



COST CONTROL COMMISSION

ANDRE N. LISTER, CHAIR
ALICE LUCK, VICE CHAIR

PAUL A. PANCHO, MEMBER
TYLER RODIGHIERO, MEMBER
STACY WAIKOLOA, MEMBER

RECEIVED

24 OCT 31 A 7:44

Meetings of the Cost Control Commission will be conducted as follows:

- Meetings will be publicly noticed under Chapter 92, Hawai'i Revised Statutes (HRS).
- Minutes of the meetings will be completed under Chapter 92, HRS, and posted to the Cost Control Commission's website.

OFFICE OF
THE COUNTY CLERK
COUNTY OF KAUAI

Public Comments and Testimony:

- **Written testimony** will be accepted for any agenda item herein.
 - Written testimony indicating your 1) name, and if applicable, your position/title and organization you are representing, 2) whether you are a registered lobbyist and if so, and on whose behalf you are appearing, and 3) the agenda item that you are providing comment on, may be submitted to mromo@kauai.gov or mailed to the Cost Control Commission, c/o Office of Boards and Commission, 4444 Rice Street, Suite 300, Lihu'e, Hawai'i 96766.
 - Written testimony received by the Cost Control Commission at least two business days before the meeting will be distributed and available as part of the Commission's packet and written testimony submitted thereafter will be distributed at the meeting.
 - Any written testimony received after this time and up to the start of the meeting will be summarized by the Clerk of the Commission during the meeting and will be provided to the members and added to the record thereafter.
 - Any written testimony received during the meeting and before the decision-making on the corresponding agenda item will be distributed to the members before such decision-making.
- **Oral testimony** will be accepted for any agenda item herein.
 - It is recommended that anyone interested in providing oral testimony register at least 24 hours before the meeting by emailing mromo@kauai.gov or calling (808) 241-4920. Any request to register may include your 1) name, and if applicable, your position/title and organization you are representing, 2) the agenda item that you are providing comment on, and 3) contact information (telephone number and email address).
 - Per the Cost Control Commission's Policy there is a three-minute time limit per testifier for each agenda item.
 - Individuals who have not registered to provide testimony will be allowed to speak on an agenda item following the registered speakers.

SPECIAL ASSISTANCE

IF YOU NEED AN AUXILIARY AID/SERVICE, OTHER ACCOMMODATION DUE TO A DISABILITY, OR AN INTERPRETER FOR NON-ENGLISH-SPEAKING PERSONS PLEASE CONTACT THE OFFICE OF BOARDS AND COMMISSIONS AT (808) 241-4917 OR ADAVIS@KAUAI.GOV AS SOON AS POSSIBLE. REQUESTS MADE AS EARLY AS POSSIBLE WILL ALLOW ADEQUATE TIME TO FULFILL YOUR REQUEST. UPON REQUEST, THIS NOTICE IS AVAILABLE IN ALTERNATIVE FORMATS SUCH AS LARGE PRINT, BRAILLE, OR ELECTRONIC COPY.

RECEIVED

COUNTY OF KAUAI COST CONTROL COMMISSION MEETING NOTICE AND AGENDA

Thursday, November 7, 2024

9:00 a.m. or shortly after that

**Piikoi Building, Boards and Commissions Conference Room
4444 Rice Street, Suite 300, Lihu'e, Hawai'i 96766**

24 OCT 31 A7:44

Remote Access VIDEO by Microsoft Teams

Click on the URL below or type the URL into your computer or smartphone

<https://bit.ly/4e3fD2J>

OFFICE OF
THE COUNTY CLERK
COUNTY OF KAUAI

Meeting ID: 258 521 671 012 Passcode: eFtTo3

AUDIO Connection by Microsoft Teams

Phone: +1 469-848-0234, Phone Conference ID:

OPEN SESSION MEETING CALLED TO ORDER

ROLL CALL TO ASCERTAIN QUORUM

APPROVAL OF AGENDA

CHAIR'S ANNOUNCEMENTS

- Next Monthly Meeting, Thursday, January 2, 2025, at the Office of Boards and Commissions Conference Room, Suite 300.

PUBLIC TESTIMONY ON ANY AGENDA ITEMS

Individuals may testify on any agenda item or wait for the item to come up on the agenda.

APPROVAL OF MINUTES

- Open Session Minutes of October 3, 2024, meeting.

BUSINESS:

CCC 2024-3

Discussion and decision-making on the 2024 Cost Control Commission Annual Report.

CCC 2024-4:

Discussion and decision-making on designating a spokesperson to appear before the County Council to address questions related to the 2024 Cost Control Commission Annual Report.

CCC 2024-5:

Discussion and decision-making on electing a Chair and a Vice Chair for Calendar Year 2025.

COST CONTROL COMMISSION – Thursday, November 7, 2024

EXECUTIVE SESSION: Under HRS§ 92-7(a), the Commission may, when deemed necessary, hold an executive session on any agenda item without written public notice if the executive session was not anticipated in advance. Any such executive session shall be held under HRS § 92-4 and limited to those described in HRS §92-5(a).

ADJOURNMENT

cc: Deputy County Attorney Chris Donahoe

DRAFT to Be Approved

OPEN SESSION MEETING MINUTES

Board/Commission	Cost Control Commission	Meeting Date	October 3, 2024
Location	<p>Piikoi Building, Boards and Commissions Conference Room 4444 Rice Street, Suite 300, Līhu‘e, Hawai‘i 96766</p> <p style="text-align: center;">Remote Access VIDEO by Microsoft Teams Click on the URL below or type the URL into your computer or smartphone</p> <p style="text-align: center;">Meeting ID: 237 039 877 859 Passcode: LUmRr7 https://bit.ly/3zzG6Xs</p> <p style="text-align: center;">AUDIO Connection by Microsoft Teams</p> <p>Phone: +1 469-848-0234, Phone Conference ID: 237 039 877 859</p>	Start of Meeting: 9:09 a.m.	End of Meeting: 10:32 a.m.
Present	Vice Chair Alice Luck (<i>via Microsoft Teams</i>), Commissioners Paul Pancho, Tyler Rodighiero (<i>Chair Pro-Tem</i>) and Stacy Waikoloa (<i>via Microsoft Teams</i>). Also present: Boards and Commissions Support Staff: Administrator Ellen Ching; Support Clerk, Mercedes Omo, and Deputy County Attorney Chris Donahoe. Invited Guests: Department of Finance Representatives: Deputy Director of Finance Michelle Lizama and Budget Administrator Ken Shimonishi.		
Excused	Chair Andre Lister		
Absent			



SUBJECT	DISCUSSION	ACTION
Meeting Called to Order	<p>The meeting started when Chair Pro-Tem Tyler Rodighiero called the Cost Control Commission October 3, 2024, meeting to order at 9:09 a.m.</p> <p>Commissioner Paul Pancho was present. Commissioner Stacy Waikoloa was present (<i>via Microsoft Teams</i>).</p>	

