mean you drop two points below in demand, you get a charge of 1% more on the rate.

Mr. Sato: That formula is on this Schedule P rate schedule.

Chair Furfaro: But I think they are controlled by the PUC, so they better have some pretty exact standards because they are controlled by the Public Utilities Commission. That should be a question you should send back over to us to satisfy Mr. Rapozo.

Mr. Rapozo: So Glenn, from July 2011 to the present, we are still looking at the 83 number? Has it been consistently below 85?

Mr. Sato: I do not know if it is right at 83 all those months, but I would have to go back into the records. I only brought this last printout for fiscal year ending June 2011.

Mr. Rapozo: KIUC would have to give us that information.

Mr. Sato: Sure.

Mr. Rapozo: I am not an electrical engineer, but I am an investigator by trade. From pre-PV we are at 88 – 89. Post we are 83 down and consistent at 83. One would believe that it was probably caused because of the PV, unless there is something else, and it has been a year, almost a year.

Mr. Sato: Right at that time, too though, we had the Fire Department System that was just being completed. I am not really sure what we can point to at that point. It is not just...I would not say it was totally because of the PV.

Mr. Rapozo: I think we have to find out.

Chair Furfaro: I think Ben has some more to answer to you.

Mr. Sullivan: Councilman, I think you are bringing up a great point, and again, back to the idea of energy monitoring, these are the kinds of things that we can actually flag and alert once we have a system up. The reality is it is somewhat difficult right now in that we have been getting annual hard copy data from KIUC that we can input manually. And they have improved on that in that we get it in Excel now monthly, but that just has only been in the last couple of months. So it is an excellent point, and we hope to get that kind of functionality once the system is up and running, so that we can remedy these type of problems very quickly.

Chair Furfaro: You can remind them from me that I think we are one of their top five customers. Good question. We will send it over, Mr. Rapozo. You have any more? Councilwoman Nakamura?

Ms. Nakamura: To follow up on that point, though, so the system that...the energy management system, is that something that we...it is a software program? What is it that we need to put in place?

Mr. Sullivan: There is an amazing number of offerings out there in the market right now, and it is kind of the wild, wild west. There is things as basic as just taking meter data and inputting it, and all you get is what we are getting now, what we get electronically. As you are all very aware, there is also advance metering going in with KIUC and so there is potential for additional data to come in. Beyond that there is submetering that is now quite a lot less expensive and circuit level metering. So, really what we are looking is the entire range of offerings, and we are trying to figure out what is the best fit for Kaua'i without spending an undue amount of time making that decision. We recognize it is a fairly urgent matter. So, I guess that is the (inaudible). It is typically software and it is software as a service, like a cloud-based solution where anyone can access it based on the security in the system.

Ms. Nakamura: I know about four or five years ago I was on the Cost Control Commission when this first came up. That was the problem. It was having 300 accounts and no one really monitoring it, no one really being accountable, and no way to really summarize the data. So it was actually done manually, I guess, as it is now. So it is good to see the team in place, the audit recommendations being looked at. I think we are moving in the right direction here, and I think this is a really great direction we are heading into. So thank you for your summary.

Mr. Sato: One comment I would like to make is that I think Brian's role is really critical because when I used to track the utility bill information and interact with the respective agencies, sometimes only the old timers knew what was going on. For example when Dee Dee Morikawa was downstairs as the Office Manager for Parks & Recreation, I called her up and I said, this does not make sense. KIUC is flagging this as a comfort station, but the use is super high. And she tells me, oh yeah, the ball field lights are connected to that meter and that is why it is like that. Without her knowledge, I would not know that. That is the type of interaction we need with these agencies to get those little nuances and be able to jot that down and have that in your notepad so you know what is being connected to a particular meter.

Ms. Nakamura: I think it is just going to help a lot with accountability. So it is just good to see that you are moving in that direction.

Council Chair Furfaro: Okay, well that is nice to have a nice comment at the end. I am not so much buying into this, okay. This is not the first year we have talked about, Ben, submetering. It costs about \$2200 to submeter some of these outlets, no different than a hotel. You put a dress shop, a snack shop into the facilities, you submeter the tenant, the tenant gets an invoice. To me, Nadine is new, Ben, you are new, and so forth, but this is an old discussion. If we are serious about having people...instead of calling up Dee Dee about which toilets are connected to the park lights, submeter the thing, and then we know. It is very accountable there, and so I encourage you. I know if we at least took the Pi'ikoi Building and submetered the Pi'ikoi Building and treated departments as if they were tenants, we will be a lot farther along on this thing than we are right now. But the progress we made is tremendous. You all need to be complimented. But there is a lot more we can do than just say we have to depend on history because earlier this morning we were talking about the continuity reports when people leave the County, and we certainly do not want the person who in Parks & Recreation just by instinct knows which ball park lights are connected to which toilet lights is gone so we do not have the information. So progress has been made, but we have a lot more to do,

and I think what I saw today was a great start, fantastic, fantastic. Brian, again, you have heard this from me, get a recommendation from Trane on our chill water systems and see what the energy management designers have to say about Trane's recommendation, and then let us set the chill water and see what happens, if people start leaving their sweaters at home.

Mr. Inouye: Okay, I will do that.

Council Chair Furfaro: Great job, gentlemen, great job. Thank you.

The budget review was recessed at 3:07 p.m.

The departmental budget reviews reconvened on April 3, 2012 at 3:08 p.m., and proceeded as follows:

Councilmember Yukimura (present at 4 p.m.)

MAYOR'S OFFICE:

Chair Furfaro: Mr. Heu, if you do not mind, I have to return a phone call and so I am going to step out, and since this is the Committee of the Whole, I am going to turn this over to the Mr. Rapozo at this point. So, Mr. Rapozo? I will be back shortly.

(Chair Furfaro was noted excused.)

Mr. Rapozo: Mr. Heu, welcome back. Why do we not start with an overview. I know you folks had most of the morning session to discuss the overview, but if there is anything specific that you would like to cover in your presentation, everyone has your presentation, so.

There being no objections, the rules were suspended.

GARY HEU, Managing Director: Okay, terrific. I think ours is probably one of the shorter presentations. We are one of the smaller departments. For the record Gary Heu. Let us see, maybe what I can do is just kind of highlight some of the...I do not want to lead you through the whole presentation, but maybe just highlight some of the successes and achievements that we realized over the past year.

This past year we saw the initiation of the Mayor's Community Outreach Meetings, and so we are going before the various community organizations, those places that have actual community associations such as Kīlauea Neighborhood Association, Kōloa Neighborhood Association, going up to Hanalei and down to Kekaha. And then we also are doing just general community outreach meetings in various geographic areas. The net effect is that we are getting out into the community quite often to hear the concerns of our citizens throughout the island. It is interesting to note—Councilmember Rapozo, you probably noticed this; I know you have been going out there and doing some community meetings too—it seems that the further we get away from core, the Līhu'e core, the more participation in the meetings we get. We find that our Kekaha meetings are very, very well attended, as are our north shore meetings up at Kīlauea and Hanalei. I am not sure what the message is there, but we will continue to have our meetings in Līhu'e and give those folks an opportunity to come out and hear information from the Mayor and also be able to provide some input.

