

The Department of Finance our mission statement is to provide effective financial services to the people of Kaua'i and to all that we serve by establishing and maintaining a financial system that can properly account for its activities.

Goals and Objectives: To maintain and use resource we have by seeking opportunities to leverage these resources through technology and partnering wherever possible.

Successes and Achievements: I am coming before you for the first time in the capacity of Director of Finance and want to express that I am extremely proud and fortunate to have the team of employees that we have in the Department of Finance. The Department as a whole has not grown significantly in numbers of employees in recent years, yet the tasks and responsibilities assigned to our Department have increased in proportion to the growth in other areas of county government which requires support services from the Department of Finance.

Our employees have worked together and leveraged technology to accomplish a number of noteworthy accomplishments within the last year including, but not limited to, the following:

1. The County's external auditor, N&K CPA's, Inc., have issued an opinion that stated the County's financial statements is presented fairly, in all material respects to the financial position and the relative changes in financial position of the County in conformity with generally accepted accounting principles. Findings they have issued are being addressed to assure a better management of our budgeting and accounting procedures in the future.
2. Grants Management Program was able to close two hundred thirteen projects from our accounting system in Fiscal Year Twelve.
3. Real Property Assessment (RPA) implemented tax classification based on use for two thousand thirteen and posted the assessments as single values. They were also able to certify the assessment roll on February twenty-two, twenty-thirteen, which provides the Administration and Council actual values and accurate property tax projections for the March fifteenth budget submittal.
4. Real Property Assessment staff processed or administered a total of seventeen thousand, nine hundred fifty, exemptions totaling three point five eighty-eight billion in cumulative value.
5. Real Property Assessment continues to improve the accuracy of assessments and achieved an average sales-to-assessment ratio of approximately ninety-six percent during two thousand and twelve. RPA uses actual sales data as comparables as well as for developing trends for modeling future assessment.
6. Purchasing Division and Information and Technology (IT) research efforts to pursue a countywide electronic procurement solution, and identified key

requirements for creating the associated RFP is now in effect and becoming more efficient as we learn the process for utilizing this program.

7. Purchasing and IT Division staff implemented a computerized solution to publish bid and solicitation documents on the County website, eliminating the previous paper-intensive process and we are already seeing the saving in using less paper and postage costs.
8. E-Plan Review is a paperless plan review process that was initiated by IT and spans not only the various county agencies that are responsible for permit reviews, but also the state Department of Health.

Upcoming / Future Initiatives

1. Continue to coordinate with Budget Staff and the County Council to review best practice budget methodologies for local government with the intent to engineer strategic change into our budgetary system. Study local government best practices in budgeting and hire consultant to assist with implementation of this. Exploring the idea of moving our existing budget process toward the process described as “Budgeting for outcome.”
2. Continue to improve succession planning and training of employees in Divisions, especially in the Division of Treasury, Real Property Assessment, and Finance-Accounting.
3. Real Property Assessment will be upgrading their existing client server assessment software to a web-based version that will further allow for the potential of providing real time property data changes from the field and as we are able to implement tables in future years.
4. Finance Payroll/ Human Resources and IT have formed a joint Task Force to determine what is needed from our current Vendor, SunGuard to create an accounting system for Time and Attendance and identifying all personnel positions that are filled, vacant, or dollar funded that will be electronically accessible. This will eliminate the need for Departments using hand posted systems that we currently use to track our employees.
5. IT will implement a survey to be posted on our website to acquire input from the community to determine what technology services will better serve our citizens. This survey will be rolled out in July with the anticipation that some of the resulting initiative will be implemented by January two thousand and fourteen.
6. Vehicle utilization and fleet management represent both a significant cost to the County as well as a significant opportunity for improvement. We are revising the vehicle turnover policy to keep low-mileage, well-maintained vehicles in service longer than five years. With respect to those vehicles that

may be under utilized by specific Departments we are exploring the possibility of developing motor pools in the hopes of reducing the overall size of our fleet. We are also implementing a vehicle subsidy pilot program with the police Department that should provide cost savings to the County both in the long run and in the short term.

Challenges that we face: Certainly we have funding constraints this year. The availability in use of technology our staffing levels and the length of time it takes to recruit for new positions.

As far as the Finance Budget Overview the Department of Finance is County chartered Department that is currently comprised of eighty-three dedicated employees that provide a number of essential services to both external and internal customers. Our employees work in ten Divisions or sections within the Department. These areas include Finance-Accounting, Information Technology, Treasury, Drivers Licensing, Motor Vehicles, Real Property Assessment, Real Property Collections, Purchasing, Risk Management and Finance-Administration. At present, a total of eight of our eighty-three employees are funded by the State of Hawai'i grants (six are in Drivers Licensing and two in Motor Vehicles). Two of our positions are one dollar funded and reside in Real Property Assessment. We currently have five vacancies as indicated on the last page of the presentation.

The Department of Finance fiscal year (FY) twenty thousand fourteen budget is eleven million, five hundred fourteen thousand, six hundred and nineteen dollars, and that represents approximately a three point two point reduction or three hundred seventy-nine six hundred fifteen lower than our fiscal year thirteen budget, which totaled eleven million, eight hundred ninety-four, two hundred thirty-four dollars. While the pie chart on the following page shows an increase in operations, going from twenty-nine percent of the budget in FY thirteen to thirty-five percent of the budget in FY fourteen, this increase is primarily created by the one million three hundred thirty-five thousand, eight hundred and five dollars projected remediation associated with the Puhi Metal site cleanup budgeted for FY fourteen.

With that I would field some question regarding the administration.

Chair Furfaro: Steve, if you do not mind before I allow fielding any questions there was nobody in the audience when we started at nine. There is one citizen here and with that I would like to ask that person if they are here to give testimony before we start the day. If they are not then we will have you come right back.

Are you here for testimony? Come right up.

ROB ABREW: Aloha Councilmembers my name is Rob Abreu for the record. One question I have and I have gotten mixed answers from the Council and the Department of who is the final decider on let me say a grant fund being funded to the recipient? Who checks to make sure that recipient of the funds qualify for them or actual State Business License state has GE license. Who checks all that to make

sure our County of Kaua'i money is being given to non-profits, corporations in good standing with the County State and Federal Government.

Chair Furfaro: Well Rob depending on the nature and circumstances of the grant. If it is a County Grant money and that is all I can really respond to, we typically put those under the supervision of the Department of Economic Development in the County and they have a process that includes the reviews, checking on the particulars, whether they have their non-profit statuses and so forth, but the money are appropriated to those Departments who have the ability to make the final decision. We then have a compliance review as part of our annual audit.

Mr. Abrew: On of the reason why I am curious is because in the recent years there has been non-profits given hundreds of thousands of dollars that do not have GE license, have not been paying taxes so I am wondering if the County the Finance Department has final over say and when these or who checks double checks, and triple checks to make sure that the people coming forward are actually good members in society in standing with the business community because by giving out hundreds of thousands of dollars to people that you know could just say well we are not going to do it and they are gone. My feeling is if we had a final check that went through one person who made sure a check list of everything was done then there will be one person in the County who will be accountable, accountable to the Mayor. And that person would be the person accountable not the Department Head, not this person, not this person but the person with the final say of this money is okay to go we have checked off everything. Once you have five different hats giving out money policies do not get followed things get fallen through and when we have a budget of a hundred and fifty-three million dollars any penny there of the citizens of Kaua'i's money, we depend on you guys to make sure it is spent fully granted in a way that we expect businesses and financial community to do.

Chair Furfaro: Well thank you very much and I would just like to say that we have a hundred and fifty-eight million dollar budget. We are lucky if a hundred thousand was made available in total. It is not hundreds of thousands but the process that is in effect is the Council does approve the allocation to go over ... most of these are under Economic Development. They have a committee and that committee is then subjected of course to a financial review, but more importantly a final review is done annually by the audits.

Mr. Abrew: The only reason why I was curious is because there were numerous citizens that brought to attention this Council that this was going on and this Council still funded the money.

Chair Furfaro: Okay, I would like to tell you frankly that not one citizen has come to me about a grant. So many citizens coming to you as the...as the Chairman I have the oversight on that. No citizen has come directly to me.

Mr. Abrew: There were citizens who have testified when the grant was given that this non-profit had no business standing on the state of Kaua'i and still we funded...

Chair Furfaro: I answered your question. You said that have come to individual Councilmembers. No applicant for a grant has come specifically to me. I did not say we did not have people give testimony requesting a grant whether it was for water safety, a marathon, a movie production...no one has come to me to independently say why didn't I get this grant?

Mr. Abrew: But my question was when citizens came here this body gave no consideration to those citizens who raised this question and that is why I am asking in this financial standing, is there one person after you guys who check all that stuff out in case this body makes a mistake. They do not see something then the next person in line on accountability would check that and make sure the citizens money is being spent the way our County Charter and our County Code states it should be.

Chair Furfaro: I want to again share with you that this Council approves money that the over sight goes to Economic Development. That Department is responsible in checking things like the five zero one three C the mission is compliance on what we want to measure for economic benefits and so forth. The Council does not approve individual grants, but we do approve the money that is allocated for people to apply. If it is hula and chant, it might go to Nalani. If it is Agriculture it might go to Bill Spitz. If it is economic measurements it goes directly to George, but that is the Department and those people I mentioned all exist in that Economic Development Office.

Mr. Abrew: But to my final question when I started, I believe that the Director of Finance in our County Charter is the ultimate person in charge of financing, in charge of setting up programs within the County to make sure these possibilities do not happen. So like I said when we have seven or eight hats out there that are given away or asking for hundreds of thousands of dollars, do those people report to someone that has the final authorization. Does it go to the desk of someone who can look at it and say yes or no, one person in the County?

Chair Furfaro: No, the answer is no. It does not go to one person for a review of approval. Are those accounts review by the Director of Finance? Yes, because the Director of Finance have the final say, no there is not one person that give s the final approval.

Mr. Abrew: Okay, thank you.

Chair Furfaro: Now we have a question for you.

Mr. Abrew: No, that is it.

Chair Furfaro: No, we have a question for you.

Mr. Abrew: Oh, okay I am sorry.

Chair Furfaro: And please it is not hundreds and thousands of dollars. I do not think it is that much. JoAnn.

JOANN A. YUKIMURA: Hi Rob. It would be helpful if you would tell us who this non-profit is that has been questioned.

Mr. Abrew: Yes I did not want to single anything out I just wanted to make sure. But when the marathon came here for funding in two thousand eleven, and two thousand twelve there was many citizens who stood up and stated that this non-profit had no General Excise Tax license, had no business standing in the State of Hawai'i and why were we approving hundreds of thousands of dollars to this when citizens came up and showed proof that this business or this non-profit was not following state law.

Ms. Yukimura: Okay, thank you. So that is under the ages of Economic Development and I do not know for a fact what the...I mean citizens make many assertions before us. Some of them are true and some are not, so we can follow-up and see what the Office of Economic Development to find out first of all weather those assertions are true and secondly what their responses were. Thank you. That helps a lot to know what you were referring to.

Mr. Abrew: And that is why I was asking is since the Director of Finance in the Charter states he is responsible for all.

Ms. Yukimura: Yes, but he relies on the subject Department Heads weather it is Economic Development or Planning or to oversee those contract and they send him the contract.

Mr. Abrew: I just wanted to mention I see cracks in the way we work you know, it is just suggestion we might work better in these kinds of things.

Chair Furfaro: Rob, thank you for your feedback but we are not finished with you. Mr. Rapozo.

MEL RAPOZO: I have a comment.

Chair Furfaro: Oh, you have a comment after wards...okay, so Rob I would say that if testimony was brought to our attention as a body it certainly was raised with the Audit Department to check into it and I will do a person follow-up to it as well. Thank you. Mr. Rapozo, you have the floor for comment.

Mr. Rapozo: Yes, I just wanted to say as a member of the Council that matter was brought up and I believe we had several hours of dialog regarding the Kaua'i Marathon funding. I did not support the funding but I will say that I was very pleased with how the administration rectified the situation. Mr. Abrew is correct that company did not have...they did not register...they did not pay their general excise tax license. It was very disturbing but I think this Council did the job bring it here in the floor, having the discussion and airing those concerns and Economic Development subsequently

made requirement of this company to basically come in compliance in which they did. So we can disagree whether or not the funding was warranted but I will say that it did get rectified and it should have been caught prior but it was not and Economic Development, Mr. Costa was here, he took a lot of bullets as others of the Administration did but that matter had been resolved and I just wanted to make that comment so the public understands that this Council did take the necessary action in my opinion to rectify this situation.

Chair Furfaro: And Mel I just want to make sure we understand, I made reference to the body. The statement was to individuals. Thank you for that summary. Additional comments Vice Chair.

NADINE K. NAKAMURA: Having had some contacts with the County in my previous profession...before a contract is finally executed the County usually requires a tax (?) from the State because of taxation and will not execute it without that stamp of approval, so I think that is the correct procedure or that is how it was when I went through the process...it might have fell through the cracks.

Chair Furfaro: Did you have any more comments before we move on?

Ms. Yukimura: I am fine thank you.

Chair Furfaro: Okay, may I ask sir as the new finance did we summarize the process fairly well?

STEVEN A. HUNT, Director of Finance: Yes, and there are two types of grants obviously the General Fund and the Non-General Fund. Procurement is involved in those when it is a Non-General Fund we do the review of the exemption and when it is General Fund it is through procurement and prior to funding or rewarding any of those they do need to go through the HCE compliance and make sure that they are valid and eligible for that funding.

Chair Furfaro: Thank you, yes.

Mr. Rapozo: I think was it not evident with our lobbyist contract?

Mr. Hunt: Yes.

Mr. Rapozo: The reason why it was delayed was because of that in fact they did not have the necessary clearances so the contract was held up.

Mr. Hunt: It was yes.

Mr. Rapozo: So I look at that as an improvement of the system and that in fact the progress is being made so I appreciate that.

Mr. Hunt: And to defend at this point procurement sometimes it can be the bottle neck but it is not always procurement's fault. Sometimes it is the responsibility of the vender that is holding up the process.

Chair Furfaro: Again thank you for the clarification Mr. Rapozo, and your little summary there at the end it could actually be supplier who is holding up the process. We will let you continue. Mr. Abrew, thank you very much.

Mr. Hunt: In addition to the presentation, you also received the three year actual – forecast 14 and where we are relative to 13. I do not know if there is any particular line items that you would like to discuss about the Administration's budget.

Mr. Rapozo: I am looking at the summary sheet.

Mr. Hunt: Yes.

Mr. Rapozo: The second line there is a budget item of a hundred thousand dollars and according to the budget it just says "provision for temporary hires section three." We did not fund that in 2012, we funded that in 2013, can you explain what those temporary hires are and if in fact we have utilized those funds in this fiscal year?

Mr. Hunt: And this is a... actually I am not sure on the fiscal year, it probably would have been an encumbrance. I would have to check with the Budget Analyst on whether we used that fiscal 13 but this line item is essentially Countywide, we are looking at if there is a need for an emergency hire or something that comes in that is not budgeted for that these are the funding for that position.

Mr. Rapozo: What would you envision these emergency hires are? I hope you appreciate my question because we are here trying to...

Mr. Hunt: It could be an extended workman's comp or an issue where an employee is out and function is not being performed and you need to have an 89 day contract come in, you will need to have funding for that.

Mr. Rapozo: Okay. That would be my first question and I am assuming that you will go around the table?

Chair Furfaro: Yes. Mr. Bynum.

Mr. Bynum: I am looking at page three where you have the breakdown by Department, page 3 of your Budget presentation.

Mr. Hunt: Of the Budget presentation. Okay.

Mr. Bynum: There are some big changes. The Administration just explained that those are additional funds for this liability concern?

Mr. Hunt: That is...

Mr. Bynum: Nine hundred and eighty-two increase, right? Eighty-two thousand increase?

Mr. Hunt: Correct. A million three, thirty-five of that is the increase to our General Liability Fund to account for the cleanup.

Mr. Bynum: And then the decrease in IT is pretty dramatic.

Mr. Hunt: Yes and that is associated with the movement with... and you will see a corresponding increase to Civil Defense, the radio communications four hundred and fifty thousand more or less, and the employee that was doing that has been moved to Civil Defense.

Mr. Bynum: I see.

Mr. Hunt: So, there is an internal movement that goes with that as well.

Mr. Bynum: That is exactly what I thought might have but I wanted to know more specifically. Thank you.

Ms. Yukimura: I first want to say that it is a very excellent report that you have given us and the way you detailed... the work of your Department, it shows a lot of year after year... ongoing work but it is such important work to the County whether it is Real Property or otherwise and your report helps us understand that. I am really thankful and it will come up later but, for the joint taskforce on payroll and Personnel. That is a wonderful thing. Your report is full of accomplishments that are really excellent work including beginning with last year when your Purchasing Division started to go paperless, I think sometimes we tend to take these accomplishments for granted and it is very significant. I just wanted to acknowledge you for that. This year, your attention to fleet management and the two different policies that you are instituting on vehicle replacement is very excellent. My question is, on page 3 as well, this one point three million dollar projected remediation for the Puhi Metals site cleanup, why is it in your Department:

Mr. Hunt: Because it comes under Judgments, Claims, Liabilities and at this point it is a liability that was identified through the CAFR and the audit. The total amount is two point one million is the estimate but we are funding some of that remediation in fiscal 13 and there is actually a money bill that addresses moving some of those moneys from the Beautification Fund and Reserve to cover this year's portion of that.

Ms. Yukimura: So that the total is approximately two million?

Mr. Hunt: Two point one is what we are budgeting at this point, correct.

Ms. Yukimura: I believe you assign those costs to the Department in past cases. As I recall one of the sexual harassment payouts that we had to do went to the Department that was responsible for it, so they get some feedback as to their actions. I can see moving it to your Department for implementation or to complete the liability payout but are you planning to cost this to Public Works – Solid Waste eventually?

Mr. Hunt: It is certainly... I do not know “who” in terms of responsibility goes, I mean there is an issue of governing and managing contracts and making sure that those vendors that are working for us are continually getting their insurance information to us. I know that is something that we are looking to implement Countywide. As far as the actual charge off of cost, at this point, it is looking like it will be Department of Finance because we are ultimately be the ones making the payment for that.

Ms. Yukimura: Is there any examination of the cause of these kinds of huge liabilities and efforts to correct the situation and also to hold people accountable?

Chair Furfaro: Excuse me, before you respond to that, I am going to take a few minutes break because this item is being... the liability portion is being discussed in Executive Session.

Mr. Hunt: Thank you.

Chair Furfaro: Okay. We are having an opportunity to have legal Counsel discuss with us what that exposure is. So, I am going to take a short recess to make sure that we are in the scope.

There being no objections, the Council recessed at 9:40 a.m.

The Council reconvened at 9:46 a.m., and proceeded as follows:

Chair Furfaro: Just a reminder, there is discussion items the deal with money that is in the budget as such, additional discussions dealing with potential liabilities and so forth should not be discussed. If questions dealing with our insurance and premiums and so forth, that is fine. You still have the floor for your first question.

Ms. Yukimura: Thank you. I appreciate the caution from the Chair and my intention and question was one of a general procedure when we have these large liabilities, you know, where do we housed them eventually in terms of fiscal accountability and then do we embark on a procedure process for analyzing what got us to this problem area? How we can prevent it in the future? Excuse me if I was not clear in my questioning. I do not need to details of the specific issue but I do want to know what the

procedure is that the Administration follows because this is a huge liability, I mean a total of two point one million dollars. We can all think of ways we could use that money in a positive way. Whether it is back into Solid Waste, bus, or Housing... so, that is the nature of my question.

Mr. Hunt: Just from a procedural standpoint when the contract, especially if it is a multi-term contract like the Puhi Metals that is vetted through the Purchasing Office. They ensured that there is insurance at the time the contract is awarded. If it is multi-term it then becomes the Department who is responsible and managing that contract to make sure that as a multi-term subsequent follow-ups are done on that insurance.

Ms. Yukimura: That is the process?

Mr. Hunt: That is the process.

Ms. Yukimura: How do you determine the accountabilities and how you make corrections to ensure that there is no repeat of that kind of problem?

Mr. Hunt: I think that is probably a discussion for the Department Heads to have with their fiscal management staff to assure that those policies and procedures are effectuated to make sure that we do not have that exposure.

Ms. Yukimura: And I think it is both a fiscal accountabilities issues but it is also a management accountabilities issue and that is a whole arena of personnel and management. Thank you for your answer and I may pursue it in another form. Thank you.

Chair Furfaro: I am going to give you the floor because I have to leave in a few minutes.

Mr. Rapozo: I also agree with the caution of the Chair. I will make my question broad because I agree with Councilmember Yukimura's position that these liabilities should be housed in the Department that created and this is one example. Like we talked yesterday that we had other direct services in the Liquor Department where the Liquor Department would pay the Administration back for services rendered and I will put my question in writing... but the question will be, is there a mechanism and maybe I think (inaudible) a decision is probably of the Mayor. Is there a mechanism or can there be a mechanism where the Finance Department or Finance Administration budget would recover these funds somehow? We went over the Parks – South's Spouting Horn and some of those funds... some of the usages were not in compliance of what the ordinance said. There has got to be a mechanism where they end up paying back. Management accountability is one but the fiscal, as JoAnn has stated, that will be the question. Can we look at a mechanism in place that somehow your budget would recover these funds because when you look at the budget, Mr. Bynum brought it up right away, he saw the huge jump and asked "what is going on in General liability?" The snapshot that we take is not an accurate one as far as your Department because that is not your liability but you are

funding it. Maybe it is a legal... we have to do it that way because of the insurance and all these things are involved and so on. I will ask that in writing.

Mr. Hunt: And Finance and Accounting does act as a clearing house for many County wide programs, like early retirements if there is payout of vacation.

Mr. Rapozo: That is understandable and I can stomach that but as far as the liability when it is caused by an individual Department. I think we had this discussion years ago, Mr. Chair, where we...

Chair Furfaro: Yes.

Mr. Rapozo: Would assign the liability to the Department whether it was the Police Department. That in fact that Department would have to somehow be accountable fiscally to the liabilities. We will put it in writing because I do not expect that answer because I think it is a much bigger question than just for Finance.

Chair Furfaro: You are correct in that, if I may, just because I am going to step out, the fact that we had that discussion about showing the accountability as a cost to the Department too. So that there is a real understanding that you are responsible for managing your entire Division including any kind of potential exposure. That can be continued in another discussion. On that note, I am going to my Committee of the Historic Building and on that note, Mr. Rapozo, I am giving you the floor. I think Councilmember if you are going around the table, Councilmember Hooser and then Council Vice Chair Nakamura was next.

Mr. Hooser: As you know and I have made it clear that I am not happy being asked to raise taxes for what I believe is a management issues. It feels like 20% of our tax increase are the proposed tax increase by the Administration – 20% of that is going to fund this one mistakes. I would like to make sure that there is a mechanism in place to minimize that mistake and increasing oversight these types of situations in the future. That is really what it feels like, that we are asking taxpayers to pay more because mistakes were made and I just wanted to share that thought with you.

Ms. Nakamura: Thank you for your presentation Steve. This is my third budget but it is the first budget where we get our certified tax role with our budget and I know the Council has approved that policy and the Department implemented it and I think we take that for granted and it is a huge improvement in our process, so thank you very much. I also wanted to recognize your number one initiative of budgeting for outcomes, I think is a great direction to move into. I wanted to ask you a question relating... and also just a general use of technology to improve efficiencies that is I think we would be spending a lot more of staff resources if we were not making these technological improvements, so thank you. I am looking at the General Fund by Department by Division spreadsheet – 501 shows a 52% increase and then Accounting shows 49% decrease. I am just wondering here, are you folding Accounting into Administration? What is going on here?

Mr. Hunt: You are referring to which page, I am sorry.

Ms. Nakamura: I am looking at the combined worksheet that was attached to our budget.

Mr. Hunt: I may not have that.

Ms. Nakamura: It is titled General Fund by Department by Division. I am sorry. This is 2013 versus 2012 actual.

Mr. Hunt: Again, Accounting has very large and we are not presenting that one just yet but they are very large negative balances that come from Accounting. That is because it is clearing house items that we have to, in particular, it is the 4200 the Indirect Cost Sharing – the Cost Allocation. That one is being budgeted at 2.7 million negative. That is a Countywide – I am sorry it is 2.68, I believe it is. Those are moneys that get booked to highways road, liquor fund, solid waste, sewer, golf, housing.

Mr. Rapozo: Is that it? Are you sure? You have another question? A follow-up...oh okay...Mr. Bynum? Do you have a follow-up or a new question?

Mr. Bynum: I am interested in Real Property Assessment. Does that come later in the presentation?

Mr. Hunt: Yes.

Mr. Bynum: I will wait.

Mr. Rapozo: Councilmember Yukimura. We are on administration.

Ms. Yukimura: Yes. Page three, first of all, your Department has the most Divisions in the County does it not? Ten Divisions?

Mr. Hunt: I do not know off hand but you are probably right.

Ms. Yukimura: I was amazed to hear that.

Mr. Hunt: One Division I wanted to talk about I guess is Risk Management.

Ms. Yukimura: Yes.

Mr. Hunt: I was originally combined when Human Resources (HR) and there was going to be a more global risk management team which included employee. Some of the responsibilities have now been transferred to the HR personnel. Risk Management is right now a Division of one. Because of the timing of this

budget I was not able to look at a re org, but likely that Risk Management will probably come back into administration...that one person.

Ms. Yukimura: Yes I see. Okay.

Mr. Hunt: So it would be nine effectively.

Ms. Yukimura: Right, okay thank you for that explanation and it makes sense and I am glad for the Division in terms of Risk Management in terms of Personnel and operations verses some of the issues of insurance and whatever else that has covered both are very important. So my question is which Department does your flex-e benefits analyses. Where is that housed?

Mr. Hunt: That would be within the Accounting.

Ms. Yukimura: And you did report that you have already started work looking into the possibility of allowing the bus fare purchases or pass purchases as a eligible flex benefit.

Mr. Hunt: In my initial discussions with Ken Villabrille, he confirmed that that would be an eligible item to include in the flex.

Ms. Yukimura: I look forward your results of your investigation and report back latter. Thank you.

Mr. Rapozo: I have a follow-up. Would not the employee benefit flex spending all of the (inaudible)?

Ms. Yukimura: Would what?

Mr. Rapozo: Wouldn't all those employee benefits traditionally and I know this because I work with employee benefits in every corporation I call it is HR. So why...

Mr. Hunt: I think the administration of those would come but the actual accounting from the payroll side and the defections is where I am coming from. It is accounting on the back end.

Mr. Rapozo: Thank you. Mr. Hooser.

Mr. Hooser: This is maybe a process budget question and if it comes up later you can tell me that. The discussion on collective bargaining, are we going to have that somewhere in terms of what do we do about that? It is not a line item I understand and so I am assuming at some point we will get a bill for one of the better way to say it there will be a settlement or there will be a new contract and we will have to come up with the funds to fund that contract. But there are no provisions for that in the budget.

Mr. Hunt: I think part of that discussion and maybe this should be in executive session item is if you are disclosing or telling the amount that you are willing to participate in that program you have essentially somewhat tainted your fare negotiation so the County's positions as the four Counties has always been not to disclose what that amount is or and again at this point we do not know what that amount is. We have not had any actual settlements.

Mr. Hooser: We do have to plan somewhat for that and what is the timing on that? Is it after the budget closes?

Mr. Hunt: The timing is depending upon when we know what those figures are. The Administration has considered a couple contingency plans and again I think those discussions probably best served in an executive session.

Mr. Hooser: Okay, thank you.