SUBJECT	DISCUSSION	ACTION
	<p>Vice Chair Alice Luck was present (<i>via Microsoft Teams</i>). Chair Pro-Tem Tyler Rodighiero was present. Chair Andre Lister was excused.</p>	<p>A quorum was established with 4 Commissioners present.</p>
Approval of Agenda		<p>Mr. Pancho moved to approve the agenda as circulated. Vice Chair Luck seconded the motion. Motion carried 4:0.</p>
Chair's Announcements	<ul style="list-style-type: none"> Next Monthly Meeting, Thursday, November 7, 2024, at the Office of Boards and Commissions Conference Room, Suite 300. 	
Public Testimony	<p>Individuals may testify on any agenda item or wait for the item to come up on the agenda.</p> <p>There was no one present from the public or on Microsoft Teams to testify on any agenda item.</p>	
Approval of Minutes	<ul style="list-style-type: none"> Open Session Minutes of August 1, 2024, meeting <p>Mr. Donahoe requested an amendment to page 13 of the meeting minutes, first paragraph, last sentence to read, "Mr. Donahoe further stated that another goal of the Commission is to reduce the cost of County government while providing an [adequate] <u>reasonable</u> level of public service" as he was reading directly from The Charter of the County of Kaua'i.</p>	<p>Mr. Pancho moved to approve the Open Session Minutes of August 1, 2024, meeting as amended based on Mr. Donahoe's requested amendment. Ms. Waikoloa seconded the motion. Motion carried 4:0.</p>
Business CCC 2024-1	<p>Discussion and possible decision-making on recommendations to reduce the cost of county government while maintaining a reasonable level of public services under Section 28.02 of the Kaua'i County Charter Article XXVIII Cost Control Commission.</p> <ul style="list-style-type: none"> Expenditure Report by Department Summary (FY 20-24), including: <ul style="list-style-type: none"> a. Expenditures by Fund Summary 	

SUBJECT	DISCUSSION	ACTION
	<p style="text-align: center;">b. Other Post Employment Benefits c. Budget for FY 2025</p> <ul style="list-style-type: none"> • Real Property Tax Collections (FY 20-24) <p>Your Commission heard from Michelle Lizama, Deputy Director of Finance and Ken Shimonishi, Budget Administrator who presented the Commission with the attached reports and reported the following:</p> <ul style="list-style-type: none"> • Page 1 of the report groups the funds by Operating, Grants & Other, CIP & Other, and Debt. • Each fund is further broken down by the department. • The Operating funds would be defined as those funds included in the Operating Budget. <p>Mr. Rodighiero asked whether the fund is the money that was spent or if it was the money that they must spend. Mr. Shimonishi responded that the fund is the overall amount expended for each individual fund. Within each fund, those amounts are further broken down by the individual department.</p> <p>Mr. Rodighiero asked whether the fund amount sets the budget for the subaccounts within it. Mr. Shimonishi responded that Mr. Rodighiero was correct. Revenues are tracked by funds as each type of revenue must go into the respective fund created. For instance, the Highway Fund comprises funds from the Motor Vehicle Weight Tax or Gasoline Tax. The General Fund holds the revenue related to Real Property Taxes and the Transient Accommodations Tax.</p>	

SUBJECT	DISCUSSION	ACTION
	<p>Mr. Shimonishi explained that in the first few pages of the report, each department’s expenditure amount would be the sum of expenditures for that specific department inclusive of all operating funds. For example, with the Department of Public Works, the amount reported for FY 2020 of \$61,154,217 would be the amount spent by the Department of Public Works across the General Fund, Sewer Fund, Solid Waste Fund, etc. Mr. Shimonishi also noted that if the year specified reflects “unaudited,” then that means the financials are currently being audited. For FY 2023, the audit though it has been completed, has not yet been presented to the Kaua’i County Council or made publicly available. The FY 2023 unaudited numbers are more than likely to change because there are some entries that were not captured due to staffing changes within the Accounting Division.</p> <p>Vice Chair Luck stated that she missed the last meeting so was wondering why this information was requested. Administrator Ching stated that under the Charter, the Cost Control Commission is required to review certain reports and items within the fiscal year. There was a memorandum sent by the Kaua’i County Council to the Commission asking for a review of the CIP projects. That is what prompted this review to be added to the Commission’s schedule as it is a Charter requirement. Given the timing of when the financial information is available and the Commission’s meeting schedule, this is the last opportunity to ensure that the Commission is meeting its Charter-required duty.</p> <p>Mr. Shimonishi continued with the report as follows:</p> <ul style="list-style-type: none"> ● Page 3 reflects the Operating funds and the various fund details that are grouped under the Fund Transparency Grouping. 	

SUBJECT	DISCUSSION	ACTION
	<ul style="list-style-type: none"> • Page 3 reflects the same amounts as shown on Pages 1 and 2, just organized in a different fashion. <p>Vice Chair Luck stated that the biggest takeaway for her was that most of what is spent comes out of the General Fund. Mr. Shimonishi concurred as the General Fund is the largest fund.</p> <p>Mr. Shimonishi continued with the report as follows:</p> <ul style="list-style-type: none"> • Page 4 further breaks down the data first by fund, followed by department. <p>Mr. Rodighiero stated that he had thought the Police Department or Fire Department were the highest spenders but was surprised to see that the Department of Public Works spends more. Mr. Shimonishi responded that the Department of Public Works historically has the highest expenditure given the work that falls under that department.</p> <p>Mr. Rodighiero asked what would fall under the CIP & Other category. Mr. Shimonishi responded that the category would not only include CIP funds, but also funding from the Federal Government or through State Appropriations, including revolving funds or loans.</p> <p>Mr. Shimonishi continued with the report as follows:</p> <ul style="list-style-type: none"> • Page 7 provides information on the historical Other Post Employment Benefits costs broken down by funds and department. Other Post Employment Benefits include medical premium costs for current employees' medical costs after retirement and any costs for current retirees' medical benefits that were underfunded. 	

SUBJECT	DISCUSSION	ACTION
	<p>Mr. Rodighiero identified that for OPEB costs, Police and Fire have higher costs. Mr. Shimonishi stated that generally, OPEB costs are based off a percentage of the salary amount. The program is looked at by an actuarial firm each year and they evaluate the program costs, premium costs, etc. to generate the cost allocations.</p> <p>Vice Chair Luck asked why the amounts for the Department of Public Works towards the top of page 6 fluctuate from year-to-year. Mr. Shimonishi responded that the amounts represent Federal grant monies, so the amounts fluctuate based on when grants are received and when expenditures are made, which can vary.</p> <p>Vice Chair Luck asked if the employee benefits were included in the grant fund expenditure. Mr. Shimonishi responded that if the grant allows the expense of benefits, then those employee benefits would be charged to the specific grant fund.</p> <p>Vice Chair Luck stated that the Transportation Agency's OPEB expenditures seem to fluctuate from year-to-year. Mr. Rodighiero stated that it may be due to the lack of employees. Mr. Shimonishi stated that there was a significant drop in OPEB expenses in FY 2022 for the Transportation Agency due to a large amount of Federal grant monies becoming available for the expenditures of the Transportation Agency. The report reflects a large amount noted under Grants & Other for OPEB related to the Transportation Agency as opposed to the Operating funds.</p> <p>Vice Chair Luck asked how the County was planning to absorb the expenses that are currently being paid by American Rescue Plan Act (ARPA) funds in anticipation of those funds going away at some point. Mr. Shimonishi</p>	

SUBJECT	DISCUSSION	ACTION
	<p>responded that from an overall budgetary standpoint, he was not concerned with the non-recurring ARPA funding. The County should be able to continue the services of the County without it. The ARPA funding was a bonus to the County. Mr. Shimonishi stated that he is concerned with the G.E. Tax Surcharge which is set to sunset in 2030. Whether or not the State Legislature renews the ability for the counties to continue charging a G.E. Tax Surcharge is yet to be determined. There is always the worry that the State may want to keep the funds for themselves due to recent expenditures on the Maui Wildfires. The Rail Project was the impetus for the push for the counties to be given the authority to tax to generate revenue for mass transit opportunities, but with Rail now operating, the taxing scenario could change at any moment. The County funds many of its roads and highway projects with those tax dollars and depends on it to move projects along, not to mention the funding of the Transportation Agency and the Kaua'i Bus.</p> <p>Mr. Rodighiero asked what the amount generated by the G.E. Tax Surcharge was. Mr. Shimonishi responded that the expenditures on the G.E. Tax Fund can be found on page 3 of the report, but generally, the G.E. Tax Surcharge can bring in approximately \$30M per year.</p> <p>Mr. Shimonishi continued with the report as follows:</p> <ul style="list-style-type: none"> • Page 9 reflects the Real Property Tax collections broken down by year. The transparent column on the graph reflects what was budgeted. • On page 8, the FY 2025 budget is noted in comparison to the FY 2024 budget. 	

