

COMMITTEE OF THE WHOLE
DELIBERATION AND PRELIMINARY DECISION-MAKING
FY 2012-2013 ANNUAL BUDGET

MAY 10, 2012

A Deliberation and Decision-Making Meeting on the FY 2012-2013 Annual Budget of the County of Kaua'i was called to order by Jay Furfaro, Chair, Committee of the Whole, on Thursday, May 10, 2012, at 9:18 a.m. at the Council Chambers, 4396 Rice Street, Suite 201, Līhu'e, Kaua'i, Hawai'i and the presence of the following was noted:

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

The meeting proceeded as follows:

Chair Furfaro: I also want to make note we will have representatives from the Administration as we go through this. But again, this is not a meeting that I am expecting anything more other than discussion. I am not looking for a lot of presentations. I want to focus on discussion, and because of the time constraints, we may have to invoke our rules allowing six minutes for discussions. If we do not get to the right place at the right time, this budget goes into effect without our acknowledgements.

On that note, do we have the PowerPoint loaded? Very good, I am going to start by giving a summary of all of the things that have pretty much transpired, at least the highlights. Mr. Bynum?

Mr. Bynum: The Mayor submitted his budget. Are we going to have a chance to ask questions about his resubmittal?

Chair Furfaro: Yes, yes, when you have questions. That is why I pointed out...Ernie, I think the discussion I had with you and Wally is during the period there will be representatives from the Administration to answer our questions. So you are good with that?

Mr. Bynum: Yes, I just thought they might want to do an overview of the Mayor's...

Chair Furfaro: I asked them about that today and they just want to basically be able to answer questions. I am planning to make an overview for you folks before we start any discussion. Vice Chair?

Ms. Yukimura: I do not know that we need a presentation, but I would like to ask questions at the beginning and before any decision-making of the Administration on the basic...

Chair Furfaro: Well, I tell you what. Why do we not we do that. Why do we not do that? We will call somebody up. I have a schedule that you were handed out so that we can complete it timely on this, and I will go over those rules when I do my PowerPoint. And then we will see if we have some general questions. But I do not want us to be talking about Public Works when I am expecting a certain time for us to talk on Public Works, make a decision, and vote on that. I do not want to keep going back to different departments. I want to focus on the summary sheets of those divisions so that we can make a decision and move on. So let me go into my PowerPoint presentation, and then I will entertain more questions.

Ms. Yukimura: Okay.

Chair Furfaro: Anyway, we are going to start with a presentation and slide on our general rules that get us through to decision-making. Can we go to the first slide please? When we get into the voting process, I want to point out again that reducing the activities that were presented us in the March 15 budget submittal will require four votes to increase or to add to the March 15 budget. Budget submittals will require, from the Council, five votes and I am referencing Section 19.07A of the Kaua'i County Charter. We will handle the reviews by department, and we have an attachment, the first attachment will review that schedule I intend to follow. Revisiting

items previously voted on will not be accepted, folks. We can and need to stay focused by departments as we go through this. And so please refer to Attachment No. 2 for the budget process and time requirements.

Next slide, the Order of Business, we want to talk about the establishment of the tax rates up front. The revenue portion of the budget is very, very important to know what we may have to deal with with revenues. We will then have the biggest change that is outlined in the proposal. We will have a discussion on the Human Resource Department, its reorganization, and you can go to Attachment No. 3 in your piece. The biggest single budgetary item that we have is we will look on a reconciliation for all new positions, as payroll as the single biggest expense within the County, and there is an Attachment No. 4 on your piece. These discussions were taken very seriously by the Administration as it is reflected in their May resubmittal.

There is also a slide that we had requested that dealt with reducing overtime, to set at least a goal for reducing overtime. You have an exhibit in your packet which totals to just under \$200,000.00, and those adjustments have been made. I want to point out that the adjustments have been made in the sense of reducing Fire and Police overtime by 3.5% from what was submitted, 7% to the other departments, and 15% for ourselves with the exception is we might want to revisit the extraction of overtime, especially for Elections, being this is an election year. But that reconciliation of removing about \$200,000.00 worth of overtime is reflected in the Mayor's May 8 budget.

So again, when we talk about salaries, I want to make sure that we are talking about various segments. The new positions, you have an exhibit in there that are reflected in the Mayor's May 8 budget. There is the issue about overtime, which is a separate exhibit piece that has been taken out in the Mayor's May 8 budget, and then there is a separate sheet identifying which positions are in the budget but dollar-funded.

Somewhere, and I am going over the whole calendar for the next four days, somewhere in the near future on that order, we will also have an opportunity to visit and vote on the CIP budget as it is now reflected. There will be an ability to have a discussion on proposals to be entertained by Councilmembers.

The next slide is one that reconfirms what I said about the overtime reductions that have been put in the May 8 submittal, and it is reflected as a 3.5% reduction on Police and Fire, 7% for all other departments, and the County Council staff will lead the example by reducing what we put in our budget by 15%. You can see that attachment in Attachment No. 5.

Next slide, Expenses for Discussion, these are some of the highlight pieces. It was not intended on my part to touch on all of the operating expenses that needed to be discussed, but some of the highlighted pieces. Starting with the relocation of the Auditor's Department and there is now reflected an increase of \$11,000 for the Auditor's rent.

There is now reflected in the budget \$50,000 for the Kaua'i Invasive Species Council. I want to say we originally launched this for a three-year period. And I am going to be very public with this that the State abandoned us on this money. This is a Department of Health issue that we keep coming to the table with. I want to make sure that you folks understand my desire to make this an issue in the next message to the Legislature. The State needs to come to our help with the invasive plants, but also with some of the funding for things like the coqui frog. We are currently the only island that has an opportunity to totally control that invasive species. So there has been \$50,000 added to the Kaua'i Invasive Species piece.

From our notes or at least from my notes, I had asked...the Mayor had \$100,000 funded for Kaua'i Visitors Bureau. I think at my writing of this presentation we were asking to bring it back to levels before we added the million dollars during the economic slowdown. We were asking to take it another 40 to 140,000, but your budget is now reflecting and showing \$200,000. So the Mayor added in the May 8 piece, our request of 40, the Mayor added \$100,000. So it is a \$200,000 increase reflected in the revised piece.

Also the Kaua'i Independent Food Bank, these two pieces over here, there is still \$28,000 that has not been encumbered in the current year's budget. And I understand, in talking with Procurement, that is being addressed now, and that before we get to June 30 that \$28,000 will be earmarked. The budget now shows an additional \$28,000 for the current year. So the kōkua there is at \$56,000, using \$28,000 from what has not been encumbered in the existing budget and \$28,000 for the new piece. The focus is really on the EBT cards and the Sunshine Markets.

The next piece is the Wailua Golf Course discussion. I am understanding and in agreement with the Administration that they are going to use from the 209 fund, that is the account number. They are going to use moneys from that account, which come from both our Parks revenues, as well as the Spouting Horn concessions.

Then the budget is now showing, as we requested in our discussions, \$200,000 for the design and site selection for a MRF. That is in the budget resubmittal.

The order of business is attached. I will not go over it there, but again, I do not want to be revisiting areas that we visited during the day. If we close on Economic Development, then we move on. If we close on Parks and Recreation, then we move on. I really want to focus on our need to get to the right date on Tuesday and have our business done.

There is a narrative in your packet on the budget process and the time requirements just for you to reflect on. There is also a separate piece in your budget that talks about the Office of Human Resources, which I plan to discuss this morning after we talk about tax rates. You also probably, at this time, received a description set from Administration focused on these phases. One of the items that I think we conveyed to the Administration was our concerns with moving the ADA position out of the Mayor's Office, and we would probably, I guess, just from acknowledgement of testimony from last night, that is probably a position we want to keep in the Mayor's Office.

You also have a schedule in your packet, a summary of the new positions for the Mayor's May 8 submittal. I do want you to know as recently as this morning, in talking with the Administration, they will exclude the Transportation Department's utility worker. So if you can make a note to take that off of your package this piece.

The next sheet that you have is the dollar-funded positions, which are laid out for you.

The next piece is you have the detail of the overtime that has been deducted from the May 8 submittal by summarized departments that I have given you in your package. Then I have made sure that I shared with the Administration in the packet, the County Council's goals in advance of this May 8 submittal, and then a reference to Section 19.07, things that highlight the considerations for the adoption of the budget. These are just for you to reflect on.

What I would like to do is I would like to give Ernie Barreira a moment to touch on this quick summary that I just gave you, and it was put together for the purpose of maybe giving us the highlights of the changes.

Ms. Yukimura: Chair.

Chair Furfaro: Yes.

Ms. Yukimura: Can we ask some questions about your presentation or would that be after Ernie's?

Chair Furfaro: My presentation is my quick summary of the same packet that came to all of you. Again I did it this way to express to you what changes are highlighted in there, but I would prefer those questions go to the Administration.

Ms. Yukimura: Oh no, but this is about our process, which is not going to...

Chair Furfaro: The way you posed the question, you did not say can I talk to you about the process. If you want to talk to me about the process...

Ms. Yukimura: It was about your presentation.

Chair Furfaro: Okay.

Ms. Yukimura: Which I appreciate because we need some framework.

Chair Furfaro: I am glad you concur with that.

Ms. Yukimura: And you have given great thought to it. But I do have a question about the order...about how we are going to do our decision-making. I think it may help us weigh things better if instead of taking a department and then closing it, we can do all the things we think should be cuts and all the things which should be additions, and see where we are because I

know there have been times where our cuts have balanced out our additions. Other times where they have not, you kind of have the overall view, so you can weigh all the different priorities.

Chair Furfaro: If your question is, as we move through the department, are we going to put on the screen, the plus and minus calendar, yes we are. So you can see it as we go out of these departments.

Ms. Yukimura: Okay, that is good. That is a good clarification, but I was also thinking before you make it absolutely cut and dried like no return to department by department, that we could do it tentatively and then take a look at the big picture and then see because something in one department may be less important than another. By laying it all out, we can sit back and look and say, okay now, what stands out in terms of...if we need to cut more.

Chair Furfaro: Yes, if you would go to slide No. 3, there is a point there that allows that discussion by individual Councilmembers. It is under the Mayor's section of the May 8 budget modification. There will be discussion and voted on by various proposals from Councilmembers.

Ms. Yukimura: Okay, so that means that we can go back and look and suggest that maybe as a group we might want to do this instead of this.

Chair Furfaro: Well, I tell you what. If we do that folks, when I push you to get us to a point, it is because we have a deadline to meet. I do not want to use all of Thursday and all of Friday to discuss concepts, thoughts, and so forth. This is what the Mayor has submitted to us. We can make modifications, we can vote on them by department, and move on. Therefore, I put the big tag items up front: payroll, overtime, dollar-funded positions. Then I went to what I feel is the next biggest discussion item, which is the construction of the HR Department. Then we will hear from the Mayor, and then we will hear from various Councilmembers. That is my intent.

Ms. Yukimura: Okay, that all sounds very good, and maybe I am just not clear about the department by department process. If it is like a running cut...cuts and additions and then if at the end we can take a look at the overall and go back sometimes to make adjustments...

Chair Furfaro: Do not make an assumption that if we get to the end we would go back and look at what we have done. We would clearly do that.

Ms. Yukimura: Well, that is what I am trying to clarify. We will do that, okay.

Chair Furfaro: That will be the total piece. But what I am saying is I do not want to specifically have a discussion about the Humane Society on Thursday, and then on Monday we open up the Humane Society again. We will get to a point that we will have gone through all of the departments that we will look at the big picture.

Ms. Yukimura: Okay, all right, okay.

Chair Furfaro: And we will have a running tally on plusses and minuses during that time. I think the two big pieces are revenue and the creation of the Human Resources Department, and payroll in general, as our biggest operating costs.

Ms. Yukimura: Okay, and then on your expenses...well, actually it is self-explanatory. If you say expenses for discussion, it is something we will all have to vote on. I love that you lay that out, okay.

Chair Furfaro: I am loving it that you are loving what I laid out. The room is full of love.

Ms. Yukimura: Okay. Let us hope the rest of the budget goes this way, continues this way. Thank you.

Chair Furfaro: This is intended as a general guideline on how we are going to go through it. I would like to call up the Administration to give us a preview, if I could. And I will return to my chair. Again, this is my intent to keep us copasetic and on a schedule.

There being no objections, the rules were suspended.

ERNEST BARREIRA, Budget & Purchasing Director: Chair Furfaro, Vice Chair Yukimura, Members of the Council, good morning. Ernie Barreira, Budget & Purchasing Director. Much unlike me, I do not have prepared remarks. I would simply like to reiterate on behalf of Mayor Carvalho, Managing Director Heu, and Director Rezentes, our thanks to the Council for your collaboration and cooperation throughout a very strained and very difficult process of the budget deliberation. During the opening session, I did make remarks that we all are seeking the same outcome and that is a deliberate and effective leadership of our people and to make sure that we deliver a budget that will serve our people's needs. I still believe that today as I sit before you as we prepare for deliberations, and I thank you for your cooperation and collaboration. I will stand on the Mayor's message in terms of our May submittal. As far as highlights and initiatives that the Mayor is trying to achieve, I do not have any specific comments with regard to that. I would like to also thank you for your forbearance in dealing with a brand new budget team. I think we put together some very gifted and talented people, and I am very proud of their work, and obviously there is much growth for the future. So unless there are any questions, those conclude my comments.

Chair Furfaro: Okay, Ernie, we are going to be talking in terms of the tax rate schedule first. Are you the one going to be prepared for questions in those areas?

Mr. Barreira: Director Rezentes would be the appropriate person.

Chair Furfaro: You and Mr. Rezentes.

Mr. Barreira: Yes.

Chair Furfaro: Okay, very good. You might as well stay right there because that is what we are going to open with, Q&A on this particular piece. Mr. Bynum.

Mr. Bynum: We can ask a few questions about the Mayor's submittal now?

Chair Furfaro: Yes, you can do that as well. So we are going to first talk in terms of the narrative on the Mayor's submittal, even though I summarized what I interpreted, you may have some things to add. Mr. Bynum, you have the floor.

Mr. Bynum: So you found significant revenue from March to May, right? There is a real property proposal which we will talk about separately, but in addition to that, interest on invested Build America Bonds and Recovery Zone Economic Bonds, this interest of...that \$2.2 million was not in the March submittal right?

Mr. Barreira: That is correct.

Mr. Bynum: And so we did not know...we did not anticipate in March this \$2.2 million?

Mr. Barreira: I would prefer that Director Rezentes address that specific question, if that is okay.

Mr. Bynum: The questions I have are kind of along those lines. I also have a very different number for OPEB and overtime. I accept those numbers, but my question is we did not anticipate that in March? These are very significant changes in revenue forecast, and I do not understand why we did not anticipate that in March.

Chair Furfaro: Why do I not try and get Mr. Rezentes. The reality is some of the notes that you folks should be made aware of, the request to reduce the overtime came in a separate memorandum from myself.

Mr. Barreira: Yes.

Chair Furfaro: Am I correct?

Mr. Barreira: Right. The overtime reduction, and I know, Councilmember Bynum, you are talking more about the revenue picture that you just discussed, but there were significant reductions in overtime pursuant to what we believed to be appropriate actions. The 3.5% for Public Safety and the 7% for other departments and agencies, and I believe per your presentation 15% for the County Clerk's Office.

Mr. Bynum: (Inaudible.)

Chair Furfaro: It is in the worksheet, Tim. The worksheet was done by me, submitted to them. It was \$195,000.

Mr. Bynum: The overtime difference for the entire...

Chair Furfaro: For the entire County, yes.

Mr. Bynum: So the big difference then is OPEB?

Chair Furfaro: Yes, which OPEB...we did not get a response, Mr. Heu, back on OPEB, but we wanted to see a comparison of actual from last year compared to this year. But OPEB, I think, came down \$2.6 million after you folks refined it. Maybe Wally wants to join you on the stand. You have the mike.

GARY HEU, Managing Director: Chair, thank you very much, for the record Gary Heu. I just wanted to answer Councilmember Bynum's question about whether or not these were anticipated or things that we could have anticipated. I think that the whole budget process is a fluid one, and I know yesterday you folks had extensive discussion on the floor relating to the budget process and a possible amendment to change the way we work through the budgeting process. As you know as far as the real property numbers, we do not have those final numbers until after the time that we submit the March 15 budget. In addition, you asked about the OPEB, the change and adjustment of the OPEB numbers. Those changes were based on ongoing discussions that our Finance Director is having with the Administrator. And the numbers that we are currently working with could, in fact, change, plus or minus, we do not anticipate very much, but plus or minus by the end of this month or at the beginning of next month. So again, we are dealing with variables that we do not have full control over. Even after we lock down the budget and it is approved by the Council, and signed by the Mayor, things will continue to evolve. So we are working with the best information that we have at any given point in time. When we submitted the March 15 budget, we submitted based on the best information we had at that point in time. I know there was some discussion yesterday on the Council floor that based on some of the back and forth that we have through during the departmental reviews, it appeared that we were already anticipating making certain changes for the May 8 submittal. And like I said, it is an iterative process. So as we go through preparation for the March 15 submittal, there might be certain things that we say hey, we would really like to have this component in the budget; however, based on the current snapshot, that is something that we should hold off awhile and see what happens after we get the Certified Tax Roll and maybe we can address that in the May 8 budget. So there is no doubt that those types of things do happen. And like I said, it is an iterative process. So again, Councilmember, short answer to your question, no. Those were not costs that we could have anticipated or revenues that we could have anticipated at that point in time.

Mr. Bynum: \$2.2 million from these bond investments, we did not anticipate in March? That was a surprise between March and May?

Mr. Heu: It was a change in how that was accounted for.

WALLACE REZENTES, JR., Director of Finance: We have had discussions...I am sorry, Wally Rezentes, Jr., Director of Finance. We have confirmed the proper treatment of the interest. If you recall in 2010, there was an ARRA Program from the Federal government that allowed us to obtain Build America Bonds and RZEDB bonds. And these bonds, in that special Federal program, come with it a subsidy, if you will, from the Federal government and because of those benefits, the Federal government wanted to ensure that interest that was earned on the moneys...on the bond funds that have yet to be expended, stay within the bond fund and be used for capital projects. That is a requirement of the BAB, Build America Bonds, and the Recovery Zone Economic Development Bonds, the RZEDB bonds. So our Treasury basically made the calculation of interest earned within the bond fund, and the two point some odd million addition to the bond fund is reflective of that interest. In the CIP, you will see at the end of the bond fund section of the CIP budget, within the bond fund you will see the projects that were added and we also highlighted it as being interest from the bond.

Mr. Bynum: So the revenue is reflected in the budget, in the CIP budget?

Mr. Rezentes: The projects that are based on the interest earned are located in the CIP budget, in the last section of the bond fund of the CIP budget, yes.

Mr. Bynum: I just thought that these were pretty large amounts to find revenue and not have anticipated that in March.

Mr. Rezendes: As you recall, that interest is based on a \$60 million at one time principal amount. The Water Department commensurately will have a similar amount accruing for them. They will have additional.,,

Mr. Bynum: But they keep their interest.

Mr. Rezendes: Right, right.

Mr. Bynum: And so I understand. We got \$60 million. We floated the bonds. We have not spent all of that money. It sits in an account that earns interest. That is this money.

Mr. Rezendes: Yes.

Mr. Bynum: I understand that. The part that surprised me was that that was not anticipated closer in the March budget. Same with OPEB...

Mr. Rezendes: And you are right. We picked it up between the March and May submittal after having a few discussions on proper treatment with our Bond Counsel.

Mr. Bynum: Okay, thank you for answering those questions.

Chair Furfaro: I guess the good news from this evaluation, though, comes out in the sense that between the final negotiation with OPEB, and I mean it, the final negotiation with OPEB saved us about 2.6. The fact that interest accounts are what they are from the previous bond funds, as well as the...because we were using up all the fund balances in other accounts, we will not be tapping our reserve. The \$10.6 million that was in the first March 15 view that we are now going to reduce, from what I follow in the narrative. Tapping the reserve fund is only going to be about four million one. Am I correct?

Mr. Rezendes: Correct.

Mr. Furfaro: So we will keep a more sizeable piece of our reserves than originally anticipated.

Mr. Barreira: And Chair, as reiterated by Managing Director Heu, on page 4 of 10, of the Supplemental Budget Message, it does articulate again that final projections, in terms of the OPEB numbers from the State of Hawai'i actuary will not be provided until late May or early June.

Chair Furfaro: I understood; I read that. But we are going from what was 34 million to about 31.5 million.

Mr. Rezendes: Percent, 34.5% to 31.5%.

Chair Furfaro: I am sorry, I was reading numbers. We are going from 34, which was in the original projection to 31.5.

Mr. Rezendes: Back to what is present year 31.1%.

Mr. Bynum: Which is \$2.8 million.

Mr. Rezendes: Correct, correct.

Mr. Bynum: That is the other large figure that...I would think we would have had a better estimate in March.

Mr. Rezendes: And the number that we are, of course, waiting for, and I have been, believe me, harping on the actuarial firm that the State hired, we are waiting for the finalization of that actuarial report that will give us the appropriate data. But as late as last week Thursday, when I spoke to the company, the best they could tell me is late May, early June is when they anticipate being complete with their report. That will give us numbers for I believe two cycles, two years.

Chair Furfaro: So Wally, we will call you back early July for those finals.
Mr. Bynum?

Mr. Bynum: The other thing I want to do in general before we dive into all of this is account for the \$51 million that was assigned in the current budget because I want to make sure I understand how that impacts this budget. It might be easier to see this, but could you... This is just paper and pencil this morning. For the first time ever, we assigned all of the assignable funds, every penny. And for the first time ever, we put a reserve as a line item in the budget that restricts those funds and changes the way this budget was calculated. Correct? So I think it is really important that we all understand that. Were you going to put that up on the screen, that piece of paper? Oh, you are putting it on a computer? Okay. That is good. Let us take a minute.

Chair Furfaro: Let the staff do what they need to do. They know what they are doing. Okay, I want to say while we are waiting for this summary, today's decision making is not about the CAFR, we are going to go and revisit it, but I want to move on from there.

Mr. Bynum: This will just take a few minutes.

Chair Furfaro: Yes, I understand, but I just want to make sure we understand the discussion today is not about the CAFR. We have had the auditors back twice to go through this with us.

Ms. Yukimura: May I ask a question?

Chair Furfaro: Yes, go ahead.

Ms. Yukimura: It is related, but where in the budget is...how much is the reserve and where is it in the budget if it is in the budget?

Mr. Barreira: The balance that remains after this May submission...

Chair Furfaro: No, no, no, start with the original \$23 million that we set up in a resolution and we are still waiting for an ordinance. It was \$23 million, I believe, Wally?

Mr. Rezendes: There was \$25,387,077. That is current year. With this proposed May 8 budget, we are going to utilize \$4,039,242. We are proposing to use it as part of the May 8 submittal. And then we will be left with \$21,347,835. That represents a Reserve Fund percentage of 16.8

Ms. Yukimura: And where is that shown in the budget?

Mr. Bynum: It is not.

Mr. Rezendes: It is not shown in the budget because it is already earmarked and reserved in our books at \$25.3 million. And the only way to take it out from or reduce or add to that amount is via ordinance.

Ms. Yukimura: Of course, but where is it shown in the budget?

Mr. Bynum: It is not.

Mr. Rezendes: It is not shown in the budget because it is already earmarked and reserved for that purpose.

Ms. Yukimura: All right, but where is it shown as a separate fund then?

Mr. Rezendes: It is on our financial statements and it is shown in the CAFR.

Ms. Yukimura: No, but that does not show the Reserve Fund. All it shows is what you are transferring.

Mr. Rezendes: How much we are reducing it by.

Ms. Yukimura: Yes, but where are you showing how much it is?

Mr. Rezendes: It is in the CAFR.
Ms. Yukimura: That is why the CAFR is related to the budget.
Mr. Rezendes: I am not hiding anything. It is in there.
Ms. Yukimura: I know, but I am just pointing out that...

Chair Furfaro: Let us go to a basic accounting function here so we understand. The budget is the operating accounts for the Council. The reserve, which originally was \$25 million was reduced by \$10.7 in the March submittal, is a separate account. With the changes that Mr. Bynum has pointed out as it relates to using up other accounts, fund balances, interest that we have earned, that reserve is only going to drop about \$4.1 million. But that is not a number that goes in operations. You have the resolution that I introduced which needs the companion ordinance which I sent to Mr. Bynum because quite frankly I want to point out if we do not have an ordinance, we cannot control it.

Ms. Yukimura: Could I finish my line of questioning?