Mr. Rapozo: Thank you Mr. Hooser. Anymore questions on Administration? Then I have one and I plan discussing the Humane Society Operational structure when they show up, but I have a question for your Department that manages that contract. For many years I have tried get some information from the Humane Society regarding what does our six hundred and sixty thousand dollars fund. The prior Executive Director during last year's budget basically told me straight to my face I do not have to tell you, we are a private non-profit and I do not have to give you other than what is required in the contract which is the quarterly reports. I have asked and I know we have sent over another question and I do not know how many times I have sent this. I wanted a break down and the reason why I am bringing it up to you Steve I because I expect your Department to get this for us. I want a breakdown of based on the six hundred sixty thousand dollars we provide, what percentage of the Humane Society operations are directly related to what the man date is from this County? There is a state law that says we are required to contract with the Kaua'i Human Society and we comply with that by issuing that contract. But I believe we are have the right to see the percentage breakdown, so for every employee that is at the Humane Society that we fund we should be able to determine what percentage of their work day is allocated to the County contract. The state law requires that there is a very limited scope on what the state requires us to contract with the Humane Society. My concern is that we are funding operations at the Humane Society that goes beyond the scope that is mandated by the state law, and when I am told that we are not going to give you the information you request because we are private I am troubled. And again I bring this up to you as the manager of the contract that I want to be able as the Councilmember I want to be able to make sure that the tax payers money are going to the Humane Society for the functions that are required, and not to supplement their operations. It comes up to what Mr. Abrew was talking about. We are dealing with non-profits. I love animals do not get me wrong, but I believe that our tax payers should pay what the law requires. Anything above that weather it is Hospice, YWCA, YMCA, Humane Society they need to fund their operations.

Mr. Hunt: You have sent in writing I believe there were four questions specifically for the Humane Society and I have forwarded those to Penny

Cistaro the new Executive Director for her to respond. We did have a meeting several weeks ago and ironically it was the opposite. They are saying the scope of work that we task them to do they cannot do with the funding we are giving them and they are saying they had to draw on resources beyond what we have been able to fund so we are actually looking at revising the scope of work of that contract now to fit in line with what is being requested in funding. You are right that the information as to animal care days and what they are actually doing and their cost to services that are associated with those days that are specifically County oriented.

Mr. Rapozo: I would ask to go one step further and design the scope of the contract to be in line with what the state requires. That is what I would ask. We are getting some times right now. We are seeing cuts in our seniors and our youth and again if legitimately what they are providing this County as it relates to state law is over and above six hundred sixty thousand dollars I would support the increase, but I cannot know that unless they provide the information. That is how this all started, is because someone told me that hey Mel you guys got to give the Humane Society more money because they are supplementing the County's function, and I find that hard to believe: #1 because six hundred sixty thousand dollars is a lot of money and based on the other duties that their employees do...and then there is also the other component to this that which I experience personally last week, and again I will bring it up when they are here, but as you design your scope I think it is important that you understand the Humane Society by State Law and then comes down to our contract, it required to take care of our loose dogs and stray dogs, and over the last couple of years I have received numerous complaints where they have called the Police Station, and the Police Station said call Humane Society, Humane Society said we not coming out, and I think that needs to be defined in the scope, that if in fact it is part of the contract that they need to be held to that contract. I say this because I care for the animals. The animal is loose at night, is abandon, unattended, no food, no water. I did have a meeting with the Humane Society and Police Department, and it was clear that the Police are only going to respond to the dangerous dogs, but as far as loose dogs, unlicensed dogs by contract that is Humane Society function, so all I want to see is the percentage breakdown. How much time, how much salaries are County related? And that is all I am asking and I can tell you it will be a difficult sell for me if I do not get that response by decision making, and you can relay that to the Humane Society. I am sure it will be all offer the papers tomorrow Because I will be the animal hater now, but my first responsibility to this County is the tax payer, and Humane Society appreciate what they do but also we are the over sight for the County taxpayer. Thank you very much.

Councilmember Nakamura.

Ms. Nakamura: What are the challenges that you mentioned on page three of your report, it has do to with the length of time to recruit the vacant position. I am just wondering, and I know that you have not been there long. But you have been a Division Head. What has been your experience in terms of the turnaround time and the time you have the position available?

Mr. Hunt: It really depends on the type of position. We have been actively trying to seek two new positions in IT upper level with season programmers and it has been a challenge. We thought we had a great candidate but

frankly the money was less than they were making at their job in California even if he was a Hawai'i that could come back that has been a challenge so that position remains unfilled and that again challenges us to implement new technology when we do not have the qualified right staffing that can help us do that. We are somewhat uncompromising...we are not will to settle for less we want the best and the brightest we can get but sometimes it is not always available.

Ms. Nakamura: So in situations like that where what you want and what the salary is, it is not in alignment what do you do?

Mr. Hunt: We request to go sometimes for additional steps or to the top end of the range and even that sometimes is not enough. It is just a matter of getting the word out I mean obviously now that we are posting things electronically we are getting more applicants from outside the State...at least for interviews or putting in their names for consideration so that has helped a little. But we still have challenges.

Ms. Nakamura: And so can you identify those positions where you need a higher pay to get the right person?

Mr. Hunt: To some degree yes, and I can speak for Brandon who is not here now but he has come to me and ask to go up to the maximum range because he had a really good candidate and that is where we use our discretion to say yes if you got the guy let us bring him in lets pay him what he is worth.

Ms. Nakamura: Maybe we can get further discussion when Brandon gets here. Thank you.

Mr. Rapozo: Mr. Bynum

Mr. Bynum: I think you address this in your narrative which I read through once and I am reading through it again. I just have been concerned. I think as the County has gotten more sophisticated and technology I have been concerned for a number of ways that especially in Real Property and Accounting Division are not keeping up with the level of personnel they need to at least service the public well. Would you agree with that?

Mr. Hunt: You put me in a tough spot. Certainly we could enjoy more staff and we could probably increase the level of service by have additional staff but we have to realize we are in physical constraints and we are trying to leverage technology and in some cases even overtime is more cost effective than hiring a new employee, because you have the same fringe. You not paying fringe again, so it is a management decision as well.

Mr. Bynum: When we create Parks Department and Boards and Commission and that roll of Government expands that puts more burden on Finance right?

Mr. Hunt: Well Accounting in particular that the back hand clearing house for almost every Department. They have to review and sometimes if the financial acuity of the Departments that are contributing on the front end is not as qualified than it creates more problems for reconciliation on the back end which is our house so it does put pressure on us.

Mr. Bynum: You know when I see that some of your narrative it is like we have been able to keep staff down because we are making technological improvements and that is great but we are doing that all over, I am still really concerned after your narrative about...because this is so fundamental and we can see where we can see where you miss some and it causes huge problems weather it is procurement or accounting or...I am just really concerned and I thought there would be and discussions with Wally for four years he is like we are holding off one more year. So I will come back to more specifics when we get to those Departments, but over all...

Mr. Hunt: I think really what is proposed as a totality in this budget is and essential services core package and I hear words in rhetoric about waste and in inefficiency and that thrown around all the time. This is bare bones. We are trying to hold the line as best as we can.

Mr. Bynum: I have been strongly focused on the Finance Department for the last four or five years and I agree. I am worried that it is too bare boned and that ... because we have such high expectations of you too. It is like you are going to cross every "T" and account for every penny and do it efficiently and then pick up problems from other Department and fix them up. I just wanted to make those general comments. Those two Divisions I think I am the most concerned about is Accounting and Real Property. Would you agree that those are two that when we have resources those are the first two we would look at.

Mr. Hunt: Certainly there are a number of Departments I will not single those two out.

Mr. Bynum: Okay, thank you.

Mr. Rapozo: Anyone else? Councilwoman Yukimura.

Ms. Yukimura: I am following up on this issue of not being able to find qualified people at the salary levels that are available. Is it an issue of the whole area of IT personnel being under salaried if there is such a word because it required such technical and educational back ground? Is there a way in our salary setting system to evaluate that or asses that.

Mr. Hunt: You are probably getting beyond my level of expertise. This is now getting into HR questions and ...

Ms. Yukimura: Maybe it is true. Maybe it is an HR question

Mr. Hunt: I do not necessarily have the answers to.

Ms. Yukimura: Okay, thank you.

Mr. Rapozo: Any more questions for Finance Administration?
Okay, let us move on to Accounting.

Mr. Hunt: The County Finance Accounting Division the mission is to provide oversight and maintain the accuracy and integrity of the County's financial system.

Goals and Objectives: The accounting Division's primary objectives are to

- 1) Report accurately, all financial related information in a timely manner and
- 2) Strive to promote transparency, streamline processes to increase efficiencies, effectiveness, and consistency throughout County-wide operations.

Success and Achievements:

1) The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Kaua'i for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. The County has received this award for the 19th consecutive year. This award signifies that the County's 2011 CAFR has achieved the highest standards in financial reporting in accordance with Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. We remain hopeful the current CAFR will meet the Certificate of Achievement Program's requirements.

2) Continue to promote succession planning and elimination of operational silos by implementing cross-training and cross-functioning capabilities in anticipation of retirement and/ or attrition.

3) Continue with efforts to expand the pCard Program for other commodities. A total of 83 applications were previously approved for other commodity pCards. Out of the 83 applications, 60 pCards (72%) were issued, 8 pCards (10%) were declined by the cardholder, 2 pCards (2%) were cancelled due to employment separation, and 13 pCards (16%) remain unissued. The remaining pCards are scheduled to be issued by March 2013. I do not have an actual count on the remaining but I have been approving pCards as they are coming through. I suspect we probably have issued at least 8 of those thirteen cards by now.

Challenges:

Efforts to successfully maintain Cross-training continue to be challenging due to short staffing and unanticipated events. Effective implementation of cross-training proves to represent an important risk management tool by sharing, spreading, and capitalizing of

individual retained knowledge in specialized functions. In order to minimize the impact of foreseen vacancies due to retirement, Accounting Division instills a proactive and forward-looking approach to enable the required knowledge transfer and allowance for documentation standardized operational procedures.

Improvements:

The Accounting Division continuously strives to improve operational effectiveness and efficiencies when feasible and / or attainable; however, efforts to make improvements without adequate resources remain challenging. And I have Ken Shimonishi and Ann Wooton who have been instrumental in the budget as well as having a wide knowledge of the accounting in preparing this budget to discuss any specifics that might be related to the operational budget for accounting.

Mr. Rapozo: Any questions for accounting? Go ahead.

Ms. Yukimura: Who is the head of accounting?

Mr. Hunt: The Division head is Renee Yadao.

Ms. Yukimura: Oh, okay. How many employees are in that Division? Approximately an over view of your Divisions. And I do not have any more questions. I appreciate that work that the Accounting Division is doing. The County would not be able to operate without it.

Mr. Rapozo: Mr. Bynum.

Mr. Bynum: Renee's title is Accounting Systems Administrator? Is that correct?

Mr. Hunt: Yes.

Mr. Bynum: And okay that is all.

Mr. Rapozo: Councilmember Nakamura.

Ms. Nakamura: Under the line item vacation credit payout there is a four hundred seventy-five thousand dollar amount that I think is consistent with last year's amount. Can you explain why that has such huge increase over 2012?

Mr. Hunt: It is very difficult to predict who is going to retire or and who is going to have vacation payouts. It changes annually and looking at the three year history which is probably more indicative of that.

Ms. Nakamura: What page is that on? Page 25

Mr. Hunt: In fiscal year 2010 the payout was six hundred and thirty-two thousand, fiscal year 2011 four hundred and eight thousand, and you are right fiscal year 2012 was a low year at two seventy-two but again it is kind of a estimate as your staff is getting closer to retirement age you sort of have to factor in that.

Ms. Nakamura: Is this for just Accounting or ... or this is for the entire County?

Mr. Hunt: Yes.

Ms. Nakamura: Oh the entire County's pay up. Okay, thank you for that clarification.

ANN WOOTON, Budget Analyst: Councilmember Nakamura, just to let you know, a year like this year we really use all of those funds because we just had an election and there is a big turn over in our Prosecutor's Office so whenever we have an election year it really hits this number quite a bit. Also I would like to recognize Renee Yadao and Sherri Silva in the Accounting Division because they make our work a lot easier for us to do and they work very hard at doing the Accounting work.

Ms. Nakamura: Can you describe the challenge described on page 6 here of your report regarding short staffing and unanticipated events.

Mr. Hunt: Short staffing as other Departments have grown. They still report to Accounting. We have had to take on more responsibilities with the same level of staffing and there have been some challenges and we are looking at other potential technology solutions. Maybe the use of purchase orders things like that that can help the staff, but right now with the demands of the staff it is challenging with the numbers that we have.

Ms. Nakamura: How long has the staffing been ... how many employees do you have now?

Mr. Hunt: There are eleven.

Ms. Nakamura: Eleven. How many year has it been at this number?

Mr. Hunt: Actually last year we had an additional staff member added in fixed assets I believe.

Ms. Nakamura: But prior to that has it been a steady increase and the County size increased.

Mr. Hunt: I do not have that corporate knowledge maybe someone else can ...

Ms. Wooton: Councilmember Nakamura can you please repeat you question?

Ms. Nakamura: I guess the question is last year we added one position to accounting.

Ms. Wooton: Correct, that position I believe was filled in November.

Ms. Nakamura: Prior to that has there been an increase in accounting or has it been pretty static prior to last year?

Ms. Wooton: At one time my position was actually when I was the Grants Program Manager and the Budget Administrator, we use to fall under Accounting and I believe it was in twenty-eleven when they moved our two positions out of accounting and into Finance Administration. So we have been kind of shifting bodies around but there wasn't any new additions until the position that Council approved last year that just got filled in November.

Ms. Nakamura: All the ...there are no vacancies right now?

Mr. Hunt: No vacancies.

Ms. Nakamura: You are fully staffed?

Ms. Wooton: Yes.

Ms. Nakamura: Thank you.

Mr. Rapozo: But very under staffed. I mean let us be real. You guys get eleven people and IT get thirteen. Accounting I mean not saying IT should not have thirteen but I and it was after some very emotional testimony at the last budget session that that position was added so I mean I have spoken to some of the employees and they are stressed out. That is one Department like you said Steve and two people get moved out to different functions and we never replaced them. We expect the Department to and I think it was Mr. Hooser...was it you Mr. Hooser that talked about the hundred forty positions that were created and accounting doesn't change. I do not know where we will get the money this year but I think we really got to take a look at ... I mean I think there is a point that it becomes counterproductive when you do not have adequate staff and I think Accounting is one that we should not be. It is just my commentary.

Mr. Bynum: I am sorry.

Mr. Bynum: (inaudible) the movements and so Ken and Ann you are both Budget Analyst right? That is your title.

Ms. Wooton: That is correct.

Mr. Bynum: And who is the Budget and Purchasing Director?

Mr. Hunt: Ernie Barreira.

Mr. Bynum: So he is not in Purchasing anymore?

Mr. Hunt: He over sees both.

Mr. Bynum: Does he get both salaries?

Mr. Hunt: That was a cost savings to the County.

Mr. Bynum: You know as much as I respect Mr. Barreira and I do a lot, we had a long term employee in Purchasing ...Elmer's position made me feel really secure because he really watch stuff and I think Ernie does that as well. But when I saw him move into being here so much with Budget it's like who's minding the store over there. So I just increased my concerns about this whole Administration. I watched the County grow since I have been here and I have not seen and I think the stresses haven't increase, so the question is if you had your (inaudible) and there was a new position where would It go in the County? What would be the title where you need it?

Mr. Hunt: I would defer to Renee Yadao and Sherri to find that appropriate use.

Mr. Bynum: Okay, thank you.

Mr. Rapozo: Anyone else in Accounting? If not thank you very much. Real Property Collections and just for you information we are going to take our caption break BC at around 10:45 at the request of Chair Furfaro. Is that okay?

Good morning Sally.

SALLY A. MOTTA, Deputy Director of Finance: Good morning I am Sally Motta Deputy Director of Finance and to my right I have Michelle Lizama who is our Tax Collection Supervisor and she is going to be feeding me any information I do not have in front of me.

Mr. Rapozo: You may proceed.

Ms. Motta: Okay the mission for the Real Property Department is to provide prudent financial management and services to the people of Kaua'i and to the Departments and agencies of the County that we serve.

The Real Property Tax Collection function is to administer the Tax Billing and Collection system to assists with custodial responsibilities for all real property records.

Our goals and objectives are the primary goal of the Real Property Collections Department is to bill, collect and account for all RP Taxes and other Special Assessments for the County of Kaua'i in an effective and efficient manner. One of our main objectives is to reduce the high delinquency rate.

Success and Achievements and under upcoming initiatives would like to decrease the number of paper bills that are mailed. This will of course save us on postage and printing cost and we will be able to utilize technology to go paperless. We would also like to decrease the amount of our delinquent taxes and initial foreclosure from parcels that are two plus years as opposed to three plus years which has been the system in the past.

Our challenges of course are the foreclosure sales. Annual foreclosure sales are now slated for May 16 of this year we had at the time that we put the presentation together we have thirty-four parcels and I am happy to tell you that since that time we have had payment of three parcels. We are not down to thirty-one parcels that are going to be at the foreclosure sale. In the break down on that is even better. We are down to now where we are going to have delinquencies were four hundred and twenty-six thousand plus...they are now going to be down to three hundred and eighty-five thousand six hundred and twelve dollars and twenty-three cents which is a combination of the actual tax, the penalty, and the interest and so that is going to be collected forty thousand dollars just this last week on two properties so that is a big help going into foreclosure tends to get people to pay.

Delinquencies: During tough economic times, the challenge is to reduce the delinquency rate and as of the information here which was the February 28th I am happy to you that Michelle's Department has collected more money so we have gone from a delinquency of ten point one eight percent down to five point four percent. Unfortunately that still four million seven hundred and thirty-two thousand three hundred and three dollars and thirty-one cents and of that these three hundred and eighty-five thousand is included that will be included in the foreclosures in May.

And do you have any questions for us?

Mr. Rapozo:

Thank you Sally, Councilmember Nakamura.

Ms. Nakamura: Congratulations on that huge accomplishment. I wanted to ask you, if you want to move to initiate foreclosure on parcels that are two years as opposed to three years in delinquency is that a rule amendment or is that an ordinance or is that just you internal procedures?

Ms. Motta: We actually do not even need to go to foreclosure that quickly and based on our budget hearings from last year we were pretty much requested by Council to tighten up the number of years that we hold off from going to foreclosure and so this is our way...we find too that if we foreclose quicker people pay faster or we catch them before the amount of the delinquent taxes exceeds the value of the property.

Ms. Nakamura:

So you can just internally go ahead and do that.

Ms. Motta: Absolutely. We can start foreclosure the day after they are delinquent.

Ms. Nakamura: And the grand total eight hundred ten thousand one seventeen through your foreclosure sales, is that included in our real property tax role?

Ms. Motta: I am sorry I did not hear the question.

Ms. Nakamura: The foreclosure sale proceeds, the grand total of eight hundred ten thousand, is that included in our real property tax roles for this coming year?

Mr. Hunt: No. The real property tax role is specifically to the estimated value of the property and the tax rates anticipate has nothing to do with the foreclosure.

Ms. Nakamura: So the proceeds ...

Mr. Hunt: General Fund.

Ms. Nakamura: Goes into the General Fund?

MICHELLE LIZAMA, Tax Collection Supervisor: These eight hundred ten thousand dollars that we potentially go to foreclosure it will pay the property taxes...

Ms. Nakamura: When would you anticipate receiving those funds?

Ms. Lizama: When we go through foreclosure.

Ms. Motta: It could be the day of the sale or it could be within a short length of time after that sale depending upon if people walk in with the funds or how it is handled.

Ms. Nakamura: Is it this fiscal year or next fiscal year?

Ms. Motta: It is May of two thousand thirteen of next month.

Ms. Nakamura: It is this ... okay, thank you.

Mr. Rapozo: Thank you, Councilmember Yukimura.

Ms. Yukimura: Congratulations on very significant accomplishments. So you said five percent is four million dollars left that means that you went from ten percent to five percent, so you actually brought in four million.

Ms. Motta: Yes.

Ms. Yukimura: And the Real Property Tax bills that are disputed and appealed those are not included as delinquent right. That is a whole other category.

Mr. Hunt: When you have appeal your property taxes you are still liable for the amount you are billed for until the appeal has been settled. So they only become delinquent if they dispute their taxes and do not make their payment then they go on the delinquent list.

Ms. Yukimura: So when they appeal it they still make the payment.

Ms. Motta: They are supposed to.

Ms. Yukimura: But some goes into escrow?

Mr. Hunt: What happens is the amount of appeal determines the amount of taxes. It is the amount in dispute times the tax rate, half of that is allowed for budget but the full amount is deposited in escrow, of what is on appeal.

Ms. Yukimura: And that is released when the appeal is complete and if the appeal is denied then the rest of the half goes into the budget.

Mr. Hunt: Provided there is also not a tax court filing because you also have, you can appeal the decision of the board as well so it is not immediately released but there is a dispossession that eventually occurs.

Ms. Yukimura: But if the appeal is granted or approved then we put back the amount that was put into the General Fund we have to pay it out?

Mr. Hunt: We refund the taxpayer if they are successful in their appeal then the amount of the win or the disputed win is calculated. It is not always a hundred percent, it could be a portion of...

Ms. Yukimura: That is true.

Mr. Hunt: But that would be refunded and the balance if there is a balance it goes back to the County would come back.

Ms. Lizama: Hi JoAnn, just for clarification whenever someone appeals their property taxes according to the County Code once they pay upon that appeal whatever disputed then we transfer out of the General Fund into the treasure trust fund until that board of review is completed, closed, sustained or withdrawn and then once we are done with that full board of review it determines if it...

Ms. Yukimura: Approved...

Ms. Lizama: Not approved but for the (inaudible) or the County, so it reduces the taxes and if they over paid in that amount the overpayment comes out of the Trust Fund and whatever the balance it goes into the General Fund.

Ms. Yukimura: So at the point of appeal where you say half goes into the General Fund it is actually a Trust Fund?

Mr. Hunt: No. A hundred percent of the amount of taxes in the appeal go into the Trust Fund. For budgeting purpose it is assumed that the County will win half so we are allowed for budgeting purposes to put half of that appeal amount into our operating budget.

Ms. Yukimura: I see.

Mr. Hunt: The full amount...if you had a million dollar property and you say it is worth five hundred thousand and the tax rate is four dollars you take the five hundred thousand times the four dollars and put that two thousand dollars into the Trust. We are allowed to take a thousand of those dollars and budget it.

Ms. Yukimura: Okay, but the whole amount is secured until after the appeal is disposed.

Ms. Lizama: Well we need clarification for that. We have two cycles. Cycle one and Cycle two. If they pay in cycle one only half ... it a half of their total tax cycle and the second half. So if you pay the first half only that first half is transferred to the Trust Fund.

Ms. Yukimura: If they pay the whole thing in the beginning?

Ms. Lizama: Yes if they pay the whole thing in the beginning and whatever is disputed will transfer. If their appeal has not been heard until the second half and they pay the second half whatever is due will go to the Trust Fund.

Ms. Yukimura: Okay. Thank you very much.

Mr. Hooser: Just a follow up to get clear... so for the budgeting perspective do we budget a hundred percent of the taxes owed for the year or ninety-five expecting delinquencies?

Mr. Hunt: No. We budget a hundred percent of the taxes that are owed. Less half the appeal amount.

Mr. Hooser: Okay. But the reality of in terms of money coming in, there will be a five or ten percent not paid during that year.

Mr. Hunt: Are you talking about the credit lost?

Mr. Hooser: Well the delinquency amount that was mentioned.

Mr. Hunt: And those delinquencies often come in during the fiscal years that are related to prior years. From a cash flow stand point you may have settlements from fiscal ten eleven and twelve where taxes coming in fiscal fourteen now but there may be other properties not paying in fiscal fourteen so.

Mr. Hooser: Which brings me to my next question, there was two numbers I think I heard, eight hundred thousand in May. Can we push that to July first or second and put it into the next budget. I mean how does that work in term of budgeting?

Mr. Hunt: Well first, just because there is eight hundred thousand dollars in taxes, in interest and penalties and services owed does not mean you are going to receive that amount. Some of these projects go to auction and do not get sold. In fact some of them go multiple times and do not get sold because there may be issues with clouds on title or maybe issues with being land locked or maybe other things that will be effecting that property that do not allow us to collect on those, so this is just an accounting of what is owed to the County whether we receive that is a completely different story and budgeting for that would probably not be appropriate.

Mr. Hooser: But we do have every year a certain amount of money come in from that probably .., I mean as a foreclosure process.

Mr. Hunt: I will let Michelle speak on that...

Mr. Hooser: I am just wondering why you would not budget for it if you think that you going to have "x" amount of dollars coming in?

Mr. Rapozo: I guess Mr. Hooser if we could just ask you to do the research for the last three years. What did we receive in the last three years in the foreclosure proceeds? Actually receive.

Ms. Lizama: Okay so he is asking about foreclosure proceeds.

Mr. Hooser: Yes.

Ms. Lizama: Proceeds would be a surplus is that what we are talking about. Because this eight hundred thousand is only taxes penalty, interest, and other fees, so this would actually pay for the delinquent taxes the eight hundred thousand.

Mr. Rapozo: Right, these funds were budgeted and not collected and so it is not extra money. I think I see where Mr. Hooser is coming from. If

there is this influx of money that maybe from eleven, ten, twelve, or eleven, ten, or even two thousand nine maybe that it just shows up and that is a surplus. That is extra cash for ...

Mr. Hooser: So that just goes into the surplus and carried forward to the next ...

Mr. Hunt: Yes, and if there were excess funds that were not budgeted for then that would be laps surplus funds at the end of the year.

Mr. Hooser: Okay, thank you.

Mr. Rapozo: Are you in agreement that we should send that question...I am curious to see what we collect every year in foreclosure proceeds so we will send that over in writing. Any other questions for Real Property Collections? You guys are the most loved people on this committee right now. Councilmember Nakamura.

Ms. Nakamura: So, you are probably at about five point four percent in delinquency collections and what is your goal? Where do you want to be or is this pretty realistic.

Ms. Lizama: My delinquency rate...what I want my delinquency rate ...

Ms. Nakamura: Because I see that as one of your goals.

Ms. Lizama: Looking in the pass our delinquency rate has risen over time not huge but we have stayed within the four percent, three percent. I would like to see it go down to two percent at least.

Ms. Nakamura: That is a great goal.

Ms. Lizama: We finally have a full staff and I am really happy and we can move forward with a full staff. We have had some challenges over the years but I think with a full staff we can actually really tackle the delinquency.

Ms. Nakamura: That was going to be my question. Do you have the resources to attain that two percent goal?

Ms. Lizama: If we could keep our full staff that would be great.

Ms. Nakamura: Very good. Thank you.

Mr. Rapozo: Thank you, any other questions? Do we do all the foreclosures in house? Or do we contract it out?

Ms. Lizama: Yes.

Mr. Rapozo: We do not use a collection agency, we do not use outside attorneys...everything is in house? Just curious, when we send out the first wave of letters, how many respond with a payment after a first letter, and this is just for my personal...zero?

Ms. Lizama: Not very much with the first letter.

Mr. Rapozo: So you send them a first letter than you send a second

Ms. Lizama: We send them a first letter and then we send a second letter and then we send a posting on their property and that is when we get some calls. Then it gets really close to the foreclosure date...oh and when we advertise it in the newspaper and the public information officer then we get responses.