We continue with our customer service initiative. That continues to be one of our major focuses. We continually look for ways to better serve the community. Sometimes things as small as...I am not sure if you folks have been to the Civic Center area between Moikeha and Pi'ikoi, and if you notice there is a...as you come off the parking lot, there is a permanent structure. It has a diagram of the building, and it would be ideal if that diagram of the building noted where all the various departments were. I have so many times come across someone looking very puzzled at that board, and all they see is Moikeha and Pi'ikoi, and there is nothing in-between to tell them that the Office of Economic Development is in this building or that building. So things as small as that that we recognize and say there is a need to do a better job in terms of assisting the public to get to where they need to be.

You folks have heard quite a bit regarding our sustainability initiative, not only in the Mayor's presentation this morning, but I am sure that Glenn and Ben and Brian shared a lot of that with you in their presentation that just completed.

Kekaha Host Community Benefits, we listed that because although that program initially got off to a slow start, it is starting to gain traction, and it may not be at a place where everybody is 100% happy about how that program is being managed, but to a great extent we think that we are addressing the needs of the Citizens Advisory Committee as they determine it should be. You folks provided, in this past year's budget, additional funding for a facilitator, and my understanding is that process has been going fairly well. So we continue to stay connected with them. Our main role now within the County is to process those grants as they come to us. So we have processed some smaller grants. I think we are now in the phase where we are looking at some grant review and approval for initiatives that are substantially larger.

We continue to work on making our documents and our meetings more accessible to the community. I think there are a lot of people around this table who have been part of that initiative, and I hope everybody is happy in terms of where we are, and although we may still have a ways to go in certain areas, certainly, I think, people would agree that documents and access to various meetings are a lot more accessible than they were three years ago. And so we want to thank you for your support in that area.

We continue to have dialogue and push forward an initiative to site an Adolescent Drug Treatment Center. There are some of you around the table who have had a long history with that as have I, and I am just happy to see that we are continuing to move that forward at this point in time.

The Mayor talked about the various challenges that we are facing relative to the economy and our fiscal position, some improvements that we have made within the Mayor's Office and particularly with the communications team, I cannot say enough about how the Mayor's vision to beef up support in that area has made a tremendous difference, I think, in terms of getting information to the public. I know that probably most of you around the table are on Facebook, and I sure hope that you folks have liked our County Facebook page. If you are not, please go ahead and like our Facebook page. What we found is that that was one way that we were actually able to keep some sort of communication during the latest power outage that we had with KIUC. We were able to make cell phone calls to the radio stations, as well as to post some updates on Facebook, and again, we are trying to use every means possible to stay connected and improve our communications with the public.

You folks are well aware of the Mayor's Holo Holo 2020 Plan, and on page 4 of our presentation, we have listed some of the headway that we have made in terms of implementing that plan. And a lot of these initiatives, though there are things that the Mayor wanted to see put forward, we would not have been able to accomplish without the support of this Council, so we thank you again for that. Just to name a few things, the Kaua'i Community College student ridership pilot project, you folks recently, I believe, amended an ordinance which would allow that program to continue through this school year. We recently had that free ride promotion, which I understand was very, very successful, and complemented the Department of Health and the military's Tropic Care Program, which was a great benefit to the community. We have just begun with constructing of bus shelters. We got a couple completed and when Transportation comes before you, they will make a more detailed presentation on that just to let you folks know we have just put in for a \$1 million grant to help accomplish building or constructing more shelters around our island. So again, I am not going to go through the whole list. You folks can, at your leisure, take a look at that. But again, I just wanted to highlight some of the things. It has been a very, very busy year for us, and this coming fiscal year looks no different.

What I wanted to do now is maybe just to shift gears just a bit to talk about our actual budget. Again, we are not one of the more fun departments because our budgets are so small anyway that we have a variance, a grand total of \$97,000.00 positive variance. So rather than taking line items through the budget, I just wanted to point out where the major variances came up. As I identified earlier this morning, employee benefits is always going to be a large component of any positive variance for all of our departments this year, and we were no different. We have realized an increase of about \$20,000 just for fringe benefits for our employees. One major shift is that we did take one position out of the Mayor's Office and reallocated that position. We are proposing to reallocate it to the proposed Human Resources Department, and that is our ADA Coordinator position. That will become an HR specialist position. So the net effect of that is, when you took the salary and the benefits out of that, it was about \$94,000.00 that was transferred out of the Mayor's Office budget into the proposed Human Resources Department. So that was a decrease in our budget; however, that was offset by an increase in Boards and Commissions. Boards and Commissions is going to be taking on more responsibility in terms of supporting the Civil Service Commission and the Board of Review this coming year. So there is some additional expense associated with that. In addition, there is a component of the Other Services within Boards and Commissions, and a major component of that increase of \$154,000.00 is about a \$100,000.00 that has been identified. The Salary Review Commission is wanting to commission another study to, again, take a look at salaries within the County executive salaries within the County. So that is a new and proposed cost in that particular line-item under Other Services that is to the tune of about \$100,000.00. There are additional costs this coming year for any charter amendment education that needs to take place, and we have some increased cost for our legislative web service, which allows us to better track things that are happening in the Legislature. Other than those things, there are some minor shifts. We took a little moneys out of some of our Special Projects in the Mayor's Office, but at the same time we added additional costs in there to support Boards and Commissions. So in a

nutshell, that is our tiny little budget that we do so much with. I am open to any questions either on the presentation or the line item budget that you folks might have.

Mr. Rapozo: Thank you, Gary. Mr. Bynum?

Mr. Bynum: I think I have only one question. Last year we funded a D.C. lobbyist. Did we hire one?

Mr. Heu: We are in the final state of that procurement. It has been kind of a lengthy process. This particular year we had a lot of good options in terms of people who were interested in that contract. So we are in the final phases of that procurement and hope to have them on-board within a week or so.

Mr. Bynum: I have to say I have a concern about that going back several Councils to when Ron Kouchi was here, and there was a commitment from the Mayor's Office that the selection and hiring and engagement with a D.C. lobbyist would be a collaborative thing between the Council and the Mayor's Office. So, how have we collaborated in that decision making?

Mr. Heu: We had a member of Council Services who sat on the review, the review of the consultants.

Mr. Bynum: And who was that?

Mr. Heu: Jade Tanigawa.

Mr. Bynum: I am sorry, Jade?

Mr. Heu: Jade.

Mr. Bynum: It is the first I have heard of that. Can you tell us who we are hiring?

Mr. Heu: I know who it is. I am not sure if...

Mr. Bynum: Probably say no. I will give you a heads up.

Mr. Heu: We have not finished the negotiation and given out Notice to Proceed.