Chair Furfaro: You certainly can finish your...

Ms. Yukimura: Oh, but if you are ready, I will stop. Okay.

Mr. Bynum: I think I have the floor and if I can get through this it will answer a lot of these questions.

Chair Furfaro: Wait a minute, I want to say something. You had the floor, but when we start mixing accounts and so forth, let us have some clarity for the public. That was all I was trying to do. You have the floor, Mr. Bynum.

Mr. Bynum: Because last year in budget we did some unprecedented things and it impacts that way we budgeted this year. And part of the discussion I hope we have is whether we want to continue with that precedent we set. I do not think there will be any dispute about these numbers, but I do not know that everyone, certainly in the public, understands the implications of how we are using it in this budget. I thought they were done, but I will wait until they are done. Are we done? Okay, so the top figure is 51. That is what we assigned in this current fiscal year budget. That number is the General Fund balance minus the committed and restricted funds, which was fifty-one three sixty-two. In this current budget, we are operating, we put 3.7 assigned to self-insurance, bringing that to 47. Of that 47, we assigned \$25 million to the reserve, and then that number 40 is wrong. That was not what was on my paper.

Mr. Rezendes: That is what is proposed in the May 8 budget ordinance.

Mr. Bynum: I did not write that on my paper, but you are anticipating where I am going with this. Can we just put up the piece of paper to start with and then go back to this?

Chair Furfaro: Just throw it on the screen. This meeting is not about the CAFR, just throw it on the screen.

Mr. Bynum: And then we will go back to that because you are anticipating where I am going with it.

Chair Furfaro: May I ask one question of them just for clarity here? Gentlemen, I just want to make sure we all understand. In the quarterly financials that you give us, Wally, this reserve number appears on the quarterly financials, okay. Just so the members know where to find it. Okay, thank you, Mr. Bynum.

Mr. Bynum: And this is just an important point and it should not be complicated. We started...last year we assigned \$51 million, virtually all of the assignable funds. We had never ever done that before, and \$3.7 went to self-insurance, \$25 million we set aside for reserve, and for the first time ever, we put that in as a budget line item which restricted those funds. In addition to that, we had \$22 million that we assigned to balance this year's budget, correct? Now in the budget you have submitted, when we look at page 2, there is a figure, \$741,323. In order to balance this budget, you are taking \$700,000 of that self-insurance, correct?

- Mr. Rezendes: Correct.
- Mr. Bynum: That will leave roughly \$3 million.
- Mr. Rezendes: Actually we need to look at what was paid out in the course of this year from that fund, but you are right. We are basically reducing what is there in fiscal 2012 by the \$741,000 to the General Fund to balance the General Fund. Correct.
- Mr. Bynum: And then the figure just above that \$12,000,553. That is a portion of that \$22 million, right? We assigned \$22 million to budget the current balance...
- Mr. Rezendes: It is a portion of what was there in the current year, what will lapse in the current fiscal as well. So what we are saying is the \$12,000,553 number that is in our May 8 proposed budget is the amount that we anticipate needing to fund or finance the General Fund, as well as all the remaining deficit funds.
- Mr. Bynum: To say it another way, we are three quarters of the way through the year, we can look at the budget versus actual. We have more revenues than we projected. We are spending less than we projected.
- Mr. Rezendes: And that is the amount that we need.
- Mr. Bynum: And \$12 million of that...you feel confident that \$12 million of that...
- Mr. Rezendes: \$12 million of what came over from fiscal 2011-2012 and what will accrue and lapse after 2012 into 2013.
- Mr. Bynum: Right.
- Mr. Rezendes: Correct.
- Mr. Bynum: But more than \$12 million may lapse.
- Mr. Rezendes: We hope more than \$12 million may not lapse, at least \$12 million may lapse. If it does not, then we would have to go back in and make adjustments.
- Mr. Bynum: We are using \$12 million of that, but it is \$12 million of that 22, right?
- Mr. Rezendes: This was as of July 1, 2012. What I am saying is whatever is accumulated from...what rolled over from 2011-2012 and what lapses from 2012 into 2013, so it is inclusive of that plus any...inclusive of accumulation of the fund balances that have accrued to the General Fund that will ultimately in total lapse from 2012 to fiscal 2013.
- Mr. Bynum: Right, so if you minus \$12 million from that 22, you are using \$12 million of that 22 in this budget because you are confident at least that much is going to lapse.
- Mr. Rezendes: The 22 is a little off, but yes in concept, yes.
- Mr. Bynum: A little off because I did math?
- Mr. Rezendes: Conceptually, I...
- Mr. Bynum: But in this budget, you have 700 from the self-insurance, 4 million from the reserve, which will reduce that reserve, and \$12 million from that \$22 million.
- Mr. Rezendes: To balance the General Fund and all the deficit funds, correct.
- Mr. Bynum: But our actual fund balance minus committed and restricted at the beginning of the year was \$51 million. And now we are assigning some of this for this budget, but that does not mean that that \$51 million went away.
- Mr. Rezendes: Well, the the \$51 million is part of what the reserve is too. The reserve is...you have to understand...

Mr. Bynum: In my mind, in the way I think, and the way it has been for 30 years in this County, the Reserve is \$51 million at the beginning of this fiscal year. We called \$25 million of that Reserve, but de facto that \$51 million is what we started this current fiscal year at.

Mr. Rezendes: I am understanding more and more how you think, Tim.

Mr. Bynum: Well, that is the way we did it in this County for years and years and years.

Mr. Rezendes: No, I understand, I understand, but what I am saying is...

Mr. Bynum: It is last year that we did things different.

Mr. Rezendes: Because we established a reserve, correct.

Mr. Bynum: Right. It was not necessary is the point I am making, and that is not...our entire reserve is not that \$25 million; there is more in reality, factually. I believe, and that is something I want to discuss during this budget, that putting that \$25 million as a line item for the first time ever in County budgeting was not necessary. It did not accomplish anything. It is still money that we have to appropriate through ordinance just like it was in the previous 30 years when it is sitting in the fund balance. In order to access it, we had to appropriate it. So we basically took our \$51 million and divided it up into two reserves: One we restrict it and one that is unrestricted.

Chair Furfaro: So I am going to give a couple more minutes. This meeting is not about the CAFR. If you did not want to establish the Reserve, you should have voted against the resolution.

Mr. Bynum: Well, I want us to recall that the March submittal last year did not have a line item for reserve. It came in May. I asked questions at the time, why are we putting this in here, why are we restricting it, what does it accomplish. In retrospect, I would not have voted to put it in as a line item. This year I think it would be wise of us for you guys and us and for clarity to not encumber that Reserve as a line item, but to treat it as we did for 30 years as an unrestricted fund balance.

Chair Furfaro: On that note, I am going to recognize Mr. Rapozo.

Mr. Rapozo: Thank you, Mr. Chair. I have a question as it relates to this budget. I appreciate the dialogue, but it is déjà vu for me. We have heard this time and time again, and I want to get through this budget. Your County of Kaua'i Reserve Policy as it is stated in the back of the budget...

Mr. Rezendes: In the provisos?

Chair Furfaro: Your provisos, yes.

Mr. Rapozo: You are showing that the County has determined that it is in the best interest to establish secure financial policy and so forth in the General Fund in the range of 15% to 20%. Where do you get 15% to 20% from?

Mr. Rezendes: It is a calculation that is spelled out in the proviso, as well as in the resolution.

Mr. Rapozo: The resolution was 20% to 25%.

Mr. Rezendes: No, but the methodology on how it is calculated is spelled out, and I can provide that calculation.

Mr. Rapozo: You take the words out of the resolution, but you changed that 20% to 25% to 15% to 20%.

Mr. Rezendes: That was prior to the May submittal.

Mr. Rapozo: I understand that, but you...

Mr. Rezendes: So we are adjusting it. Correct, we are adjusting it to 15% to 20%.

Mr. Rapozo: I do not know how you adjust it because the resolution sets it. The resolution sets and that is what this resolution did. It established the County of Kaua'i Reserve Fund and Reserve Fund policy at 20% to 25%. Mr. Chair talks about the ordinance, but the only requirement of the ordinance is to expend the fund. That utilization of this fund should be made via ordinance. But the resolution established the policy. County of Kaua'i's reserve policy is 20% to 25%.

Mr. Rezendes: And we are proposing that it be changed to 15% to 20%.

Mr. Rapozo: Right, but you cannot do that in this proviso because we have to change the resolution. We are telling you what is our strategy, so if the Council elects to do that or not change it, then we would have to make the appropriate adjustments to the resolution.

Mr. Rapozo: But the problem with this, Wally, is when you send over your new number, we are at 16%, which is not within the policy.

Mr. Rezendes: Correct and we are asking for a policy change...consideration by this Council for a policy change to adjust it to 15% to 20%, and we have included that requested change in the budget ordinance proviso. The current calculation, based on the numbers that we have, is 16.8% based on our proposal.

Mr. Rapozo: Okay.

Mr. Rezendes: Yes, if the Council elects not to want to make the changes, then they would not need to make the changes. The appropriate changes would have to be made in the County's budget ordinance.

Mr. Rapozo: Okay, so your position is that you want to see the County policy dropped to 15% to 20%.

Mr. Rezendes: Correct.

Mr. Rapozo: Okay. That is all I have. Thank you, Mr. Chair.

Chair Furfaro: Okay, I am just going to give a real quick history on this. I am going to recognize Mr. Bynum, and then I need to tell you, this agenda item is about the budget. The CAFR review is something we have been talking about for six months. The resolution that I prepared was based on the City of Denver. The City of Denver was one of the highest municipalities asking for a good solid reserve policy. The resolution established a policy. That policy, whether we were able to meet it or not at 15% in the budget proviso or 16% as it is now, means nothing until there is an ordinance. The ordinance draft was sent to another committee. We had that policy pass unanimously. You can just let it expire if you want, gentlemen, and let the Administration use that money not as a reserve but as the surplus just by letting the resolution self-destruct. If we want to get serious about a reserve, we need to have an ordinance that instructs the Administration to get approval from the Council to use it for emergencies, natural disasters, etcetera, etcetera, etcetera. Now, I want to come to the budget items that are on the schedule for today. I will allow only one more discussion item on this by Councilmembers and then we will move on. Mr. Bynum?

Mr. Bynum: First of all on a reserve ordinance, I have the outline and parameters of that reserve ordinance. We have just been really busy with budget. I would anticipate it being before the Council in July or August, and it follows the Denver model. But the proviso that we put in follows the Denver model, but not completely because our true reserve was not 20%. It was 41%. It is that 25 plus the 22. That is the de facto reserve. Now we are saying we are going to put a portion of that and call it a Reserve and restrict it in the budget. The factual reserve is 41%. So you are saying hey, the part we are going to call we are going to reduce to 15 or 16, and we need to do that because we restricted it, and I will probably support that because there is no other way to get through this budget other than cutting millions of dollars, which I do not see where millions is in there personally. But you just got to set this reality that there is additional funds, an additional \$22 million that is in the bank, so to speak. So when the policy comes, just like Denver, it is going to say, here is your actual reserve according to CAFR, and you can use up to half of that or whatever we decide to balance future budgets. And so at the end of this thing, if we decide...because I am going to predict right now by the end of this, we are going to take more out of that reserve to balance this budget because there are going to be things that Councilmembers think are important, that they

need to fund, and the way we restricted ourselves, the only place we can get that at the moment is this reserve. But there is also that \$22 million, all of which we will not spend by the end of this fiscal year, and it will go back into the fund balance. So that is the point I want to make. We are getting really tied up with this...is it 15% or 20% because what Mel said is correct. We said 20% to 25%, and that is what we put in last year. Because we restricted it, we have to lower that to get through this budget. And I am thinking we are going to end up lowering it more before the end of this, maybe into the 12% range. But that does not mean our de facto reserve is 12% because it does not include the outcome of this \$22 million, and that will go in and be part of the de facto reserve too. So I really want this Council to consider that we should not restrict those funds in the budget. Denver, I do not believe, does that. Very few, some municipalities do and some do not. But it is not a requirement. What Denver says is here is our reserve and you can use up to half of it to balance the budget. The other half, you have to do by ordinance. So thank you very much for being patient with that, I am done.

Chair Furfaro: Sure, JoAnn.

Ms. Yukimura: Thank you. Regarding the Mayor's message for the supplemental, of course I am delighted to see \$200,000 for the Materials Recovery Facility. I just want to know what decision the Administration has made about design build, own because we need to know what we are funding.

Mr. Heu: Vice Chair Yukimura, the \$200,000 that is being proposed in this submittal contemplates using those funds for conceptual design, as well as, environmental studies for a facility that would be owned by the County and operated, and then we would put out a (inaudible) operation. That is what is currently being contemplated.

Ms. Yukimura: Okay, that sounds excellent. Thank you.

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

Chair Furfaro: Okay, before we go any further, I would like to take a vote if I can get some members to make a motion. And I would encourage you all to go back and look at the resolution that I introduced on the reserve. It says, may it further be "resolved that the Reserve Fund is intended to be used for non-recurring costs." Not just emergencies, non-recurring costs. It is also "based on the following estimates and apportioned categories." 50% of the fund can be used for working capital. That is in my resolution. I did not need Mr. Bynum to repeat it. It is in the resolution. 25% of that fund is used for economic fluctuations. 15% is used for extreme events and initial disaster relief, and 10% of the fund can be used for non-risk items that are not covered by our insurance. That is what the resolution says. Now I would like one Councilmember, anybody, to make a motion that says we are still committed to creating an ordinance for a reserve. I would like to get a second for that. I would like to call for the vote, and move on to the other items. Would somebody honor my request to make a motion?

Ms. Yukimura moved to create an ordinance establishing a Reserve Fund, seconded by Mr. Chang.

Chair Furfaro: All those in favor.

Ms. Yukimura: Wait, we need discussion.

Chair Furfaro: Okay, go ahead. I thought we had enough discussion. I need to move on in the budget. Go ahead, Councilwoman Yukimura.

Ms. Yukimura: Just that...I think this is a motion showing intention, right?

Chair Furfaro: It is only a motion to show that we still support the policy statement that was put in my resolution. We are still lagging and I think Mr. Bynum has the ordinance to introduce it. But this is just a reconfirmation of our intent.

Ms. Yukimura: Yes, Mr. Chair, actually with the budget ordinance being an ordinance, we could do it here too.

Chair Furfaro: It is in the proviso, but it is different from what is in the resolution. That is what I am trying to say. Mr. Bynum, you have the floor.

Mr. Bynum: Yes, I am more than happy to vote for this because you correctly said that we could have used up to 50% to balance the budget, but that is not what we did. We put \$25 million in a lockbox and then we used that additional \$22 million to balance the budget. We did not use the reserve to balance the budget, right?

Chair Furfaro: And I am going to say to make sure with this is the Denver model which says exactly that. But it is not a law right now. It was only a policy guideline. The ordinance can be massaged yet and so forth. I just want to make sure I am taking a vote that commits this Council. Any further discussion? If not all of those in favor, please signify by saying aye. Any opposed to creating a Reserve Fund, nay? Very good.

The motion to create an ordinance establishing a Reserve Fund was then put, and unanimously carried.

Chair Furfaro: We are off that dime. Let us go forward. We are now wanting to talk about rates. Ernie you are prepared to talk about tax rates? Steve is going to talk about tax rates? Okay.

There being no objections, the rules were suspended.

Mr. Rezendes: I guess just understanding, you want us to present the rationale for our rate proposal? Okay.

STEVE HUNT, Real Property Assessment: Steve Hunt, Real Property assessment for the record. In looking at the rates that are being proposed under this May 8 budget, careful discussion was taken as to both what has happened historically in terms of rates, as well as, what is happening in terms of value, as well as, what we believe ability to pay constitutes. In the rates that are shown on this May 8 budget, the largest change that you are seeing is to the single-family residential land class. I provided a chart here that has the historical rates since the homestead class was created in fiscal 1992.

Chair Furfaro: I hate to do this to you, but since it is 10:30 a.m. and we may go until 12:30 p.m. on this piece, I think we will take a recess now. We have been going for an hour and a half, if you do not mind? I do not want to break in the middle; I want to go straight through. So to the captioner, we are going to take a 10-minute recess. Would you set the clock, please?

There being no objections, the meeting was recessed at 10:28 a.m.

The meeting was called back to order at 10:40 a.m., and proceeded as follows:

Chair Furfaro: We are back from recess.

There being no objections, the rules were suspended.

Mr. Hunt: Councilmembers, up on the screen, you have a chart showing the historic tracking of both the Single Family Residential and Homestead Land tax rates. Historically, there has been anywhere from an 89-cent to \$1.14 spread between the land tax rate for the Homestead and that of the Single-Family Residential class. However, between the 2005 and 2006 fiscal year, the Single-Family Residential rate was brought down to the equivalent of the Homestead rate. It was dropped to \$1.14 and it has remained there for two years, and then in fiscal 2008, all categories were lowered a nickel. So it actually became five cents lower than the Homestead rate. The Homestead is assumed to be the most preferred tax class, but in this case at least on the land it is not showing that. Under this year's fiscal proposal, we are attempting to restore at least a portion of that parity that we saw historically between the Single-Family Residential and the Homestead tax rates for land, and that is equating to a 90-cent increase in the land rate going from \$3.95 back to \$4.85. Now the properties that are in the Single-Family Residential class do include some that have homeowners' exemptions, but those categories would actually be protected by any increase to the tax rate by the PHU cap. You also have properties that are in the Long-Term Affordable Rental Program that also are protected by a 6% cap at the moment. So those are protected from any increases. Those that would not be protected would be second homes, vacation rentals, other rental incomes where there are no owner-occupants residing or not being leased at below market rent. So that was rationale for looking at this class as the potential to get more revenue and help balance the budget.

The other category that we looked at in terms of restoring parity has been the Hotel and Resort class. It has been reported over the last year that this category has been making significant strides in terms of their average daily room rates and their occupancy. They seem to be doing better while Commercial and Industrial are struggling right now with high vacancy rates. So ability to pay was also considered. What we attempted to do, at least in the Hotel and Resort category was to reestablish what they actually paid as a category with the fiscal 2012 year. So they basically become a revenue neutral tax category. And to do that, we had to increase the land rate from \$6.90 to \$7.14, and the building rate from \$7.90 to \$8.20. But essentially they...I believe it is about a \$1500 difference, but they become revenue neutral with fiscal 2012. And what the Director of Finance is posting right now up here is the tax calculation showing the projected revenue in yellow.

Mr. Chang: Excuse me, I am sorry, do you have a pointer? Can we follow along with a...because...I am sorry?

Chair Furfaro: We have a pointer.

Mr. Chang: Okay. Can you use our pointer and walk us through?

Mr. Hunt: Sure.

(?): Can we get a copy of this?

Mr. Hunt: Yes.

Mr. Chang: Mr. Hunt, if you can walk us through the narrative again now that we have the...

Mr. Hunt: Sure.

Mr. Chang: Because it is very, very, very hard for the audience to see what you are trying to point.

Mr. Hunt: To be honest, I was not prepared to present. I was just asked to bring some tables to help answer questions. I was not planning on making a presentation. If you do not mind, I am kind of ad-libbing a little bit.

Mr. Chang: Yes, if you can just repeat the narrative because they cannot see.

Mr. Hunt: Sure, I understand. So up where the pointer is right now, this is the tax rate change I discussed going from \$3.95 land tax to \$4.85. You can see it is still below every other land category. Everyone else is at \$6.90 with the exception of the proposed increase to \$7.14 on Hotel and of course the Homestead at \$4.00. Even though it is an increase of 90 cents, it is still much below what other income producing properties are being charged for that land tax rate. The net result is about a \$2.5 million increase in revenue from this category. And again here at the new rates being proposed for the Hotel and Resort, it is about a \$1500 reduction. It is about as close as you can get to revenue neutral with the tax calculations that we need to run including the PHU calculations. So the net result actually increases the amount of PHU credits because there will be more in the Single-Family class that have PHU caps, and the increased rate gives them more credits because it compares their market taxes with the new rates versus what they actually pay which is their capped tax, and the same with the LTL. More people are now getting higher credits in the LTLs because of the difference between market and their capped tax.

Ms. Yukimura: So, can you say that the homeowners, the owner-occupants, I guess the homesteaders who are in this Single-Family class will not pay any increased taxes? Or they will but it will be capped?

Mr. Hunt: They will be subject to the 3.73% maximum tax cap. So if it was projected as a 20% increase in taxes, they would only pay a 3.73% increase.

Ms. Yukimura: Okay.

Mr. Hunt: The net result here ends up...

Chair Furfaro: I want you to repeat that, what you just said.

Mr. Hunt: Yes, I will repeat it one more time. The maximum increase that anyone with a homeowner's exemption will pay in the Single-Family class is 3.73% more than what they paid in fiscal 2012, assuming that everything is the same. They have not done an addition or built a second home or did anything else that would be outside of the cap.

Chair Furfaro: Thank you, Steve. Let us pause right there for a few questions. Councilmember Nakamura.

Ms. Nakamura: And is that based on the Honolulu CPI?

Mr. Hunt: Yes.

Ms. Nakamura: And can you just say LTL...

Mr. Hunt: LTL, yes, it is long-term lease, but we use it as the Long-Term Affordable Rental is what we commonly refer to. And those ones currently are capped at 6%. Based on the ordinance you approved at the end of 2011, they will actually be moved into the Homestead class for the 2013 year and will enjoy the same cap, in fact all, the rate and cap as the Homestead class. The only thing they will not have is the exemption.

Mr. Rezendes: That I should clarify, 2013 assessment year, 2014 fiscal year.

Chair Furfaro: So do we know the...I know the Council voted on that to move them into the (inaudible), but do we know the impact of that?

Mr. Hunt: We do not.

Chair Furfaro: So that is a new item on our horizon next year.

Mr. Hunt: Right, as is the also voted in the tax on use, which is a major policy change, and we have about 26,000 surveys that were sent out to improved properties, and we are still filtering those in. I know Councilmember Bynum has personally seen the stacks and stacks of...we have quite a bit of work to do before we actually can get them input, verified, and then give you some meaningful results as to what the new tax classes now hold in value.

Chair Furfaro: On the questionnaires, were there any deadlines for them to turn them back in?

Mr. Hunt: It said 45 days, which would put it at May 26 from the mail out date, but obviously we are not going to deny anyone and we are going to continue to...as people change or sell or pass away, there are always changes in uses, so it is an ongoing process. It was just establishing a baseline.

Chair Furfaro: Okay, I would like to affirm that you have established a baseline, but then somebody comes in August and the deadline was May, just evaluate those impacts. Mr. Chang, did you want to question at this point?

Mr. Chang: I was just going to ask him...he explained for the viewing audience LTL. Can you just say PHU also?

Mr. Hunt: Yes. PHU stands for permanent home use, and those are residents who claim their property as their primary residence.

Chair Furfaro: Why do you not continue with your presentation?

Mr. Hunt: So the net result of these proposed tax rate changes results in about \$81,227,700 in revenue. Comparing that to our fiscal 2012 tax revenue of about 79.3 say, or our fiscal 2011 of 81 or our fiscal 2010 of 90.9, we took both a two-year average between the fiscal 2011 and 2012 and a three-year average of 2010, 2011 and 2012, and those numbers are posted here. It is about 80.378 million and 83 million. So to say that our budget being proposed was revenue neutral with fiscal 2012 would be incorrect, but we are trying to restore some of the neutrality that had been eroded as values have declined and revenues have declined for the County, obviously not getting close to our peak years that were behind us, but restoring some of that revenue to fill positions and services to the County.

Chair Furfaro: Steve, may I ask, do you know the difference between the PHU at 2% and the PHU at 3.7%, how much the 1.7 brought in? If we do not know that...

Mr. Hunt: It would not be known because it is dependent on who was getting market taxes and who may have come down because values...it is a moving target.

Chair Furfaro: I just wanted to pose that question. The question is pertaining to the current presentation. Please go right ahead, Vice Chair.

Ms. Yukimura: So, on the Long-Term Lease or the affordable rental, that is going to be a substantial increase probably. The 6% is substantial to a lot of people. And it may cause them to go into market housing...I mean market rentals this year if they do not know that next year a big break is coming up. I wonder if there is any way to give them notice that this is a transition period because I know people have told me that the 6% cap was too high and that it was still onerous for them, and I am not sure how it is going to impact or what message it is going to send to them, but it is something maybe we need to think about because there may be an exodus from the affordable rental because of this increase, especially if they do not know what is coming up.