Mr. Rapozo: Now we are foreclosing simply on the fact that they have not paid their property tax. So they could be up to date with their mortgage and we have the right to foreclose it. When we go to foreclosure let us say thirty four parcels at four hundred ninety-six thousand let us just say maybe ten thousand bucks typically eight thousand for taxes owed for that property...it looks about right. It is over ten thousand dollars, so they get this notice saying you owe us ten thousand if you do not pay this ten thousand we are going to foreclose and then we go to foreclosure they put their house on the block and it gets sold and we get our money and the house goes and they lose their house.

Ms. Lizama: Yes.

Mr. Rapozo: For ten thousand or twelve thousand bucks or whatever the delinquent tax is plus penalties and interest and so forth.

Mr. Hunt: Now there is the tax payer who has had their house foreclosed upon they actually have a year to make good on it so the new buyer technically own it for a year.

Mr. Rapozo: Okay.

Mr. Hunt: Now they are given the ability I think who ever pays off the tax liability is allowed to gain interest I think it is twelve percent per (inaudible).

Mr. Rapozo: Okay, interesting.

Ms. Nakamura: One more comment ...

Mr. Rapozo: Okay.

Ms. Nakamura: Going down if you can achieve that two percent delinquency that add two plus more million dollars to the County's (inaudible) so that is the reason why your job is important to and I really applaud the efforts that you put into this to get to that goal.

Ms. Yukimura: Yes and the fact that you are doing everything in house with County employees and without all those fancy attorneys or whatever is really. You draw on the County Attorney's Office?

Ms. Lizama: I do. Yes we do seek advice from the County Attorney's Office but man power wise it is Real Property Collections along with the Assessment Department. They also help us with the foreclosure it's self. This is the first year that we are starting at thirty-three parcels. Normally we are at four to five four to seven parcels, so this is the first year that we are actually going really huge at thirty-three parcels.

Ms. Yukimura: And why is the number so great?

Ms. Lizama: We wanted to be more aggressive in bringing down our delinquency.

Ms. Yukimura: Excellent and thank you for your good work.

Mr. Rapozo: Are these non judicial foreclosures or ...

Ms. Lizama: Yes.

Mr. Bynum: Yes, just one quick comment. If you watching on TV we got this really tough collection agent, look at her, you do not want to mess with her. Thank you.

Mr. Rapozo: Mr. Hooser.

Mr. Hooser: Yes, that is why we are having this conversation. If you have home owners who are genuinely on hard times and really trying to do what is right, do you offer them payment plans, or negotiate fees or penalties and interest and those kinds of things to keep them from going to foreclosure?

Ms. Motta: We work as closely as we can with the tax payers. Everyone is an individual and we never use blanket rules for everybody. So if they come to us we are more than willing to work with them. We have people that are paying their taxes current and they are paying a small amount as they come forward because after verifying with them what their financial situation is ... that is all they can afford to do. But we are not in the business to put people out of their homes.

Mr. Hooser: I think it good to put on the table since we are having this conversation. Because it has been tough times for a lot of people and I would

imagine people would be embarrassed or feel awkward even about coming forward and asking for help, and so it is good to know that you do have a friendly approach to it for people who are generally trying to make good, so thank you.

Mr. Rapozo: At this time we will take our caption break because Mr. Furfaro is going do his tour in here, the Committee of the Hotel, so we will take a ten minute recess. Thank you.

There being no objections, the Council recessed at 10:47 a.m.

The Council reconvened at 11:05 a.m., and proceeded as follows:

Mr. Rapozo: The meeting will come back to order and up next is, unless the chair has any questions for Administration, Accounting, and Real Property Collections?

Chair Furfaro: No, I think I am fine and like I asked, if you could do the morning session, then I will take over after we get back at 1:30?

Mr. Rapozo: That would be my pleasure. Driver's Licensing.

Mr. Hunt: Before Sally begins the presentation on Drivers' Licensing, I just wanted to hand out...I have fifteen copies of the organizational chart for all the Divisions within the Department of Finance and this was brought by HR, who responded when they heard the questions. So compliments of Human Resources that is our organizational... current organizational chart for the Finance Department.

Mr. Rapozo: Appreciate the...I will say for the record this year Mr. Chair you have been sending over the questions and the responses have been coming over quite rapidly, so I appreciate that from the Administration.

Chair Furfaro: I think we started this with a mutual understanding that also had to do with putting the more difficult Departments first.

Mr. Rapozo: So much appreciated when we get it quickly. There was a time we got it after the budget was passed and I'm not joking. I think the Chair can attest to that. Sally, you are going to do Drivers' Licensing? Yes let us just do Drivers' Licensing.

Ms. Motta: Motor Vehicle and Drivers' License, goals and objectives of these Departments is to provide prudent financial management, motor vehicle registration, and drivers' licenses to the people of Kaua'i, and the government agencies for County, State, Federal that we serve. The challenges: Our staff to work ratio makes it challenging to provide quality customer service, which con-currently trying to maintain timely reporting. The current organizational chart has the treasurer also responsible overseeing the Motor Vehicle Registration, staff of ten and the Drivers' Licenses staff of 13. We are also faced with potential retirements of workforce and need to develop a clear

succession clean. We're currently working with the planning Department to use the one-stop shop area for less complicated transactions, such as sewer bill payments, bus passes, issuance and collection, tipping fee coupon issuance/collection, along with landfill payments and commercial refuse collection. This area also could be repurposed for drivers' licensing to assist with long line and to shorten the waiting period for the public by placing staff members there to help with the processing of applicants during the busier times the day and/or months. Successes and achievements we have number one is Real ID, which is the Act of 2005. Drivers' Licensing Department is responsible to ensure that drivers' licenses and identification cards intended to be used for official federal purposes, meets certain statutory and regulatory requirements. Official purpose as defined in the Act in the regulations includes, but is not limited to accessing Federal facilities and boarding Federally regulated aircrafts. Number two, is legal presence, which is Act 30. It was enacted by the State in order to comply with the Real ID act. This requires that the county examiner drivers verify that a person apply for a drivers license is legally present within state by providing evidence of lawful status, and tie length of State with a Hawaii learners permit -- drivers' license and State Identification expiration date. Act 310 is a transfer of issuance of the State ID from the State over to the County for our Drivers' Licenses Department and this has been effective since January second of this year. It's the same verification required for the State Identification now that is required for the Federal Identification. Accomplishments: I'm going to have Dave come up a little later. He is going to talk to you about all the Treasury accomplishments basically the County issued \$26,160,000 general obligation bond series 2012A and an \$8,215,series 2012b. Proceeds of the series 2012a were used to advance and refund a portion of the County's outstanding series bond 2005A and included the Water Department. The series 2012b bonds will be allocated to the landfill facility managed by a private contractor, the rating agencies Moody's, Fish and S&P affirmed the County's outstanding general obligation ratings of AA2/AA/AA, all with stable outlooks. The refunding generated over \$1.9 million in present value savings, which is had 5.88% of the refund funded par. On an annual basis the County will save approximately \$155,000 through fiscal year 2030 by the refinance. Treasury the County of Kaua'i Community Facility district no. 2008, which is the Kukui'ula Development Project, issued the special tax revenue bond series 2012 of the amount of \$11,875,000 to finance special improvements in the County and , by the way, this is the first and only special district that been set up in our state. These series 2012 bonds are not general obligation of the County, they are limited obligation payable solely from proceeds from the special taxes and from that certain fund and accounts held by trustee as provided in the indenture, Mellon Bank in New York. All special taxes are to be accounted for separately from all other money, funds, account and resources in the County. The Department of Motor Vehicle Registration: Print on demand program for all registration renewals only. Whenever a registration renewal is processed, the system will print out a registration and an emblem. The emblem number will be the license plate number of the vehicle being renewed. This is a cost and time savings affect as we do not need to purchase as many emblems as in the past and we do not need to manually stamp the emblem number and staple the issue emblem to the registration especially for mailing in renewal. It is also deterrent for emblem being stolen from vehicles because a license plate number is now going to be on them and it can be verified. Vendor for this program also supplies the printer, printer ribbon and blank registration decal forms. The forms are such that a regular no. 10 envelope can be used to mail out process registrations, and efficiently the

system will be utilized for all other motor vehicle transactions whenever an emblem is issued. The Department of Drivers' Licenses, time required for real ID processing of applications and long lines are more manageable as the public becomes aware of documentation need for issuance of drivers' licenses and state identification. You can go on our Department at any time of the day and sometimes there will be 10-15 people many line and sometimes there will be none. It's always a matter of balancing our employee staff with the needs of the public. Any questions?

Mr. Rapozo: Thank you very much Sally. Every time I gone to be window it is full. I have yet to find the day that it is empty but I am sure they exist but I guess it is my luck.

Ms. Motta: Sometimes mid-morning and mid-afternoon are the basis point times to go. Stay away at lunchtime.

Mr. Rapozo: Yes, good suggestion. Any questions for Drivers' Licensing Motor Vehicle? Mr. Hooser.

Mr. Hooser: I am never early on this stuff and I never mail it in and I always go stand in line. And I am always very pleased with the service and with the line moves quickly and it's all very efficient and so I will just express my mahalo to everybody there.

Ms. Motta: We have great staff in both those Departments.

Mr. Hooser: Thank you.

Mr. Rapozo: Good point, Mr. Hooser. Councilmember Yukimura, I see that hand...is it going to go?

Ms. Yukimura: If in doubt, it is up. Yes. Sally, thank you for a good report and also for the work that all those in this Division do. Yesterday we had a discussion and I believe it is correct to bring it up now, and I am sure the Chair will tell you if it's not.

Mr. Rapozo: I will.

Ms. Yukimura: We talked about the use of credit cards for paying motor vehicle registration and other issues and I see Dave coming up.

Ms. Motta: That is something that is being looked into very defiantly There is a cost involved in with it so that is why we are holding off at this time but it is being discussed.

Ms. Yukimura: Do we know any of the other Counties do?

DAVE SPANSKI, Treasurer: County Treasurer, Yes the City and County of Honolulu does it. They have a contract, just so that you know, if you are talking about over-the-counter. Now some of you said you have been into --- by the Office, but if I could go back. I brought Mike over from the Drivers' License, and if we do the Drivers' License questions first so he can go back? Is that okay?

Mr. Rapozo: That would be fine.

Ms. Yukimura: That is fine.

Mr. Spanski: And I will be able to answer your questions. I will give you a history of how much it used to cost us when we paid for the credit cards ourselves.

MICHAEL DRAKE, Drivers' License Division: Good morning, Michael Drake Drivers' License.

Mr. Rapozo: Good morning, Mr. Drake. Do you have a presentation?

Mr. Spanski: No, we do not.

Mr. Rapozo: Councilmember Nakamura.

Ms. Nakamura: Thank you. My daughter recently got her drivers' licenses and I apprehensive as a parent and my daughter was too but I just want to say that she was treated very well. Everybody recognizes that these kids are very nervous taking the roads test especially, but I wanted to compliment the Division for just the smooth experience. The one concern that I had and this is something that both I have experienced and then I heard from a constituent, that the turnaround time to schedule the road test, there is quite -- there was a backlog at the time. I think it was like two to three months. Is that currently the case?

Mr. Drake: Currently we are about a month out. You schedule something and we are 4-5 weeks out before the next scheduled road test, yes.

Ms. Yukimura: And so the person who raised the concern had a daughter visiting from a foreign country or mainland and had to get a drivers' licenses, but it was going to take a long time to get it, but was willing to pay an expedited fee a premium fee in order to get a faster turnaround, but have you ever thought about that, I know you want to be fair and schedule in order, but some places do that, the Federal Government does that. The State does that if you want to expedite it, you pay the premium. Have you ever thought about that?

Mr. Drake: For the processing of the permits and licenses at the time that we issue there is 3-5 day hold just to make sure that we're issuing the document to the right person. There is identity theft out there and we want to make sure

that the facial recognition and fingerprinting to the person actually is the right person before Honolulu prints out the license, and during that wait period at any point in time the supervisor can expedite for certain reasons. Of course no charge but we do not do that step because of the fact once one person wants to request expediting everybody else is going to expedite the license.

Ms. Nakamura: What if we charged a higher fee?

Mr. Drake: I do not know how the process for that would be.

Mr. Spanski: Yes, I do not know how you would do that. Off the top of my head. I do not know if the other Counties...I do not see when I look at their cost schedule it does not say expedited fee two hundred dollars. I do not see that.

Ms. Motta: We can check into that though and find out if it's something that is feasible.

Mr. Spanski: I might have their chart here. I will look through it and give it to Scott to present. You can see everybody's drivers' license fee and there is no line item that says, "expedited fee."

Mr. Rapozo: I guess that would work, if the expedited fees could fund a new person. Because otherwise what would happen is the person who cannot afford the expedited fee would have to wait even longer.

Mr. Spanski: Giving us more bodies, I do not know where you would put them, if you have seen the space over there. That is another question?

Mr. Rapozo: Follow-up?

Ms. Yukimura: Yes.

Mr. Rapozo: Go ahead.

Ms. Yukimura: Well, with respect to the space issue that you just raised, I hope that you are going to be part of the study that is supposed to be updated in terms of future needs of our Departments, for that space at the Shopping Center.

Mr. Spanski: When the space study was done a few years ago and by time they get around to me I'll probably be retired.

Ms. Yukimura: Well it maybe...the space studies will be for beyond your retirement, by definition.

Mr. Spanski: From my past experience, I was not here when we got here in 1992...well, I got here in 1992 before we moved into the building and my understanding was that we need to have the people that are going to work there make the

plan, not the temporary employees make the big decisions on how were going to grow and things like that. Because the people that worked there know what the requirements are. Instead of having like an Administration or a Council say no I want this or I want that, we may not have been in this situation twenty years later saying we do not have any space anymore.

Ms. Yukimura: That is correct, but I just want to say that when I was mayor, my first cabinet meeting I said where are we? Because when I was on the council, with a lot of others we had purchases that property, and it was my administration that designed and moved everybody in there. And Dotty Becker as the Finance Deputy Director was the one that oversaw that Project. Motor vehicle was in old Hale Kaula'i Building and others were out the door into the street. So we created it, so it lasted 20 years. But now it's time for a new one and I totally agree with you that the users of the building, the employees who do the work need to be consulted in the space needs and also in the design.

Mr. Rapozo: What page are you on, JoAnn?

Ms. Yukimura: I am now coming to my question.

Mr. Rapozo: I was just checking.

Ms. Yukimura: It was partly about David's question about space, which is related, because we're saying if you need more employees, where are you going to put them and what is going to be the flow of work? My question and actually it is to supplement what Council Vice Chair started in term of expedited permit, at the Department of Commerce and Consumer Affairs they reduced the permitting time for business registration from 20 weeks to 20 days and then they instituted an expedited permit registration for three days, where you paid more. So it's being done in another arena and it took a careful understanding of the permit process, which they should be doing and when you understand it so well, you know how to accurate it, but you also have to cost out and you have to understand the space requirements.

Mr. Spanski: Sure I understand that. As far as expediting, we have Federal requirements that we have to do. I mean, if it was the County, oh, yes, sure, I know, Mel, you can have ...you are the guy. But people who come and we do not know, you know? There is like Mike said there is a 3-4-day lag to verify that is actually Mel.

Ms. Yukimura: So there may be sometimes you cannot -- some parts of that process, which you cannot change in terms of reducing the time, but it May be that you can reduce the driver test time. The time that it takes to get a test I'm not saying this is easy, please do not get me wrong.

Mr. Rapozo: Councilmember, Sally already stated this they will already look into that.

Ms. Yukimura: Thank you.

Mr. Rapozo: Thank you. Councilmember Nakamura.

Ms. Nakamura: Thank you, another issue that came up, I think the past couple of budgets, has to do with the protection to the workers, who are at the counters. I wanted to find out where are we in that process? Because at time of my daughter's drivers' licensing, that concern was raised yet again. So I just wanted to see where we are at.

Mr. Spanski: If we raise all of these other fees we May need for everybody.

Ms. Motta: It is in the process. It's in purchasing and we're working on getting a bid out for that to put the glass to protect the employees.

Mr. Rapozo: Mr. Barreira has kept me in the loop with that and I have been receiving the emails quite frequently and I appreciate that, and we can share that with you as well. It takes a long time to get specs so I understand and maybe Mr. Barreira can come up with an ETA, estimated time. It is going out to bid right?

ERNEST W. BARREIRA: Budget & Purchasing Director:
Councilmembers, Ernie Barreira Purchasing / Budgeting. We have secured the services of a design architect through the Engineering Division and they are in the process of finalizing that contract to execute the plans and drawing and we will be able to hire a contractor to do the construction, so the County through the Mayor's direction has committed to addressing that area at least as a starting point over at Drivers Licensing.

Ms. Nakamura: Are the funds for the construction piece in this year's budget?

Mr. Barreira: It is not currently in this year's budget, the funds for the construction. Part of that is we are trying to get an assessment from the design architect as to what the cost parameters might be, and we are not certain at this point. In fact, there is no clue as they go into this project because it is quite customized as they proceed with this effort.

Ms. Nakamura: So you have the funding for the design work.

Mr. Barreira: Yes.

Ms. Nakamura: But no funding for the construction of the work in this proposed budget.

Mr. Barreira: As we speak today, yes.

Ms. Nakamura: Okay, thank you.

Mr. Rapozo: Thank you, any other questions pertaining to the protective shield? Any questions for Drivers' Licensing so we can let Mr. Drake go? Okay, any more questions?

Ms. Yukimura: I just want to thank Mr. Drake for his work because I, too... My daughter went to get a license, and it was a very kind and sensitive staff that helped.

Mr. Rapozo: My daughter went as well, and I tried to pay Mike not to give her the license, and he refused to take it. So they are pretty fair and equitable over there. Everybody gets a chance, so thank you, Mike.

Mr. Drake: You are welcome.

Mr. Rapozo: Appreciate it. Motor Vehicle, questions for Motor Vehicle?

Ms. Yukimura: Can we talk about the credit card now?

Mr. Rapozo: Sure.

Ms. Yukimura: I think David was...

Mr. Rapozo: I think that is a good question that reaches many other departments or divisions as well. I know there are some cost factors involved, and I guess, Dave, as a follow-up or as a question, I know we can do in-house, where you actually go out and secure the services of a bank or we can contract with a third party administrator that will do it. I think KIUC does it because when you get your bill, you have your bill for KIUC and a separate bill on a credit card statement with that third party company that basically just takes that fee, so Dave, your thoughts?

Mr. Spanski: Sure.

Mr. Rapozo: I do not have to tell you to be candid. You know your industry more than we do, and we respect...

Ms. Motta: When we had been having the community meetings with the communities obviously, the question always comes up, and the one caveat on this is that the credit card usage is for the customer, which is our payer. It is not for the County. It is no benefit to the County at all because we still end up having to spend as much time processing that payment as we would if it came in the mail or if it came over the counter. So we, as Dave is going to provide you with the information of what we were paying in service fees for that, and so because it was determined that it is really...it is the payer's benefit to use it, the decision had been made that we were going to then no longer allow that all our payments were going to be made with credit cards. That is where Dave comes into this.

Ms. Yukimura: But the question from our side is why can you not give the option of using a credit card with the payer paying for the additional costs?

Mr. Spanski: Okay, when you have that credit card participation agreement, because we will have a merchant service it, say like a bank. For example the City and County's is First Hawaiian. The merchant, that would be you, shall not impose any surcharge on bank transactions. That is a contract that you sign. Mastercard, Visa will not let you, on a walk-in customer, charge them more money. So what happens is you now pay a transaction fee that whatever the City and County does, First Hawaiian bills them at a—I do not want to say the percentage because there might be some competition out there—but charges them a fee for the transaction. Now when we started our Internet, the County absorbed the fee. That was, I think, the initiation was to get the people to use it. So it started out to stimulate the people. So our first year, we started in 2007 with Real Property and Sewer. So our first year of using it cost us \$131,205. In 2008, now we got a full year going, it cost us \$201,949. In fiscal year 2009—that is where the peak was—our expenses for the credit card was \$243,778. Then we stopped it January 1, 2010 and we had spent for that six months \$143,081.99. So that total, we spent \$720,014.96.

Mr. Rapozo: Councilmember Yukimura, you still have the floor.

Ms. Yukimura: That was one model. So what about the other model.

Mr. Spanski: What other model do you have?

Ms. Yukimura: That the payer would have the option of using that credit card and paying the extra cost.

Mr. Spanski: If you walk in over-the-counter, you do not have that. This is over the Internet. When you pay your bill...say for example if you had \$100 sewer bill, you pay a \$2.50 transaction fee to the vendor. If you pay by e-check, it is another dollar. So you could pay \$3.50 and your \$100, so it is \$103.50. But when we started doing it, we ate the fee. So if you add...

Ms. Yukimura: I know, but we are not suggesting...we do not want to eat the fee. We do not consider that an option. So I am asking about another model that might work.

Mr. Spanski: The only thing I think you may if...say for example you have a kiosk there. If you want to pay online, you walk over and you pay there and you pay the transaction fee.

Ms. Yukimura: Because it is not possible to do it face-to-face?

Mr. Spanski: Not face-to-face without a surcharge from...

Ms. Yukimura: On us?

Mr. Spanski: We are going to need someone to process, okay.

Ms. Yukimura: Well, so how does Family Flowers, when they have the orchids and they have their iPad and they charge me on my credit card, how do they do that? They are paying for it?

Mr. Spanski: Yes, I mean if you go to Macy's and use your card, that is built into the price of the product.

Mr. Rapozo: I just got a clarification real quick. So you are saying online you can?

Mr. Spanski: Electronically you can. Face-to-face...

Mr. Rapozo: That is why Verizon sets up the kiosk in their store to pay your bills, so they can charge, versus going to a person because they would not be able to.

Mr. Spanski: Right.

Mr. Rapozo: Okay, I did not know that, so that is good information.

Mr. Spanski: So electronic.

Mr. Rapozo: Electronic.

Mr. Spanski: Electronic.

Mr. Rapozo: So that means we would have to set up a kiosk, if we want, and basically they go to the kiosk and pay their...

Mr. Spanski: And then if you go down and look at the people's workstation, you are going to need a slider or some kind of slider...there is no space.

Mr. Rapozo: But if we did that, we would eat the cost.

Mr. Spanski: Yes, if you were going to go face-to-face.

Mr. Rapozo: Right, so I think what Councilmember Yukimura is saying, and I would tend to agree, that we would stay away from that because that part because that is a lot of money.

Mr. Spanski: Right.

Mr. Rapozo: That is a lot of money.

Ms. Yukimura: And how does City and County do it? They pay the fee.

Mr. Spanski: They pay the fee.

Ms. Yukimura: They pay it.

Mr. Spanski: Right, but they do not do it for everything.

Ms. Yukimura: Yes.

Mr. Spanski: They do not do it for Real Property. You can do it electronically to pay your real property tax. Or if you have a delinquent real property tax, they will let you pay it face-to-face. They have just very small...the transaction is a smaller amount.

Ms. Yukimura: So it makes sense to analyze all the situations where people or residents are paying the County for whatever and decide where it would be useful and cost-effective and where it would not. That makes sense to me. And really look at that model of setting up a kiosk—it could not be that difficult—in the place where you want to allow it to be done by Internet.

Mr. Spanski: I think the prior IT manager had ideas. I think they were running something like maybe we would put them in the neighborhood centers or something like that.

Ms. Yukimura: But even here, if you want to cut down on the lines, if you...that...what is it? That structure that has taken up all of that space in that lobby, I am not sure if that is the most cost-effective or effective use of space. I do not know what is happening there about that. What is it called? Permitting?

Mr. Rapozo: Same, One-Stop Shop.

Ms. Yukimura: Yes, I hardly see it being used.

Mr. Rapozo: That would be the perfect place for the kiosk setup.

Ms. Yukimura: Yes, and pull off the walls. The beauty of that place was that you could see everything going on.

Mr. Rapozo: Okay, back to the credit card.

Ms. Yukimura: Yes, kiosk. So I guess the question is could you folks look into that over this next year and see what the possibilities are?

Ms. Motta: We can look into the online payment definitely. Right now if somebody comes in to pay their property taxes with a credit card, we send them over to the computer that is located there for them to make it as an online payment.

Ms. Yukimura: You do that already?

Ms. Motta: Yes.

Mr. Spanski: There is space there, yes.

Ms. Motta: Yes, to avoid having us pay the fee because we will not take credit cards.

Ms. Yukimura: All right.

Mr. Rapozo: Oh that is good.

Ms. Yukimura: Well you already have a model within this County setup.

Mr. Rapozo: And it is just a regular desktop, not a kiosk.

Ms. Motta: Exactly.

Mr. Rapozo: Perfect.

Ms. Motta: Exactly.

Mr. Rapozo: Good.

Chair Furfaro: So no need to redesign everything.

Mr. Rapozo: No, we can leave the...

Chair Furfaro: Architecturally, there is a counter there, right? A table.

Mr. Spanski: Yes, there is just a table. If you walk in, it is right in between as you pass Real Property Collections, before you reach Planning, it is on your left-hand side.

Ms. Yukimura: But you would have to think through the logistics about how many people and you want to...you may have to have several monitors. I do not know.

Mr. Rapozo: Well, you will look into it.

Mr. Spanski: Right.

Ms. Motta: We are definitely.

Mr. Spanski: Thank you.

Mr. Rapozo: Mr. Hooser, sorry.

Mr. Hooser: Just on the same subject, so this is a Finance Department-wide kind of issue. All the fees, whether or not the credit cards, and online, and I had spoken to the director briefly yesterday that it is my understanding that there are vendors that we can contract with, who will look at all of our needs, and they get the fee. They charge the fee, and they decide what they want to process online. So I just want to encourage you...

Mr. Spanski: That is correct. That is what we have now.

Mr. Hooser: Right, rather than us figuring it out, we have a vendor go figure it out for us in terms of the online because you have two elements. You have people that get their bill and want to pay it online, and then you have people who walk in, right?

Mr. Spanski: Right.

Mr. Hooser: So as much online capacity as possible, I think, would be a good thing.

Mr. Spanski: When we used to pay the fee, we had about a 12% use rate. Now that we do not pay the fee, our use rate went down to 3%. So you have made a choice. The people can make a choice. You can mail it. You can walk in and pay cash. You can use the Internet or if no one is there, you can put it in the drop-box with a check. So there are options there.

Mr. Hooser: So you can pay it online now?

Mr. Spanski: You can pay your motor vehicle online; you can pay your sewer or your real property tax online.

Mr. Hooser: So when you get your bill in the mail, it will say go here to pay it online.

Mr. Spanski: It is right at the...go there.

Mr. Hooser: And is there a fee charged? I mean a fee to the consumer?

Mr. Spanski: Yes.

Mr. Hooser: To cover the cost of that accounting?

Mr. Spanski: Yes. Let us say for example we pay the vendor \$2.50 per transaction. If you pay with an e-check, pay with your check electronically, you put in your routing number and so on, that is a dollar. So you could pay \$3.50 minimum.

Mr. Hooser: Okay.

Mr. Spanski: Now, if you have a \$1,000 bill and you want to use your credit card, they are going to charge you 2.2%.

Mr. Hooser: So the consumer pays that?

Mr. Spanski: That is correct.

Mr. Hooser: Okay, okay, just to be clear. So right now the County is not paying those online fees.

Mr. Spanski: No, sir.

Mr. Hooser: But the service is available to the consumers online.

Mr. Spanski: Correct, and it is on your bill if you look at your motor vehicle registration or your real property tax bill, or your sewer bill.

Mr. Hooser: So that is good news. It is just not available at the counter right now, except in the property tax situation with the...

Ms. Motta: Correct, we will not take a credit card across any of our counters at this time.

Mr. Hooser: Okay, that is good news. I was not aware of that. Thank you.

Mr. Rapozo: Thank you. I am on the site right now and they make it real clear. There is a fee agreement that I accept or I agree. So that is pretty cool. I am going to renew my car tax while JoAnn is asking the next question.