Mr. Bynum: I will follow up offline on that. You remember the history, right? And we had this person last...we funded it last year and it did not happen last year or what is in this year, so it is about to happen. So it took three-quarters of a year to do the procurement.

Mr. Heu: Last year we had somebody on-board last year. That was Ferguson.

Mr. Chang: We did not.

Mr. Bynum: You removed the funding.

Mr. Heu: Right.

Mr. Bynum: I mean it was there; we had the lobbyist that I thought provided us good service. Then there was no funding and no explanation.

Mr. Heu: My apologies, yes...

Mr. Bynum: And then there was funding again and...I mean I was in D.C. and there was no lobbyist to engage with when I was there.

Mr. Heu: I think it is...to clarify, we use the term lobbyist kind of loosely.

Mr. Bynum: Yes.

Mr. Heu: But if you folks remember during the budget discussions, it was not so much the hiring a consultant to lobby our congressional delegation, but it was to hire a D.C. consultant who was going to be able help us to identify and secure various types of grant funding. Earmarks have gone away. And so the discussion, as I recall around the table last year, was that it was important for us now to engage a consultant who would be able to help us identify various grants that the County could avail itself of within the various federal agencies. And so that is really the intent of the consultant that we are about bring on board.

Mr. Bynum: And I understand that. The discussion was with earmarks going away, that does not mean federal funds go away.

Mr. Heu: Right.

Mr. Bynum: It actually makes it more essential that we have representation, is what I heard from our congressional delegation, that things have changed and it makes it even more... So I do not want to belabor it now, but I do not...this was a big issue about three or four years ago, and I felt there was a strong commitment to collaborate on the selection, scope of work, and I am glad someone from Council Services was involved, but that is news to me, and we can follow up. Other than that, thank you very much.

(Chair Furfaro was noted present.)

Mr. Rapozo: Thank you. Mr. Chair?

Chair Furfaro: Why do you not continue?

Mr. Rapozo: Mr. Chang.

Mr. Chang: Thank you. I just want to follow up on Councilmember Bynum's question or concern because I think I know a little bit about the history, but if I am not mistaken, in our budget—I am trying to find it—we had actually budgeted travel so our “lobbyist” can come here to look at Wastewater or look at levies or look at different projects that we were asking him about. Because if I am not mistaken, they were supposed to...it was budgeted for two visits that they could come over and actually look at our projects, assess the projects, and then go after assistance. And again, Kapaia Bridge, the levies, just to follow up on all the different projects because my relationship with the lobbyist was the fact that I wanted them to come to Kaua'i to see what we had because they had to be aggressive on the hill to find out what funding was available so they could give us the heads up and get out there and go after those grants. So I really want to say myself, personally, I think it is very important that we have people...our past lobbyist is the only one that I dealt with. I enjoyed the fact that once we got up to Capitol Hill, everything was set up and my experience in the past was they were very well connected, very informed, and I felt that from what I observed, they had great relationships with the people that we were trying to...we, as the island of Kaua'i and State of Hawai'i. I felt very comfortable with our lobbyist, so much so that I was hoping that we would retain him because I did not want any other County to say, hey, Kaua'i is not interested in this firm, let us go after the firm because I just thought, in my opinion, that they were very effective. So I just wanted to say I do specifically remember budgeting for travel that they could come here, and I have wanted to say it is still very important that we can have them look at our projects. If they help us with the funding for the projects, they should be familiar at least with the updates if we are going back for more moneys down in the future. So I just wanted to state my support and importance to get them actively going again on Kaua'i.

Mr. Heu: I thank you for that and I agree, Councilmember, in terms of making sure that as part of the scope of work that is negotiated relative to the on-island presence, not only to see the projects, but to interface with the departments who they are going to have to work with and even to come before the Council to provide an update on the various opportunities.

Mr. Chang: Thank you.

Mr. Rapozo: Councilmember Nakamura.

Ms. Nakamura: Thank you. Would it be possible to get a copy of the consultant's scope of work, then?

Mr. Heu: Sure.

Ms. Nakamura: The D.C. lobbyist's scope of work. Thank you. On the ADA Coordinator position, I just wanted to find out if removal of this position is consistent with the original Federal Consent decree?

Mr. Heu: Well, I think...I do not know if I can give you a specific answer to that, but my assumption is going to be that whatever is required of this consent decree, that function would continue as that position was transferred. If you are asking was it mandated that the position be within the Office of the Mayor? That is something that we can certainly confirm to see if there is that kind of requirement.

Ms. Nakamura: So why would a position that looks at implementing Federal ADA requirements be put in the newly created Department of Human Resources?

Mr. Heu: I think there is probably a certain risk management type of component and tie there. When you look at the overall...when you look at that position, it really could have been placed in a number of places. Certainly in the Mayor's Office it has been appropriate, but it could also have been placed in the Attorney's Office. It could also be placed in Public Works. As we did the analysis, it appeared that since we were making this move to create a fully functioning Human Resources Department with a strong component and focus on risk management, we thought that that was probably an appropriate place for it.

Ms. Nakamura: And will the requirements of the current job description of the coordinator be then transferred to the Human Resources Department, as it currently is, or will it morph into something else?

Mr. Heu: Yes, in terms of the core functions, the core functions will remain. If there are opportunities to gain some synergies and in fact make it a little more cross-functional, then we would certainly want to explore those possibilities. But I think those are good questions. I think that, again, hopefully we can provide maybe a little more detail when we do the presentation on HR next week Thursday.

Ms. Nakamura: Okay, thank you. On the sustainability initiative, last year one of the questions that you responded to had to do with when we would get the carbon footprint measurement, and the office's response...this was something that we got toward the tail end of the budget process, but one of the responses was that you would hope to have the carbon measurement complete by the calendar year 2011. So I was just wondering, has that objective been achieved, and if not, when would you expect to have that done.

Mr. Heu: I haven't seen a final document on that, but certainly I can take that as a follow-up, and we can probably get that information to you probably within the next day or so.

Ms. Nakamura: Thank you. On the Kekaha Host Benefit progress, when do you expect to have the remainder of the 880 allocated to the community?

Mr. Heu: That is a really good question. I have not seen the grants that have been coming in, and so I am uncertain as to what they total at this point in time. I cannot tell you, in fact, that the grant proposals we have, in fact, have in hand, would in fact deplete that 988. But again we can probably provide you some kind of update and get that to be part of the Public Works discussion when they come before you.

Ms. Nakamura: And on the residential Adolescent Drug Treatment Center in the most current discussions, are we still looking at one site or are we looking at multiple sites to provide the treatment to the community?

Mr. Heu: Hold on one second. I am going to ask Theresa Koki to come up. She has really been the lead at this point in time. And so my sense is that we are still looking at the one site that you are well aware of. But I do not want to misstate anything, so I will ask Theresa just to provide a real brief update on that.

THERESA KOKI: Good afternoon, Council Chair, Members of the Council. IN answer to your question...

Mr. Rapozo: State your name for the record.