Mr. Hunt: Just a comment, by and large because we are seeing declining values, the 6% has not even been a factor for many of these people, especially the late entrants who have only gotten into the LTL registration within the last three or four years. The only one where the 6% may be an issue was ones who came in at the initial application in 2004.

Ms. Yukimura: Yes, so what percentages are new and what percentages are long-term because actually it is the long-term ones that asked for this because they have been doing it for the life of their rental. They have just been your regular local people who made some income but they want to help out others and they have good tenants. So, even though they could get high market rents in 2004 to 2006, they did not. Anyway, I am just anticipating we might get that reaction. I do not know if there is a way through our mail outs or whatever that we could let them know something is coming around the corner.

Mr. Hunt: We have the cameras rolling and we have a reporter from the news maybe you can get some coverage. Direct mailings are also challenging just because we have to identify those and those that may be impacted. Some may not be impacted...

Ms. Yukimura: Right.

Mr. Hunt: ...because of the declining values.

Ms. Yukimura: Okay, well maybe even just a press release.

Mr. Hunt: And certainly even just...

Ms. Yukimura: Or putting it on the web.

Mr. Hunt: On the topic of just considerations that were undertaken by the Administration and us when looking at the rates, one of the other concerns was we have a major dichotomy within the apartment class, the condos. You have those that are resort oriented and then you have those that provide essentially affordable and local rentals. A lot of it in the Līhu'e area they are not resort oriented. If you hit them with the rates that maybe you wanted to target at a resort environment, you are hurting them as well. So even though there was a decline in revenue from that class, until we actually have this use survey to ferret out which ones are being used as inventory stock for our local residents and those that are being run as businesses, it is hard to have a one rate fits all policy for that.

Ms. Yukimura: Unless you can distinguish it by use.

Mr. Hunt: And that is what we are doing for fiscal 2014.

Ms. Yukimura: Okay, that is what you just said; excuse me. Okay, thank you.

Chair Furfaro: Mr. Bynum, is your question about portions of his presentation so far?

Mr. Bynum: Absolutely. It is actually a follow-up to what he just said.

Chair Furfaro: That is what I want to stay on, following up on his current presentation. Go right ahead, you have the floor.

Mr. Bynum: What I just heard you say was when you guys looked at all the potential rate changes, these were the ones that made sense for this year. But because we have not separated these uses, you did not look at revenue neutral in some of the other categories this year.

Mr. Hunt: Correct.

Mr. Bynum: But it might be next year when we start making these moves. So for the example you used in the Apartment class, we distinguish between ones that are used for resort and ones that are used for residence.

Mr. Hunt: Right.

Mr. Rezendes: But interesting, if you look at the majority of the other categories, you talk about revenue neutral by category, if you go through this we are going from 1.7 to 1.67. That is pretty close to being revenue neutral.

Mr. Bynum: Right.

Mr. Rezendes: That is the Conservation class. The next class above that is Ag 12.6 to 12.8 pretty close there without any rate changes. I mean it is relatively close already without any rate change. The next one 2.4 to 2.5 and that is Industrial. Commercial is 7.2 to 7.1, really close from 12 to 13, and Apartment 13 to 12.5. So these categories in here are relatively stable as far as revenue by class.

Mr. Bynum: This year.

Mr. Rezendes: Yes, based on the current assessment as compared to 2012.

Mr. Bynum: I guess my follow-up would be I understand your rationale of why this is where you made the changes.

Chair Furfaro: I am going to recognize Councilmember Nakamura first.

Ms. Nakamura: Thank you very much. This is a very useful tool. I wanted to ask you, do the revenues for each year include all of the exemptions?

Mr. Hunt: Yes, but not the credits, correct.

Ms. Nakamura: But not the credits.

Mr. Hunt: The credits are not by category. They are in lump sum.

Ms. Nakamura: Okay, right, right. So under the Homestead class, so you are saying the revenues from 2010 being \$18 million, then went down to \$15 million in 2011, then \$14 million in 2012. So if we keep the tax rate as it is it would go down again to \$13 million?

Mr. Hunt: Let me speak to that because this is very important too. Because of the cap, the actual taxes paid versus the market taxes, these are calculated market taxes with the values and the exemptions. The credits have been waning. So if you look across and see the credits are going from 9.9 to 7.4 to 5.1 to, in this case, 4.3. Most of that, I would say 85% of the credits are actually in that Homestead category. I believe the closest number we have right now is about 9.94 is what the Homestead would pay this year under the current rate structure, which is about close to neutral. I think that homeowners as a total would actually drop by about 152,000 because of the additional income exemptions that were applied which offset even some of the rate increases and the value decline. In the wash, I think, collectively, not in the Homestead, but homeowners as a group pay about 152,000 less. I know it is confusing because of the credits and it is difficult to isolate the revenue by class.

Ms. Nakamura: Right, right, right.

Mr. Bynum: This is what is more accurate. So I am going to just say it and pass it out. In 2008...

Chair Furfaro: Excuse me, just to stick with the format, the floor recognizes Mr. Bynum.

Mr. Bynum: Thank you very much. In 2008 it was basically \$7.4 million from the Homestead class, then 8.2 in 2009, 8.1 in 2010, 9.9 in 2011, 9.965 and 9.97. And so the taxes have gone up for three years and then because of the low income that we put in this year, it basically...

Mr. Hunt: But in all fairness, Councilmember Bynum, the years you cited before included credits going 100% to those categories because we do not know what those credits were whereas the last two years you have actuals.

Mr. Bynum: But if we looked at actuals, we would see the same thing.

Mr. Hunt: The trend would be the same, but the jump up would not be as high as we put less credits back into the older years.

Mr. Bynum: So increased taxes for three years about \$3 million, and then this year because the low-income credit, right, about a wash. So this year the class has not seen an increase, but it has for the three years previous. And the reason there is no (inaudible) individual taxpayers are seeing increases but we had to factor in the low-income credits which were 500?

Mr. Hunt: On paper, yes.

Mr. Bynum: You should not look at these numbers because these are market without the credits. Now what Steve said is we were able to calculate, because of data that I requested and got, the actual for the last two years for the Homestead class, but all of the figures prior to that are not accurate, but the trend is there. Actually that \$3 million increase was probably more, considerably more, than the \$3 million I have been talking about the last year. But this year, I agree, because these last two years, we have been able to factor the credits appropriately in this class, right?

Mr. Hunt: I am able to do it for the fiscal 2013 based on the data. I am not as certain about the 2012 data. I have some concerns about that, but it is much closer than we started with.

Mr. Bynum: Yes, and so we are...eventually we will get accurate, but it ain't going to happen today.

Chair Furfaro: Vice Chair Yukimura.

Ms. Yukimura: So what is the percentage contribution to real property taxes of each category with the Mayor's proposal?

Mr. Hunt: I do not have that information with the new proposal, and again, Councilmember Bynum can probably tell you why you have to run the PHU tax calc and then you have to have our consultant extract that data based on the new...because the credits will change. When you change rates credits change. And until I know what the credits are, it is hard for me to tell you what percentage would be paid in actual taxes because of the PHU.

Ms. Yukimura: We cannot even get a rough estimate?

Chair Furfaro: May I interject? Steve, because there are variables in many categories, somebody has a home exemption in an apartment and so forth, but partially what we have changed recently, in the future we will be seeing a number of those credits falling in specific categories, right? But for right now, what we are seeing, and I am going to use this term as the rack rate, the rack rate for these categories as proposed with rates is 85,626,354, all categories. That is the rack rate of which to the previous year it was 84380. So there is the difference. The tax rates went up about a 1.3 million, rack. But the total PHU credits are 4.326 million scattered in all categories, and the rental is 70,000 scattered in all categories. So we had a rack rate increase of 1.3 million and we have applied credits of 4.4 million roughly. Hopefully with the bill we passed, in future years, we will see a lot more of that in specific categories.

Mr. Hunt: That is what we are working towards, yes.

Chair Furfaro: That is what we are working towards. Thank you, Steve. Thank you for letting me interject. You still have the floor.

Ms. Yukimura: So my question was you cannot even get approximations?

Mr. Hunt: I would hate...you are putting me on the spot because I do not even have the ability to go and work a spreadsheet. So, no, I cannot give you an approximation on the floor.

Ms. Yukimura: Well, but theoretically then we cannot even follow the law to set the rate?

Mr. Bynum: That is correct. I want everybody to hear that what you just said, please. That is the reality we are in today. We will not know the percentages being paid by each class even though the ordinance says that is the fundamental figure, it is impossible for us to calculate that for this budget.

(?): That is correct.

Mr. Hunt: It is possible to run a number of iterations to hit a percentage, but it is going to involve not only my time running the iterations but also the consultant's time extracting the individual credits per category to determine what that is. So if you said we want the homestead to pay 10% of all the property taxes and you needed to have a rate that gets you there, I would have to just start trial and error testing rates to see where we come and see where the credits go.

Mr. Bynum: And then if you make changes in any other category, you got to start all over again.

Mr. Hunt: That is correct.

Ms. Yukimura: Well, good thing...well, hopefully shall is not mandatory.

Mr. Bynum: But we are committed, right, on both sides to in the future be able to do that?

Mr. Hunt: Yes.

Mr. Bynum: And to get accurate data for these years going back? But that is going to take months probably, right?

Mr. Hunt: Correct.

Mr. Bynum: And that is the point I have been trying to make for the last year and a half. We do not have accurate data to make these decisions. We are getting closer, but we cannot. I met with our County Clerk and said this is going to come up because Mel and I are committed, well the whole Council, to following the ordinance, right, like we have not for many years. I think we are committed to doing that, but we cannot do it right now.

Mr. Hunt: I think there are two sections of the ordinance. One says you shall get PHU and one says you shall set the percentage, and when those two conflict, at the moment, it is difficult.

Chair Furfaro: Okay, I would like to expand on that a little bit too. I am going to ask Jade, Deputy Clerk, to hand out some more information regarding these rates. I want to reiterate what I said at the beginning. Until we get everything in the right bucket next year, we do not know what the impact will be. I want to say that again Members, we do not know what the outcome of revenues will be.

Mr. Rezendes: You are referencing once we move to use.

Chair Furfaro: Yes.

Mr. Rezendes: Correct.

Chair Furfaro: It could be a further...

Mr. Rezendes: Substantive change.

Chair Furfaro: ...substantive change.

Mr. Rezendes: Correct.

Chair Furfaro: But we will (inaudible) that when we approach that, and I think for me that I do not even want to bring this up, but that reassures me why we need to have those reserve moneys because we do not know the 2014 impact. Mr. Kualii'i.

Mr. Kualii'i: Thank you, Mr. Chair. Steve, I just wanted to ask you, in an earlier presentation along the same lines, you had said it is accurate, it is just not allocated. And so you would still stand by that?

Mr. Hunt: Yes, the gross credits are still accurate.

Mr. Kualii'i: The numbers in the analysis is accurate.

Mr. Hunt: Yes, the revenue projections are indeed. It is just the allocations.

Mr. Kualii'i: It is just not allocated. The reason it is not is because of the PHU.

Mr. Hunt: Correct.

Mr. Kualii'i: And going forward when things change next year...is it next year that the land and building is all going to become one?

Mr. Hunt: One value, one rate, correct.

Mr. Kualii'i: That will make it easier too as far as putting in totals and then backing in percentages and what the rates will be. But still the problem where the allocation is not accurate is because of the PHU.

Mr. Hunt: So long as the PHU and at this point the LTL credits exist, then we need to account for them and we need to account for them if we are setting rates by category, we need to account for those credits by category. Thus far, we have not been able to do that. We can tell you how much the credits are in aggregate but not by category.

Mr. Kualii'i: Do you think when the PHU was established and was it established by ordinance or Charter amendment?

Mr. Hunt: It was ordinance, and there were actually two versions. There was one that was more appropriate for permanent...it was a ten-year dedication for permanent home use. And then after that one had lapsed or it was repealed, this was a replacement during times when values were running up. It was an ordinance change that capped it.

Mr. Kualii'i: So it is not that it made it impossible, it is just that it made it really difficult to abide by the Charter that says the Council should establish the percentages because of the complication. But for all this time and from when it was first instituted, the PHU, no one ever caught that. It presented this problem with the Charter and the percentage.

Mr. Hunt: I think within the ordinance itself, it actually described it as a temporary measure, and I think real property, before I was there, was perceiving it as temporary. So there was not a lot of effort in developing customized reports, spending a lot of money in developing things that were related to the cap because, again, it was initially viewed as temporary. But as things have progressed and it has become more permanent, we have had to make adjustments for things that were not working within the Permanent Home Use. Changes like a loss of the Homestead rate when you build a second home, and adjustments for improvements or loss of credits or increased exemptions. So a lot of the stuff has really evolved over time as we have had to manage the program.

Mr. Kualii: Thank you. Thank you, Mr. Chair.

Chair Furfaro: Any more questions at this point for Steve? Any more questions for Mr. Rezentes at point? Okay Mr. Kualii, you have the floor.

Mr. Kualii: Just by chance because I like seeing this chart that you put up there with the red and the blue, and it is included in the Mayor's narrative with the May submittal. You did not do a similar chart for the Resort change?

Mr. Hunt: No, the Resort, I believe, has been flat since at least 2005, maybe longer.

Mr. Kualii: I know, too, in this instance you are comparing Single-Family Residential with Homestead.

Mr. Hunt: Right.

Mr. Kualii: And then the Resort, you would not necessarily make the same comparison.

Mr. Hunt: I believe at its peak the Resort was like \$8.40 per thousand assessed. Right now it is \$6.90.

Mr. Kualii: Thank you.

Chair Furfaro: Mr. Hunt, through the public hearings yesterday, we had heard from a couple of resorts, and we had heard from the Hotel Association asking if the Tax Department, Finance and the Mayor could meet with the Hotel Association. I said I would pass that request on to Mr. Rezentes. I think Ernie was present yesterday and please consider this the request that I am passing on to you since we had the public hearing last night. If you could meet with them relatively soon, I think it would be appreciated by them. Any more questions? Mr. Kualii, you have the floor again.

Mr. Kualii: Something else came to mind when you made that comment. I heard the testimony pretty loud and clear. While after I think the Chair explained it a little more, it seemed more palatable to them, the increase, there was still concern raised over, and I think today you said, too, that assuming that things remain the same. So, the rate for the Resort is being proposed to increase, and that increase is still meant to keep everything revenue neutral. So for most, maybe with the economy and all, properties the value is going down, and if the rate was the same, that means their bill for this new year would go down.

Mr. Hunt: That is correct.

Mr. Kualii: But the Administration's intent is to keep everyone's bills the same.

Mr. Hunt: Not everyone's bills, but the category as a whole because there are obviously individual projects and individual pieces in there that go up and down.

Mr. Kualii: One of the testifiers basically was appealing on behalf of those properties that just recently completed large renovations. So their assessed values are going to go up. With the higher rate and higher assessed value, their taxes may go up significantly.

Mr. Hunt: I would have to see those projects individually.

Mr. Kualii: But you are saying overall as the category.

Mr. Hunt: Part of the discussion if you want to have is on the valuation techniques for these properties, they are multiple actually. You have some that are in this category that are timeshare units and you have resale prices or developer sales from which to do your analysis to come up with an interval price which is multiplied by the weeks and split between land and building. That is how you do the timeshare valuation. There are condotel units, the Kauai Beach Resort and the Islander on the Beach have been basically hotel rooms that got condominiumized. They have had sales of individual rooms that have a market value. Other projects that are run as pure hotels, there are very few hotel sales. I believe the last one was the Maka'iwa project that I think sold for \$38 million, and when you minus the FF&E from that, maybe

like a \$35 million real estate value for that property. Then you have to look at that sale and determine relative to the other properties, is it better or worse, and then we start getting into a discussion on rev par, which is the revenue for a daily room rate. And you start benchmarking saying okay, if your rev par is 300 for one hotel and 100 for another hotel, and my sale was at 75, how, on a scale incrementally, do we assess, on maybe a per room basis, a value to that? So that is one technique, and then another one is looking at the cost if we have had any recent land sales of resort lands or ground rent renegotiations of land to determine a land value. We look at our cost tables annually to determine what the replacement cost is less depreciation. And then we sort of put everything in and say okay, if someone completes a \$20 million renovation this year, did that renovation actually increase their rev par or occupancy? Did it actually have any benefit to the economics of it? Or was it simply coming up to meet the standards of that hotel class and they were lagging on their depreciation and putting in their maintenance? So it is not always dollar...cost and value are not always the same is, I guess, what I am trying to get at. So some of those hotels that just completed renovations may not have seen the same dollar for dollar increase based on value.

Mr. Kualii: So are you reassessing it every year and are you going to reassess them higher?

Mr. Hunt: We do reassess every year, yes.

Mr. Kualii: You are saying you are going to reassess them higher based on those renovations?

Mr. Hunt: It depends what the market bears.

Mr. Kualii: Yes, so the only other thing I would say then is that the education about what revenue neutral means, that if the Administration is saying that the pool will be neutral.

Mr. Hunt: That is correct.

Mr. Kualii: And that indeed some of the hotels may be paying higher taxes.

Mr. Hunt: That is a possibility.

Mr. Kualii: And maybe even some of them will be paying significantly higher taxes.

Mr. Hunt: And some possibly even lower.

Mr. Kualii: Based on huge renovations.

Mr. Hunt: If we are going neutral and some are paying more, then some would be paying less to keep keep that neutrality. It is difficult because it is parcel by parcel. We are not saying we are freezing everyone's resort taxes as though they were the same last year. What we are saying is we are setting a rate that gets this category to pay the same as they paid last fiscal.

Mr. Kualii: Yes, I am only thinking that if this is...we are only talking about one year, other factors will come into play next year that if you might have done the analysis to see because if a lot of properties are getting...remaining fairly neutral or getting a small lower bill, and then one property is just eating it, taking a huge bite, then that could affect jobs.

Mr. Hunt: Certainly.

Mr. Kualii: That could be a serious problem that nobody is really thinking about right now until we see some kind of analysis.

Mr. Hunt: And it also assumes revenue neutrality that it is the same properties and it may or may not be. Some may have moved in or out of the category depending on their use and development. I think the only real new development that we have seen in that category was the Kalanipu'u timeshare condos that were completed. So there actually was some additional inventory or completion of the inventory added to that base between last year and this year.

Mr. Kualii: Thank you. Thank you, Mr. Chair.

Chair Furfaro: Steve, I am going to recognize Mr. Rapozo and then Mr. Bynum, but before we close on this subject, I want to share with you a tool that I have asked Economic Development to put in their budget that will help you as well. It is called the Star Report. I will cover it before we close out on this subject. So, Mr. Rapozo, you have the floor and then Mr. Bynum

Mr. Rapozo: Yes, it is a follow-up to Councilmember Kualii's question. How would a hotel or resort tax bill go down?

Mr. Hunt: How would it go down? When the value decline between the fiscal 2012 and fiscal 2013 declined more than the rate increase being proposed.

Mr. Rapozo: Right and I think that is unlikely. I think we are basing revenue neutral if everything stays the same. If somebody goes up because of a renovation that does not necessarily mean somebody is going down on the other end. It does not have to be...nothing is mandated that it is revenue neutral. We are saying if everything stays the same, revenue neutral. But because somebody did a \$30 million renovation and their assessment went up, that does not mean there is an equal balance on the other end that is going to balance out the revenue neutral. If in fact everything stays the same and maybe three properties had a multimillion dollar renovation, it will not be revenue neutral. The reality is, it will be revenue positive. I think that is the reality of it.

Mr. Hunt: Correct, right.

Mr. Rapozo: It does not necessarily mean because it is on paper revenue neutral today, it does not mean when we collect all the taxes it is revenue neutral. The intent is.

Mr. Hunt: Well, it would be revenue neutral as a category, and you can see that just because prior to this submittal for the May 8 budget, the prior submittal was showing about a \$550,000 loss in revenue from this category. So in other words, even if someone did a \$30 million renovation, the category as a whole went down more than offsetting that 30 million because we are down below where we were in assessed value from the prior year.

Mr. Rapozo: Because there were no tax rate changes.

Mr. Hunt: Correct, so with no tax rate change, we would have collected less, about \$550,000, I think was the figure. So what we are saying is to offset the category decline in value between fiscal years, we are going to have to increase the rate.

Mr. Rapozo: Right, right, but it is highly...and I am not sure. Maybe Mr. Furfaro knows how many properties had renovations, I mean huge renovations, in the last year or so, but there is a possibility that this tax increase could generate a surplus for the County. It is highly possible that that could happen. If we collect more...if a lot more properties...if our assessments in that category go up a lot more than the declines, obviously, you will produce more money.

Mr. Hunt: You are talking about for future years?

Mr. Rapozo: For future years.

Mr. Hunt: For future, absolutely for future. Then you may...and again every time, every year you have that ability to address the rates. What we are just saying for this snapshot in time, because values have declined from the current fiscal to the one we are proposing now, this is just an offset in rate to accommodate that loss in value.

Mr. Rapozo: Got it, thank you.

Chair Furfaro: Thank you. Mr. Bynum.

Mr. Bynum: Hotel does a \$20 million renovation. If that is replacing furniture, carpet, counters, and just upgrading, it may not affect their valuation at all.

Mr. Hunt: Correct, (inaudible).

Mr. Bynum: But if they build a larger restaurant and add square footage that would increase their value.

Mr. Hunt: Well, it would increase their cost approach value, whether it is actually shown in value of the hotel as an operation, you may end up spending \$20 million on a renovation and addition that may produce a \$5 million market value increase.

Mr. Bynum: Right, yes. I just want to...I think...I do not want anybody to get the sense like oh, I heard they spent \$30 million, that means their value went up \$30 million.

Mr. Hunt: Correct. Let us take the St. Regis for a great example. They paid a lot for the hotel, probably too much when they bought it, did substantial renovations, and they are at a fraction of what their cost book value is because of what they are doing in terms of production at that hotel.

Mr. Bynum: Right, so they spent a whole lot of money and their valuation did not go up.

Mr. Hunt: That is correct. But it went up from when it was the Princeville Hotel, but it did not go up to what their book value is.

Mr. Bynum: Right.

Chair Furfaro: Okay, so one of the things that I want to be very careful with comparing us to other islands, it is very important to understand the use of what is called the Star Report. Now the Star Report is a competitive set that manages Six Star Mobile Award properties, Five Diamond American Automobile Association properties by category based on amenities. Yes, when we hear the reinvestment dollars, the property does not include soft goods, but when they do a major renovation that includes an amenity designed specifically to get them upgraded in a category, then that becomes part of the tax evaluation. For example, when I was manager at Sheraton Princeville, we did not have enclosed corridors. Enclosed corridors are a criteria that you must have before you become a Five Diamond property. That is a physical improvement in the plant. The St. Regis has now enclosed corridors, etcetera, etcetera, and so that was actually facility improvements for the purpose of positioning the property and increasing the average daily rate.

Mr. Hunt: Right.

Chair Furfaro: The St. Regis has complied to a lot of those physical attributes. Now St. Regis has spent a lot of money on their renovation. The Hyatt is now the Grand Hyatt because of the money they have put into their pieces. The Sheraton Kaua'i just repositioned their whole oceanfront wing and their food and beverage amenities. The old Island Holidays property at Coconut Beach is now a Three Diamond Marriott Courtyard to the tune of about \$22 million. So those things go in when you make those evaluations. But if you get the Star Report, you will see the competitive profile. They will have the economy and budget hotels in one category. So, they will measure the Islander as a property, and they will measure it against Kaua'i Sands. You will see what is called the average rate for just the occupied rooms or you will see the ADR, which is the average daily rate. It is revenue divided by total available rooms. And so you will start to get a clear picture on how that investment in the physical plant strengthens their positioning. Now why we cannot do this, for example Maui County has seven Four Diamond Hotels. We have one. They have three Five Diamond properties. We have one. So you will see these competitive profiles and we also have half the inventory that they have. So this Star Report, I think, is going to become very useful for part of your evaluations going forward.

Mr. Hunt: Is the Star Report, that is the name of the company or is that part of Smith's travel?

Chair Furfaro: It is part of Smith's travel.

Mr. Hunt: Okay, okay. In our budget, which you guys are discussing, we have actually a subscription to Smith's Travel in there. We are hoping to get that information (inaudible).

Chair Furfaro: No, that was something I pushed George for.

Mr. Hunt: Along with Co-star, which is another vendor that provides cap rates and other information that deal with, even though we do not value on income, it is nice to know how performance, occupancy, vacancy, cap rates, it is important to (inaudible).