SUBJECT	DISCUSSION	ACTION
	<p>Mr. Rodighiero asked why there was such a large variance in the G.E. Tax Fund between FY 2024 and FY 2025. Mr. Shimonishi responded that in FY 2024, much of the funding from that Fund went towards CIP projects. In FY 2025, the budget was kept in the Operating Budget and was not allocated towards CIP projects. Mr. Rodighiero noted that there were quite a few departments with large budget variances.</p> <p>Mr. Rodighiero asked what caused the budget variance in the Police and Fire Departments. Mr. Shimonishi responded that the Police variance was caused by \$1.8M in Salary & Benefits and \$38k in the R&M Equipment line item. A large share of the Police Department's budget is in salary and benefits. The Fire Department's variance can be broken down into \$1.2M in Salary & Benefits, with other variances in the R&M Equipment, Other Services, and Software line items.</p> <p>Vice Chair Luck asked if the variances occurring in other departments were attributable to staffing costs as well. Mr. Shimonishi responded that for the Housing Agency in particular, the variance was due to a homeless initiative or grant funding that may have been included.</p> <p>Vice Chair Luck asked if the State's recent announcement of a tax cap may impact on the amount the counties are expected to receive in the G.E. Tax and whether the County had any other concerns as it relates to the G.E. Tax authority given to the County sunsetting in 2030. Mr. Shimonishi responded that he was not following the tax cap announcement. As it relates to the amount of the G.E. Tax revenue received by the County, it boils down to the County prioritizing what it uses the G.E. Tax received for. The County only receives the 0.5% surcharge that is added and not the entire 4% that the State charges. The surcharge that the County receives</p>	

SUBJECT	DISCUSSION	ACTION
	<p>can be used for road repairs and maintenance and for transportation purposes.</p> <p>Mr. Rodighiero stated that the budget variance between FY 2024 and FY 2025 amounts to a roughly 12.9% increase and there was a fairly large increase in Real Property Tax revenue. Mr. Shimonishi responded that a large portion of the increase was previously identified as coming from the G.E. Tax Fund where budget was shifted from funding CIP projects to now Operating Budget projects. Mr. Shimonishi also noted that page 9 of the data only shows Real Property Taxes and not the other revenue sources, as that was not what was requested.</p> <p>Mr. Rodighiero inquired as to the reason for the large increase in Real Property Taxes for FY 2025. He asked if it was due to a rate increase or an increased appraisal amount. Mr. Shimonishi stated that assessments have gone up, along with having to factor in any new development or parcel development that has been completed and are now contributing to the tax base. Overall, in aggregate, Real Property Tax revenues have increased dramatically over the past few years. This was due to different factors such as assessments, parcel counts increasing, rate increases, etc. In FY 2025, the Council did approve rate increases for the Hotel & Resort tax class and parcels that were considered Transient Vacation Rentals. The Council also added tiers to the various tax classes. Combined, the actions of the Council raised revenues by an additional amount of \$7,645,000, which is 3.4% more than what the Administration had submitted in their budget proposal for FY 2025. Based on the Council's actions during the budget session in setting the tax rates, the Hotel & Resort tax class contribution to revenue went up by \$3.5M or 8.3% more. The Vacation Rental tax class contribution to revenue went up \$4.1M or 6.6% more.</p>	

SUBJECT	DISCUSSION	ACTION
	<p>The justification by the Council for those increases was to take that revenue and use it for affordable or gap housing projects.</p> <p>Vice Chair Luck asked if that revenue was specifically dedicated to housing. Mr. Shimonishi responded that portions of the funds also went to the Public Access, Open Space, Natural Resources Preservation Fund as a minimum of 0.5% of Real Property Tax revenues automatically goes to the Public Access Fund. Most of the revenue increase was appropriated towards housing projects.</p> <p>Vice Chair Luck stated that the amount of projected Real Property Tax collections and the amount collected appears to be pretty accurate. She also noted that the information provided reflects the cost of County government increasing year-after-year and how some of the revenue increases are being used to fund the solution to some of the long-term problems being faced by the island. The problems being faced by everyone on the island increase the cost to the County in various ways. An example is the staffing issues being faced by the County which is magnified by the lack of housing on the island.</p> <p>Administrator Ching acknowledged Ms. Lizama and Mr. Shimonishi for responding to the various requests of the Commission and for being present at Commission meetings to answer questions from the Commissioners. Gratitude was expressed by the Commission for the hard work of the Department, especially to Ms. Lizama and Mr. Shimonishi.</p> <p>Ms. Waikoloa expressed her appreciation and hoped that the next time the representatives from the Department of Finance are present at a</p>	

SUBJECT	DISCUSSION	ACTION
	<p>Commission meeting, the Commission will have some concrete recommendations on ways to reduce the cost of County government.</p> <p>Mr. Donahoe reminded the Commission that the agenda item is for discussion and possible decision-making on recommendations to reduce the cost of County government. If the Commission does not have any recommendations to share, a decision could be made to defer the item to a future meeting.</p> <p>Mr. Rodighiero stated that he does not have any recommendations at this point and felt that the Commission was still just gathering information for its use. Vice Chair Luck concurred with those sentiments and did not have any recommendations.</p>	<p>No motion was made, or action taken, relating to this agenda item.</p>
<p>CCC 2024-3</p>	<p>Discussion and decision-making on the 2024 Cost Control Commission Annual Report.</p> <p>Mr. Rodighiero thanked Administrator Ching for working on the comprehensive report on behalf of the Commission. Administrator Ching apologized to the Commission for the lateness of the report and recommended that the Commission recess its meeting so that the Commissioners could review the draft report.</p> <p>There being no objections, the meeting was recessed at 10:00 a.m. The meeting was called back to order at 10:06 a.m.</p> <p>Administrator Ching walked the Commission through the draft report and noted the following:</p> <ul style="list-style-type: none"> • The yellow highlighted item will be filled in once the report is deemed final. 	

SUBJECT	DISCUSSION	ACTION
	<ul style="list-style-type: none"> • The report was based off a template of the reports that were filed in previous years. • The memorandum that was received by the Commission from the Council complicated the preparation of the report quite a bit. That memorandum requested a review of the CIP budget, requested comments on reducing Real Property Tax rates when property assessments occur to prevent increases for taxpayers rather than increasing revenue, and detailed points on what the Commission evaluated and summaries of each item, including why items did not result in a recommendation. • There were no recommendations related to the Real Property Tax request from the Council that was mentioned during any meeting, but if there are any, the draft report can be updated accordingly. • The last request from the Council caused problems for Administrator Ching in her summary report and she wrestled with possibly including all the information the Commission reviewed in an appendix for the Council. • Pages 2 and 3 include the list of items that the Commission evaluated throughout the year. • Page 8 is the list of items and materials reviewed by the Commission. In italics, the note indicates whether the Commission considered it and the status of whether recommendations were made or not. • Administrator Ching reviewed the various recommendations listed on pages 8 and 9 of the draft report verbatim. • The draft report will also appear on the Commission’s next meeting agenda. Administrator Ching encouraged the Commission to approve the report as the deadline to get the report to the Mayor and the Council is by the end of 2024. 	

