

The departmental reviews reconvened on April 5, 2010 at 10:11 a.m. and proceeded as follows:

Excused: Councilmember Tim Bynum

COUNCIL CHAIR'S COMMENTARY

Council Chair Furfaro: Aloha, good morning, I would like to call our budget recess back to order, this was from our opening day and after yesterday's Council and Committee meetings we are back in budget sessions. This morning the presentation to start is actually a presentation by the Chairman of the Committee of the Whole. Basically as Chairman of the Committee of the Whole, I am the leader and coordinator of the budget process so today is an opportunity for me to present an evaluation and my own perception of certain assumptions made in the budget. I have passed out to you the actual presentation as well as another cheat sheet as you might say so that we are all familiar and conditioned to understand the process when we refer to certain accounting terms. What is a reforecast? What is a trend? It is all there for reference purposes. So, on that note I am going to go to the front and make my presentation. I do want to say that the most important part of us having an opportunity to participate in this budget review over the next four weeks is a major part of our role as Councilmembers. Again as I said as the Chairman of the Budget Committee, I wanted to make a presentation that gives some overview that we might want to pursue with the Administration as we go through various departments and questions. We did hear from the Mayor and from the County Attorney who is our Attorney as well, but as we go through the process first of all there are five areas that I think are extremely important for us.

Number one, we want to validate the information that we get from the individual departments and we have asked them by memorandum to please turn around for us questions that we ask within 48 hours. That is a new standard, different from in the past but 48 hours within the working period. Second, I think we share as a group and we should inspire having a shared vision in being able to hear from each other respectfully and open communication. Three, It is important that the Administration and those departments also know, it is our role to challenge the process. Making sure the information we have is good and accurate because no one made a bad decision because we had too much good information and that is what this process is all about. We also want to have a level of encouragement for those departments to act and not to procrastinate or delay and this is extremely important for the success of our county and also to set the highest possible standards we can through encouragement and putting a little reach in their budgets. Let us make sure they are realistic and that they are goals that can be reached so when we set them they are in fact obtainable. On that note I would like to start with my presentation. Scott, thank you very much and first of all I want to go over the biggest portion of our revenue which is the Real Property Section. The Finance Director on March 30, certified the Real Property Tax and the Real Property Tax as it was certified, was at 82 million, four hundred seventy one thousand seven hundred sixty six thousand dollars. From that certified amount, 37 thousand, 706 was discounted as it relates to the Real Property Tax revenues that went to the long-term rental program for people. That kept their units in the program and that was introduced by Vice Chair Yukimura a few years ago as well as the PHU. Although people don't see the reduction, it is a reduced from potential revenue of 4 million, ninety six five sixty one, and that was all part of the 2% PHU credit leaving the County with 78.338.499 of Real Property Tax revenues for the tax period of 2012-2013.

There's a little summary there on this piece that reflects those items that I just gave in the narrative and the given description of Real Property Tax that we had presented to us the last few weeks adjusted to a position that the Administration stated their goal is to be revenue neutral. I want to share with you the definition of revenue neutral because what is not in this cap is a reality that in the year for the year we are issuing building permits, we are seeing those revenues come in about a 12-month lag. We also need to know that although we are a million dollars ahead of what

was originally projected, there is the reality that we have actually seen less appeals this past year. In fact says this is one of the lowest percentage of appeals that came across in the process in recent years that I know of the last 10 years so you know that's an indication that this conservative appeal process may indicate that we're getting closer to the right values and less and less people are appealing. I would like to go through this whole presentation before I entertain any questions by you folks. The next slide please? The reforecast as we talk about fix expenses, there are some existing trends that need to be reviewed in the reforecast especially as it relates to fix expenses. I want to make note especially of fuel cost, when I recently looked in the 6-month ledger, I think there is a pretty good prepaid account for fuel for the bus, the operation of the bus. I think we also realize that we have one of the highest fuel cost across the nation ever at this period of time, so I think we need to make note of that as we go forward and then look at our next piece of information which was presented to us by the newly formulated energy team. Energy cost is something that is going to mandate a very aggressive management process as we look at our new bills. There are other assumptions as we go through this that is not coming across very clear to me. There were no assumptions in the information we got that related to certain assumptions about payroll.

What is the aggregate amount of payroll for this period that we are going into? Utilities and we had a presentation but we certainly need to find ourselves in a better position with sub-metering and our own building is very important to look at here. We should be able to sub-meter the Historical Society which is attached to us rather than giving them a fixed utility cost that was negotiated 11 years ago and that did not come across in the presentation of utilities. We have money carried over from this building in the amount of we are under by about 459 thousand dollars. Perhaps when we get to the CIP Budget we want to manage the cost of electricity a little more efficiently and we might ask as we expand in the Piikoi Building, what are we doing about sub-metering the new departments that moved into those areas? The only way we are going to make people accountable for utility cost is they have got to be able to say... what am I measured against. So I think that is something that we should also look at. We also did not get real clear assumptions other than what Wally was able to share with us dealing with some OPEB issues. Some of it we got from Wally, some of it we saw in the newspaper where HMSA is seeking a 4.9 percent increase in medical benefit payments but we need to have a clear opportunity with that. I am hoping that between Ernie and the Finance Department, that they will be able to share a little bit more of that information when we get moving into the Finance area.

From the health benefits we also talk about insurance issues and we should be having discussions about any increases in insurance exposure for premiums. We also should ask planning although important Ag Land pieces are not going to hit us until maybe the end of this year. Do we have any kind of projections what we might be seeing in the way of discounted tax revenues from landowners who make certain commitments on their property? Again these are just assumptions we should be preparing for in our dialog going forward. We talked a little bit about the growth of public transport and the fuel cost and one of the things I want to caution us all on is be very careful that we do not find ourselves over promising and maybe under delivering at this particular point in time. The repair and maintenance of the County Parks, we recently saw a presentation by Lenny and he is coming up in the very near future. Put a quick pencil to that investment plan to expand our parks was almost 58 million dollars over a 10-year period. I think we need to also understand is to get the parks to a certain level which has been a topic of my discussion from 10 years ago when I got on the Council. We want to know the cost of repair and maintenance? The R&M of those parks, is it a passive park at a C level park? Is it a B park that is in the neighborhood? Or is it an A park which is one of our regional parks? What costs are associated by acre? We can calculate that so at least they can present something to us. Let us go to the next slide Scott? Thank you very much.

Develop and identify our wish list. We talked a little bit about this in the last slide but there's a lot of dialog going on now about finding improvements as it relates to complete streets and

finding the availability of money to do that as well. The growth rate of the Kaua'i Bus. How do we see it and how do we neutrally agree with the Administration? Sufficient staffing to be in compliance with the guidelines established by the State Department of Health and the Waste Water Divisions. That is an area that is going to be some tension and I know we brought it to the personnel's departments' attention. How do we fund the parks master plan? This County has excellent credit rating; we have done a very good job and my hats off to past Administration as well but certainly current Administrations we have in most cases a double A plus credit rating. The question for this Council is going to be in concert with the Administration, how far do we want to borrow on the intent on us doing some things that create great recreational activities for our citizens? It is a wonderful family builder because we do not charge for the use of our pools and parks so it has great sense of community value that cannot be measured in dollars. Also developing other County facilities especially neighborhood centers and there was some discussion most recently about a (inaudible) theatre along the coastline in the Kapa'a area, ongoing improvements for Parks and Recreation making good note of our credit and our ability to borrow if we had too. Next slide please? We need to also address the subsidy provided to our enterprise funds. How do we move forward in self-sufficiency there? On this topic we have County Housing development ongoing operational cost associated with the amenities we put into the project are also tied to common area cost for sidewalk sliding etc, Solid Waste fund and having a better understanding of our landfill cost. We do have a 7.7million dollar reserve placed in there but that is all tied to its closure.

The sewer fund is one that is constantly scrutinized and I want to compliment the Administration for over the years being able although our receivable there is pretty substantial, it is far less then it was 3 years ago so we should give some credit where credit is due to the Finance Department. I think the most important thing that that is on our radar screen when we talked to Mr. Rapozo, Lenny is the golf fund. If you do not remember when we budgeted we had concessions as a pretty high number but it looks like we are going to be negative about seven hundred thousand in that account. What is the strategy for getting the clubhouse re-opened? Are we trying to be a restaurant or something that brings in other revenues based on having a vendor there? Or do we want that amenity to really be focused on supporting golf? A place where golfers can go for sandwiches, pupus after work, maybe a bar for a cold drink and to compare golf card scores that closes at 7:30. We do not necessarily understand what is the status of that concession although, I think it should be much smaller and it should provide an amenity, that amenity should then increase the numbers of rounds of golf which ultimately should reduce some of our exposure there. I think we should also have some discussion when Lenny is here about all the concessions at the golf course when parks come up. I mean we got a concession for ball, we got a concession for carts, and we got a concession for the pro shop. Does it become more attractive with one operator watching those amenities? Those are things that should be coming up in our discussion as well. Scott may I have the next slide please? How do we fund our major CIP Projects through bond funding? I touched on that a little bit but I do want to say that we need to give Larry and Lyle a chance to really evaluate what highway that we're going to focus on and also balance that with the repair and maintenance. I think we were all discouraged that we had fallen behind several years in just our repaving, but it seems like we are back on track but we need to have that discussion. Wastewater, I'm very concerned there we still have a couple of plants that still have unacceptable levels from the Board of Health and this is an item that I hate to say we're going to have to make sure we roll up our sleeves and put some money towards those kinds of improvements.

From the (inaudible) to the digester tanks, there all suspects with some of our scores. Solid Waste facilities we have not resolved some of the issues about even the CAC and hosting the Solid Waste facility. I think it is possible to rather than put us in a cash position for that, maybe now that we are charging for refuse collection and so forth we should at least have some dialog about determining the boundaries around Kekaha Town and perhaps rather than cash, look at waving fees since there hosting the facility. Just food for thought down the way but we're not going to be able to sustain the cash position for a long period of time regardless of what the consequences we end up

with its location. They have been very supportive; I had a meeting with the CAC but that should be a discussion. Then along the line I think we need to have a little bit more discussion with Larry and the Planning Department, a joint discussion about levees and bridges and our community. We have gone through the March 2007 range, we have gone through this recent experience that we had where we had temporary closures. I got me a lot of reading time on my way home to the North Shore parked on the side of the road, but I had to change the battery because I used so much electricity on the side of the road but it is a serious item that we need to look at. When you look at what they are doing out in Kīlauea right now, their cleaning both sides of the ravine that runs under the highway. Yes it's a State Highway but it also comes back to say that perhaps some of this is in relationship to the fact that we don't put enough money into repair and maintenance of our bridges and levees and that should be something that surfaces as well.

Next slide please? Revenues, what options are available? Recently we all know that we touched on changing certain fees, we have other revenue sources not just property taxes. We have State Grants, we have Federal Grants. Are we applying for them? Just as a follow up to yesterday, it's not about grants being no charge, there's a proviso in the budget that requires this body to manage those and I suggest you all go back to the previous budgets and realize if you have an Ethics Board that looks at even people like myself, nine years with Habitat for Humanity. From an ethics standpoint I had to step down. Eight years as treasury with the Salvation Army, Ethics Board I had to step down. Executive Director for 2 years as the founding director of Leadership Kaua'i, because we process individuals I got a note from them that I needed to step down. It is the same with grants, it might come to you free but the reality is you want to make sure it is fully disclosed and goes before the Council and making sure there are no attachments. That's the simple piece I'm saying that we need to know and as you know I sent a very stern note and Jade has it, I sent it over a week ago prior to even this discussion we had yesterday, but we need to make sure that all the departments are pursuing grants with our approval in advance and timely. That has come up in part of my 14 months as chairman several times and it was not new. The other thing we are experiencing and we are the first county to do this is with the CFDs, there is a source there for us to see certain amenities within certain districts that could be assessed a special fee. That helps us offset some of the cost associated with doing business and government and adding to our asset list. Could I have the next slide please? This slide it is kind of hard for us to see it right at the moment but I wanted you folks to have one and you have a hard copy and I will give one to the media as well so they have a copy of this presentation. We needed to look at all taxes and make some assumptions on what is growing, what is not. From our licenses and permits with street use it is almost like there has been no change in some of these permits. Business licenses, non-business licenses, revenues from our investments as well as our revenues from property taxes... property concessions I am sorry. These all add up in addition to our found money so... thank you, thank you, so inter-government revenues is always subject in there you know the State Grant Aid is there but it actually relates to the TAT Tax. It is always subject to review by the Legislature, we do not know the outcome until the legislature actually adjourns itself, but there is a little summary there for you for all the other revenues.

Can we go to the next slide Scott please? Thank you. We have this summary here that shows now the 2011-12 to the 2012-13 and the variances and it's important for us to point out that we found potential revenue equaled to just one million dollars through the re-visiting of fees. I would also like to say we still have not used the building permit authorization appropriately as I pointed out and I gave those documents to Mr. Rapozo and I know he's going to follow that up with the building department but I don't think there's anything wrong with us using and that's why it was designed when I did it, using the forecasted building permits to make some assumptions about some of our revenue growing in the year for the year. In fact from the charts I shared with you, that might be something that we want to add some money to Invasive Species and so for. Maybe we want to count, maybe we want to get more for Humane Society, and maybe we use the projected growth to give them some money because neither of those came up with any funds in the first draft and first blush for what I have seen from the Mayors first draft of the budget. Yet I think we all know from

the workshop that I presented, those are a very important components of our community to maintain the kind of quality that we want. We should have some discussion about building permits related to future revenues short term within a twelve or eighteen month period. Scott we can go to the next slide. We also need to keep in mind that the county revenues and our ability to sustain an appropriate level will have a direct impact on the county's bond rating. I think for myself who drafted the resolution on the reserve fund copied after Denver, I was surprised to see how much money we tapped of the reserve fund this time out but it's not sustainable at that kind of rate to tap that fund. I have left in the Finance Committee the ability for them to introduce some form of ordinance that says we have a reserved fund, it's earmarked for these emergencies and what we can respond from but what it is right now with just a resolution it is subject to approval from the administration to use that money. We need to get it into an ordinance. Contributions to the CIP and the general fund, we have to have some discussion when we get to CIP today. I applaud Mr. Bynum for the big worksheet and Larry guys putting it together but it can be managed from a very smaller summary sheet, for example the comparison that we did on last year's 82 million for this year's 61 million and I did send over the communication that when we have them in front of us in a week I think on the 18th or maybe it's 2 weeks, that we want to know what was completed, added to what assets of the county and if money was deferred for approval based on the fact that they didn't think it's a project we were going to get too.

What is the reserve strategy on that money because at one time it was in the CIP pot? So our big question going forward is, how do we balance the County's growth? I know some of the taxpayers may not want to hear this but, we have a average tax in the homeowners classification that is running about a dollar and eighty-one cents per thousand-dollar value. We have not had a tax increase for nine years we have not changed rates. That is something that we need to study especially as it relates to what we identify to the Administration as our priorities, Scott, next slide? The next one is questions and I also want to share with you folks that the request for additional detail from the administration when making grant request was sent over almost 10 days ago. It was an issue that came up from our proviso. I also left you folks some terminology that is related to my presentation just so that we can all be very aware when you use the term "trend analysis". For example the budget you got and I had this discussion with member Nakamura, it does not represent as it only goes through the period of February eight months, it doesn't go through the date of March which is on the corner and it is lagging 2 weeks of payroll. Actually what you are seeing on your comparison on the trends there is through February but it only has one-half of the payroll period in it. What is the difference between cash accounting and accruals? That's really important because what you're looking at may not reflect all of the actual bills for that period through February so I just wanted to caution you on making a flat out trend analysis on it. We spent this much for two thirds of the year therefore we may end up with a surplus and we may end up with some kind of a surplus.

I also want to caution you is if you remember my presentation during the tax period they're starting the budget saying they are forecasting a 12.5 million dollar surplus but when I took 6 months to reconcile what they had they were half way there, but again they could have some outstanding invoices that haven't been booked for those 6 months and I think Wally guys are doing an excellent job but they're forecasting it right to the penny. There are other areas we can look at for found money. There are the buildings permits that we will realize within the next period of time and that might give us a little wiggle room. I also covered in there the need for reforecast and I took that out of there as it references things that deal with storms that cause unplanned budget but the piece I pulled out talked about rain flooding and snow storms. We know we do not have snow here but we are half way there because we had hail last week. Those are things that we have to consider. That is what the intent of my giving you an overview of the departmental budget so that we had the time to put up some red flags, understand some areas we might be doing better than we thought. When I look at this whole process I have a couple verbal messages that we... we need to pass this out. Using 10.7 million of the reserve and reducing the CIP by 3.6 and also this projection of a surplus which we cannot acknowledge yet of 12.5. To me the bottom line is the entire team on the other side needs to

understand that it is not business as usual. It is not business as usual. These requirements are going to need them to be closer to their financial objectives in their departments and us as a body year after year cannot keep tapping the reserve to use it to replenish funds, to start the next year. Either we have a reserve or we do not have a reserve. I want to let you know I personally think that is a pretty fragile way about doing business, dipping into it that much. It is inevitable that we are going to have to really evaluate tax basis but it certainly is not business as usual. Thank you for your time, for letting me give an oversight and I think you all have copies of both my budget terminology as well as the power point presentation. It is a good place to be to start our budget dialog with the various departments and these are some of the red flags I think we should watch for. Yes Mr. Rapozo:

Mr. Rapozo: Are you going to stay over there?

Mr. Furfaro: Yes I will stay right here.

Mr. Rapozo: Okay good. I just want to say thank you, I think what this is and I do not believe has ever been done to portray to the public the council's perspective of budgeting and finance. I think you have clarified a lot of unknowns out in the public and more so about our financial position because as you know the last few months all of us have been approached and confronted and people expressed their concerns that we have all this money. I think you have pretty much clarified the reality of the County of Kaua'i's fiscal position in addition to the highlights of the bond ratings and so forth. So are we in a fiscally bad position? I don't think so. Are we headed for trouble? I think so and I just Mr. Chair, I just want your final comments about the reserve policy, I think it's important for the public to understand that just four months ago in December the council passed the resolution that basically, although it's not an ordinance but it is what I believe to be the policy statement of this body that we would maintain a 20-25 percent balance in a reserve of the prior year's expenditures not the current years but the prior years. As I mentioned when we were going through in the budget session, if we go through the removal of that 10.8 million or whatever it is from the reserve fund we will effectively drop the reserve balance to 7 percent, 7 percent when the guidelines that we passed in December said 20 to 25 so I would have to agree with you whole heartedly that is not a wise decision. The CIP Projects that you mentioned, the 3 plus million dollar reduction and as we looked at the list yesterday I think we all and once we got to see it in a report form like that which is the first time I think we've ever seen that. It was clear to me that there are millions of dollars in that projects that we know are longer than 18 months away from (inaudible).

It's quite obvious some of those things are there, I don't know what the value of keeping a CIP Budget inflated like that but there's some source of revenues there that I believe we should go after before we start touching the reserve account. The one thing that we did not see... we saw the reduction of the reserve, we saw the reduction of the CIP, what we did not see was a reduction in spending. That I think is the biggest concern I have, what we had was the 25 percent cuts or the directive from the Mayor to the departments saying "hey" you must cut 25 percent of all the money that you did not spend. That is not a cut in spending that is a cut in non-spending. What I think we need to take a look at is... what are the non-essential expenditures that came across to us on March 15 and start to eliminate those? Give the public some credit and say "hey" we're asking you guys to cut, we're asking you guys to struggle, we're all struggling. It's time I think the county tie our belts a little tighter and we haven't done that in the budget in fact we increased the budget and the fact that we've cut the non spending of surpluses that doesn't in my opinion constitute a cut in spending. So I appreciate the presentation I think it's like my eight budget but I think every day we learn a little bit more and this truly helps, this truly helps get a better picture of the financial situation I think. It gives us a better guideline as we move forward to the budget reviews. Thank you very much, Mr. Chair.

Mr. Furfaro: Okay and again you know the intent here as I said these are just some overviews and assumptions we should quarry as we go through the other units. For example, there is one that is there that deals with the bond issue and our debt service is currently about 4.5 million dollars, it is in their budget maybe reflecting about 7.9. Now I'm not sure if there is an opportunity here for some debt consolidation which brings us to a short-term increase in debt payment but a long-term savings. That could be a strategy that Wally folks had put together or is it to kind of leverage some other projects, we haven't got there. I do know the Administration invited me again to go with them to the Mainland with the bond council but that's the only quarry I have at this point that I there going to make some move to refinance this debt but we maybe can quarry when Wally has a chance too. What is the growth in a death service and what is the long-term savings for us? I also want to say that the Resolution on the reserve was a pretty aggressive one. I copied the City of Denver but there are many reasons the City of Denver is healthier then perhaps the City of San Diego which actually went in to a debt restructuring a few years back. It is out choice and the only way that choice is that we have to come up with a common agreement of what the reserve should be and have a mutual understanding with the Administration and that's done by ordinance. I cannot introduce that as the Chairman, I'm hoping that will come out of finance relatively soon once we have a good understanding. Our goals going forward should be like the five points I made. Number one lets validate the information we get. Let's make sure we all understand and let's work with the Department Heads to inspire a shared vision of what our County... you know my children they trace their ancestry back to 1854 in this County. That's a long time to be at a place but it also requires us to be able to sustain a place for the next 3 generations, extremely important. Let's also not tie the product to a point where we're tying people's hands. I'm very pleased with the progress that's being made in engineering with the two team leaders we have there. I think we have some new people in finance that are kind of taking a more aggressive approach to making information transparent to us and we need to give them encouragement. Yes Vice Chair.

Ms. Yukimura: Thank you very much. I think this has been helpful in stepping back and looking at the big picture and the important parameters that we have to look at. I just have some questions?

Mr. Furfaro: If you noticed my pages are numbered.

Ms. Yukimura: Okay. You mentioned something about 450 thousand in our account? Council Services account? Is this regarding energy? I wasn't sure what your reference was.

Mr. Furfaro: That is the difference between what was budgeted to renovate this building and what was actually spent as a conclusion and I would be glad to share that. I sent a note over to general accounting in the Building Department and the balance of this building actually came in four hundred and whatever the number was under what we forecasted the cost to be. It did not include any landscaping improvements for outside.

Ms. Yukimura: Is that in the CIP Budget?

Mr. Furfaro: Yes.

Ms. Yukimura: Okay.

Mr. Furfaro: And I made reference to that as far as if we want to find some money to sub meter some places that might be money we could use.

Ms. Yukimura: Right, right. I think that feedback accountability that you're talking about that sub meters would give is really important if we want to save energy. The users have to have direct feedback in order to have any motive to save or to measure how to be...

Mr. Furfaro: To be part of the green team. They want to know how you're doing.

Ms. Yukimura: Right, and people who have hybrids and those cars that give you feed back say there always watching it and that's just the nature of human beings to watch the curves that they affect.

Mr. Furfaro: I will share that summary with you, I have it downstairs somewhere.

Ms. Yukimura: Okay great. I appreciated your... that's 5, slide 5, about self sufficiency of our enterprise funds. I really think there is a potential to do better in the areas where we have to subsidize these funds from the general fund. I think by setting a policy that encourages that kind of thinking we could find a lot of opportunities that we're not even looking at now.

Mr. Furfaro: And I'm saying our first look should maybe be to those concessions that pay us rent.

Ms. Yukimura: Yes and then this whole process of budgeting in your definitions on your budget 101.

Mr. Furfaro: Yes.

Ms. Yukimura: You have this definition of zero based budgeting.

Mr. Furfaro: Yes.