Chair Furfaro: I just wanted to bring that out that I encouraged George to do that because we can then see a competitive set. So if the Hyatt shows the St. Regis as their competitor and the Marriott, they will be clustered as one competitive set. If they do the Islander versus the Kaua'i Sands versus that small hotel in Kapa'a (Coral Reef), they will be in the economy budget category, and from these reports if they subscribe as we are going to do, subscribe, we will get pretty factual information. We just have to be really careful how we handle that report because it does talk about competitive sets. So that is something that I am encouraged that it shows up in this year's budget. Any more questions for Steve or Wally on this subject? Mr. Chang, you have a question for them?

Mr. Chang: I have a comment.

Chair Furfaro: Okay, I just want...

Mr. Chang: I will wait.

Chair Furfaro: Before we have dialogue amongst ourselves, I want to see if we have any more questions here. I think Mr. Bynum was out of the office when I compared this report to what we should really be comparing ourselves to on the Star Report, which we will be enrolling in in this new budget. We will see our own islandwide competitive set. Any more questions for Mr. Hunt? Okay.

Mr. Bynum: At what point is it we vote on property taxes?

Chair Furfaro: Well, you know the property tax rates is one where I do not have a problem coming back on the last day because we do not know what the pluses and minuses are going to be. So, I think we can be there, but if we do it that way, I want to caution all of you. If 4:30 p.m. comes around and we have not settled all of this piece, it is then in the Administration's hands. So before we go into anymore dialogue on that, can I see some indications from you folks about your wanting to vote on the property tax rates as we start today or if you want to defer the rate by categories until the last day? That is the question. We can have more dialogue as long as it is along the question. Mr. Rapozo.

Mr. Rapozo: You are asking for a response to that question?

Chair Furfaro: Yes, to that questions.

Mr. Rapozo: Okay, well I was going to bring that up, and I do not know if...are you done with him already because I do not have any questions. I do not think anybody has any more questions for him, but...

Chair Furfaro: Well, I would like to not quite say "Are you done with him," but you can be excused.

Mr. Hunt: Thank you.

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

Mr. Rapozo: It must be horrific once they are sitting on that seat. Mr. Chair, I was going to...that was going to be basically my opening statement was that as we start to digest this budget and do the analysis and the decision-making that I think it is premature to set the tax rate prior to going through the budget because...

Chair Furfaro: Because we do not know what the plus or the minus.

Mr. Rapozo: Exactly. It is the budget that drives the tax rate. It is not the tax rate that drives the budget, and I do not want to be limited or hindered as we go through this budget because we only have X-amount. So I believe as we go through this budget, when we are done, now we have to find the funding mechanism for what this Council believes is the appropriate budget for the County of Kaua'i for the next year. So, I think at the end of the day, hopefully we can get done by today, that we can spend some time as far as how we are going to allocate now the tax burden amongst the classes. That would be my suggestion.

Chair Furfaro: I assume that you would like to hold that discussion until Tuesday around 3 o'clock?

Mr. Rapozo: Correct.

Chair Furfaro: Okay.

Mr. Rapozo: Thank you.

Chair Furfaro: Anymore discussion on this item? Mr. Chang.

Mr. Chang: I just want to say I agree with Councilmember Rapozo as far as our decision making, and just a reminder to Mr. Hunt and Mr. Rezentes to make sure that they get a hold of the hoteliers so they can pass on the information on their meeting.

Chair Furfaro: Well, the hotels had their opportunity to show up at the public hearing last night. They just want to meet specifically about them. But I want to make sure we all understand. We are going to need a revenue point to start this budget with. But what I am saying is I am prepared to go back and revisit the rates on Tuesday. So you understand we need a starting point. Mr. Bynum.

Mr. Bynum: I just want to say now I intend to make a rate proposal to reduce the rate in the Homestead class to allow about \$1.9 million of relief for the Homestead class. They have paid increases for three years in a row, totaling...we do not know exactly, but at least a \$3.1 million increase. The vast majority of taxpayers will pay an increase this year, again, if we do not change the rates. And so I have a rate proposal prepared based on dialogue with the Administration. I am not saying they endorse it, I am saying they helped me come at the rate because as Mr. Hunt has said over the last couple days, it is not that easy in the Homestead class to look at the impact. It requires multiple iterations. They have gone through that in order for me to come up with the rate I intend to propose. But I want to put that out there right now. We are going to vote on it later or okay, but I believe that resident homeowners deserve some relief. It moves us in the right direction and helps deal with some of the inequities because if we do a rate reduction, the people who have the cap that are paying at this level generally will pay...most of them will pay a 3.7 increase even with a rate reduction. But those taxpayers that are paying double and triple or 80 or 90% more, they will get some relief and the inequity would narrow, and it would move us in the right direction about getting more normalcy in this class. I just want to put it out there now. If you want to vote now we can vote now. If you want to vote later, vote later.

Chair Furfaro: No, if I decide to go that, Mr. Bynum, I would restrict your presentation to the time allowed in our rules, but Mr. Rapozo.

Mr. Rapozo: Thank you, Mr. Chair, and this is a process question. I am assuming that if any individual Councilmember wants to add or if in this case providing relief of 1.9 that there would be an accompanying funding source. So you are proposing a \$1.9 million reduction in revenue that we definitely need to find a \$1.9 million reduction in expenditures.

Mr. Bynum: No. It will come from the reserve.

Mr. Rapozo: Then I can tell you that I am not supporting it now, but I am just saying there has to be a plus and a minus. I am not going to support. I do not want to get into that discussion, but I am just assuming that if we are going to add, we need to cut. That is how it has been done in the past, and again, I was absent for two years.

Mr. Bynum: That is not the way it was done last year, Mr. Rapozo.

Chair Furfaro: Before we get into that, let me see what Members have to say and then I will call for a vote and so forth. Councilwoman Yukimura?

Ms. Yukimura: Well, in one respect, it is about priorities. If we feel that a drop in the tax rate in the Homestead class is very important and compelling, then it makes sense to do it now so that we know the parameters of our budget. If we do not think it is that important or we are not sure, I guess Mr. Bynum can propose it as one of his proposals when we do all our proposals, and we can look...not necessarily as okay you have to take away this if you give this or whatever, but when we look at the totals, we will see what totals we come up with. And then we say okay, what is our lowest priorities in our adds and what are our highest priorities in the takes, and then see where we come out.

Chair Furfaro: I understand. You are back to the format you questioned me about where I said there will be a point where I will let Members make presentations on issues. So I just want to make sure we are all clear here. For us to go forward, we need to establish the primary discussion about rates. I am saying at or on 3 o'clock on Tuesday, we can revisit the rates. That exception I will make. The question is when Councilmembers want to make presentations on their particular inclusions, I have it in the calendar not to happen right now. I have it happening at a later time. So the motion I would like for somebody to make is do we want to stay with the agenda that allows, in the near future, discussions on proposals from Councilmembers or do we want to make an allowable 15 minutes or so to see the presentation now before we vote on establishing the base rates? That is the question before the group.

Mr. Chang moved to discuss the tax rates on Tuesday, May 15, 2012 at about 3 o'clock p.m., seconded by Mr. Rapozo.

Chair Furfaro: Okay, that will be the second motion. I am asking, do we stay with the agenda, which will allow...

Mr. Chang moved to follow the agenda and allow Councilmembers time for presentations at a later date, seconded by Mr. Rapozo.

Chair Furfaro: Any discussion? Mr. Bynum.

Mr. Bynum: I am a little confused now, but I will just say that we got a budget proposal in March that projected X-amount of revenue and made spending proposals. The resubmittal says no, we are going to have...what is the total additional revenue? Six, seven, eight million? \$6.6 million additional revenue from various sources if we accept this property tax. Some of it is going to come from property tax, some of it is going to come...and there is additional spending in here, CIP, new positions, right? I am saying in this whole mix of things with moving millions of dollars around, resident homeowners have paid increased taxes for three years straight while every other class has had reductions. I made a proposal earlier for \$5.4 million but at least in all of these moves, if we can afford this CIP thing, we need to afford \$1.9 million for resident homeowners so they do not continue to pay increases while other categories pay decreases. I am ready to vote on that whenever I am allowed to put that proposal forward. But look at the big picture, please. Earlier I said our de facto reserve at the beginning of this fiscal year was 41%, not 20, not 25.

Mr. Rapozo: Mr. Chair, Point of Order. I just want to make a point because the motion on the floor is whether or not we are going to continue on the agenda. If we are going to all have the opportunity to make our commentary, then fine. The motion on the floor is the agenda, if we are going to stay with the agenda.

Mr. Bynum: Okay, I will truncate it.

Mr. Rapozo: We have heard that. I have heard the 25 million several times this morning. I think we have all heard that, but if we are not all going to be given an opportunity, I have a whole list of what I want to do in this budget.

Chair Furfaro: Sure, okay.

Mr. Bynum: I will truncate it. I think we should discuss and vote on rates now.

Chair Furfaro: The motion on the floor and it has been seconded, and I also want to point out because something was just said that we need to make sure we are clear on. Yes, the revenues are up \$6 million. That is prior to taking away \$4.3 million in credits. So the real difference we have is a \$1.9 million. I just want to make sure we are real clear here. That is expressed in the sheet here.

Mr. Bynum: I do not think that is accurate.

Chair Furfaro: Then you disagree with my math. I see the total gross is now 85 up from 79 preliminary. But if you take the 85, you need to take away \$4.3 million in credits and you need to take another 70,000 in credits, leaving us an amount to spend of \$81 million, and that is \$1.9 million higher than March. It is not \$6 million higher than March. The gross taxable is \$6 million.

Mr. Bynum: Chair, those are property taxes, but in addition, we found...

Chair Furfaro: I heard you. I heard you say that we have other revenue, but I want to make sure that the public is clear that is not all from property tax because your narrative has been focusing on the need for relief. I just wanted to get that clarified. Any further discussion on this motion and second? Mr. Chang, can you restate your motion please?

Mr. Chang: My motion is to stick with the agenda.

Chair Furfaro: That will allow members a presentation at a later date. Any further discussion? All of those in favor with staying with the agenda as a presented, signify by saying aye.

The motion to follow the agenda and allow Councilmembers time for presentations at a later date was then put, and carried by a 6-1 vote (Councilmember Bynum voting no).

Chair Furfaro: Now I had made another motion to you folks that I would like to have somebody make for me and that is again to revisit the rates at 3 o'clock on Tuesday.

Ms. Nakamura: I was just wondering, Chair, if we could have some flexibility, leave it toward the end of the discussion but follow the agenda basically.

Chair Furfaro: Yes, but I do not want us to get to so much discussion that we left ourselves five minutes.

Ms. Nakamura: Exactly.

Chair Furfaro: So I would like the motion to be no later than. Council Vice Chair Yukimura?

Ms. Yukimura: I thought if we followed the agenda that it would be brought up at the time Members have proposals. So I would just like to stay with that motion rather than try to set a time if that is okay with everyone?

Chair Furfaro: I just do not want to find ourselves not having the appropriate allocation.

Ms. Yukimura: We share, we share that, Chair. Thank you.

Chair Furfaro: Any further discussion on that? Did we get a second?

Mr. Rapozo: I did. I made the second.

Chair Furfaro: So I guess there is commentary about just leaving things the way they were in the previous vote. So that would be a no, if you want to leave things with the previous vote.

Ms. Yukimura: Or a withdrawal.

Chair Furfaro: Or withdrawal, Mr. Chang and Mr. Rapozo.

Mr. Chang: I withdraw my motion to disregard Tuesday 3 o'clock p.m. to make it a little bit more flexible.

Mr. Rapozo: Withdrawn.

Mr. Chang withdrew his motion to discuss the tax rates on Tuesday, May 15, 2012 at about 3 o'clock p.m., and Mr. Rapozo withdrew his second.

Chair Furfaro: Thank you very much. I just want to remind you all, though, I do not want to have a free for all always going back to revisit the rates. You folks understand? Because we could do that Friday, we could do that Monday, we could do that Tuesday if we do not behave and stay controlled. So for right now, we do need a revenue starting point for our budget and I would like to get a motion to approve the proposed rates so that we can go into further discussion. Can I get a motion on that matter?

Mr. Rapozo: Well, Mr. Chair, I do not know if I will make the motion to approve, but I will make the motion that we use the proposed budget of May 8 as our revenue point.

Chair Furfaro: Very good. That is a good way to approach it. Can I get a second?

Mr. Rapozo moved to use the proposed Budget of May 8 as the revenue starting point, seconded by Mr. Chang, and unanimously carried.

Chair Furfaro: On that note, I am going to ask that we break for lunch. It is a quarter to 12, I would like to be back at 1 o'clock. All curfews, extended times, and so forth are in that extra 15 minutes. So be back at 1 o'clock. We are recessing for lunch.

There being no objections, the meeting was recessed at 11:46 p.m.

The meeting was called back to order at 1:10 p.m., and proceeded as follows:

Chair Furfaro: Okay, Members, I am going to reconvene our meeting as we recessed for lunch. And following the schedule that I laid out, we would, at this point, want to go into the discussion on Human Resources. I am not sure if Mr. Heu is going to come up to have some discussion with Janine Rapozo. Is that what we are going to do here?

There being no objections, the rules were suspended.

GARY HEU, Managing Director: Chair, for the record Gary Heu. We have nothing else to present, but we are certainly here to answer questions that you folks might have as you deliberate the proposal. Again, I think the last time when we had our task force members here, they made the presentation. Our May 8 submittal does not reflect anything different from our March 15, and so everything that was presented still stands. I know there was some concern about one of the positions in there, relative to the ADA Coordinator and that shift from the Mayor's Office down to Human Resources. We do not believe that is an issue only because the functionality and in terms of how that position supports MacPhee and the ADA community remains unchanged. So it is a relocation of the position down into the HR Department. I think you folks were copied on a correspondence that was written in response to Dr. Lucy's inquiry. So as you can see, we have aligned ourselves similarly to most of the other counties in the State. So we still believe that that is the right thing to do. If you folks feel otherwise and are looking at leaving that position in the Mayor's Office, that is something that we can work through. But other than, like I said, we have no changes to what was previously presented by the task force. But Janine Rapozo and I are both here to answer any questions that might come up.

Chair Furfaro: Well, I am going to ask Janine to come up. I have told the staff that we have finished and accepted the revenue piece for the purposes of doing our plus and minus. Our plus and minus will start with the development of this new Human Resources Department, and I have told the staff we are going to begin because I generally think after yesterday's testimony, we, for this period, would like to start with making the ADA Coordinator, put her in and keep her in the Mayor's Department. But I have asked the staff to be ready to start with our plus and minus piece from that period.

Now as we talk about the HR Department, I think you have made a strong case in presenting the benefits of having a central Human Resource Department, with the exception that we just spoke about with the ADA position. And for the Members, I had put together a little worksheet that is in the packet that I had handed out to them, of which I gave you a copy, I think, this morning. And we are going to focus on the front office central point of the department. The back of the house and dealing with some of the staffing guides, training, center of excellence, and so forth, where we can make measurable improvements on the overall continuity in County planning and then of course, the risk management and how it folds into that. But upfront, we did get an interpretation from the attorney. I am wondering if you had seen it regarding the procedure associated with expanding the current Personnel Department versus creating a new department. Did you see his...was that shared with you?

Mr. Heu: Yes, if it was the same one that was sent to the Cost Control Commission, then we have seen that.

Chair Furfaro: So I guess I would like to start by saying I think the benefits leading up to the need to pull things together, make sure we have continuity, helping us to reduce our exposure with risk management, improve our general training business plan, those were all good

points. I am going to speak from myself, is there a way we can move into this without recruiting some of the new positions of the positions that are currently vacant in your structure? And then, of course, the other point I wanted to make sure is since we have some senior people with time and attendance in there and when we evaluate those positions, I am looking for some kind of commitment, I guess, that as we have people that retire, depart and so forth, that some of those positions that you have in the structure would now be more in the area of a management equivalent of an E-3, versus some of these higher positions that you have right now. The recruitment would bring in the people to fill those slots more as an E-3 level versus some of those that are E-5s now. And I have concerns with that without getting something in the way of a commitment.

Mr. Heu: Sure, maybe the way I would like to start is No. 1 by saying that what we have proposed in the budget, and relative to the task force discussion following the March 15 submittal, I see that as a starting point. I see that as our first step in developing what I believe we collectively want to see for the County, which is a consolidated, comprehensive Human Resources Department that can, as a single point of contact, meet all of our human resource needs. Now, I say "starting point" because obviously, there is opportunity for it to become an even more robust type of entity. But the starting point was simply to take the existing bodies within the County, and to consolidate the functions that those positions currently perform in the various departments in which they reside. So we saw this as a no-cost first-step to at least consolidate. And you know that, in and of itself, will, I do not want to say have challenges, but structurally the organization will change. People are going to have to get used to operating under this new structure. Once that is all settled in, I think then the next step would be to see what other areas we need to look at in terms of expansion and, again, creating that more robust organization. Relative to the concerns you raised, Chair, the first concern was we currently have a couple of vacant positions in what we know now as the Department of Personnel Services. I think that there has been some indication over the past four to six months, the kind of impact having those vacancies has had on that organization. So if you look at the overall plan merely to consolidate and bring in the existing bodies under one roof, the bottom line is, in my opinion, that you would still...the County as a whole would still benefit from filling those positions to at least create the same level of functioning that we had before those people vacated those positions. Having said that, to your second point, we would acknowledge that now if you were to look at this new organization within a vacuum, then it looks like we do have a number of highly paid positions within what will become the Human Resources Department. However, the bottom line is those positions exist today in the organization, and all we are doing is bringing them under one roof. We do agree, Chair, that there is opportunity through attrition to reevaluate those positions and readjust those positions to a level that would probably be more comparable to what we would see in other organizations. So as an example, if today there is a position in there and an individual had been in position over a long number of years and is being paid a higher salary, that sort of thing, at an EM-5, there certainly is an opportunity to look at, and we would, look at reevaluating that and to see if the more comparable level would be an EM-3 when we went out to fill that position. That will happen over time; that is not going to happen overnight. But like I said, through attrition, we would be able to make those kinds of adjustments.

Chair Furfaro: Before I open up to questions from others, what I am hearing in response to some of my questions is we are definitely in need of a countywide business plan and risk management under the umbrella of HR?

Mr. Heu: Yes.

Chair Furfaro: (2) Let us call it the attrition that would be administered with the understanding that some of those positions that are at what they are currently at, at the executive level of 5 or so forth, any future move, we are committed to looking at those as more like EM-3s?

Mr. Heu: Absolutely, yes. We would...as is done in most organizations today, anytime there is a vacancy, there is at least a cursory evaluation to make sure that the needs of that position are still current. And so our commitment would be that we would absolutely take a look at those higher level positions to see if they would be more appropriately reallocated downward.

JANINE RAPOZO, Risk Management Administrator: And just to add to what Gary said...Janine Rapozo, Risk Management Administrator, those positions are being proposed as EM-3s now. So if those particular incumbents stay in those positions right now, they would be compensated per the Civil Service rules, red-circled at their current level, but will not be moving should there be raises until they catch up.

Chair Furfaro: I understand how we use red-circling procedures. I am worried about a commitment that basically says as there is attrition through retirement or transfers or so forth that we get a commitment that the salary grades for those replacements are coming in more along the line of the low 70s to the high 80s, which they are currently graded at, and the answer I heard was yes.

Mr. Heu: Yes.

Chair Furfaro: You understand that we are looking at a transfer of the ADA person, not a transfer, to leave that person in the Mayor's Office. I am going to give you all a chance. I want to do my summary first as I gave you a summary from this morning. I want to hear some commitments here. So I will be recognizing you and as I said, you will have a chance to direct questions. You kind of understand where we are at from that?

Mr. Heu: That is what I was gathering just based on talk in the halls and having watched the public hearing yesterday. My sense was that there was probably a desire to at least consider leaving that position within the Mayor's Office.

Chair Furfaro: I think the biggest piece I heard was the fact that being attached to the Mayor's Office, this coordinator for the purpose of focusing on federal laws and having influence over outcomes is more suited in the Mayor's Office than part of the HR Department.

Mr. Heu: I think we heard that. We heard that argument being put forward. I do not know if I subscribe to that, but certainly I have heard people say that. My feel is that ADA compliance is ADA compliance. And our need to comply and support the ADA community exists whether that position is in the Mayor's Office or in the Human Resources Department. Our commitment would be no less strong if it resided in HR than it does in the current Mayor's Office. For me it is not a deal-breaker. I think we want to keep our eye on the big picture, and for us the big picture is the transition to an HR Department, and certainly we would not want that one position to be an impediment to being able to realize the bigger picture gains of establishing the Human Resources Department.

Chair Furfaro: I understand your position, Gary, and I want to make sure you understand where I am coming from. ADA is the law. My concern is that it might get lost in HR. That person does not have the ability to convey information via the Mayor's Office to Planning, via the Mayor's Office to Engineering. That is where my concern is because noncompliance can come with some fines and you folks have shown us it works very well and you have done a fine job in getting us to where we are at today. I just do not want to lose that momentum. At the same time, I understand your point. And trying to grow into these vacant positions is a better approach to me in creating this position than it is to fill the vacancies now without feeling out how much we can accomplish with the staff we have now, and I think you heard my point on that. So that will be the starting point of this discussion. And now I will recognize other Councilmembers starting with Mr. Chang.

Mr. Chang: Janine and Gary, thank you for being here. So the proposed Human Resources Department will be located where Personnel is located now?

Mr. Heu: We have had discussions on different configurations and scenarios. It would still reside bottom line for the time being within the Moikeha Building, but there have been discussions in terms of reconfiguring the whole downstairs within the round building in terms of how to make the most efficient use of the space, but yes, in the same general location.

Mr. Chang: Okay because the net-net with this proposal, we are going to have about 18, as far as the staff in Human Resources?

Ms. Rapozo: That is correct.

Mr. Chang: I just wanted to make sure because one of the concerns I had with the ADA is currently they are right next door, the office is right next door to the...as far as convenience sake, you can comfortably park in the handicapped if people need to, but you are just next door for convenience sake for those that might be looking for the ADA Coordinator.

Also, in your proposed Human Resources Department chart that we have here, we are confident from within who we have placed in these brackets that the person or persons fit within the description, the job description?

Ms. Rapozo: The current incumbents that are being transferred, correct.

Mr. Chang: And obviously they specialize in the different layers that you have (inaudible)?

Ms. Rapozo: That is correct.

Mr. Chang: So the people that we have are well-versed with their job descriptions? They know what their job description obviously is and will be, their task?

Ms. Rapozo: That is correct.

Mr. Chang: Okay. Can you give us an example because I think some of the different personnel is coming from obviously existing departments, but can you share how expertise works? For example, if you are dealing with a union or special different kinds of grievances or risk management? Can you tell us how this thing...refresh our memory, again, from the way you folks set up this task force.

Ms. Rapozo: Basically, currently, the Department of Personnel Services operates as generalists, so they are assigned to a department and they take care of their recruitment, their classification, their labor relations. The way the proposal is structured, you will have specialists and division heads in the various colored chart that you have that will focus on that particular function. So therefore, if you are for Council Services needing someone to be hired, you would go to the recruitment division and they would be the one assisting you through that process. If you have some kind of complaint or grievance, you would be going to the labor department or division in order to go through that particular investigation or whatever you need to do for that particular incident. So as far as personnel being transferred, right now there is no divisions within Personnel, so the intent here is to have specialized departments or divisions within there so that they can assist you and we are bringing in the expertise that are maybe housed in various departments right now to be able to function for the entire County and not just specifically for that department.

Mr. Chang: I am sorry in the earlier presentation, those that are leaving specific departments per se, they are basically being phased out, if you will, but it is not going to be affecting the department that we are grabbing people from? We have coverage?

Ms. Rapozo: A lot of their functions, as well as maybe some of the other personnel that will remain in the department will be moving to the Department of Personnel Services. So there may be necessary within the individual departments to look back to see how they can restructure in order to make use of all the capacity that will be left at the department.

Mr. Chang: But if you are bringing somebody from a department, whatever the department is, the various departments we have in the County have various specializations, so they have various needs. So is it safe to say that if somebody needs human resources assistance, if you will, that person that maybe came from the existing department would be familiar with what are the needs or concerns?

Ms. Rapozo: Absolutely. I think in the transition there will be a lot of that kind of cross-training or definitely dealing with that department they came from initially until everyone is onboard with the different divisions that they are representing. I think that is definitely going to happen that if someone comes from Public Works, Public Works will more likely be tapping into them for specific things that may not be what they are specializing in now in Personnel, but definitely would be able to assist them.

Mr. Chang: Okay, so there is familiarization across the board then, if you will?

Ms. Rapozo: Correct.

Mr. Chang: Okay, Chairman, thank you.