SUBJECT	DISCUSSION	ACTION
	<ul style="list-style-type: none"> • All budgetary requests are typically due to the Mayor in December, so the Commission’s report should be transmitted by that time if the Commission intends to have any impact on budgetary decisions made moving forward. • Administrator Ching acknowledged Mr. Shimonishi for his reports on lapsed funds and the Council’s budget and based the recommendations on the recommendations contained within those reports from previous meetings of the Commission. <p>Mr. Rodighiero thanked Administrator Ching for the work that she did on the report. Administrator Ching reminded the Commission that the November meeting may be the last meeting of the year as in December, many people are traveling or have family commitments, and it is hard to obtain quorum for meetings.</p> <p>Mr. Rodighiero suggested pushing the item to the next meeting so that Chair Lister can be present, and the entire Commission can vote on the final report that is submitted.</p> <p>Ms. Waikoloa stated that she may not be able to make the next meeting.</p> <p>Ms. Waikoloa stated that the Commission had the intention of looking at the duplication of services but felt that the Commission never really had a chance to dive into the issue. She asked whether the Commission does not understand the data or if the lack of recommendations is any indication as to whether the Commission was doing what they are tasked with or not. Administrator Ching responded that the duties of the Cost Control Commission are overwhelming given the amount of data that must be reviewed and understood. Administrator Ching further noted that the</p>	

SUBJECT	DISCUSSION	ACTION
	<p>Commission may want to consider discussing at the November meeting mapping out a schedule for the following year of items that they want to review, which is on top of the Charter-mandated requirements of the Commission. Furthermore, Administrator Ching recommended that the Commission could decide on how best to approach the issue of identified overlapping services or other possible recommendations as they map out the forthcoming year.</p> <p>Mr. Rodighiero stated that he is glad that Administrator Ching did not attach all the items to the report and that if anyone requests the information, it could be provided at that time. Administrator Ching noted that she would insert a statement that if any of the information is of interest, that the Mayor or the Council could request it from the Office of Boards and Commissions.</p> <p>Vice Chair Luck stated that a member of the public may want to request the informational materials. Administrator Ching responded that the Annual Reports are posted on the Commission's webpage.</p> <p>Mr. Donahoe noted that much of the information reviewed by the Commission is already public record so a member of the public could always request to receive that information or view it through a UIPA Request.</p> <p>Vice Chair Luck stated that the lapsed fund issue was a little hard for her to understand and wondered if the narrative should be described in Layman's term for the public. Furthermore, Vice Chair Luck stated that the accompanying charts in Appendix #1 were also difficult to understand at first glance. Though the Council may understand it, putting in additional</p>	

SUBJECT	DISCUSSION	ACTION
	<p>narrative about why the Council should be looking at the lapsed funds closer may be helpful to their review. Administrator Ching clarified that there are two recommendations related to lapsed funds. The first included doing a mid-year resolution as an internal process and the second was having a secondary review of the Council Services' budget, though both are intertwined. Administrator Ching noted that the final report ultimately is transmitted to the Council, so she tried to make the recommendations as tactful as possible being that the recommendations directly involve their budget and oversight authority.</p> <p>Mr. Rodighiero asked if the report would be received by the current Council or the newly elected Council. Administrator Ching stated the final report would be transmitted in December.</p> <p>Mr. Rodighiero suggested possibly modifying Appendix #2 with quotations to reflect the Commission's response to the various requests. Mr. Donahoe concurred that the quotations would signify direct language. Administrator Ching stated that she would work on the final formatting and would be tweaking the report based on comments received during the meeting.</p> <p>Administrator Ching noted that under Recommendation II on Page 2 of the report, she will replace "C's" with "Council Services'." Mr. Donahoe stated that for Recommendation II it is key to note that under Charter Section 3.12, the Council has significant discretion, ability, power, and authority that is laid out in the Charter for the review and for departmental review of budgets to move the County forward in the most efficient and effective way possible. Mr. Donahoe's advice would be to soft-pedal the recommendation because you do not want to conflict with the direct Charter authority that is given to another agency or body. Administrator</p>	

SUBJECT	DISCUSSION	ACTION
	<p>Ching stated that if she were to play out the scenario, she could foresee the Council asking the Cost Control Commission to review their budget as a secondary review.</p> <p>Administrator Ching clarified for the Commission that the report would be transmitted to the Council in December. Thereafter, the Council would place the report on the agenda whereby the Administrator and Commission Chair could possibly appear to answer any questions that the Council might have. There will be an agenda item on the November agenda for the Commission to select a spokesperson to appear before the Council. Mr. Donahoe offered his services should the selected representative need assistance in preparation for the Council hearing. Mr. Rodighiero stated that he feels Chair Lister might be the right person for the Council Meeting.</p> <p>Mr. Pancho thanked Administrator Ching for preparing the draft report as it reflects the hard work that the Commission has done in the past year. Administrator Ching acknowledged the hard work that the Commission has done and again reiterated her appreciation for the Department of Finance given all the turnover they have had in the Director's position as well as their normal workload to respond to the Commission's requests.</p>	<p>No motion was made, or action taken, relating to this agenda item.</p>
<p>Executive Session</p>	<p>Under HRS§ 92-7(a), the Commission may, when deemed necessary, hold an executive session on any agenda item without written public notice if the executive session was not anticipated in advance. Any such executive session shall be held under HRS § 92-4 and limited to those described in HRS §92-5(a).</p>	<p>There were no items for the Executive Session.</p>

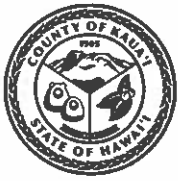
SUBJECT	DISCUSSION	ACTION
Adjournment		Mr. Pancho moved to adjourn the meeting. Vice Chair Luck seconded the motion. Motion carried 4:0. There being no objections, the meeting was adjourned at 10:32 a.m.

Submitted by: _____
Mercedes Omo, Staff Support Clerk

Reviewed and Approved by: _____
Andre Lister, Chair

() Approved as circulated on

() Approved as amended. See minutes of _____ meeting.



COST CONTROL COMMISSION

ANDRE LISTER, CHAIR
ALICE LUCK, VICE CHAIR

PAUL PANCHO, MEMBER
TYLER RODIGHIERO, MEMBER
STACY WAIKOLOA, MEMBER
VACANT, MEMBER

COST CONTROL COMMISSION 2024 Annual Report

Overview

Established by Charter in 1988, the goal of the Cost Control Commission is to reduce the cost of county government while maintaining a reasonable level of public services.

The Cost Control Commission is charged with the responsibility to review and scrutinize personnel costs, real property taxes, travel budgets, and contract procedures with the intent of eliminating, consolidating, or reducing overlapping or duplicate County services and programs. The Commission is empowered to secure, through the Office of the Mayor or the Chairman of the Council, any reports or information from their respective departments or employees that are appropriate to accomplish its work.

The Commission has conducted XX (X) regular meetings in the 2024 calendar year and is hereby submitting its Annual Report which will be advertised as required in Section 28.05 of the Kaua'i County Charter.

I. RELATING TO BUDGETING

Over the past year, the Commission initiated a review of departmental budgets and expenditures.

Findings:

- A. The FY24 Operating Budget included a \$3M appropriation in the Finance/Real Property Assessment (account 001-0507-512.58-00 Contributions and Refunds). The appropriation provided a budget to process any refunds resulting from "Ordinance 1146, Bill 2891 – Residential Investor Tax Credit 2022 and 2023 Tax Year."
- B. The appropriation was approved through the passage of the Operating Budget Ordinance.
- C. As of the mid-year point, this account has had \$0 expenditures and budget transfers totaling \$1,095,000 out of this account for the following: \$100,000 to Travel to assist with the Maui Wildfires, \$436,000 for Insurance Premium increases, \$520,000 for potential claims, and \$9,000 for Air Conditioning related to the Kapaa DMV office server room.

- D. Secondly, in the FY24 Operating Budget, \$1M was included in the Council Services budget for "Council Assistance". During the budget hearings, the only explanation provided was that the item would be discussed later and decided upon.
- E. On Oct. 4th, 2023, the Council passed on second reading an ordinance amendment, utilizing \$400,000 of the \$1M for "Constituent Staff, Social Security Contribution, & Computer Peripherals/Supplies" for four (4) Council members.