Ms. Yukimura: Now we don't do this?

Mr. Furfaro: No we don't.

Ms. Yukimura: And I'm very...

Mr. Furfaro: I've heard it tossed around and I want to make sure, I don't support it but I heard it tossed around from some of our regulars here. So I want to make sure that we all understand that I would not do it with my Hotel and Resort operation. It doesn't quite work that way.

Ms. Yukimura: You are far more experienced then I am in managing and creating budgets on an organizational scale, but there is some value like in starting from scratch so that you justify everything you need and I'm just thinking I guess they have management by objectives. These are terms that I don't know very well either but something that makes people much more conscious of and focused on program objectives and goals and measuring how well they are achieving it. I'm just wondering how we use the budget process to do that.

Mr. Furfaro: And I think that is one of the weak links and I'm looking forward to the discussion we had on this Human Resource Department. I think that is one of the weak links in our current revue of performance. I think there clearly is an opportunity and I have gone to Civil Service and I have presented these things where Department Heads can be measured against their performance in their departments. If for example I'm going to measure the engineer about utilities but I don't have a way to determine the scope of utilities that he manages, it's kind of hard to put that in a goals and objectives in his performance review. That's why I think the first step is doing some sub metering where we can. That's where we can hold accountabilities and people's reviews. The reviews right now are basically hit on 7 or 9 key items but that can be greatly expanded when

we're dealing with the kind of operating cost that we have now. Especially with our Department Heads that have direct responsibility. Employees issues, fuel, replacement value of equipment, making sure that we have right repair and maintenance goals. Those should be worked into reviews and that's my opinion.

Ms. Yukimura: And I think the private sector does that a lot more than we do and I know that they have to be properly structured because if they're not they actually incentivize the wrong. I mean just like in schools they'll incentivize cheating or whatever and that don't get us to the proper performance so I realize they have to be very carefully designed or identified. Now on the issue of accrual based accounting, is that something you think we should look at in terms of how we do our budgeting or are there things that mitigate against it?

Mr. Furfaro: Well, there are pros and cons and it seems that people have been affiliated with government for a longer time than I have quite longer, really sees government as a cash/accounting system. That's why it takes us a period of time to actually close the year. In a cash accounting system and I don't know if Wally folks use the same term but they have what is called the 13 month. They have the 12 months where their booking the cost and then they have a whole one extra month in there to make sure that they call in all the invoices and so forth. Now in an accrual process if I were to buy something in the accrual pot, let's say I had a 50 thousand dollar project in the year for the year and the last five months I would book 10 thousand dollars worth of that expenses over the last five months, then when the final invoices come in I would reconcile them and I would take a credit because the total bills only came in at 49 thousand. I just want to say that the way we do business is you have to know that until we are actually booking some final invoices we don't have a perfect picture of our cash. I think they do it and maybe we can get some clarification later from them. They have that 13 month where they actually and I think some of you have seen where they send out invoices and telling you we're getting ready to close so get any outstanding invoices you have to get them as current as you can. But that's really just subject to people responding accordingly so we have that 13 month in the county.

Ms. Yukimura: My last question is regarding slide six, which is major CIP Projects. One of the keys is what we pay attention to and I was just thinking in terms of highway improvements. The other and it doesn't always show up as CIP it often shows up as operating cost is the bus. I mean the highways are roads but the bus is the other way of moving on land. So I was wondering if there was a way we could put the bus system in on this major list.

Mr. Furfaro: Well we could as if it was related to again by the accounting definition. We buy a new bus it's a CIP item. We install a new gas pump and facilities for storage and that's CIP. But the operating portion of the bus is clearly an operating cost and that's where the definition is. We could put a section over there for bus and CIP. You know I know the Mayor in particular is trying to be very aggressive in trying to build all these bus stops and so forth and that's certainly a CIP item and can be certainly put in, in relationship to an amenity that's added to the s of the county. The buses, fuel storage, pumps but I think we could.

Ms. Yukimura: Well I'm also thinking of Mr. (inaudible) latest report to us where they're looking at possible satellite base yards in order to cut down on the operating cost and funding the CIP, that CIP investment with the savings from the operating cost. You know the fact that buses have to go all the way out to the north shore from Lihu'e on a not in service operational line.

Mr. Furfaro: I have never been able to figure that out so you can always take someone back to Lihu'e.

Ms. Yukimura: Well I think they do some of that and I'm told that the buses were at one time kept at the homes of the employees for the night so they could start out at the beginning

point but that had its problems so it's an operational analysis that has to be done but still there's this real just like even yesterday when we talked about the Kawaihau Police Station. There is this interaction between capital costs and operating costs. How we use the capital costs effects what our operating costs are and so I'm just thinking it's useful to build in that kind of awareness of the connections.

Mr. Furfaro: You know there's an (inaudible) I agree that is between operating and capital that is basically related to good planning.

Ms. Yukimura: Exactly and design, good planning and design. And the other thing in solid waste facilities and I was thinking would also be useful to break it down into landfill and diversion.

Mr. Furfaro: Yes.

Ms. Yukimura: Because we actually want to move more towards the zero waste approach since our zero waste resolution passed and the more we do that the less our landfill cost will be or the longer the life will be of the landfill. So there's that relationship and there's just the tendency to think solid waste facilities landfill and transfer stations and I just want us to begin to think more and more diversion zero waste facilities.

Mr. Furfaro: Understood.

Ms. Yukimura: Yeah just as a way to help us. But thank you very much I think this is very important to look at the broad parameters and relationships.

Mr. Furfaro: And I think in the future we should have an opportunity that someone who gives a budget overview from the perspective of the council therefore whoever is in charge of the Committee of the Whole that takes care of budget. So I just want to share this early on with you folks.

Ms. Yukimura: Thank you.

Mr. Furfaro: Okay. Thank you very much and I will return to my seat and I think we have Economic Development up first right?

Mr. Kualii'i: Mr. Chair?

Mr. Furfaro: Oh yes you have a question, go ahead please.

Mr. Kualii'i: Yes it maybe not so much of a question but, I think and yes we are short of time now and some of the other councilmember's really didn't get a chance. In the interest of time I just want to be very brief and say that I appreciate this report and all this information. I think your point about validating the information we get is probably the most important one. I liked what you said that it's not business as usual. As an example yesterday when we were looking at the positions report and I think that's' this councils biggest responsibility because our labor cost is the biggest cost. In your bullets here you talked about the labor cost and the status of employee union contract so there's that with pay raises that come into place and this whole thing about the vacant positions that are fully funded and remain vacant that's the biggest place where this lapse funding or surplus funding. I think that's where we have to crack down and what Mr. Rapozo mentioned about cutting the Mayors budget. The Mayor is asking the Department Heads to cut 25% of the amounts that they didn't spend so that's the amounts that we're over budgeted that we as a council allowed to be over budgeted and I think in this year we have to look much closer at the positions and

we need better information from human resources. We talked about that yesterday as far as getting better reports and helping/giving them the tools and staff they need in the Department of Personnel Services to make sure that we can get that accurate and timely data on positions. Positions that are funded and vacant and no intention to be filled and then there's temporary assignments and they go on forever, so what is temporary? Potentially millions of dollars are there that I think we have to address and I think... yeah that's what I wanted to say.

Mr. Furfaro: No and I think that was a good point as I did extract from them a commitment and although the charter requires them to sent us those reports 10 days after the closing. We did mutually agree that they will try to make incremental improvements and get that report to us in a 30 day period. I think that was a good first step. The other pieces on the payroll summary I made for you for 6 months we were lagging 1.5 million and I wanted to make sure that I clarify and I think it was Ernie Barreira that answered yesterday. Did the 25% savings from surpluses include those departments that were running under payroll and he said yes. So that certainly will reactivate the discussion when personnel is over, so I appreciate your comments. On that note I'm sorry I just was trying to give up the chair to economic development. So any other questions before...

Ms. Nakamura: No just thank you chair for providing this overview the big picture and concerns and issues that we need to look at. Just a process recommendation as we go through this is my recommendation would be that councilmember's ask one or two major questions as a round robin until we run out of time.

Mr. Furfaro: Okay understood. Good point okay thank you everyone. Oh Dickie you have a question?

Mr. Chang: I guess I wanted to say thank you and we'll absorb...

Mr. Furfaro: Mahalo to you to braddah.

Mr. Chang: Thank you. Chairman excuse me, can we take a 5 minute break so we prepare for the next...

Mr. Furfaro: Okay let's take a 10 minute break and include a caption break now because I think George has us until lunchtime right? Okay we're going to take a break now.

There being no objections, the committee recessed at 11:10 a.m.

The Committee reconvened at 11:27 a.m., and proceeded as follows.

Excused: Councilmember Mel Rapozo (*excused from the meeting at 11:10 a.m.*)
Councilmember Tim Bynum

ECONOMIC DEVELOPMENT:

Mr. Furfaro: Okay we are back from our 10 minute recess. Again just FYI today we are covering economic development, we had the council overview and we have the Auditor this afternoon then we have Planning and we are potentially able to go until six o'clock with planning today as we posted the schedule. A couple other announcements, Mr. Bynum has an excuse absence for the morning and Mr. Rapozo is gone for about a half an hour and he will be returning so we should probably reflect that accordingly in the minutes until people have returned. I also will make a request of the Administration, I would like and I think we have the Office of Economic Development coming up George and if I could ask you to come up because this next comment is directed to you. When we have an amendment to something that's already been submitted to us, I would just like to see the amendment rather than change the whole document because I have all my notes in the previous document and I'm sure other Council members... you know you write on the original piece and I would rather just read the amendments.

GEORGE COSTA, DIRECTOR OFFICE OF ECONOMIC DEVELOPMENT: Okay point well taken, for the record George Costa, Director for the Office of Economic Development. I just wanted to basically have a couple of housekeeping items and I apologize as I was reviewing the presentation again last night and these are minor items so maybe instead of creating some concern with the council, but I do want to apologize. Basically the changes that I did make to that document and sent down this morning and the other thing to was our computer system was down since five o'clock yesterday and I pretty much worked through the night hoping it would come up sometime during the night but unlike the Hotel Industry where you have someone on call 24/7, that's not the case. I apologize for that but I wanted to get the copies into all of your hands and basically there were only 3 changes to that document. The first one was on page 10 and I had rearranged the bullet points and there were a couple of blank bullet points and I just eliminated them. There was no additional information that was supposed to go in there so that was a minor change and on page 21...

Mr. Furfaro: So your gun only has 5 bullets in it I guess?

Mr. Costa: What's that?

Mr. Furfaro: You removed 2 of the bullet points so I guess your gun only has 5 bullets in it.

Mr. Costa: That's correct at least for that section. On page 21 where you know I basically took a summary of the variances of the Office of Economic Developments budget and I did a worksheet. When we re-calculated the benefits and the OPEB, there was a significant increase and the increase was reflected in the budget, it was reflected in some of the narrative but in that worksheet I did not include that increase. That was the change that I made so the document you got this morning correctly reflects what's in the budget that you received earlier. And page 23 is basically the narrative that explains that variance. So those were the 3 changes that I made and again I apologize for doing that at literally the 24th hour but I just wanted to make sure that I had all the numbers correct before I approach this body.

Mr. Furfaro: Mr. Chang has a question for you Mr. Costa.

Mr. Costa: Yes.

Mr. Chang: Just a quick question on page twenty one. So in the operating expenses, is it the Kaua'i Food Bank SNAP Program or the Kaua'i Independent food Bank SNAP Program?

Mr. Costa: Oh it's the Kaua'i Independent Food Bank SNAP Program.

Mr. Chang: Okay because I didn't know if there was a... because that's always a....

Mr. Costa: Right, right because we have two here on the Island.

Mr. Chang: And then I hope this is not a ridiculous question but under benefits where you have the green line. One is a hundred twenty three one o six, one is a hundred twenty three one o seven.

Mr. Costa: It's a rounding number.

Mr. Chang: Oh okay, okay.

Mr. Costa: The result of rounding on my excel program.

Mr. Chang: Okay. Chairman thank you.

Mr. Furfaro: You're welcome. Okay Mr. Costa you may start.

Mr. Costa: Thank you very much. Aloha Council Chair Furfaro, Vice Chair Yukimura and Councilmember's, for the record George Costa, Director for the Office of Economic Development. Today even though you've had our narrative to review I will go through and highlight a lot of the points that we went through. A lot has happened over the last year within our department. We're comprised of five specialists and now we have a new Sustainability Manager in our department and we have a Secretary and an Accountant. We are a very small staff but the Office of Economic Development is very exciting and there's a lot happening within that department. I feel we are like the catch all within the county, we get chicken complaints, and we get complaints about traffic if it affects economy, if it affects tourism, if it affects agriculture so we get to deal with a host of things. What I want to do right now is acknowledge the Mayor, the Administration, and our County Council, for your support in what we do. I would also really like to acknowledge our Community, the Office of Economic Development interfaces with businesses, we interface with non-profits so really with the small staff that we have we can't accomplish as much as we have without the collaboration and cooperation from pretty much everybody in the community. So I wanted to start by just thanking everybody for their support. For the office of economic development our mission is to work in partnership with the community, business and government sectors to create economic opportunities towards the development of a healthy, stable and balanced economy for the County of Kaua'i. The office of economic development promotes and nurtures sustainable economic development within the Kaua'i County that is consistent with the community's needs and priorities.

Our Goals and Objectives as a government entity, we interface as I mentioned with businesses and community leaders as well as other government agencies and programs to enhance Kaua'i's Economic Development Opportunities. The objective of our office is to assist businesses of all sizes, emerging industries and organizations in providing technical and financial support as feasible

in an effort to provide⁴ full employment for all of Kaua'i's residents. We also utilize the guiding principles of the Kaua'i Economic Development Plan, Comprehensive Economic Development Strategy or commonly referred to as the CEDS, to help improve Kaua'i's economy over the next 10 years. There are 3 points within the CEDS that we really try to adhere to and the first one is economic diversification. To strengthen selective industry clusters to minimize dependence on a single industry. As we all know and I have often referred to our visitor industry as our main economic engine and you know from 2 years ago our visitor industry has rebounded and it's obviously not back to the levels of 2006 and 2007, but we have shown gradual improvement. I believe while our visitor industry is helping to sustain Kaua'i's economy this is our opportunity to really look at diversification, look at the other industry clusters. Agriculture, energy, sports and recreation and the health and wellness clusters. Also our goals and objectives are to collect data and maintain statistical information and reports to be used as a library resource for individuals, businesses and organizations. The general public is provided excess to materials, documents and publications in the office of economic development library and to some extent the county's website. With that one of our goals is one to look at the library that we currently have and reorganize a lot of the hard copy materials that we have. A lot of them are probably out dated and as you know a lot of what we utilize now is on the internet online. So what we want to do is create on our county website with the office of economic development section an area where we list websites that we use as a resource so that someone can go directly to that resource without having to either come in physically to our office or a phone call so we have those resources available to the public and the entrepreneurs and businesses.

As far as recapping our fiscal year 2011, our successes and achievements and I won't go through the whole list but I do want to highlight certain areas. In the area of sustainability we are very fortunate that again through the Mayor and Administration and the County Council approved the sustainability manager position last year. Glen Sato who was our energy coordinator filled this role it's an important role not only for the County but in the next year we want to be a leader and set an example for our community as far as sustainability is concerned and then create policies and programs that will encompass the entire island. Also the formation of the green team within the county that can help the county again be a leader be an example to our community that we can help be more resourceful more efficient and reduce the cost of government through energy saving and other programs. As far as tourism we were here earlier with Sue Kanofo of the Kaua'i Visitors Bureau and our other visitor industry partners, again thank you to this county council for supporting the various programs that we started off with. I know when I first came on board in 2009 right out of the gate I asked for a million dollars and people thought we were crazy but really what you did to help support that I believe is where we are today in our economic turnaround. So again we want to thank you for that. Sue Kanofo is a great leader in our visitor industry, she can really put together programs that have very good return on investment and so I want to acknowledge Sue and her team for that.

In the last few days there has been various reports publicized not only in the garden island but in our Honolulu paper about the visitor numbers and I just want to repeat a couple of them. Arrivals to Kaua'i, I know when we sat here 2 years ago we had dropped 30% in less than a year on our visitor arrivals and we are very thankful that we ended up the last year 6.3 percent above 2010 in visitor arrivals. Visitor expenditures were almost 20% and visitor per person per day spending was almost 11% so again in a great contribution in our economy we will continue to strive to keep that sector of our economy viable and vibrant. Like I said there are other sections in the office of economic development that we will focus on to help diversification. In energy we're very pleased as I mentioned because of the good work that Glen Sato did I'm glad to see that he got the opportunity to become our sustainability manager. That also created another opportunity as we now have Ben Sullivan on board as part of our team. Ben brings a wealth of knowledge with regards to energy and just in a few short months that he's been with us he's hit the ground running and with both he and Glen they make up a really good team. I just want to acknowledge some of the accomplishments that Glen did initially and Ben's continuing to carry. We implemented the energy savings

performance contract and that's being worked on as we speak, installed the photovoltaic system on the Līhu'e Civic Center, installed the photovoltaic system at the Kaiākea Fire Station and now we have within our county fleet five electric vehicles. We recently installed the charging stations that go along with those vehicles and I'm one of the users of those vehicles, I think there great. The Nissan Leaf is a great vehicle and for me personally its really helped me to altar my driving habits because you basically have a hundred mile tank so to speak or charge and I've had to attend meetings in the last month in Kekaha, Hanapēpē, Kīlauea, Hanalei and those hundred miles go pretty quickly. If you're heavy footed, if you use ac, if you use the radio because that all drains the battery so like I said it really has helped retrain my thoughts and my driving habits. In the area of agriculture, Bill Spitz is our agricultural specialist, you know we have launched our Kaua'i Grown Program and working with Melissa McFerrin of the Kaua'i County Farm Bureau. You're going to see a lot more from this program like Kaua'i made its at the infancy stages but we just signed agreements with Sueoka Store, Ishihara Market, Times, Big Save. Hopefully in the next months you'll start seeing marketing programs, branding and marketing programs of Kaua'i grown featuring our local farmers and ranchers. The sunshine markets we are presently in the process of going through our administrative rules. We've done our community outreach; we've gone to all the communities that have a sunshine market. We've received input and we actually had our hearing last week when the power went out so we had to reschedule that until May. I'm hoping by June we'll have our new Administrative Rules in place, we'll have value added products in our markets so that's another area where I would like to thank the County Council for their support on that.

Film needless to say you've all seen what our film industry has done. Art Umezu who is our film commissioner is very busy. Last year we had the filming done on the island. This year we had all the premiers with "Just Go with It" "Soul Surfer" with our own Bethany Hamilton. We also had Pirates of the Caribbean and we ended up with the "Descendents" so you know Kaua'i got its fair share of notoriety within the film industry and with the general public. I know Sue cannot attest to this we are now seeing visitors coming to Kaua'i just because they want to see where a lot of these places were filmed. In the area of workforce development Jan Miyamoto who's actually at another agricultural skills meeting today and can't be here... oh she just walked in; great. Jan has been very busy she's already set up several training sessions. The photovoltaic installation, the state energy sector partnership grant program, Jan helped to build that. We utilized the resources of Kaua'i Community College in that training we also had the certified energy manager training and I'm happy to say that the county and including 3 county engineers that got certified. Jan Miyamoto does a great job in working with the Kaua'i Workforce Investment Board to ensure that even with the limited the funds we do get from the Federal Government and the State, those are turned around into these training programs and programs that are going to help either displaced workers or unemployed.

In the office of economic development you have before you a list of the various organizations and agencies and non profits that we work with so I won't go through the list but again we want to acknowledge all of those that are out there helping the office of economic development do what we do. There are a lot of challenges and so I won't go into the detail of that obviously in each sector we have our challenges but hopefully in what we present here in today's budget we'll try to address those challenges unless anyone has questions for me later I want to get into the budget portion of our presentation. For the most part the office of economic development, we have a very small staff and the bulk of our budget really is comprised of the various grants and programs that we have.

Mr. Furfaro: George can I ask you a question before you get into your budget sheet?

Mr. Costa: Yes.

Mr. Furfaro: I want to make a call on this.

Mr. Costa: Okay.

Mr. Furfaro: You do have fifty thousand dollars in your invasive species summary here.

Mr. Costa: I beg your pardon.

Mr. Furfaro: You do have fifty thousand dollars in your Kaua'i invasive species account.

Mr. Costa: Let's see.

Mr. Furfaro: It's listed in your bullet points.

Mr. Costa: Oh it's listed as a bullet point because these are areas that we have funded in the past but there not funded in this budget proposal so basically those bullet points or that section basically says that we funded these organizations in the past and they may be coming to this body for...

Mr. Furfaro: Okay I just want to caution you because that invasive species money was always put in by the council. We got the grant that was a request of a hundred thousand and I took your bullet point as reducing the previous amount but yet you still had something in there, but you're telling me you in fact do not have anything in there?

Mr. Costa: We don't have anything in there in this budget.

Mr. Furfaro: Okay and I just want to make you whether it was the Koki frog or other issues especially in the Po'ipū area, this council felt it was important. Okay good so I will make this a call accordingly. Thank you, thank you for that and I didn't mean to interrupt.

Mr. Costa: So what I would like to do at this point is highlight in our budget for the most part our budget staffing has remained the same. There are 3 areas that I want to highlight that we're proposing. The first one is a new position which we have titled that position as Economic Development Technician. Right now as I mentioned we have the five specialists and Glen Sato as our sustainability manager, each person works independently and by them there is really no assistance so as each specialists works and seeks grants, writes the grants and goes through that whole process case and point is like Glen Sato he's been very successful in obtaining grants. When he attains the grants he has to manage the grants and it becomes very difficult if there is no additional support to help him either do the research for the grants or help him with the numerous reports that are required when you do get grants and to report on a regular basis. Also within the office of economic development, for myself because we collaborate and we meet with all this various organizations a lot of my time is spent out in the community and I get to do my work basically between 5 p.m. and 10 p.m., or whatever time it takes. So I for myself could use some additional assistance so this position that we're proposing and we're calling it a technician because that person would work with all five specialist and the sustainability manager and myself, in whatever projects that we have. Some of the projects I have taken on myself that I can manage but if there is a certain project that we really want to move forward and we need an additional body that's where this person would come in. Besides that we have some other programs within the office of economic development that we could also delegate to this person.

We have the Kaua'i made program which when Beth Tokioka my predecessor was in the office of economic development started the program it's doing very well but to some degree Beth still

does some work on Kaua'i made and we want to be able to wean Beth off of that and have someone specific in the office of economic development oversee that program. Along with that as I mentioned earlier a lot of things have happened within our community and then our economy affects economic development or somehow involves economic development. We got involved well our office got involved with small businesses when there was a rash of crimes throughout the island so now we have formed the Mayor's crime task force which I oversee. That's another area where this technician could help organize those meetings and move that forward. You probably have heard that we have some other pet projects coming up in the works right now, Hanapēpē vendors you know there's some vendor activity that's going on in Hanapēpē on Friday nights. We get involve with that we're working with the planning department and public works and the vendors themselves and the businesses of Hanapēpē in trying to see what we can do to keep that economic activity viable but also address safety and other issues. We have permitting issues so that's another project we've taken on so again we could use the help with someone like that technician would afford us. Two other changes within our staffing and as I mentioned Jan Miyamoto is our workforce development specialist and she is funded partially by the county and partially by the WIA grants. I mentioned a lot of those funds have been reduced over time and so whatever funds we do get we want to keep towards the programs themselves and not take funds away to basically pay for the administrative side of things. What we're proposing is an additional 25 thousand to have Jan fully funded by the county and any funds that we do get from the federal government or the State can go directly to programs that she can administer. The last change...