Chair Furfaro: The good news on that is that all of the people we have right now are generalists, so they have an understanding of all the principles.

Ms. Rapozo: That is correct.

Chair Furfaro: And in your training business plan, I would hope we would be able to define how we invest in these people to become specialists.

Ms. Rapozo: Yes.

Chair Furfaro: That is the key part. Vice Chair Yukimura.

Ms. Yukimura: Thank you. Regarding the proposed ADA position, that is in your organizational structure. You have divided it into three basic divisions, it looks like?

Ms. Rapozo: Correct.

Ms. Yukimura: Recruitment and examination, labor relationships and classification, and health, safety, employee relations, and I basically like that structure. And you have the ADA...well, you have a Human Resources Specialist who would be an EEO, equal opportunity, and ADA coordinator or resource person. So I think Gary mentioned that this is the format in the other counties?

Ms. Rapozo: That is correct. I believe only Maui County has it currently in the Mayor's Office. All other jurisdictions that we researched have it structured as such.

Ms. Yukimura: Okay. If Maui County and Kaua'i County, that is two out of four counties in Hawai'i. There is this thought that there would be more oversight perhaps from the Mayor's Office and perhaps also more leverage. But how do you see...what was your intention here and how did you see it working to effectively support implementation of the act, implementation and compliance, and support of those, whether it is customers or employees with disabilities?

Ms. Rapozo: We definitely did not see it as diminishing any kind of function toward equal access. In fact we looked at it as actually enhancing that particular position by providing a department that would have clerical support to assist that position as well as a division head that would also be responsible to assist with ADA needs. We felt that by having it in that manner it would actually lead to more resources that persons with disabilities would be able to access. And so, we thought it was actually going to be enhancing the program versus diminishing.

Ms. Yukimura: You know, in the present situation, the ADA Coordinator has been doing a lot of work in terms of physical accessibility of the County: parks, beaches, neighborhood centers, other County facilities. Would this person also do that kind of work or is that envisioned to be assigned somewhere else?

Ms. Rapozo: I think by being under that particular division and having actually a division head to look at the bigger picture, the coordinator would have a lot of day-to-day answering complaints and those kinds of issues having to take care of. And so the division head could look further within the County to see whether there are resources and be able to see whether or not buildings can also function with some of those particular ADA titles that need to be addressed. So I think for me and for the whole actual task force, it was going to be assisting to look at bigger picture issues rather than just having one person having to deal with all of that day-to-day. So the intent was to try to assist with looking at an overall program to be able to make sure that the County is in compliance, as well as move toward more ADA programs and accessibility.

Ms. Yukimura: If, as you say, the Human Resources Manager in charge of health, safety and employee relationships is supportive of the ADA concerns and compliance issues, then there is more of a team that is focused on that than one person, so I can see that. In the other counties where the structure is like it is being proposed here, do you know whether they have other people in other divisions that are doing ADA work or resources cross? I mean because we also do cross-department teams, right? Whether it is sustainability or health or safety, you could do it cross department, but because it is an issue that you want every department to embrace, but has there been any thought about that and how that works with this?

Ms. Rapozo: I think that the primary focus would still reside in this particular division and this particular department, but I think the division head would definitely be working with all of the departments and remember that particular division also has training. So it is actually going to be able to, again, assist the ADA Coordinator with ADA trainings that right now are housed with only that particular position. So we looked at it in that respect that actually it would be bringing more resources to that particular function.

Ms. Yukimura: Okay, now the other difference between the Mayor model and this Human Resources home idea is that one is civil service and the other is not. So can you explain the rationale for that?

Ms. Rapozo: There are specific exemptions from civil service that allow certain positions to be exempt and one of that is if it is under the Office of the Mayor. Once the position is being proposed to be moved to the Department of Personnel Services, there is no exemption in HRS that would allow for that to continue as an exempt position, and therefore, it needed to convert to civil service. Per civil service rules then, it would definitely have to start at the beginning step of that particular classification. So the intent there again, what the task force was looking at is particularly that we wanted stability to the position, we wanted to be sure that the position had someone that was qualified. We wanted to be sure that once this Administration left that there still would be someone in that position and that it would continue. By having an exempt position in the Mayor's Office, really another Mayor can do what they want. They can put who they want because exempt positions do not have to meet minimum qualifications. And so we thought this would be a better way to stabilize the position and give them the resources they needed to make sure that equal access was achieved in the County.

Ms. Yukimura: I think that is all for now, thank you.

Chair Furfaro: Okay, Mr. Kualii, you have the floor.

Mr. Kualii: Thank you, Mr. Chair. Aloha and mahalo to both of you. The structure that was shared by the task force is still the same structure?

Ms. Rapozo: Correct.

Mr. Kualii: In the Mayor's narrative, there appears to be a somewhat different structure.

Ms. Rapozo: Actually, a couple of those colors, I am not sure what colors they are, were combined into one division.

Mr. Kualii: Yes, so the the green and orange.

Ms. Rapozo: Yes.

Mr. Kualii: And then the rose-colored box is entitled Health and Safety Division, but in this other presentation it includes Employee Relations? Is that what EMPREL means?

Ms. Rapozo: Yes.

Mr. Kualii: What is Employee Relations?

Ms. Rapozo: It would be partly the ADA function, as well as partly the safety aspect, as well as just overall looking at different polices.

Mr. Kualii: And all the training, besides ADA and safety training.

Ms. Rapozo: Correct, except for specialized training that may be at Fire or Police, but overall employment development issues would be housed in that division.

Mr. Kualii: That is it for now. Thank you.

Chair Furfaro: Mr. Rapozo?

Mr. Rapozo: I just had just a general question, Janine. You mentioned the reason it goes back to civil service, but civil service rules say that they have to start at the entry level and that is really for continuity or consistency and that if the Mayor changes...you know, I think it is a good thing, but why would not that same rationale be used for let us say your HR managers? Why the requirement? To me if you want consistency and you want to set up a program like you said for future administrations, why would not that same justification be used?

Ms. Rapozo: The HR managers?

Mr. Rapozo: Well I mean in general, in any...because I think I kind of like that, how you talked about taking an exempt position, making it civil service for ADA. But I am saying why would we not use that rationale for all County positions really? Because if you are looking for continuity, consistency, that makes a lot of sense. Otherwise, using that same analogy, the next Mayor could come in and really dismantle what was started with this HR restructuring. That rationale that you used for ADA, why would we not use that for the HR restructuring?

Ms. Rapozo: I have to defer to Gary on that.

Mr. Heu: I am not sure if I fully understand the questions here. Are you saying why would not the manager for that department be a civil service position? Is that what you are saying?

Mr. Rapozo: Correct. Well, based on the analogy or what she said, I never thought of it that way until right now, that removing an ADA person from an exempt position, which in my opinion is where it should be because of the expertise and the knowledge and the background, and you are moving it over to a civil service position. In essence it is going to become an additional duty to other functions, which is going to take away from the ADA component, but I like that assessment or how you justified it. Okay, because now we are going to start this person here and they are going to be there regardless of who the mayor is. So I am saying I kind of like that, but why would we not apply that same rationale or justification to other positions such as the HR managers which if are beginning a whole new...

Ms. Rapozo: Are you talking about the division heads, the HR managers?

Mr. Rapozo: Yes, they are EMs, right.

Ms. Rapozo: But they are civil service.

Mr. Rapozo: They are civil service? But they are exempt.

Ms. Rapozo: They are excluded, but they are civil service. They are not exempt.

Mr. Rapozo: They are not exempt.

Ms. Rapozo: They are civil service.

Mr. Rapozo: And that is different from the ADA Coordinator now?

Ms. Rapozo: The ADA Coordinator right now is exempt on contract.

Mr. Rapozo: It is a contract position?

Ms. Rapozo: Yes.

Mr. Rapozo: Okay.

Chair Furfaro: We all clear on that?

Mr. Rapozo: Thank you.

Chair Furfaro: Councilmember Nakamura?

Ms. Nakamura: Thank you Gary and Janine for being here. I have some questions too about..so if this ADA Coordinator is moved from an exempt position to this new position, will her pay be decreased or would it remain the same?

Ms. Rapozo: Given the current incumbent, her pay currently is, I think, above what the starting rate of the civil servant.

Ms. Nakamura: So there would be a decrease?

Ms. Rapozo: Correct.

Ms. Nakamura: Okay, I think that was different from a correspondence that I received saying that there would be...

Ms. Rapozo: The classification is the same, okay. We are not talking pay. We are just looking at classification. It is still classified as an SR-22. Anytime an exempt position is converted to civil service in any department, then civil service rules come into play, and therefore, you have to start at the beginning of the scale.

Ms. Nakamura: Thank you. Right now I understand there is a Mayor's Commission that is attached, that the ADA Coordinator helps to facilitate?

Ms. Rapozo: Correct.

Ms. Nakamura: Where does that fit into this organizational chart?

Ms. Rapozo: It would still reside with that particular specialist in the Personnel Department.

Ms. Nakamura: Okay, so maybe this needs to be updated to reflect that?

Ms. Rapozo: Okay.

Ms. Nakamura: If we move in that direction. When we asked the question about the cost of...because I think a lot of this was driven by the Cost Control Commission saying that if we consolidate our functions under one entity, there would be cost-savings. I think that was the rationale for doing this, no? Maybe I can ask you that question.

Ms. Rapozo: That was the impetus to research it definitely from the Cost Control Commission.

Ms. Nakamura: Was that the only reason? Just the genesis of all of this, was it...

Ms. Rapozo: Partly also...the other part of the discussion was for them to look at an entire Human Resources Department. Yes, so all the functions that were currently not being done or was being done in other departments, whether or not it would be best served in one centralized area.

Ms. Nakamura: So maybe being done inconsistently or not being done at all.

Ms. Rapozo: Partly, yes, exactly.

Mr. Heu: And Councilmember, I think...although I think the Cost Control Commission got to that place where they asked the question, it was not a question that had not been discussed, I feel, extensively, on this Council floor for any number of years. I hate to say it, but I have been here almost nine years or it has been nine years, and from early on we had been having those discussions about centralizing different functions, not only HR, but we were also looking at some of the Finance accounting functions that are scattered throughout our various organizations.

Ms. Nakamura: So this is...when we got back your response to our questions, based on the budget presentation, one of the...the responses was that under this proposed new department that the cost...the annual budget would be about \$2 million. And compared to the other counties, it was a little more even though we have fewer employees. But the reason why is because Maui County and Hawai'i County both have professional personnel staff in individual departments that are not reflected in the Personnel Department's budget.

Ms. Rapozo: That was one of the reasons. The other reason is that Kaua'i County also budgets for benefits, OPEB benefits and the other counties do not. So I believe in the response there is County proposed less current and post retirement employee benefits, which shows exactly 1.3 just to show the difference.

Ms. Nakamura: Okay, that is why you showed it.

Ms. Rapozo: Yes.

Ms. Nakamura: I am sorry (inaudible).

Ms. Rapozo: Just to show the difference.

Ms. Nakamura: Then it would go down to \$1.3 million.

Ms. Rapozo: If you wanted to kind of compare apples and apples.

Ms. Nakamura: Okay, then that would be more comparable. But the fact is they also have personnel staff embedded in their departments, which is what we already have now?

Ms. Rapozo: Correct.

Ms. Nakamura: So then the question to me was why do they have a consolidated Human Resources Department and yet have embedded personnel? Why do the other counties do that?

Ms. Rapozo: I think with Maui County they are kind of like us right now where a lot of the expertise and the positions are actually in the departments, and Hawai'i County, I do not really have an answer because I know another member of our task force was the one doing that research, so I apologize, but I cannot answer. But I know for Maui County they are structured very similarly to Kaua'i currently, and we are actually moving toward more of the other jurisdictions as far as trying to centralize the expertise into the main office.

Ms. Nakamura: And so when we look at the restructuring, the personnel, in some cases the salary remains the same, the current salary of the person and then the proposed salary.

Ms. Rapozo: Okay.

Ms. Nakamura: And then in other cases, the salary is lower. What was the rationale behind the...I guess I was under the impression that if it is a current a civil service position and if they are going to be going into this new department, you cannot reduce their salary?

Ms. Rapozo: If they are civil service, we did not reduce anyone's salary. So I would need to know... There is right now two contract positions that are being transferred over and that is the ADA Coordinator and one of the HR manager positions. Those two are contract.

Ms. Nakamura: And for those you said you have to.

Ms. Rapozo: Yes, and then the rest are civil service. Some are vacant and so that may be why the numbers went down.

Ms. Nakamura: Okay. So where there were vacancies, you tried to go with the low...

Ms. Rapozo: You would start at the beginning, correct.

Ms. Nakamura: Thank you.

Chair Furfaro: And that is reflected in what I was saying, you start them at the lower pieces. Janine, I also want to say before I recognize others, let us also make a special note that Maui has subsidiary staff on Lanai and Moloka'i to handle the Public Works Department and so forth on those islands, which might actually expand some of their personnel, and then of course Hawai'i County, they even rotate which side of the island they have their County Council meetings. So there are some differences. Mr. Bynum?

Mr. Bynum: I want to start by saying due to circumstances beyond my control, I did not see all of the budget hearings and I am not as prepared as I normally would be, so if I ask questions that you have already addressed, I apologize. I have been one of the people talking about this for a long time. I remember when we started the Parks Department we put an HR person in Parks, right? And that discussion was then. It was like no. Kind of what I heard from the grassroots is this idea of HR all consolidated is good, but in operation it is better to have people in departments. So I assume that you discussed that all in your task force, and was there a consensus that there is buy-in to this consolidation without mentioning names or anything?

Mr. Heu: Well, I will let Janine give a detailed answer because with the task force, the task force put a lot of work into this. Yes, I guess you were not here for that presentation.

Mr. Bynum: I was not and I apologize.

Mr. Heu: Yes, the task force has worked really hard over the past year doing desktop audits with the various positions that were affected by this proposed transition. And just from a higher level perspective, I would say that I was rather surprised that there was not more pushback across the organization. The only thing I can think about is that maybe we have been talking about this long enough that people had started to get used to the notion that we may someday be consolidating. However, I mean, I definitely understand from...if I was the Director of Public Works, and I had my own Human Resources Specialist in my organization that was going to be dedicated to my needs, I think I would have some separation anxiety, you know, as we propose this. And we certainly anticipate and understand that. However, looking at the longer term view and where we want to push the organization to be, we think ultimately this is going to be a benefit to the entire organization and that we will get over the sense of loss within the individual departments, which is what I think people are feeling.

Mr. Bynum: I do not want to cut you off, but I do not want to waste time either. That is a sufficient answer for me. I am not even clear who the task force members were? Was there (inaudible)? Some of those people that would move departments, were they part of the task force? Not really?

Ms. Rapozo: Actually one member is moving, line staff.

Mr. Bynum: And I am assuming, Janine, you are here that you would be the Director of Personnel Services?

Ms. Rapozo: No, I am here as a member of the task force.

Mr. Heu: She is here as a member of the task force.

Mr. Bynum: Would you be in the Department of Personnel Services?

Ms. Rapozo: I am one of those contract positions that I still need to apply for the position.

Mr. Bynum: But in the org chart that I have seen, the different divisions each have a division head?

Ms. Rapozo: That is correct.

Mr. Bynum: How do we work out the commission issues? The whole department will still be under the purview of the commission?

Ms. Rapozo: That is correct.

Mr. Bynum: I am sorry that I do not know as much about this as I should, but I know this has been discussed for many years. I think we have talked about all of the potential advantages of this and treating our personnel more as a valued resource...and so portions of this would be to nurture their professional development to increase training, those kinds of...as part of the reason for all of this, right. And so I cannot think why I would not be supportive if you are moving in that direction. I share the concerns about the ADA position because I think it is something that...it gives a message that it is kind of in the Mayor's Office kind of thing. Did I hear it is like hey, we are okay with that? We can live with that?

Mr. Heu: I just do not think we have control over that. I think our preference would be to have that position as proposed in the Human Resources Department. We will find a way to work through that. Like I said, we want to keep focused on the big picture.

Mr. Bynum: Does the title change?

Mr. Heu: Yes.

Ms. Rapozo: The classification is an HR Specialist, but the working title would still be ADA/EEO Coordinator.

Mr. Bynum: Okay, thanks.

Chair Furfaro: Vice Chair Yukimura.

Ms. Yukimura: The difference in the chart that Councilmember Kualii pointed out, the reason for that is the evolution of the organization?

Ms. Rapozo: Yes, just going back to what Councilmember Bynum was asking, I think one of the reasons why there was not as much pushback is this went back and forth with the departments. They were in discussions with us and so that is correct. One of the differences as we kept evolving on the final proposal was that this was not the first decision on what the task force recommended, and it went back to departments who discussed with them, and so yes, that is probably what happened is that at some point that was the structure and then it moved.

Ms. Yukimura: In terms of the cost-savings envisioned by the Cost Control Commission, it was not necessarily only from personnel savings, was it? Was it not also savings from settlements and so forth that were caused by lack of consistent, uniform, well-trained, professional HR assistance?

Ms. Rapozo: That is correct.

Ms. Yukimura: I think that is all I have right now.

Chair Furfaro: Mr. Kualii and then Mr. Bynum. That other piece, I guess, was called being automatic pilot.

Mr. Kualii: Thank you, Mr. Chair. You know on the ten positions that would be coming out of...not the eight that are already in DPS and they would remain in HR, but coming from the different departments. Several of them are like departmental Personnel Officer, Personnel Clerk II, Senior Clerk, Personnel Clerk I. I would imagine that right now they are doing a big job within their department, and I know that the task force presented this chart where their bodies and positions are going to go to Human Resources, and all these duties are going to go with them as well. But I think what Council member Bynum was alluding to when he was talking about operations that in reality back in that department, much of that job is still going to exist there. So unless you are planning for these new HR people to actually travel back to those departments, and be physically there to help them with the things that they have to collect and submit, you know? But I think what I heard was that maybe there would be other administrative type positions that remain in the department, that would sort of take on some of that. And if that is the case, then if this is implemented quickly and the positions move out quickly, where is the time for the cross-training back in the departments by the people who are leaving with the people who are left behind and will be taking on a lot of the...probably even more than you say on paper because it is just reality. Things happen in person much more than on the phone or on the email.

Ms. Rapozo: I think one of the things is that we are fortunate is that we are still going to all remain with the County and so we are not going to say once you move to HR, you cannot help this department. So I think it will be definitely transition, a lot of possible bumps in the road that the person will have to go back and help train. I think that is why we were saying July, August, September and probably even beyond that. There is going to be a lot of cross-training. The task force did ensure that every department still had at least one body that would be focused on being kind of the liaison with the central personnel office. And right now, in some departments, the personnel functions are spread out amongst several people. So there is going to have to be...definitely each department will have to look at how best to restructure themselves in order to make sure that whatever is taken away, we can see what else can be given to that particular person, who is left back in the department.

Mr. Kualii: Thank you. And then the only other thing is so have you identified—you said they are spread out among several people—the positions back in the departments and perhaps accounted for if then what they are taking on ends up being beyond the scope of their current assignments? There may be the need for some adjustments there, too.

Ms. Rapozo: That is correct. I think once it is established, the Personnel Department would have to work with each individual department to work with them on what would be a good organizational structure left with the functions that are back there.

Mr. Kualii: So then just a final point then because it is never as...you know the whole thing about it is no additional cost; it is just going to move over. We could say that now, but you have to iron out a lot of kinks and make sure that it works. And there may be some additional costs, probably not significant, but there may be some additional costs.

Ms. Rapozo: Correct.

Mr. Kualii: Thank you.

Chair Furfaro: You have the floor. You want the floor? Yes, go right ahead, Councilmember.

Ms. Nakamura: One of the consistent messages that we heard during the budget proceedings was the length of time it takes every department to hire and fill positions. How will this restructuring address that issue?

Ms. Rapozo: Well, the intent is by practically doubling the staff that they will have enough resources to have clerical support to help with recruitment because we are talking about recruitment right now. They would have a division of recruitment to be able to hopefully pump these recruitments out much quicker. It will all depend on...the task force basically felt that we gave the structure that we felt would be able to do this, and at that point it is going to be up to the Civil Service Commission and the Director to take it to that level where it would be able to address the needs of all the departments.

Ms. Nakamura: One of the things that I would recommend in this interim period is for the Civil Service Commission to do a survey of all of the County departments who do personnel hiring, to learn about the concerns, so that when this...if this entity is formed, that you will have that data to work with, and know where the problem areas and weaknesses are. You may already know that, but it would not hurt to get that type of feedback from the users of these services.

Chair Furfaro: Mr. Kualii.

Mr. Kualii: Thank you, Chair. I just had one more quick one because I thought and you said it kind of quickly when there was a question about the HR manager two positions? There are three of them that are like division managers, I guess you were saying. Four? The HR Specialist I is also a division manager? That one is different, right? There are three HR Manager II's and they are supervising what looks like mini-divisions of Recruitment and Exam, Labor Relations and Classification, and Health and Safety and Employee Relations.

The other one is an HR specialist I. which is a lower position, and that one manages the Administrative Services and Benefits.

Ms. Rapozo: Correct.

Mr. Kualii: But the HR Specialist I is a regular civil service position?

Ms. Rapozo: Civil service.

Mr. Kualii: That is non-exempt excluded? Is that how you called it?

Ms. Rapozo: It is excluded from the bargaining unit, but it is civil service.

Mr. Kualii: And the other three are civil service...you also said contract, though, I thought you said, and that you would have to apply for one of them?

Ms. Rapozo: Currently, currently, currently my position is in finance.

Mr. Kualii: And your position is...I mean with all of these positions moving, why is not your position being moved?

Ms. Rapozo: It is.

Mr. Kualii: So why did you say you would have to apply for one of the contract positions?

Ms. Rapozo: Because I am not in the civil service system.

Mr. Kualii: Oh, but is not that what they did with the ADA Coordinator position?

Ms. Rapozo: So those are the two positions that are currently contract that have to...that the...

Mr. Kualii: So the ADA Coordinator is in the same boat.

Ms. Rapozo: Correct.

Mr. Kualii: That person would have to apply for the position that is being created.

Ms. Rapozo: Correct.

Mr. Kualii: So the positions...you have the choice to apply for any of those three positions?

Ms. Rapozo: Which three?

Mr. Kualii: HR Manager II for Recruitment and Exam, HR Manager II for Labor Relations and Classification, and HR Manager II for Health and Safety, Employee Relations.

Ms. Rapozo: No, incumbents from the other departments are already going to be occupying two of those particular positions.

Mr. Kualii: Okay.

Ms. Rapozo: And they only want...

Mr. Kualii: Plus it is your background. Okay, thank you.

Chair Furfaro: I am going to recognize Mr. Bynum and then I am going to recognize Mr. Rapozo. But I want to make sure that everybody understands, I want to get the dialogue out here, and we have to take one break in the time allotted today, and I would like to take the break before we actually do the vote on the HR piece. I also want to remind everybody that I do want to get finished by 4:30 p.m. because if we get the tapes over to Hō'ike at whatever point we are, they can immediately same day transmit it to the public. So our times are 9-4:30-ish is the goal here. So Mr. Bynum, you have the floor, and then Mr. Rapozo

Mr. Bynum: It is going to be very quick. I have heard about the revenue neutral, basically not an additional cost, and I just was a little surprised by that. Is that because last year you put more, the risk management and training was already in the budget, so it is not an increase? It is just continuing? I would think if you are going to nurture employees and do all of these things, you need some resources to do that?

Ms. Rapozo: Yes. The current budget has some training funds in risk management, so those were just transferred over.

Mr. Bynum: And it is sufficient?

Ms. Rapozo: Yes.

Mr. Bynum: I just was surprised that...I could see the Personnel costs being a wash, that you are moving. But I thought in order to create a whole new department there might be some other costs involved. Next year. Thank you.

Chair Furfaro: Mr. Rapozo.

Mr. Rapozo: I just wanted to...I know Mr. Kualii just mentioned three HR managers, but I am showing four in the budget. There are four HR Manager IIs.

Ms. Rapozo: Councilmember Rapozo, let me apologize for that. 2105, during the budget sessions we did mention that that one was incorrectly labeled. That should be an HR Specialist.

Mr. Rapozo: Yes, but I remember the...but it was not changed, so it is still showing up as an HR...and that is an EM-3 as well?

Ms. Rapozo: No, it is not. It is an SR-20, I believe, or 22. The salary is correct.

Mr. Rapozo: I'm not sure how we reflect that in the budget. I am assuming that requires an amendment, so that will be the first amendment that I will introduce is to change that.

Ms. Yukimura: What number is that?