Ms. Yukimura: Very good. People will see you on TV and know about that. So actually if people knew about this computer that you have in Real Property, they could walk over and do their motor vehicle registration payments from that computer.

Ms. Motta: I am not sure if it is...

Mr. Spanski: We would have to verify that the computer goes to that. I do not know if it just goes to one screen or not. But I am sure it is an easy fix for IT.

Mr. Hunt: And speaking of IT, I think a lot of this hopefully will come to light when we do our survey in terms of what is anticipated by the public and

taxpayers for technology services and conveniences that the public wants, and how IT can help make those happen.

Ms. Yukimura: Have you thought about, in terms of customer servicing, having someone like the airlines do when the line gets long and they actually help see what a person's specific problem is and could direct them to go to the computer or tell them you are in the wrong line.

Mr. Spanski: Yes, ma'am. As staffing permits, we do that. If we are understaffed that day, no one is out. If it is a big line and we have people that are free, we will have someone walk through the line to make sure they have all their proper documentation. When staffing is not full, we do not have that luxury and sometimes it is just like...

Ms. Yukimura: And what percentage of the time is staffing full?

Mr. Spanski: Never.

Ms. Yukimura: Because of vacation and sick leave and those kinds of things?

Mr. Spanski: Correct or you may have a vacant position also.

Ms. Yukimura: Do you have vacant positions now?

Mr. Spanski: I have one in the Motor Vehicle side, I do.

Ms. Yukimura: Okay.

Mr. Spanski: But when you throw in vacation or sick leave...say for example my equivalent headcount is less than 9, equivalent headcount is about 8 to 8.5 on a yearly basis.

Ms. Yukimura: On a daily basis?

Mr. Spanski: Yes, on a daily basis. It averages out. Very rarely do I have everybody there. We close off vacations; no one can take off at the end of the month to make sure everybody is there, but they can still be sick. But we try not to close any vacation...try not to...no vacations on the last day of the month if possible, if there is not something special.

Ms. Yukimura: Right, that is good management.

Mr. Spanski: Yes, but I mean in reality, the staff attending, we work at the equivalent of 8.5 on a daily basis if you average it out for the year.

Ms. Yukimura: So you are saying that 8.5...you are saying that like...

Mr. Spanski: I am losing a man-and-a-half a year of work every year.

Ms. Yukimura: ...15% of the time are you fully staffed? Is that another way of saying...?

Mr. Spanski: My absentee rate is 15% to 20% on both sides, Driver's License and Motor Vehicles.

Ms. Yukimura: It is 15-20%?

Mr. Spanski: Correct.

Ms. Yukimura: Thank you for making us think about that, those are all the pieces of the puzzle.

Mr. Spanski: Equivalent headcount. We have the bodies, but you actually work at the equivalent of this.

Ms. Yukimura: Right, which means like when we staff, you have to staff at 115 – 120% in order to have fulltime staff, something like that.

Mr. Spanski: Yes, exactly. There are certain people who when they go on vacation or are out, there is no coverage. What we do is we put a box on their desk, and they fill it up. No one is covering their work. It is just...

Ms. Yukimura: I mean when you...

Mr. Spanski: I mean in the frontline it is, but say like a back office worker, say like myself. Say if I go on a business trip and then take a couple days of vacation along with that, when I come back, the little box is full. We have a shoebox or a box and they just...there is no one doing your work. You come back and you...there is no coverage, if will you.

Ms. Yukimura: Well, maybe not for you, but for your processing staff, there is a rhythm as well. You do not need 100% every day of the month, right, because of this fluctuation of people who come in to register.

Mr. Spanski: That is correct.

Ms. Yukimura: So that is where your management comes in.

Mr. Spanski: What we forget is that there is a person who is there at the front, but there is nobody in the back filing and putting the stuff away. What is the magic word now? There are no scanners. There is one person answering the phone. But you do not have anybody, hey, I need this file. You leave your station, you go find the file and come back to your customer.

Ms. Yukimura: So is not there an area where IT should be able to help so that if they had monitors at the window, they could access it without anybody else? They could access all the files needed and so forth?

Mr. Spanski: If they were all scanned.

Ms. Yukimura: Right.

Mr. Spanski: This is a big topic, especially for Motor Vehicles because you got cars, say for example I have a 20-year-old car. They have a plate file for every time the car has been registered this big. So we scanned it like some of the current records, but you may come 15 years from now and say, hey, my cousin had a car, I got his title, do you still have the information on the car? If we destroyed it, what do we do? We do not know if that is the true car. So we have not destroyed a lot of information, if you will. We did have documents scanned, but we have not scanned since because there is no person, there is no scanning person, if you will.

Mr. Rapozo: Thank you, Mr. Chair.

Ms. Yukimura: Thank you.

Chair Furfaro: I think staffing issues, to be understood, across the County in all areas, you have to understand, we do not measure staffing guides here by hours. We do not. We measure them by you got this person, this person produces 2080 hours of work straight time, right? But you do not do a staffing guide by the week that references the hours that fills in for the sick call, that fills in for the scheduled earned benefit of vacation. So basically, if you are missing 20%, you are missing 3,120 hours of unbudgeted staff time to cover for the earned benefits.

Mr. Spanski: Right.

Chair Furfaro: We do not do it that way. It is not just there, it is across the County.

Mr. Spanski: Oh no, I understand. I worked in the private sector before I came here.

Chair Furfaro: Oh no, I was just sharing with everybody here at the table. I was not sharing it with you. I am sharing it with everybody here. You are not the only one that should be aware that problem exists. We do not staff by weekly staffing guides by the hour.

Mr. Rapozo: I think Dave is the first department or division head that I have ever heard at a budget talk about FTE, the time equivalent, really. I know it is a reality, I think, as the Chair has said. It is a reality that we deal with and that is why

when people look at our budgets, especially staffing, and say, my gosh, look at how many positions they have. The reality is that they are not all working every day.

Mr. Spanski: Say for example just use mine as an example. If there is a 15% vacancy rate and have you a thousand employees, so on average you have 150 employees not here every day. That is 150 man hours.

Mr. Rapozo: No.

Mr. Spanski: Man years that are not there.

Mr. Rapozo: Yes. I do have, Dave, real quick, you said you had a vacancy. Which one?

Mr. Spanski: It is a senior clerk.

Mr. Rapozo: In...in...

Mr. Spanski: In Motor Vehicles.

Mr. Rapozo: Senior Clerk and how long has that been vacant?

Mr. Spanski: We had a...long story longer, we had a...one of our staff passed away so we promoted from within, and now we are down at this part. So this has probably been vacant on the tune of about...I will be on the kinder side, say like three months.

Mr. Rapozo: Be on the honest side.

Mr. Spanski: I will not.

Mr. Rapozo: Okay, we will find out.

Mr. Spanski: No, it is in the process.

Mr. Rapozo: But it always is.

Mr. Spanski: Right, right.

Mr. Rapozo: But that is the discussion.

Mr. Spanski: It is a process is what it is. It should be...as a manager we should be able to call Human Resources and say I am down a body, get somebody up here in the next day or so.

Mr. Rapozo: That is something we will discuss. I guess we will make this a question of every division or department head, is give us the vacant positions in your

division/department, the funded vacant positions, and how long they have been vacant. I think that is a fair question for us.

Mr. Hunt: At the back of the Finance presentation, page 35, there is actually a listing of all the positions, those that are vacant and the status, whether they are recruiting, interviewing, offers made, those that have been filled.

Mr. Rapozo: Where was that? I am sorry.

Mr. Hunt: It is page 35 of the Finance Department Budget Presentation, the very last page.

Mr. Rapozo: I am at the very last page; here we go.

Mr. Hunt: It also includes the positions that are being dollar-funded.

Mr. Rapozo: Okay, well this is showing that it is filled. No that is 287.

Mr. Hunt: Offer made, I think.

Mr. Rapozo: I am not even showing that position.

Mr. Hunt: I am sorry.

Mr. Rapozo: I am looking at Senior Clerk Position 287. It is not even on this list.

Mr. Hunt: We do not have it.

Mr. Spanski: Yes, it is not on his. But if you look in the actual budget, there is a line item.

Mr. Rapozo: I see the...I just highlighted it. 287 is the one we are looking at. But this...even if...oh, that is the state funded. Okay, that is why.

Mr. Spanski: Right.

Mr. Rapozo: That is in...I am more concerned with Position No. 287.

Mr. Spanski: Okay.

Mr. Rapozo: And that is not on your list, Steve.

Mr. Spanski: But it is on...

Mr. Rapozo: Oh, I see it in the budget. But I think what is important to me and probably every councilmember is how long that it has been vacant. Because we are funding positions for a year, and if the Administration is going to tell me that it takes six months or eight months to fill a position, then we are going to fund that for four months. We are not going to fund the position for 12 months if the Administration is not going to fill it. Dave, this is not meant for you because I know you asked, but we have to find a better way to get these positions filled, and it is a discussion we have every year. It is déjà vu, but we have to budget appropriately. So if there is no anticipated date, then we dollar-fund it and that is how we do it. Then when you guys are ready to hire, you come and see us for the funds and hopefully we have the funds. But there has to be a better attempt to filling these positions, especially in these labor-intensive divisions. So anyway. Go ahead, Councilmember Nakamura.

Ms. Nakamura: Yes or just a follow-up if it is currently...and I think this is for all departments, so if there is a vacancy, it is in the process, you are in the recruitment process, or in some phase of that process, your anticipated date of filling that position, as realistic as you can make it, and we should budget accordingly. Why would we want to budget knowing that for so many of our departments that the processing time to fill these positions is typically...there is a long turnaround time, and in several cases a year and a half with IT. So I am just saying that might be a good tool to use.

Mr. Rapozo: Well I am going to send the question over and maybe we can even get that response today from HR. I would think they have that list available, but I would like to see that. Mr. Hooser, Mr. Furfaro, and then Ms. Yukimura.

Mr. Hooser: For the Finance Director, this is an education for me. How much flexibility is there to utilize the funds budgeted for a position that is unfilled and so those funds are not spent? Can it be shifted to other items within the budget? Say you have a \$100,000 position; it is six months empty, that is \$50,000. Can that \$50,000 be spent on other things legally?

GARY K. HEU, MANAGING DIRECTOR: Councilmember Hooser, Gary Heu, for the record. In answer to your question, that was an issue that was reviewed by the Cost Control Commission a number of years ago. I believe there was a proposal that was put in front of this Council to restrict funds in the Salary Accounts from being transferred out of the Salary Accounts. However, the Finance Director at that time, Wally Rezentes, and I came before this Council, and assured the Council that...we felt that we needed some flexibility in being able to manage those funds. We implemented a policy which basically restricted transfer of Salary Account Funds for movement outside of salaries, unless it had the approval of the Finance Director, myself, and the Mayor because there are situations in a given year that it might be appropriate to do that for certain types of expenditures. But that needs to be controlled very closely and that is a policy that was put in place and remains in place to this day. So now there is nothing that stops folks from moving funds from outside of Salary Accounts into Salary Accounts, but we do not routinely allow transfer of those funds outside of the Salary Accounts.

Mr. Hooser: Thank you for that. Just to clarify, there is no legal prohibition for the Administration...

Mr. Heu: No.

Mr. Hooser: ...to keep them from shifting Salary Accounts into other areas?

Mr. Heu: No. In fact, that was the issue that was before the Council at that point in time. And again, our recommendation was to allow us to manage that within the Administration, having those layers of approval that needed to go through to actually do that. Again, there could be an unforeseen expenditure that arises at the end of a given fiscal year. You have capacity within a Salary Account to cover that, and so it makes a certain amount of sense to go ahead and make that type of expenditure.

Mr. Hooser: And just a brief follow-up, if I could? And also is there any legal prohibition from the Administration moving those funds to another department or division without the approval of the Council?

Mr. Heu: Yes. We can transfer within accounts, within a particular department, but any time funds are transferred across departmental lines that have to come over to you as a money bill.

Mr. Hooser: Okay, okay, thank you very much, thank you.

Mr. Rapozo: Thank you. Mr. Chair?

Chair Furfaro: Yes. Just because Mr. Heu is in the audience, I will follow up on that. I remember this discussion and this commitment, but there is a part we are missing. There was going to be something created in the HR Department that says when we approve a position, because there is a need, okay, the counterpart was that there was going to be a mission within the HR Department, but you guys were going to come up with a mission to try and fill vacancies within 45 days. I have never seen the plan to do that. And we are sitting here with people with vacant positions for nine months. I mean that is going to be a discussion with the HR Department now that we have refined it and re-staffed it and so forth. Number one item, there has to be an improvement in recruiting, and if you remember, we went through this when it came to the Police Department vacancies. That was really driving it. There has got to be a commitment on the other side too, and that is what we are looking for. And Mr. Committee Vice Chair, I think Mr. Heu wants to respond to my comment. We are looking for that mission in the department that we are budgeting positions that will get a commitment on recruitment.

Mr. Heu: Yes, again for the record Gary Heu. We will definitely address that as part of the Department of Personnel Services/HR discussion and presentation.

Chair Furfaro: But Gary, I am saying not HR and discussion. I am saying I want to see something that is their mission to fill posted vacancies within a measurable time.

Mr. Heu: Sure. I think it is a concern for everyone. To speak to the length or the interval it takes to fill certain positions, without understanding the specific set ever circumstances surrounding a given position, it is hard to respond to that. But I would say in general, I think...and you specifically mentioned the police recruitment as being a big driver, and I think when...well, I am hoping that when the Police Department is here before you next week Monday, that they will be able to share some of what they feel has been successes in terms of reducing those staffing intervals.

Chair Furfaro: Because that was one of their concerns when we shifted this.

Mr. Heu: Absolutely.

Chair Furfaro: Because they did not want to be...they did not want to not have a conduit to HR, which would help them expedite that recruitment program.

Mr. Heu: Right.

Chair Furfaro: But I think and I am going say it again, and I do not intend to embarrass anybody, but we are waiting for vacancy reports that are still done for us manually, you know? I would think at minimum that could be something IT could immediately help with so that we see where the urgencies are and where the red flags are. But I am looking for a mission statement from HR that says what their commitment is. Gary, I know you were talking to him when I was finishing my conversation. I just want to hear that you heard me, what I said.

Mr. Heu: Oh, absolutely.

Chair Furfaro: That there is going to be some commitment from IT to get them automated.

Mr. Heu: Yes, and if I am not mistaken, it might have been in the initial budget presentation that was made. This Council has provided funding in past years for that exact requirement. I think what we have wrestled with over the years is trying to get to a place of fully understanding the needs of all the stakeholders who would make use of that system, because the system would be used for much more than just generating staffing reports. So to that end, one of the first things that Steve has done, as our new Finance Director, was to convene a committee to specifically take a look at stakeholder requirements across the various agencies, so not just within HR, but also Finance/Accounting, and all of the payroll folks. Everybody who would need/require something of this system now sits on a committee that has been formed, and I think Sally heads up that committee. So that is the first step in really making some significant progress in terms of getting that system implemented.

Chair Furfaro: I appreciate that, but I do not see that as the first step, and this is what Mr. Rapozo is getting at. The first step is to get the department heads to know if they have a vacancy it was approved for them because there was a need. But if they do not demonstrate any need to keep knocking on the door, where is my recruitment, where is my recruitment, then the consequence you leave for us is just fund a dollar because some of the department heads do not seem to see the urgency of getting involved and interacting with HR to fill the vacancies that is committed to fulfilling their mission that they sold us on when they got a budget approval for the position.

Mr. Heu: I definitely hear your message.

Chair Furfaro: I think the department heads need to know that too. I mean Parks needs to know that. Repair & Maintenance needs to know that so we do not fall behind. Anyway, I have said enough, but I think that is what leads to Mr. Rapozo's comments. If it takes that long to recruit, we should dollar-fund it.

Mr. Heu: And just to clarify, Chair, my comments, saying that this was the first step was merely as it relates to the system and not necessarily talking about the overall issue of staffing.

Chair Furfaro: Thank you, Gary.

Mr. Rapozo: Steve, that Position 247, how long has that been vacant?
I am sorry, 287.

Ms. Yukimura: I have a follow-up question for Gary, and I was next in line.

Mr. Hunt: Dave can help you with that one.

Mr. Spanski: We had a passing of an employee last May of a frontline staff. We then went out for recruitment. Then we ended up...some of the people within interviewed, and one of them was hired. That left another vacancy, so then we rotated that one in. By the time we fill this one...so I am going to say will say outside of three months. But we have been in contact. We call them up. The list had expired. It is a senior clerk, because I just hired two senior clerks for Drivers Licenses. And there were other people interviewing senior clerks. I think even Michelle, Real Property Collections, filled from that list. So they had to go out and get another one. So I understand that part for right now. But it is just...yes, you guys are all right. I am not going to belabor and...

Mr. Rapozo: I guess...like I said for budgeting purposes, we need to know what that delay is.

Mr. Spanski: We will call up and they are getting the list ready. Pretty soon we should be able to interview. So it should be ready and hopefully that person will be onboard by the beginning of the fiscal year.

Mr. Rapozo: We will see. Councilmember Yukimura, you had a follow-up to (inaudible)?

Ms. Yukimura: Well, I can forego that question to Gary. I mean I cannot imagine that a department head that really needs these positions is not knocking on the door of HR. And I think you were, and the circumstances you have explained to me are reasonable. So for future budgets maybe what we have to do is to ask each department how long their vacancies have lasted in the year, what is their vacancy rate for each department, and see what it is. I do not know without that statistic how bad or how good it is. But my question to you, David, is there any value or does it make any sense to hire temporarily? And is that something that can be done within the personnel system?

Mr. Spanski: I do not know if you have to have a vacant position to get somebody in temporarily or something like that. Maybe you do. Years ago there used to be an 89-day contract, but you had to go borrow from somebody else and get a commitment and do it that way. I think, at this point, there should be a pool out there...

Ms. Yukimura: Yes.

Mr. Spanski: ...where I call HR and say I need a body for a couple of days or a couple months. I have to scan; I have to do something, so on and so forth. That would be ideal, but that is just not the...again, but I do not want to say I can...if a frontline person, the one who actually works the counter. Now there are a lot of intricacies and things.

Ms. Yukimura: Training.

Mr. Spanski: There is the cashier and once you get those, those people are very valuable.

Ms. Yukimura: Right.

Mr. Spanski: Because there are a lot of laws that they know. There is how to work the system.

Ms. Yukimura: That is right.

Mr. Spanski: Because if you think about what the Motor Vehicles do, they collect your motor vehicle, they collect your sewer, they collect your dog, they collect your bike, they collect your tipping fee coupon, they collect what all the...other agencies brings into the pot that is in there. So if I want to compare like a Motor Vehicle Registration area to the other islands, like I know Mel does not like to do, some of you like to do, say for example I have 10 personnel. The Big Island has 24. Maui has 29. What we do by headcount, we do approximately 120,000 transactions per head. Big Island does 7900 per head, and Maui does 6600. What we do...we are the one-stop shop, if you will. Everything goes through there. You can get your bus pass over there, so those are the

kinds of things. Then you throw that into...when I got here in 1992, there was only like 50...since I have been here, cars have increased 93%, sewer bills have increased 93%, bus passes have almost doubled since inception. So it is just a...for lack of a better term, a piling on mentality with no additional resources.

Ms. Yukimura: Okay, I understand and that is why I asked you the question that for complex jobs the amount of training you have to do for a temporary does not work.

Mr. Spanski: Right.

Ms. Yukimura: It does not make it useful. For scanning or a senior clerk level, it may work, and I think for our county-wide system, we should ask HR to see if they can develop some kind of a temporary hire situation where it is appropriate. Sometimes, re-hiring retired people for a temporary situation, where they are already trained for some and just have to be quickly updated, may work too. If maybe the Administration can take that to HR and see if that is a need pretty clearly county-wide, that we should try to do that. And thank you for explaining in such detail what our people are doing. It is very admirable, and you hope that in some part some of the increase can be addressed by technology and efficiency rather than just more bodies.

Mr. Spanski: Right, well that is what we have done, but again, but the volume growth is what we do not plan. Decisions we made are only this many, but then we forget that the volume growth increases and increases, and then say, oh, you guys are doing so good, oh here is another. You can do that.

Ms. Yukimura: So in terms of spatial needs that is the kind of thinking that has to go through. Okay, so we do 120, that is our limit; we need other person; we need a place for another person. Thank you.

Mr. Rapozo: Mr. Chair?

Chair Furfaro: So that whole thing goes back to the fact that we do not have staffing guides and (inaudible), okay? And I did not get the same detail that JoAnn just praised you for, but I want to clarify it to make sure I understand. You said Maui does 7900 transactions...

Mr. Spanski: Per employee, right.

Chair Furfaro: Yes, per Big Island they do 6800 per employee. And then when you compared us, you said 120,000 transactions. Is that divided then by 10?

Mr. Spanski: That is correct.

Chair Furfaro: Okay, well that was not the case. I did not hear that, okay.

Mr. Spanski: I am sorry.

Chair Furfaro: You have to be real clear. The fact that it exists that way is because we do not have staffing guides. The other point I want to share with everybody is that you do not look at a budget and say, the budgeted position was vacant a year, because by that time you are doing the next budget, okay? And all that does is contribute to the surplus. You have to start with having a mission from this new HR Department that says our mission will be to fill all vacancies within 45 days. Forty-five days does not come by, my comment about knocking on the door, department heads should be able to go right to HR and say, hey, explain to me what the problem is. Does the job description have too many skill levels in it? What is the issue? Our people are doing about 12,000 transactions a day compared to the other islands doing between 6800 and 7900.

Mr. Spanski: That is correct. It was 12,000 for us; it was 7900 for the Big Island; it was 6600 for Maui. That was 2010 data.

Chair Furfaro: It is clear to me now, and I understand that...now let ask when you make those comparisons the next time, can you tell me how many satellite halls they have? Because on the Big Island if they are doing that few, they have staff in Hilo and in Kona.

Mr. Spanski: That is correct.

Chair Furfaro: If you are talking Maui County, they have Molokai and Lanai.

Mr. Spanski: Okay, I understand. I have taken those into consideration.

Chair Furfaro: I am just asking so we can compare the ratios.

Mr. Spanski: Right. When it is total volume, I mean I do not care where they are at they still have that many cars those guys...

Chair Furfaro: I understand, but it also helps us understand the very good information that Steve gave us on the cost of doing business in yesterday's presentation.

Mr. Spanski: Correct.

Chair Furfaro: Comparing the other counties, we are relatively doing better, but now we understand why, because we are doing 12,000 transactions, where the other guys are doing 6700.

Mr. Spanski: Right.

Chair Furfaro: Thank you. Thank you, Mr. Rapozo.

Mr. Rapozo: And they still manage to smile at that counter, boy. Your analogy or your analysis is pretty much the same with the Police Department years ago. You look at the other islands and the amount of police officers they have. These guys come from Honolulu, they transfer thinking it is going to be a better life, and they go back because it is difficult. You do a lot more with less on these islands. I guess we will have HR here next week or in two weeks, but I do not know and I think Councilmember Yukimura said we have to ask HR or maybe with the Chair to look into...no, I think we demand that from HR. What I do not understand is if you need a position, why is it taking so long? And this is what I have heard from many department heads is oh, we have to get a new list. That kills me. Now we have a fulltime HR Department, and we are paying a lot for it, and my experience, Mr. Furfaro, which you will appreciate working at the hotel part-time now, this is how it works there. Director calls HR and says we need a vacancy filled, and they have a body in the seat probably within a month. And they do drug testing; they do interviews; they have the applicants' list, everybody that comes in and applies; they maintain these lists so when they need a position, they start calling. But why is this County...oh, we have to get another list. And then it takes another three months or so to get a list. You would think that on any given day you would have a list available. I do not know, and that question is really for HR. If the average time to hire a new employee is six months, then that initial budget funding should be six months. I guess that is what I am saying. You are welcome to come up, Mr. Heu, if you want to, but this is an ongoing issue every single budget. It is almost like déjà vu, and that was the whole purpose of going into this new HR Department. It was to create more efficiency, and I am not sure if we are even getting that.

Mr. Heu: And I apologize. The reason why I keep on bouncing back and forth is because I figure if I stay here then it becomes the Gary Heu Show, right, and that is not the intent.

Mr. Rapozo: But you are the Managing Director, sir, you are the Managing Director.

Mr. Heu: You did a great job, David. Anyway, I just wanted to...I was just taking mental notes as this discussion was taking place, and first of all before I lose track of some of them, I wanted to get back to...Councilmember Yukimura was talking about maybe we should create a possible pool of temporary employees or at least create a situation where we can bring on people for a short period of time to fill short-term needs, and we absolutely make use of the 89-day contract process. What that allows us to do is at times...exactly what you said, to bring back people who have experience in a certain area to fill a short-term need. There is a State law that requires a retiree has to be...have vacated a position with the State or County for a given period of time before they can come back. But once that one year has passed, obviously, we attempt to leverage those kinds of situations where it is appropriate. So just to let you know, we do make use of that, and department heads/division heads will raise the issue and say, hey, can we get an 89-day contract hire to fill a specific need, and we do, do that. I just wanted to share...

Ms. Yukimura: So would it have been available to David?

Mr. Heu: Again, that would have depended on his specific circumstance, but certainly that is something that is available. I just wanted to let you folks or assure you folks that it is not as if we have not taken advantage of that being available to us. The other thing is that relative to some of the discussion on staffing intervals...before I get there, what I want to say is as part of this budget submittal, we went line item by line item for every current vacancy that there is, and we tried to dollar-fund every possible position that we could. So this was done in discussion with department heads. There were a number of positions that a department head said I cannot do without that position, and so we chose not to dollar-fund those positions, and we asked people to dig deep because obviously if you are a department head, you are going to say, no, I need that position, and we need to fully fund that position. But we did come up with a list of positions that we could dollar-fund in the upcoming budget, and it is reflected in the proposed ordinance. In addition to that, via policy communication that went out to department heads, any vacancy that occurs during the next fiscal year, we are asking for a six-month moratorium on filling that position. So in other words, we are already, via policy, asking to short-fund positions. That in part takes into consideration we do not necessarily believe it is a six-month interval to fill a position, but we are asking to take advantage of that staffing interval, as well as dig a little deeper and see if you can manage for a period of time without that position?

Mr. Rapozo: I just want to clarify, Gary, real quick on that comment. This is for the fiscal year, the new budget coming, and the budget that we are working on right now?

Mr. Heu: Yes.

Mr. Rapozo: You have advised your Department Heads that if anyone retires, not to fill anything for six months?

Mr. Heu: That is what we are asking.

Mr. Rapozo: So with the anticipated retirements, is that six-month lag reflected in the budget?

Mr. Heu: I do not think we could...we did not put in a factor. I mean there is a possibility. I am not sure how we would do that in the ordinance, if we could actually show a line item identifying that short funding factor. I think that is maybe something maybe we need to take a look at. It was just a matter of policy.

Mr. Rapozo: If you are telling them basically we are going to short-fund the position, but you are asking us to fully fund the position, that creates a problem.

Mr. Heu: Yes, I guess the problem is that we cannot...I mean how can we identify a position that becomes vacant?

Mr. Rapozo: Well, the department head should know. I would assume the department head would know. Hey, in my department, Police Department, or whatever it is, four of our guys are going to retire this year...if they know.

Mr. Heu: Yes, that is the problem. I think that is the problem. I mean we have had people say I am going to retire on this date and as they approach the date, they pull it back, and I think they can do that three different times. So again, that is a problem, being able to accurately identify those positions. And then some guys, who you were counting on being a long-term employee with you suddenly says, I need to leave. And so again, it is a difficult task.