No mention was made of the remaining \$600,000 or its intended use. Since the remaining Council Members did not opt for personal Constituent Staff positions, it would appear the remaining funds could have been defunded or re-appropriated to other uses. This will likely contribute to an increased lapse percentage in the unencumbered budget balance as noted in the attached chart appendix.

- F. For the FY25 Operating Budget submission, \$1M was included in the Council Services budget in the form of \$300,000 for Constituent Staff and \$700,000 for "Council Assistance". There were no discussions on these items during the Council budget hearings.

Recommendation I:

The Cost Control Commission strongly recommends adopting a mid-year resolution as an internal process for significant line-item appropriations that lack justification or the likelihood of being expended or encumbered by year-end. This recommendation is ultimately aimed at encouraging departments to budget wisely and conservatively as well as to allow for additional focus and transparency in the budgeting process.

Recommendation II:

Consider a process whereby there is a secondary review of the Council Services' budget besides the review by the County Council.

It appears as an inherent systemic weakness, where there are no checks and balances in the process, where the legislative body that prepares its own budget, also approves its own budget.

The Commission reviewed and discussed the following matters*:

- Abandoned/Derelict Vehicle towing contract and the resource recovery contract
- Real Property Tax Appeals (5 years)
 - ◆ Number of appeals filed
 - ◆ How many appeals were filed for valuation vs. exemption
 - ◆ Number of resident investors that are Kaua'i residents vs. off island
- Overview of Contract Procedures
- Outstanding Tax Balances for each Tax Classification per year
- Feasibility of the Real Property Tax Division using Paperless Billing Statements

- Travel budgets (6 years)
 - ♦ By department and division
 - ♦ Month to month travel expenditures per department
 - ♦ Process and procedures to obtain travel approval
 - Council Budget and Expenditures (6 years)
 - Lapse funds Related to Vacancies (6 years)
 - CIP Budget by Department and Project Description (2 years)
 - ♦ Top 10 current CIP projects that are over budget and/or delayed
 - ♦ Name of contractors
 - ♦ Number of contracted firms with Public Works
 - Printer/Copiers
 - ♦ Number of Printer/Copier contracts
 - ♦ Number of Printer/Copiers per department
 - ♦ Number of stand-alone printers per department and associated costs
 - Employees Under Investigation
 - ♦ Number of employees under investigation on paid leave
 - ♦ Leave length of time
 - ♦ Cost of the leave
 - ♦ Policy related to additional employment while on leave
 - ♦ Policy related to accrual of sick leave, vacation, salary increases, and years of service for retirement while on leave
 - Expenditure Report by Department Summary (5 years)
 - ♦ Expenditures of Fund Summary
 - ♦ Other Post Employment Benefits
 - ♦ Budget for FY 2025
 - Real Property Tax Collections (5 years)
- *copies of any of the listed materials above are available upon request.

The members of the Commission would like to thank Department of Finance and the Directors of Finance Michelle Lizama, and Chelsie Sakai, Ken Shimonishi, Ernest Barreira, Mike Hubbard, the Human Resources Department and Director Annette Anderson, the Office of the Mayor and Mayor Kawakami, Keith Perry, the Office of the County Attorney and the County Attorney Matthew Bracken, the Police Department and Chief Raybuck and Elliot Ke.

Respectfully Submitted:

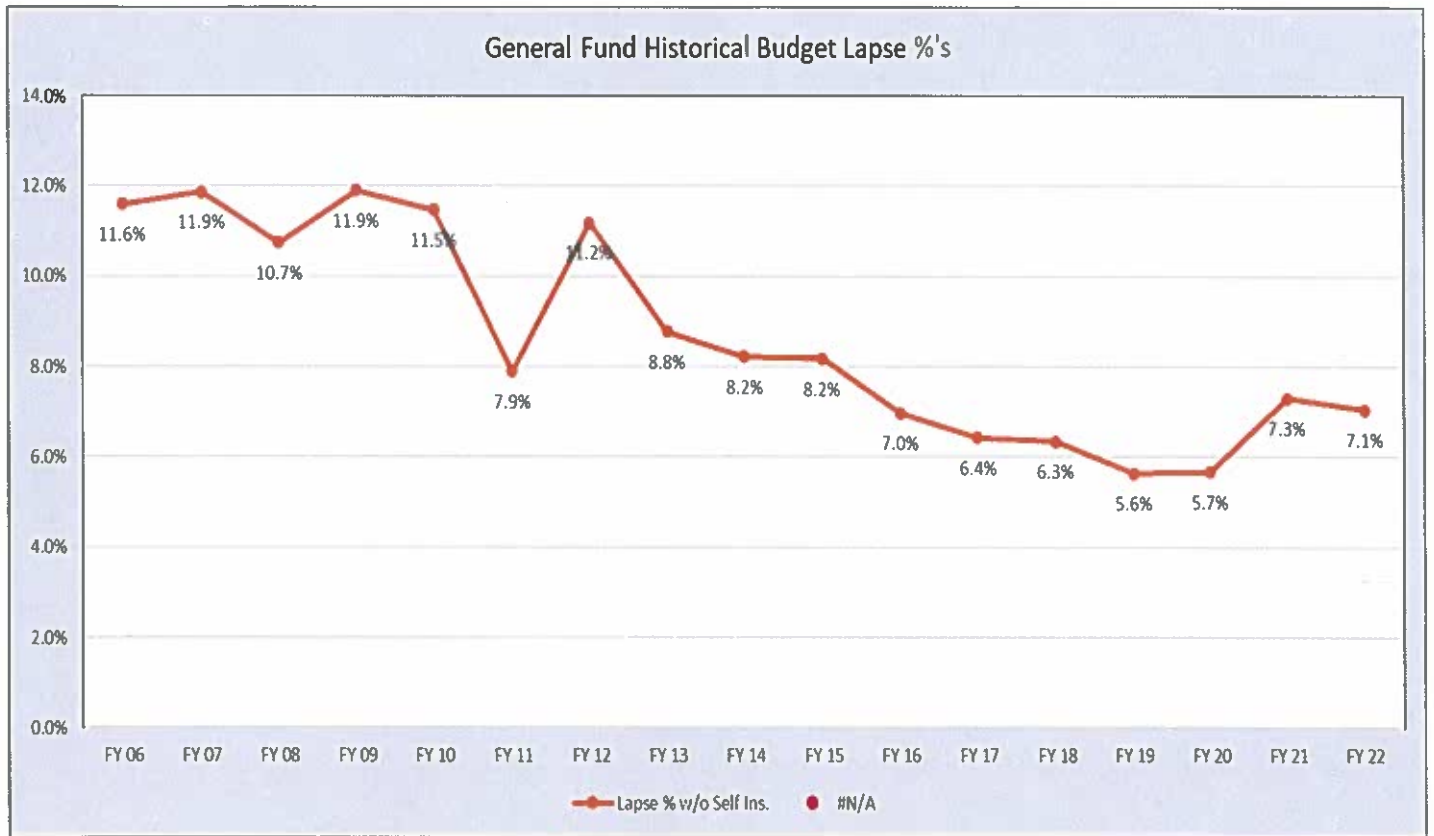
Andre Lister, Chair
Kauai County Cost Control Commission