Ms. Koki: I am sorry. For the record my name is Theresa Koki. To answer your question, Councilmember Nakamura, we are currently still looking at one site. It will be determined, however, by the feasibility consultant what other options we may have to address the need that we have here.

Mr. Heu: Thanks, Theresa.

Ms. Nakamura: I guess one thing that I was hoping to look for in this strategic write-up was how we address the work of our Audit Department, and part of that has to do with the fact that we, as a County, we are spending over a million dollars now on the Audit Department, and I wanted to find out what mechanisms or systems we put in place in the Mayor's Office to ensure that the work products that come out of that office are addressed and addressed in a timely way and monitored. It seems like the best place for that to happen is through the Office of the Mayor. That was just something that I was looking for and just wanted to pass that along.

Mr. Heu: Appreciate the comments. Again, I have been before this Council at least a few times to talk about various audit reports, and you raise a good concern. I think that currently certain departments are identified as those who would be closest to the recommendations that are being made. Currently we are really counting on those departments to push forward the implementation. Having said that, there is always the chance that as departments are so involved in the daily work that they do in putting out the fires that they do that sometimes those things tend to get put on the side. So you are correct. We would probably welcome some additional oversight, but we are certainly not going to ask for resources at this point in time, although I have come before you to say that having this new audit agency, and the initiatives that they push forward definitely increases the workload for a number of our core departments, and I think that is important to recognize, whether or not we provide additional resources for that or not. I think it is just...it is a fact. And so recently we just responded in a timely manner to an additional audit, a fuel audit. But again, it takes people in leadership positions within those organizations to spend time and to assure that we are providing adequate responses. And then on the backend to assure that we are implementing those recommendations.

Ms. Nakamura: I think that is the key, that it does take resources to respond and then to ensure follow-up, and I guess that is where it seems when you have an audit done several years ago, and then another follow-up audit that says the same things, and two or three years have passed, but nothing has been done, then why are we spending all these resources on these audits if we are not going to address the concerns. But somehow systems need to be put in place to make that follow-up happen. I think we need to recognize that there are resources on the admin side that is needed to do a good job on the follow-up side.

Mr. Heu: Thank you.

Mr. Rapozo: Thank you. Mr. Chair.

Chair Furfaro: So Gary, there is no dispute here that the audit's dotted line is actually to the legislative body, and when they do an audit they submit it to the Administration, before they submit it to us, for your comments. And obviously after they do or do not receive commentary, the final piece comes to us. But I would strongly recommend if you folks feel you are at a point where to reconcile certain work assignments or capital projects or so forth that you respond appropriately to them that minimum resources are available to respond to the suggested pieces so that when it comes to us we have an answer. A lot of those things I actually think are dealing with early on—and I have shared this with the auditors before—they need to frame the parameters of what the standards are for certain things, such as the fuel audit recently, and so forth. It is easier for them to come back to us with a recommendation that says, parameters are needed to be placed and so forth, and then for us to evaluate, hey, do you have the resources to do that. I just want to make it clear that you are often see their reports in draft form before we see them. Thank you.

Mr. Rapozo: Mr. Kualii?

Mr. Kualii: Aloha and mahalo, Gary. Just some quick questions, I was trying to follow you, you were going pretty quick. The ADA Coordinator position moving from the

Mayor's Office to the proposed new Human Resources Department is a \$94,000.00 decrease. The fringe benefits, you say, went up about \$20,000.

Mr. Heu: Yes.

Mr. Kualii: Yet, when I look at the bottom line, both the Boards and Commissions budget overall and the Mayor's budget overall go up. The Boards and Commissions goes up 15.8% and the Mayor's goes up 6.8%. The biggest items you alluded to were...you printed out was the \$100,000.00 Salary Review Commission, but that is all showing on page 8, yeah, in the \$230,000.00 line item: Investigative hearings, masters, transcript services, charter education. Page 8 near the bottom.

Mr. Heu: Okay, let us see. That is Account 30, I believe, that is.

Mr. Kualii: So the \$175,500 has a line item of video and web streaming services. Up above it has state Legislative lobbyist web services. The \$230,000 has a \$100,000 in there for the Salary Review Commission.

Mr. Heu: What happens is that narrative is all summed up for the grand total of \$405,000, right?

Mr. Kualii: Right.

Mr. Heu: And so the narrative is broken out and showing the video and web streaming services for 175, like you identified. That is a \$25,000.00 increase over current year. And then the rest of that stuff is just lumped together in that \$130,000.00. I have a breakout that I can verbalize to you or I can provide that to you additionally in writing, if you want.

Mr. Kualii: I take it just because in the narrative that you talked about, nothing was talked about as far as that goes. I guess I am just looking for the difference.

Mr. Heu: The biggest increases.

Mr. Kualii: The biggest increases and that is where they are.

Mr. Heu: Absolutely.

Mr. Kualii: There is nothing with the salaries?

Mr. Heu: No and in fact there was a slight decrease in salaries for the Boards and Commissions. That is because we have a new hire who was brought on-board to replace Paula Morikami when Paula stepped up to be the Board and Commissions Administrator. So the salary for that position actually went down.

Mr. Kualii: The other thing that might be helpful is because when you look at just the position number, E-224, and a generic title like Executive Assistant to the Mayor (inaudible), is one of these positions the person that handles our drug program?

Mr. Heu: Let us see. Yes, you will see Position number 9151 that is on page 8. That is spelled out. But you are right. You know it is interesting because there are working titles and then there are titles are provided via...

Mr. Kualii: Civil Service Titles.

Mr. Heu: DPS, in other words, if you were to try to find...this year we actually changed it in the narrative. If you look on page 1 of the Mayor's budget, position no. E-80. Previously you would have seen Executive Assistant to the Mayor, but we are using Beth's working title, which is Director of Communications, which more accurately describes the function that position performs.

Mr. Kualii: Okay, so only that position on page 8, the County Drug Facility Coordinator is the only position in all these top administrative type positions that is working on our drug program.

Mr. Heu: There are actually some contracted employees that are funded out of a State grant. That grant, my understanding, goes away at the end of this coming June.

Mr. Kualifi: I do not know, I thought I heard something about a drug czar or something. There is no other position?

Mr. Heu: Drug Czar, no. Theresa is as close as we get to a drug czar.

Mr. Kualifi: Okay, that was it, thank you.

Mr. Rapozo: Thank you. Mr. Chair, did you want to take this back? I do have some questions.

Chair Furfaro: You can take the floor last and I will take the next section.

Mr. Rapozo: Gary, I think they covered it most of it. The lobbyist, the change in title for E-80, that was just that, just a change in title, no salary increase or anything right?

Mr. Heu: No salary increase, no.

Mr. Rapozo: I have one question on the lease of the vehicle. We are in the second year of a three-year lease? And is that our lease payment for the year? Is it \$24,500?

Mr. Heu: That is an estimate that...we are in procurement right now, and...

Mr. Rapozo: The lease is already, it is a done lease, right? Was not the lease already established? This thing says it is the second year of a three-year lease. So I am assuming that...