Mr. Chang: Excuse me George?

Mr. Costa: Yes.

Mr. Chang: I'm sorry to interrupt. WIA...

Mr. Costa: The Workforce Investment Act. And the third change would be as I mentioned we have an accountant in our department. Right now he is basically funded by the HTA Grant that we received and part of the workforce investment act grant. Last year we came to the council and asked because we've had to rely on him to assists us with the other fiscal responsibilities of the other sectors in the office of economic development, including energy programs that I work on the film and so we funded Kent Horikawa another 10 thousand dollars but that's another position that we want to support more with county funds so he can be an overall accountant for the office of economic development. Otherwise we pretty much do our own accounting because we don't have a full time accounting person in that office. Those are the basic the main staff changes that we've made to our budget and if you look ahead in that page that I said I did a summary on the variances and that's I believe on page 21 of your handout. It has a worksheet that shows the 3 main sections of our budget and the top section is salaries and wages and it shoes what we have currently in this year's fiscal budget and what we're proposing. So the main changed that I mentioned come out to about 90 thousand dollars in addition to what we currently have. In the next section as I mentioned the benefit section (A) part of that increase reflects what we have and those additions, 90 thousand dollars in additions that increase in the benefits reflects the increase of those positions as well. When we get to our actual budget as I mentioned the bulk or 62% of our budget reflects the various programs in agriculture, tourism, film, energy and what I did basically was look at that section of our budget, look what the variance is to this year and basically explain what the main variances are.

When we look at our operating budget we're looking at a... excuse me one moment. So when we look at our main budget we actually shoe a decrease from this current year of about three hundred and ten thousand dollars and those decreases can be reflected in four key areas. One is in the agricultural area, livestock under the Kaua'i Cattlemen's Association. There budget has been

reduced by about 19 hundred dollars. Another agricultural area is the Kaua'i Independent Food Bank as Councilman Chang had pointed out the SNAP program where we are eliminating that program. Right now we're actually working with the Kaua'i Independent Food Bank with the current grant that they have to ensure that the funds that are there right now we can implement that program. The other two areas are the CEDS program that we're currently doing right now, under KEDB CEDS there's a \$135.00 dollars under feasibility studies that are ongoing right now. Those include feasibility studies for a slaughter chill facility; another feasibility study that's being conducted right now is a commercial kitchen business incubator. Another one is a digital media center and also the capacity building for the Kaua'i County Farm Bureau. So all of those programs that are budgeted this year are in the works right now and aren't reflected in next year's budget obviously. Those are the main changes and then KPAA also is presently conducting a feasibility studies with regards to the health and wellness sector. They are also doing a sustainability study as well and that equates to a hundred and forty five thousand dollars. As I mentioned are in the works now and we'll have the results of those by the end of June, but unfortunately we won't know the results of that to budget in this budget what we need to do for the coming year. So that basically adds up to the three hundred and ten thousand dollar reduction and overall the office of economic development as far as programs basically we're supporting the same programs to pretty much the same funding degree as this year except for these here. So the office of economic development is reflecting a reduction of 4.2 percent or almost a hundred thousand dollars, ninety eight thousand to be exact.

Mr. Furfaro: That's the total reduction from previous years?

Mr. Costa: From this current year yes. And those as I mentioned those four areas that I just went over are the components of that reduction.

Mr. Furfaro: What was that, George, ninety-eight thousand?

Mr. Costa: The overall department for the office of economic development is showing a ninety eight thousand dollar decrease from this current year. Obviously we have the increase in staffing and we have the increase in benefits and on the operation side a decrease of three hundred ten thousand so in that aspect it's about a hundred thousand.

Mr. Furfaro: I understand where you're coming from thank you.

Mr. Costa: I will open up to any questions.

Ms. Yukimura: George, first of all I want to say that when I look at the breath or scope of the programs your having to oversee and the importance to the island I'm really impress that you do it with such a small team and very hard working I might mention. I just wanted to express my appreciation to you and your office for doing this very good work. You just mentioned and I just didn't hear the program that you sad will be completed by June and therefore whatever the results are, are not going to be in this budget. What was that?

Mr. Costa: Yeah that's kind of a catch twenty two. When we went before this council last year for the CEDS programs those were to look at various projects that have actually been on the books for a number of years. One is the papaya infestation facility, the other as I mentioned was looking at a slaughter chill facility that we can either build or maybe even improve to keep the cattle that we export to the mainland and then buy back through the retail stores to keep that on island where we can raise the cattle, slaughter and process and chill here. Those feasibility studies are being conducted as we speak but unfortunately the timing of it is we won't know the results of which projects we can move forward and to what degree and how much, we won't know

that. Maybe by our May submittal we may have a better idea but right now it's hard to budget something that I don't know what the outcome is going to be right now.

Ms. Yukimura: Okay I'm aware of those studies and your right that at least when we looked at it 2 months ago there were some real challenges and uncertainties. Okay but I just wasn't sure what you were referring to. On the SNAP program are you saying that there is going to be a way to continue it even though the funding is not going to be in this budget that you're proposing?

Mr. Costa: Well I'm not really sure actually we're scheduling a meeting with the new manager that's there now and obviously they've had some changes just within the last six months and I think they're on their third manager right now. We are scheduled to meet with that person next week to see exactly what's going to be done with money they do have this year the twenty eight thousand dollars that was approve. So for right now and maybe it might change by the next submittal, what we want to see is if they have the capacity to carry out that program next year well for this year and then if possible next year as well.

Ms. Yukimura: Okay because at the get fit annual meeting that was part of the presentation because locally grown food to our residents is one of the goals and I know they were saying that the position that keeps the program going and it showed that, that was the concern in terms of sustaining that position. I don't know what all the options are but I think it is a program we want to somehow sustain. There were really good results in terms of the numbers of clients or SNAP eligible buyers who were using the program and it was really encouraging to hear that they were getting fresh local produce into their diets. So you will be meeting with them?

Mr. Costa: With the new manager I believe who just came on board.

Ms. Yukimura: To discuss the sustainability of the program?

Mr. Costa: Well to discuss this year's current program to see how they are going to manage that and basically utilize the twenty eight thousand to ensure that, that program continues and also to give us a sense of confidence that this program can continue and if so we may be coming back at the next submittal with some support.

Ms. Yukimura: Yes I would like to know some kind of ball park figure for keeping it sustained? And whether there might be I mean this is a federal program, I think this is a federal program right?

Mr. Costa: Right.

Ms. Yukimura: So I'm just wondering whether there might be some sources of financing either through federal programs or other sources. What would be a logical thing would be the soda tax that the Governor has been proposing. Maybe we need to lobby for that and make sure that these kinds of programs are included in the financing that comes from that.

Mr. Costa: I know since I've been involved over the last few years that organization has come to this body and basically I shared significant results of the recruitment, getting people on the SNAP program so it does really well and so we just want to see if that can be continued.

Ms. Yukimura: Right and what I'm looking for is some sustainable funding but okay if we can get some ball park figures that would be helpful thank you.

Mr. Furfaro: A follow up from previous request. Did you solicit from their board their audit?

Mr. Costa: Oh yes, we did.

Mr. Furfaro: Okay and has our audit department had a chance to look at it?

Mr. Costa: Not our audit department but Bill Spitz and I did meet back then and it was last year sometime that we went through the audit so I will follow up with that. You are referring to the county's auditor?

Mr. Furfaro: Yes.

Ms. Yukimura: You're referring to the audit of the food bank?

Mr. Furfaro: Yes of the food bank.

Mr. Costa: Right and what they did with the funds.

Mr. Furfaro: Because we gave them twenty eight thousand that I think they haven't spent yet.

Mr. Costa: For this year they haven't.

Mr. Furfaro: Yes.

Mr. Costa: Yes they haven't spent but when we did the audit last year we were auditing basically the previous six years because we wanted to see what the program did.

Mr. Furfaro: So I would want you to have the most current audit reviewed if you can request that for the board.

Mr. Costa: Okay.

Mr. Kualii'i: Thank you Mr. Chair. Aloha and Mahalo for being here George. Thank you for being here and thank you for all the work you do and all your staff as well. Some specific questions, have you had any position vacant for any part of fiscal year 2012 so far?

Mr. Costa: No.

Mr. Kualii'i: I was going to ask about positions funded by grants and you've talked about that. So as far as the potential for any more grant monies to help fund positions, I know a lot of non-profits the way they're able to fund their positions is with specific projects like maybe in these 5 different areas that staff is working on they get grants for the projects but then a portion of that money can actually help pay for a portion of the staffs time. At this point the county is except for the positions you mentioned the county is fully funding all those specialist positions in the different areas of agriculture, tourism, whatever?

Mr. Costa: Right.

Mr. Kualii'i: But they're working on projects and perhaps some of those projects have or could have grant moneys associated with them, and I would like to see going

forward if we could go after those grant moneys for projects that actually we could use a portion of that to help pay for positions. What sounds like is happening is the opposite that some of the you said with the workforce investment act, funding that that position was partially funded by that grant, you are now asking the county to fully fund it because the funds are dwindling. I recognize that the work is important and it needs to get done so it needs to be paid for somehow but I don't want us to give upon the possibility of funding those positions with grant money as well.

Mr. Costa: Absolutely.

Mr. Kualii'i: The other position you talked about was the accountant I guess and is that a full time position?

Mr. Costa: Yes.

Mr. Kualii'i: It has been or it's going to be?

Mr. Costa: It has been.

Mr. Kualii'i: It's been a full time position filled and funded by HTA and WA grants?

Mr. Costa: Yes.

Mr. Kualii'i: But going forward your funding it out of the budget?

Mr. Costa: Yes those funds have been drastically reduced over time and it's gotten to the point now where what we have left for actual program is is very small. Jan Miyamoto is our specialist and I think she can probably speak to that so at some time in point I could call her up and have her explain a lot better.

Mr. Kualii'i: And maybe the last thing on this portion on the actual positions is, so you also have a Clerk Typist position?

Mr. Costa: Yes.

Mr. Kualii'i: That's a dollar funded position?

Mr. Costa: Dollar funded right.

Mr. Kualii'i: So how long have you had that dollar funded position?

Mr. Costa: Seven years and she's basically funded by a HTA grant.

Mr. Kualii'i: And that grant is okay?

Mr. Costa: No that grant is also getting reduced too.

Mr. Kualii'i: But you're leaving that as a dollar funded position?

Mr. Costa: Right she works part time.

Mr. Kualii'i: So in those seven years it's been that way?

Mr. Costa: Right.

Mr. Kualii'i: Dollar funded positions funded by grants?

Mr. Costa: Right.

Mr. Kualii'i: Okay. The other thing is so you mentioned about the ninety thousand dollars and you associated it with changing in the positions and that the benefits costs would be related. In looking at the variance the salary increase of eighty one thousand eight hundred and sixty dollars represents a 15% increase. The other post employee benefits from one seventy four thousand to two nineteen and forty five thousand increase represents a 26% increase. But the health fund contribution has gone from thirty seven thousand four hundred fifty to a hundred and nine thousand one hundred thirty four, for a seventy one thousand increase which is nearly 200% increase so I was wondering was that because part of that is attributed to the new positions but part of it is also attributed to the old positions?

Mr. Costa: The current staff.

Mr. Kualii'i: So we will probably see that across the board than with all... and if cost has increased drastically.

Mr. Costa: Right.

Mr. Kualii'i: That's it I just want to recognize that there is a lot that you're doing and I like that you talked about all the different work that this new Economic Development Technician could be helping with as far as in the different projects, bringing Kaua'i made fully back into your office, freeing Beth up and the Hanapēpē vendor's issue and all of that. As much as your doing this (inaudible) to do a lot more too.

Mr. Costa: Oh definitely.

Mr. Kualii'i: Thank you.

Mr. Costa: We've got a waiting list.

Mr. Kualii'i: Thank you.

Mr. Costa: You're welcome.

Mr. Furfaro: Mr. Chang.

Mr. Chang: Thank you Chairman. George thanks for being here. On page number 14, number 4 regarding our visitor industry, Kaua'i Visitors Bureau. So you're saying that you wanted to increase their budget by twenty five thousand from the seventy five last year?

Mr. Costa: Yeah I just noticed that it says one twenty five and that one suppose to be a dollar sign so it's increased by twenty five thousand from last year's seventy five. So right now in the budget it's a hundred thousand for this year.

Mr. Chang: Okay so a little history we gave the Kaua'i Visitors Bureau seventy five thousand last year?

Mr. Costa: For this current year.

Mr. Chang: Okay but wasn't that cut from, what was, didn't we not cut it pretty drastically?

Mr. Costa: Yes I believe it was one forty the year before.

Mr. Chang: So was that reflective of the two hundred thousand dollars that we got from the TAT or was that because of the million dollar grant?

Mr. Costa: Well part of it was the million dollar grants and Kaua'i Visitors Bureau got an administration fee, a reduced administration fee from that million dollars so the actual funds that occur every year for the Kaua'i Visitors Bureau was reduced from one forty down to seventy five this year.

Mr. Chang: So help me out.

Mr. Furfaro: Mr. Chang may I ask for some clarification before you go any further?

Mr. Chang: Thank you.

Mr. Furfaro: The one million was in two increments of five hundred thousand each?

Mr. Costa: Right.

Mr. Furfaro: Two separate years?

Mr. Costa: Right.

Mr. Furfaro: Okay I just wanted to make sure we didn't give a million dollars in one year. We gave um...

Mr. Costa: Phase one and phase two of which they...

Mr. Furfaro: Okay was spread over two year's right?

Mr. Costa: Right.

Mr. Furfaro: Prior to that, prior to that grant it was a hundred and forty thousand?

Mr. Costa: Right.

Mr. Furfaro: After that grant we went to seventy five thousand of which this year you're asking for another twenty five thousand?

Mr. Costa: Right to increase it back up to at least a hundred thousand.

Mr. Furfaro: But you're not taking it to the pre-grant year amount? You're not taking it to the one forty?

Mr. Costa: Not right now, but I probably should.

Mr. Chang: So your saying not right now but probably should. Okay I guess I will be...

Mr. Furfaro: That's my question Mr. Chang. If we gave them extra money why aren't we getting to pre-levels? And your answer is?

Mr. Chang: Can I answer what he wants to answer. I think was what you said that you're hoping to get at least...

Mr. Costa: Well actually I have to look at the entire OED budget right so for me personally when I'm looking at adding another position, I would like to increase a lot of the different sectors to what I feel they should be.

Mr. Furfaro: That wasn't the question George to go to all sectors.

Mr. Costa: Yeah I know.

Mr. Chang: let me word it another way if you can since you mentioned positions that you're adding. On page number 10, Office of Economic Development you talked about the department receives a lot of attention in the forms of projects and grants that provides opportunities for job creation and or job maintenance. Many of the projects assigned to the Office of Economic Development are those that do not fit with the mission of the other county departments. The small staff that makes up the office of economic development is very dedicated and tries their best to bring all projects to fruition. This can be especially difficult to accomplish on a timely basis with managing multiple projects and priorities along with being an intercool part of Kauai's Business Community. The Office of Economic Development Director, meaning you George K. Costa, alone averages a minimum of four hours of meetings a day for the past 3 years and that doesn't include I would imagine weekends. At least one additional staff position will be requested, so I guess what I'm saying is that I really want to be supportive of your department and especially as the Chair of the Office of Economic Development here. I understand of the work that you guys are going through and what I wanted to say is that we've already had a yearend summary which was incredibly a well received by the community with what the visitor industry has done with that two hundred dollar stimulus money which I believe was a part of the TAT tax that we received. They went above and beyond and we received testimony from abroad from Councilmember Bynum, which unfortunately is not here today. It was the first time I believe he actually manned the booth and actually stood there throughout the course of the day to see what it is to hit the ground running and these positive messages and I'm not going to quote what he said he would recommend passing on. I just have to say right off the bet I'm going to be totally supportive with at least a bare minimum trying to get to that pre-levels and if not more. You know statistically you mentioned the Garden Island newspaper and the Star Advertise. I mean when I see it on Howard Dicus about month after month after month, you know I think Ken Stokes just came out with a report that the industry is just going... and everything else is going sideways. We need to piggy back on the Kanani's of this world, the descendants of this world. I have said this many of times and I have said it recently, out of sight out of mind, we are not out of sight out of mind we are in the forefront and we can't stop the momentum because if this is the engine that's driving us than in my opinion we have to fuel a proven object. I think Sue Kanoho and her small staff is going above and beyond and yet another entity with no job description. That's like you guys so I'm hoping we're all lobbying our TAT but I just want to say out loud that if your office needs assistance that helps us when we fund the office than we get our projects taken care of and that's what the engine that going to get small sectors you mentioned small and large. I just wanted to say publicly this is something that I'm really going to be pushing for is our visitor industry. I will just keep my questions short now so we can go around the room so everyone can get to say what they need to say. Thank you.

Mr. Furfaro: Councilmember Nakamura.

Ms. Nakamura: Thank you George and to your office for all your great work. I had a question that has to do with the Kilauea Ag Park. I wanted to find out when was the environmental assessment completed?

Mr. Costa: It was completed last year in September.

Ms. Nakamura: September; and I know it's a line item in the CIP budget to move on to the design work and I'm just wondering is that the direction that this administration is committed too?

Mr. Costa: Well right now and I just met with the Kilauea Neighborhood Association on Tuesday night and went over the results of the environmental assessment and a lot of the recommendations and the associated cost with what's really transpired and it's you know for me I heard about it growing up about the Ag Park and I have gotten to meet Linda and Kawika Sproat and the farmers that are very passionate about that project. I mean I'm talking about from what the 70's and the 80's and it's been 30 years in waiting for this project and I really feel for them because the message I delivered the other night was the reality of it all that over the 30 years the cost has increased. When you look at 75 acres it's a nice piece of land but there use to be surface water, irrigation water but now you don't because basically its surrounded by urban sprawl and so now with part of that environment assessment one of the recommendations by Tom Nance who was the hired consultant who was the hired consultant for waters is saying since there is no surface water and there's basically 5 five eight inch meters basically for house use to drill 3 four hundred foot wells and a 3 hundred thousand dollar storage tank which basically took the cost of that project from 4 million to almost 7 million. So that's one challenge and the other challenge is as part of the flora fauna study it's observed that the Nēnē and some other endangered species loved that place and so now we're going to have to address the whole conservation habitat plan and that we've just now breaking the surface on that I'm trying to get my arms around that in what's involved, what do we need to do.

I'm also looking at the time element because I've seen what the County has to go through, what KIUC went through in developing their conservation habitat plan. I basically told the (inaudible) I know you want this done like yesterday but when you look at all of these challenges we may be talking about a year, two years, three years, I mean I don't know what the cost is going to be than. So the feedback from the community was you know what now that it's in the county's hands the costs has skyrocketed. I said well I'm just delivering the message on what we're required to do now and some of the community the farmers and especially they have equipment their saying why doesn't the county just lease us the land and will go on and develop the Ag Park ourselves. Well I didn't even get my arms around that or even if that's possible. Like I said I just met with the community, I'm going through my notes and I still have to meet with the Mayor and Public Works and the other staff but that's kind of where we are right now with the Kilauea Ag Park. And the other thing too is I have every intention of coming to this body and presenting what I presented to the community as well which is the results of that study.

Ms. Nakamura: The other question that I had has to do with the CEDS line item in the CIP. So you're right about the timing of the feasibility studies which really we won't get until May or June and yet the Federal funding process starts up soon and part of that funding for economic development projects requires matching funds. So we're sort of caught if we don't do something in this budget cycle than we wait another year before beginning the process. So the thinking was and some people were thinking that it might be able to do a CEDS CIP sort of place holder until we get the results of the different business study and get a better idea about which one would be the best to pursue given our limited funds.

Mr. Costa: Right.

Ms. Nakamura: So you know that's something that I still would like to pursue and add to the two hundred fifty thousand dollar place holder and I just wanted to put that out. If you have any other comments... why don't we go around again?

Mr. Furfaro: You want me to send you a couple of carryovers from last year to see what's happening there?

Mr. Costa: Okay.

Mr. Furfaro: First in the area of invasive species we sponsored a day of a workshop and it seems to me and it's critical that we don't lose a handle on where we've gotten so far. Especially with some of the firms and it looks like they got some great partnerships with the hunting communities and so forth as we have issues going into our valleys and so forth. On the Koki frog in particular it seems to be that we need to really have this one of the year as it was presented to us to make sure that we've gotten to a point that it's eradicated but they pointed out to us that it's going to take a year to really listen closely to see what's happening in Lāwa'i, Po'ipū and Kalāheo. How much discussion was there in taking out the invasive species money?

Mr. Costa: You know again we looked at all the various projects and being that we had just funded the invasive species fifty thousand. It was just one of those that we felt again because they had done so much great work in controlling that, that maybe the funding needed to be there. On a personal note I have to say that I spent this last weekend in Hilo.

Mr. Furfaro: Unbelievable huh?

Mr. Costa: It's the first time actually my wife and I celebrated our anniversary.

Mr. Furfaro: It is unbelievable.

Mr. Costa: I had not been back to Hilo since they've had coqui frogs and I couldn't believe and besides the coqui frogs they've got... what's that plant?

Mr. Furfaro: The miconia.

Mr. Costa: The microns and I saw that all over especially on that Eastern coastline and I've been involved with KB (Kaua'i bee keepers association) and they got their challenges you now with (inaudible). For me personally I think we should...

Mr. Furfaro: I just want to share with that I'm glad you went to Hilo I go once a month. I want you to know they were probably singing to you because you came on your anniversary. But I just want to ask that and a couple of things before I want to jump to the Visitors Bureau but let me see if councilwomen Yukimura has any questions on the invasive species why don't you go ahead first.

Ms. Yukimura: Yes regarding invasive species I think we have to look at the cost of not controlling them and include the agricultural pests. We already are aware of how much the fruit fly has cost to our ag industry and actually I hear that the parrots are causing a lot of problems to the ag industry as well. I think it's a really good investment from watershed protection miconia, to visitor industry protection Koki frog, to ag industry protection. It's like a really important

insurance policy so if we think about it that way I think it's more than worth fifty thousand at least and I know their asking for a hundred thousand but I keep thinking that the Water Department and Board is a logical partner in funding because watershed protection is primary to water. What was that beautiful film that DLNR just put out...The Forest Follows The...well it's a beautiful film and the message is like really important. So to me it's as justified as economic development expenditure.

Mr. Furfaro: Just to give you some history on that back in 2006 the State had a million bucks and they have Kaua'i nothing. Councilwomen Yukimura and I, we lobbied the first amount of money which was a hundred and twenty eight thousand dollars from the County to get on top of it for Po'ipū and Lāwa'i. The next year we have 68 thousand and then we got into a maintenance level of about fifty of the million dollars that the State used on the Big Island. Guess what I hope you enjoyed the orchestra on your anniversary, it is and they did nothing, they accomplished nothing so I wanted to re-visit that. On the Visitor Industry I'm going to give this to you this occupancy report George, I think we may have talked about this before but I want to find out as the State compares the inventory classifications that we have on Kaua'i which in the State we have 21.4% luxury, 37.8% deluxe, 33% standard and I don't have to go through these terms because you and I both know what they mean and what those amenities are, and 7.6% in the economy budget class. I would like to get those percentages from HVB of our makeup?

Mr. Costa: Okay.