APPENDIX #1 – Historical Lapse Charts

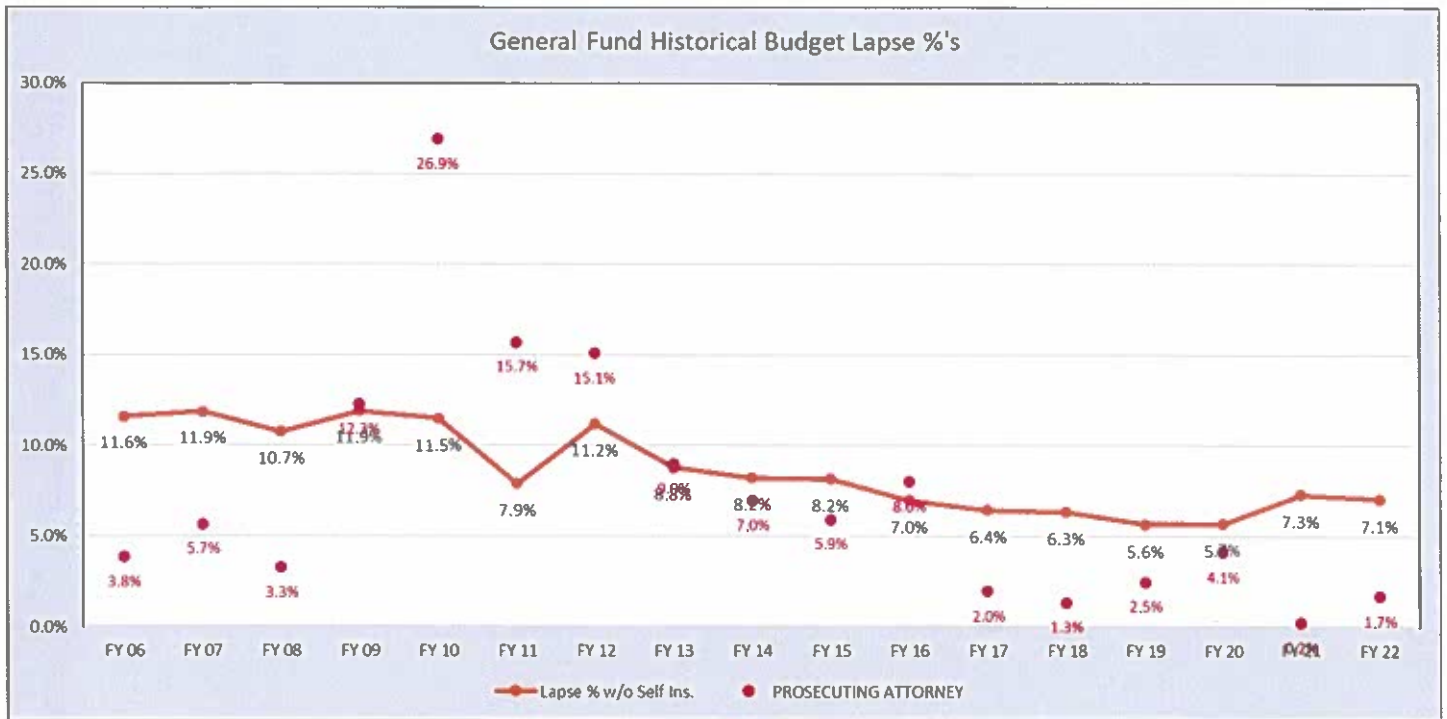
Chart of the Historical General Fund “Lapse %” by fiscal year. Lapse represents the amount of budget dollars that were not expended or encumbered by year end, i.e. unencumbered budget. A consistent “higher” lapse %, likely indicates excess budget being available.

$$\text{Lapse \%} = \frac{\text{Unencumbered Budget}}{\text{Final Annual Budget}}$$

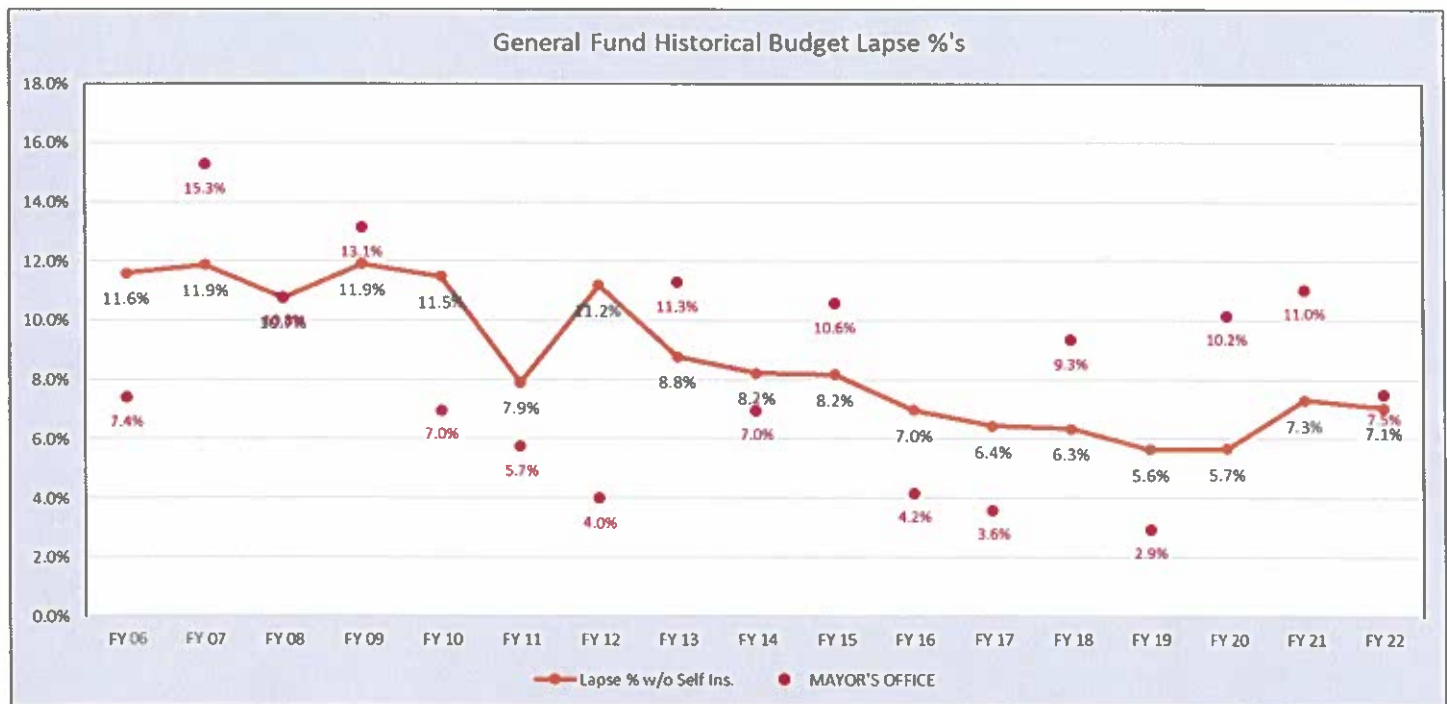
General Fund Overall Lapse % Without Self-Insurance