Mr. Hooser: Just to clarify the topic a little bit so I will just restate. So the policy direction given is to keep vacant-funded positions vacant for six months before they are filled in the upcoming fiscal budget, the one we are working on right now.

Mr. Heu: In the upcoming, yes, 2014.

Mr. Hooser: That is direction.

Mr. Heu: Yes.

Mr. Hooser: But following up on Councilmember Rapozo's issue, but that savings, if you would, is or is not reflected in the budget?

Mr. Heu: It currently is not reflected in the budget because there is no way that we can identify those positions to show the short-funding for that specific line item.

Mr. Hooser: If you take just for example we had communications provided to us that showed x number of vacant positions on December 31 with dollar amounts next to them. If you assume for a second that at any point in time, my round numbers was like 120-130 positions, at any point in time there are 120-130 positions and this is the dollar amount, I would think from a budgeting perspective, you could say, okay, this is as good a number as any, and we will take six months of that and carve it out of the budget, and then let it go from that point.

Mr. Heu: Yes, again...

Mr. Hunt: In hearing your question, I think you said "vacant-funded positions," not funded. We are talking about a six-month policy not being for the vacant, but actually when it becomes vacant during fiscal. So if there is a warm body in that position now, if that body, by retirement or other reasons leaves that position, then we are asking that the division head not fill that position for six months. As far as the vacants go, what we have attempted to do in this year's budget is all those vacant positions that actually have been dollar-funded, we are asking those departments to take the sacrifices. Those that are unfilled but intend to fill, we are funding those fully and hopefully are going to have those filled certainly within the year.

Mr. Heu: Yes, we would have to think about the mechanics.

Mr. Hooser: I believe the bottom line, I think short-funding, for want of a better way to say it, expected vacancies in the budget, is a legitimate budget balancing strategy.

Mr. Heu: Yes and like Steve said, absolutely for Police, we have done that in the past.

Mr. Hooser: Okay, thank you.

Mr. Rapozo: I do not...guess I missed what you...about the Police, what did we do in the past? I do not know what we did.

Chair Furfaro: If I may just add to that?

Mr. Rapozo: Please.

Chair Furfaro: In the Police, we kept the staffing guides at the straight time, and we never tampered with the overtime.

Mr. Rapozo: So I do not know what offset you were talking about in the Police budget last year. Help me out because I do not remember that.

Mr. Heu: We can get back to you on the specifics of how that took place.

Mr. Rapozo: I am trying to understand what took place. You are saying that we put in an offset in the Police budget to offset the vacant funded Police positions?

Mr. Heu: Well, that is what we were just talking about and we would need to clarify in order to give you an accurate answer.

Mr. Rapozo: Okay, that was your statement, not ours. I do not know. I just looked at the Chair, and I do not remember doing anything with them. I remember having the discussion that we would not dollar-fund public safety positions. Okay, Scott said we put in a vacancy factor at 5%. So there was a deduction of \$607,000.00 in this year's budget to accommodate the vacant positions. So there was an offset.

Chair Furfaro: If you look at the overtime group (inaudible).

Mr. Rapozo: Anyway, Mr. Bynum.

Mr. Bynum: It seems last year in the May submittal, any vacant position that had not been filled, but you intended to be funded at 3/4 or half-time for

recognition. Do you recall that last year? We went through a number of positions. We intend to fill this, but we know it is going to take three months or four months.

Mr. Heu: Right, I know we have done that over...I do not think it was just last year, I think we have done that in previous years, yes.

Mr. Bynum: I do not see that in these because you are distinguishing between positions you intend to keep vacant the entire year, which would be dollar-funded, right, and positions that are currently vacant and you intend to hire. I did not see that this year.

Mr. Heu: Well, because there is no guarantee that those positions will not be filled before we hit that new fiscal year.

Mr. Bynum: Okay.

Mr. Heu: We are saying if you cannot...

Mr. Bynum: I will move on.

Mr. Heu: If you cannot dollar-fund them, and you feel that you really need them, then we should go ahead and fill those positions.

Mr. Bynum: I just recall that we did that in past. So in what you said earlier, you answered one of the questions I was going to ask. When you decided about the dollar-funding, it was not just a snapshot that okay, these are the positions that are currently vacant and we are going to dollar-fund all of them. There was some kind of thoughtful process about which ones you did and which...

Mr. Heu: Absolutely and to the extent that as we have said before, we sent over a budget that does not reflect any new positions in the proposed budget. And where there was discussion about a particular division or department needing a "new additional body," what we asked was for people to go back and reassess their vacancies or we would reassess across the whole organization to say, okay, if this "new requirement" is of a high priority, then what currently vacant position is of a lesser priority? So maybe we need to reassign/reallocate positions to recognize the priority of this new requirement.

Mr. Bynum: Well, I am glad that you did not just say, okay, here are the current ones and do it. On the other hand, I am concerned about some of the positions I see dollar-funded that were in last year's budget, particularly like in the Prosecutor's Office where they were doing transition, and so there were positions that were vacant at the Prosecutor's, and I am going to follow up on that. I do not know this, but from looking at the budget, it is like...and it was mentioned earlier today, there is a lot of transition in personnel after the election. So one of the things I am going to look into, did they get stuck getting a dollar-funded position that they intended and needed to use, right. But I guess we

can discuss that when they come up here. If we are going to go to Real Property in the afternoon, it looks like...and I am very concerned about the staffing there.

Mr. Heu: And you know, I appreciate the concern, and I think we are also concerned, but this was a difficult budget to deliver.

Mr. Bynum: I am sure.

Mr. Heu: And you have seen the kind of revenue increases that we are asking for between raising the fees and real property tax, and so it was difficult. I mean we do not like to see those positions being dollar-funded either, but at a certain point, we just have to draw the line and say this is all we can afford.

Mr. Bynum: Maybe I will be less concerned when I understand your rationale when we have that discussion. But a good example is Michelle here saying, hey, I finally got fully staffed, and that \$2 million of additional revenue because she could get collections numbers down. So sometimes those decisions might have other implications. But I am glad to hear that you did not just take a snapshot and say, okay, all the vacant positions, put a buck in.

Mr. Heu: No.

Mr. Bynum: You did some talk about it, thank you.

Mr. Rapozo: It is 12:30 p.m. I know we want to break at 12:30 p.m. JoAnn, you had a question related to this?

Ms. Yukimura: To finish this up, yes.

Mr. Rapozo: Okay.

Ms. Yukimura: I just want to say...following up on what the Chair has said about it being a mission of HR to fill these positions rapidly, it seems to me it should be the mission of the whole County, and as Managing Director, it should be the mission of every department. And I am thinking in some cases these positions are so desperately needed that it should inherently be a mission, but given the discussion here about how much money is in balance when positions are left vacant for a long time, to me it would be helpful to have every department have that as part of their objectives, and also have, Gary, you and the Mayor make it clear to the department heads and also give them the resources to help make that happen quickly. I do not know if everyone, especially like new department heads like Justin Kollar and even before him Shaylene, if they get enough briefing on how to work the system to they can...I mean they should be encouraged to knock on HR's doors, and I remember some department heads who would get down there and sit in with the...so anyway, it is just a request again that the importance of this being explained to everybody.

Mr. Heu: Just so that you folks know, I mean in last year's budget, the Mayor said at a certain point in time we need to fund these positions that we have left vacant and dollar-funded. And so he stepped out, he did that, and he implored department heads to move as quickly as possible to get those positions filled. And I think there were a number of departments that did respond to that. Those that did not, I mean now they have become part of that additional analysis to say, do we continue to dollar-fund? Do you need this position now? So we did go through that, and I agree that we need to continue to push on, not just HR, but everybody that if you are telling us this is critically needed, then we go ahead and fill them. I am not going to talk that much more about HR, other than to say that in some of the discussion I have been hearing around the table, we talk about HR as this new HR organization as if it has been in place for a year or years, and the fact of the matter is that it was not until October—that was the deadline that was given, that was committed to, and it was driven to a large extent not only by the Mayor, but by the Civil Service Commission. That was their mandate to the department head. And so it was not until October that, in fact, this reorganization did take place. So in all fairness to the department, I just want to say it is not as if they have been in existence in this new format for a number of years. It has been six months. And we are seeing some very positive signs coming out of the work that they are doing, things that I think will encourage consistency across the organization, which I think was a concern to all of us. So I am looking forward, as well as I am sure you are, to their upcoming presentation so that they can talk about some of the really good things that they have been accomplishing.

Ms. Yukimura: Point well-taken, thank you.

Mr. Rapozo: Okay, we are going to break for lunch. Before, I just want to say, Gary, you know HR, I understand has only been around six months, and that was my concern that it should not be an OJT division. When we implement a division, they should be able to move/take off running. The other question, the final question and I will put this in writing, so I do not expect you to respond. But we have heard every division talk about, as well as yourself, looking at dollar-funding positions, and we have to cut it short. And yet we hear from the division heads that everybody needs positions. They are hurting; personnel-wise we are hurting. Did the Administration as well look at the exempt positions in the Administration to cut back on the administrative, on the Mayor's positions? Did the Mayor and the Administration look at that as well? I mean we have got a lot of departments within the Mayor's Office with the PIOs and protocol officers and all of these different...I mean are they vital to the operation and core function of this County? Because we are asking every department head and division head, and we hear it over here, and obviously they are not going to come out and say, hey...we put them in a bad spot over here because they obviously cannot come up and say, yeah, I need more positions, but we can hear it and we can see it. When you look at the chart, you can see. Did the Mayor do the same exercise within his Administration?

Mr. Heu: The exercise, again, that we went through was to take a look at vacant positions and the opportunity to dollar-fund those. There were currently—I do not know if I want to get out there and say that—to my knowledge there are no currently vacant exempt positions. Now, if you are asking me...I mean you mentioned specifically the PIO and some of those...

Mr. Rapozo: The division, I mean the entire structure of the Mayor's Office.

Mr. Heu: Yes, absolutely. You know I would invite all of you or individually to come spend the day up in the Mayor's Office and see what takes place in that office, and see the kind of work that is done and the volume of work that we touch on a daily basis. I think one of the best things that we ever did and this Council approved was the creation of the communication theme. I mean so much of what we do has to do with communications, and I am not saying we do it perfectly, but we certainly have made major strides in terms of how we communicate with the public, how we communicate with our internal stakeholders. I think those positions are invaluable.

Mr. Rapozo: Okay and that was the question, Gary, and I appreciate the answer. I am just saying we are asking our departments to do more with less.

Mr. Heu: Sure.

Mr. Rapozo: And I was just wondering if that was extended or that the Mayor's Office had those same parameters.

Mr. Heu: Absolutely. If there was a vacant exempt position, we would absolutely go through that kind of analysis before we chose to go ahead and fill it. There is a position that was going to be, I believe, transferred to Boards and Commissions as they take on additional work from various departments, and we have chosen not to fill that position at this time. That is one of the currently dollar-funded positions.

Mr. Rapozo: Okay. I will just turn it back to you, Mr. Chair, and then you can close it out. Thank you.

Chair Furfaro: You know after looking at my correspondence to you folks and the Police and Public Safety Department, I think this is a bad comparison, and I will tell you why. Part of this correspondence, if you recall, was last year the reductions in overtime and so forth that were suggested by the Council did not touch on Fire and Police as much. And that partly was the reason we made the adjustment on the straight time because we left...we did not touch the overtime, which was \$1.1 million because you were using the same people who got premium pay. So that is a bad comparison when we start making this piece.

Mr. Heu: We did not make that comparison, did we?

Chair Furfaro: What is that?

Mr. Heu: Are you saying we made that comparison?

Chair Furfaro: Yes, I am saying from last year's budget, the adjustments, looking at current 2013 budget.

Mr. Heu: Right, right.

Chair Furfaro: We did not touch overtime in Public Safety because of a different reason. The reason was the vacancies, but we did touch the straight time, leaving as much overtime as...

Mr. Heu: Right, right.

Chair Furfaro: Because of the number of vacancies.

Mr. Heu: Right.

Chair Furfaro: And that rationale drove a different decision process.

Mr. Heu: Right. I think we concurred that we would not touch the overtime because understanding what short-funding these other positions would do would...

Chair Furfaro: So I will go dig out the memorandum, but we maybe should not compare the Public Safety Departments with like Public Works and Parks and so forth.

Mr. Heu: I think we were just using that as an example of how we had short-funded positions in the past.

Chair Furfaro: But it was generated by the concern about having so much overtime budgeted, at the same time leaving the straight time. That is what caused the change. Well, it is 20 minutes to 1 p.m., and I would say that if I could have Mr. Rapozo hit the mallet, we are going to go into recess for lunch. Be back at 20 of 2 p.m.

There being no objection, the session was recessed at 12:40 p.m.

The departmental budget review session was called back to order at 1:44 p.m. and proceeded as follows:

Chair Furfaro: We are back. You know, I would like to kind of close off the piece that brought us to issues related to HR because we will have them up before us shortly, and at the same time, we have got to remember that some of these regulations that might cause the delays could be related to things such as the Civil Service process. You know, on these recruitment lists, I believe every time they do one, they have to update it. That is a required negotiated piece. But no matter how you cut the pie, the pieces, if you have a Dutch crumb crust or a deep dish pie, they all use apples, and you have to recruit apples to put them in the pie. That was the focus of the question, trying to reduce the amount of time that we spend on that.

I believe we are still perfectly managed here, and we are about half way done with today's business. I will be turning the meeting back over to Mr. Rapozo, Vice Chair, around 2:30 p.m., because I have a conference with the County Attorney. But Dave, we would like to welcome you back, and we appreciate you being back after lunch.

I want to remind everyone that we covered, with the Treasury yesterday, the revenue portions of the Treasury Department. But I would hope this would be a short-lived period of time for you, Dave, since you have been here twice, and I will give you a few moments to make a presentation about other operating issued related to the Treasury, and then we will do some Q&A.

Mr. Spanski: Well, I do not have any...Sally kind of touched on the last thing we have done recently with the debt part is refinance. We refinanced the 2005...well, the remaining portion of the 2005s. And we had to refinance another portion of it because it was related to the landfill, because we had private activity going on. We wanted to do that so we would not jeopardize the other outstanding bond issues of the 2010 and may lose that subsidy portion, so we had to do that. But with the interest rate so low, we still realized the savings all the way through. So that is the whole entire message.

Chair Furfaro: Councilmember Yukimura.

Ms. Yukimura: I am sorry, Dave, I did not understand the second part you said there about the landfill.

Mr. Spanski: We have a private contractor at the landfill.

Ms. Yukimura: Yes, Waste Management.

Mr. Spanski: At the time we issued the 2005, I guess when we did it, we were not aware.

Ms. Yukimura: We were not what?

Mr. Spanski: We had...how much...anyway, we have a private contractor there. You cannot have more than 5% of a private activity bond. But with them being a privately managed firm, that made it over the 5% limit with the allocation that we had set aside for Public Works on that Kekaha Landfill. So we fixed that. We had to refinance about \$8.8 million, which is what we call a taxable. Interest rates were a little higher, but they were lower than the original ones, so we still recognized the savings even going through that. But instead of having one series of refunding, we had two. We had the A, which was the normal, the municipal part, and then we had the B portion, which was called AMT, Alternative Minimum Tax, which was associated with the Kekaha Landfill because of the private contractor.

Ms. Yukimura: So you are referring to the last time we went to refinance.

Mr. Spanski: We just refinanced, right, and it was July 12, 2012.

Ms. Yukimura: Right, a year-ago, well a little less than a year-ago. And through that process, you were able to correct an issue?

Mr. Spanski: We were able to correct that issue. So that is done and we are fine going forward.

Ms. Yukimura: And just in a nutshell, the issue is that we cannot use bond money for a facility that is privately managed?

Mr. Spanski: That is correct...within certain parameters. There is a 5% private activity, and I can give you a copy of that. If you have ever read the transcripts of the bond financing, there is a tax certificate and it is all in there.

Mr. Hunt: We actually have some training with Brian Hirai for the Administration and for people dealing with bond issuance for that very reason for as we go forward we need to understand the impacts when we are looking at private contractors involved in this for the private services. There is the word "de minimis," so there is some flexibility, but there is also a percentage and a hard cap. I believe the hard cap is not more than \$5 million.

Ms. Yukimura: So how are we planning to manage the new landfill?

Mr. Spanski: I do not know if that is a question for me.

Chair Furfaro: That is not a question for you.

Ms. Yukimura: Well, but as for...

Chair Furfaro: Turn it into a financial question.

Ms. Yukimura: As related to bonds for the new landfill, are we not going to potentially run into the same issues if we privately manage?

Mr. Spanski: If that becomes the course, and we know that is going to be the case, then we will issue them as a taxable.

Ms. Yukimura: I am hoping that we are thinking about that now because it affects the financing for the landfill. You know, I had to deal with that issue when I was Mayor because the present landfill was brand new, and we had to learn how to manage it, and the issues about how to manage it are many because of the liability that is incurred for environmental protection and the demands of that nature.

Mr. Hunt: Certainly that is a question for Public Works to answer, what their plan is for the landfill and how they plan to operate that. When it becomes how

much it costs and how we are financing it, then it comes back to my side and we talk about what type of bond would be appropriate for that.

Ms. Yukimura: Okay. Are we not we using bond money right now for environmental consultants, for EIS, for eventual construction of the new landfill?

Mr. Hunt: But that is not private management.

Mr. Spanski: It is not private activity.

Ms. Yukimura: I know. Okay, so if all of these moneys do not have to abide by the rule, even though it is going towards building a facility that might be privately managed?

Mr. Hunt: That is "might." At the point where we decide that this is how it is going to be run, then that is the point. And again, it is not like we are using current bond moneys to build this facility either. It would likely, with the scope of this project, require a new issuance. And at that time when we know what the game plan is, we can craft the bond to fit the game plan.

Ms. Yukimura: All right. Well, I acknowledge that you are not the ones to answer these questions, but I am concerned that we are going to go through all of this without thinking about what the form of management is going to be. And then, when we are a year away from opening it, then we would be scrambling to figure that out. And by that time, we will need...well...

Chair Furfaro: Your concern is so noted, and we should have that discussion relatively soon. If you could share that with the Administration that that topic came up, we will make sure it is identified in the right form to be reviewed.

Ms. Yukimura: Thank you.

Chair Furfaro: You are quite welcome. Mr. Rapozo.

Mr. Rapozo: One quick question for Steve. You mentioned training with Brian Hirai.

Mr. Hunt: Yes.

Mr. Rapozo: Was that upcoming?

Mr. Hunt: We have not scheduled it yet. It is going to be upcoming.

Mr. Rapozo: Okay, then I would ask, Chair, to coordinate the training with a briefing to the County Council regarding the bond fund.

Mr. Spanski: A couple years ago when we first did that, we had different people. So we had training when we first got here. Now the names and people have changed, and we want to redo that.

Mr. Rapozo: Perfect, thank you.

Chair Furfaro: I already have that on the note for his visit to make a presentation. You are so noting that again, Ernie? You noted the request, and I will go to Council Vice Chair Nakamura.

Ms. Nakamura: A couple of questions. The first one is this is really the first time that there has been a discussion on the One-Stop Shop, and is the Building Division still using that site?

Mr. Spanski: There is one guy in there. I work kind of in the back, so sometimes you walk by...consistently there is one person.

Ms. Nakamura: And this was, I think, a big initiative at one point and I am surprised during the discussion with Public Works this never came up as a point of discussion because does that mean that might be a follow-up with the Department of Public Works, but basically it is an underutilized area within that...

Mr. Spanski: At this present time. Last year I was able to get an agreement by both the Building Division and the Mayor signed that I could take one of Treasury people and put them in there and do routine things, like renewals, something that is quick, a bus pass, not a vehicle transfer or you are coming in from another state or another county, so something that was quick and easy. But again, what happened was someone passed away so we were not able to initiate that, but I do have an agreement in writing to do that. Now with this institution of the real ID and taking over the State function of the ID now, it now creates seating problems for other people, say like the PMVI inspector, those people. So we could probably move them out there and they can...

Ms. Nakamura: So this would create some additional space for your cramped...

Mr. Spanski: It will help the Drivers' License side. It will not do anything for the MVR.

Ms. Nakamura: Just during the break, we had the chance to just chat about even if you did have new staff allotted to your Division, you have no space for that additional staff.

Mr. Spanski: That is correct.

Ms. Nakamura: That is why the improvements at Piikoi are so important because it is all interconnected. Planning needs to move out so that you can expand into that space. And yet, it is not in this budget. It will not be in any...and so it is

just hard to deliver the services we need, I think both on the staffing side and on the space side. We need to really look at how to deliver the services and provide for our workers, who are our assets, you know?

Mr. Spanski: Correct.

Ms. Nakamura: So I thank you for bringing this up.

Chair Furfaro: Steve, let me ask a follow-up question because we do not have a call-back with Public Works and we have a calendar dealing with what is the budget versus what is the long-term operational strategy for that space. So let me ask you, if I posted that in Council meeting or committee meeting, so we can address that concept along the lines of knowing its future as well, not just for the purpose of this budget, who would carry that discussion by department? Is it Finance?

Mr. Hunt: Finance is just looking into the cost of running this. So if it came before as a capital improvement or if it came before as a budgetary, we would do that. It would actually be whoever is working on that long-term space planning, which I believe is within Public Works.

Chair Furfaro: Space planning, yes, okay. I just want to make sure we are all clear because if I post it, I want to know if I am posting it for whoever the tenant is, if Treasury is the tenant, then we will...or if it is the design element for the long-term strategy. So your suggestion again is?

Mr. Hunt: That it would be Public Works.

Chair Furfaro: Very good, we are going to put a new item on a Council agenda in Public Works to understand the long-term strategy of that facility, that plan. I mean, we could talk that thing to death in the next week and a half of the budget, but if you do not have a plan and it is not affecting this money allocation, but we are going to put that with some urgency. So make sure you communicate that to someone. Okay? Staff, you so note? Scott? Okay. Mr. Bynum.

Mr. Bynum: I want to talk about this just for a minute because I have not said this publicly, but the purpose of that space was to do a one-stop permitting thing, and we had improvements in permitting, but it has not been because of that space, but it has been because of e-plan review and other things. In fact I think if we were honest with ourselves, it has been really awkward to have those people moving between Building Division and over there. But more important than that, that was a gorgeous building. It was made to interface with the public, to have this open space as you go to these different departments, and putting that structure in the middle made that a crowded, uncomfortable space instead of an open inviting space. We hired architects, I am sure, that gave us that purpose and that use. I would love to see that go away and have it return to the kind of facility our citizens deserve, to come in and be able to functionally see where they are headed, have plenty of space, not feel crowded, especially when it sits empty most of the time.

Chair Furfaro: So noted. So it is still not a budget item. I do know what I am talking about it, and neither of you two guys sitting there can tell me what the heck is that space? That is where we are going to start, and if Public Works cannot tell us, then we will get rid of it. But it is not a budget discussion item. It will be a new discussion item. But first tell me, what do we use it for, and I think that is Mr. Bynum's point. Am I wrong, Mr. Bynum?

Mr. Bynum: That is part of it and the impact it had on that really nice public space that I do not feel is a really nice public space anymore. It is awkward and it is not the way it was designed to be used.

Chair Furfaro: So we are also very concerned about the aesthetics of the room and the space. Okay, Councilwoman Yukimura. Please, let us focus on budget items here.

Ms. Yukimura: Chair, I wanted to raise the issue of whether we should make this subject a Council meeting subject or...I mean we have a lot of budget call-back time that we have not scheduled.

Chair Furfaro: That is the good news then.

Ms. Yukimura: And our Council meetings have been going fairly long.

Chair Furfaro: Even after I have requested everybody to keep their committees...to limit their time, a budget, yes, I agree with that. But the decision I am saying is we do not even know what the space is about, and there are many, many more important things to talk about in the \$158 million operating plan for the County than hold it up on a discussion with Public Works about what the heck this space is? That is where I want to start.

Ms. Yukimura: Chair, I agree with you. I share all of the thoughts that have been expressed about that space; I mean we were the ones that built that space. So I have great concerns, but I think it is legitimately a budget issue because it might turn into a budget issue. Whether it is to alter that space, even if there are some functions to be made of it, I think it should be glass walls, and there are needs that need to be expressed. So I am just thinking it could be appropriate to make it a Public Works call-back because it arose out of a budget hearing. Anyway, I am just thinking we have all set aside our time and we are not planning any meetings for those budget call-backs, so it might be...

Chair Furfaro: We have not scheduled any, I agree, but I want to also say, we got another week of going through departments. And I would prefer if we are trying to figure out what the aesthetics and the space is used for, it is in somebody's committee, not in mine as the Committee of the Whole as a condition of a budget review. I think we first want to know what is this animal, you know? I accept your suggestion. I will think through it, but at this particular time I will post a new item in Public Works.

Ms. Yukimura: Thank you.

Chair Furfaro: Questions for Dave on Treasury? I have one, Dave. Am I reading the budget appropriately for our debt service? You are projecting it to be \$9.4 million?

Mr. Spanski: That is correct. I can give you a chart.

Chair Furfaro: Could you?

Mr. Spanski: This is a table with our current status. But I do have...

Chair Furfaro: And you are okay that I distribute this to the members?

Mr. Spanski: Sure, but I did not bring enough. I just made one for...

Chair Furfaro: No, we have a copy machine. We are pretty *akamai* over here.

Mr. Spanski: Sorry, here are two other ones so they can see it in picture form.

Chair Furfaro: Okay, so we went in the current budget from \$10.3, our debt service is actually going down \$900,000?

Mr. Spanski: Correct.

Chair Furfaro: Is there anything that you can briefly share with me that conveys the good news here on \$900,000?

Mr. Spanski: What it was is we took the...the savings is...in real numbers we talk about present value, but in normal people speech, over that 30 years on the County side we will save \$2.9 million. But the way everything worked out with the refunding and stuff, we took most of the savings upfront.

Chair Furfaro: Okay.

Mr. Spanski: Okay.

Chair Furfaro: I just wanted to reconfirm that because that is what I remember from our 2010-11 trip to the...

Mr. Spanski: Right, because your money is worth more today than it is tomorrow, so we chose to take the majority of the savings upfront, and that is just how it worked out.

Chair Furfaro: Okay, continued questions for the Treasury? And we will distribute that to all members here, the detail. Sorry, Mr. Hooser, were you...did you have a question?

Mr. Hooser: No.

Chair Furfaro: When JoAnn leans over, I cannot necessarily see. Mr. Bynum.

Mr. Bynum: I just have a comment. Thanks, Dave, for all your good work. We have tons of outstanding employees in this County, I believe you are one of them, and it is a pleasure to work with you. I always get straight answers, no BS, thank you.

Mr. Spanski: Thank you.

Chair Furfaro: Any more questions for Dave? No? Now we know what to get you for Christmas. We will get you one of those Bulaia hair pieces because you deliver a straight message, and it is much appreciated.

Mr. Spanski: There were a couple of questions that you sent over, and I was wondering if I could answer a couple of them now.

Chair Furfaro: You can answer them now if your intent is to eliminate the response by writing.

Mr. Spanski: That is correct.

Chair Furfaro: You have you the floor.

Mr. Spanski: Okay, there was a question relating to number of business licenses and that answer is there were 39 business licenses for a total value of \$570. So it took me longer to find that out than what we made.

Chair Furfaro: Mr. Rapozo.

Mr. Rapozo: 39.

Mr. Spanski: 39.

Mr. Rapozo: Who is the enforcement authority for that? I do not know.

Mr. Spanski: HRS455.

Mr. Rapozo: Who would be the County enforcement personnel? We do not have any, right?

Mr. Spanski: We do not have any, not in my office. There are no enforcement people that can go write a citation and say, you are not the guy.