Mr. Furfaro: And I will pass you this report. Also in occupancy has grown 3.1% with the way Dickie described it is like we're in the money. You know that song? Okay so we haven't quite gotten there yet but we do have the great report indicates our average daily rate is up 84 dollars and 52 cents. Spending is up substantially in other areas but we need to know the mix so that we know what's driving that high rate. When we started in the Visitor Industry you and I the TAT was 5% then it went to seven and a half and I couldn't get home last night so I checked out my TAT and it was 9.2%. The State is going to be the beneficiary of the growth in these TAT revenues not us. I think it's certainly important for us to have an understanding of what kind of categories we have and what it's contributing. I think I asked this of you last year, couldn't we go to the State or even ask the HVB to help us on this or some of these visitors associations. Why can't we be a member of the star report?

Mr. Costa: Nalani Brun and I who is our tourism (inaudible) and you did mention it about 2 months ago so we're working on being a member of that.

Mr. Furfaro: Okay because I want to make sure we get the star report, if we get the star report we can see the payoff. We get these things from the State, Economic Development and they're a year behind so I have to do a few phone calls to a few people I know in the business to find out how you're doing. If we became members of the star reports we can measure the results and if I know we can measure the results than I would certainly support us getting that to the previous year's level but I want to make sure we can measure it George.

Mr. Costa: Okay.

Mr. Furfaro: Okay and it's 12:30 and I don't know where the time went but we're going to go around the table for a few more minutes if you don't mind?

Mr. Costa: No not at all.

Mr. Furfaro: Because you're not back on the agenda after lunch. Mr. Kualii. Okay we'll have questions coming over to you George. Ms. Nakamura.

Ms. Nakamura: I'm just concerned about the HTA's reduction in product enhancement funds and I wanted to find out what is the total reduction for this upcoming year?

Mr. Costa: Twenty five thousand.

Ms. Nakamura: Oh twenty five? Okay and is that why you have funding in your budget? Does that try to make up for the reduction in HTA?

Mr. Costa: Right because a lot will come from the Administrative side right?

Ms. Nakamura: So that's why you have that new line item in here?

Mr. Costa: Yes.

Ms. Nakamura: That's good to see. I really think that, that is such an important program for residents and visitors so I think we should try to do whatever we can to support it.

Mr. Costa: I just want to add, excuse me I just want to add that yesterday Nalani conducted and I know Sue was in attendance. Nalani conducted a workshop at the Hyatt to help capacity building for those that put on festivals and events and help them not only look at grant monies but also other types of funding sources for their events to become self sustaining because obviously HTA's looking to wean different events off of their funding.

Mr. Kualii'i: Thank you Mr. Chair. I will still submit most of what I have in writing but I wanted to talk about one thing and that is I kind of want to figure out and it's mainly in the agricultural area I guess. I want to have a clear sense of how we're actually supporting the growth distribution and excess to healthy foods. We have monies like twenty six thousand to the sunshine market through the garden island resource and I'm not sure of that organization and five thousand value added and then we have Kaua'i grown sixty thousand. So the SNAP Program at the Food Bank and the EBT Program, the EBT Program is for the farmer's market right?

Mr. Costa: Right.

Mr. Kualii'i: So there's no funding there so I mean these different pots of money kind of like doing all the same work together I mean it would be helpful to me to know. If you put a dollar amount like Kaua'i Grown sixty thousand, so the narrative on that how is that sixty thousand is being spent really. Maybe it is supporting the Farmers Market I mean because it's all the same thing right? It's the growing distribution and healthy access to healthy foods here on Kaua'i?

Mr. Costa: Right.

Mr. Kualii'i: So I see these small pots of different funds but I'm not sure how its working together and which monies are doing what and whether now that means the EBT Program at the farmers market which is really successful might struggle. They just got off the ground right? I mean they're in the year in the making. What we heard like Vice Chair Yukimura said at the Get Fit Kaua'i Annual Meeting was that a lot of our families who has never been to the farmers market and this has given them the chance with that subsidy and that ability and with someone there a part time staff person actually helping facilitate I think is something we should continue. Whatever minimal amount of funding we can put in there it's that we are getting a big benefit for twenty thousand dollars, thirty thousand dollars, whatever. So to have it totally blank I'm a little worried that they just got it going and how are they going to sustain it.

Mr. Costa: Okay.

Mr. Kualifi: Thank you.

Mr. Furfaro: You're welcome. Now George I have a new understanding with the Administration that we send over questions during business hours. We have 48 hours to turn them around so we're going to send questions over to you and we would appreciate it by the end of the day on Tuesday if you can have those written responses back to us.

Mr. Costa: Okay.

Mr. Furfaro: Thank you very much for the presentation today and what I would like to do is ask if there's members of the public that would like to have 3 minutes to speak on these items? I don't see other members of the public here so we'll probably break for lunch and we'll be back at 1:40 for the Administration and we're going to start with the Audit Department. George again thank you very much for the presentation.

Mr. Costa: Thank you.

Mr. Furfaro: We are on a lunch recess until 1:40.

There being no objections, the budget reviews recessed at 12:43 p.m.

The Departmental Budget Reviews reconvened at 1:45 p.m., and proceeded as follows:

Excused: Councilmember Bynum

OFFICE of THE COUNTY AUDITOR:

CHAIR FURFARO: I want to welcome the County Auditors that are here for their presentation. There was submittal from them from August 5, 2012, and I do want to circulate around the table one minor change and he has handled it how I requested, an amendment which really indicates a date change which was reflected in its original package on certain attachments for the CAFR should now reflect December 15, 2011 rather than December 21, 2011. That is the only change, am I correct there?

ERNESTO PASION, AUDITOR: Yes sir.

Chair Furfaro: If I can ask you and Lani to just introduce yourselves, that would be fine and you will have the floor.

Mr. Pasion: Good afternoon, Chair Furfaro, and Councilmembers, my name is Ernesto G. Pasion, County Auditor for the record and with me is Lani Nakazawa, Audit Manager.

Chair Furfaro: Okay, we have Mr. Bynum out on another appointment. Other than that we have all members present. You have the mic.

Mr. Pasion: Thank you Chair. I have submitted to you as requested my Budget Presentation Material and I am going to read it. The mission of my office is, in the 2008 General Election, a Charter Amendment to establish the office of the auditor was overwhelmingly approved by the voters, receiving 75% of the votes. The office is staffed with the County Auditor, Audit Manager, Staff Auditor, Audit Analyst and a Departmental Staff Assistant.

Our mission is to promote honest, efficient, effective and accountable government for the County of Kaua'i through carefully selected audit of critical areas.

We have three goals. Goal 1: To serve as a catalyst for positive change throughout county operations. Goal 2: To help ensure that the County's scarce resources are used effectively, efficiently and economically. Goal 3: To inspire public trust by safeguarding the County's financial integrity by having annual financial audits done by outside auditors and conducting in-house performances audits.

Now we are going to evaluate provide you with an evaluation of the fiscal year 2011-2012 objectives. In furtherance of its goals, the Office of the County Auditor pursued the goals described below. The objectives, whether they were achieved, and obstacles or challenges are shown in the following matrix. The matrix we followed was provided by the Council. Objective...Produce the county-wide FY 2010-2011 Comprehensive Annual Financial Report, which we usually call the CAFR. By having this one we met goals 1, 2, and 3. The CAFR was presented to the County Council with the outside Auditors on December 15, 2011 and the draft was provided to the County Council December 9, 2011.

The next objective was to complete three to five audits during the fiscal year, which would meet goals 1, and 2.

Audit 1: Fuel Audit Phase 1. The objective was met, and it was issued yesterday or the other day and you must have read it in the paper. It was covered by the Garden Island.

Audit 2: Audit of County's Cash Management Practice and Control, work is in progress and will be issued in FY 2011-2012.

Audit 3: Audit of County Capital Project Management (Road Resurfacing Program). Fieldwork is substantially completed and analysis is being conducted. We anticipate issuing a report in FY 2011-2012

What kinds of obstacle and challenges we met? County records are scarce, non-existent or incomplete, making historical research difficult.

Other projects contributing to goals: conduct pre-audit assessments, which meet goals 1, and 2.

A) Hazardous work conditions at the Kekaha Landfill. This report will be issued before the end of the fiscal year.

B) Sick leave use. Research is being conducted. The sick leave pre-audit assessment will be completed before the end of the fiscal year.

C) Solid waste overtime compensation practices. Entrance conference held and fieldwork is in process. And based on material we have so far, it will most likely be converted to a full audit.

Other audits being conducted:

A) Audit of County's Program to Manage Employee Cost: Furlough. Fieldwork is being conducted; It is anticipated that the audit will be completed by December 31, 2012. The delay is caused by the Finance Department in providing the necessary data to the Auditor's Office. In addition, the database provided was incomplete, and resulted in extra costs for work by the consultant to bridge the gaps in the database.

B) Audit of County's Program to manage employee costs: Partial hiring freeze. Field work is being conducted. It is anticipated that the audit will be completed in FY 2012-2013. County hiring records are maintained in paper form, on index cards. Data had to be manually extracted and converted to electronic form for analysis by the Auditor's Office, resulting in delays and additional cost.

C) Pre-audit assessment of selected issues regarding the enforcement of planning and building permit conditions. Entrance conference held and fieldwork is in process and again County records are in paper form and data must be extracted manually. In addition personal changes in the Building Division permitting section in the Planning Department make historical research challenging.

Will objectives be accomplished by June 30, 2012? Please describe some of the obstacles or challenges that have prevented the department from accomplishing objectives, and your strategies to address obstacles or challenges. And it says please see matrix above for description of completion dates and audit-related challenges.

Other Successes and achievements:

The Audit Department's other successes and accomplishments within the last year are as follows:

1. The office utilized an innovative RFP approach to procuring the annual financial audits, resulting in savings of \$40,000 for the financial audit for FY 2010-2011. The audit was performed by N&K CPAs on its first year of a four-year contract. Presentation by N&K CPAs took place before the County Council on 12/21/11.

2. In 2007, the Association of Government Accountants (AGA) initiated a Citizen Centric Government Report, which aims to bring citizens into discussions over local priorities by making government financial documents short and easy to understand. The report seeks to answer the question "are we better off today than when we were last year?" The office issued the FY 2009-2010 Citizen Centric Report, the very first one issued in the State of Hawai'i. Subsequent to this now the City and County of Honolulu has issued their FY 2010-2011. The report provided a reader-friendly version of the CAFR. The office also produced a FY 2010-2011 Citizen Centric Report that was submitted to the AGA for review.

3. The office achieved full staffing levels, hiring the Program Support Technician provided by the County Council in the last budget. This position provides valuable clerical and analytical assistance to the Audit Staff.

Challenges:

Acceptance of audit functions: During the past two fiscal years, the office has provided training sessions to head of key County Departments about the audit function in order to decrease apprehension about audits. In addition, we have implemented informal exit conferences prior to issuing draft reports, so we can discuss proposed audit findings with auditees, and make changes to the drafts, if necessary. Although these efforts have resulted in increased, positive auditee interaction, acceptance of the audit function requires more responsive attention.

Impairments to independence:

Government auditing standards provide that audit organizations must be free from external impairments to independence. Such impairments occur when auditors are deterred from acting objectively and exercising professional skepticism by pressures from management and employees of the audited entity or oversight organization. Examples of impairments experienced by the office are externally imposed restrictions on access to records, government officials, or other individuals needed to conduct the audit; and restrictions on funds or other resources provided to the audit organization that adversely affect the audit organization's ability to carry out its responsibilities.

Lack of legal representation:

The office does not have impartial legal representation to assist it in performing its functions. For example, we have seen the County Attorney and the Deputy County Attorney assigned to represent the Auditor's Office appear in adversarial roles in audit investigations.

FY 2012-2013 GOALS AND OBJECTIVES

Basically our goals are the same as the prior fiscal year.

Goal 1: To serve as a catalyst for positive change throughout County operations.

- Goal 2: To help ensure that the County's scarce resources are used effectively, efficiently and economically.
- Goal 3: To inspire public trust by safeguarding the County's financial integrity by having annual financial audits done by outside auditors and conducting in-house performances audits.

Objectives for fiscal year 2012-2013:

In order to achieve these goals and to address its challenges, the office has adopted the following objectives for FY 2012-2013 as follows.

1. Complete CAFR and present to County Council in December, 2012, which will meet our goals 1, 2, and 3.
2. Complete performance audits and pre-audit assessments, which will meet goals 1, and 2.
3. Complete Citizen Centric Report for FY 2011-2012, submit for national recognition, which would meet goals 1, and 3.

Initiatives to address challenges:

Challenge 1: Acceptance of audit function. The office will work toward greater acceptance of the audit function through education presentations. The office plans to continue to offer to the County Department Heads, Managers, and Supervisors a presentation regarding the audit process to help County Employees better understand the role of the County Auditor and the ways in which audits are typically conducted. The office will also continue to meet or exceed the Generally Accepted Government Auditing Standards (GAGAS) and other professional requirements for continuing education to maintain a level of professionalism that promotes greater acceptance of the audit function. The office will offer to make presentation to the public, through organizations such as the Kaua'i Chambers of Commerce, Filipino Chamber of Commerce, Kaua'i Planning Action Alliance (KPAA), to explain the role and responsibilities of the County Auditor and the audit process. The office recently made a presentation to the Lihu'e Business Association and received positive responses from members and attendees.

Challenge 2: Impairments to independence. The office hopes that its upcoming peer review will provide it with the opportunity to solicit outside input regarding this challenge. The GAGAS requires that an audit organization performing audits or attestation engagements must have an external peer review performed by reviewers independent of the audit organization at least once every three years. The external peer review can provide a reasonable basis for determining, for the period under review, whether the level of external impairments allow the office reasonable assurance of conforming to applicable professional standards.

Challenge 3: Lack of legal representation. The office intends to request that the County Attorney provide special counsel to advise and represent the office during the coming fiscal year.

The office of the County Auditor's FY 2012-2013 budget of \$1,558,578 is \$190,419 or 10.9% lower than the FY 2011-2012 adjusted budget of \$1,748,997.

Significant changes from the prior year in the FY 2012-2013 budget are:

- Operations show a decrease of 23.2%. Budget for Operations of \$825,608 represents 53% whereas in FY 2011-2012, it comprised 61.5%.
- Salaries and wages show an increase of 6.3%; which is primarily attributed to a reallocation.
- Benefits show an increase of 12.8%; due to increased wages and an increase in the benefit factor mandated by finance.

The budget includes \$25,000 for the procurement of outside auditors to perform a peer review of the office's completed audits and operating procedures, as required by government auditing standards.

The budget also includes \$10,000 for a dedicated server. During the AGA seminar held in Honolulu last year, the auditors of the jurisdictions in Hawai'i discussed the importance of having an independent server and adequate firewalls to provide security to sensitive audit files and communications. The other jurisdictions have such a system with the exception of the County of Kaua'i. The budget for the proposed system was developed with the assistance of an auditor from the County of Hawai'i who was the Systems Manager in Hawai'i County, and has been discussed with IT management

Now we go into the graphs, so for next year's budget salaries and wages will comprise 28%, benefits 18%, operations 53%, and equipment lease 1%. As compared to FY 2012 where salaries and wages were 24%, benefits 15%, operations, 61%, and equipment lease 1%

We go into page 8 and we show a graph showing comparison of salaries and wages of the coming fiscal year with the current fiscal year and the trends by categories where in wages it is going up 6.3% benefits 12.8%, operations -23.2%, and equipment lease 5.6%. The total adjusted the FY 2012 adjusted budget of \$1,748,997 is 10.9% higher than the submitted FY 2013 budget of \$1,558,578.

Chair Furfaro: You said 10.9% higher. That's 10.9% lower.

Mr. Pasion: Lower.

Chair Furfaro: I'm correcting you, you said higher you're lower.

Mr. Pasion: Sorry, it's lower than the last year. Thank you.

Succession Planning

1. List critical positions within your department with impending retirements or departures (within 2-3 years).

None at this time

2. In general, describe education/ training plan for these position(s).

Not applicable.

3. Please review the attached "Budget Proviso," relating to training. Would you recommend any changes to the proviso to enable you to train staff in critical positions? No.

4. How many months of training in temporary positions are needed? Not applicable.
Vacant Positions

1. List positions that have been vacant within your department for more than one year.
None.

2. Describe why the vacancies have not been filled. Not applicable.

3. Describe your plan to address hiring obstacles. Not applicable.

Chair Furfaro: Thank you very much for that report and I'm going to ask summary questions from the narrative you just provided us if I can. What are the assumptions in your salary and wage increase at 6.3%? And how does that compare to the rest of the County.

Mr. Pasion: The 6.3% increase Chair, was derived by annualizing the first what is every allocation of the program technician to department staff assistant, that's the most ? difficult portion of it, and then the rest of that is the annualization of increases given in some parts of the year this year would be in fact next year.

Chair Furfaro: Was there any guideline that you got on that from Personnel Department? That's a simple yes or no.

Mr. Pasion: No guidance.

Chair Furfaro: No guidance, okay. Your benefit line 12.8% increases those where assumptions made on the health package, welfare package?

Mr. Pasion: That was all those percentages are mandated by Finance as a matter of fact they have to make adjustments.

Chair Furfaro: Okay. So you got some narrative on those assumptions.

Mr. Pasion: Correct.

Chair Furfaro: Okay. Good. I'm going backwards, so look back at page 8. In relationship to the Auditor's Department could you provide for me your raw salary cost and what percentage all other payroll taxes and benefit would relate to. For example your twenty-eight total operating budget for raw payroll is X amount of dollars compared to your payroll cost, what does the 18% of your total department represent in the way of PT&E? You don't have to do that now, Ernie you can send it to me.

Mr. Pasion: The total benefits for this coming fiscal year is \$284,972.

Chair Furfaro: So what is that percentage?

Mr. Pasion: That is about 68%.

Chair Furfaro: You are close to my number. My number was 67% for the County. We had other assumptions as high as 80% but for the purpose of this discussion 68%.

Mr. Pasion: A significant portion of that Chair is the OPEB.

Chair Furfaro: Yes, we know that. But what I am saying is your estimates are closer to mine. So we will leave it at that for now.

On page 6 without getting into too much depth here, number three the lack of legal representation, I was under the impression that we had an understanding from the County Attorney's office that any legal work you needed in the department would be done by the First Deputy. Is that not the case?

Mr. Pasion: Not the case Chair. As a matter of fact when I mentioned about adversarial, because as an Officer of the County they took the oath to support and defend the Charter, which means to say that defend, and support, and defend and protect its assets and everything else in the responsibility of the Auditor is to make sure that our assets are protected also. I took the oath whole heartedly and so...

Chair Furfaro: Okay. I understand that part Ernie, because I took an oath too. My question is, I met with the County Attorney's Office and I was told that the First Deputy would be your go to person. But that is not the case?

Mr. Pasion: No, Chair.

Chair Furfaro: Okay. Going back on some questions here than. Did you get any feedback on your first report for Your Citizen's Report, did you get any feedback on that report and is there any comment at this point that you want to share with us?

Mr. Pasion: Yes Chair, especially when we made a presentation before the Līhu'e Business Association, they made comments, because of the volume of the CAFR and others in the annual report by looking at the quotation. They said it is concise and informative. They can look at it and see what the trends are as far as the County.

Chair Furfaro: Besides mailing it out to those citizens with tax keys and so forth, how many maybe presentations did you make? I heard you say Līhu'e Business Association. Did you make any Rotary Club presentation?

Mr. Pasion: No. Not yet. The forthcoming fiscal year we plan...

Chair Furfaro: So you are going to build on that presentation?

Mr. Pasion: Yes.

Chair Furfaro: Okay. Other success here on page 4, I read this as if what was done by N&K its certain effects on the Financial Office. Did we actually come in forty thousand dollars less than budgeted?

Mr. Pasion: Yes, because we were paying \$250 to the outside Auditors situated in Pennsylvania and we paid them \$210. The first year is \$210 and this coming fiscal year they are going to be paid \$215 compared to the \$250 that we were paying.

Chair Furfaro: So this year in the budget we have the second of three years with NK?

Mr. Pasion: Second of four years.

Chair Furfaro: That has been adjusted to the new number that we got from them?

Mr. Pasion: Yes.

Chair Furfaro: Thank you for that and congratulations on that. When do you expect to finish the audit from the impact of the employee furlough? Just a rough date for me Ernie, I would appreciate it.

Mr. Pasion: Let me refer to ...

Chair Furfaro: Let me pose it another way, do you think we will get the results of the audit before we get to the end of the year?

Mr. Pasion: Yes before the end of the calendar year, not the fiscal year.

Chair Furfaro: I am going now to page 2. What about the Solid Waste overtime audit you are doing? When do you think was...because the part I am worried about that currently in the PT&E they are calculating our benefits based on all payroll and you did that audit of overtime in Solid Waste.

Mr. Pasion: We are doing a pre-audit, Chair on the Solid Waste overtime and as far as when it is going to be completed? You don't know until you get into the trenches, so you might get...

Chair Furfaro: Okay, well I think we have some value there because of the way we calculate benefits percentages and then can you expand anything more on the County Road records? It seems that they are not as complete as we would like them to be, but what are we doing about it? Are they computerizing it? How are they improving the record keeping?

Mr. Pasion: I would like to refer to Lani.

LANI NAKAZAWA: I know that the new Roads Administration is attempting to put together as much information as they are able to. I think the challenge they have is the same one we had in the Audit and that is historical records are either non-existent or unavailable. There apparently use to be a data base before that we are not able to access anymore. For example the way we he had to do it for the project we looked at, which is the phase one of the fiscal year 2006-2007 is to look at each of the job tickets of the haulers individually to figure out how much paving was actually done.

Chair Furfaro: Okay so there are some challenge to rebuild those records but going forward with this new engineering team and so forth, we have had discussions with them about documentation of millage and surfacing and cost per ton and so forth. You feel their implementing that now?

Ms. Nakazawa: Yes, I think they are aware of the issues we are addressing.

Chair Furfaro: Well I want to thank my Colleagues for letting me go through it first but now I will pose questions from them.

MEL RAPOZO: I guess congratulations on the successes. I think I have always been a very strong proponent of Auditors and audits and performance audits and not

necessary investigative audits but performance audits to figure out how we can better improve the efficiency of this County and I think this direction of having an internal Auditor is a lot more cost effective than hiring an auditor every time you have an audit issue. I appreciate the change and again the successes congratulation on those. My question is, as far as your challenge as acceptance of the audit function I know in your report you say you are going to continue to work on that by making presentation and so forth but if you had to give me a percentage of acceptance County wide are we at 50%? Do 50% of the people in this County accept the audit function? Is it 75%? Is it 25%? I will tell you a lot of the people I talk to on the rank and file, not so much the administrators but the rank and file are very happy that we have this audit function now. I think they are concern in many cases they are just as concern inefficiencies of government as everyone is. So in your opinion or if you could or if you can't that is fine too but where do you think you are at as far as acceptance County wide?

Mr. Pasion: Let me echo what you just said, Councilmember Rapozo. My Auditors they enjoy working with rank and file. We had good working relationship with Larry Dill recently, but going back to some of your audits. There have been some delays and kind of a...our request are often referred to the County Attorney or to review it, to make sure it is okay, so those the kind of obstacles that we have been trying to...

Mr. Rapozo: Okay, that is the second challenge, but as far as the first challenge your acceptance, would you agree there is general acceptance by the general staff?

Mr. Pasion: Just to let you know there are some Department Heads without even telling you who they are, they would welcome us to do performance audits, because what they have seen is they look at some of the audits done in the city where the audits are being used by the Department Heads to justify how they would improve their operations.