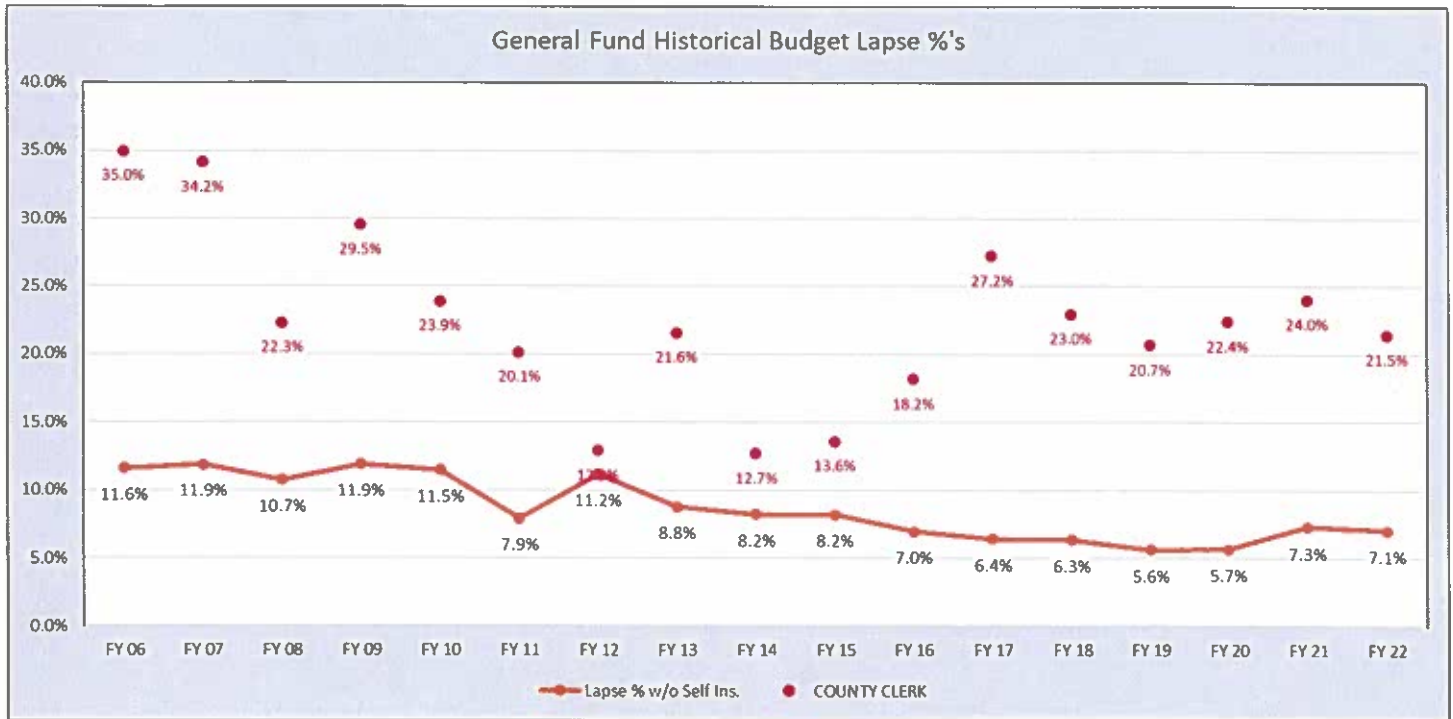
Prosecutor Lapse % (Based on FY22 Final Annual Budget - \$5.5M)



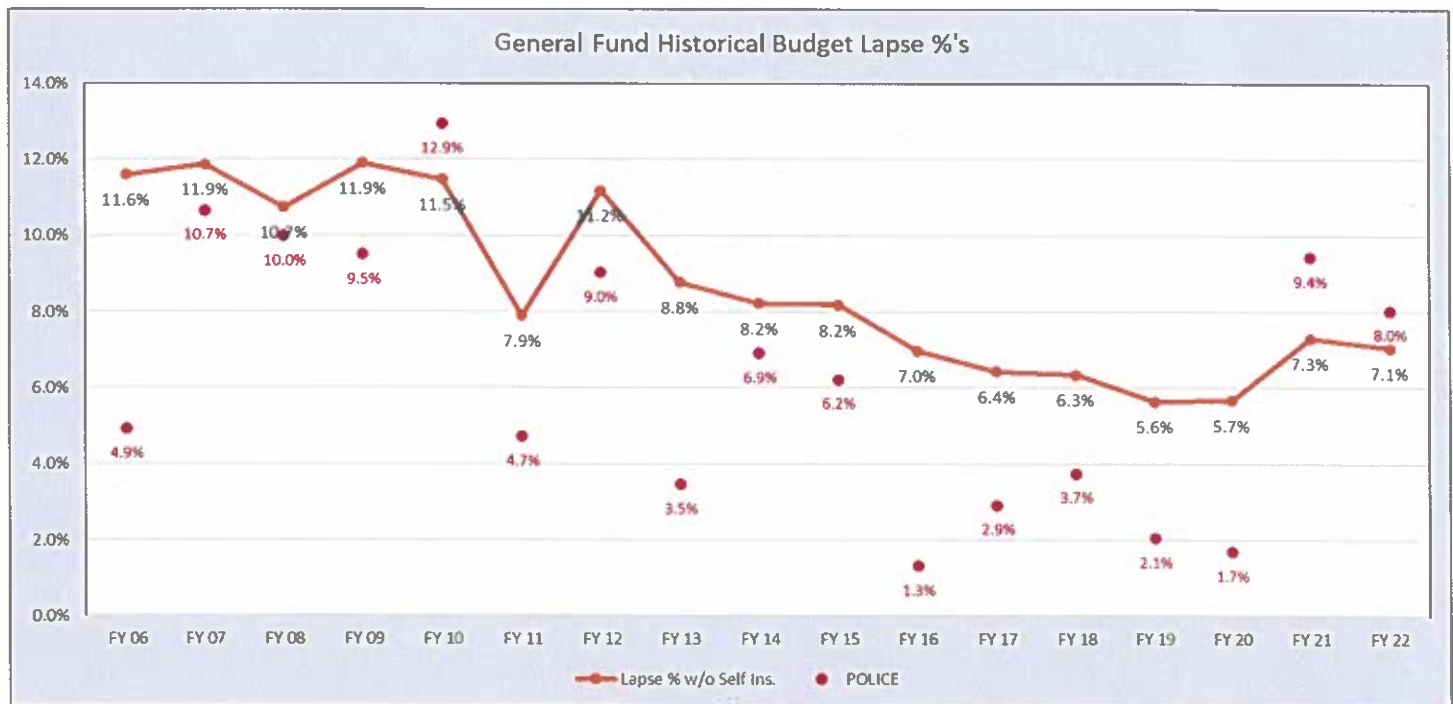
Office of the Mayor Lapse % - (Based on FY22 Final Annual Budget - \$3.1M)



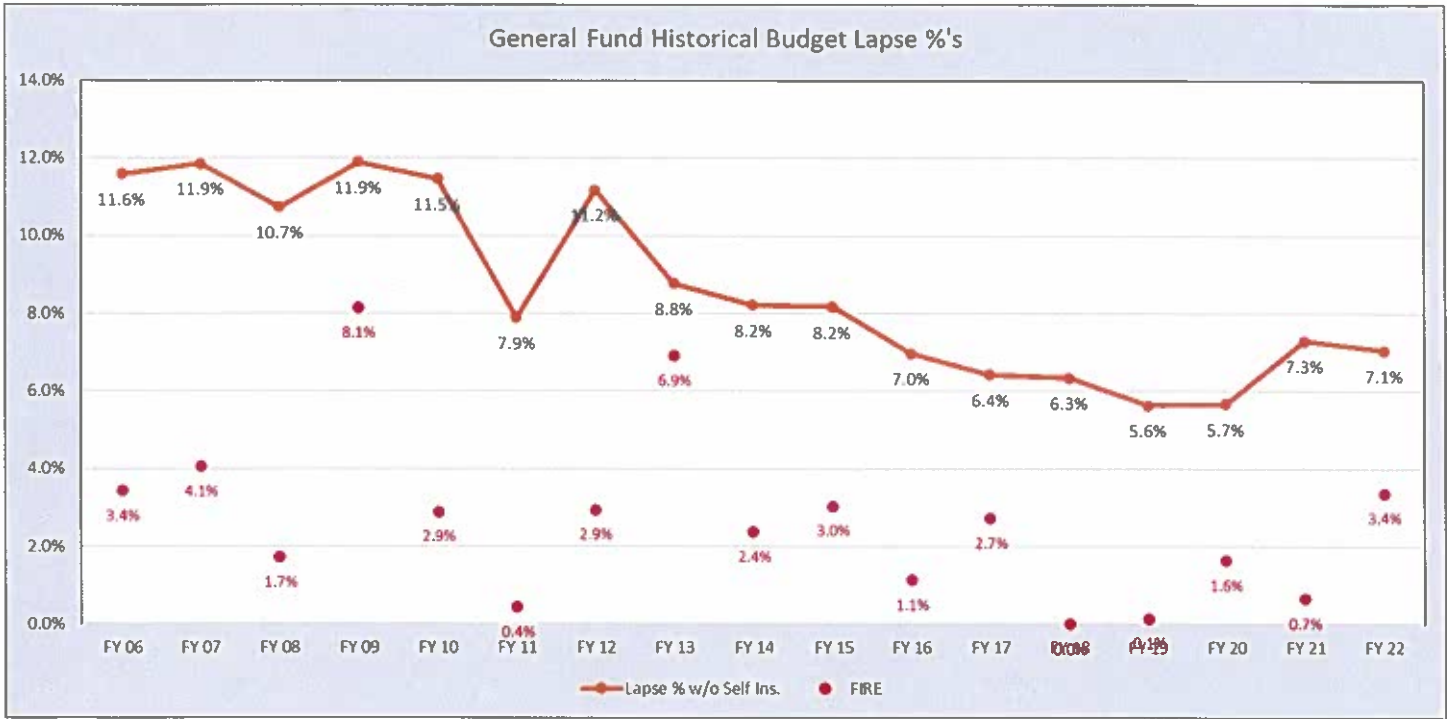
Office of the County Clerk Lapse % - (Based on FY22 Final Annual Budget - \$4.9M)