Mr. Rapozo: Okay, because that was a pretty straight-forward requirement and violation. They either have it or not, you are required to post it. We can pursue that, I guess.

Chair Furfaro: So noted.

Mr. Rapozo: What we actually have to do is take a look at that whole section and revisit the fees.

Mr. Spanski: Well, the fees now...if you go look at your Section in your County Code, it will be Article 23-4.1.

Mr. Rapozo: Most of it 10 bucks a year?

Mr. Spanski: All it says in ours is "elimination of all these licenses." It says you will now issue...the County will issue business as required by Chapter 445. So in 445, there is firearms, firecracker permit, that is for the one you go and pay your \$25 that you are going to light up firecrackers. Then you have obnoxious substances, pepper spray, and there were 12 of those, and those are \$25 and that is a one-time fee. Then you have a pawnbroker.

Mr. Rapozo: That is \$100.

Mr. Spanski: Yes, there were none of those this past year.

Mr. Rapozo: And yet, we have...I believe we have three pawn shops on the island.

Mr. Spanski: Okay, well, and then there is a peddler and then there is secondhand dealers. Those would be like your gold guys.

Mr. Rapozo: Consignment shops, the gold people. How many do we have of those?

Mr. Spanski: Five.

Mr. Rapozo: So we definitely have a lot of unlicensed businesses here. So anyway, we are not going to solve that here today, but we will pursue that.

Chair Furfaro: We will put it in a discussion item in committee.

Mr. Spanski: There was one about negative...

Chair Furfaro: Before you go on to a new item, I...

Ms. Yukimura: (Inaudible) back to debt service.

Chair Furfaro: Got you, okay.

Mr. Spanski: That is fine.

Chair Furfaro: Continue your...

Mr. Spanski: No, debt service is fine. Go back to debt service.

Mr. Rapozo: Finish up this one first, and then we can go back.

Mr. Spanski: Oh no, it was a question on negative interest, and those are bank fees that we are charged from the banks. So if you know with the economic downturn, the FDIC put a lot of regulatory fees and that is the biggest chunk. So that is why...say for example...this is easier to talk to than try to write it down and respond to you. These are the type of fees we have to pay. And now keep in mind I had on deposit in the bank at one point the highest was 30, at the lowest it was \$25 million. So for every dollar of service they provided, I needed to have \$6,517.86. So we had fees of \$4,413.08. And \$2,000 of that is the regulatory fee. So that is the FDIC assessment, passing it on. They are insurance, so there is a pool of money in case somebody goes under. That is what that is for, but they pass that on to the depositor, which is us, and so we have to pay that. But there are other things in there like how many deposits you made? Checks deposited? Checks deposited in other Hawaii institutions, checks deposited in non-Hawaii institutions, currency furnished, return check charge-backs, wire transfers, incoming wires, audit confirmations, and ACH credits. Like we have...over the Internet people, we have those, the vendor deposits our money directly into the account. So that is ACH and that is a charge. So I hope that answers those two and then I will respond to the third online for yesterday, and I will do that in writing, okay.

Chair Furfaro: Questions at this point on the two items just responded to us, so he is relieved of putting that in writing. Everybody is okay with those responses? Okay, JoAnn, have you the floor.

Ms. Yukimura: If I am reading these charts on debt service correctly, I cannot really read them.

Mr. Spanski: Well, I do not have a colored printer, but anyway, here is what you want to see.

Ms. Yukimura: I can tell by the serrated lines that the white goes up.

Mr. Spanski: The white portion is the interest. The black portion is the principal.

Ms. Yukimura: I cannot see the white portion at all.

Chair Furfaro: Would you put in your budget a colored printer, okay?

Mr. Spanski: I have to do more with less. I am trying to cut costs, gentlemen.

Chair Furfaro: I appreciate your enthusiasm, but at the same time, if we cannot have color, it ought to have brackets or something like that.

Mr. Spanski: It is how I copied it. I can read mine. Here, I will give you the master. How is that?

Chair Furfaro: What a gentleman.

Ms. Yukimura: Or if you can transmit it electronically to our staff in its full color, we can see it.

Mr. Spanski: Sure.

Ms. Yukimura: But quite honestly (inaudible).

Chair Furfaro: Submit it to Scott.

Ms. Yukimura: I know, but what is the use of a graph if you are going to just look at the numbers.

Chair Furfaro: We are going to have it submitted to Scott so we can all look at it. It was a courtesy given to us to distribute the information he brought today. Some of us want to have it in its original form and Panavision.

Mr. Spanski: I think Scott went to go print it in color for you anyway.

Chair Furfaro: Well, we can do that too here. Please consider that in the future we do want to be able to read the deficits and plusses.

Mr. Spanski: I was able to read mine, but that is okay.

Chair Furfaro: Does that satisfy you, JoAnn, that we are going to print it up right now with our colored printer and he is also going to send it electronically.

Ms. Yukimura: So I will try to ask some questions about this. When you say "debt service allocation," "fiscal year aggregate debt service,"...

Mr. Spanski: Okay, aggregate is going to combine both us and Water, so you get a true picture of...because you are paying Water's debt service also.

Ms. Yukimura: So your aggregate includes Water?

Mr. Spanski: That is correct.

Ms. Yukimura: I see.

Mr. Spanski: When you look at the chart, not the graph, but the actual matrix with the numbers, I have both Water and us.

Ms. Yukimura: I see.

Mr. Spanski: So I give you aggregate, and then there is another one that just says "County only."

Ms. Yukimura: Which is your debt service allocation?

Mr. Spanski: What you will see is in the budget portion.

Chair Furfaro: Got it.

Mr. Spanski: I was just giving an overview of what is really out there.

Ms. Yukimura: That is very useful.

Chair Furfaro: The whole bottom line of that is based on the fact that because of our revenue status, we can leverage bonds better for the Water Department than they can stand alone on their own revenue.

Mr. Spanski: Yes, that is correct. What we do is we call it a GO reimbursable; they call it a double-barrel. We will guarantee with our ability to tax, but they guarantee to us that they are going to have the revenues sufficient so we do not have to do that. Now, if they were to go out and do a revenue bond by themselves, it would be a higher interest rate; it would have to be a sinking fund; it would have to have reserves, and all those things. So this is better for, in the long run, a small county; better for the taxpayer to do it this way. And when we do it, they share in their portion with all the costs, cost to the underwriter and cost to the Bond Counsel and all the professional fees that are involved with that.

Chair Furfaro: Understood, that is why I tried to keep the explanation simple, but we are leveraging for the Water Department.

Mr. Spanski: That is correct.

Chair Furfaro: Okay, Mr. Hooser.

Mr. Hooser: You may have already addressed this issue when I was thinking about something else, but the number that jumps out at me is the early years that the interest is so much higher than the principal. It is actually front loaded?

Mr. Spanski: Which chart?

Mr. Hooser: Well, it is this here.

Mr. Spanski: What you have in 2010 is we borrowed \$120 million aggregate, \$60 million County. So you do not go ahead and include your principal at the beginning because you are doing...you have not got anything to live in. So we defer the interest like the first three years; we can go up to five per State statute, but we have done it for three. That is why you will see...but now you will see that the big spike now go up, because we start paying in 2014 principle now on that \$60 million.

Chair Furfaro: That is typical of most loans where you are paying the bulk of the interest early, right?

Mr. Spanski: Right, well just like if you look at your house loan, your mortgage.

Mr. Hooser: Thank you.

Chair Furfaro: You are welcome, Mr. Hooser. Mr. Bynum.

Mr. Bynum: We had that 120, but there is more than one. Is all of our County funds in one bond float now or there is multiple?

Mr. Spanski: Oh no, okay. We have...there is like 13 of them out there.

Mr. Bynum: Right.

Mr. Spanski: Let us see, you have 2011, you have 2012, you have 2010, you have 2005, and then there is a piece of golf out there from 2005 that we also carry. So there are probably five, but we have refunded them, so you get different series. We still have some of 2005 left, but you refunded most of it, and you refunded some of 2001 and 2005, so we still have some of that there.

Mr. Bynum: I am sorry, but that money has been refinanced...

Mr. Spanski: Right.

Mr. Bynum: ...to capitalize on the lower interest.

Mr. Spanski: That is correct.

Mr. Bynum: Thank you. I had not heard this though what you just said that we can go five years deferred, and we choose to do three?

Mr. Spanski: Well, we have done that, yes. I think it is five in the State statute, but we use three. You cannot go more than five.

Mr. Bynum: Would that not be another example of us choosing to take a conservative approach to finance?

Mr. Spanski: I do not make those decisions.

Mr. Bynum: It would cost us more in the long run if we deferred it for five years.

Mr. Spanski: Well, that is correct, but you want to defer... I think how we should actually do it, like on big capital projects like these, is go out and get some bond anticipation notes; make sure your soft costs are done first; then get those done. Now go out and borrow for, and then you can roll that into the new loan, the soft costs like your design consultants and all those things, and then roll that in instead of going and throwing it all out there, and then do this. But we will do that next time.

Chair Furfaro: Dave, we wanted to extend you a compliment. That is what that discussion was about.

Mr. Spanski: Oh, I know, but sometimes it is tough to do so.

Chair Furfaro: It does not hurt for us to tell you thank you for a good observation on the best mechanics to use. Vice Chair Nakamura.

Ms. Nakamura: So then just to clarify with a large project like the new landfill, you would recommend going after a bond anticipation note for the upfront design?

Mr. Spanski: Right and that is something...we do not have a policy. That is something we probably have to start doing because we do not have that in our...it is in the State statute. But we have never used that option.

Ms. Nakamura: And then you could fold that into a permanent...

Mr. Spanski: That is correct, and then you could roll those into your...

Ms. Nakamura: ...bond.

Mr. Spanski: Right, but then what you are doing is you are...say it is for two years, but you are still paying debt service to say like a bank for now. And then you roll it into when you go out into the full on. So you might say my design costs are \$1 million, so we go out and borrow a million and do it that way instead of taking out the whole thing, and then you are kind of saving at the end because you are not paying as much interest or whatever. Your infrastructure starts to get in, and now instead of planning and designing and then do it now, let us plan and design, and now we are ready to go, and then go out and borrow the bulk of it.

Ms. Nakamura: Has Kaua'i ever done that?

Mr. Spanski: No, but you have to keep in mind that we have been pretty small. I think when we built the EOC, I think the plan and everything was already in place, so they went out and borrowed the whole thing, and was able to do that and get it done. Then in 2005, we got crazy I guess, and went out for 39. Then with the downturn, the idea was cheap money, let us go out because we got a subsidy and everything, let us go out and do some more, and we took 60. So the next question is going to be how much is left of the 2005? There is still \$6 million left not spent on the 2005 approximately.

The next question is going to be well, how much do you have left on the \$60 million? So of the \$60 million left over, there is...I think I have \$27,835 left of the BAB portion, and there is about \$10.4 million left of the RZEDB.

So what we have spent down so far, we spend down \$33 million on the 2005; we spent down \$19.9 on the BAB portion; and we spent down \$1.7 million on the RZEDB side.

Chair Furfaro: Are you satisfied? Just a quick recap before I give Mr. Bynum the floor. Total debt \$205 million?

Mr. Spanski: It is on your chart right now. Total debt on the County side as of August 1, 2012 is 190,281,000. We spent some things. I will have to hunt through here. Okay, as of today \$118,065,000. That is principal outstanding.

Chair Furfaro: Okay, Mr. Bynum and then Mr. Hooser.

Mr. Bynum: What I just heard from that whole dialogue and if I got it wrong, I want you to help me, was that basically one of the things that we may want to modify is borrowing a big what \$60 million all upfront when \$30 million of that sits for three or four years and does not get spent. That is what you are saying?

Mr. Spanski: Sure, yes.

Mr. Bynum: And we are paying interest on that the whole time.

Mr. Spanski: That is correct.

Mr. Bynum: And so there is a way for us to borrow more in the local market some of the upfront costs, then fold that...so we are only paying debt service in the local market...

Mr. Spanski: Right.

Mr. Bynum: ...for a shorter period of time, and then fold that into the big bond in essence.

Mr. Spanski: Correct.

Mr. Bynum: Then we are borrowing money and we have already spent down some of it, right?

Mr. Spanski: What is that magic word everybody used to use? Shovel ready.

Mr. Bynum: Yes.

Chair Furfaro: They are still using it.

Mr. Bynum: You just answered a question I have had in my mind and have not asked before because I just could not think of it when we were here dialoguing. So of that \$60 million we borrowed in 2010, half of it has not even been spent, right?

Mr. Spanski: That is correct.

Mr. Bynum: I really applaud what you are saying here and I hope we look at that actively in the future, Steve, in terms of managing this, because we are going to do more borrowing, right? This is what our performance will be through 2035 assuming we do not do any additional floats. This is just managing our current debt. Thank you.

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

Mr. Hooser: Just to follow up, as you mentioned in 2005, the County went out and floated a bond, borrowed money, and there is \$5 million or...

Mr. Spanski: Approximately \$6 million left.

Mr. Hooser: There is \$6 million we borrowed in 2005, did not spend it, but we are paying interest on it?

Mr. Spanski: Yes.

Mr. Hooser: Since 2005 and we have been paying interest on this \$6 million...

Mr. Spanski: Well, you are paying interest and principal now.

Mr. Hooser: Okay.

Mr. Spanski: Right.

Mr. Hooser: I mean every float that we have done, the same applies for our debt. Do we get some...they actually give us that money. We do not draw it down; we do not draw from an account they keep and we go; they actually give us the money.

Mr. Spanski: The money is wired in when the bond closes.

Mr. Hooser: So we must get some interest to offset that a little bit?

Mr. Spanski: Oh, yes, it is invested, and we will draw it down as they spend down.

Mr. Hooser: But the interest is...we might have had this conversation (inaudible). It comes in through as revenue.

Mr. Spanski: Well, for now because we borrowed and went to Build America, American Recovery Zone Economic Act of 2009. So we borrowed some. We have restrictions. We have to use whatever interest as applied to those projects. So we cannot use it for operating funds. You cannot use it as interest earned and put it in the General Fund, if will you.

Mr. Hooser: We can use the interest to repay?

Mr. Spanski: We use the interest to repay the debt service. We do not use it as operation funds or anything. We just use it to repay your debt service.

Mr. Hooser: I guess it would be interesting (inaudible) dollar amount how much it has cost us per fiscal over borrowing or not managing the projects and the borrowing as efficiently as we could have. Is that a number? I thought 2005 was a really good sample, I think, of the \$6 million.

Mr. Spanski: Right, I guess you could look at it this way, say for on the 2005 through December, if we collected \$7 million in interest, but what I have not done is go back and say how much debt service have we spent from 2005, but that would be easy to do, and I could get that information to you.

Mr. Hooser: Yes, I think it would be good to have a picture of the difference between the interest earned and interest spent.

Mr. Spanski: Okay, here is a great example then. Right now on the 2005 bond I am getting about 2% interest because the interest rates are low. But we borrowed it at 4.39%. So you are losing...the other thing is but we did not meet the spend down requirements. So if we had made more interest than the 4.3, we would have to rebate that back to the IRS. See, the intent is not to borrow money to make money. The intent is to borrow money to make capital improvements.

Mr. Hooser: Thank you, thank you very much.

Chair Furfaro: I will leave that up to Mr. Hooser if he wants to send over a communication, even though you expressed some of the rationale. But that might still come over as a question. Anymore questions of the Treasury? Mr. Rapozo.

Mr. Rapozo: Thank you. There is a term called "cost of money." There is a cost, and in this situation, and let us just take it generally speaking or if you want to talk about the last \$60 million float, who benefits by drawing...I mean borrowing the \$60 million upfront? As far as between us applying for it and retaining the money, we have Bond Counsel, we have...does anybody else make money off of...does anyone make a percentage off of the amount of the float?

Mr. Spanski: No, there is no other...

Mr. Rapozo: There are no fees?

Mr. Spanski: Well, let us say yes, there is now because it is professionally managed with one of the banks.

Mr. Rapozo: Okay and what are those fees?

Mr. Spanski: Oh, it is complicated. It is 10 basis points...12 basis points for the first, I think, \$10 million, and anything over that it drops down to 10. We use a manage team because they can get into the market quicker, better. They can do a better job than me.

Mr. Rapozo: So typically on a \$60 million, what is the management fee?

Mr. Spanski: Here is one I have easier. There is a \$3 million piece, where it is basically 10 basis points, \$300 a month that you are taking out to manage that.

Mr. Rapozo: On a \$3 million piece?

Mr. Spanski: Right. So it is about 10 basis points or 1/10th of 1% a year average. You can use that on deposit and being invested.

Mr. Rapozo: Okay and that is totally separate from interest?

Mr. Spanski: Right. But this is net, everything is net, I do not see...they show me the fee, but I am still getting a better return with their fee than I would do it myself.

Mr. Rapozo: Right, okay.

Mr. Spanski: So everything is net. I am not taking it and going, I have to write him a check. They take it right out of the interest earned.

Mr. Rapozo: Right, okay, thank you.

Chair Furfaro: Okay, any more or final questions for the Treasury?
JoAnn.

Ms. Yukimura: To follow-up on Councilmember Rapozo's question about fees related to bonds, we have a management fee right in the floating of the bond. There are a lot of fees, right?

Mr. Spanski: Yes, there is a laundry list. There is the underwriter's fee. Then you have...but they roll it all in, and then there is what is called a take-down fee; that is the actual investors...the actual stockbroker selling it to the investors, so there is a piece there. The underwriter has their Counsel. The County has their Counsel. And then you have a...since we are not very big, we go and we hire say like Bank of New York Mellon to pay the bond investors. We wire them the debt service, they pay out the investors, so we do not have to track any of that.

Ms. Yukimura: So how much of a \$60 million?

Mr. Spanski: It was less than 1%, but that is way below industry standards.

Ms. Yukimura: Thank you.

Chair Furfaro: Steve, I want to do her next. Any more questions for Treasury?

Mr. Spanski: Okay, the one thing that has not been asked about is what is the impact of the sequester on our bonds.

Chair Furfaro: That is my question.

Mr. Spanski: Sorry, okay.

Chair Furfaro: The impact...

Mr. Spanski: Okay, the impact on our side is...but we are okay if they change it before September 30th; we will not have to do it again. But for the upcoming payment, it is on the interest on the subsidy, so our impact is 8.7%. So on the Build America side it is \$35,460.90; on the RZEDB side it is \$14,049.88, for a total of \$49,510.78. So what we will get is...it usually comes in at about 571 and we are probably going to end up with like 521. So again that we talked about yesterday the word "regulatory risk," even though the government says we are going to do this, they can take it away.

Chair Furfaro: Thank you for anticipating that question and having the detailed responses down to the penny.

Mr. Spanski: Thank you.

Chair Furfaro: Mr. Bynum.

Mr. Bynum: So we are going to have that much lost in a month or...

Mr. Spanski: No, it is paid every six months.

Mr. Bynum: (Inaudible)...that is going to be the cost to the County of that across-the-board reduction (inaudible).

Mr. Spanski: Our subsidy payment comes in August and February. So right after we pay the debt service, the subsidy comes right back to us if we file on time and everything. So the budget guys, if they fix it before I think...in the disclosure I got before September, the sequestration reductions will be applied until the end of the fiscal year September 30, 2013 or intervening congressional action at which time the sequestration rate is subject to change...could be subject to change. No, it says "is subject to change."

Mr. Bynum: I was looking for our *Garden Island* reporter because I think that is newsworthy that the sequester is going to impact County finances or potentially could. Unfortunately I do not see him anymore. Thank you for that report.

Chair Furfaro: On that note, folks, we are coming up on a tape change, okay. I have great appreciation for what you do. If there are any more questions, we will send them over in writing. But on that note, I would like to take a recess for the tape change and bring back Real Property in the order here. I am sorry IT, I am sorry Purchasing, but the reality is that there is Kim in the audience for an hour or so now and Real Property Assessment would be good to talk about now as we go forward. But Mr. Rapozo will be running the meeting when we come back from break. Marc, I can meet with you downstairs, okay. Ten-minute break.

There being no objection, the session was recessed at 2:34 p.m.

The Council reconvened at 2:45 p.m., and proceeded as follows:

Ms. Hester: The Real Property Tax Assessment Division's mission is to accurately and uniformly assess all real property within Kaua'i County annually; maintain current ownership and taxpayer address records; create and maintain up-to-date tax maps; provide public service education and information through our website; and administer numerous tax relief programs. As far as our successes and achievements, the use of the new integrated technology such as Pictometry, and Geographical Information Systems (GIS), et cetera. Mapping, combined with the development of market modeling methodology has increased this Division's efficiency and accuracy in assessing residential properties. These technologies have allowed RPA to remain at essentially the same or lower staff level for over two decades despite a rapidly growing taxpayer and parcel count. For 2013 new legislation mandated extensive changes to the date of assessment moving

from January 1 annually to October 1, requiring all corresponding tax relief and exemption administration deadlines to synchronize in an effort to provide pertinent revenue projection data for the Kaua'i County annual budget processes. Real property acquired a new website vendor providing more comprehensive public access to property data, including sales, tax, and assessment history, appeal information, as well as better mapping features allowing for satellite views of subject and neighborhood market values. The public's response to the 2012 tax on use survey provided for a comprehensive review of current exemptions and Agriculture dedications as well as identification of TVR use island wide. The vetting process provided for an internal agency review, alleviating the sequence to obtain a vendor to assist with the enforcement of exemption fraud. Though we are still unable to obtain State Health data on death certificates and continue to research on a case-by-case basis as to multiple exemptions in other states.

The primary challenges facing RPA are administrating the complex layered tax relief program, enforcing and complying with the law of the Kaua'i County Code Chapter 5A while keeping the public informed and educated as to how taxes are calculated, in monitoring our assessment software to ensure it functions in concert with our laws. Additionally the changes in the technology utilized by RPA have subsequently resulted in our staff having to possess greater technical skill sets especially computer and analytical abilities which requires ongoing training. Kaua'i County is currently faced with dual needs to update technology while working with skeletal staff levels. Working from a two year plan the area of responsibility of assignments will be increased to the current staff as we utilize restricted budget money for software upgrades that are more efficient, current, and compatible with other tools. These technology tools are utilized by all County Departments and we hope to provide better ease and coordination of our data for the County's overall goal towards integration of information between Departments. As an efficiency challenge that exists at a macro level is limited integration between County Departments, such as Planning and Public Works, Building Division which currently relies on the paper delivery of shared information between Departments. The upcoming E-Plan software has been introduced by Public Works to RPA staff and preliminarily training allow for readiness for the upcoming go-live date, where thereafter paper roll plans will no longer be provided for a majority of new permits.

Real Property Assessment enthusiastically supports the County wide goal to increase flow of information between Departments. As Agencies learn the value of RPA data now including the parcel mapping layer found on Pictometry and desktop applications, more increase from other County Agencies for refined and customize data for individual Agency research goals are being made. RPA is in turn asking for shared information pertinent to valuation such as rezoning, special use permits, water and flood restrictions or additional entitlements that these Agencies may be approving. The added data mining requests combined with the extensive time spent on legislation, creating two assessment rolls in one year, and administering tax relief programs has resulted in a backlog of building inspections and related fieldwork. In the interest of improving the integrity of values simplifying and tightening administrative legislation and maintaining current extensive tax relief are implemented and any advances in technology will help to alleviate any backlogs and honor the challenge of providing this information to other Departments. There are a number of changes including technology and staffing that are in various stage

of consideration and/or implementation. The County Council passing Ordinances 915, 916, and 920 created major administrative changes to include moving the assessment and appeals deadlines to earlier dates so that the certified assessment roll will better coincide with the annual budget proceedings, changing it to a single value, applying tax rates according to actual use rather than to zoning, removing the redundancies of overlapping tax relief programs, shortening the tax rollback period, and creating a commercial alternative energy exception, and appeals threshold.

As the Division adjusts to fit new legislation, technology, and processes, RPA is looking at a two-year plan to first upgrade from the current 10-year-old integrated assessment software to the web-based version IAS World compatible with other web-based tools we currently use allowing for field data collection by tablet and real time upload of data while in the field eliminating many steps in preparation, collection, and data implementation. The return on investment is exponential as Staff will be able to complete steps in one day which currently take up to one week per workflow assignment. This technology upgrade will also provide for scanning of all intake forms, into the secure software, provide for documentation and facilitation of better customer correspondence, as well as provide for integration with Pictometry tools and GIS map layers. A new feature on the technology is the addition of the change finder enhancement to the existing County wide Pictometry software, which allows RPA to screen properties that have made changes and the improvements between periodical fly overs.

For 2014-15, staffing goals include redefining our current position descriptions to meet the changing needs of RPA. We are in discussion as to pending retirement of key individual and incorporating more entry level staff to grow the Department, utilizing current education standards in order to improve confidence in our work on all levels from mapping, abstracting to valuation, to tax relief programs to uniformity standards, thereby reducing hours defending or explaining how we arrived at our conclusions. Recently Maui County RPA initiated the creation of the Hawai'i Chapter of the International Association of Assessment Officers (IAAO) which is our standardization organization for mass assessment, allowing for membership, oversight, training and certification at all levels of mass assessment statewide. I have been elected at Secretary for the Chapter.

Future staff requirements will include the previous Supervising Appraiser position now dollar funded, Staff Geographic Information Systems Mapping position, to work under the Property Technical Officer and assist with the assessment model valuation, provide mapped property characteristics, layering, zoning topography and market data where a visual depiction of assessment models brings better integrity in annual assessed values. The PTO/GIS staff will also be able to respond better to Agency research data requests and provide better public resources for our website. I have recently done research for Planning for an impact fee study consultant and also I am working on something for the State. For the next fiscal year the PTO will be temporary reassigned to the Tax Manager and will continue to absorb the PTO duties and Assessment staff will take on the added valuation area tasks.

Tax classification under Ordinance 920 will become ongoing as uses and ownership changes occur. The Assessment Administration will develop vetting and verification

procedures and all assessment staff will be tasked to absorb the additional review and research and daily workloads. Going forward we are looking into the possibility of creating an additional clerical position for compliance procedures required for tax relief intake, as well as help transfer all hard copy historical documents to electronic files. The additional clerical position is needed for cross training in abstracting and mapping as attrition is eminent. Continued and more extensive training by a PTO from the City and County of Honolulu was retained to further train our Appraisers in market modeling, a residential valuation process that mirrors the sales comparison approach by fee appraisers and a proven methodology that has been employed by the City and County for the past ten years. Market modeling has resulted in better market value estimates and is an additional methodology to the cost approach historically use by all Hawai'i Counties and the current legislation reflects single value result returned by the models. The new kuaipropertytax.com website is continually being refined as feedback from public use provides for establishing more features requested by the industry and better ease and navigation. Recent incumbent retirements created vacancies and more review of the current organizational structure with the goal to utilize new staff expertise and available technology in the most efficient way. The current leadership and administration of the front of the house abstracting, clerical, and mapping sections directed the added job of vetting 26,000 surveys creating all new web forms for tax relief and administered new assessment deadlines for two assessment rolls in one year. I have a lot of pride for that staff. The changes in leadership roles at the back of the house are resulting in greater standardization of valuations, improved monitoring of staff appraiser responsibilities, streamlined appeals intake processes, comprehensive review of existing real property Ordinances and policies, and earlier reporting to the Finance Administration and the County Council.