Mr. Heu: Yes, next year this proposed budget is the second year of a three-year lease. The first year is current year right now.

Mr. Rapozo: Right.

Mr. Heu: And we are in procurement right now for that vehicle.

Mr. Rapozo: That does not make sense. If it is a three-year lease, is not the lease for three years, so your payments are for three years?

Mr. Heu: But we have not completed the lease purchase at this point in time.

Mr. Rapozo: Okay, I am confused.

Mr. Heu: Ernie.

Mr. Rapozo: When you leave a vehicle—and I have a leased vehicle. So you go there and your first year of the lease and they say it is a three-year lease. Of course ours is only \$243 a month, and it is for three years. It is a 36-month lease. Every month the payment will not change. I do not go back next year and say we need to renegotiate the lease. So I guess I am kind of concerned if it is the second year of a three-year lease, that should be fixed. That amount should have been fixed from what we approved last year.

Mr. Heu: Yes, but we have not procured it yet. We are in the procurement process at this point in time. And as...

Mr. Rapozo: So what did we do last year?

Mr. Heu: Current year?

Mr. Rapozo: Correct, this year here. It was in last year's budget, right?

Mr. Heu: It was not in last year's budget. This is current year is the first year that expense showed up.

Mr. Rapozo: Okay.

Mr. Heu: So again, we have not procured the lease yet, but we are in the process.

Mr. Rapozo: But that car has been here for a year.

Mr. Heu: No, we do not have a car.

Mr. Rapozo: It is a new one?

Mr. Heu: Yes.

Mr. Rapozo: Okay, this thing says SUV Hybrid. I am assuming it is the Mayor's car.

Mr. Heu: No, that is the Mayor's personal vehicle.

Mr. Rapozo: Oh, okay. So we are getting another one.

Mr. Heu: I see the confusion.

Mr. Rapozo: We are going to get one.

Mr. Heu: The Mayor's Office...we are kind of like the step-child. We never really had a vehicle in the Mayor's Office. We used to at one point in time have one on loan from Public Works, and then...

Chair Furfaro: You can borrow ours.

Mr. Rapozo: We have an Explorer, though, and it is nowhere near \$24,000. I guess if I do the math for a three-year program that means we are going to be paying in three years \$73,500 for an SUV.

Mr. Heu: That amount is probably over stated, but we did not want to get into a position where we could not negotiate for the lease because there was not sufficient funding.

Mr. Rapozo: Okay, it just seems quite high. Normally a lease, there is a residual at the end of the term. So unless this vehicle is \$100,000, we should not be paying \$73,000 for three years, I guess, is what I am saying.

Mr. Heu: Right and it is probably not \$73,000.

Mr. Rapozo: Well that is what the budget is.

Mr. Heu: Yes, because what we found ourselves was in a situation where when we tried to go through procurement we found that the existing funds were not sufficient and so we needed to bump that up. It is probably bumped up a little more than necessary, but we did not want to have to come back again to do that one more time.

Mr. Rapozo: Okay. The next question is I know you mentioned that the ADA Coordinator is being moved to HR. I guess when we get to Personnel, when we get to that department we can get more specific answers. On page 6, which is your Equal Access Department or Equal Access Division, I am assuming that is the ADA Division.

Mr. Heu: Yes.

Mr. Rapozo: You are still showing regular salaries of \$56,196, that is not including the benefits and the trainings. On page 6, it is not listed. It is interesting. It is not listed as a position.

Mr. Heu: Right. What happens is when you look over to the right-hand side and the Mayor's Review, it is zeroed out?

Mr. Rapozo: Okay, okay. So in essence that person is going to be...and I think Nadine may have asked the question already, but... So this person will be moved to HR and what is that person's title going to be? It is not going to be the ADA Coordinator?

Mr. Heu: No, my understanding is it is going to be converted to a Civil Service position. So it would be a civil service title, which would allow us to perform those job functions appropriately. So I think again it is a Human Resources Specialist II maybe? I am not sure. I would have to go look at the Human Resources...

Mr. Rapozo: And you folks believe that would be in compliance with the Burkhalter settlement?

Mr. Heu: We believe it would, but it would never hurt to do the double check.

Mr. Rapozo: Please, because as I remember that settlement agreement, it was pretty clear that we needed someone dedicated to ADA, not as a part-time duty or an HR person. I believe, and I know I have a copy somewhere in my files, but it was pretty clear, as I remember, that we would have to have that one person and that is all that person's function was. So if you could check, Gary...

Mr. Heu: We will make sure that we are in compliance.

Mr. Rapozo: We will also check as well. And then the other question, I noticed the County Drug Facility Coordinator is there now, but we do not have a drug person, the Anti-Drug Coordinator. Is that a change, page 8?

Mr. Heu: The County Drug Facility Coordinator...

Mr. Rapozo: Yes, we used to have an Anti-Drug Coordinator, but this here now, I am assuming the County Drug Facility Coordinator will be...I am assuming...according to your... you are going to be siting that Adolescent Treatment Center.

Mr. Heu: Yes.

Mr. Rapozo: So have we given up the Anti-Drug Coordinator or is that going to be a...

Mr. Heu: No, that will still be part of the responsibilities. In fact, slowly we are going to make the transition. I am not sure if you saw in the news, I am not sure if it hit the news yet, but the Mayor announced yesterday what we commonly refer to as the Anti-Drug Program has been renamed, I guess you could call that a brand name kind of thing, to Life's Choices, which has maybe a more positive connotation. Because we feel that the effort really is more than an anti-drug type of effort. A lot of the work that Theresa and her team have been doing over the years has to do with underage drinking, other behaviors that contribute to potential future drug use. And so it was just felt that a more appropriate title for the program would be Life's Choices.

Mr. Rapozo: And so your Drug Facility Coordinator will be doing that as well?

Mr. Heu: Yes, that is all part of the package.

Mr. Rapozo: That is pretty rough, Gary. That is like a lot of work for one person.

Mr. Heu: Yes, we continue to look for additional funding opportunities. We said that we currently have contract employees that work under a grant, so it is our intent to continue to look for additional sources of funding so that we can continue to have a more robust program with sufficient resources to support that.

Mr. Rapozo: And why...I could never understand this, but why is the Anti-Drug Program under the Boards and Commissions? And I looked at the Charter...the Charter Amendment and the discussions that led up to the Boards and Commissions being formed, why are they under Boards and Commissions? It is like completely, I believe, irrelevant to each other. I do not understand that.

Mr. Heu: That is a good question. It is a fair question. In part that was done as a matter of just having the ability to provide some direct oversight based on... It all falls under the Mayor's Office, Boards and Commissions, ADA, the Life's Choices Program. Within the Administrative circles, we affectionately refer to the Mayor's Office upper campus and the Mayor's Office lower campus. The ADA Program and the Life's Choices Program were situated on the lower campus along with Boards and Commissions, and it was just felt that to provide that more direct oversight, it was placed under the Boards and Commissions Administrator. I would agree that there are probably better fits, but it has suited our requirements over the past couple of years, and if something else makes more sense in the future, we are always open to consider that, but currently that is where it is located. And we felt that, again, when we were developing the Human Resources proposal, that was an opportunity to peel off the ADA Coordinator and situate it where we thought it maybe was more appropriate within HR and not under Boards and Commissions.