Mr. Rapozo: That is the purpose of an audit. The purpose of an audit is to identify areas where we can improve. Years ago we were debating a specific audit on this floor, and it didn't get supported, but Gary Heu sat up there and said, we would like the opportunity for us to do our own internal audit first so that we can identify whether or not that was ever done I don't know but this function is part of government it is a Charter mandate and it is obvious that some people are going to be reluctant because they look at audits in a negative fashion. I think the education component needs to be focused on the positive component of performance audits and not look at it so negatively. I anticipate that acceptance actually getting better in time.

The impairments, I know you talked about you just kind of referenced it. It bothers me to read this where the impediments or impairments where documents, where you are being restricted to documents those are the kind of things, Ernie if those are going on and I'm not sure if you have any dialog with our Chair or not but those are the kind of things I would like to know. If you are in an audit and you are getting resistance from anybody, I think the Council needs to know about it because I believe it is your authority to get whatever documents you need to complete your audit. If that is not happening, Ernie, we need to know about it.

Chair Furfaro: Ernie, let me clarify that for the general information for the whole Body, Ernie and I meet every Thursday at 1:30 p.m. when he brings discrepancies to my attention, and I have either followed up with a written communication to the Administration or correspondence to the County Attorney on expectations but we continue to meet every Thursday at 1:30 p.m.

Mr. Rapozo: Well thank you, and I can meet with the Chair, but that is of a concern to me if in fact that is happening. Then your final challenge the lack of legal representation I think the Chair made a comment about who you where suppose to be assigned and

I'm hearing that is not the case. In this report you are basically saying you are going to be requesting Special Council going forward to represent you in situations you believe you need to have Special Council. I tell you in my first six years on the Council and I know Councilmember Yukimura was here and Councilmember Furfaro was here, I cannot remember a time where a Department Head or a Commission came to the Body to ask for Special Council. We deal with Special Council request for specific cases where we need expertise outside whether it is a civil law suit whatever the case maybe but in the last few months this would be our third request for Special Council because there is a lack of confidence in the County Attorney's Office. This is the third one. We had one from Ethics, we had one from the Police Commission. I'm sorry we had the Prosecutors and now we have the Auditors. So that is four and I think...and again this is my eighth year going on my eighth year on the Council, and correct me if I'm wrong Councilmember Yukimura and Councilmember Furfaro that has never happened in the past. So that to us here should be a red flag and something is not right and it concerns me when the Auditors cannot get County legal representation so I think that is something we probably going to have to take up individually later maybe in executive session because I believe if the Auditor cannot get legal representation. If the Auditor is facing an adversarial Attorney that is suppose to representing them then it is a concern for the County. I just wanted to make that comment because again this is number four I guess in probably as many months and that is of concern. I appreciate your addressing the how you are going to deal with the challenges because I think every Department will have some challenges and I know that there is ... I did not see it in here but there is the space issue with your current location and you did not cover that. I know I stepped out couple time to run get the report but did you address that in your presentation?

Mr. Pasion: No, I did not Councilmember.

Mr. Rapozo: I'm assuming this is the time to bring that up right Mr.
Chair?

Chair Furfaro: No, I had a pre-discussion with him. The adjusted amount which is not reflected in his budget for his needed space is about twenty-four thousand. He indicated to me that he did not make that presentation. Although I physically went to look at his space I do not know if any of you others went and I concurred with him we need to make that adjustment now and not later.

Mr. Rapozo: I appreciate that Mr. Chair. I did speak with the Auditor. I have been down to his office and I would concur that need will be necessary. I guess we will be seeing it in a supplemental budget. Thank you very much, that is all I have Mr. Chair.

Chair Furfaro: Okay, we will go to Mr. Chang.

Mr. Chang: Thank you, I guess on that related subject, yesterday I am not sure if you saw the meetings that we had in regards to the Piikoi Building and I did also have a chance to walk through the space that you are looking at. They mentioned with the availability of some vacancy space there at the former Big Save. Is that any possibility for the Auditor's Office?

Chair Furfaro: Let me clarify something. I want to make sure that we all understand there might be a little bit of a tug-of-war between the Council Chair and the Administration. That tug-of-war is we are the liaison to the County Auditor. The County Auditor in my opinion belongs in this building. To me the long term access for him is with the Historical Society long term. Because also when we are now taking bond of all the records and so forth, we have that kind of storage space at the mezzanine level downstairs, but it is an ultimate discussion when the lease runs out for the Historical Society what is the Administration doing for space planning for that service that they provide to us. I mean they are the keeper of our historic records

but my position and I am sorry I have to make it clear at this discussion. I believe the Auditor needs to be in this building because we are the liaison for them. You may want to just know that as I give the floor back to Ernie to answer other questions. But that is my vision.

Mr. Pasion: The answer to your question Councilmember Chang is that the decision as far as locating us here or at the Big Save is beyond my office. So it is up to the Council and the Mayor.

Mr. Chang: Okay, I understand. Part of the discussion we had Vice Chair was utilization of our own building and our own facilities so we don't have to go out and rent. I did see a space I think it is very functional. My concern is I agree that we should be out on the same campus, if you will but also being familiar with the Historic Society I do not think that the space would be large enough I don't think. For what your departmental needs would be but since we mentioned that I figured I would throw that out.

Chair Furfaro: But I want to make sure you also understand. Not only their conference room and the other space that currently houses three people, including reception, and there is the whole back of the building which is space that would be available to them and it means money you have to refurbish that area, we have to carpet it. We have a 2020 lease coming up. So that has to be a part of the discussion and since the liaison for the Auditor's department is the Council? I just think the closer to us the better. That is a whole other discussion. But I think Council Vice Chair's point well taken that we have this space that we own whether it is here or Big Save and right now the space we have them in we have an operating cost associated with that. Mr. Kualii.

Mr. Kualii: Thank you Mr. Chair, thank you Ernie and Lani for the work you do and everyone else in your office and for being here today. I think you did a great presentation and the Chair and others have asked the questions I was concerned about. The only thing I would say... also I glad to see that you answered the question with regards to succession planning and the vacant positions because that is what I would have asked. The only thing I wanted to ask about and I appreciate this report to the citizens that you do and I just wanted to know in painting this financial picture are you working with the Mayor for the Administration, the Chair for the Council, and the CAFR with the Auditor.

Mr. Pasion: We have utilized the ... to answer the question Councilmember we have prepared that and we have utilized the CAFR which is basically the source for the citizens report and incorporated some important information about what the County provides in terms of services from the annual report that submitted for the County Charter.

Mr. Kualii: And is this a format something that is relatively standard done by other Government Agencies for the Citizens?

Mr. Pasion: It is a prescribed format by the Association of Government Accountants. Otherwise there is no prescribed format people would do whatever they want.

Mr. Kualii: I appreciate the showing the graphs about the reality with the estimated value of taxable properties and the real-property tax revenue. The only other thing I thought was maybe missing is that it talks about the expenditures as far as debt service but it does not say what the County's debt is. And I think anyone running a responsible household we know that we got to get our debt down and pay less on interest so it is good to just be aware of it so that when we are thinking about everything in general about revenue and expense we also recognize that we not starting from a zero point we starting from...which is legitimate to have that because it is

investing in the bonds and all that but maybe as a basic matter of information the citizens would want to know that as well.

Mr. Pasion: Thank you very much for that. It was a very good suggestion.

Mr. Kualii: Thank you.

Chair Furfaro: Yes, Ernie I think that is an excellent point because when I did the summary after our last Bond Counsel I indicated that we had a hundred and twenty-one million dollars of debt and that debt was reduced by the four million seven debt service that we had budgeted this year so we probably going to ... in the year a hundred and eighteen million in debt but I think that was an excellent point that Mr. Kualii brought up maybe for future reports we can have a little piece that reports on the debt. Councilmember Nakamura.

Ms. Nakamura: Thank you very much for your report today and for the written strategic summary. I have a question about some of your objectives for this coming year. Previously, I am looking at page 5 and previously you objective number 2 complete performance audits and pre-audits assessments. So previously you said you would do three to five performance audits in the year. Is there any way to quantify your objective for the coming year?

Mr. Pasion: We have a lot of, we have some carryovers from this year to the current fiscal year and we also have to look at what is coming in front of us and that is the reason why I do not have my Quarter Work Plan. Will be because it is an ongoing evaluation of what needs to be ...

Ms. Nakamura: I think ranges are really good. That is how you presented it last year you had a range of ... and I think is there something reasonable that you could present to us?

Mr. Pasion: Yes, we are looking at two to four for next year because of all the carry over and we are also we have to look at what needs to be looked into when we are presented with request from the Council. I understand talking to Councilmember Rapozo that there will be a resolution I don't know when that will happen is that there is going to be a resolution on parks maintenance and management something like that so. I received a request from Vice-Chair Yukimura about also looking into the payroll system. I am sending my response to the Vice-Chair per the Charter it has to go through the resolution process. So those are things that we have to look into and that is the reason why I do not have specific or define...

Ms. Nakamura: That is okay I am just thinking for ranges. I mean this year you were successful in meeting your goals between two to five audits and you accomplish that. That is what I am looking for are you....

Mr. Pasion: Two to four.

Chair Furfaro: I do want to make sure the Members understand we look for your audit plan that supports the budget you gave to us. That is your plan you presented to us. As we go through the year if Councilmembers want to expand that there is two pieces I want to make sure you understand. One you touched on that is done by a Resolution, and the second part is they also need to know that should be followed by a Money Bill because when we agree on your plan for 2012-13 there are certain things that are known that are in your budget for that year. But if we start to add new pieces it starts by Resolution in front of the Council and followed by a Money Bill and I'm going to give the floor back to Councilmember Nakamura.

Mr. Pasion: Thank you very much for that Chair.

Ms. Nakamura: Ernie I have a question about your expenses for this year. Where do you expect to end the year, budget wise?

Mr. Pasion: Budget wise we are expecting to we have a projected expenses this year \$1,558,000. Oh, \$1,748,997 I should say is what we are submitting. That is on page 8.

Ms. Nakamura: Could you please repeat that again now?

Mr. Pasion: On page 8 Councilmember it is a projected expenses for this year would be \$1,748,997.

Ms. Nakamura: That is actually your budget?

Mr. Pasion: That is our projected ...

Ms. Nakamura: That is also your expected expense?

Mr. Pasion: Yes.

Ms. Nakamura: Ok so you plan to hit that? Exactly?

Mr. Pasion: We will try.

Ms. Nakamura: No, don't try to spend it down if not necessary. I am just wondering if you had any...as we go through sometimes the budget is more than the actual, so I was just wondering looking at...we have three more years left in the fiscal year...months...

Mr. Pasion: Yesterday I had submitted a contract amendment on the (inaudible) audits. Because of the delay and the data that was provided to us we asked for an additional \$40,000. It hard so...

Ms. Nakamura: I was just wondering what your estimate is for the rest of the year. You can come back to us later.

Chair Furfaro: We will send that over as a question. Vice-Chair Yukimura.

Ms. Yukimura: I want to start by congratulation you. I think we have all been watching in terms of what the office will actually turn into. It was a concept that people voted for and the writing of your reports have been mixed but the results have been useful I think. I am certainly learning the value of the Auditor's Office, and look forward to the upcoming reports because I think it will give us some very valuable information and hopefully as you said it will inspire people to do better. I do not think I have any question except I do think it would be worthwhile to audit our payroll just based on the state discovery that they are losing \$2 million from overpayments because of inaccurate payroll system. I don't know if the state does their payroll tracking by hand or manually. We are the only ones? I do not know. Manually in this day and age does not seem like the best way to be accurate and timely. I just see this as a key area of improvement that we need to work on. I am going to ask the Council to consider a resolution and I think all be talking to Finance later on in budget hearings about their plans for automating or bring in a better system. Thank you.

Chair Furfaro: I just want to share with you, I do want to remind you that it would very appropriate for us to have your business plan by June 30th because I do not know what you are going to include in the budget you submitted to us and I want to be fair to the other Members and I think I can make the point where, I was not so personally concerned with the furlough audit. I had enough information myself. I would have voted for a bigger priority on the Solid Waste over time. I do not want to get caught in that Ernie, you need to get something for us this budget supports this business plan for the Auditor Department. And as we go forward we add things and we add the money to do that but we have to have your plan reasonably soon. We really do Ernie, I know you like the flexibility but I in the year for the year we need to know what we are going to get for the budgeted number. Maybe you are thinking it is going to include the two requests that came from Rapozo and Yukimura? I don't know. But quite frankly I do not want to get into a challenge match with other members if we what something that is not in the plan. I do not need an answer to that I just need to make the comment that we have to have that understanding. I am sure we might ask to do one or two new audits which are not in your budget.

Mr. Pasion: Chair, just to let you guys know Councilmembers that like a said a while ago I took an oath to support and defend the Charter and according to the Charter I have to provide for you a plan before the start of the fiscal year and I will do that. The reason why ...

Chair Furfaro: Ernie, I am actually protecting you because I do not want individual Members to lobby you for what they want in the plan and at the same time I want to make sure that it becomes your plan, your plan first.

Mr. Pasion: I have some other audits in consideration. I am looking at Charter Compliance audit, and Hiring Practices Audit. Those kinds of things and Parks Management (inaudible) Security Audit, there is a lot of stuff we have to consider before we submit anything

Chair Furfaro: You and I sound like we are on the same page. You understand that before we start the year, we need to have your plan and if we have new items not in there it is by resolution and by additional money. And I am going to give the floor to Mr. Rapozo, and then back to you Vice-Chair Yukimura.

Mr. Rapozo: I do want to just say that when I did approach Mr. Pasion about the I requested or am interested in a audit of the Parks Equipment and Manning Staffing Levels and his advise was to do it through a resolution and I can appreciate that. And I can appreciate just what you have read off of your potential audits going forward I am actually really, really pleased. I also agree with Councilmember Yukimura that having heard what we have heard regarding the way payroll is done. Let us not forget that our Auditors picked several a discrepancies which was a major discrepancy several discrepancies about vacation time start of the year, didn't match with the vacation time at the end of the prior year. What is even more troubling the majority those incident that was found in the random audit was in Personnel so that is troubling. I tell you right now on the record I will withdraw my request for the resolution for the Park and I definitely support the resolution for the Payroll audits. Because I believe as Mr. Kualii said earlier today the vacant positions that accurate information is vital for us to go through. Likewise we got to make sure at the end of the year we are paying the right amount of money. I appreciate that Mr. Pasion and we will work that on our end. I guess though Mr. Chair because I really wasn't aware or even thought about the money bill that accompany that audit because ... I mean that resolution because it is true. His budget...

Chair Furfaro: His budget will support his budget strategies for audit. Anything new to that would be totally unfair for us to ask him to do it with in...

Mr. Rapozo: So that would mean we would need to identify some funds in our budget for maybe two or three audits for the year. I got it thank you.

Chair Furfaro: I want to let the Vice-Chair have a ...she had her hand up for a question and Ernie and we are coming up on your time so I am going to give you the floor.

Ms. Yukimura: Just real quick. I think we really want to acknowledge the autonomy of the County Auditor and at the same time I am think that a discussion with the Council could be useful to you in terms of knowing what our priorities and concerns are and still you are going to be independently determining your own work plan but still we are policy makers who see a lot because of the budget process and so forth and may have some issues we want to share with you.

Mr. Pasion: Thank you very much Vice-Chair for challenging the independence of my office.

Ms. Yukimura: I think we see that and I just wanted to acknowledge and make that clear.

Mr. Pasion: Thank you.

Chair Furfaro: I think we pretty much summed up the area that you financial picture here. I do want to make note that maybe the next time we meet we can reconfirm that rental office space number needs to be adjusted. I put a note in my book.

I again am very satisfied with the report you gave us. Had a chance to revisit some procedures but Councilmember Nakamura has one or two more questions for you then we are going to call it a day with the Audit Department. Go ahead.

Ms. Nakamura: Just a question on your overtime line item for a staff of 5 of you? Your line item is 10 thousand dollars? I was just wondering what...why that amount?

Mr. Pasion: It is a projection based on the anticipated load and the determination for us to meet our committed audits to submit to the people and the Council.

Ms. Nakamura: And I was just wondering, what was your actual amount of overtime for this year?

Mr. Pasion: At this point I don't know but let me get back to you. I will get back to you on that one.

Ms. Nakamura: Under consultant services your line item is \$675,000, and I know a big chunk of that is for the CAFR.

Mr. Pasion: Yes, \$215 of that is for the CAFR.

Ms. Nakamura: \$250?

Mr. Pasion: \$215.

Ms. Nakamura: \$215, so then over \$400,000 then is left for other audits?

Mr. Pasion: That is correct.

Ms. Nakamura: Do you expect to ... and can...do you have your actual for 2000 for this fiscal year? How much you have actually spent in that line item?

Mr. Pasion: We will provide you with that information.

Ms. Nakamura: Okay, thank you.

Chair Furfaro: So Ernie, you will provide us that information through the period that we are comparing, which is through period eight through February. Would you have estimates of your contracts?

Mr. Pasion: I will sit down with my team and we will go over the status of the audits that they are working on and what kind of expense that we have consider and we will put together the numbers.

Chair Furfaro: Because I explained this earlier. Although it came over to us on March 15 it actually reflected the February period with a two weeks of payroll laps, so we are not comparing a full month here. Okay, so we will send it over as a question. If we have no more...go ahead Mr. Rapozo.

Mr. Rapozo: It is more of a request. You know the way Finance came across with their CIP Report where it shows the, what's been spent, what's encumbered, if that possible in the report so we know what is encumbered, restricted, maybe not spent yet but something you anticipate just so we can get a better idea of what your expenditures are for this year so we can have a comparison.

Chair Furfaro: That is what I referenced. The contracts that were initiated, but we have not seen all the associated bills.

Mr. Pasion: Okay, we will provide that information.

Chair Furfaro: One more question from Vice-Chair Yukimura.

Ms. Yukimura: Just a respects the request for information, are we asking for every line item like that?

Chair Furfaro: No, just on the contract?

Ms. Yukimura: On the contracts? The two date expenditures and for over time as well.

Chair Furfaro: Are we fine here?

Ms. Yukimura: Yes.

Chair Furfaro: Okay, to the Audit Team thank you very much. Watch for our questions. Ernie, we are asking for a 48 hour turnaround. That means we are looking for the turnaround by the end of business day on Tuesday. We are going to take a ten minute recess here for the camera crew. So we are in recess until Planning comes over.

There being no objections, the meeting was in recess at 2:54 p.m.

The Departmental Budget Reviews reconvened at 3:24 p.m., and proceeded as follows:

Chair Furfaro: Thank you very much we are about five minutes ahead of our schedule and before we get started with Planning Mike, welcome. If you would like to introduce who you have here with you today from your department it would be appreciated and then I will turn the floor over to you.

MICHAEL DAHILIG: Thank you Mr. Chair, I am here with Myles Hiranaka who is a Planner 7 and our go-to guy for anything relating to budget ...

Chair Furfaro: Go-to guy.

Mr. Dahilig That is the go-to guy. We also have Kaaina Hull, who is one of my Planners as well, and we have Leila Villon, who is the person who makes everything happen for the physical side, so they are here as support this afternoon. Mr. Chair, Members of the Council, again thank you for having me. For the record Mike Dahilig, Director of Planning, and I am here to present on behalf of my Department our 2013 budget request. We provided to the Council a set of PowerPoint slides just to kind of go over what is more so in the formal write up report for the Council's entertainment and just to give you an outline of what I'll be talking about this afternoon.

Just to briefly go over again what is our mission for the Department and then go over what we have done so far in this fiscal year to date. As you remember from our presentation last fiscal year there was a set of goals that we broke down into sub goals and I'll give you an update on where we are with those. Going into the next fiscal year, I'll discuss some of the challenges that we are talking about in the report and then I'll lay out for you what we see as our benchmarks for the next fiscal year for the Department. Finally I'll just go over the budget request that we have as part of the overall Administration request. So just to reiterate and I don't like to read slides usually, but just (inaudible) for the presentation this afternoon.

The County of Kaua'i, Department of Planning aims to provide through the regulation of land use in an open manner, a long range vision for physical, social, and cultural growth enhancement, and preservation of our unique past and present rural lifestyle and values for future generations. This is at the core of what our Department's mission is about. During this past fiscal year, what we have been able to do so far...one of the hallmark achievements of our Department was being able to push through Ordinance 912 with your help and it was signed into law this past October. We are in the process of actually processing applications for the TAU ordinance and we have gotten a lot of hits so far. I would like to thank Ian Jung from the County Attorney's Office for helping with crafting the legislation, as well as Dee Crowell, who has been our point man so far in processing. So far we have processed one approval to date and we have another six I believe pending before the Department for review.

We have been in the midst of implementing Ordinance 904, and just a refresher, the Ordinance 904 has been the Ag TVR legislation that the Council passed about a year and a half ago and this related to I guess the special permit process we are near completion of the special permit processing bubble that was created by the legislation. We do have a few that are pending still with the hearings officer as a consequence of what I guess is contested case hearings. We are in the midst right now of launching General Plan technical studies. We have three of them as we have mentioned to the Council last year. One is Social Economics Study another one is relating to Land Use Build Out, and the third one is relating to Infrastructure Build Out.

We are coming before the Council next week Wednesday for a grant request for a fourth technical study relating to Coastal Hazards and that would be before you (inaudible) I guess next week.

We also took a look at implementing the new SMA rules. The Governor, during the last legislative session sign into law changes to Act 205, sorry, Chapter 205A and our Commission as well as Department help...we were the first County in the State to implement the new law as signed into effect by Governor Abercrombie.

We have also taken a look at revamping the CIP process in terms of consistency with the General Plan in accordance with the Charter. It is still a work in progress but we were able to at least roll out something this year that we believe was more in line with what the Charter's intent was, which was analyzing consistency and looking at how all these different projects flow with each other. The Council also passed Ordinance 919 relating to civil fines. We did amend the Commission's rules this past year to essentially implement the Chapter 91 requirement regarding civil fines and we are actively right now looking at opportunities for a more advanced enforcement. One of the other hallmark achievement for our department was the Hawai'i Congress of Planning Officials Conference that was held in September of last year. I would again like to give kudos to Lea Ka'iaokamali'e and Marie Williams, as well as Nani Sadora, and other people in my department who helped make this happen. We had over 200 people come and attend and the co-sponsorship with EPA Hawai'i was a good success and it really put a good face ... and really represented our County well. Finally we made a lot of progress in filling positions as you look at our departmental budget. In fact on Monday we welcomed three new hires to our department and so we are getting up there, we are getting up to speed. We have gotten into overflow space in the Pi'ikoi Building and so we have been in a big growth spurt and we are welcome to have those three new people onboard.

As you remember from the last fiscal year we had four goals for this year. One was restoring staff levels because the department at that time I believe had seven or eight vacancies including grant vacancies. We also wanted to take a look at innovating customer service intake and enforcement. Again how can we do this better, how can we track this better because at the hallmark of the intake, the data that has derived from it essentially allows us to do better planning. We also wanted to improve working conditions including training, bring our staff up to speed with respect to the newest thought and theories with planning, as well as giving our enforcement officers a lot more depth of respect to how they do their work. Finally was a focus effort on completing long range initiatives and again as I mentioned last year, long range planning is becoming more and more an increasing demand on our department because of the desire to place make. Everybody in our community wants to live in a healthy, livable, beautiful place and place making seems to be at the forefront demand for our department in terms of that type of product.

As we go into the next fiscal year, we have a set of six challenges that we are looking at. One is office space. We are thankful that the Administration was able to provide us an overflow space in the Pi'ikoi Building but if we were to be fully staffed we would not be...actually that space did not let us any additional space. If we did need to have...as we hire more staff on we are going to have to find more places to put them. Again we are looking staffing trying to again get to that full level of staffing because when we are at full level we are at that peak performance.