RPA intends to continue utilizing additional training from the Honolulu's Property Technical Officer to continue refining our market models. To better facilitate market modeling we have rotated assignment area and we will refine valuation assignments in more detail, incorporating all types of market areas into each assessor's area of responsibility. With the assistance of IT's GIS analyst time permitting, we will train our Mapping Division to utilize the growing GIS capacity in helping assessment to visualize our market groupings, troubleshoot outliers, and cohesively work where models overlap. These visualizations on GIS allow us to see where the valuation tools are meeting each other according to the market data. The Administrative staff continues to pursue industry training materials for current assessment staff. RPA will augment assessment education core schedules and software conference training by utilizing current available train hours for GIS application, via webinars. There are currently three assessors working on State appraisal licenses certified online courses and the option to ensure all continuing education requirements in the USPAP, Uniform Standards of Professional Appraisal Practice for completion through online Hawai'i certified vendors is in an effort to work with the proposed reduced RPA training budget. The benefits the Hawai'i Chapter in IAAO combined with recent trainer education will help to facilitate mass assessment online education at a reduced membership cost. Do you have any questions?

Mr. Rapozo:

Thank you, Kim. Any questions? Mr. Bynum.

Mr. Bynum: Thank you for the presentation. I have read through this a couple of times and highlighted things that...I mean I think you did a really great job of writing this and walking the fine line of letting us know how difficult things are and staying within your budget constraints. So the first thing that leaped out to me was these technologies have allowed RPA to allow at essentially the same or lower staff levels for two decades. So I am going to ask a series of questions, because I think I know the answers. Steve, you started working for the county when?

Mr. Hunt: Originally, 1993.

Mr. Bynum: I mean the most recent go around?

Mr. Hunt: The most recent stint, 2008.

Mr. Bynum: To be honest, my education about Real Property starts in 2007-2008, but particularly in 2008, Kim remembers I was over there with you and John for hours, when we had the Real Property Tax initiative proposal before the Council. Let me just stick with staffing. There are so many things that I want to talk about, but I will not belabor it. When you came to Real Property that was a new EM-03 or -05 position?

Mr. Hunt: EM-03 at the time.

Mr. Bynum: What I came to discover in 2008 that we, the collective "we" had put an incredible burden on the Real Property Tax Department and that your primary role is assessment, right? In my view, that had kind of taken a back step to the reality, and this is prior to you being there and Kim you have been there a long time. It took...it did not get the attention it deserved, because various tax proposals that the County had put you in charge of were incredibly complex and outside of the norm of the way real property is, is that correct?

Mr. Hunt: I would characterize it as the functions of Real Property Assessment had migrated more from doing assessment work to explanation of tax calculations. There was quite a bit of detail that is now required to understand with the various layers of relief and cap how the taxes are calculated. It is not a corresponding relationship between value and actual tax bills anymore and that burden has essentially fallen back to Real Property Assessment to do that.

Mr. Bynum: I think really good news over the last couple of weeks that there is real commitment from the Mayor and from the Chair and I hope the entire Council, to resolve that next year and to get off of these incredibly complex things that take a huge amount of time and effort and divert away from the core mission. Because we have a...our cap, for instance is based on assessed values in 2003. If I called for an audit of that, we would find many, many problems, I know. Those values were not credible in 2003 but yet how our people are taxed is based on those values that did not have any credibility. I believe and this is because I have heard this from realtors and mortgage bankers that the Division is in a much better place that it was in terms of making those

assessments credible. I think by your own narrative, you have not done all of the things that you want to do to do even better. You are still kind of in a transition to a different model. That is more accurate and more state-of-the-art. Is that correct?

Mr. Hunt: There are a number of initiatives that are ongoing. I guess the two major ones that will require a lot of staff time as well, particularly for Kim, with her technical knowledge is going to be the transition from our client-based server to a web-based program. That would be the IAS World. The second, and equally complex assignment is going to be the conversion of cost tables, which are currently provided as an intergovernmental contract between City and County and Kaua'i County converting that to a standardized marshal and swift program.

Mr. Bynum: In spite of the challenges that the Department has had, you have administered these complex things and done a credible job and I admire that and real property has a data set that is valuable to other Departments and increasingly those Departments are asking you to provide the data. Those are good things, but it will still put more burden on the tasks that you need to do. I will get more specific now. I will address staffing now. Last year we had a discussion about all these technical things and the Council put in a Technical Officer position. That is still funded here and I think you filled it right?

Mr. Hunt: Let me address that now, as I was being requested to be the Finance Director, we had already planned a reorganization that included what you see here, structurally. Except my position was not dollar funded at that time. At the transition when we submit this budget, the responsibilities and Kim stepping up to the plate and agreeing to be the TA Tax Manager, we needed a description of a job with more supervisory capacity. So the transition, which we had used her former position, the Appraiser VI position to convert that to a GIS III which is also currently dollar funded we are going to need to reverse that and you will see that reflected. There will not be any change to the budget per se, in terms of funding, but the titles will change. The PTO will go back to dollar funding and the Appraiser VI position will be back on the books, which will be filled and the GIS position will disappear altogether.

Mr. Bynum: Even though you are shifting things around, staff wise it stays the same. The Council said we think you need more assistance doing this and going into the new fiscal year you have less. You are not there, Steve. But like Ernie and Ann, you will wear several hats. That is the reality. So I am very concerned about the two dollar-funded positions and I am very concerned about GIS. GIS is a whole other thing we will talk to Brandon about, but we hear how much GIS has helped to improve efficiencies and we have one GIS guy. One guy. So the idea that we would get in a high-use Department like yours, someone focused on GIS was a good idea.

Mr. Hunt: I think that we are talking about as far as the demands of other Departments for data can be accomplished through GIS, because our imbedded data can be drawn from the GIS. So once we have a County wide GIS system where everyone is contributing their portion to, then there is less demands from other Departments as to providing and running reports for that data because it is out there for

them. It speaks to efficiency in the government as well. So you are right. It is something that is needed and something we are striving towards and right now where it should be under it or housed in Real Property? I know Planning had at one point demands for that as well, but there could be dual service by the same position depending on the volume of the work. A lot of that is needs-assessed right now.

Mr. Bynum: I appreciate that Steve and that is the answer that I heard four years ago and there is no more additional resources in the GIS. But a whole new list of hopes and expectations about using that system. I went to GIS training when I worked for Mayor Baptiste and we were all like wow, look at the capabilities of this system. Even in that one meeting, it was like Roads were saying wow, if we did this and then we did an analysis last year, at least I did with the help of staff, about staffing in other Counties and at Real Property and GIS, these highly technical places, the other Counties have three/four times the staffing we do. We hear all of these great stories of how GIS has and you are one of them. No new people for decades, right? But yet, there is a backlog of trying to get that fully...you just said once we have a County wide GIS, so bottom line of this is we added a position, last year, because of all of these demands, anticipating your 27,000 surveys, right? Now you are entering this new fiscal year with two positions dollar-funded, and even less. People like Kim, who are remarkable, wearing two hats, you are now going to wear two hats because my guess is that Kim is going to need some dialogue with you on an ongoing basis. Anyway, I just wanted to express those concerns. I would really ask the Mayor to look at these positions in particular.

Mr. Hunt: Again a lot of our costs associated in this year's budget have been directed towards resources in terms of software and upgrades that are very front end loaded as well. So our anticipation is trying to get that established this year and for the forthcoming fiscal is to not dollar fund those positions.

Ms. Hester: Our Department in and of itself due to the nature of our work, we had the benefits of having the one IT person actually help us develop a framework for our GIS mapping. We were able to jump in the pool and we have been able to utilize what we have now and we are only working to enhancing that data and making it more interchangeable with other Departments. We have actually set up a framework that hopefully the other Departments can work from and develop their own toolboxes. If you are not willing to jump in the pool and even though you may have dirty data and things that need to be corrected, if you do not do it, you are not going to get any results and you are not going to move forward and I think our Staff really wanted to use it and that is what helped.

Mr. Bynum: That is because of who you and your staff are, right? You wanted to take on this because you saw how it would benefit the role you have to play, right? So this is four or five years we have all agreed that GIS was a wonderful tool, what Garrett did working with the Police Department, really important. This, really important. There are applications in Roads, and everywhere.

Mr. Hunt: The point you brought up earlier, if and when the cap is removed, that opens up a lot more efficiencies with our Department with the

remaining staff to focus on assessment and we will see with all tools and all the software and not having that additional time spent talking to taxpayers about the calculation of their cap taxes we will be able to assess our needs in terms of staffing and where we need to grow.

Mr. Bynum: Well, I will just read from your thing here, for the next fiscal year the PTO is temporarily assigned to the Tax Manager and continue to absorb PTO duties while remaining Assessment Staff will take on the added valuation responsibilities. It is like you already were stressed with all of these things and maybe you got through the surveys and that was a big project that you could complete, but now there are new ones coming online. I am trying to convince you this is so important. Because of the credibility, when you take money from people, it need to be done fairly and appropriately with the highest level of integrity and standards and unfortunately in the early 1970s, despite having outstanding individuals there, the overwhelming tasks from the programs that the Council gave, like circuit break was very intensive, research-oriented and difficult program to manage, correct?

Mr. Hunt: Correct.

Mr. Bynum: We have one big one left like that and I hope some future Councils never...understand there is a technology out there for Real Property and a process that works and all over this Country when people have gone off of that, they have created huge problem for their community. So thank you for being patient with my passion on this. I thought the write-up was great, but just illustrated that the issues are more difficult than ever. You have less staff than you had last year, when we offered to give you more. Good luck.

Mr. Rapozo: Thank you. Questions for Real Property Assessment?

Ms. Nakamura: Thank you for your presentation and congratulation on your appointment, Kim. I wanted to ask you there was discussion earlier about engaging in a process to look at the PHU and more than ever it seems like it is going to be important to address this for a lot of reasons, but the equity issue, but then also the staffing requirements to maintain this. How do you plan to address this issue in the upcoming year?

Mr. Hunt: Talking about the staff coming up with a plan or the Administration coming up with a plan to replace the PHU?

Ms. Nakamura: Yes.

Mr. Hunt: That is going to involve a lot of Real Property staff and likely our consultant that we currently have, that maintains the software. As to running scenarios and determining what an efficient replacement would be? A lot of it is policy call as well. So that certainly lies in both of Administration and dialogue between Council as to what is the appropriate means to supplant that? Certainly we are looking at

reviewing exemption amounts. The appropriate tax rate setting which is done annually anyway and of course, if there are any outliers in terms of creating a Circuit Breaker program that is better than what we had removed, that deals with some limitations to ensure there are not abuses of system.

Ms. Nakamura: Do you plan to work on this after the budget and is the goal to have something in place by the next budget?

Mr. Hunt: Certainly you would have to, if we are looking at a removal of the cap, we are sending out assessment notices in November and our data value is October 1st, it is something that is hopefully approved by summer. Then the exemption filing deadline and we have a September 30th filing deadline, we need to get the word out so that people who are going to be eligible for that can come in and file for that.

Ms. Nakamura: And working backwards from the County process, the Council process?

Mr. Hunt: Correct. Basically when the budget gets through we are immediately right on to reform.

Ms. Nakamura: Thank you. I wanted to get a sense of timing.

Mr. Rapozo: Anyone else? I just want to follow-up. That is pretty unrealistic though. I mean I am trying to be real here. With those deadlines, for us to get reforms studied and communications between the Administration and Council and get something across and finalized before those deadlines...we should be real and say, let us shoot for next year.

Mr. Hunt: Certainly the things that are fairly easy to control are the exemption amounts and the tax rates. Beyond that when we get into Circuit Breaker and those type of things, if the goal were to remove the cap, you still had those two triggers of changing exemption and rate, you could do that so that you are not having too many people paying minimum tax and that is another discussion, maybe there should be different types of thresholds for different exemptions.

Mr. Rapozo: Got it. Councilmember Yukimura?

Ms. Yukimura: I want to compliment the report from Real Property Assessment. It is very well-done and it really reflects this thing you have announced at the beginning, Steve, about how you want to gain leverage in terms of government service through the use of technology, and repositioning positions, and just so much commitment to efficient and effective use of resources; that are not easy to come by. So congratulations and in Kim's report, again, it just reflects that specifically in Real Property Assessment. I want to say a real cooperative spirit in terms of recognizing how you serve other Departments, too. So, in fact, you know, Steve in your mission of the whole Department, which is to provide effective financial services to the people of Kaua'i and you say to all that we serve. It strikes me how much Finance has so many internal customers,

Kim you were describing how you serve Planning and Public Works, and Police too. Of course, Accounting in all of, this you have so many internal customers that you support in doing the work for the people of Kaua'i. My question is as to your positions, you are staying with GIS III right now, but that will eventually go back?

Mr. Hunt: In May, what happened is that we setup a reorganization of the Department, prior to things that happened personally to me, which obviously had an effect on the Department. Kim was looking at going to PTO and what is reflected in the current budget is what was approved prior to my more. So in May, she will be reestablished as Appraiser VI and still doing the temporary assignment as Tax Manager and taking on the responsibilities essentially of the PTO which she has been doing voluntarily as part of her job for many, many years.

Ms. Yukimura: Where is GIS?

Mr. Hunt: GIS would be lost it will stay 217 and go back to Appraiser VI. If you look at the footnotes that is associated with that, that will reverse.

Ms. Yukimura: It is dollar-funded then?

Mr. Hunt: The Appraiser VI position will not be dollar-funded. The moneys showing for PTO, which are currently funded will go back up to Appraiser VI line. It is essentially undoing some of the reorganization on that section.

Ms. Yukimura: I guess you would make those changes in the supplemental budget?

Mr. Hunt: We already made them finally, but not in time for the submittal for March 15th.

Ms. Yukimura: So they will show up in the supplemental submittal?

Mr. Hunt: Yes.

Ms. Yukimura: So in terms of dollar-funded positions, how many will you have then? None?

Mr. Hunt: There will still be two, Tax Manager is still dollar-funded. Premium pay will cover her TA portion, but she will be doing the TA from the Appraiser VI position, Kim will be.

Ms. Yukimura: Where is Appraiser VI?

Mr. Hunt: 217 was Appraiser VI.

Ms. Yukimura: That will not be dollar-funded then?

Mr. Hunt: No. So the PTO will be dollar-funded.

Ms. Yukimura: So have you one dollar-funded position?

Mr. Hunt: Tax Manager and PTO.

Ms. Yukimura: Oh, okay.

Mr. Hunt: Towards the bottom.

Ms. Yukimura: That is going to be dollar-funded?

Mr. Hunt: Yes.

Ms. Yukimura: Okay. I have another question. Is there anybody else?

Mr. Rapozo: No, go ahead.

Ms. Yukimura: There is a part of your process that deals with changes in property taxes, ownership, and so forth.

Mr. Hunt: Abstracting is what they call it.

Ms. Yukimura: That is what it is called, Abstracting and right now it is done by one person?

Mr. Hunt: Two. One is a Supervisor and one is an Abstracter position.

Ms. Yukimura: You forecasted possible additions in the future for that function?

Mr. Hunt: Correct. We are look at succession planning as well. So we are looking at some point bringing on an additional Clerk position/Tax Clerk and it may be in the function of abstracting and may be in tax mapping and it may be in tax clerk work which deals with the processing of exemption. Again, it just depends on where they view that need to be, but we realized there are likely to be some retirements in future years.

Ms. Yukimura: You really made clear how the Council's work in giving you different tax programs really affects how you allocate your staff, too. So that if we are successful in removing the cap, it will not be business as usual. There will be some changes in functions where attention needs to be put.

Ms. Hester: In replacement of those functions, we have the tax on use survey that is going to be an ongoing process. Whenever a transaction occurs on a property of any type, we generate a new survey to determine what the use of that property will be. So that will be an ongoing process as well.

Ms. Yukimura: Thank you. So that is a new function has come out of change in the system that now taxes by use rather than by zoning.

Ms. Hester: Correct.

Ms. Yukimura: Okay. Thank you very much.

Mr. Rapozo: Thank you. Any other questions? Real Property Assessment?

Ms. Nakamura: Under "challenge" you talk about the need for greater technical assistance now that the computer and analytical...it is going to take a lot higher level of skills to use the new software?

Mr. Hunt: I would say as far as the Appraiser description, especially in those that are doing the residential type of appraisals, we are really becoming statistician. You have to understand we are using market modeling and understanding the relationships. So we need people that have quantitative method skills, people that understand standard deviations, and variance, and those types of correlations between values. Because you are setting up essential a very large regression, multiple regressions of property values. So our skills are not so much as they were on costs anymore. People used to have a keen eye for quality and construction material and craftsmanship and everything was based on cost, but in today's market they do not always pay what it costs to reproduce something. As we migrated to marketing modeling it has definitely changed the game plan of what the appraisal staff is doing.

Ms. Hester: The software and upgrading the software, all as provided as tools to help us facilitate and learn those processes. As well as the training provided by the software vendor and IAAO membership that we are part of and the chapter we are creating for the State of Hawai'i and some of our staff have already attended some of these very complex statistical classes and that is part of their training.

Ms. Nakamura: I was just wondering what your training line item is here and if that is adequate?

Mr. Hunt: I believe the training line item also includes visits by the Property Technical Officer from Honolulu, who is now, I think retired, but we have retained him as a consultant to come over and continue to reinforce and do the training for us on the marketing modeling and that way when we are able to go to Board of Review or explain to the taxpayer or someone in the County how that model was developed, they are giving us the tools to be able to explain that.

Ms. Nakamura: Is that adequate to train your staff...what is it?
Is it 15?

Ms. Hester: I am not sure what the number is, but rather than travel for training we are working as much as possible as using webinars and online education.

Ms. Nakamura: Because again, this is where we get the source of revenues to run this County, and the more accurate we are, the less appeals we get, right? That we make sure that you have the resources to do your job well.

Ms. Hester: I can say with my 15 years' of experience with the County, I believe our appeals ratio is quite low. It has been below three and possibly one percent of the total parcel count and sales to assessment ratios have been very good for the past five years, been improving every year.

Ms. Nakamura: Good job.

Ms. Hester: Thank you.

Mr. Hunt: I just to comment on that too, having no appeals is not the goal, because then you are probably undervalued. We try to keep right at 100% market value and certainly when you are doing that, there are some above and some below that midpoint and by trying to keep 100% ratio we certainly anticipate some appeals every year and if we are not getting them we likely set our appeals ratio too low.

Ms. Yukimura: I just want to reinforce our thanks on the training focus it is very clear from your report you are paying good attention to it and you are doing it again in such an efficient way. Very, very good.

Mr. Rapozo: Thank you, any other questions? If not, thank you, Kim, good job.

BRANDON RAINES, IT Manager: Good afternoon Councilmembers, for the record, Brandon Raines, IT Manager. We have about an hour, but I will try to get through this. For the first part of my presentation, I will cover the Information Technology Division of our Finance budget report. After this, assuming there is time and it is acceptable, I will move to the high level CIP review addressing the projects that are relevant to our Division. Documentation on those CIP projects was provided as a supplement to the main content of our IT Division report with Finance.

Within the Information Technology or IT Division, our mission is to provide the Mayor's Office, County Agencies, and the County Council with information technology service to serve the public in a cost effective and efficient manner.

The IT goals and objectives section for FY 2012-2013 summarized the Division's key high level deliverables as they apply to our ongoing mission across the entire County, and

did not address specific projects or initiatives with definitive timelines for completion. As such, some of the Council requested data points for these items will have limited value in this year's presentation. Going forward, we have reworked the FY 2013-2014 goals and objectives section for this year's IT budget report so that a review of the previous year's goals and objectives will be more meaningful in the future. We will continue to include the high level ongoing items as well since they remain part of our County wide mission.

A brief review of our goals and objectives from last year. The primary goal of our Division is to provide quality customer service and expert technical services that empower County employees through the availability of accessible and useful information, as well as the use of automated systems that improve their productivity.

Some of the challenges, obstacles include the fact that IT is currently understaffed for the services we are expected to provide, and this prevents us from delivering the level of customer service that we would prefer. Additionally, IT is lacking in several key skill sets required to move the County forward more effectively. That being said, our staff continues to do an amazing job under difficult circumstances.

Strategies for addressing these challenges are to fill two open vacancies that have been re-described to optimize operations, and adjust staff workload allocations to take advantage of the additional capacity provided by these positions being filled with high functioning employees. I know I have talked to some of you already, but our goal is to hire the best and not settle. I would rather not hire the wrong person and take a little bit longer to get the right person in place.

The next goal is to provide County employees with easily accessible technical support and timely responses via a centralized Help Desk function. Some challenges include that the Help Desk request volume is not predictable and can sometimes peak beyond our staffing capacity. Additionally, ongoing technology expansion across the County places additional demands on our already limited resources. This makes it difficult to provide timely response to non-critical items during high volume periods.

Strategies to address these challenges include continuing strategy of pursuing cloud based solutions for all new systems in order to minimize the impact on IT resources as we continue to move the County forward. Analyze Help Desk ticket data and develop action plans to proactively reduce incoming calls where possible. Research options to implement a volunteer program with the community and KCC and see if we cannot get some help from our folks in the community.

The next goal of the vision is to continue to maintain and enhance the County's technical infrastructure to ensure reliable, efficient, and secure operations. Obstacles and challenges in this area that we face include much of the County's technical infrastructure needs to be upgraded in order to increase reliability, improve performance, and prepare for the adoption of new systems. Ongoing maintenance requirements and limited staffing make it difficult to complete more extended projects. Additionally, our data centers are starting to reach maximum capacity for space as well as power.

Our strategies for addressing the challenge focus on establishing cloud based partners for the procurement of infrastructure and software as a service. Pursue opportunities to move existing infrastructure into the cloud as a means to modernize without requiring large upfront costs, extensive staffing overhead, or expansion of current data center facilities. Upgrade on-premise infrastructure as appropriate to address evolving demands and requirements.

The next goal is to assist County Agencies with the procurement and implementation of new systems that will increase operational efficiencies, as well as improve the services available to our citizens. Some obstacles and challenges include the fact that projects involving new systems require leadership, expertise, and resource commitments from the Department associated with that initiative since they are the business owners. In some cases, a Department will rely heavily on IT to define and drive the project rather than act in a supporting technical role. This can be challenging, and is not the ideal way to move forward since IT does not have the same level of knowledge or authority as senior Department staff.

The strategy for addressing this includes creating and implementing a formalized methodology for projects involving new systems to ensure that roles and responsibilities are clearly outlined upfront. The methodology will also be used to standardize various project-related activities such as funding, procurement, project planning, status report, et cetera.

The next goal is to recommend solutions and strategies that will leverage the power of technology to address County wide needs. Obstacles and challenges include there are currently many needs across the County which demand immediate attention from IT resources including everything from day-to-day support efforts to new systems implementations. Current responsibilities already exceed our staffing capacity, thus making it difficult to address strategic, long term planning efforts for the County at large.

Strategies for addressing these challenges include create and implement a formalized methodology for Departments to assist IT staff in creating a strategic plan to address their system and technology needs going forward. The methodology will be used by IT to gather standardized information from assigned leaders in each Department and craft this into a Department specific IT plan. The Departmental plans will then be layered on top of each other, optimized for alignment of commonalities, and adjusted as needed to develop a cohesive, County wide plan for all. As part of this, IT will work in partnership with Departments to review all major systems and supporting infrastructure across the County in order to develop a long-range "road map" for infrastructure, applications, services, reporting, and technology. This methodology will also allow us to identify funding and staffing required to execute the associated plans.

Perhaps the most exciting part about being in IT is initiatives that have major impact and the FY 2013-2014 initiatives. These are now described as goals and objectives in this sense while the former section for upcoming plans and initiatives has been eliminated to avoid redundancy.

The following is an overview of the initiatives we will be focusing on for our goals and objectives in FY 2013-2014. First off infrastructure improvements. We will be looking to establish teleconferencing, video conferencing, and desktop sharing capabilities leveraging current infrastructure investments. Continue rollout of wireless services, and integrate mobile computing solutions to improve productivity. Overhaul the architecture foundation for increased redundancy, reliability, and performance as required for the next generation of applications and technologies. Leverage the cloud for all new and existing systems. Provide improved information access and services, both internally for County operations as well as externally for our citizens.

Next electronic procurement, we are working with Purchasing to implement a comprehensive, cloud based electronic procurement system to enable solicitation posting, bid submission, and award granting over the internet to realize huge internal savings on efficiency, as well as expanded vendor partner services and conveniences. This will build upon what we have already done in terms of posting solicitations online versus paper.

Next, form management and work flow. Research, select, and implement a feature rich forms management system that includes configurable electronic forms, workflow driven document routing, managed work queues, and electronic signatures. Our goal is to try to stop pushing those paper forms around the County as much as possible.

County wide document imaging, this initiative has been redefined based upon lessons learned from phase one and review of industry best practices to ensure greater success going forward. Resume CIP funded activities for this project in fiscal year 2014 following completion of formal Agency needs analysis including standards for scanning processes and storage, as well as identification of any gaps in required scanning equipment. Require that candidate Departments commit to scanning all current documentation and resolving organization/access methods prior to moving forward with any contracts to scan their document backlog. Basically we want to make everybody scan current and stop creating backlog before we bring in a contractor to do the backlog.

Technical service contracts. We are going to be looking to create flexible service contracts with key vendors to supplement our limited IT resources on an "as needed" basis allowing IT to address workload spikes without adding new staff and utilize these service contracts to decrease our evolving needs for specialized skills not yet available in-house.

The last year has been very busy time for IT and despite our limited resources we have been able to accomplish much due to the outstanding effort of our current team members and some highlights include the following:

The County's 800 MHz radio system and worked with Fire, Police, and Civil Defense to guide the project and ensure appropriate representation from all key stake holders. This project is phase 1 of a multi phase project to upgrade our critical public safety communications infrastructure. The upgrade will result in a modern architecture that is compliant with the latest interoperability standards for supporting the County's emergency response operations. Phase 1 is now complete, with subsequent phases to follow based upon available funding.

We partnered with the Purchasing Division to implement a centralized Contract Repository that provides all Agencies with standardized electronic access to their contract files via the County's SharePoint portal. Created the required security solution to support and control the associated file access, while minimizing the need for ongoing maintenance by leveraging current Purchasing processes for storing and maintaining these files.

We worked extensively with Finance/Payroll and HR/Personnel to ensure the County's compliance with Act 163. This law required the development of electronic transaction-based reporting for payroll personnel data for the State's employee retirement system. We coordinated with vendor resources, State analysts, and internally assigned staff to specify and develop software customizations needed to support these new requirements. We consulted with affected Agencies to assist with the relative data analysis and process changes. Finally, we addressed changing requirements from the State with tight deadlines to complete the project on schedule.

We implemented significant upgrades to the County's internet band in order to realize greater staff productivity and to support new, cloud based initiatives. We renegotiated associated vendor agreements to achieve this with minimal cost increases so that additional upgrades can be pursued later as needed.

We negotiated a new radio site license agreement with the State Emergency Medical Services. The agreement formalizes the ongoing practice of allowing EMS to co host their public safety equipment at our remote radio sites, and establishes appropriate fees in order to help share in the ongoing cost of maintaining these sites.

We assisted the County CIP Manager and Public Works in coordinating research and demonstrations to identify the automated CIP project portfolio management solutions that are being used successfully by other jurisdictions across the country. Upon completion of the research phase, provided technical input to assist with the associated RFP development and participated in the selection committee. Current schedules call for completion of procurement in FY 2013 and full rollout in FY 2014.

We worked with affected Agencies to implement the newly procured system for Electronic Plan Review. Provided technical support, project management, and contract administration to facilitate various project activities. We leveraged vendor hosting options to implement this application as a cloud based solution. The production environment is already fully functional, and initial system pilots with the public were completed in late 2012. The full system rollout is planned to occur prior to Summer of 2013. This system will deliver an online repository of plans, allow citizens to submit plans electronically via the internet, automate internal and external workflows associated with plan review and approval, and provide efficient E-mail communications between County plan reviewers and citizens.