Mr. Rapozo: Position No. 2105.

Ms. Rapozo: 2105, correct.

Chair Furfaro: Again, I just want to get some clarity here before I break for recess. The principal discussion is over. Now we are going to get into some decision making. Risk management, in the plan, Janine's role goes to HR and Gerald Estenzo stays in accounting. So I do not have two lines on my departmental order, but I want to make sure we are very clear. Your loss prevention role is, in fact, dealing with the HR side of it and you do make special note, I am expecting a business training plan for Risk Management. And I have been very faithful in taking all of your tests, but I want to see the mission in a business plan, okay? And I think the other part I want to convey to you folks is my experience in senior management through companies within the State of Hawai'i, the role of the HR Department is certainly about relationships. That is even a higher criteria than just being able to lead. It is about delivering relationships and also being, to a degree, an advocate for the employees, especially those not covered by a bargaining unit agreement for all employees. And that takes an inspired vision from this department, being very much able to convey a message, convey a vision, and allow others, enable them to act for the right reasons. That is a really key part of what we need to have in this new HR Department. So you heard me on the training business plan, too, and I would like to take a recess, because we are going to set up for some decision-making here and probably an amendment that Mr. Rapozo pointed out. So let us take a 10-minute recess.

There being no objections, the meeting was recessed at 2:11 p.m.

The meeting was called back to order at 2:31 p.m., and proceeded as follows:

Chair Furfaro: Okay, we are back from our recess. The first thing I would like to do is give the floor to Mr. Rapozo because this change that was verbalized with us from Janine Rapozo actually is an amendment that Mr. Rapozo will introduce to us, and quite frankly, it should have showed up as a request from the Administration in the form of "requested by." But Mr. Rapozo, I will recognize you.

Mr. Rapozo: Well as you say, it is basically a housekeeping amendment to change the title of the text to "HR Specialist" with an SR20. So I guess I need to make a motion to amend as circulated.

Mr. Rapozo moved to amend the May 8 submittal by changing the title of Position No. 2105 from "HR Manager (EM 3)" to "HR Specialist II (SR 22)", seconded by Mr. Chang.

Chair Furfaro: Any discussion?

Mr. Kualii: I do.

Chair Furfaro: Go ahead.

Mr. Kualii: I think I missed something because on page 62, you are saying 2105, the funding for 2105, there is an HR Specialist II already, 9150. Am I not supposed to look at the new budget?

Ms. Yukimura: Yes, you are.

Chair Furfaro: You are looking in the right place, brother.

Mr. Kualii'i: Which is which?

Mr. Rapozo: My only change was 2105.

Mr. Kualii'i: Yes, but what are you doing with that?

Mr. Rapozo: Just the title because it was missed...

Chair Furfaro: Just changing the title.

Mr. Rapozo: Because it was missed. The title was wrong. It was HR
Manager.

Chair Furfaro: And it should be HR Specialist II.

Mr. Kualii'i: So what is 9150 at the bottom?

Mr. Rapozo: That is an HR Specialist II.

Mr. Kualii'i: There are three of them.

Mr. Rapozo: There is actually more than three. Specialist, you are going
to get one, two, three, four, five, six.

Mr. Kualii'i: Okay, that is specialists.

Chair Furfaro: You okay, Mr. Kualii'i, with that?

Mr. Kualii'i: Yes, thank you.

Chair Furfaro: Okay, any further discussion? If not all those in favor, signify
by saying aye.

The motion to amend the May 8 submittal by changing the title of Position No. 2105 from HR
Manager (EM 3) to HR Specialist II (SR 22), was then put, and unanimously carried.

Chair Furfaro: The next discussion shall be the removing of the ADA
Coordinator from the Personnel Department and restoring that position in the Office of the Mayor.
And it fits some of my earlier comments about making sure there is an advocate there that can build
on relationships, and up on the screen you will see the changes. I cannot see the changes at this
point, but I will go over the amount is corrected by taking out of the Personnel Department the...the
salary adjustment, as well as the items in benefits totaling \$17,000, and then adding or restoring
those costs to the Mayor's Office with a plus \$17,477. Now that is payroll, PT&E, benefits, all of
those pieces. That is what is on the table. So Vice Chair Yukimura.

Ms. Yukimura: First a procedural question. Should we first move to approve
the HR Department? Do we need to do that? Or is that not...

Chair Furfaro: I think we can do it either way, but if you would like to go and
approve the department for discussion first and then amend that, I have no problem with doing it
that way.

Ms. Yukimura: Is that all right?

Chair Furfaro: You said either way?

JADE FOUNTAIN-TANIGAWA, Deputy County Clerk: Yes.

Chair Furfaro: Okay.

Ms. Fountain-Tanigawa: Because you have approved the May 8. You are using the May 8.

Chair Furfaro: Using the May 8 budget?

Ms. Yukimura: Well, we have not really.

Chair Furfaro: We did for the purpose of showing numbers.

Ms. Yukimura: Right, I am sorry.

Chair Furfaro: We are showing numbers. So what is the pleasure of the group of colleagues here? Would you like to talk about the department first? Yes, Mr. Rapozo?

Mr. Rapozo: Well because we are working off of the May 8 budget, the HR transition or transfer has occurred. So if we take no action it stays.

Chair Furfaro: Yes.

Mr. Rapozo: That is what we agreed. We did not approve it yet, but basically we are working off of that...

Chair Furfaro: The May 8 submittal.

Mr. Rapozo: Correct, like I said, which has the HR positions already being transferred. Now from what I understand and what I hear earlier today, it appears that there is not going to be any opposition or not enough votes anyway. I am not going to support the HR transition at this point, but I do not think there are the votes required to move it back to where they were in the last year's budget. But I will support the movement of the ADA Coordinator back to the Mayor's Office. If you want me to start, I can start with that motion, or if I could, I will just state my comments right now about the HR position?

Chair Furfaro: Let us do it this way. I will give you the floor next, but let us just...for formalities do it the reverse of what I first proposed, okay? I am okay with that. I am flexible. There is a discussion about the development and proposal of a Personnel Department, referencing HR. May I have a motion to approve that?

Ms. Yukimura moved to approve the creation of a Human Resources Department as shown in the May 8 submittal, seconded by Mr. Chang.

Chair Furfaro: Is there any discussion on that item? Mr. Rapozo.

Mr. Rapozo: Like I said earlier, a little while ago, I think the concept is a good one. I think this County does have a lot to gain with an HR Department. I think...and just in my opinion I think it is premature. I think right now what I would have much rather seen was a plan. I think a lot of questions that were asked earlier today about what happens to the departments that will lose their personnel, what happens to those functions? We already have a Director of Personnel that is in charge of the Personnel Department, which includes all of HR and Personnel. And for whatever reason, over the years, a lot of these Personnel employees in the various departments kind of got segregated from the department. There was really no oversight, and I believe that is the bigger problem. I think the problem that we have in Personnel today is we have a Director of Personnel that is really not in touch with the other departments and that is just the way the system is set up. No one corrected that over the years, no one. It just was allowed to continue, so you had these independent entities growing in the Police Department, in the Fire Department, in Public Works. They created their own HR systems within their departments. So what is the solution? Let us forget about the department, a Director of Personnel, and let us create a whole new system? No, I think we need to fix that system. I think we need to hold the Director of Personnel accountable. I think we have to set up a Training Officer. I would have no problem if this budget included an HR Manager to come across to assist in the development of an HR Program utilizing the resources of a consultant that is experienced. We do not have that expertise here in this County. Yes, we had a task force, and I really appreciate the volunteer work, but we did not have a thorough analysis of the impacts to the Police and the Fire, and those are my concerns because they come under different contracts. They come under different shift work. Their entire personnel system is different from the HGEA, which is the majority of employees in the County. So I am worried that when this happens there is going to be voids in some of these departments that guess what? They are going to be back and saying hey, we did not anticipate this, so we need these

positions and we need more resources. We learned back when Parks got separated. Many of us were here back when we created a Parks Department. Remember all of the promises on paper? We are going to get it, we going do away with the duplication of services, we are going to be able to share equipment, we are going to...all of these wonderful things and guess what? The next year, hey we need a two point some odd million dollars more because we did not plan right. And I look at you, JoAnn, because you are the planner and that is what I see is lacking. It happened with our own Auditor's Department, same thing. Auditor, great, we will have an auditor. He can do all the cost analyses for the County, we will save money. And then the following budget, oh, we need this, we need that, we need this. Now we have another multi-million dollar operation in the Auditor's Department. Boards and Commissions, same thing, we need more resources. The difference between Parks, Auditor, and the Boards and Commissions is that was Charter mandated. So this Council never had a choice. We did not have a choice. We could not say no. The people voted yes. Now we were stuck. This one we have a choice. We have an opportunity to say time out. We can provide some resources to explore utilizing, again, professional services, so that it is not just what we think we can do because I think everything that they say they can do, they can. My problem is how do we fill the voids that are going to be left? What are the unanticipated consequences that are going to happen when we bring all of these people back under one roof? I think Mr. Kual'i talked about...in the department that is so used to handing off a contract or someone in the department, let us just say Police, that handles their recruiting or handles the drug testing, handles all of these specific issues that only pertain to that department. Now they are going to be somewhere else. What is going to happen then? I heard—I forget who was the administration representative that said oh no, in essence they are actually going to be able to help the Police Department more. Well, how is that going to happen? They are moving over to the HR Department to join another entity. So anyway, again, I just think that we should be cautious. I think that the concept is right. I believe and I would have no problem supporting some resources to get some professional assistance. But to shotgun this department and say okay, here you go, all of your staffers and with really no resources. Who mentioned that? Was it Mr. Bynum? There are no resources except salaries. No training. How are we going to convert this untrained County into a fully trained County without resources? That was not even explored. So for those reasons I am not going to be supporting that transfer, but, again, I will transfer the ADA Coordinator back to the Mayor's Office, and we can have that discussion later, thank you

Chair Furfaro: Next person that would like to discuss this creation of the Human Resources Department? Mr. Bynum.

Mr. Bynum: Again, I want to acknowledge I did not get to see the presentation, but this is a topic of discussion that I have been involved with for a long time. And from my perspective and I have not said this too many times, but 25 years ago I was a middle manager in a County, and I managed a staff of people. And we had a pretty robust HR kind of facility, training. We had internal auditors who audited me as a manager to make sure I was hitting all of the I's and dotting the T's, and at the time I thought wow, what a pain this is. But then when I came to Hawai'i and got in government and saw that those elements were not there and started paying off big settlements and workers compensation claims, and thinking wow, that would not have happened in that County I worked in many years ago because we had a more robust structure. They have taken an in-house initiative, put together a task force. I think if the Police Chief or the Fire Chief, in particular, had serious concerns there in an independent place with their own commission and they could tell us and let us know about their concerns and I have not heard those concerns, so out of deference and to support the initiative that has been taken, and I do not disagree with Mel that I think you will have to come back to us and say hey, to make this work, we are going to need some additional resources. But the potential payoff, I am hopeful will be worth it. I know status quo is not okay, and there might have been a different approach. If I were the Mayor, I might have asked for a consultant and then done it differently. But I am not the Mayor, I did not run. I do not have to deal with that, he does. So out of deference, I am going to be supportive of this, and hopeful and provide oversight.

Chair Furfaro: Mr. Chang?

Mr. Chang: Thank you, Chairman. I want to say, too, in the initial budget presentation I was also very, very skeptical. I had an opportunity to chat with many Human Resources Directors that I know personally concerned about...things that I did not know, but I do feel that offline I was able to get the answers that I wanted to get, and one of them is that unlike the hotel industry, i.e., the Marriotts, the Sheratons, the Hiltons, Hyatts, what have you, I think we are dealing with a lot of different kind of unions and different specialized jobs over here. But overall, to be able to centralize the Human Resources function and technical expertise at the department to eliminate, hopefully, duplication of work between the Department of Personnel Services and various departments, being able to streamline and improve employee processing for all departments and

agencies, hopefully, lessens the demands on the departments and agencies in submitting requests for human resource services, and results in increased capability of department staff formerly assigned to Human Resources, increased responsiveness to the departments and agencies needs. One thing that the Chair mentioned that really got to me, that I want to be able to say this sincerely and seriously, he used the word "relationships." And for myself Human Resources really should be kind of like a one-stop area. It should be the department is following up for you, not you keep on making calls back to say what about this, what about that, I have not heard from you for five days, two weeks, etcetera. I want to make sure that the staff is cooperative. I want to make sure that they are effective. It should be a service center and very helpful with aloha. So what I am hoping is that when the department is created, I want the staff to know that people are going to go out there and say, wow, we have a Human Resources Department. Let me go there and check it out and let me get served. Let me get any answers taken care of and let me get follow-up in an efficient way. It should not be a chore. It should not be the norm. It should be with open arms and helping out our employees. And that is what I want to see out of this is that it will become a very, very effective, down the line cost-saving because this department is long, long lacking some help, and I believe now is the time that we are there as a community and as a County more importantly to be able to help our men and women of our County and they deserve the answers. As I mentioned, I am really going to expect follow-up and I am really going to expect that it is not a task, it is not a job, it is your job and that is what we need to convey to our newly created department. So, I am going to be supporting and I am wishing this department the very best. I think it is an exciting time for our County. Thank you, Chairman.

Chair Furfaro: Is there anybody else wishing to speak? Vice Chair, then Mr. KipuKai. Mr. KipuKai, you want to go first? Go right ahead.

Mr. Kualii: Thank you, Mr. Chair. I share similar concerns as Councilmember Rapozo. I felt like this came to us really late, and I actually also would have liked to have seen this be dealt with separately because I think it is something that the Administration has determined they could do, that it is reorganizing an existing department or division of the County. So, it could have been done at any time, and we did get some word back in the fall, late winter from the Cost Control Commission that something was coming. But really, it only ended up coming before us for the first time by the task force a few weeks ago. I think more time, which would have allowed us to ask more questions, which would have allowed them to go back and get more answers and do better planning, and perhaps bring in some outside expertise would have made this better. And there is a certain degree of this that we are agreeing to something and wishing it the best. And like even Mr. Heu said that it is a starting point and evolving. For such a big thing to happen and for it not to be more solid, and more clear with all the different positions and what it entails and the recruitment, and for recruitment to actually have started on some of this before it even came to us to approve, I think Councilmember Bynum expressed concerns about...said that he did not hear any concerns from the Police Chief or Fire Chief, but he was not here when the Police Chief and the Fire Chief were before us. I believe it was very mildly stated, but they expressed some concerns about that, that a key individual from both of their entities was being taken away, and that they are going to have to adjust and work with it. I think he said the thing about separation anxiety, but there are some concerns. You just did not hear them. So better planning, also I do feel strongly about in the Auditor's report, too, that went to the...the Pre-audit Assessment that went to the Cost Control Commission back in January of 2011. And it is that when the Parks and Recreation Department was created, it went to the Charter and the voters voted. And this is just happening by the Administration as a reorganization, and now put into this budget process as well. But the voters are not really having a say, and I think potentially while this is the right thing to do, if it is not done right, and if high-paid positions remain in place that are not delivering the management production that we need, then potentially we could be paying a lot more money for a Human Resources Department than we should if it is built efficiently and effectively, and it will be at our doing, not at the voters' doing. In standing up for the voters and the people, who have not made this decision, like they did for the formation of the Parks and Recreation Department, I am going to vote no as well, thank you.

Chair Furfaro: So is the speech left to me? Oh, you want to say a few...no, no, I will save mine for last.

Ms. Yukimura: Thank you, Chair. Well, I think this is a watershed decision, and I think it has been too long in coming, but I am glad the day has finally come. I think it will help the County achieve one of its most important goals, which is to provide a high level of performance and service. I agree with Councilmember Rapozo that it is a system fix. It is a system that we have to fix, but I think this is actually going to move us in that direction. I was impressed with the task force study and plan from even the desk audits, and the touching bases with all the departments. I do not know that we could expect whole-hearted embracing of it because this is a

fundamental change, and it is hard to do, but I think everybody is willing try it and to see how we might actually achieve benefits for everybody countywide. I think it is true there will be additional costs, but I think the department is wise to walk before they run. And if there are additional costs, I think it will be offset by cutting the losses that we will cut by having a fully, high-performance Human Resources Department. And I will expect benefits to the entire County, including the Police Department when recruitment goes faster, and positions are filled responsibly, and our employees are serviced better. So I am voting for this in the faith that it will lead us to better customer servicing to both our departments and to our employees.

Chair Furfaro: Thank you. So I want to say did I cover everybody at least having an opportunity to speak before I speak? Oh, no? Okay, Councilmember.

Ms. Nakamura: I share the concerns of Mel and KipuKai, but I think there will be bumps along the way, but I think any kind of change, you have to start somewhere, and I wish that I had a better organizational plan for the future. I would have liked to see maybe a little more detail, but I guess this is a start, and I think I am concerned about the leadership to carry this out. And I think that I am going to be just really looking at the Administration to make sure that it gets off to the right start. So I will be supporting this.

Chair Furfaro: Thank you. I, too, will be supporting this, and I want to start from a different perspective. I have ten years on the Council, and I have to tell you right now the system we have does not work. Flat out, it does not work. Chance are we are doing business the same way we did five, eight years ago. We do not even get reports on a timely basis that are required in the Charter. So my message to the group in the Administration is you buy into this 100% and know that we are going to increase the expectations that are required for the reporting. I also want to focus, again, the training business plan is also directly related to recruitment efforts, especially when it comes to the Police Department. You know, they contract out who is doing the interviews and the background checks and so forth, and I went and did a little piece, they are able to clear about eight a year under the way they do it right now. Not acceptable, but I have to tell you I share the focus of that department, that the Chief explained to us. It needs the kind of attention that is required of public safety, it really does. I think that training business plan will help us get to recruitment levels that will improve our being able to retain employees. Responsibility, relationships, is all part of leadership. This department needs to know they need to lead.

They need to know that their job is also to keep this County out of trouble. We have had a history of difficult issues focused around around personnel matters. So I am kind of inspired by this first step and I will give whatever support I can, but future recruitment, I heard from the Administration that they know that we need to adjust some of those senior positions as we get into replacement at E-3 levels. We need to understand that there will be some attrition as we replenish those positions. And one thing we have in our favor is everybody that we have now are generalists, and it will take investments to make them specialists. But I will be supporting this, and on that note I would like to ask for a roll call vote.

Ms. Yukimura: Mr. Chair, I think we would like to amend it?

Chair Furfaro: That is true, too. I'm very, very sorry. I got ahead of myself, but here we go. There is an amendment that was introduced by Mr. Rapozo. Am I correct? Or has it been introduced yet?

Ms. Yukimura: One has been circulated.

Chair Furfaro: Who circulated that? Mr. Rapozo?

Mr. Kualii: This is the ADA Coordinator?

Mr. Rapozo: I will do it.

Chair Furfaro: Very good, I thought you were associated with it somehow.

Mr. Rapozo: Yes, it is here. I do not know who did it, but I will make the motion to move things along, and my motion will be to remove the ADA Coordinator from the Personnel Department and restore it to the Office of the Mayor.

people who came before us, I think we should leave it in the Mayor's Office, and then give the Mayor a chance to go back and work with them, and things can change all the time, but do at least take the time to go back and make sure that whatever changes there are and whatever transitions are made, that they are a full part of that because right now the way it looks, it is eliminating the existing position and creating a lower paid position with slightly different duties. I mean it is a definite change and perhaps a change in focus, too, that may be moving away from the citizens. So go back and work with them and see how that can best be achieved. Thank you.

Chair Furfaro: Anyone else before I speak? Mr. Rapozo?

Mr. Rapozo: Yes, again, I will be supporting the return, and the motion, I do not know if I made it clear enough, but it is to restore that ADA Coordinator position back in the Mayor's Office. And I guess for me the simple thing is if it is not broke, do not fix it. I think we have enjoyed extreme success with the ADA Coordinator that we currently have. I do not know how many of you are familiar with the Self-Evaluation Plan that we had to do years ago. I do not know how many of you ever looked at it, but we are far behind. We did the plan...we got the plan done in time, but we are far behind on projects that need to be done. We need to have somebody that is well-versed in what this plan is, and to get somebody new, at a lower pay, I think is a problem. We want to retain quality experienced people that are familiar with ADA, and there is not too many of them around. ADA is a very complicated law. So I think that is where it belongs. I think the ADA Coordinator needs to be specialized in ADA and that is all. That is the sole function. You have a member of the community who needs some ADA help, like we saw last night with Dr. Lucy, who needed an interpreter, she went to the ADA Coordinator, and I think that office needs to be established; it needs to be easily accessible, and I think we really have to put our resources to work to complete that plan. There is a lot of work to be done, and I do not want to see the momentum broken up right now as I think we need to really pay attention to that function. So I will be supporting the amendment. Thank you.

Chair Furfaro: Thank you. Anyone else before... Okay, I just want to point out a little while ago we really talked about the transition with HR, and in there, we talked about the need for them to have resources and so forth. I think we have a pretty good transition for ADA in the Mayor's Office as it is right now. In fact we have people who gave us testimony. Although we are not meeting the overall plan goals, we are having results, and we had a lot of comments about ADA Office working with Doug Haigh, getting projects done and so forth. I just do not want us to find ourselves, and I think Council Vice Chair Yukimura said it well, the Mayor can move this back at the appropriate time when he sees fit. But the reality is let us focus on HR right now, not tie in another task at this point. Continue focusing on ADA compliance in the Mayor's Office as it is now, and so I will be supporting this process to keep HR as a new department, dealing with training and recruitment, and so forth, and leaving ADA where they are at right now because we are getting results.

Mr. Rapozo: Mr. Chair, I just want to make one clarification.

Chair Furfaro: Sure.

Mr. Rapozo: And I know Councilmember Yukimura said that the Mayor can move the position back, and he cannot do that. If this should pass, this position will remain in the Mayor's Office. The Mayor has other tools he can use. He can go get a vacant position, he can go do a contract, whatever, but as far as this position number that we are putting back in the Mayor's Office, unless he comes back to this Council to get this budget amended, he cannot move that position. I just wanted to make that clear.

Chair Furfaro: Let me rephrase that. He has a bucket of tools that he can reach in which he can do without our approval. But again, my rationale is we have had some successes, let us leave it where it is at right now. On that note I would like to call for a vote on the amendment. Let us do a roll call vote, please.

The motion to amend the May 8 submittal by removing the ADA Coordinator position (Position No. 9150) from the Personnel Department and restoring it to the Office of the Mayor, was then put, and carried by the following vote:

FOR AMENDMENT: Bynum, Chang, Kualii, Nakamura, Rapozo, Yukimura, Furfaro	TOTAL – 7,
AGAINST AMENDMENT: None	TOTAL – 0,
EXCUSED & NOT VOTING: None	TOTAL – 0.

Chair Furfaro: Okay, now let us go back to the main motion that deals with the creation of the Human Resources Department as amended.

The motion to approve the creation of a Human Resources Department, as amended, was then put, and carried by the following vote:

FOR APPROVAL: Bynum, Chang, Nakamura, Yukimura, Furfaro	TOTAL – 5,
AGAINST APPROVAL: Kualii, Rapozo	TOTAL – 2,
EXCUSED & NOT VOTING: None	TOTAL – 0.

Chair Furfaro: On that note, we are going to take a 10-minute break simply because I need a break.

There being no objections, the meeting was recessed at 3:11 p.m.

The meeting was called back to order at 3:28 p.m., and proceeded as follows:

Chair Furfaro: We are back in session. Members, what I would like to do is to go through and share with you I had hoped to get to the payroll issues, but I think we will start with that tomorrow. To do that, I want to make sure that we look at your list that was passed out to you on new positions, the summary worksheet that was passed out to you on the overtime, and the summary sheet that was passed out to you on dollar-funded positions. As I started my earlier comments, remember payroll is our single biggest expense, next to utilities, in the County. So we need time to have the appropriate time to evaluate these positions. I would also hope that the two errors that I made, Jade, I take full responsibility for the sheet we will pass out tomorrow will show the Transportation Agency utility worker out, and it will also show the four part-time lifeguards back in. So there will be a new sheet for you tomorrow on that.

What we are going to take in the closing hours of today is we are going to talk about the Mayor's Office, the Mayor's Administration, the Mayor's Office Youth Programs, the Mayor's Office Equal Access issues, which we kind of touched on most of this last discussion, and then of course the Mayor's Boards and Commissions, those philosophies going forward. I would like to ask Ernie if you could come up for right now to talk in particular...I do not think there were many changes in items dealing with per diems, airfare, travel, postage freight, and so forth that might be a good starting spot, but I guess...