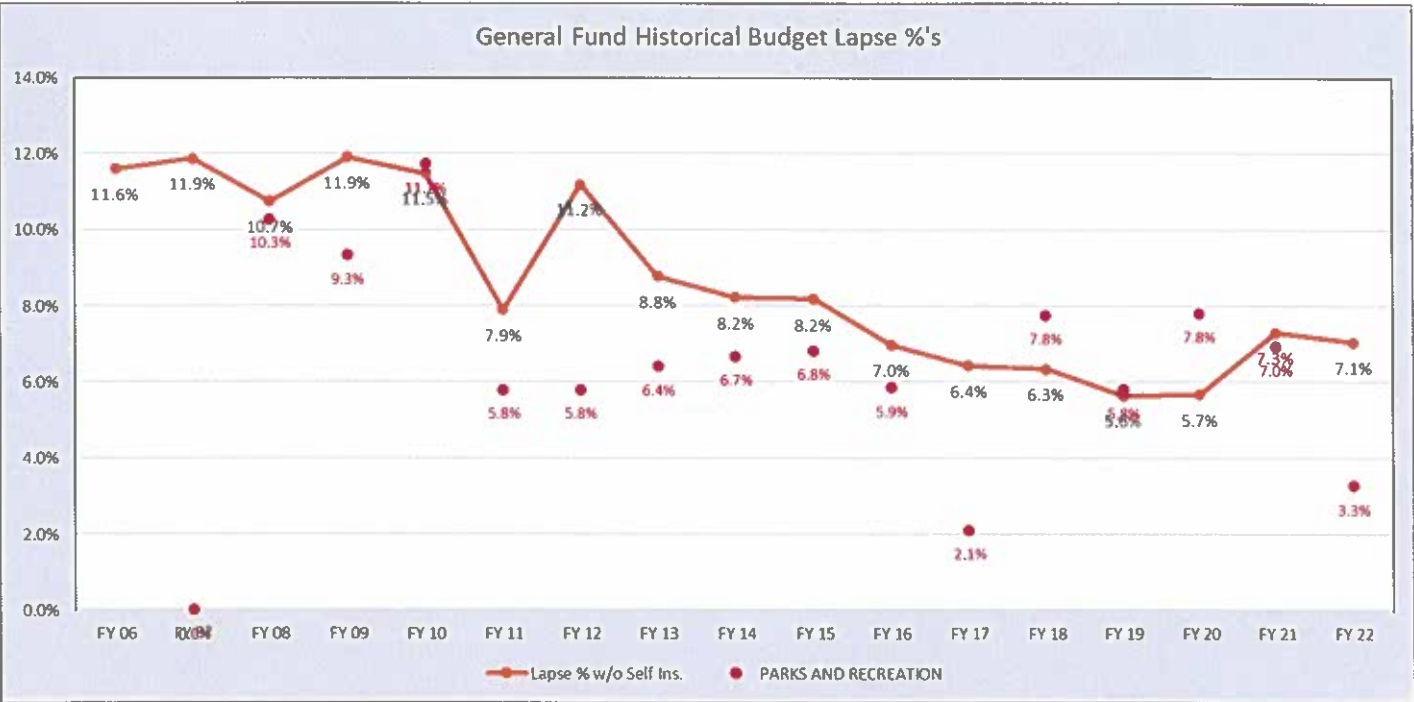
Police Department Lapse % - (Based on FY22 Final Annual Budget - \$41.6M)



Fire Department Lapse % - (Based on FY22 Final Annual Budget - \$37.2M)



Parks & Recreation Department Lapse % - (Based on FY22 Final Annual Budget - \$24.2M)



Appendix #2 – Reviewed Materials List

As indicated below the Commission reviewed many areas of County operations. All the information provided was considered and evaluated for any cost containment measures. The two recommendations in this report were a result of a discussion of the highlighted items, Council Services Budget and Expenditures, and Lapse Funds Related to Vacancies. A brief statement in red is included under each bullet regarding the Commission's findings.

- Abandoned/Derelict Vehicle towing contract and the resource recovery contract
Given the realities of the issue, available/reliable contractors and legal procedures, Commission determined that there were no recommendations to be made.

- Real Property Tax Appeals (5 years)
 - ◆ Number of appeals filed
 - ◆ How many appeals were filed for valuation vs. exemption
 - ◆ Number of resident investors that are Kaua'i residents vs. off island*Commission determined that there was no recommendation to be made.*

- Overview of Contract Procedures
Given the parameters are primarily set by State law, the Commission determined there were no recommendation to be made.

- Outstanding Tax Balances for each Tax Classification per year
For information purposes only, the Commission determined there was no recommendations to be made.

- Feasibility of the Real Property Tax Division using Paperless Billing Statements
The Commission determined that the Real Property Division is already using paperless notices as much as feasible and possible thus, there were no recommendations to be made.

- Travel budgets (6 years)
 - ◆ By department and division
 - ◆ Month to month travel expenditures per department
 - ◆ Process and procedures to obtain travel approval*The Commission determined that the County's travel expenditures were comparatively minor relative to the entire budget and the policies on travel approval was adequate and appropriate, thus there were no recommendations to be made.*

- Council Services Budget and Expenditures (6 years)
The Commission determined that there were potential cost savings to be realized which led to Recommendations I and II.
- Lapse Funds Related to Vacancies (6 years)
The Commission determined that there were potential cost savings to be realized which led to Recommendations I and II.
- CIP Budget by Department and Project Description (2 years)
 - ♦ Top 10 current CIP projects that are over budget and/or delayed
 - ♦ Name of contractors
 - ♦ Number of contracted firms with Public Works

The Commission determined that the appropriate time to realize cost savings was during the budget process in the approval or denial of capital improvement projects vs. once a project has been approved, thus there were no recommendations to be made.
- Printer/Copiers
 - ♦ Number of Printer/Copier contracts
 - ♦ Number of Printer/Copiers per department
 - ♦ Number of stand-alone printers per department and associated costs

The Commission determined the County already had measures in place to phase out the cost inefficiencies of stand-alone printer/copiers thus, there were no recommendations to be made.
- Employees Under Investigation
 - ♦ Number of employees under investigation on paid leave
 - ♦ Leave length of time
 - ♦ Cost of the leave
 - ♦ Policy related to additional employment while on leave
 - ♦ Policy related to accrual of sick leave, vacation, salary increases, and years of service for retirement while on leave

The Commission determined that budget impact was not significant thus, there were no recommendations to be made.
- Expenditure Report by Department Summary (5 years)
 - ♦ Expenditures of Fund Summary
 - ♦ Other Post Employment Benefits
 - ♦ Budget for FY 2025

The Commission received the information, but no recommendations were made at this time.
- Real Property Tax Collections (5 years)
The Commission received the information, but no recommendations were made at this time.