We initiated a new infrastructure project to make WiFi available in selected County meeting rooms and facilities. This will provide secure, wireless access to our internal network for approved County employees and devices, as well as internet only access for

guests and the public in general. The initial project phase is expected to go live by May 2013, and includes ten locations spread across the Civic Center Complex as well as the Historic County Building. Additional WiFi locations will be considered, prioritized, and implemented in subsequent project phases following successful completion of the pilot.

Our next generation Computer Aided Dispatch and Records Management System solution from VisionAir provides advances public safety capabilities for dispatch operations, including mobile communications via laptops in our public safety vehicles. The new VisionAir RMS system provides an extensive records solution, along with complete CAD integration and field based reporting for Officers. The overall solution replaces multiple out dated and largely unsupported systems.

Finally, we completed recruitment hire and training for the new County Telecommunications Officer position. This position is critical to supporting the radio and communication systems required for public safety operations as well as their use by other County Agencies. The selected candidate already has over twenty years of history and knowledge specific to our County systems based upon his long time role on the vendor side to implement and support the associated infrastructure components. We completed strategic planning efforts to transition the telecom function from IT to Civil Defense as part of the FY 2014 budget cycle.

We face some serious challenges as we move ahead and the most significant includes managing change required to move away from paper based processes and implement next generation solutions can be very difficult due to a general resistance to change. IT can help to lead the way but will require strong support from affected Agencies and stakeholders in order to be successful.

The adoption of new technologies required to move the County forward demands additional IT effort, research, training, and support, thus stretching our already limited resources. Similarly, the increased need for County IT involvement in Statewide projects placed further demands on our Staff. Balancing these priorities with the maintenance of current infrastructure and systems required for daily operations makes it difficult to provide quality customer service.

Finally, there are two IT positions that are open, 244 and 273 that have remained vacant despite multiple rounds of job posting and recruitment. Finding and hiring appropriate candidates with the required skill sets has proven difficult due to a lack of qualified applicants. We are now in a continuous recruitment mode in hopes of addressing this as soon as possible. The unfilled IT positions continue to delay progress on key initiatives while overloading current staff with additional responsibilities. Timely hiring of qualified candidates into these positions is a top priority and is required in order to resolve this situation.

Finally in term of succession planning for the IT division, happy to note there is not much here. There are no impending retirements or departures and employee retirement plans are not always shared with the management and are subject to change or short notice. This depicts what we know at this time.

I will pause there for questions on operations unless you want to go into CIP.

Mr. Rapozo: I want to go into questions for operations.
Councilmember Yukimura?

Ms. Yukimura: Brandon, did you miss one whole page?

Mr. Raines: Did I?

Mr. Rapozo: You missed page 11 but he was on such a roll
that I did not want to stop him.

Ms. Yukimura: Numbers 6-9. Maybe Bringing County Services
Close to Home because maybe I do not understand it.

Mr. Raines: The remainder of this FY will be to publish a
citizen survey and results will provide County officials with a better understanding of
priority needs and how best served through technology. Our goal is to identify community
goals and take appropriate actions where possible. So the idea is rather than assuming
that we know everything that the public wants, we plan to gather input on technology
based services that are most important to the residents, including how they interact with
government and other opportunities.

Mr. Rapozo: Thank you, Mr. Hooser?

Mr. Hooser: Good afternoon Mr. Raines. Thank you very
much. How long have you been with our County?

Mr. Raines: Just over two years now.

Mr. Hooser: Two years, so you have been in front of the
Council before?

Mr. Raines: I have.

Mr. Hooser: You have thirteen positions?

Mr. Raines: Correct.

Mr. Hooser: Which one are you? Executive Assistant to the
Mayor?

Mr. Raines: I am. The IT Manager position.

Mr. Hooser: Since you have been to the Council, you know our main authority is to pass Ordinances and approve or not approve budget items and talk to people like you and others. My question is, do you know what the most important project the Councilmember Hooser is right now?

Mr. Raines: I would expect it to be access for the public wireless.

Mr. Hooser: Public wireless in the building. Yes, thank you for acknowledging that. So I guess my question is, with thirteen really smart people and \$2 million, why do we not have wireless in the building? I know I came in December and I have been asking for it every month. So why do we not have that?

Mr. Raines: Partially due to our limited resources, and it makes it difficult to take on new projects. There was never wireless available in the County but we have actually taken that on as a project. We have completed the task of getting the wireless access points in place and we have also resolved all of the remaining network and wiring issues that we ran into along the way. We have been making progress since you have been here and the only remaining items to complete are our security certificate and we are working with the vendor and the County Attorney with waiver language for access and to put filtering in place rather than leaving it unfiltered. Those are two things to be resolved.

Mr. Hooser: So starting in three weeks we will have wireless in this building?

Mr. Raines: Sometime in May.

Mr. Hooser: Before the budget?

Mr. Raines: That is my goal.

Mr. Hooser: I understand you have a lot of important things to work on but I think public access to wireless is important for the members. Wireless in my house was set up by my daughter and costs \$35 a month. Most other buildings I have worked in the past had free wireless for the public filtering, no cost, and no disclaimers. I would hope that you would make this a real priority. Our powers are limited. Your boss is the Mayor. I am not your boss. The only authority or power or direction that I have over any Department is the budget.

Mr. Rapozo: Thank you Mr. Hooser, I too have asked for wireless in the building but it was not directly to Brandon. I like you did not think it was much of a project but it seems to be. I said in the past that Council initiatives typically get put back and others go forward and I share that frustration. Hopefully we will see wireless in here soon enough. Councilmember Yukimura?

Ms. Yukimura: Thank you. Thank you for waiting. How much sleep have you had since you first took the job?

Mr. Raines: It depends on the week.

Ms. Yukimura: Because this is an amazing report. I am very, very impressed by the accomplishments. They are major accomplishments and what I see happening is very strategic thinking, systems-thinking that is setting very strong foundations in important projects, like your work with the 800 MHz system. It would be foolish to go to the next step without those foundations and it is great that we have someone so qualified to take on the Telecommunications Officer and I feel very good about this very critical system so thank you, for that and I was not aware of Act 163, but I am glad that the State is finally getting its act together, so it seem to me from the requirements. Is it true that in doing this work, we have laid some foundation for our payroll and personnel systems, too? Is that at all related?

Mr. Raines: It is certainly related in terms of the system that we have in place today. As well as tapping those resources. I mean basically this required almost a side project that took away from the central work that would be going on replacing or improving the core system by the additional requirement from the State. And basically, we were reporting our retirement system data to the state on paper for many, many years, and I think they eventually passed a law because they did not want to key in all of our paper data and required them to give them electronic transactional data as you might imagine. That was a change to go from giving them paper to that and there was system optimization and code evaluation to make that happen. So that will help going forward, but it's just say small step to where we need to go and I know we'll talk more about the payroll and personnel system as parts of the CIP review.

Ms. Yukimura: It has been a subject of the audit and all of that. I believe this new radio site licensing agreement is getting \$35,000 more a year to the County.

Mr. Raines: That is right, the license agreement with State EMS will bring in another \$30,000 a year and that is just to help offset the cost of remaining those remote radio sites.

Ms. Yukimura: I appreciate that kind of thing that is identifying where we are offering services without getting fair compensation, and making...working it out so we do. So you are the only seen so far in the budget that went back to your goals and objectives from last year...Ernie did too.

Mr. Raines: Ernie copied me, I just wanted to say that.

Ms. Yukimura: I wish more copied you and Ernie. I am thinking next year we forgot about initiatives and require that they put into objectives. Anyway, I have seen great improvement and really appreciate your understanding of what we are looking for. So on the...I have to say that the strategies that you have identified for all of

your 2012-2013 goals and objectives are really spot-on as far as I am concerned in terms of re-describing to optimize operations and hire the best and do not settle for less are really great management principles. So what I found interesting and what my question is about...

Mr. Rapozo: I was actually waiting for the question. Because I think Councilmember Nakamura has some questions as well.

Ms. Yukimura: Okay, good. You know, this is regarding number three, and you are talking about...I think you are making reference to the obsolescence...what is the system that we have right now? The AS400 system. Maybe it is not obsolescence, but the need for updating of the system.

Mr. Raines: Well, I am referring to actually most of the County's infrastructure. We have made some strives to upgrade everything from the networking pieces to the computers to the software. The AS400, that is actually the main frame in a run our Sunguard ARP system. It is an older green screen-based application as most of us are aware, that does not mean it has not been updated regularly on an annual basis for more feature and functions. We did complete a review of Sunguard's next generation application, but decided that given what we saw, they are going in the right direction, but they are not quite fully there. When it comes time strategically for the County to look for a new ERP system it makes sense to go out to RFP. That is a multi-year, multi-million time of proposal. So as we move forward with developing the overall strategic roadmap for the County with the costs and staffing and the rest that requires us to get from point "a" to point "b," that will definitely be win one of the items in that plan.

Ms. Yukimura: I see a lot of progress in the whole thinking about these decision points we have to make, which are huge decision points. Maybe it is just my lack of familiarity with cloud-based systems, but what you are trying to do here is as far as I can determine is to use cloud-based systems to upgrade our systems without doing this major overhaul?

Mr. Raines: Cloud-based, so cloud-based system effectively means that the hardware and software is not hosted here on premise at County facilities. It is hosted at another location in the "cloud" or accessed by the internet. That can be another data center in Hawai'i or a data center on the mainland. It does not really matter, but the advantage of going with a cloud-based approach is that one it keeps our limited staff from having to stack and rack new equipment, what does it mean to the network and network and access and that keep us from having to spend millions from upgrading our current facilities. If we have to stack and rack the machine and I have people busy keeping the County afloat, and not be a bottleneck to progress in getting people to go there. So to the extent it makes sense and finding appropriate vendor, we are looking at cloud-based systems, so it become a facilitator and not a bottleneck and help us run more cost efficiently. You make it more as a service, a pay as you go type of arrangement.

Ms. Yukimura: It sounds very cost-effective. It is. And excuse my ignorance, but do you have to worry about cloud interfaces?

Mr. Raines: I am not sure what you are asking, but to certain degree there might be data-sharing with what might hosted in the cloud or perhaps even two systems hosted out there; there are technologies that allow us to do that. So you do have to keep that in mind, when adopting this cloud-based system, absolutely.

Ms. Yukimura: Thank you.

Mr. Rapozo: Councilmember Nakamura.

Ms. Nakamura: Thank you. Thank you very much for your very detailed report and for using the proscribed format and your work. I wanted to ask about your two positions and any progress since this report was written?

Mr. Raines: A lot of work, but not much progress to report, unfortunately. I have been here about two years now and I intentionally did not attempt to fill those positions in the first six months and took the time to figure out what I had in terms of staffing and skillset and what we needed to accomplish in the County and then we have gone through this slow Civil Service hiring process. We had multiple rounds of job postings and we have had a set of interviews, unfortunately the number of applicants has been disappointing, although I have said we had had a few very promising applicants, one of which we missed due to just time and ended up taking another job and the time it took us and they took something else and the other was to do with funding. They are a tenured employee with a local government on the mainland and would have been an excellent fit for the position. I have to tell you that I wanted to hire him, but timing wise and not enough money to get them to take our package and both the salary and benefit package.

Ms. Nakamura: What do you think the prospects are with the current pay? They have on continuous recruitment so I am in constant contact on a weekly basis with Personnel, going do we have more? Are we ready for me to look at more applicants and my understanding there are ten to twelve more for both positions combined and I will be speaking with them early next week to get a preliminary view of them. The reason why I am asking is because you have a lot of variety of goals and objectives you want to accomplish and yet without those positions being filled, it seem like it's quite overwhelming.

Mr. Raines: It is.

Ms. Nakamura: I kind of sensed that in your writing.

Mr. Raines: To the point that trying to push the County forward with having limited resources that is part of the reason that we have delays such Councilmember Hooser's want for wireless. I certainly want to give it to him as soon as possible, as well as the rest of the County and realize the benefits and that is why we are doing this thing.

Ms. Nakamura: I wanted to ask you under "goal and objectivities." are those nine in any order of priority?

Mr. Raines: They are all objectives for the next fiscal year. In my mind they are all equal priorities, but it depends on resources.

Ms. Nakamura: Are some of these multi-year projects as well?

Mr. Raines: Absolutely.

Ms. Nakamura: That is why I wanted to including some of the goals and strategies that you have outlined like, Department-specific it plans, which I think is really good to have. Yet, what is really doable in the next year? You know? Do you have a goal, like 20%? Or to try to get one or two of them to get an IT plan?

Mr. Raines: That is going to depend on the Departments and their ability to give us a person dedicated to that task. Because what I am saying is essentially this, I cannot just sit back and to my IT Office and develop a strategic plan for all the systems in the County. I need strong partners in every single Department and Agency to work with and hopefully bear some of the load and act as the coordinator from an IT perspective to layer all of those. They may want it next year, but it may not make sense for it to be out another year, depending on staffing and infrastructure plans and rest of it. I want to take a high-level cut by the end of next fiscal year of every single agency and begin to layer it. Will it be to the detail that I want? I do not know yet, but my goal is to take a high-level cut across the entire County.

Ms. Nakamura: I think all of these are worthy projects.

Mr. Raines: It is way overdue.

Ms. Nakamura: The land management solution, I think that is?

Mr. Raines: Way overdue.

Ms. Nakamura: Thank you.

Mr. Rapozo: Thank you. Councilmember Hooser?

Mr. Hooser: Yes, thank you. Hearing you respond, there is a lot of confidence in your ability in the Department and your work. So I appreciate that a lot and certainly understand that by exceling in the IT sector, we can increase efficiencies, increase service, reliability and cut costs in other areas. So if you could speak a moment about security? I know there are increasing instances of hacking and denial of service attack and the security of our data. There is a lot there, and what would happen in the cloud disappears tomorrow or if there is some disruption and just talk a moment about that if you could.

Mr. Raines: It is a huge concern. Anybody that reads the newspaper knows that cyber security is a hot topic. The State is investing a lot of resources in that and as part of participating in the CIO Council that includes the State, County and various public agencies, we are trying to leverage from what they are doing with cyber security. At the moment, we are trying to...there is a free opportunity and free is good for us because of our limited funds, right? And there is Department of Homeland Security and I am pursuing that because we do best job we can, but I know there is room for improvement and as we expand wireless, we need to do it right and not open up the doors inadvertently by trying to be productive. So there is work to be done and I am hopeful we will be able to leverage this program to the Department of Homeland Security to do the best job possible. I believe the last security audit for the County was done in 2009 prior to my arrival. So it is definitely time to go do those again.

Mr. Hooser: I know in the old days, you would make backups on CDs and take them off-site or download stuff onto hard drive and take them off-site and I am assuming that we have multiple backup of the data and there are multiple systems, if there was a fire or data service went down, they have another backup somewhere.

Mr. Raines: There is always more you can do in terms of disaster recovery. Our current setup now is that we are primarily a disk-based backup as opposed to tape and the rest of it. The final thing we are getting off tape is the AS400 because disc is much more reliable and preferred and quicker to restore. We have a data center in the Civic Center Complex and also one at the EOC and there is some file exchange that happens on a nightly basis to ensure that if one or the other goes down. Is that as good as having something on the other side of the island or on Oahu? No, but we are getting there and another thing we are doing is procuring an insurance policy for our more critical system, for instance our main financial system. We are going to be spending a little bit of money to improve our DR capabilities whereby our applications are – or transactions will be real time replicated to a cloud service and should, heaven forbid, something terrible happen on Kaua‘i, all of our stuff will be preserved and available as soon the internet comes back up. We are not there yet. But we are moving in that direction.

Mr. Hooser: Thank you. Thank you very much. Thank you,
Chair.

Mr. Rapozo: Thank you, Mr. Hooser. Any other questions for
Brandon regarding operations of it? Councilmember Yukimura?

Ms. Yukimura: You know, all of this discussion about wireless services, it came up during the Multimodal Land Transportation Plan, the possibility of wireless at both bus stops and on the bus. Is that on your list even though it might be in three or four years?

Mr. Raines: It is probably further down. I have heard the request. The thing that the County is going to have to decide financially speaking is how much we want to spend on public facilities than our own facilities? So we are starting wireless logical within the meeting room and we can get away from using paper and bring

our laptop and tablets to meetings like we are at our own desk. For instance the Piikoi atrium, that will have wireless capabilities that will available for folks whether they are County employee or not.

Bus stops, I think is a little bit further down the line, but again it is just a ten access point pilot and I think there will be all kinds of requests once I say it is working and we will have to line those up and prioritize those. I am trying my best to utilize existing infrastructure, when means we pay for one internet connection rather than a bunch of little ones. There are wireless bridge capabilities that we already started to look at that kind of point of site. And since we are talking about public wireless, it does not have to be particularly secure and these are things that can stretch mile by line of sight. So that is probably the technology we will look to extend our wired network into a wireless capabilities. For instance have a receptacle at the bus stop pointed to the building and civic center. It is definitely doable and technology exists.

Mr. Rapozo: Thank you, Councilmember Yukimura. Any other questions for Information Technology? If not, we have 15 more minutes to get through CIP, I guess Brandon the best way is if you could just summarize...it looks like four projects?

Mr. Raines: I will try and dive through this and be as quick as possible. There are four...

Chair Furfaro: Excuse me, Brandon, before you do, Mr. Rapozo, a housekeeping issue, the other two items that are on today's agenda, I have Ernie and Gerald moved. My apologies for interrupting, but those changes have been made now.

Mr. Rapozo: Thank you.

Mr. Raines: Let me start from the end on this report, if that is okay with everybody, since there is limited time I want to make sure I get through this. The reason I want to go over this first it is very important to me because it is a public safety issue and I am very excited to have it in our proposed budget and hopefully the Council will see to fund it. As part the fiscal year budget cycle the Motorola 800 MHz system. Phase 1 has been successfully completed. That is just the first phase to upgrade our critical infrastructure. Between the upgrade results in a more modern architectural standards. P25, for those of you not familiar, P that is a set of digital public safety radio standards create but efficient effort of public safety group, standard group and the Federal government and these define interfaces of any system and allows interoperable radio communication between local, State and Federal public safety agency using P25 compliant radio manufacturer. During emergencies, especially large scale emergencies..., et cetera. Why Phase 2 is a priority, due to the lack of current available funding we are planning to fund it as part of the FCC fiscal year budget. There is no guaranty due to the age of the equipment and lack of available replacement parts and, in fact we have one channel out that we cannot repair. It is an urgent situation and continued equipment failures...I cannot stress how important. I am not going to read all of this, but I cannot stress how important this project is to fund and get this done. By the time we get through Phase 2 we

will have stabilized our radio communication for our public safety folk and we are all anxious to get that done, so thank you for your consideration on that project. I do not have much time.

Ms. Yukimura: Brandon, is this something that could be funded partially by Homeland Security moneys?

Mr. Raines: There is very limited grant moneys out there and available this, that is why I am asking for CIP funds. The fund we are competing for from the grant perspective are in the hundreds of thousands and might be appropriate for buying radios as opposed to upgrading our radio system, which is a multi-million commitment. We are ready to go on this thing and we were able to negotiate the Phase 1 contract in three to four months and we already know what Phase 2 is going to be because of a more global proposal that Motorola provided back in 2010, I believe.

Ms. Yukimura: I am actually supportive of this project. I just hope that there has been coordination with Civil Defense and the grants that we applied for Homeland Security that might always be on the lookout for ways that we can support, even if it is \$100,000, you know? It will help. And it seems to be sort of right in line with Homeland Security.

Mr. Raines: We communicate regularly with Police, Fire, and Civil Defense and all of those stakeholders will be involved, should there become grant funds available, we will move the project forward.

Ms. Yukimura: Even if it is for the next phase beyond Phase 2 and I am hoping that we are always looking for those opportunities. Thank you.

Mr. Rapozo: Any other questions? If not, Brandon?

Mr. Raines: I will try to get through these. I will try to make it quick. Planning Zoning and Engineering System is really our electronic plan review initiative. Following approval of the Fiscal Year 2012 budget, the CIP funds were allocated for electronic plan review and we are well into the implementation phase and on schedule for full system rollout prior to the system. We are fully functional in the live environment and taking plans actively. We are currently in the process of ramping up use with plans to switch over to 100% electronic plan submission. An again this system was implemented using a cloud-based infrastructure that allowed us to push forward quickly. The new electronic plan review system will deliver online reports and allow citizens to submit the plans electronically via the internet and make our process more efficient and reduce and cut in half the amount of time it takes to process building permit.

The document imaging program that I talked about earlier, Phase 1 of the project was completed to include the County Attorney, Council Services, Elections...we expanded that to address additional scanning need. Phase 2 was completed, we did phase 2 was only the office of the prosecuting attorney, and they took the step of funding this in their operational budget and we were able to both contract for that and complete that project last

year. Phase 3 and beyond is going to be continuing once we get through kind of a countywide analysis again, focusing on plugging the hole and getting current with our scanning capabilities, so we are not creating more backlog before we go contracting with folks to scant backlog.

IT infrastructure improvements. Back in Fiscal Year 2013 budget cycle we included deliverables to improved access and architect foundation improvements, and scanning capabilities and paper elimination. There remains approximately \$350,000 will be used to pursue the requirements to move the County forward. While progress has been slower than anticipating, we got quite a bit done and some highlights include implementing and securing a solution for our Sunguard ERP financial system disaster recovery and all the network traffic has been updated. We have negotiated the new internet bandwidth agreement at no extra cost and procured hardware and software that will help us with redundancy and efficiency to roll out new applications. And retire some of our older equipment. Very with the WiFi project going on as we talked about in detail and we are just about done in with that in term of the pilot phase and we started researching solutions to increase productivity through the incorporation of teleconferencing, videoconferencing and desktop technologies to allow us to have remote meetings and maybe other offices can have videoconferencing meeting, police and public works and anybody that works in a base yard and those type of things come to mind. It will make us much more efficient. I will go through the payroll personnel piece. I know that is an important thing to the council. I am sure there is going to be a lot of discussion and probably beyond these ten minutes or whatever that we have left.

Mr. Rapozo: Seven minutes. Councilmember Yukimura has to leave at 4:30 sharp. She has a bus to catch.

Mr. Raines: All right.

Mr. Rapozo: That is why I said it, because I know he is watching.

Mr. Raines: Without further ado, overall progress has been slow due to several folks including operational transition for the HR Personnel Department and Act 163 or the automated State reporting project and lack of definitive project as needs and priorities have evolved. After completing the system development and upgrades required for Act 163 related work effort have been focused on supporting HR Personnel first quarters to modernize record keeping and reporting processes by leveraging existing personnel system. Finally there has been much discussion about acquiring and implementing a new Human Resources Information System, but progress has been slow due to the lack of documented business requirements.

Ms. Yukimura: What is that?

Mr. Raines: Documented business requirements? Due to the process...the data and process with Personnel and Payroll it will be necessary for HR Personnel and Finance Payroll to partner together on establishing next steps concerning

the HRS Payroll processing and how they integrate. Consideration must be given to automated solutions to support both of these areas as well as creates employee time accountability and efficient cost distribution Countywide. It has recommended that the County pursue a comprehensive integrated solution to address HR Personnel and Payroll and time and attendance to identify business gaps and business requirements or alternatively going out with a formal RFP bid to secure a system that meets most of our needs out of the box. Due to the need to reduce expenditures the Director of Finance has requested that all efforts being focused on existing infrastructure. As part of this effort a cross departmental task force has been assembled to assess these needs. The task force has started work to address the most urgent needs while keeping an eye on the future and longer term goals. Some of the top priorities include resolving the annual CAFR, as well as further automated personnel data to enable critical reporting on employee status. By focusing our efforts on improving our current ERP system, it's likely that good progress can be made without requiring additional funds.

Mr. Rapozo: Thank you Brandon. Questions, JoAnn, you can go first, because I know you have a bus to catch.

Ms. Yukimura: I think that money has been there for what? Four or five years? It seems for a long time. Longer? It sound like you are doing it the right way and laying the foundation and have the stakeholders in the group. When I look at all of what we will have to expend next fiscal budget it blow my mind. I am glad that you have started and it seemed like you have done a good job with the start. Thank you.

Mr. Rapozo: Thank you. Chair?

Chair Furfaro: Yes. Have you selected the product for time and attendance?

Mr. Raines: We have not selected a different product for time and attendance. The task force is looking at all three areas, payroll, HR Personnel and time and attendance because they all feed each other.

Chair Furfaro: I know that. I think I am the only one here familiar with the time and attendance and Mr. Rapozo probably sees it at hotel when he goes to work there and reading palm and be able to tie it to the daily payroll record, but have you no idea what time and attendance product you are going to use? There is no leading selection at this point?

Mr. Raines: Well, I will say this, that Sunguard had a strategic partner, which is execute time for time and attendance and if we continue along the line of leveraging our system and expanding our use of what we have already, it would be the leader, because it is the most cost effective way to get off of paper. No decision has to be made and that is a task force item and we are still in discussion, but there is a strategic partner available with the sun guard vendor that we have today.

Chair Furfaro: Your attempt at putting the satellite stations that go out in base yards, Public Works, for the reporting to work kind of locations for them? It is not a central system. So it will be distributed throughout key areas?

Mr. Raines: You know, again, still preliminary, but the idea is that the still would be a modern system that would be accessible by a computer, hopefully web-based and hopefully have mobile capabilities. There are computers at the base yards and they do have regular network connectivity. So they could be shared.

Chair Furfaro: So it could be a combination of both?

Mr. Raines: Yes.

Chair Furfaro: We are not a point we have identified the purveyor?

Mr. Raines: No, just preliminarily looking at what Sunguard is providing today.

Chair Furfaro: Thank you very much and I want to tell you personally, personally, I really appreciate the work you are putting in here at the County of Kaua'i. You have helped us recently we got a review of our County performance for openness and public ranking and because of your efforts, it has been much appreciated. Thank you. Thank you, Mr. Rapozo.

Mr. Rapozo: Thank you. Thank you very much. Any other questions? We have lost everyone. Councilmember Nakamura?

Ms. Nakamura: On the document imaging program, is there an indexing component to that or is it just basically scanning?

Mr. Raines: There is an indexing component to it.

Mr. Rapozo: There is?

Mr. Raines: Right.

Mr. Rapozo: I think that was part of the lessons learned.

Mr. Raines: Certainly something that we learned, right. The tool is capable, but when you talk about scanning backlog and the services that you book, you need to be careful about what you ask the contractor to do versus not do.

Chair Furfaro: We are painfully aware of that at the Council.

Mr. Raines: The Chair and I have had extended conversation about that.

Ms. Nakamura: Have you identify the next Departments to do the work?

Mr. Raines: We are in a County wide assessment and the remaining funds in that should be enough to do two more large Departments or three or four smaller Departments in the funds that we currently have in the CIP budget.

Ms. Nakamura: It seem like the Planning Department could really use that type of indexing system and way to account for the past records.

Mr. Raines: I agree with you, and my friends in the County tell me they could take advantage of that and I think there are many Departments that would, but certainly them with the amount of paper that they have to store and process, for sure.

Mr. Rapozo: Thank you. Anymore questions? If not, thank you very much, Brandon, Steve and all of the team for being here. I like that ring tone on B.C.'s phone. Mr. Chair?

Chair Furfaro: Yes. Steve, I want to reconfirm that Purchasing will now be April 19th, 9:00 A.M. And Risk Management will be on the same date at 10:00, and we will communicate those differences. Before we go in and take a break until Monday, I want to remind everybody it is Public Safety all day Monday. We do Police, Fire, and Civil Defense. So some of these briefings on the MGhz system. So on that note we will recess today. Have a great weekend.

There being no objections, the Council recessed at 4:33 p.m.