Mr. Rapozo: Okay, I guess I just do not agree with it being there. I think the Boards and Commissions Administrator needs to be focused and concerned about the commissions and the boards, the training, accountability for our Boards and Commissions. I think and I guess maybe I just envision an Anti-Drug Program to be a lot more involved. If you ask me where I think it should belong, if you ask me between Boards and Commissions Administrator or the Police Department, I would say put it under the Police Department because I think that is where the resources are, that is where the information is, that is where the data... Boards and Commissions, Paula is back there and I mean no disrespect to her or her abilities to supervise, but I just cannot see that fit, likewise, the ADA Coordinator. At the end of the day, it is your choice. My point is I want to make sure that this island gets the best bang for the buck with the Anti-Drug Program or whatever it is going to be called now. I do not see the connection between Boards and Commissions and an Anti-Drug Office. So what you are saying is that this new Drug Facility Coordinator is the old Anti-Drug Coordinator, and that person will be in charge of this facility siting and moving forward with the Adolescent Drug Treatment Center, as well as the existing job of the grants and the...that is what you are saying?

Mr. Heu: Yes, and again, I go back to the fact that we continue to look for additional sources of funding, non-General Fund to be able to continue to fund some of the contract work that is taking place to support the Life's Choices Program.

Chair Furfaro: I would not start there. We are half an hour over.

Mr. Rapozo: Yes, I understand.

Chair Furfaro: You pau?

(Councilmember Yukimura was noted presented.)

Mr. Rapozo: I am done for now because of the time. Councilmember Yukimura, I know you just walked in, but did you have a question? If not, I will turn it over to the Chair and he can call up the County Attorney. We are half an hour behind.

Ms. Yukimura: Right and you are on Boards and Commissions under the Mayor. Who is running the meeting, excuse me.

Mr. Rapozo: He stepped out.

Chair Furfaro: I stepped out. I am about ready to take it back. I am reminding us that we are half an hour off schedule already. There might be many questions that were answered in your absence.

Ms. Yukimura: That is fine. I do not expect to rehash anything that I have missed right now. I am going to review the tapes of the meeting. Thank you.

Chair Furfaro: I do want you to know that your questions were submitted to the Energy group and I asked them to respond within 48 hours. That is our new standard, 48-hour turnaround. Mr. Bynum.

Mr. Bynum: Very quickly, the Employee Council still healthy? Very small funding in there.

Mr. Heu: Yes, we just had our annual Employee Council appreciation lunch and the newest development is that we have formed an executive level feedback team. One of the concerns of the Employee Council leadership was that they did not feel like they had sufficient visibility and they were wanting to be able to do quarterly presentations to an entity that would provide them feedback and additional support. So that executive...we have to find a good term for it. I do not know. I am just calling it the feedback team because that is what I see our role is. It consists of myself, the County Attorney Al Castillo, Finance Director Wally Rezentes, County Engineer Larry Dill, and Communications Director Beth Tokioka. We felt that was a good set of eyes to provide guidance if the Council was seeking guidance and input.

Mr. Bynum: So the Council is still active.

Mr. Heu: It is.

Mr. Bynum: Their most visible thing that I am aware of is the employee events. They are still involved with the Halloween and the song contest.

Mr. Heu: They are, but there have been, over the years, numerous "concerns" that are raised by the Employee Council, some regarding things as mundane as parking, things that are a little more serious such as safety, just general safety around the building. We have been in discussion with the Employee Council because, again, they do a terrific job of putting on some of those special events, but we think there is a lot...in talking with Max Kato-Klutke, who has been an incredible leader for that organization all these years, we think it has the potential to be so much more. When you look at the people who sit on the Employee Council, it represents truly a cross-functional representation of the County's organization, and what we would like to see, I think, is that...I think we all understand that there are many processes that can be improved, need to be improved within County government, and a lot of those processes involve cross-functional responsibilities, and we have everybody represented there. So we are looking towards the Employee Council to identify some of those processes that from their perspective can be and need to be improved, and then forming a cross-functional task force to take a look at that and then make recommendations up to the executive feedback team.

Mr. Bynum: The answer you are giving me is more extensive than I expected, but it also is saying to me that it is still active, it is still involved in a variety of issues, just the most visible of which are these events. And just my two cents is I am very supportive of that whole effort. I am really glad to hear that it is not just those events, it is other things, and I appreciate you mentioning Max. He is awesome and I hope he does not get burned out and some of those things fall out if he decides to take a break. So thanks for that answer and I think it is a great answer. I am happy to hear it.

Mr. Heu: Thank you.

Chair Furfaro: Gary, you might want to...since we are all in the canoe together, you might reference the group as the waka, and maybe your group, instead of the executive committee, you want to be the steering committee for the Employee Council.

Mr. Heu: Yes, it is a tough one. That is a good suggestion. It has been a tough one because we do not want the Employee Council to feel like it is being managed, and we want to see it as a collaborative effort, and if they need us to bounce ideas off of and provide input, we are happy to do that.

Chair Furfaro: Okay, anyway, that was just a suggestion. Kealawa'a, the way of the canoe, and it has to be steered by somebody. On that note, we are going to close the Mayor's Office. We have a few questions going over.

The budget review was recessed at 4:06 p.m.

The departmental budget reviews reconvened on April 3, 2012 at 4:15 p.m., and proceeded as follows:

Councilmember Yukimura (present at 4:19 p.m.; excused at 4:39 p.m.)
Councilmember Nakamura (present at 4:23 p.m.)

COUNTY ATTORNEY'S OFFICE:

Chair Furfaro: We are back from recess. I do want to acknowledge that Councilmember Nakamura was excused from a good portion of the Mayor's review as it went to Boards and Commissions, of which there is a possible conflict because her husband does contractual work for Boards and Commissions. She recused herself for a good portion of that piece.

Now we are into the County Attorney's presentation, and Mr. Castillo has his team here. If you could have them all introduce themselves for the purpose of the record. It would be much appreciated, and the rules are suspended.

There being no objections, the rules were suspended.

ALFRED B. CASTILLO, JR., County Attorney: Council Chair, Councilmembers, Council Services, Al Castillo, County Attorney, and I will let Pam introduce herself to all of Kaua'i.

PAM COX, Law Office Manager : Pam Cox.

AMY ESAKI, First Deputy County Attorney: Amy Esaki.

Chair Furfaro: So Al, we have Amy Esaki and Pam Cox here as part of your team. You have the floor.