Another one I just want to put on the Councilmembers' radar screen is this maintenance of CZM grant match and what this is, is the department receives almost three hundred thousand dollars a year from NOAA through the State Office of Planning and so we are sub grant from them and what we are required to do is match by effort dollar for dollar the three hundred thousand. Due to the downturn in the economy we have been in a position where we have to be more proactive in producing coastal related work for the County including direct types of match for instance the UH Sea Grant agent that we do have that is direct funded we count that as part of our match but because we do not have the level of SMA and shoreline applications that we did in the past, it becomes more incumbent of the department to try to deploy resources in that matter and create work. It is a bit of a challenge. We are making sure we maintain full funding for this. We are

transitioning to e-filing and I am sure as the Council will hear over the next couple weeks that the Building Division is going to be coming online soon with their e-filing hardware and software, and as a direct plug-in to the plan review process we will be dovetailing with them too. We are getting wrapped up to train our plan reviewers to be able to use the new e-filing protocol.

Also we have numerous long-range studies. If we do follow through with our procurement this year then we should be on track to ... the long-range Planning Division will actually have nine active projects during the upcoming fiscal year. That is something we do need to look at how to deploy staff resources towards as well as keep on top in order to ensure timely progression of these plans.

Finally, as I mention last year we can always improve on enforcement. Enforcement has always been one of the largest criticisms of our department and we are acutely aware of that and it is something that with the simple fine authority we are looking at trying to be a bit more robust in our enforcement efforts. So if we take these six challenges we essentially are looking at four sets of goals for the upcoming fiscal year as we did last year we came out with four goals. This year we are looking at four goals. One is and you will recognize this because this is similar, is innovative customer service in take and digital records management. The next one is continue progress on long-range plans and initiatives. The third one is, with respect to enforcement capacity building, and the fourth one is communicate opportunities for regulatory paradigm shifts. So this is what we hope to focus on over the next year and let me first go into the first one...let me just show this graph for you so you can see the comparison between last year's goals and this year's goals for this upcoming fiscal year.

As you look at the first goal which is innovating customer service intake and digital records management what we want to do is sure we work with DPW and IT I continue implementation of the plan review initiative. We worked with Eric Kanoa and he has been great in terms of briefing us on what is coming over the horizon but what is part of phase two of the plan is to create Planning Department tailored plug in interface for our departmental needs, so right now it is being build around Building Division but we want to work with him to have our own interface and our own protocols set through this new unified system. The third one is deployment, we do have in the budget request a dollar funded position that is being half restored for this upcoming fiscal year and what we would like to do with that position is to have an analyst digitize and geo code the intake record into the new system. I know one of the frequent concerns of the Council have been with the respect to the ability to GIS data mind and where we are with that. We think by having someone at the intake process being able to really geo-code and digitize the information that does come in, that will help aid in the process of data mining. Our second goal again was in respect to continue progress and long-range planning initiatives. The first one is and this has been a persistent concern for the department to ensure that these Kaua'i Development Plan does get completed and so we are aiming at the end of fall this year to try to have that at least finalized draft to the Commission and the Council. We also have to look at the CZO update phase two, we do have phase one before the Council, I'm sure that will come about as needed and when phase two does come through we need to be persistent in making sure we responsive to having that done by the latter half of 2012. We also want to insure steady progress with the Tenneco Advisory Committee for the general plan and ensure that the three plans we are looking at are delivered by next summer at least in a draft form. The TAC has already met we have a cross section of regulatory agencies as well as community members as part of that TAC and so that is something we are going to be working with them to at least get to a draft form by next summer. We are also looking at launching the CAC portions of the Līhu'e and the Kōloa-Po'ipū-Kalāheo plans. As you know both of these plans did hit a speed bump and they were reauthorized in last year's budget. We in contracting stage right now and so we hope to have those community advisory Council starting to meet by next year. We want to complete the final draft of the IAL study and forward the recommendations to the Commission and the Council by the end of 2012. We are that close, but we are at the very last part which is the (inaudible) portion

that we still kind of mining through. Then we want to launch the County Wide Impact Fee Study. This is something that has been asked for in the past. We have already selected a consultant, the contract is with the Purchasing Office, so that is where we are with that and so we want to ensure that that gets watched appropriately.

Our third goal was in respect to enforcing capacity building. We want to get undercover investigations of Trans Vacation Rental not holding certificates. We do have a budget line item for a request to have under investigation support and what we would like to do is try to expand how we are going about enforcing. Right now traditionally complaint based enforcement department and by having this type of support with people that know how to conduct undercover investigations we think is appropriate given the policy of the terminations by this body as well the administration. We expect to TVR being a priority for enforcement for the island. We also want to look at the increasing number of with held TVR renewal certificates for land use compliance investigation. We took a bite of ten this year to try to get up to speed in terms of how do we with hold, how do we notify, how do we monitor seize and assist, and these types of things, so we want to increase that number as well.

We also want to target persistent violators as candidates for the application of the new civil file registration. Our hope is that if we are able to start bring people in on fines that the message will be out that the department is serious about land use violations and by having fines applied to persistent violators not...we have this spectrum of education compliance where the people are pretty much are flipping the bird to the County who want to hold them accountable and let them know that violations will not be tolerated. We want to target test cases or examples for that message to get out. Finally further training for investigators on search protocol and property evidence gathering. We are highly aware that our work is especially in recent years. Our work needs to be at a level equivalent to what a police officer would write as part of their reports. That is something we still need to get up, it is a weakness that we need to continue to put pressure on. We have great staff but by giving them the tools that they need and the training that they need hopefully we can get them to that level in case we are called to court.

The last goal we had was communicating opportunities for regulatory paradigm shifts. We hope and essentially what that means is there are new theories in Planning that we would like to bring to Kaua'i and hopefully have Kaua'i be on the cutting edge of new planning theory with respect to how we interact with our land and how we use our land. So what we hope is that by having the transportation planner in place that would at least become the conduit between the Department of Public Works and Planning. We have a search committee already formed once we get the list from the Personnel Department. Half of the members are from Public Works, half of the members are from our department and so in concert with Larry Dill, and he has been great to partner on this position we were able to craft a job description that really does meet the needs of both departments, and hopefully this person will be the bridge that helps further a lot of the Complete Streets initiatives that by resolution the Council has said they would like to see more implementation of. We would also like to, as part of spreading the word, hold more workshops with stakeholders and introduce the Smart Growth Complete Streets and Form-Based Code concepts and again gauge the input and applicability that would be appropriate to the island. Again, everything is context based. Some things work for the island, some things may not, but I think by first getting people educated as to what the theories are that are out there, we can gauge what works for us, what does not work for us, and how can we tailor it for our needs.

And that leads into continued capacity building for our staff in Planning. Again, it is an ever changing discipline, I am sure as many of you know, and so we need to be, again, consistently trained on that.

And then finally we want to introduce potential policy guideposts for Form Based Code implementation through the General Plan. The General Plan is still years off, but what we want to

do is already start looking at Form-Based Code as a means of the preferred infrastructure for regulatory implementation once the General Plan is eventually adopted over the horizon. And so we want to start ramping up and getting those guideposts in place so that we understand that once we start the General Plan we already have an idea of what we want from a Form Based Code standpoint.

So given those needs and those goals, this is our budget request. Essentially in concert with the rest of the other agencies, you will see that we have an increase of 1.4 for the dollar-funded position that is there, as well as a full funding of the Transportation Planner that was given by the Council last year. We do have a 5% increase in benefits, again, that is a mandatory requirement. You will notice that our departmental operations is a 63% cut. I want to give a caveat that a lot of that comes as a consequence of \$300,000.00 that is not included in this year's budget but was included in last year's budget to handle contested case hearings. We do not need it this year. In fact we were very successful in being able to not have that contested case hearing budget eaten up as much as we thought it was going to be. So there actually may be money that gets returned to the General Fund once all of this is done with and through. But because of also the mandatory lapse restrictions, there is essentially the bottom line, which is just looking numerically at 63% cut in our departmental operations for next year.

So, just kind of as the highlights of what we are asking for, again, total bottom line our budget is an 8.9% decrease off of last year's budget. We did reduce the contested case hearing support from two; \$50,000; however, we have had to further restrict that due to the 25% lapse policy. We did request \$25,000.00 for TVR undercover investigations, but then again due to the last policy we have had to restrict that down to a smaller amount. We do have a half-year funding for the Records Management Analyst, as well as full funding for the Transportation Planner, as I did mention earlier. And then there are minor operational increases with respect to getting furniture for the Planner VI that we are bringing on board, as well as duplication cost. If you take a look at just pictorially, our operating budget this year, about 10% goes to departmental and commission operations, and the other 90% goes to salaries, benefits, etcetera. And then just as a comparison through a bar chart, this is essentially when you look at the blue bars is last year's funding from the Council, and the red bars is what we are proposing as part of the Administration budget this year.

So with that, Councilmembers, thank you for your time and Mr. Chair, I am open to any questions.

Chair Furfaro: Thank you very much, Mike. I just want to ask a couple opening comments. First of all, it certainly sounds like from this presentation we have a lot of strategic thinking going on in your department, which I want you to know first of all is very much appreciated. It is very rewarding to see a fresh approach to this. So thank you very much and I think I speak for the entire Council when I say that.

A couple things that I just want to point out on the radar screen is when we are ready to move forward with the enforcement programs, I want you to think in terms of even if we can get some kōkua and doubling up some of these inspections for the first 90 days...I think you said it in your presentation, we want to be very visible about these issues with illegal programs, and we need to be very visible in the County, and we need to be sending a message that there has been much fair warning given and so those illegal operations need to know that. I think we are going to want to be very serious about it.

I do not want to get into a lot of discussion about the next item, but Important Ag Land Studies we are hoping we are going to see something in November. Now, there is a lot of moving parts about what that plan looks like and so forth, which subsequently can be handled in other planning conferences. This piece is about the budget practice, and to me in my morning presentation

earlier today, one of the things I put on the radar screen is the financial impact that might be given as credits to those people wishing to dedicate these percentages of Important Ag Land. It also potentially has financial impact on the County's earning. And so I would like to let you know that I think we are very cognizant in this revenue cycle that there may be some impact there.

Also, I want to say for the contested case hearings, I know when we talked last year, we did not know if we were going to be hiring a hearings officer or if we were going to take it on a case by case, but \$300,000 of your savings is in that area. Are we close to the completion of hearing all these TVR applicants and are we real close, like 90% done?

Mr. Dahilig: It is hard to say whether they are done or not, but they are actually in-process right now. And where they go with respect to motions and these types of things, all I can say at this point is every case is active. The County Attorney's Office is taking the lead on defending the County. Of the contested case hearing batch, Mr. Chair, all except one is an appeal from a Commission decision. The rest have been in respect to actually departmental denial of applications. We are vigorously trying to defend the department's position in administratively denying Ag TVR applications and so hopefully that will get wrapped up but right now they are in the process of going through their motions and hearing and we did hire Richard Nakamura from Honolulu as our Hearings Officer and so he's handling them all.

Chair Furfaro: There is another part to that is dealing with this consideration that we have asked from the Tax Department about a category for those that actually end up being bona fide. We need to put them in the appropriate commercial tax category and we can't leave that revenue just laying there. For us it is a new category commercial potentially has the value of found revenue for us and I heard once that a Tyrannosaurus Rex today would be compared with a bird and when you said that we had applicants that kind of just, ah they are not going to do anything about it. I want us to turn back into the Tyrannosaurus Rex and really understand the mission here about clamping down on these. Once we went through this procedure. Council Vice-Chair Yukimura and I were on the original task force in 2002 that tried to come to an understanding of where we drew the line and how did we get to this point with control and managing no further growth. So we are really close to this egg hatching and I hope you were talking about that kind of bird because the Tyrannosaurus Rex comes out of an egg as well.

Mr. Dahilig: I saw at Bishop Museum, they actually have the T-Rex with the feathers now. We will look at that.

Chair Furfaro: So we have some very nice parallels to draw from. On that note I am going to let Mr. Rapozo have the floor, and I will eventually have to excuse myself from the meeting, but Mr. Rapozo will run it for the rest of the time that I have to leave. Thank you very much for these bullet points scenarios, very well done,

Mr. Rapozo: Thank you Mr. Chair, Mike, thank you for being here.
You have the actual budget?

Mr. Dahilig: Yes I do.

Mr. Rapozo: Try looking at what is referenced on page 69 on the top right. Under other services, you know the original budget \$355 adjusted budget; \$358 and then year to day you already spent this year \$330,000, and then the Mayor's review is \$26,029. Is that accurate?

Mr. Dahilig: Yes it is, Councilmember. The \$330 somewhat thousand is again the encumbrance of the hearings officer contracts from last year and so the

savings we hope to realize once all these hearings officer's hearings are done with. When the contract is done that will go back, right now the full amount is (inaudible).

Mr. Rapozo: I am not questioning that number. I am questioning the \$26,000 because if you look at the text right below that, your text is showing for other services is; \$55,500. There is a discrepancy between the \$26,029 and the \$55,500.

Mr. Dahilig: We can attribute the reduction to and from the Mayor's review is that when we gave our budget proposal we would like a total of \$55,500 for other services but due to the 25% laps restriction we had to figure out areas for reductions in cost and so as a consequence we have had to pull out \$26,029 out of the other services and you also notice and so that was reducing the contested...

Mr. Rapozo: Maybe Mike, I'm not making myself clear. Typically that number, the text defines or describes the total of the expenditure line, so if you have \$26,029 for your other services line, your text should be \$26,029 not \$55,500. That is my question. That is not right, something is wrong. I'm not sure if it's a, I cannot imagine the software not picking that up. I would hate to have to go through each page of this budget and look at the text because it happens in the next one. You know your consultant services.

Mr. Dahilig: Yes, we were aware of that in terms of when the budget did come out that that also reflects the discrepancy in the amount and ...

Mr. Rapozo: And that is a serious discrepancy.

Mr. Dahilig: Based on the bottom line as far as we can understand based on the bottom line requirement for the horizontal cut of 25% of our average laps over the past two years we've had to figure out areas to actually...

Mr. Rapozo: No, Mike, I don't think you understanding me. It could be a finance question and not you. I don't know how these things work you punch in your budget. What I am saying is your consultant services budget right now as your Mayor has submitted is \$104,318.

Mr. Dahilig: That is correct.

Mr. Rapozo: That number should be identical to the text.

Mr. Dahilig: It should be.

Mr. Rapozo: So that numbers have to match. Look at any budget ... this \$104 has to match ... you cannot purchase; \$124,318 worth of services for a \$104,000 is what I am trying to say.

Mr. Dahilig: I understand that Councilmember and I ...

Mr. Rapozo: I have never seen that before and that is why I am kind of baffled. Is that manually put in? I would assume if you go to line 01801512.32 consultant services and it is \$104318 I would assume the system would not let you...

Chair Furfaro: Could you yield for Mr. Watanabe, who can explain that particular piece and go ahead you still have the floor Mr. Rapozo but Ricky would you take the floor and respond to Mr. Rapozo.

RICKY WATANABE: For the record Ricky Watanabe, County Clerk. Just to clarify what happens during budget, the level text in the budget is pretty much what the department had submitted to the Mayor. And what happens is once the Mayor formulates his proposal to the Council, the bottom right column under Mayor's Review column in the case of Councilmember Rapozo's sample \$104 thousand that is the number that is actually requested. What should have happened was prior to submitting the Mayor's proposal that level text should have been changed to correspond with the right hand number. So that is what happened. So what happens when the Council goes through decision making and say the Council accepts the 104 thousand proposal, either the Mayor and his modification will change that level text or the Council Staff will catch it and change it appropriately. That is what happened.

Chair Furfaro: Ricky, I want to make sure you spend the time with Ernie Barreria, because I do not want it to be in doubt as Mr. Rapozo is pointing out on these carry forwards that each department, whether it is Administration or We as the County Clerk's Office, is it clear on who is making the appropriate adjustment.

Mr. Watanabe: Just furthermore Councilmembers, the level text is not included in the calculation. What happens is the level text is manually inputted and it does not calculate to match the right column under the Mayor's proposed request.

Mr. Rapozo: I guess for me...

Chair Furfaro: You said text, not tax, right?

Mr. Rapozo: Text.

Chair Furfaro: You know there is a little difference in the dialogue from Waimea to Hanalei (inaudible).

Mr. Watanabe: Sorry about that.

Chair Furfaro: You meant the text, not the tax.

Mr. Watanabe: The level text.

Mr. Rapozo: Thank you for the explanation. I guess the problem I am having is I can see what he has just defined in his plan. What he wants to do cannot be done with the budget that was submitted by the Mayor.

Mr. Watanabe: So the question is correct. The question to the Department should be "You have been appropriate, through the Mayor's proposal, \$104,000. Your justification in the level text represents \$124,000. What are you going to do?"

Mr. Rapozo: And this leads to my final question. I realize that...I do not want to take up a lot of time, but...

Chair Furfaro: You have the floor.

Mr. Rapozo: This is what the concern is and it ties right into my question. Your Mayor has submitted a \$104,318 for consultant services. You have requested \$124,318, which is \$20,000 more. So that means you have to cut \$20,000 someplace. You are not going to cut the Sea Grant position because that is for a position. That means you are going to cut

\$20,000 from the Investigative Services, which means you are going to have \$5,000, but you told us you have \$25,000.

Mr. Dahilig: We have \$25,000, but it is restricted based on the 25% of the last...

Mr. Rapozo: Well, you are going to have to take \$20,000 out of there someplace and that is the confusion I have because typically when we look at the budget, the Mayor's review number, and you go straight to the text, it always is the same. This one does not. So I am thinking we have to remove \$20,000 and where is it going to come from, and I do not want to have to go through your budget saying, okay, Mike, tell me which one now. The other one is even worse because you have \$55,000 and that is for your contested case and all, but you are only being allowed \$26,000, so you are almost \$30,000 you have to cut out of there. Where are we going to take that? Is it going to be out of the contested case? I do not want to take \$30,000 out of the contested case because what is going to happen is you are going to be here next year asking for a money bill to go hire a hearings officer, and I think that needs to be fixed. Again, that if the first time I have ever seen it that way.

That leads me to the next question of the enforcement because I do not see any increase in enforcement officers or inspectors. I see the same and I know we provided additional positions for enforcement in the past, I mean pre-Dahilig. And you will make the record known that it was not you that got arrested in Honolulu. Let us just make that quite clear today.

Chair Furfaro: We want to check your tattoos, huh?

Mr. Rapozo: But I appreciate...the Chair clearly articulated what I believe is this Council's position that we need to aggressively enforce, and I understand it is complaint driven, Mike, but I have submitted some complaints and the resources are just...you folks are overtaxed as it is.

Mr. Dahilig: Yes.

Mr. Rapozo: Just with your normal job. So I do not feel really satisfied with the level of enforcement at this point. We have a lot more enforceable actions if we are going to go aggressively. How do you plan on doing it with the same enforcement staff?

Chair Furfaro: Mike, before you answer that, five minutes ago they told me we need a tape change. So when we come back from the tape change, answer Mr. Rapozo's question. Mr. Rapozo, you will still have the floor when we come back.

Mr. Rapozo: Thank you, sir.

Chair Furfaro: And let us make it a 10-minute break, please.

There being no objections, the meeting was recessed at 4:01 p.m.

The meeting was called back to order at 4:16 p.m., and proceeded as follows:

Chair Furfaro: From the Mayor's Budget Committee, before the end of the day, he is going to send over the report that reflects the lapse that Wally had talked to us about, that 25% Summary. Am I correct in your acknowledging? And we will be able to get it to all the members. And then again, I am going to step out around 4:30 p.m. and turn the meeting over to Mel, but Mel currently still has the floor. You have the floor.

Mr. Rapozo: Thank you and I did have a chance to speak to the Planning Director on the break. He did show me his documentation. So he did make the necessary adjustments. It just never got transposed to the budget. So thank you, Mike, and we will make sure we try to fix that.

The other question as it pertains to the question that we left off with was the enforcement officers and that you have currently four planning inspectors. I am assuming some of them have different functions within your office in addition to doing their general planning inspections for plans and so forth. My concern as I again, I will restate I believe is the concern of this body, is the enforcement, especially with the newly passed TVR bills. What I will call the blatant violation of these laws and the fact is it is like speeding in an area that the people know that there are no cops around, up in the mountains. They are going to do it because they already know that we do not have the capacity to enforce. I realize how difficult it is for department heads to sit up there and ask, but I am going to ask you because I think we can probably get the support on this Council, as we see the increase in TVR permits and non-conforming use certificates, and as we see the rising amount of violators, my suggestion is that we somehow provide you with some resources where you could, when you need to, secure the services of a contract investigator. I do not know what that number is, but I would assume somewhere around...I will not even speculate, but somehow where we can get contract employees in for an 89-day period. They can go out and address the blatant violations that we know of right now and I know we all do, we just don't have the resources to go out and get them. When you start prioritizing the function of your department, really someone without a sign hanging at their TVR really is not that important, but to many citizens, to myself it is. I am contemplating introducing some kind of proposal to this body as we go through this budget to allow you that flexibility with some resources so you can go out and hire one or two contractor people for three months at a time to address the overload and to specifically to target the TVR bills that have passed. Is that something that you can work into?

Mr. Dahilig: It was something that in crafting the priorities that we had this year and knowing the deficiency that was part of what you were describing as our thought process as well with the request for TVR investigation services. We did not have the exact deploy method in terms of how to use the fuzzel. We knew that we needed to supplement at least in the short term and in some means of beefing up our TVR enforcement and that was our I guess request in the budget for those types of services. We did toss around the idea of hiring retired Police Officers. We also looked at hiring contract investigators or even looked at partnering with KPD themselves and using this as a means of taking care of overtime work. There are a number of options on the table but we are acutely aware that we need to have additional support in that area and that was the heart of our original budget proposal for investigation services.

Mr. Rapozo: Okay. And that is good to hear. We will definitely see if we can try to get something in there. The nice thing about contract is you know there are no benefits, there is no additional cost, there is no long term impact. You use it when you need it. Try to resolve some of these flagrant violations and then hopefully people realize once enforcement is in action I think people will tend to comply and I think we can really get to a really good positive end with a very low cost if you look at even if you went on a one 89-day contract even if it is two investigators. The cost to the County would be minimal. Thank you. Thank you, Mr. Chair.

Chair Furfaro:

Mr. Chang.

Mr. Chang: Thank you. First of all, I would really want to commend you all for this wonderful presentation. It was very, very informative. I guess I am going to start off by piggybacking and tell Councilmember Rapozo that is a great idea on a contractual basis because every part of this presentation that...I should say the part that interests me the most

is the enforcement. I want to go back to my first term way back when, when we had to deal with these illegal transient vacation rentals and there was a very contentious bill on the floor that there was a lot of pressure. I think a lot of people did not realize why they were voting to pass a bill. But the fact of the matter is we voted to pass the bill, I did along with several other Councilmembers, so this discussion right now can happen. And now it is very important for myself and for the rest of the community to realize the reason that the bill was passed is we can now get out there and enforce it. What I would like to say, which is what I always said, we have a bunch of new sheriffs in town and I look back at that time. Mr. Dahilig, you were one of our deputy attorneys, and to see you as being the driving force back then, one of them, to now be in charge of the Planning Department, I am thrilled because I want these violators to understand that maybe in the old days you get a slap on the wrist, fix a couple of things, you are fine, you are good. I want to see people being fined. I want people getting needing to be fined and it is strict, it is clear, enforcement is going to happen. And a lot of the general public says, oh, I know these people that are operating someplace illegal here or someplace there, but I do not want to squeal; that is not my style or what have you. But I think that should be encouraged because we need to show the people that we mean business and the good old days...it is like the Chair said earlier, it is not business as usual. It is like I made reference, there is a bunch of new sheriffs in town with a lot of responsibilities and serious responsibilities. So I am glad that we are coming to this point because way back when it may not have been understood, it might not have been popular as far as the decision was made, but I am happy to see right now. I am going to support anything to do with enforcement so we can get this under control. So I just want to thank you for your budget presentation. I will be short, but that is a big message that I appreciate that we are going to go out there and get them. No scared them, go get them.