Ms. Yukimura: Mr. Chair? I would just like to note that I have circulated a possible...

Chair Furfaro: Yes, I was going to get to that. You are always so far ahead of me.

Ms. Yukimura: Oh, sorry.

Chair Furfaro: And I would like to do the Youth Programs last because Vice Chair Yukimura has a recusal letter.

Ms. Yukimura: Right, thank you.

Chair Furfaro: Too far ahead, and Councilwoman Nakamura has a recusal as well. I just want to touch...is there anything that you would like to add on the Mayor's travel per diems and so forth at this point and were there any major changes? I do not think so.

There being no objections, the rules were suspended.

ERNEST BARREIRA, Budget & Purchasing Director: First of all, Ernie Barreira, Budget & Purchasing Director. Good afternoon Chair and Members of the Council. We have no additional commentary or suggestions to make in terms of the Mayor's submittal.

Chair Furfaro: So on that note what I would like to do is to give an opportunity to Councilwoman Nakamura as we go and talk about Boards and Commissions. I am going to ask her if she wants to read her recusal letter or just make note that you are recusing yourself for this period.

Ms. Nakamura: Yes, my husband's law firm has a contract with Boards and Commissions, so I will be recusing myself from that discussion.

(Ms. Nakamura was recused at 3:32 p.m.)

Chair Furfaro: Thank you very much and we will call you back in when we finish Boards and Commissions. So on that note, I would like to indicate to you folks that the positions we are going to talk about tomorrow, but I wanted to get some clarity. We now have the Anti-Drug Coordinator. She is under Boards and Commissions. Is that the right understanding that I have?

Mr. Barreira: Yes, Chair, that is correct.

Chair Furfaro: Okay. And there are a couple new positions that we will look at tomorrow, but I wanted to get a better idea of the scope she has that she presented to us about working on the facility because in the public hearing yesterday, and I will let Mr. Rapozo expand on that, there were comments from the public about not feeling they were really well-informed, and yet that project is about 10 months out. So Mr. Rapozo, I will give you the floor.

Mr. Rapozo: I just wanted to make a general statement as I know we will not be talking about specific positions today, but as we prepare for tomorrow. One of the challenges that counties have is fixed costs and fixed costs increase every year because that is just the nature of the beast, whether it is benefits or salaries or just the wages. It is very difficult when the economy gets bad, and yet many jurisdictions throughout the country are already laying off people. They lay off positions, they lay off policemen, they are laying off firemen, they lay off ambulance drivers, and of course, all of the other County jobs. And I guess I just want to be very careful as we go through this budget to make sure that when we approve a position, it is a position that we absolutely need this year. And again we will talk about the Life's Choices tomorrow, but I just wanted to say that when Theresa was up here and we found out that her position was going to be changed to a Facility Coordinator, I know Councilmember Yukimura's face went pretty close to what mine was. It was wait a minute; we are so early in the game. We have not even done a feasibility study. We still do not even know if one of those facilities can be operated and survive where many of the others in the State have all failed. But I did ask the question, what is going to happen, who is going to do the anti-drug duties now that Theresa is a Facility Coordinator. And I remember, and I will pull the minutes if I have to, but I believe we were told that she was going to pick up those duties in addition to the grant positions that, in fact, they operate with throughout the year. So I find this new position, and I am not talking about the Boards and Commissions support clerks, I am talking about the Life's Choices position, which we will debate tomorrow. I guess my message is really, now is an opportunity we can really control fixed costs by not starting fixed costs; we do not create fixed costs. But in response to the Chair's request, we did have Mary Pigao here from the community last night, and she was not very happy because they kind of were left out. Nobody has communicated with them in the last...I believe it was 10 months, Mr. Chair?

Chair Furfaro: Yes, that is what they said.

Mr. Furfaro: Absolutely no contact, and as far as the community is concerned, what they are waiting for is this feasibility study, and the feasibility study is not what kind of building it is going to look like or what color the paint is going to be. It is really can a facility of that nature survive in this economy on Kaua'i? That is the feasibility study, I think, we all are waiting for. For me, until we have that feasibility study, I think it is very premature to have a Facility Coordinator because we do not know what the facility...we may not even need a facility. Anyway, Mr. Chair, that is kind of what Mary Pigao said. I will reserve the rest of my comments, as far as the positions, until tomorrow. But I would be interested in hearing from the other Councilmembers as well. Thank you.

Chair Furfaro: We are in this discussion area here. Vice Chair Yukimura, you have the floor.

Ms. Yukimura: Just a process question. We are dealing with positions later or we are dealing with...

Chair Furfaro: We are dealing with positions tomorrow that deal with the following: all the new positions, all of the dollar-funded positions, and the reduction of overtime across the board.

Ms. Yukimura: Okay, new, OT, and all the other positions like the positions in the Mayor's Office right now, we are dealing with right now.

Chair Furfaro: Yes.

Ms. Yukimura: Okay. Well, I guess I just want to concur with Councilmember Rapozo, and my thinking is focused more on Boards and Commissions positions and specifically what is now labeled in the Mayor's...it is considered the Mayor's budget. Or are we just doing the Mayor's budget and then we will go to Boards and Commissions next?

Chair Furfaro: We are at Boards and Commissions now.

Ms. Yukimura: We are? Okay, that is included. Yes, I am very questioning of the fact that the Anti-Drug Coordinator's position has changed to a County Drug Facility Coordinator because we do not have any facility to coordinate right now, and we do not even know if one is feasible. We are doing a study to determine that, and so it just is very odd that we would have that name. And then I also have some concern about the Life's Choices Outreach Coordinator, which is the new position suggested in the budget that just came to us partly because I am not clear about the role of the office. To me, it has not been established. Is it to be a provider of services, the one that holds workshops around the island and does programs in the schools, or is it to be the receiver of grants and the administrator of grants to existing non-profits in the community, and also the receiver of grants and the coordinator of the anti-drug efforts, but not the provider of it because if it becomes a provider, then we are going to need more positions. And our non-profits, which could be doing the work...well, it is not clear what our roles are...to me we should be more support of our nonprofits and not the provider. But I do not see that that has been clearly defined by the office.

THERESA KOKI, Life's Choices Kaua'i Coordinator: I believe...oh, Theresa Koki for the record, Life's Choices Kaua'i Coordinator. I did submit my budget presentation, and although our job descriptions are not attached, in our coordinated drug plan, we do not provide direct services for programs that...I believe we had the discussion at the last meeting that the...that the treatment providers are certified substance abuse treatment professionals, and the prevention providers are also...we support them. We do not do direct services. I did explain in my presentation about our community efforts regarding the environmental change, which is where the alcohol and drug abuse division is shifting towards now that all coalitions, I believe, the Central Coalition will be involved as well to build sustainability in the community for prevention strategies, and our group is called Kaua'i's Leaders and we lead those people. It is like teaching a man to fish. We do not do everything ourselves. We educate them and then they would be able to go out and pursue that effort. Outreach is exactly what it is. It is like reaching out when the schools call us for presentations or other things. I put all the goals of all of our committees that we work with our volunteers and all of the direct services that we do provide is together with other groups in the community. For instance, partnering with schools in the Shattered Dreams Program, our Health and Wellness Fair which is like a national, drug and alcohol recovery month that we participate with all of the professionals from the judiciary to the Department of Education and our community coalitions, substance abuse prevention providers, as well as substance abuse treatment providers, and our other outreach efforts are with school and community presentations like Town Hall meetings during Alcohol Awareness Month.

Ms. Yukimura: To me that is the provision of direct services to go out and speak and to...maybe it is a misunderstanding or misconfiguration on my part, but it differs from coordinating things or getting grant moneys to groups to do those kinds of things. But you see your role as doing that and you think you can do it with two positions in your office, yourself and the Outreach Coordinator, that you can actually...and do you have a plan...and I am sorry, I guess you sent that to us today.

Mr. Barreira: If I may, Vice Chair...

Ms. Yukimura: Yes.

Mr. Barreira: This morning I sent over three major communications. One was the Boards and Commissions, as well as Police and County Attorney. So those all came over this morning.

Ms. Yukimura: Yes, thank you. I am sorry.

Chair Furfaro: Just a reminder here that I thought the way I left it and perhaps I misinterpreted it, that very soon we are going to have an agenda item to discuss the drug facility.

Ms. Yukimura: Okay.

Chair Furfaro: I thought...that might have been me misinterpreting what we had agreed to. It would be in your committee.

Ms. Yukimura: Okay, I think that is good. I am just trying to coordinate it with the budget numbers and understand the positions. So I guess...I am sorry I will go and look at it if you go on to other discussion. Oh, maybe when I have to recuse myself?

Chair Furfaro: Okay, I guess the two items, I want to make sure we understand and, Ernie, this is for you as well. When we went through the first preliminary of the budget, it was not in, my opinion, well communicated that we expected a separate presentation from Boards and Commissions, the Anti-Drug person, as well as this CIP position that we have in the Mayor's Office, okay. We did not get a preliminary presentation. That should not be assumed for next year, okay? Because I do want to talk about the Mayor's Office and all of the existing positions, which will also touch on the Capital Fund Project Manager who is in the Mayor's Office, so we will be discussing that today. We came up a little...miscommunicated there on what we expected. So for the drug treatment facility, we will be putting an agenda item on in the near future. Mr. Kualii.

Mr. Kualii: Thank you, Mr. Chair. Aloha and mahalo, Theresa. Actually I am a little bit confused because in the new Life's Choice Outreach Coordinator is a new position that is being proposed to be in next year's budget, but is there not already somebody serving in that position? Did we not we just have a big event in Waimea? It was not you that did the presentation. There was a story in the paper.

Ms. Koki: Right now we have a grant in our office. That is the Strategic Prevention Framework State Incentive Grant, and the person that did the presentation is our program manager of the Underage Drinking Prevention Project.

Mr. Kualii: So that is a grant position called what program manager...

Ms. Koki: It is the Strategic Prevention Framework State Incentive Grant, Prevention of Underage Drinking Program Manager. It specifically...

Mr. Kualii: Which ends at the end of June, that grant.

Ms. Koki: Actually we had good news today. They are going to extend us to the Federal fiscal year of September.

Chair Furfaro: Would you say that again for my benefit, Theresa? I am sorry.

Ms. Koki: Sure, the Department of Health's Alcohol and Drug Abuse Division, where we have the Strategic Prevention Framework State Incentive Grant, confirmed today that we are going to have what they call a no-cost extension, which is using the same amount of funds for an extended period of time. They are going to the Federal fiscal year year of September now.

Chair Furfaro: Okay, good news.

Mr. Kualii: And so that is why this position for Outreach Coordinator is now starting in September, at the end of the September? So is it the intention for this SPF SIG funded position as a program manager to become the new Outreach Coordinator? That is what it looks like on paper.

Mr. Barreira: Are you asking, Councilmember...are you asking if the person who is grant-funded now will automatically assume that position? Those selection choices have not yet been determined.

Mr. Kualii: And this salary of \$38,960, so that represents three-quarters of the fiscal year or less?

- Mr. Barreira: It would represent from that point of October 1 onward.
- Mr. Kualii'i: Yes, October 1 and on.
- Mr. Barreira: Yes, and it is an exempt position.
- Chair Furfaro: Okay, are we almost pau with Theresa because we have Paula to bring up, too.
- Mr. Kualii'i: Yes, I will be done. Thank you.
- Chair Furfaro: One moment, Theresa. Mr. Bynum?
- Mr. Bynum: Good afternoon. You know, I have watched all of the changes over the years since this program was coordinated, and we are doing a feasibility study about running a drug...I mean I keep hearing about a feasibility study, is it underway?
- Ms. Koki: Right now we are still in the procurement phase, which is discussions and negotiations with the person that we selected.
- Mr. Bynum: So there is going to be a consultant who does a feasibility study?
- Ms. Koki: Correct.
- Mr. Bynum: And you are helping coordinating that, Theresa?
- Ms. Koki: Yes.
- Mr. Bynum: And you still have the active volunteer groups working and you have a person in this position grant-funded until September. I have said this for a long time, the world changed since we first, as a County, said we wanted to build an adolescent treatment facility, and so I need to see that, coordinating that kind of study, but I think Theresa and the team there are doing a great job about coordinating all the volunteers, and I want to be supportive of it, but I do have a problem with this title. When Theresa came up she said I am the Life's Choices Coordinator. Could we just amend the title and put it in as Life's Choices Coordinator because the final decision about whether we build an adolescent treatment facility has not been made, right? We are going to do the feasibility study, then do we acquire land? What is the cost? That is all down the road and there is no money in this budget to acquire land or build a facility, right? And so I want to be supportive of these two positions, and the work that Theresa is doing, and I am fine with her administering the feasibility study. But if we get to the point where we actually need a facility coordinator, then I think we need to talk about that because a Facility Coordinator...Theresa has the expertise about running, and she has grown into the position about working on these drug teams, and administering various grants and stuff. A facilities coordinator, do we not do that in the building division? You know? I mean if the County is going to build a building and facilitate it, why would...those are the kind of questions I have? But for this budget, I want to support these positions, but I do have a problem with this title. Could we just amend the title to what you introduced yourself today as Life's Choices Coordinator. I'm fine with that title.
- Mr. Chang: May I ask Tim a question? Were you present at their presentation?
- Mr. Bynum: I do not think so, but I was present the last time you were here and you answered a bunch of questions, and I thought you fielded them all really well.
- Mr. Chang: But you do not know about the Life's Choices...the name of Life's Choices?
- Mr. Bynum: I heard Theresa talk about it.
- Mr. Chang: Why they rechanged the name?
- Mr. Bynum: Right, but in our budget it says drug facility coordinator.
- Mr. Chang: No, no, I understand. But you want her to change to Life's Choices?

Mr. Bynum: No, I am fine with that. They are happy with that.

Mr. Chang: Okay, you remember the explanation then?

Mr. Bynum: Yes, yes.

Mr. Chang: Oh, you were here. Okay, I just want to make sure that you were here.

Mr. Bynum: I am just saying can we amend it and put it in the budget under that title.

Chair Furfaro: I want to make sure we are all clear. We are going to get a separate presentation in a future committee meeting from Theresa. Are there changes...we are going to get a committee presentation from Theresa, but we are talking about budget items right now, not philosophical items that clearly we need a better picture of because we did not get that at budget time. But cost items, I think, is what we are all concerned with, especially yesterday when Mary Pigao and Joe Rosa...I think they surfaced their questions in the terms of not knowing, and I think what Mr. Bynum is saying is we are quite a ways down yet from even the acquisition of property and the building, and the community is saying we have not heard, we have not heard. I think they needed an update, Theresa, and so we gave them what we had yesterday. So I just wanted to summarize that. I think that was your message, we are quite a ways away.

Mr. Bynum: Yes, we are quite a ways away. I do not know that I will be supportive of us acquiring land and building a drug treatment facility. If it works, I will for sure because there is no question there is a need, but I have a background in Social Services and I know the funding picture for operating these programs has changed. So we do need that kind of an analysis, and if the analysis says that we can proceed, but for this budget short-term, I want to support these two positions, but I have a problem with the name. So could we...I do not know. Somebody tell me, could....

Chair Furfaro: They will be in discussion tomorrow because those are new positions. Are they not?

Mr. Bynum: Well, no one is Theresa's position.

Mr. Barreira: The positions of the Commissions support clerk and the new Life's Choices Outreach Coordinator are both new positions.

Chair Furfaro: And they will be on the list tomorrow.

Mr. Barreira: Yes.

Mr. Bynum: I am sorry, the Boards and Commissions clerk.

Mr. Barreira: Yes, Commissions support clerk. There is one asterisk.

Mr. Bynum: But this position, No. 9151, County Drug Facility Coordinator (SR 22), that is your position, right?

Chair Furfaro: And that is what we have a problem with, with the title.

Mr. Barreira: Yes, understood.

Chair Furfaro: Because the facility guy you sometimes think is the guy that runs the lawn mower, cuts the grass, paints the building because it is part of the facility maintenance.

Ms. Koki: I believe Gary Heu said it when he was questioned at first that sometimes personnel titles and job descriptions are different. So right now my title in the Personnel Office attached to my job description is a Drug Coordinator.

Chair Furfaro: Okay, right now for this budget, Theresa, and this is the second time it has happened to us today, we are going to prepare an amendment that fits what Mr. Bynum is suggesting, so that six months from now we know what that position was regardless of the number, and we need to be getting that stuff by request from the Administration to be consistent. Mr. Bynum and then Mr. Rapozo.

Mr. Bynum: Just this as a history. We were never happy with the title. I remember when Roy came onboard and it was the Drug Coordinator, and it was a joke all over the County. It was like oh, so you go to Roy to get drugs? And it is like oh no, he is the anti-drug coordinator, and I do not think we were ever really happy with that term. So you are saying officially it still says drug coordinator, right? So I heard the presentation when you said we are going with this term, Life's Choices, that it is consistent with where the industry is going, and I know you have gone out of your way, Theresa, to get additional expertise and education, and you got certified in something, right? And if that is your choice, again, deference for that title, I am more comfortable with that than facility coordinator. So maybe it is just the semantics and a minor issue, but...

Chair Furfaro: Okay, Mr. Bynum, if you do not mind, I would like to move along.

Mr. Bynum: Please.

Chair Furfaro: I think we have had enough discussion about title. We are going to do an amendment. Mr. Rapozo, you have the floor.

Mr. Rapozo: Thank you. We just have to be careful when we start making amendments because some of your job titles are tied to your rating and we are not at liberty to change the title because it might affect the rating. So I guess we probably have to get clarification from maybe you folks. What is an allowable title because you do not want to change the text and then it is not in the SR or whatever your rating is.

Chair Furfaro: And that is so true and this is the second time this has happened to us today, but I am having our staff do the research, and let us get the title matching up to salary grades.

Mr. Barreira: To answer Councilmember Rapozo, these are both exempt positions, not tied into the SR rating, in the Civil Service System.

Mr. Rapozo: Okay, that is the perfect segue into my next question because I have heard so much exempt today. What determines whether a position will be exempt or not, and why would we exempt a new employee? When we have a new position, why is it exempt?

Mr. Barreira: There are positions that are defined under the Collective Bargaining Agreements and Civil Service law that define them as included positions. And these are employees that hold a wide variety of positions that benefit from civil service protection as part of that Collective Bargaining Agreement. Exempt positions are primarily serving at the pleasure of or at-will positions. For example in the County government, the Mayor's cabinet, all of those positions are exempt positions. We serve at the pleasure of, otherwise known as at-will. But the other confusion is that in addition to exempt positions, there are also excluded positions.

Mr. Rapozo: Correct.

Mr. Barreira: Excluded management positions are civil service protected, although those positions are not included in the Collective Bargaining Agreement.

Mr. Rapozo: Okay, just so that you folks understand, Theresa, I would like to approve every position in this budget, too, but when we look at this budget, and as I opened up with my fixed costs statement, expenses relating to personnel costs are the gifts that keep on giving, and I hope you folks can understand that as I do the overview and look at these positions, we have to make sure that...because this just adds on to the budget for next year and the year after. So I hope everyone can understand that I would love to be Santa Claus this year and say yes, ho, ho, ho, you get everything you want, but we also, me, myself looking down the road and saying this adds to the fixed costs of next year, and we just have to be very cognizant of that. So if it is absolutely necessary, it will get my support. If it can wait until next year, then it will not. Thank you.

Chair Furfaro: I think we are all pau with you, and we will be looking for you coming up, and I have to tell you folks, if I need to keep you until 6 o'clock tonight, I will. I have a goal to complete. That was not a threat. That just was to calm your stomach if you ono for something, like fried chicken or gravy and rice. JoAnn.

Ms. Yukimura: One last question, please. The professional services anti-drug facility, environmental assessment, and land use planning services totals, which is already contracted apparently, \$220,000.00 before we even know that the facility is going to be feasible. Where did this money come from?

Ms. Koki: The notice for professional services for the Environmental Assessment Architect and the Feasibility Study is in our CIP budget.

Ms. Yukimura: Okay.

Ms. Koki: I am not sure if that was a question, if I can answer it, we do not have any contracts yet. We are starting with the feasibility consultant.

Ms. Yukimura: Okay, so your feasibility consultant, you are talking to.

Ms. Koki: Yes.

Ms. Yukimura: And that is a cost of \$80,000.00.

Ms. Koki: It was 50.

Ms. Yukimura: In your...

Chair Furfaro: In your sheet it summarizes 80.

Ms. Yukimura: Right. 50,000 and somewhere else there was...maybe that is in your...

Ms. Koki: I think that is the environmental assessment one. I did put a separate label for ease in finding these documents.

Ms. Yukimura: So that is \$230,000 then is for the EA and land use.

Chair Furfaro: Of which how much is encumbered?

Mr. Barreira: We do not have any contracts fully negotiated yet, Chair. They are in the process.

Chair Furfaro: Okay, that is a little different what I just heard. So you are telling us none of it is encumbered?

Ms. Koki: We do not have any money encumbered at this moment. We are in the negotiation phrase of the contract. So therefore, no contract has been executed and no money has been encumbered.

Ms. Yukimura: But you are in the process of encumbering the feasibility study, which is \$50,000.00. But there is also a proposal for...actually it is...I see \$150,000; \$70,000; and \$30,000 in your land use and environmental assessment, which is a total of \$250,000, is that right? Yes. And what is the status of that?

Ms. Koki: We have gone through the...

Chair Furfaro: I want to make sure that goes as a question to you. Those are items in CIP, which are going to come up in a later item. But we want an answer and we want to make sure we understand if any of that has been encumbered when we go to CIP.

Ms. Yukimura: Or will be encumbered by the end of the year.

Chair Furfaro: Or what is planned to be encumbered? The 50, the 80, whatever it is by the end of the year, and that comes up in CIP.

Ms. Yukimura:

Thank you, Chair.

Chair Furfaro: So, Theresa, you are okay for now, but when we get to the CIP section, Ernie, make sure you have some dialogue with her to find out if anything has been encumbered or what the plan is.

Mr. Barreira: You want a written response, Chair?

Chair Furfaro: No, verbal on CIP is fine.

Mr. Barreira: Thank you.

Chair Furfaro: Theresa, thank you very much. I want to finish up if there are any questions on Boards and Commissions, because then I want to go to other positions in the Mayor's Office and bring Councilmember Nakamura back in. We are preparing an amendment. Is it ready? Is the amendment ready? Let us vote on that before we bring Councilwoman Nakamura back in.

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

Ms. Yukimura moved to amend the May 8 submittal by changing the title of Position No. 9151 from "County Drug Facility Coordinator" to "Life's Choices Coordinator," seconded by Mr. Bynum.

Chair Furfaro: Thank you. We are waiting for Mr. Rapozo now.

Mr. Rapozo: I apologize.

Chair Furfaro: Here, you have the amendment just changing the title. It has been moved and seconded. Is there any discussion? If not, all those in favor signify by saying aye.

The motion to amend the May 8 submittal by changing the title of Position No. 9151 from "County Drug Facility Coordinator" to "Life's Choices Coordinator" was then put, and carried by a vote of 6-0-0-1 (Councilmember Nakamura was recused).

Chair Furfaro: Okay, you have been so changed in the budget, Theresa, that we will all use this title from now on going forward. Any questions for Board and Commissions so I can bring Councilwoman Nakamura back. We are still on Boards and Commissions. Do we have any questions...one question? Go right ahead.

Mr. Kualii: The difference from the March 15 budget to the May 8 budget shows \$10,000 added to a postage and freight item, and it says election year mail-out Charter Amendment. Is not the election mailers handled by elections?

PAULA MORIKAMI, Boards and Commissions Administrator: Paula Morikami, Boards and Commissions. I met with the Elections Division, and we split the cost of the mailers. So that includes not only the mailing, but the stuffing of those ballot questions, the Charter Amendment proposals. And so it was determined that we split the cost, so therefore, that is the \$10,000 on our portion.

Mr. Kualii: Thank you.

Chair Furfaro: Paula, thank you for that response, but I am asking Rick to double check because I think that is a provision of the Charter. It is not something mutually agreed with you folks and Elections. But he is going to check for me. That is the last question for Board and Commissions? No, we have one more. Go ahead.

Mr. Bynum: I have watched this division grow under John's leadership and Paula's, and I am just very happy with the performance I have seen from this division under both leaderships. And I do not think...I talked to Boards and Commissions members who by and large there was just a couple little glitches, which you would expect in any job. They are happy with it as well. I think that is one of the great things that is happening in this County since I have been here is the serious intention and attention that was given to the Boards and Commissions.

Chair Furfaro: Okay, no other comments on Boards and Commissions? Paula, thank you very much.