Mr. Castillo: Thank you. Council Chair, first of all I know this morning you said something about being quick because the bridge is closing at 5 p.m. I remember in the early 1980s as a young deputy prosecutor doing court at the Hanalei District Court. The police coming into court telling us and the judge, "You have about 45 minutes to get back across or the bridge will close." So we quickly gathered our things and we left, so I can empathize with your position, and I know going home to family is very important, so I will be brief. I have submitted to Council the 2013 budget presentation and I hope all of you have it. I would like to basically discuss or highlight three different areas. The first is I would like to mention...what I did was I put it in page 1 of the Office of the County Attorney's objectives, and first and foremost is to provide legal services with dignity and respect. I think above all else that is very important for myself, as well as the staff. Number two, I am blessed with wonderful people that I work with. All of the deputy county attorneys have been with me since the day I started. What that means is we have the ability to develop and build expertise in the various areas that they serve, and what that also means for myself is that I have a reliable database from which the office can draw upon. And third, I would like to say that looking at the numbers that I have submitted to the Mayor and the Council, there is one correction. I was trying to do my math this morning on page 6 and I looked at the \$180,839 and that is...if you did your math, the math is wrong. It should read \$181,439. Basically what I have submitted for my budget is a lesser amount than what we asked for last year, and basically for that is because you are aware and I guess the Mayor is aware, Finance is aware, we are aware that we have been saving money basically on the use of Special Counsel. Each year moneys that we have set aside for Special Counsel so-called lapsed and went back into the General Fund. Our savings to the County is a blessing in terms of savings, but it also is indicative of the additional burdens that we placed upon the Office of the County Attorney. However, we do the best we can to provide the services that we are supposed to. That is all that I have. If there are any questions for me, I hope I can answer them or I have Amy and Pam here that they might be of assistance.

(Ms. Yukimura was noted present.)

Chair Furfaro: Okay. Well, Mr. Castillo, your office represents this Council as a body as well, and I do want to say through negotiating through some challenges, there are situations that if each person does not have a clear sense of what the client is trying to accomplish, then sometimes emotions get the best of us as we get through this process over here, and I do not want to have emotions be any factor of our review of your department. But I do want to say I concur with you with the fine staff you have put together over there, and it is very nice to know that we have people that are growing in character and ability. It has been certainly a plus for the County,

but I do want to say again, our review will be one that you are our attorney as well. Sometimes that is a fine line to walk and sometimes as we go through negotiating we do not want to have misunderstandings that maybe cause unnecessary conflicts. So I want to thank you and your department for the work that you have done over the last two years. We have had a lot of challenging issues, but one of the questions I am going to point out to you is do you have an appropriate staff?

Mr. Castillo: Right now because of the challenges that we have, we have...appropriate in terms of yes, we do. We would like to add one more and that is contained in the budget, in our budget request, and I have been able to work with Eric Honma on that, and thanks to that, it allows a small increase.

Chair Furfaro: So I was correct in my assumption you are looking to add an attorney?

Mr. Castillo: Yes.

Chair Furfaro: Okay, Members, questions for the County Attorney?
Mr. Chang.

Mr. Chang: Thank you, Chair. I want to ask a question and a lot of it is in commending your office, can you give us a guesstimate since you have taken office, from the conception to maybe the past year most recently, what kind of moneys do you believe that we have saved by keeping as much of the work in-house versus outside consultation, special assistance?

(Ms. Nakamura was noted to be present.)

Mr. Castillo: In the three years that I have been here, I believe, we have saved over \$2 million, at least \$2 million. I can get you the exact number, but I am thinking at least \$2 million.

Mr. Chang: That is why I wanted to commend the staff and the office for understanding the law and being able to take it in-house and keep it in-house because I think that is very important to know about the government savings on that legal end, which can sometimes be quite costly.

Mr. Castillo: Not only that, also in terms of the benefit of having more litigators in our office, we just settled a case where it started at a \$1.9 million case and we settled for less than \$200,000. So things like that helps out the County.

Mr. Chang: Thank you.

Mr. Castillo: You are welcome.

Mr. Chang: And that is good information for the general public. Thank you, Chairman.

Chair Furfaro: Mr. Bynum.

Mr. Bynum: I expected you to do more of a presentation because there is good news in your budget. The allocation for Special Counsel is being reduced by \$250,000 because you have a track record of not using those funds. I believe you also have really helped collect a lot of debt owed to the County, and you have deputies working on that initiative. Did I understand the only turnover your office has had has been based on retirement and promotions?

Mr. Castillo: Retirement, basically yes, Joy Goto, and promotion, well Mike Dahilig has always been with us in planning, but now he is the Director. So yes, there is no turnover.

Mr. Bynum: Right and so was Mike's position filled with somebody different.

Mr. Castillo: Yes, then we were able to attract someone that graduated from Punahou, who is originally from Kaimuki, and who married someone from Kaua'i, Saegusa. Her name is Jodi Higuchi-Saegusa.

Mr. Bynum: So that is really the new attorney, but the rest of them have been with you since you first hired them.

Mr. Castillo: Yes, and Jodi has been with us for over a year.

Mr. Bynum: I think that is nice that there has not been turnover. I do not have other questions. I read your presentation, and just let me say from my perspective, you have been more than willing to release your County Attorney opinions, and I have noticed since the three years a quicker turnaround with the requests that I make to your office in most instances, and that is much appreciated. And your willingness to release those documents to the public and basically stand behind your work because I do not always agree with your opinions, right, but I know that you have researched them and provide them. And unlike previous county attorneys, in my opinion, who wanted all of those legal opinions kept in the utmost secrecy, you have been willing, unless there was a specific legal reason to keep it confidential, that response has always been sure, go ahead, release it.

Mr. Castillo: Thank you and thank you for that because the County Attorney opinions that we come out with, I think it is a privilege to be able to when we can release what we can because at least the people can see the level of work that we do. We do a lot of work, we do a lot of research into the opinions, all of the opinions that we do.

Mr. Bynum: Thank you.

Mr. Castillo: You are welcome.

Chair Furfaro: Mr. Kualii, go ahead

Mr. Kualii: Aloha and mahalo all of you, so just a quick question. You said the savings on the Special Counsel line item was \$2 million over what period?

Mr. Castillo: Over a three-year period. I do not know the exact amount, but it has been a lot.

Mr. Kualii: Is this the first year that you are reducing the budget for the Special Counsel line item from \$1 million to \$750,000?

Mr. Castillo: Yes, it is the first year and that is in coordination and in conjunction with the efforts of the Finance Department. What terminology that they use, that is up to them, but every year there is a lapse of funds. So we are just hoping to do what we can to help the County out in not going out and getting Special Counsel too much.

Mr. Kualii: So that is the 25% lapse they were talking about.

Mr. Castillo: Yes, yes.

Mr. Kualii: Okay, thank you.

Mr. Castillo: You are welcome.

Chair Furfaro: Mr. Rapozo...

Mr. Rapozo: I have a question.

Chair Furfaro: Go ahead.

Mr. Rapozo: I see you get 7 iPads, request for 7 iPads.