Chair Furfaro: I am going to go back to Mr. Rapozo here because I am about two minutes before leaving, and then I am going to ask him to run the rest of the meeting. Mr. Rapozo, do you have any questions?

Mr. Rapozo: No, I am actually fine and I will definitely yield my time to the rest of the Council after this point.

Chair Furfaro: Okay, Mike, I am going to leave. There is no work on the Kalihiwai Bridge tonight and I am going to head home. But before I do, to everyone and to the Members here, I want to wish everybody a very happy Easter this weekend, and I want to make note we will start up 9 o'clock on Monday. Monday we have Civil Defense, we have Fire, we have Humane Society, but we start at 9. Mike, I want to thank you for your presentation, but I am going to turn the meeting over to the Vice Chair of the Committee of the Whole and let him finish with the other members. So members, Happy Easter, and I am going to depart for Hanalei.

Mr. Rapozo: Thank you, sir, safe travels. Councilmember Nakamura, were you done? Mr. Chang are you done?
Council Chair Furfaro was excused from the meeting at 4:27 p.m.

Mr. Chang: If everybody else is done, I am done also.

Mr. Rapozo: Well, then with no further business, we are...I do want to say that I want to finish Planning this evening and we are scheduled for 6 o'clock. We can actually extend to 6:30 p.m. if we have to because I do want to...we will not go beyond 6:30 p.m. because that is the dinner break, and we are going to end it. But I just want to make sure as we go around the table, keep in mind that we want to get finished with Planning if possible during this session. Planning Chair?

Ms. Nakamura: Mike, thank you for your presentation. You have done a lot over the past year and your department should be acknowledged for your good work and

for your ambitious agenda for this coming year. One of the things that I wanted to do was to just looking back on the previous year on your budget and what your actuals were, there was a discrepancy of \$430,000.00. Can you explain that?

Mr. Dahilig: Just to clarify, Councilmember, again, \$430,000 you said?

Ms. Nakamura: \$430,000.00 based on the budget versus actual for 2011.

Mr. Dahilig: Okay. I am sorry, Councilmember, if you could point me to...a lot of the reduction was the special counsel reduction, again because we are not requesting the \$350,000 that we requested last year. So we saw fit that we would only need \$50,000 anticipating the level of contested case hearings for the upcoming year, and then the other reductions again were attributed to the lapsed policy and so we have had to take out approximately \$100,000 out of the bottom line budget for the department and so we have looked at decreasing contested case hearings support even further as well as previously mentioned, the TVR undercover investigation support. We have done a couple reallocations to try to net some savings that way as well as looking at other minor reductions in supplies and those types of things.

Ms. Nakamura: On the Transportation Planner position, has the job been posted?

Mr. Dahilig: We did begin the process in October and the job was finally posted in March, this last month. So recruitment is ongoing as we speak.

Ms. Nakamura: So, it took you five months from the time you requested the position, it took five months for the posting?

Mr. Dahilig: Yes.

Ms. Nakamura: How long have you been waiting for the list?

Mr. Dahilig: It is an ongoing list, so I guess once we do get a sufficient amount of candidates, and I believe we have communicated we would like at least four that will get a list triggered to the department for review.

Ms. Nakamura: So, when do you anticipate, what might be your best guess on when you might hire that position?

Mr. Dahilig: To get a body in? Realistically would be in the summer some time given that we are in mid-spring.

Ms. Nakamura: So, let us just say July. Thank you. I guess one of my concerns is the operational budget hit that you took because of the lapse and I am concerned about how that is going to affect your operations and your ability to implement this ambitious plan that you have. So I wanted to just take a look at that line item, Departmental Operations. So you are going from \$498,000 to \$184,000.

Mr. Dahilig: That is correct Councilmember.

Ms. Nakamura: And so, by doing that now you will not be able to...you will not have enough funds to do your contested case hearings transcript Hearings Officers potential mediation expenses?

Mr. Dahilig: What it does is it essentially shifts the burden more so to the volunteer commissions. In the event that we do need to trigger contested case hearings, it will have to be handled by the Commission. The concern with Commission handled contested case hearings is procedural because there are motions, all these types of things. If it does come to a situation where you do have a case that is robust legally, as say the Hanalei Boating case, certainly that is something we are going to have to come to the department for. But I think what we were anticipating the funds to be used for ... was that some ... if we do start fining we are subject to Chapter 91 contested case hearing appeals. That would probably need to be handled, as well as your run-of-the-mill Commission permits that do get either Interveners or Appeal because of decisions by the Commission that an applicant, let us say does not like. So we thought \$50,000 was an appropriate amount, but again due to the lapse, we have had to reduce that further.

Ms. Nakamura: Again, the other line item is the Consultant Services, and where would you be taking in order to meet that gap? Would it be through the TVR investigative services?

Mr. Dahilig: Yes, it would be. We would have to reduce it further and we would have to be a little more creative, figure out what we can do with less because right now we did have our UH Sea Grant agent start. In fact she started on Monday. So she is from the California Coast Commission and has quite extensive experience in regulatory coastal work. And so she just started and she is already getting her hands dirty. Because we have a body in there already, all the money is encumbered and so we would have to draw the rest of the lapse requirements out of the TVR investigation services line item.

Ms. Nakamura: And that does not accomplish what I think the policy of this group is. So I think that is something we really have to take a close look at to see if we can find these funds elsewhere in the budget so that you can accomplish the goals that you have set that I think we all agree are good goals for the County. The other concern that I had...those are my two questions for now and then we can go around.

Mr. Rapozo: Thank you for the courtesy. Next Councilmember Yukimura. Two questions, there is a new sheriff in town.

Ms. Yukimura: I am going to connect them with and. First of all, not a question but a just a excellent report today. Day and night to the reports that I remember years ago from the Planning Director so thank you very much for the work that has been done and for the vision in planning that is looking ahead. About the transportation planner on your slide 9 you talk about working with DPW, and excuse me, no it is on slide 13, use the new transportation as the conduit for communication between DPW and Planning. May I request that you add DOT there.

Mr. Dahilig: Certainly.

Ms. Yukimura: Because I am very concerned about the connections that are going to be made or that need to be made with the agency that governs a big part of our land transportation system. And then I wondered about the IAL lands because I see the deadline or the target by end of 2012 and far more than incentives, because we know incentives are not going to work. What is the plan for the regulatory revamping for agricultural lands? What ... I mean I cannot imagine another year passing without us at least beginning to address that.

Mr. Dahilig: Quite frankly we have not congealed those ideas to the point where I can say exactly what, from a regulatory standpoint, we would be putting on the table. We just completed the last Technical Advisory Committee a couple of months ago concerning the actual benchmark number, and I know through previous legislative discussions, we provided at least a glimpse of how the IAL Study shakes out with respect to a spectrum of skills and a spectrum of points. They have settled on a tentative number of 28, and I think what we are looking at is once we deploy that number, how that shake out with respect to percentages of land, what is in and what is out, and then how do we then in turn create the process of regulating what is in and then regulating what is out. We, from a departmental standpoint, are still sitting on the number. We know that 28 is what it seems to be shaking out as, but we are looking at it from a broader context with respect to if we have 28, how much acreage is still in, this is how much acres are out. And so once we get that understanding I think we will really have the wheels turning with respect to what kind of regulatory support or type of regulatory restrictions we would be wanting to push to protect ag land and facilitate more farming. And so that would be my response at this point, Councilmember.

Ms. Yukimura: To me it almost does not matter what the number is, it is how are you going to regulate them to protect against diminishment of the value of the Ag land and then how are you going to encourage them to be used for farming and for production of local food.

Mr. Dahilig: Right.

Ms. Yukimura: And if you do the regulation properly such that developers cannot really develop alternative non-Ag uses on it, I think there could be incentives then for landowners to make the lands available on long-term leases or even for sale because I am watching the...what is the big controversy with the D.H. Horton on O'ahu?

Mr. Dahilig: The Hoapili Project.

Ms. Yukimura: The Hoapili Project? The farmers there are basically saying and boy the pictures in the paper are showing what beautiful Ag land it is. They are saying the availability is not only whether the land is regulated but how long a term do they have on it? Five-year leases do not give any incentive for investment of the kind of infrastructure that is needed for long-term farming. So it is a really complicated issue, but it is very important. It hinges a lot on how we regulate Ag land, and I do not want to wait until we identify it and then what do we do? Let it still all be under our present laws, which have shown to be highly inadequate to protect them? I would like to have some kind of a timetable about when you are going to address this regulatory...I am not asking you to give me the bill...

Mr. Dahilig: Yes.

Mr. Rapozo: Councilmember Yukimura, I think what we will do is we will put that on the agenda as an agenda item. That is more of a policy issue. It is more of an update on the IAL process versus the budget itself.

Ms. Yukimura: I do not want to hear about an update on the IAL process. I want to know how a regulatory schematic is going to be worked in relationship to when the IAL process is finished and then what? How do we regulate those lands? So I just need some timetables basically. And my question is what kind of resources will you need to develop that schematic? This is a budget question.

Mr. Rapozo: No, that is a budget question, yes.

Ms. Yukimura: So do you see what I...and thank you.

Mr. Dahilig: I see where you are leading us to and it is...

Mr. Rapozo: It is like a hint.

Mr. Dahilig: It is something that I think off the cuff I would need to bring back to Lea and discuss with her the life beyond just the final product, if that is what I am understanding. And we have the Study and we have those incentives and regulatory schematics that are folded in as part of the recommendations, and I guess what I am hearing, Councilmember, is also you are looking at it from a beyond just the identification and implementation standpoint. But the actual next steps after that standpoint. I do not, off the cuff, have an answer, and maybe I can bring it back to Lea and try to...

Ms. Yukimura: Because we had this discussion when Karl Kim presented the IAL to this body about a year ago.

Mr. Dahilig: Right.

Ms. Yukimura: And I asked Karl, you were in the audience, there is no way we can protect Ag land just by identifying it and using the existing laws. If our goal is protection of Ag land, it is not just identifying, it is a two-part process. I would have preferred that it be a parallel process because I did not see the need to sequence it, but we are where we are. But it is just a big missing gap for me. I mean a big gap, a missing piece, a very critical missing piece. So if you could come back in 48 hours.

Mr. Dahilig: Forty-eight hours?

Mr. Rapozo: Good try, good try.

Ms. Yukimura: They are going to send it as a question.

Mr. Rapozo: I think that was a question on the actual budget, but I think he can come back in 48 hours if he needs any additional resources.

Ms. Yukimura: I want to say, you have had a year. This was signaled and it was signaled five years ago.

Mr. Rapozo: But he has been busy, he has been busy. I agree because I believe...and I was under the impression that this IAL Study was going to incorporate all of those in the Study and if not, then I agree we need to start moving. Because when you get that study it says okay that is A, that is B, that is C, that is D, then what because our current regulations do not recognize the IAL Study. So I think that is what the Councilmember is asking is are we prepared when that report comes to turn the switch and say okay, now we have the guideline from IAL, but now our laws are all obsolete because it does not address it, so good question. I think that is something that, Mike, you certainly...I do not think you can get that in 48 hours, but we ask that you do your best.

Mr. Dahilig: Certainly.

Ms. Yukimura: Thank you.

Mr. Rapozo: Councilmember Nakamura, you had a...

Ms. Nakamura: Just on topic if you do not mind. My understanding is that the scope of the IAL Study includes recommendations on how this fits into the existing planning framework on Kaua'i. And so I think that is going to be the starting point for the discussions. I do not know if it is going to resolve all of the issues, but I think it is going to set a framework for how we need to move forward from there.

Mr. Dahilig: Just to give you an illustrative example of what we are going through in-house in terms of...it is like a Rubik's Cube when we are trying to implement something like this. One of the things, just for discussion purposes, was the issue of water. A lot of what we heard through the IAL Study is we can identify IAL lands but there is no delivery system for water. And so one of the proposals that we are tossing around is this notion of looking at similar type of legislation that was passed at the legislature which allowed private schools to essentially use the good faith and credit of the State to then have bonds that were issued to construct the school and they would pay the debt service for it. A lot of what you hear from the farmers is that they would like to actually build out their infrastructure for water but would it be possible to propose that the County allow its good faith and credit to be used for smaller farmers to come in and put in their infrastructure and then the farmers would then pay off the debt service. So those are the types of ideas that we are kind of tossing around because it is a Rubik's Cube and once we actually have the lands and we know where we are going to be, we have to look at it from many perspectives, not only just identify the lands like Councilmember Rapozo just said.

Mr. Rapozo: Go ahead.

Ms. Yukimura: If it is true that they are going to be recommendations, I still need a timetable for how the recommendations are going to turn into ordinances or bills or laws or whatever and I am not getting a sense that it is going to be addressing the regulation of land.

Mr. Dahilig: I guess what we will have is we would ... what the study would have is bubbled ideas. You would not see bill and text necessarily but you have the ideas...

Ms. Yukimura: So that is what I am talking about. What is the timetable like we had a consultant to do a vacation rental bill and we hired him, we needed money to hire him and then he had a product and then it came up to us. That is what I am looking for.

Mr. Dahilig: I guess I would say Councilmember, that the delivery of the report with the recommendations in terms of what to look at regulatorily along with incentives wise would essentially be the launch point to infinity and beyond. With respect to what exactly we want to use for bill or that types of things, we would not be bundling necessarily as part of the report the actual ordinance changes but we would identify sections of the (inaudible). You may want to look at this, you may want to look at that and that is essentially what gets bundled as part of the recommendations with the overall IAL study.

Ms. Yukimura: That will be helpful because we could take those and just turn them into bills ourselves. But is that all the Planning Department is going to do or are you planning to introduce some bills yourself?

Mr. Dahilig: I would think it would be a shared process because once the IAL study does come out we anticipate there will be a lot of healthy debate over whether things are agreeable, not agreeable, and rather force the envelope and say okay, here is list one

through five, we are going to introduce a bill here. We need a temperature check and a tenor base on what the recommendations are before we would try to move any kind of legislation on our own.

Mr. Rapozo: I would assume that once this IAL study is completed that the Planning Committee Chair I would believe that she would begin the process of some workshops that is going to bring everyone together to discuss this IAL study and I don't know. I guess it is safe to assume that within six to twelve months after the receipt of this IAL study we could pretty much have a pretty good idea of the legislative direction that this County wants to go again sharing collectively between the County Council and Administration. I think six to twelve months is probably a realistic goal to digest what that report will provide. That is not just going to be a ... it's going to be a 1) it's going to be a factual report science driven but it's also going to be a lot of potential disagreement with what is being presented so I think it is going to be a process optimistic that we can get through it within a year with some suggested legislative actions to be taken. I would expect that to be done soon because I think there will be some like you said healthy debate once we receive that report because IAL although we hope it is science driven and there is still going to be some conflict I believe that we (inaudible) the Planning Committee Chair will have her hands full ,it will be a fun and enlightening discussion. Mr. Kualii, and staff, if you can note the questions from Councilmember Yukimura so we can get that over with a six hour deadline for the Planning Director.

Mr. Kualii: Aloha, and mahalo Mike and Miles. Thank you for the work that you do and for all of your department. I agree with the Chair when he said that based on your presentation and knowing the work that you guys have been doing for a while now that it is nice to see the great strategic thinking. I appreciated your narrative so much and especially when you placed out the goals and we talked about the completing of the long range planning initiative and the HCP Planning Conference which I did get to go and I loved all the talked about the focus on place making. In your goals what really stuck out for me was the enforcement capacity building like some of the other Councilmembers have mentioned. When I was new to the Council last year about this time maybe for a week...maybe I wasn't here quite yet. One of the things that jumped out to me was with regards to code enforcement. I lived and worked in the city of West Hollywood was just a tiny three square mile city and in our city hall we had a Code Enforcement Division and they focused on that and I think that the potential for not only doing right by the people who want to see the environment better taken care of the sign ordinance all the different component of code enforcement to make it better for everyone but also the potential for revenue to pay for that enforcement. I don't see any new staffing for that and I am curious as to the existing staffing which positions actually do that and if there is any positions that do that primarily that is the core function of their job. I see jobs called Planning Inspector. Do they also do code enforcement?

Mr. Dahilig: Let me give you a rundown of our team of inspectors. We have five inspectors one of them is a grant through the CZM program and so that particular inspector is primarily tasked with looking at the CZM violations. The other four inspectors, two based on previous appropriations are solely dedicated for Transient Vacation Rental enforcement. Right now what their primary goal and objective has been over the past year has been to support the implementation of Ordinance 904. What they need to do is actually transition from the inspector types of activities related application processing to actual maintenance of enforcement and a code enforcement level. So that is a part of the (inaudible) where we are going to make that transition towards. The other two inspectors that we do have, one is solely dedicated for inspections related to CBR or (inaudible) request that come from the State Real Estate Commission. Essentially our code enforcement if you look at our general code enforcement program is run by one individual. So we have five inspectors but that is the breakdown of where all those inspectors are deployed to.

Mr. Kualii: I do see three positions titled Planning Inspector III and two of them Planning Inspector II ... three for Planning Inspector II. What is the fifth position?

Mr. Dahilig: The fifth one is included and I believe the Council has in their packet a copy of the CZM budget.

Mr. Kualii: So, in the budget it says Land Use Plans Checker II but in this it says CZM Enforcement.

Mr. Dahilig: These positions that are in the CZM grant budget are not listed as part of the County's operating budget. It is included as a matter of course but it is hundred percent grant funded.

Mr. Kualii: So that these two positions have the exact same salary it is not the same position. Those are two different positions.

Mr. Dahilig: Correct Councilmember.

Mr. Kualii: Land Use Plans Checker II, and CZM Enforcement Officer. On this added sheet.

Mr. Dahilig: That is the fifth inspector right there.

Mr. Kualii: It is separated out because it is paid for by a grant?

Mr. Dahilig: Yes.

Mr. Kualii: And that grant is ongoing? Or it's the first year?

Mr. Dahilig: It has been going on for a while. The County has been participating in the Coastal Zone Management program for quite some time. It is administered by the State Office of Planning through a grant from the National Oceanic and Atmospheric Administration. We have been thankful that the Federal Government has chosen to support Coastal Zone Management across the Nation. Based on the administration changes in Washington, sometimes funding is tenuous, but we have always been able to make things work and so this year we think we will be at level funding, if not there will be a 5% cut. We do not know what the final numbers are based on the State budget which also throws in some of the match that is required by the guys in Washington, it is preliminary at this point. Les Milnes has been in the position for quite some time on the CZM funding so that is how long the funds have persisted.

Mr. Kualii: So when you break it down and that really helps just by doing that. One of the Planning Inspectors that does focus on code enforcement how long has that one position been focusing in that one area?

Mr. Dahilig: That is a good question Councilmember. I don't have that institutional memory. I'm going to toss it to the guy on my right.

Mr. Kualii: Just...you know, two years, five years, ten years...a long long time.

MILES HIRONAKA: The Planning Inspector III I think has been over ten years with our department, and Planning Inspector II, the non-TPR Inspector just the Code Enforcement Inspector, is about four years.

Mr. Kualii: Then the other thing I would just say that based on all the codes the County has out there that we are responsible to enforce and what kinds of records are we keeping? I mean I see you have on this page seven in your report, Comprehensive Zoning Ordinance inspection 763, violations 476, resolved 231, but that is specifically for the CZO so that's the Les Milnes position?

Mr. Dahilig: That is everybody else.

Mr. Kualii: So when you have 476 violations are there fines revenue attached to that.

Mr. Dahilig: Not at this point. A lot of this data came in prior to the implementation of Ordinance 919 and any kind of fund, we have not realized anything yet from 919 because when we had to amend the Planning Commission Rules to provide due process should there be an appeal. The other element is that under State Law which is I believe HRS. 46 that it authorizes the Counties to do Civil Fines. There has to be an education and enforcement element and attempt to bring somebody into compliance first. If there is a violation that does persist then it becomes right for a fine. So when you see a lot of the violation notices and if you are looking particularly at the 476 number, what that amount is, is that we have given them a notice of violation, a cease and desist order, and a demand to contact the Department within 15 days until we formulate a remediation plan. If they are non responsive and they continue to persist and blatantly violate, then that would be a candidate for the application of Ordinance 919.

Mr. Kualii: You are basically saying then as long as fines and revenues go, with regards to code violations, that is something new going forward?

Mr. Dahilig: That's correct.

Mr. Kualii: So as a part of that, have we, with this new Ordinance passing and all, have we done an inventory of all our Codes and potential violations and a fine schedule of sorts?

Mr. Dahilig: The current Ordinance only specifies that fines are allowed up to \$10,000.00 a day or a one-time charge of up to \$10,000.00. In terms of an actual schedule, we have left it at an ambiguous from a stand point of discretion. How blatant is the violation. Certain things certainly could rise to \$10,000.00 if it is like "F U" we are not going to do this. We are not going to listen to you. That is the kind of stuff that we really want to pound them and say, aye you know we are serious about this. Others may just be simple violations and may show a lesser fine and so we have not come with a regulatory application schedule with respect to what fine is appropriate for what violation because also what we do find is that the variation in types of violations are enormous. It can be anything from lot coverage to clearing to extending a house. It varies with case by case and we kind of want to keep it that way.

Mr. Kualii: So the variation is large but is the amount of potential violation potentially large as well? Because then I think if we had a system in place and if we establish something moving forward then maybe we can ultimately we could pay for four Code Enforcement Officers and you know it is not just about the fines and making the money but it is about funding the Code Enforcement Officer so the codes are enforced. This small city I lived in was three square miles and they probably had three or four code enforcement officers. Yeah there was a

lot of sidewalk dining and all that kind of things where there were all these special permits that was needed and they just looked for the posting and it was there, it was there, and if not, there was a fine, but there is a lot of potential there and we would be serving the public and making sure the codes were being followed and them potentially paying for it with the violations.

Mr. Dahilig: I think that is the eventual goal. Knowing that due process has to be allowed and what my assessment has been is that the staff has to come up to that level where the amount of documentation and the constitutionality of searches does need to be fully implemented and from there it becomes the launching point for us to really be reliant on the work product to commit in and say we can chase them at a fine level now. If we are subject to a contested case hearing, I would want to win the contested case hearing and have the work product...it all comes down from the work product standpoint.

Mr. Kualii'i: And that is why I'll just close with ... and that is why I really appreciated your slide 12 where you talked about goal 3 and the enforcement capacity building and you said it would no longer just be complaint based and that you are moving forward to train yourselves and train your staff to do search protocol, proper evidence gathering, and report crafting and the (inaudible). I think that we are differently moving in the right direction and if we need support for that I would love to help. Thank you.

Mr. Rapozo: Thank you Mr. Kualii'i. Let us take a 5 minute recess.

There being no objections, the meeting was recessed at 5:01 p.m.