Mr. Rapozo: Just real quick. If you could explain the changes? I am just looking at the variances from March 15 to May 8 and we are showing an increase in Position No. 9153 of \$3300 and E-71 of \$20,520.

Ms. Morikami: The \$44,415, "\$44,412" is the correct figure. The other one was an error for the support clerk that exists now.

Mr. Rapozo: For 9153?

Ms. Morikami: Yes.

Mr. Rapozo: Okay, and then what about E-71?

Ms. Morikami: E-71 is the position that we had requested to support our office and the clerical services for the Anti-Drug Life's Choices Kaua'i Division.

Chair Furfaro: Ernie, those are new positions we are going to discuss tomorrow.

Mr. Barreira: Yes, Councilmember, that is a new position.

Chair Furfaro: We are doing all the new positions tomorrow.

Mr. Barreira: And it is funded from January. That is why that number is an awkward number.

Mr. Rapozo: It is not new because it already has a number. So E-71 is showing a...I do not know what that asterisk...fund from position E-71 deputy County Attorney. I have no idea what that means.

Mr. Barreira: As you recall in the previous submission, one of the discussions that was being held as far as dollar-funded positions were concerned, was a deputy county attorney to be paid half by the Liquor Fund and half by General Fund. In the May submission, there was a decision to utilize that position to swap that into this as a dollar-funded commission support clerk in place of that previous effort to create a deputy county attorney position.

Mr. Rapozo: E-71, that was the split position?

Mr. Barreira: That was a law clerk; it was going to become a deputy county attorney.

Mr. Rapozo: Okay, all right, I got it. Thank you.

Chair Furfaro: Okay, we got a confirmation on the splitting of those mailing expressed? They are exactly like I just said. Paula, thank you for being here. We are going to end Boards and Commissions, and we are going to go to some of the existing Mayor's Administration staffing and then we are going to go to some of the Youth Programs, which Vice Chair Yukimura will recuse herself from. Can we ask Councilmember Nakamura to come back in? Since you are going to go into areas of existing positions in the Mayor's Office, I would like to take a 10-minute recess, so I can have some discussion with the Finance Director, and then later Vice Chair Yukimura, we will go into Youth Programs, and we will take your recusal then. We are going to be on a 10-minute recess.

(Ms. Nakamura was noted present at 4:09 p.m.)

There being no objections, the meeting was recessed at 4:10 a.m.

The meeting was called back to order at 4:22 p.m., and proceeded as follows:

Chair Furfaro: Okay, Members, we are back in session. We are still in the Mayor's Office covering administrative items. We are going to go to Youth Work Programs, and we just finished Boards and Commissions. So we have Mr. Barreira here for us. I did announce we plan to go to 5 o'clock today. Are there any questions dealing with the Administration? I do want to make sure that I understand this section on telephone is not the company switchboard. This is cell phones, etcetera, am I correct, communication pieces that are in the Mayor's Office?

There being no objections, the rules were suspended.

Mr. Barreira: Yes, sir, and I think, Chair, if I may to speak on accurately and knowledgeably in terms of the Mayor's budget, I am going to ask Mr. Heu to join me to add to the conversation.

Chair Furfaro: Sounds more than fair.

Mr. Barreira: Thank you, sir.

Chair Furfaro: Then Gary, I would like to at least get to the Festival of Lights before I excuse Vice Chair Yukimura. So the May 8 submittal on the telephone needs, being an aficionado of communications in your previous life, you dropped this piece \$27,000. Did I summarize that appropriately that \$251,000 is communication equipment, cell phones, other emergency communication needs for the Mayor's Office?

GARY HEU, Managing Director: I am sorry, excuse me, Gary Heu for the record. In the Mayor's Office, we have a combination of how we address our communication needs. There are some of us at the point level who actually pay for our own cell phone usage and other types of technology, and then there are still needs for the basic support staff and that is what that would cover.

Chair Furfaro: Okay. On this line "Special Projects," can you just cover that a little bit because it went up \$20,000? Or am I reading that line wrong? No, I am reading it right. It went up \$20,000.

Mr. Heu: There was an additional amount added. I believe it was \$20,000.00 for the Boys and Girls club. Is it \$15,000?

Chair Furfaro: Let us not go there right at that moment, because we have a board member sitting on the Council. So I will pretend I did not ask that question. I want to talk about Boys and Girls Clubs in general coming up, so we will talk about it when you are out. Let me just finish this one, Festival of Lights. I do not know how it is budgeted for this upcoming year. It has only got \$5,000 in it.

Mr. Heu: Yes, but there was the Festival of Lights and Lights on Rice Street.

Chair Furfaro: Lights on Rice Streets goes somewhere else?

Mr. Heu: There is a line item for Lights on Rice Street and that is \$1660.

Chair Furfaro: Got it.

Mr. Heu: And then there is the Festival of Lights at \$10,000.

Chair Furfaro: Okay so I am going to ask Vice Chair Yukimura if she would like to recuse herself just for the discussion on the following items.

(Ms. Yukimura was recused at 4:26 p.m.)

Mr. Chang: You are entertaining questions for the Special Projects?

Chair Furfaro: Yes, we got an explanation on the \$20,000, right, Gary?

Mr. Heu: It was the 15...there was an add of \$15,000 for Boys and Girls Club. That was for some infrastructure improvement.

Chair Furfaro: And I did not want to conclude that discussion until...she is the Vice President of the Boys and Girls Club, so I wanted her to leave. So that is where we are at. And then there is an additional line item specifically for the Waimea Club?

Mr. Heu: That is the Waimea Boys and Girls Club, \$15,000.

Chair Furfaro: You have the floor, Mr. Chang.

Mr. Chang: On anything regarding the Special Projects?

Chair Furfaro: Well, I want to get everything dealing with the Boys and Girls Club out of the way, so I can get Councilwoman Yukimura back.

Mr. Chang: Okay, okay, I do not have any questions.

Chair Furfaro: So when you asked about the \$20,000, he gave the answer. And then you came back with the question of the \$20,000, but I wanted her to be out of the room. Councilmember Nakamura?

Ms. Nakamura: Gary, can you explain what the funds would be used for for Boys and Girls Club?

Mr. Heu: My understanding is that there are some infrastructure needs to support their current facility. So they came to the Mayor's Office, much like people come knocking on your doors for certain one-time expense requests and this was one of those that came in between the March 15 and the May 8 submittal.

WALLACE G. REZENTES, JR., Finance Director: They recently transitioned to a new facility.

Ms. Nakamura: Do you know where that is located?

Mr. Rezentes: I do not know offhand.

Chair Furfaro: So it is possibly being handled as kind of a grant-specific gift?

Mr. Heu: Yes.

Chair Furfaro: Grant-specific, okay, because we had Kapa'a Elementary School approach us yesterday, too.

Mr. Heu: I am sure if our budget submittal was two weeks from now, we would have a few more in. So it is just one of those rolling target things. Anymore questions about the Boys and Girls Club? If there is not, I am going to ask Councilwoman Yukimura to come back in. Can we get Councilwoman Yukimura?

(Ms. Yukimura was noted present at 4:28 p.m.)

Chair Furfaro: And on that note, Mr. Rapozo, I will go ahead and give you the floor.

Mr. Rapozo: I would just ask about the Festival of Lights, the increase of \$5,000. Now the Festival of Lights, I believe, they are up to \$10,000.

Mr. Heu: Yes, if I am not mistaken and I was not involved in those specific discussions, but I believe, Chair, that might have been the result of some of the meetings that you folks had regarding the overall management and support of the Festival of Lights.

Chair Furfaro: I think the detail is with Beth, but to answer Mr. Rapozo, we probably see the Festival with the kind of exposure it is getting both in media, magazine and newspaper, that there is some preparation in fading out the volunteer work that is done by our dear coordinator right now as she moves on to bigger events in her life outside of Kaua'i. She will still be very active, but I think one of the recommendations that she gave to the Administration was the potential of actually contracting a coordinator so that the Festival of Lights can be perpetuated.

Mr. Rapozo: Is that \$10,000 going to be used to contract a coordinator? I am just trying to figure out what those funds are being used for because I was under the impression...I think the community is under the impression that it is a volunteer effort, the people from the jail come and help. So I am just curious what that...

Chair Furfaro: They are under the right observation. I want to tell you in life goes age. I am 63. I sure hope when I am 68, I am babysitting mo'opuna on the Big Island and surfing when the surf is under 2 feet. I think what she is saying is I am moving on and perhaps if you want to perpetuate the Festival of Lights, it might be a good idea to contract some coordinated

help. And that coordinated help deals with developing the theme, developing the aesthetics of the building as we seem to get more and more exposure as well as being more and more selective in what the design elements are.

Mr. Rapozo: Let me be more specific then, who is the recipient of the \$10,000? I guess that is the real question.

Chair Furfaro: They do not have anybody identified yet.

Mr. Rezendes: It is my understanding that approximately 50% or \$5,000 is being looked at to being earmarked for a coordinator, of the \$10,000.

Mr. Rapozo: And then the other \$5,000?

Mr. Rezendes: For the ongoing, I guess, costs and operations of the...

Mr. Rapozo: That is fine. I just...it is a substantial increase. It has doubled and I saw some...as you go through the budget we will discuss later I see some cuts that I thought were significant cuts in other areas, not here, in OED. And I just want to make sure that we are applying the funds where, again, it is of most use for our community. Got it.

Chair Furfaro: And I just want to make sure, Mr. Rapozo, you understand. I am only reporting on what I took from the meeting because as Mr. Heu knows, I have a little bit of a disagreement that the control of this building should be under the Council because the Finance Chair and the Mayor only have management oversight for this building on a year-to-year basis. That if it is anything longer than a year, it is in fact the authority of the Council. But we are not on the same page with that yet, so I sat in on that meeting and would leave it at that for now. Vice Chair Yukimura?

Ms. Yukimura: Just a question, I am looking...no, that is okay. I see what I am doing. Right I am looking at the wrong budget. Sorry, I am fine now, thank you.

Chair Furfaro: Yes, Mr. Chang.

Mr. Chang: Now questions regarding any of the Special Projects?

Chair Furfaro: Yes, anything you want except please stay away from Boys and Girls Club. We did that while Councilwoman Yukimura was outside.

Mr. Chang: Okay, so Gary, what is the...is this the carryover \$53,000 for the lobbyist?

Mr. Heu: It is not a carryover. It is a new appropriation for next year.

Mr. Chang: So did we finally get somebody?

Mr. Heu: We are in the final stage of procurement.

Mr. Chang: Okay. And did we...I did not look, I am sorry, but did we give the Red Cross \$20,000 last year versus \$15,000 this year?

Mr. Heu: I am sorry, I do not have my last year's budget or my current year budget with me. That may be true, though.

Chair Furfaro: Do you have a copy of this worksheet?

Mr. Heu: I do not.

Chair Furfaro: Jade, do we have an extra copy that we can to give the Finance Director and the Administrative Assistant, so they can follow the particular questions that are being carried over by Mr. Chang? Mr. Chang, you still have the floor.

Mr. Chang: Gary, do you know if we have an executive director for the Red Cross? I think at one point it was vacant.

Mr. Heu: To my knowledge they have not filled that position yet. They were still in the process of looking.

Mr. Rapozo: They did.

Mr. Heu: They did?

Mr. Rapozo: They hired someone.

Mr. Heu: Really?

Mr. Rapozo: I am sorry, Mr. Chair. I just got the email. They did hire someone. I cannot remember the name, but they did have them in place.

Mr. Heu: That is good.

Mr. Chang: Thank you.

Chair Furfaro: Are you okay with your questions, Mr. Chang?

Mr. Chang: Yes.

Chair Furfaro: Thank you for sharing, Mr. Rapozo. Mr. Kualii, you have the floor.

Mr. Kualii: Just a quick question because in the Mayor's narrative there is a...No. 11 and it has to do with KPAL. Is KPAL a special project that should be in here?

Mr. Heu: When you reference KPAL, was it for a position?

Mr. Kualii: Yes, it says a KPAL clerical assistant.

Mr. Heu: Yes, that would not show up in the Mayor's Office budget.

Mr. Kualii: Where would it show?

Mr. Heu: What is that?

Mr. Bynum: Police.

Mr. Heu: Yes, yes.

Mr. Kualii: Are all the special projects here in the Mayor's Office?

Mr. Heu: Are all the special projects? There are grants...there are certain grants that have historically been managed out of the Mayor's Office, and then there are also grants (inaudible) in Office of Economic Development.

Mr. Kualii: Right.

Mr. Heu: You will find...I believe you will find some in Parks and Recreation.

Mr. Kualii: But they are mostly here?

Mr. Heu: There is probably more in OED.

Mr. Kualii: Like why would more be in Parks and Recreation and not here?

Mr. Heu: Because for whatever reason when the grant was first established it could have been seen as directly related to some support that would be provided out of Parks and Recreation. It supported some sort of Parks and Recreation function. So for whatever reason it was established in that department. Usually once it is established in a certain department, year-over-year that is where you will find it.

Mr. Kualii: Thank you. Thank you, Chair.

Mr. Rapozo: Mr. Chair, really quick.

Chair Furfaro: Go ahead, Mr. Rapozo.

Mr. Rapozo: Gary, this is just for everybody's information. Richard Whitworth has been hired to the position of the Kaua'i area manager, and he will actually start his tour on June 11.

Mr. Heu: Is that a communication you just got today?

Mr. Rapozo: I got this on May 4 and this was for Coralee Matayoshi. Apparently this guy has over 30 years of experience in disaster response and will start on June 11. I can forward this to you.

Mr. Heu: Terrific.

Chair Furfaro: Very much appreciated. Any additional questions for Mr. Heu? Councilwoman Yukimura?

Ms. Yukimura: You may have answered this in the first session and I was not present, but the D.C. Lobbyist that is a position that we did not have last year, but we are getting now in fiscal year 2013?

Mr. Heu: It is in fiscal year 2012. It is in the current year.

Ms. Yukimura: We never encumbered the moneys?

Mr. Heu: We are going to encumber the money. Councilmember Chang just asked the question, and I said we are in the final stages of procurement.

Ms. Yukimura: So why do you need it in the next year's budget?

Mr. Heu: For the subsequent year.

Ms. Yukimura: Oh, for the subsequent year, okay, all right. And we will be briefed?

Mr. Heu: Yes.

Chair Furfaro: What does the scope cover for us?

Mr. Heu: Exactly, I think we had this discussion previously.

Ms. Yukimura: Oh, I am sorry.

Mr. Heu: Not today, but previously. Although it is listed as a D.C. Lobbyist, the intent was not to use...if you recall a couple of years ago, there was a D.C. Lobbyist line item for \$100,000. So this is really half of what we had previously funded and that was because it was felt that with earmarks having gone way, that the focus should really be on assisting the County with identifying and developing grant proposals to try to give us the greatest possibility of success and not lobbying our congressional delegation for earmarks as we had in the past because there really are no earmarks officially.

Ms. Yukimura: What about just lobbying for regular bills and programs that we need and want? For example, well maybe that is what you have in mind, the emergency communications system, phases 2 and 3. We talked about how that is a logical thing and it does not have to be earmarks. Whatever program it fits under that should be part of our package to get federally.

Mr. Heu: Well, I guess the thing is that when you look at...if my recollection is correct, when we first established the position and we came before Council, I think this was when Mayor Baptiste was in office, the intent was to reach out and identify funds that previously the County had not accessed and to look for those opportunities and to really lobby for those earmarks with our congressional delegation. That was the real focus and we felt it was

potentially a good investment of our dollars. If we could spend \$100,000 a year and we could bring in in \$5 million to the County that previously was not available, we thought that was a good deal. So that has pretty much been how we have approached this. When earmarks went away, and the game kind of shifted, then we felt that it was important for the County to have a better understanding of what was available relative to different types of grant funds available through federal agencies and that sort of thing, and position the County in the best place to be successful in obtaining those grants. So that is primarily what the focus of the \$50,000 was. I mean, if again, if we were looking at consultants to do...to play a broader role, then I think we would look at increasing the funding again. And again, we have been working closely with Senator Inouye's Office on this and getting certain kind of guidance in terms of how to set this up. So that is why it looks as it does today with the \$50,000 or \$53,000.

Ms. Yukimura: But that is why the lobbyist or whomever we hire is probably not going to come here to brief us for that much money?

Mr. Heu: I think the lobbyist would probably visit Kaua'i in terms of...

Chair Furfaro: Mr. Chang, if you want to be recognized, show your fingers at me, not to Gary, okay? So wait a minute, Councilmember Yukimura still has the floor, and then I see you are next. Councilmember Yukimura.

Ms. Yukimura: Go ahead.

Mr. Heu: Part of the scope of work is to bring the consultant here, but that would be more to work directly with our various agencies in the prep work for the grants that we would seek. It does not mean that person would not be available to come before the Council to speak about what kind of opportunities there are.

Ms. Yukimura: Oh well, if he is going to be on-island, he should come to speak to the Council without question. But I am just...I do not know whether it is grants or an appropriation, but not all appropriations are earmarks? You know what I mean? So there may be very standard programs where you...

Mr. Heu: Right, so in other words, within Federal highways, there are these huge appropriations, which are provided, and we would consider that grant opportunities.

Ms. Yukimura: Okay, well I do not know if you would actually call them grants, but maybe that is what they are. And one of the experts who has brought in a lot of money to his community is the former planning department deputy Gary Hannig. I am not sure we have that...well, maybe we do with Senator Inouye's help about how to use the lobbyist we hire. That is something to get coaching on, I think, maybe. Okay, thank you.

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

Mr. Chang: Just to answer Vice Chair's question, that is what we had planned that the lobbyist would be coming to the island of Kaua'i. So in the past when I first got involved, the lobbyist would pave the way for us up at Capitol Hill to meet with various people about the Waimea Levee or Hanapēpē Levee. For example for Kapaia Bridge when we were looking for different heritage... something that could help fund, and when they helped us with these projects from abroad, we wanted to have them come at least two visits a year, so they can at least see the projects that we are working on and identify hopefully funding bases for different projects that we had ongoing that they would be on top of the bills and on top of it. So they would be keeping us abreast of things that were happening and trying to get those...or give us a heads up and try to get those funding, and of course, it is relationship driven that they know most of our aides with our legislators up there that that was a part of paving the way to make it smoother for us through those relationships. But it did include the travel. We did include them to be able to travel here twice a year to update us.

Ms. Yukimura: And that money is in the \$53,000?

Mr. Chang: It was.

Ms. Yukimura: What is travel nowadays? I mean that is at least \$1200?

Mr. Chang: I think in the past, if I am not mistaken, it might have been 50 and put \$5,000, and the only reason being is that the lobbyist that we used in the past also had an office in California. So the travel time was going to be from California versus from Washington, D.C.

Ms. Yukimura: I see, okay.

Mr. Chang: So we felt that was an adequate amount of money for them to make the travel. Thank you.

Chair Furfaro: Anymore questions here on the Mayor's Office? Going once, going twice...

Mr. Bynum: On anything related to the Mayor's Office.

Chair Furfaro: Anything in the Mayor's Office as it relates to...

Ms. Yukimura: Is it timely to present amendments now?

Chair Furfaro: Yes, it could be. Mr. Heu?

Mr. Heu: Chair, I know that we, in a previous action today took the ADA position from the HR Department...

Chair Furfaro: And put it back in the Mayor's Office, yes.

Mr. Heu: Now, there were other expenses associated with that position besides fringe benefits and that sort of thing. I believe there was also training. Did you folks remove all of that back in?

Chair Furfaro: We removed \$17,000. Am I right, Jade? We put back in \$17,000.

Mr. Heu: I just wanted to confirm that. Thank you.

Chair Furfaro: We can all look at that for tomorrow morning. We are going to take the next 15 minutes—we are going to end at 5 p.m. today—to entertain any discussion about the Mayor's budget, the Mayor's department. Is there any? If not, I have beef curry at home. Any Member? Well, I would like to say...what is that?

Mr. Bynum: Three-minute recess?

Chair Furfaro: A 3-minute recess? Okay, I am going to count a 3-minute recess, but I want to end today at 5 p.m. We are on a 3-minute recess.

There being no objections, the meeting was recessed at 4:48 p.m.

The meeting was called back to order at 4:51 p.m., and proceeded as follows:

Chair Furfaro: Okay, Members, we are back from that short recess, and again, I want to close on the Mayor's Office today before we start up again tomorrow morning. Are there any amendments?

Ms. Yukimura: Excuse me, we are dealing with new positions later on?

Chair Furfaro: Tomorrow.

Ms. Yukimura: Okay.

Mr. Rapozo: I have a real quick question.

Chair Furfaro: Surely.

Mr. Rapozo: And I do not know. Gary, I guess it is the vehicle that you folks are requesting in the Mayor's Office. That is a new vehicle, right? That has not been purchased yet?

There being no objections, the rules were suspended.

- Mr. Heu: It is in current year budget.
- Mr. Rapozo: It is in current...it is in this current...
- Mr. Heu: Yes, what you are seeing there is the lease cost for the subsequent year.
- Mr. Rapozo: So the car is already here?
- Mr. Heu: It is being procured right now.
- Mr. Rapozo: Okay.
- Mr. Heu: You could ask Ernie where that is.
- Mr. Rapozo: Was that approved last year? I do not recall...
- Mr. Heu: Yes, it was approved in last year's budget. So the initial lease payment is in the current year budget.
- Mr. Barreira: There are a number of vehicles being procured...
- Mr. Rapozo: Well, there is a ton this year and that is a concern of mine as well because as I went through the list I see we are replacing cars with 3,000, 4,000 miles. I mean it is older cars with very low mileage, maybe not the vehicles, but equipment.
- Mr. Barreira: Right, we were very deliberate this year, Councilmember Rapozo, to not abide solely by that 5-year replacement schedule. We took a very close look at the mileage and the maintenance costs, and we deferred on a large number of those vehicles.
- Mr. Rapozo: Okay, I do not recall that last year, but you are probably right. So if it is the second year of a three-year lease, so last year we went with a three-year, but this year we are going with all five-year leases. Is that what we are doing? All the other vehicles, I assume it was a five-year.
- Mr. Barreira: As part of the 2013 budget...
- Mr. Rapozo: For the next budget, next year's budget.
- Mr. Barreira: We will be seeking lease financing, which basically defers the expenses.
- Mr. Rapozo: Okay, thank you.
- Chair Furfaro: Mr. Kualii?
- Mr. Kualii: Along those lines, I had a quick question, too, then. So on those that were three-year leases, and like the one you just talked about it is in the second year of a three-year lease, so next year is the third year, and when it ends, was it lease to own?
- Mr. Barreira: We do not have lease to own provisions. Basically we are lease financing, but we own the vehicle.
- Mr. Kualii: So after three years of paying \$24,500 on the SUV Hybrid we are going to own it?
- Mr. Rezentes: We own it, yes. It will be a capital lease where we own it at the end of the term of the lease.
- Mr. Kualii: Okay, thank you.
- Chair Furfaro: On that note, Members, I am going to do a little summary here, and we are going to close the Office of the Mayor, as we have in fact, covered Boards and Commissions, staff issues, some of the grant pieces, all in the Office of the Mayor. We also completed

today half of Risk Management. We still when we get to Finance, we will be talking in terms of Gerald's role with insurance liabilities. We also completed the Department of Personnel Services, which also included all the personnel functions. So tomorrow I would like to take the items first that covers the new positions that are in the budget as listed with some modifications from the list, we are going to take care of, so we have a new handout. We are going cover the dollar-funded positions that are in the budget, and we are going to cover the reduction in overtime across-the-board, and then go back to our scheduled work, which was in my PowerPoint, which might include discussion from various Councilmembers. Then we will go into all of the other departments. So on that note, I want to forewarn you, we need to plan on going to 6 o'clock tomorrow. We need to plan on going to 6 o'clock on Monday. And then we need to evaluate where we are for Tuesday, okay? Before I recess, Mr. Bynum?

Mr. Bynum: Tomorrow is the graduation of KCC, and I am scheduled to be there at 5 p.m., but I hate to miss any votes here. I thought we were going to...with four days this year, I thought we were going to try to end at 5 p.m., but...

Chair Furfaro: We are going to try our best and the only thing I can say to you is keep your narrative brief, and we will get to the KCC graduation. But we will start at 9 o'clock sharp, please. But if we need the extra hour, please keep it.

Now, that being said, there is another celebration that we have. I want all of you to know that you are in this building for the first day of the second 100 years of this building as the capital of Līhu'e County and the islands of Kaua'i and Ni'ihau.

There being no objections, the decision making process was recessed at 4:57 p.m.