Mr. Castillo: We took your lead, sir, and really one of the hardest things is we have deputies here and there and everywhere. There are a lot of times that we need to communicate and it is really hard to communicate with something small like a phone and do this

and that. I just thought that to increase productivity and to be able to store things that you need and pass things around when you need them, we could provide better services for you, in addition to that is the service that we hope to provide for you, an increased level. But yes, we did ask. I termed it some kind of technology.

Mr. Rapozo: I think we did the same thing.

Mr. Castillo: So I followed your lead, sir.

Mr. Rapozo: There are a lot of legal applications out there for the iPad and it actually can reduce paper, especially in your field. So I commend you folks for...I mean it is a battle to get these things from Finance and from IT.

Mr. Castillo: I know.

Mr. Rapozo: And they are still hounding me about mine, but I will support it and like I said, I would encourage you folks to utilize it with the intent to reduce paper. We have legislate is the legislators app that we are trying to get familiar with, but I know there is a bunch of them for attorneys.

Mr. Castillo: Thank you and I know there are parameters, and I hope we can all stick to those parameters. Thank you very much.

Mr. Rapozo: Thank you.

Chair Furfaro: Other Members, did you have anything before I recognize Mr. Bynum a second time?

Ms. Nakamura: Thank you for being here. I wanted to find out, we are nine months into this fiscal year and it looks like you have expended \$1.6 million out of your \$3.4 million budget, and I was just wondering where do you expect to end this year? Do you expect to expend the full \$3.4 million?

Mr. Castillo: No, we actually do not, and in terms of budgets, it is interesting because when I look at the budget that I have, what I would like to do is spend every cent that is given to me. And when we do not...you could argue for and against the fact that we do not spend all of the money, and I do not know if that is coming across...

Ms. Nakamura: I think you should be commended for staying within the budget and...

Mr. Castillo: Thank you because we do not intend to spend all of that. I know for a fact that as we near the end of the fiscal year, if there are amounts that we can use for training that will help in areas that I find that we need, then that is what we use the money for. Other than that, we do not intend to spend all of the money that we have been given for 2012 also.

Ms. Nakamura: Do you have an estimated amount that you...

Mr. Castillo: No, I am sorry, I do not have. I am sorry I am not like other departments where some of the other department heads and the nature of their business, they keep track of every dollar that they have and they kind of know where they are going to spend it. For me, it is not as...that kind of information, I cannot readily give out.

Ms. Nakamura: Okay, then in 2010 what was your actual Special Counsel expenses?

Mr. Castillo: I am sorry I do not have my 2010 amounts, but we can get back to you.

Ms. Nakamura: That would be good to have.

Mr. Castillo: But what happened was I know for a fact that when I came in 2009 March, the starting point at that time was we had 32 Special Counsels on-board. We have drastically reduced that and we have used Special Counsel now not only in cases where there are

multiple defendants where we would use only one Special Counsel and then we would have our other litigators be part of the litigation.

Ms. Nakamura: And in your list of challenges on page 3, you mention here legal assistance training in contract management. I am just wondering what does this mean. Is it you want to be trained or you want to train others?

Mr. Castillo: Yes, we want to train all of the agencies/departments that need the training and the assistance.

Ms. Nakamura: So would that not be then an upcoming initiative?

Mr. Castillo: Yes.

Ms. Nakamura: It is a challenge and it is an initiative.

Mr. Castillo: Yes.

Ms. Nakamura: Because it seems like that is where sometimes we get into problems with the County by not being on top of it and not using techniques that might prevent miscommunication and misunderstanding. So I think that is a really good initiative to have. I just wanted to make sure that it actually gets done, that you have the resources to do that.

Mr. Castillo: Yes and thank you very much because when I look at all of the activity that we have had to go through before you and even on the administrative side, there is a real need for this area.

Ms. Nakamura: And do you do that in-house or do you contract that out?

Mr. Castillo: We do it in-house for now, and if we need to go out and have some sort of assistance, we will. But as far as I am concerned, the training in this area, and we are trying to work with Brandon Raines, and we are trying to work with the people that handle contracts, and we are trying to formulate a system where we can keep track of all our contracts and make sure that people are accountable and they are reliable in terms of contract management.

Ms. Nakamura: Okay, it seems like one is an information system piece.

Mr. Castillo: Yes.

Ms. Nakamura: And another is a training piece.

Mr. Castillo: Yes.

Ms. Nakamura: But it seems that we should try to articulate those two pieces and put together what is it you are trying to do in this upcoming year with respect to these two pieces.

Mr. Castillo: Okay.

Ms. Nakamura: And how many County employees would you like to be able to train over the year so that we can see at the end of the year you have accomplished your goal or not. I am unable to discern that from your presentation.

Mr. Castillo: Point well taken and we can surely take your lead.

Ms. Nakamura: Thank you.

Chair Furfaro: With Ernie here, I just want to make sure you understand that the numbers we are comparing in the book do not represent nine months. They represent eight and even the eight might be short one full pay period because it was cut off on the 15th. I see Ernie acknowledging that, so just FYI. So before we pat ourselves on the back too hard, make sure you understand that you have not reported all of your payroll for that period, okay.

Mr. Castillo: I am glad Ernie is here.

Chair Furfaro: Any other questions for the County Attorney here? Go right ahead.

Mr. Kualii: On the new position, is that a full position or a half position?
I only see \$33,333 in the budget.

Mr. Castillo: It is actually a new position supported by Liquor 50% of the work, but it is a new position.

Mr. Kualii: Then the only other thing was because I do not know that I really understand how your department works, but is the ratio between the clerks and the attorneys...obviously the clerks support the attorneys, yes? So if you are adding an attorney, the current clerk availability of staff will still absorb and support that new attorney as well.

Mr. Castillo: Yes. How are we going to do it? Only time will tell regarding whether or not we have enough support staff. However, we do have...I can only use myself as an example where I have all my forms and documents in my computer and I like to do things myself. I can do a lot of work myself, so I do not know how...

(Ms. Yukimura was noted excused.)

Mr. Kualii: And then I do see there are two dollar-funded positions. One is tied to funding by the Water Department, that is an attorney, though.

Mr. Castillo: Yes.

Mr. Kualii: And then there is a law clerk. That is dollar-funded with an EX, E-71. Okay, thank you.

Mr. Castillo: Thank you.

Chair Furfaro: Are there any more comments before I pull this to a close? And I would like to share, again, with you, Al, I want to make sure my statement is very strong to this point, we are a client of yours too. We also demand an equal standing to the Administration. I also think with the talent that you have in your office it is fair to us to see that we hold you to the highest standard in delivering our legal counsel, and I sincerely mean that. I can be very direct at times, but at the outcome is we get quality work, and your body has provided us quality work because we get right to the point with you. The fact of the matter, it has been very, very much appreciated by your entire staff, but we are not the step-children across the street here. We are equal in the legal services that you provide us, and I want to thank you and your entire staff for that. Thank you very much.

Mr. Castillo: Thank you.

Chair Furfaro: I think that wraps us up for the day. Thank you.

The budget review was recessed at 4:41 p.m.