The meeting was called back to order at 5:04 p.m., and proceeded as follows:

Mr. Rapozo: Thank you and welcome back. Mike, are you... and this is a follow-up to Mr. Kualii'i's question regarding the civil fines. Are you folks...I'm assuming we haven't received any fines at this point? I apologize for the laughter, just for the public viewing Mr. Chang here is having a laughing fit and I don't know why.

Mr. Dahilig: We have not received any civil fines at this point.

Mr. Rapozo: Are we prepared to move forward with fines.

Mr. Dahilig: Yes, we are prepared to move forward with the fines. We did get the rules passed so the rules do allow us to already come in and start collecting the fines. But what we have done in the (inaudible) between the adoption and the approval of ordinance 919 and the actual adoption of the new commission rules that implement it further. We have already been putting notices on notices of violation that do say you may be subject to a fine. We have not moved forward on any enforcement yet...sorry not enforcement, we move forward with respect to actually pushing the fine on the violator but we have already been giving notice even before the regulatory machinery was in place.

Mr. Rapozo: Thank you, and one of the things I would like to see and again it would require an amendment but is to have those civil fines deposited and I think Mr. Kualii'i touched on it already and spoke to the Planning Committee Chair, have those civil fines deposited into a Planning Enforcement Fund where I think it's what Kipuka was talking about. We can use those funds to compensate your efforts of enforcement. So it doesn't come out of the taxpayer's money. It's almost like the asset forfeiture fund where you use the bad guys money to fund the enforcement. That I think is one of the easiest mechanism and I think the people can

appreciate that because it doesn't come out of the taxpayer. It comes out of the violator. So we will work on that as we move forward. Councilmember Nakamura did you have a question?

Ms. Nakamura: Thank you, page 9 of your report you talk about digitizing and centralizing complaint intake cataloging of disposition. So I guess I wanted to go back to the whole existing record system and tracking of parcels digitally. What is being done with respect to the old files?

Mr. Dahilig: At this point Councilmember, we haven't ... I guess there was a Countywide effort to do the digital scanning through the laserfiche initiative. Our Department was not part of that first batch of Departments. We certainly would like to, once the next batch comes through, be a part of that to get things digitally scanned and put in. What we have done at this point really more so is turn off the tap and try to move forward approach at least in the interim and so we can get that backlog taken care of which is, we do not accept applications for Class III or Class IV or any other types of permits without digital scanned copy of all the submittal documents. That way it becomes easier for us as we try to create the mesh. A mouse in a pet project has really kind of come up with a data method of doing this and again it is for in-house purposes, but it is illustrative of what we are trying to do to be more robust in meshing GIS with our digitally scanned documents. As of this point we have not been able to take care of anything from January 1st of this year previously. We have just been able to do the policy change at this point.

Ms. Nakamura: Do you... the concern that I have is because so much of it is on existing data on cards and existing maps that if anything should happen to those, you know we have lost a lot of good information and so I am just wondering if we should think strategically about how we approach that project. And recognizing it is a big project to undertake but something that we need to invest in to get good information moving forward. So I think it is really important and I would like to see some thought given as to how would we go about as Department tackling this project.

Mr. Dahilig: As part of the lessons learned in terms of being a new Director, and coming in I thought okay, let's scan everything, let's stop everything, put everything in digital now, and then you realize just what the peripheral effect not only to our Department but to the Agencies as well. I would love just on my own to say to my Department and make the policy and say no paper. Our Department this weekend actually came in and threw away loads and loads of paper. It is amazing just how much you accumulate over time. A lot of it I would like to just have it come intake digitally, but what my realization was that it really is a canoe effort because in the rotation of plans and reviews we rely on the Department of Public Works, both Engineering and the Building Division, and so what works for us may not work for them. It has slowed my desire to want to charge gang busters ahead so it does require a multi-agency type of discussion beyond our Department. But it is something that I would still like to be persistent on and certainly more discussion is certainly needed.

Ms. Nakamura: I think it would be good to prioritize what data would be very useful, parcel level data, and what would be nice to have but what is really needed to be functional as a Planning Department. It is a big effort but I think we need to break it down into chunks that is doable and then to put some money in the budget so that we can have the resources to get it done and that is something I would like to see moving forward.

Mr. Dahilig: Okay, I can certainly answer that question.

Mr. Rapozo: Thank you. One follow-on question and it is similar to that but is there a like a modular system available and I have been to enough conferences where we have been promised the world but is there a system in place for planning or permitting Public Works

where you basically buy a module for the different Divisions, Departments? I know at one point the late Bryan Baptise wanted to explore that and have a one stop shop where we come and it is all interconnected. Is that available? I know it's not available today in the County of Kaua'i but is there a program, a system available out there that we could transition to eventually?

Mr. Dahilig: Councilmember, that transition actually is happening now with respect to the Building Division, and where we come in is that there is a separate module like you mentioned that gets plug in to what the Building Division is doing at least for their e-plan reviews. So because the bulk of our zone 1 permits, and that is the bulk of our paper, it comes through the Building Division anyway. What is envisioned is that that system first gets up and running, and we get use to that, and we add as part of the phase, the 2nd phase to this specific planning module to link into what it would be this unified system. So it is on ... Brandon has been great in terms of trying to map this thing out and its implementation. I'm sure there are going to be road bumps and hiccups especially trying to teach guys who are used to paper plans to now review things digitally. I think once that starts to snowball then he is going to look at inserting that planning module that we have seen in bits and pieces. Miles and Dee have been looking at it. Not all software fits every single exact need but what we have seen so far is about 89% or 90% there and we can definitely make the adjustment accordingly as well, so I think that is what we have on the horizon.

Mr. Rapozo:

Thank you. Councilmember Yukimura.

Ms. Yukimura: Following-up on the questions about a data system. I don't think there is any really good way to do planning without good data, good planning without good planning, so I do see it as a priority as well, and you know my constant complaint have been, why you cannot tell me about Ag subdivision, right, and the parcels and so forth. To me that is like a fundamental question. So I just want to encourage and if there is a system that Brandon is working on and my question is going to be similar to Councilmember Rapozo's, where in the Country or in the State is there a good system working that we could use as a model. Not do it all at once but begin in a systematic way with all our partners, I mean with Planning's Partners, Public Works, Parks, Housing, you know Department of Health even, but all of those pieces just do it, at least there is an end in mind and there is a pathway or a map and you begin it; you cannot do it all at once. You certainly cannot fund it all at once but you do it systematically so you are not, you know again Covey put the ladder and climb up and find you are on the wrong wall or you are at a dead end and you cannot connect to this other Department or whatever, or you have scanned all your papers and now you have to go and categorize them. So it would give us a better comfort level if there were at least a plan in place and we could see that we are going step by step even if it is a ten year plan.

Mr. Dahilig: (inaudible) I bring the canoe analogy to mind, because you know we do...to move to a true digital type of one stop where the goal is eventually that you submit one set of digital plans and it gets reviewed concurrently with all the Departments so we can see what each other are doing in real time, I mean that is the goal. Brandon has been the Star War Leader on this endeavor and we have jumped in the canoe with him and so we have been in constant communication with him. We do know that there are other model systems out there like for instance in Bend Oregon, they have a very great e-plan review system where nothing is actually submitted in paper at all. Instead they spend their time brewing beer and other things and having fun, but that is essentially the kind of goal we would like to get to is a similar system where there is virtually no paper. You can essentially print your permit off online and I think Brandon is well aware of that being the overarching and goal of the Administration and when we are ready to tee up to bat, I think is when he tells us to.

Ms. Yukimura: Okay, well then we would like to get a briefing from Brandon about the overall system and how it all fits together and what the timelines are you know

that just would give us some comfort level that this system is being put in place. My second question is...

Mr. Rapozo: Real quick I just want to add on to that. So is Brandon working on a new system? Is he working towards a new system? Is he trying to retrofit what we currently have? Is he...I guess I am not understanding what we are doing to reach that goal.

Mr. Dahilig: I don't want to ... I guess I can only talk in conceptual terms but from what I understand and what is communicated to us is that the plug-ins that he is looking at are going to be able to draw on what is already data in our AS400 system and what it will do is it will draw through that to a new e-planner interface and then essentially again the core that it revolves around is the Building Division's operations, and so that is the first in this implementation of eventually having all Departments that do review plans within the County on being on a unified digital system.

Mr. Rapozo: But is Brandon doing this? Is it a custom plug in? Is it stuff that he is designing or you don't know? That is fine too.

Mr. Dahilig: I think it is a package. Miles can a...

Mr. Rapozo: My concern is this, when I was in the Police Department we wanted to create a record management system, I forget what the committee was called back then but it was a computer committee submitted a proposal to the County was about 60,000 bucks to completely do a records management system for the Police Department. They said no we going to have our resident computer expert build the program. All of a sudden the Computer Expert disappears and then we are stuck with something that no one else can work on and I think if Bend Oregon, has a good module maybe we should look at Bend Oregon. I mean there is so many out there. The problem too is that you have so many and not all of them are really good so you can go out and spend a lot of money and then all of a sudden 3 years later the vendor is gone, they go out of business and we are stuck with a product that we cannot update, and so I am just curious what we are doing as far as internally trying to put all these components together.

Mr. Hironaka: We are learning a little bit more about this e-plan system as we go along. In the next couple of weeks we are having meetings with the IT Division on this e-planning, what it can do or cannot do, so we are kind of learning a little bit more about it. I think the initial stage is to try to get the building permit process into this e-plan review. Now whether or not this can help our Planning Department's database need to be integrated or not, we are kind of learning a little bit more about that.

Ms. Yukimura: But that is my concern though you don't do this thing piecemeal. You don't start to have all inputs on the Building Division and say okay now we ready for Planning but you don't even know how it is going to fit and you might be a lot ... I mean to me you bring all the groups together you say what are your present needs, what are your future needs, and how we going to make what is the best system, and then you begin to piece it together and you don't have to wait for one group to do it. You can do it. You can do it simultaneously because you are already part of a system that has been thought through. So enough on this but I think you get the gist of our concern that we would like the big picture in mind so all the pieces fit together and you don't go okay now you know after you spend \$60,000.00 then you say but we needed this or his does not fit or we have not planned this interface. We are just asking. What was one of your goals, efficiently and effectively doing things?

Mr. Rapozo: We will send over a question and when IT comes over for their budget review we can touch on that because I am very interested in what we are doing and I agree I would much rather see a 10 year transitional plan to get to that point where it is truly a one stop shop where someone can come in and digitally submit their plans and every Agency gets it and every Agency submits their comments, so when Building, Public Works, Planning, you can see the comments as they are being done. It is available now and I know it is not cheap but I think what JoAnn is talking about is rather than focus on Buildings and try to retrofit a planning module down the road vs. why don't we just try to work on a system that we can have all the modules being planned...yes you can expand later. You don't have to do all the modules at once but at least when the designers of the software package know what they need to anticipate it is a lot cheaper transition. Okay so we will work with IT on that.

Ms. Yukimura: My second question. What is this on page 8 where you have TVR registrations are \$49,200.00?

Mr. Dahilig: These are for fees collected.

Ms. Yukimura: Oh, okay.

Mr. Dahilig: We didn't have 49,000 TVRs.

Mr. Rapozo: That is just in the North Shore. (inaudible)

Ms. Yukimura: Okay, so the numbers in terms of numbers of TVRs is that the next bunch?

Mr. Dahilig: Yes, the next bunch.

Ms. Yukimura: And so, these are TVRs both within and without the resort VDAs, visitors destination. So we can just get a, because this was of concern when we were crafting the TVR legislation, how many actually exists, how many you know so I'll request some data about how many are in, how many are out of the TVRs, so bottom line where you have 149 pending processing. Are those the ones that are coming up for that are still before the Planning Commission the grandfathered ones?

Mr. Dahilig: This is information that was at the end of last fiscal year so right now there are still that these numbers are still changing and when we look at 149 that would be the amount of I guess ordinance 904 reopened both the registrations outside and inside the VDA. So that includes the Ag TVR special permit request. If I were to take a snapshot in this picture, what you would see is that 413 nonconforming new certificates means that there is 413 Trans isn't Vacation Rentals that are certified by the County to be legal but outside the Visitor Destination Area.

Ms. Yukimura: Really?

Mr. Dahilig: Yes.

Ms. Yukimura: And then how many of these are Ag?

Mr. Dahilig: In terms of these we can provide you that breakdown. There has been an evolution based on the Commission's actives. Things are still pending. We can give a more up-to-date number if you would like to take a look at it.

Ms. Yukimura: Yes please. And can you also tell us when the final deadline will be so we actually know we have finalized figures on it.

Mr. Dahilig: The final application were due last fall, so no one can apply for a (inaudible) anymore.

Ms. Yukimura: But you have the 210 day evaluation time that is still running but ...

Mr. Dahilig: Those are...we have one more TVR left on the Commission's docket relating to Ag, then we have a set of appeals that could either result in a TVR or not result in one. And so that is all that is pretty much left on the Commission's plate right now.

Ms. Yukimura: What approximate number of appeals do you have?

Mr. Dahilig: Five.

Ms. Yukimura: Oh. Okay. Well without I cannot judge because I have not been following the merits of the decision making on Ag TVRs, but I surely can commend you for the volume of work that you have been doing on it and the processing that you have been doing. I am very curious to see what the numbers are but we will soon I guess get a picture of sort of the end of the road in terms of TVR processing and it would be interesting to take stocks sort of.

Mr. Dahilig: The Commission as well as Dee Crowell and Mike Laureta deserve a lot of credit for being able to in a very short amount of time slog through a lot of these applications. It has been an adventure I'll say, and I can say anecdotally that the Commission has been very tough on these guys. They have been very tough.

Ms. Yukimura: They should be.

Mr. Dahilig: And so, right out of the get-go did set a pretty high threshold and as the months wore on there were epiphanies that they had that resulted in further conditions and further regulations that were inserted as perfect conditions so they do deserve a lot of the credit for taking this. What we can anticipate in terms of what has actually made it all the way through will be in the range of 60 to 70 and so we will not have a final number until all these appeals are finally taken care of but that is the window that or the range that we would see the amount of special permitted Ag TVRs that went through Commission approval.

Ms. Yukimura: And that will be a cap or a limit so we will know what the final result is and then there will be enforcement.

Mr. Dahilig: Yes.

Ms. Yukimura: Alright, thank you very much for that.

Mr. Rapozo: What the numbers don't reflect are the illegal ones and I think those are...we got a lot more illegal than we do legal and I think that is a concern and I have watched a few of those approvals at the Planning Commission for the TVRs especially the Ag ones. I am not going to say that I agree with all of them. I think some of them were granted (inaudible) but that is the process they went through. They got their permit, their certificate. It is what it is so we will see what happens. Mr. Kualii you have any questions? Mr. Chang? Ms. Nakamura?

Ms. Nakamura: I want to make a comment on page 10. And this has to do with the East Kaua'i Development Plan and it has been a project that has gone through many different Project Managers internally. There has been many starts and stops along the way, and I just want to make, because there is a draft plan that I think will be making public shortly that really want to make sure that it goes through the proper community review process, and I will be recommending some additional funding to make that happen and to give it the CAC time to fully review it since they have not looked at it for several years. And I want to make sure we give the community and the broader community time to digest it and to make changes to it so that when it goes through the process there is community ownership for the vision and the goals and objectives in that plan. So just wanted to let you know and Members of the Council know that is something that I will be pursuing.

Mr. Rapozo:

Thank you. Councilmember Yukimura.

Ms. Yukimura: Just as a follow-up to Councilmember Nakamura's. I actually deem it horrible as a record that we took four years to do the East Kaua'i Development Plan. I mean to me that things get old before you get to adopt something. And so I hope that we are going to have better track records on our next plans.

Mr. Dahilig: It has been an example for us to learn lessons from. It is I guess the only word that I can describe what has gone on with the East Kaua'i Development Plan is unfortunate. And it has been.

Ms. Yukimura:

Yeah that is probably a better word than mine.

Mr. Dahilig: I would like to say that people their duties are something better because our department right now is in the mode of trying to in a sense wrap it up and we are dealing with a consultant right now that has zero funds right now in his budget. We have a product that is still needing to be completed and so given that our approach has been we at least want to try to wrap it up and try to make it as presentable as possible. That has been one of our goals. It certainly is an issue for discussion before the body because we are tasked with working with what we can in terms of what is left and so but yeah it has not been I guess the strongest of performance with respect to this one and then something that we, at least I, as I hope moving forward we can use as an example for how to lay out our plans for the future.

Ms. Yukimura: Well I think your responses are very well received. That is the only reason why I brought it up. That we can learn from this and use it as an example of what we want to try not to do because you lose the momentum, you lose the memory, and understanding that just so much is lost when it takes so long to do and I use as an example Mr. Charlier's performance both on the Kōloa-Po'ipū Transportation Plan and on the Multi Module Plan. You know there is such a clear track, a clear pathway in terms of what the consultant is going to do and where the public gets to participate and what the outcomes are going to be. He touches bases with all the different places and then we get a result in 12 to 18 months so that I hope that we can move there.

The other thing I wanted to ask about is the 6-year CIP report. I really commend you and your department, and Marie was the one that we are finally after years or decades, beginning to implement the Charter's intention that we tie our CIP to our Planning, and so I really commend you and thank you for doing this work. I am concerned about tying the CIP to what is either was not well done in the General Plan or what is becoming outdated in the General Plan, and my example of that is the northern connector road in Po'ipū which is not a smart growth project. In my understanding of the transportation plan was really down the line and was supposed to have been looked at only after we have tried all of the short term things. So I don't think it should be in our

CIP. If we go by smart growth and we being to anticipate where we are going on the multi module land transportation plan we don't know where the State's land transportation plan is going but the indication from multi module study is we need to make a paradigm shift in how we do land transportation. Unless we are going to build 8 lane roads and follow the O'ahu paths of an urbanized system that is very contradictory to our main goal of the General Plan which is to maintain the rural environment. So I am going to raise that in our CIP discussions because the history of DOT planning and I was just listening to the tape from our Smart Growth Conference, the DVD, Not Your Grandfather's DOT, and I am going to actually play it here for a workshop in transportation is that we are going down a track of multiple projects that we are actually not going to do because we don't have the money and the environment or the context is changing over time and we are spending a lot of upfront money on these projects that are going to nowhere. They are really going to be a road to nowhere. They might not even get on the land. Hundreds of thousands of dollars spent on planning and design.

Mr. Rapozo: Plan to nowhere. They don't even have a road. It's a plan to nowhere.

Ms. Yukimura: So I want us to start looking at that and the innovative DOT Directors country wide have stopped their projects and said what is realistic and what are we really going to do? I think we really need to do that here. Even if we have to drag the DOT screaming and kicking along with us, but I just wanted to signal that.

Mr. Rapozo: Mr. Kualii.

Mr. Kualii: I'm not sure if it was addressed, but somewhere in here you mentioned that even with the additional space in Pi'ikoi you still have staffing crowding issues. How is that going to be addressed going forward? And what kind of help you need from us?

Mr. Dahilig: We have, and I am sure Kaaaina, Myles, and Leila can describe the hurricane that went through our office this past week and knowing that we have three new staff members coming on board we did have to be a bit creative with respect to maintaining what our OSHA requirements with where we put people. Like I mentioned earlier even with the additional space in Pi'ikoi we really are not letting any additional space if we were to bring on more people and I think it becomes a predicament where we have to go and ask the Administration what other vacant space is there. Given that we have another I think at least...we do have a space for the Transportation Planner earmarked so he or she will not be left without house or home, but we do have 3 vacancies and if those do get filled then we are going to have to find more creative solutions as to where we are going to put them, but we are very tacked for space. We now store files in four different places in the County and so it's actually five different places because of the move. In my opinion it is not the type of work environment I would like to have with this respect to trying to create synergies between staff members but we make do with what we can. In a perfect world certainly I would like to have everyone together in the same space but other interests arise and we make do with what we can.

Mr. Rapozo: Whatever happened with our Space Planner? Did we ever get a report?

Mr. Dahilig: I do not know if that is our Department.

Mr. Rapozo: Yeah. I was just curious.

Ms. Yukimura: I think I raised the question to the Mayor that this Civic Center had a vision. I mean there is still a lot of space there and we need to develop that space especially if we need it right now. We need an overall plan for that.

Mr. Rapozo: There is no doubt in my mind that Planning is probably one of the most problematic and needed I guess. I do not know how they operate in there.

Ms. Yukimura: I had told Beth that the fishbowl or Workforce place right across that that should have been for Planning. In my opinion we need to service our in-house needs first, but you did not have a Planning Director who was asking at that time, or anticipating or thinking about planning for the Planning Department, and so I think we would support you in making the request to the Administration and asking them to accelerate the space planning process in the Civic Center because we are totally supportive for you to have adequate space for your work and your employees.

Mr. Dahilig: And thank you for that. We make do with what we can and it is a concern that I constantly do bring up with the Administration but I am not the Steersman, I am but a paddler. It is one of those things where they know my needs and I continue to let them know my needs and we just see where things go from there.

Mr. Rapozo: It does not take much to realize your needs if you go into your office. Anyone can see you have inadequate space and that is sad and we need to pursue this somehow. This Council needs to with the available space at the old Big Save.

Ms. Yukimura: I wanted to ask if you could ask staff to put a question to the Mayor to ask how Planning Department special needs are to be addressed.

Mr. Rapozo: So noted. We have acknowledgment. Thank you very much. I think that is a good question because we have heard from the Auditor, we renting space and it is kind of hard to justify to the taxpayer paying rent and having so much vacant space. If we are going to pay rent, let's pay rent for storage and move the people in to where the people need to be. Any more questions? Hang on JoAnn. Nadine? Dickie? JoAnn.

Ms. Yukimura: So, I just wanted to ask for some rethought on the mission.

Mr. Dahilig: The mission statement.

Ms. Yukimura: Yeah. Because it is the County of Kaua'i's Planning Department aims to provide through the regulation of land use in an open matter. It is that phrase that I actually have some questions about it. My understanding and it may be erroneous or limited, is that Planning actually two parts, planning and regulation and it seemed that planning somehow got lost in it. Now the vision, you know a long range vision for physical, social, cultural growth moves into planning but it just seems that planning was lost. Then I just wanted to ask about open manner. Is that intention there is that to convey the concept of transparency? Is that what it is?

Mr. Dahilig: This has been a vicious statement that has been passed down quite a while and so I am going to bump this over to Myles. He is going to smile at me for saying this (inaudible) by saying this but he'll give you a little bit more history on where this mission statement came from.

Mr. Hironaka: This was a mission statement made several years prior to Mr. Dahilig coming to the Department. But, yes that is for some transparency as with all of our permitting process before the Commission is true of public hearing through an open process.

Ms. Yukimura: Well I support that concept for sure. I am not sure those words fully convey it but anyway, the other thing is and I am quoting from what Mike said sometime today in his presentation, "a healthy, beautiful, livable place." That whole concept of place making, to me those words would capture peoples...not only people's imagination but they would inspire and I think that is what you guys are working for. So, maybe some of that new concept or this idea of place making, you know because we have such an incredible place here and what we are doing is we are adding the built environment to this most incredible naturally beautiful place. I was just thinking that your mission you know I think we feel it in our gut what your mission is and maybe some words that might better convey that mission.

Mr. Rapozo: Thank you very much Councilmember Yukimura. Any other questions? Comments? If not thank you very much Mike we will see you guys next time.

Ms. Yukimura: Thank you very much.

Mr. Rapozo: If there are no question, comments, this budget hearing is recessed until Monday morning at 9 a.m. for Civil Defense. Thank you very much.

The office of the County Planning Department budget review was concluded.

There being no objections, the meeting was in recess at 5:46 p.m.